



**Committee:** BUDGET AND PERFORMANCE PANEL

**Date:** TUESDAY, 12 JULY 2016

**Venue:** LANCASTER TOWN HALL

**Time:** 6.10 P.M.

## A G E N D A

1. **Apologies for Absence**

2. **Appointment of Vice-Chairman**

To Appoint a Vice-Chairman for the duration of the 2016/17 Municipal Year.

In accordance with Part 3, Section 11 of the Constitution, the holder of this appointment may not come from the largest political group on the Cabinet.

3. **Minutes**

Minutes of the Meeting held on 23<sup>rd</sup> February 2016 (previously circulated).

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

5. **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 9 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.

6. **Repairs and Maintenance of Council Housing (Pages 1 - 42)**

Report of the Chief Officer (Environment).

Members of the Overview and Scrutiny Committee have been invited to attend for this item.

7. **Provisional Revenue, Capital and Treasury Management Outturn 2015/16** (Pages 43 - 74)

Report of the Financial Services Manager.

8. **Business Travel Plans** (Pages 75 - 85)

Report of the Chief Officer (Environment).

Item deferred from the previous Panel meeting.

9. **Work Programme Report** (Pages 86 - 90)

Report of Chief Executive.

## **ADMINISTRATIVE ARRANGEMENTS**

**(i) Membership**

Councillors Dave Brookes (Chairman), Sam Armstrong, Andrew Gardiner, Janet Hall, Tim Hamilton-Cox, Roger Sherlock, Susan Sykes, Oscar Thynne and Phillippa Williamson

**(ii) Substitute Membership**

Councillors Ron Sands, Andrew Warriner, John Wild, Nicholas Wilkinson and Peter Williamson

**(iii) Queries regarding this Agenda**

Please contact Sarah Moorghen, Democratic Services - telephone 01524 582132 or email [smoorghen@lancaster.gov.uk](mailto:smoorghen@lancaster.gov.uk).

**(iv) Changes to Membership, substitutions or apologies**

Please contact Democratic Support, telephone 582170, or alternatively email [democraticsupport@lancaster.gov.uk](mailto:democraticsupport@lancaster.gov.uk).

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

Published on Thursday 30<sup>th</sup> June 2016.

|                                     |
|-------------------------------------|
| <b>BUDGET and PERFORMANCE PANEL</b> |
|-------------------------------------|

**Repairs and Maintenance of Council Housing  
12<sup>th</sup> July 2016**

**Report of Chief Officer (Environment)**

|                          |
|--------------------------|
| <b>PURPOSE OF REPORT</b> |
|--------------------------|

|   |
|---|
| To provide the Panel with information on the performance of the Council Housing repairs and maintenance function. |
|---|

|                              |
|------------------------------|
| <b>This report is public</b> |
|------------------------------|

**RECOMMENDATIONS**

**(1) That the Panel considers the information provided and considers how it wants to monitor the performance of this service area in the future.**

**1.0 Introduction**

1.1 The panel have asked for information on the performance of the Council Housing repairs and maintenance function.

1.2 As this covers a range of activities and functions for the purpose of the meeting the following information is provided-

- APSE report on repairs and maintenance - APPENDIX 1
- Briefing Note from Chief Officer (Environment)- APPENDIX 2
- Background presentation- at the meeting

**2.0 Details**

2.1 The Panel is requested to consider the information provided and determine how it wants to monitor the performance of this service area in the future.

|  |
|--|
| <b>CONCLUSION OF IMPACT ASSESSMENT</b> |
|--|

|   |
|---|
| <b>(including Health &amp; Safety, Equality &amp; Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)</b> |
|---|

|    |
|----|
| NA |
|----|

|                           |
|---------------------------|
| <b>LEGAL IMPLICATIONS</b> |
|---------------------------|

|   |
|---|
| None as a direct results of this report |
|---|

**FINANCIAL IMPLICATIONS**

Financial performance aspects are covered in the attachments and presentation, and the overall outturn regarding repair and maintenance services is referred to elsewhere on the agenda. Such information, and the linkages with operational performance, are areas to build upon in support of considering value for money.

**OTHER RESOURCE IMPLICATIONS**

**Human Resources / Information Services:**

See comments elsewhere in the report and appendices

**Property:**

NA

**Open Spaces:**

NA

**SECTION 151 OFFICER'S COMMENTS**

The s151 Officer has been consulted. From her perspective, challenging vfm, determining how best it can be secured (through whatever delivery model), and what investment (in time, money, skills and any other resources) might be required in order to secure it, are her primary concerns at this time. It is envisaged that these matters would be addressed at a high level through the proposed commissioning of KPMG in due course.

It is unclear at this stage, however, where any such investment fits alongside competing work demands and priorities and this too will need addressing. Whilst RMS may be viewed as a specific function, it requires input from a range of council services and in particular, it has very specific and complex demands from an ICT/ business process perspective. These requirements have knock-on implications for the future progression of other planned corporate system developments and process re-engineering.

Whilst it is apparent that there are many improvements that can be made in the short term and there is some evidence that this is starting to happen, progress in future will need to be quicker, better focused, and sustained. The service's management infrastructure (including ICT systems) and other softer aspects need to be fundamentally overhauled in the s151 Officer's view, in order to ensure such progress.

**MONITORING OFFICER'S COMMENTS**

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

**BACKGROUND PAPERS**

**Contact Officer:** Mark Davies  
**Telephone:** 01524 582401  
**E-mail:** mdavies@lancaster.gov.uk  
**Ref:**



# Initial Diagnostic Review of the Repairs and Maintenance Service

Report for Lancaster City Council

This report has been prepared by Peter Moffatt in October 2015.

Version 3.0 - FINAL



GB 11409

GB 11132

GB 14074



APSE (Association for Public Service Excellence) is a not for profit local government body working with over 300 councils throughout the UK. Promoting excellence in public services, APSE is the foremost specialist in local authority front line services, hosting a network for front line service providers in areas such as waste and refuse collection, parks and environmental services, leisure, school meals, cleaning, housing and building maintenance.

APSE provides services specifically designed for local authorities, such as benchmarking, consultancy, seminars, research, briefings and training. Through its consultancy arm APSE delivers expert assistance to councils with the overt aim of driving service improvement and value for money through service review and redesign. APSE delivers in excess of 100 projects a year and clients benefit from the **consultancy's not for profit ethical approach to consultancy services.**

# Initial Diagnostic Review of the Repairs and Maintenance Service

## Report for Lancaster City Council

### Contents

|   |    |
|---|----|
| 1.0. Executive summary .....                    | 4  |
| 2.0. Introduction/Purpose .....                 | 6  |
| 3.0. Baseline: Current Scale and Context .....  | 7  |
| 4.0. Current Performance .....                  | 10 |
| 5.0. Diagnostic Workshop, 5 October 2015 .....  | 17 |
| 6.0. Findings.....                              | 23 |
| 7.0. Conclusion.....                            | 26 |
| 8.0. Recommendations .....                      | 26 |
| Appendix 1 Performance networks report.....     | 28 |
| Appendix 2 In house performance indicators..... | 29 |
| Appendix 3 Workshop Agenda .....                | 32 |
| Appendix 4 Workshop Attendance List.....        | 33 |

Association for Public Service Excellence  
2<sup>nd</sup> floor Washbrook House  
Lancastrian Office Centre  
Talbot Road, Old Trafford  
Manchester M32 0FP  
Telephone: 0161 772 1810  
Fax: 0161 772 1811  
Email: [enquiries@apse.org.uk](mailto:enquiries@apse.org.uk)  
Web: [www.apse.org.uk](http://www.apse.org.uk)

## 1.0. Executive summary

- 1.1 In August 2015, the Council asked APSE to conduct an initial diagnostic exercise on its Housing Repairs & Maintenance Service (RMS), **as part of the Council's overall follow up** to its 2015 Peer Review.
- 1.2 The report below is the outcome of this initial diagnostic exercise, which involved **6 days'** input by APSE, including:
  - Benchmarking analysis via APSE Performance Networks
  - Document review
  - Diagnostic workshop with a cross-section of RMS, Housing, and Finance employees.
- 1.3 The purpose of this initial diagnostic work is to highlight areas that may usefully be followed up in more detail, to achieve service improvement, based on the evidence provided to APSE in the source material listed above.
- 1.4 APSE would like to thank the Council and its employees for their prompt responses to requests for information during this exercise.
- 1.5 The **exercise focussed mainly on the core work of RMS's in-house team**, Response repairs, including to void properties, mindful of the wider mixed economy of repairs provision in Lancaster, including Partner organisations, and externally procured works.
- 1.6 The exercise found:
  - Timeliness of repairs is an issue, linked to capacity (i.e. size of the organisation) to deal with regularly recurring volumes of work.
  - Overall value for money (for the whole service, in-house and partnered/externally procured) was currently uncertain, in the absence of up to date external benchmarking data.
  - Some diseconomies of scale are inevitable, given the comparatively small scale of the **Council's housing stock**.
  - Absence of up to date benchmarking extends beyond costs, to general indicators of performance/overall value for money. The main recommendation of this report is that the service engages actively in key external benchmarking networks, to sustain quality and value.
  - Customer satisfaction with the service, although running at 76-90% depending on the method of measurement, appears to be starting to lag behind that of comparable Social Landlords.
  - People-related indicators are very positive indeed. The service has the lowest rate of sickness absence, UK-wide, for 2013/14, the last year for which comparative figures are available.



- The service also scores highly on Quality Assurance and consultation factors.
- There is clear evidence of modern building maintenance management processes being adopted, e.g. mobile working, straight to site operation/vehicles home, etc. These measures help offset the diseconomies of scale, and the geographical dispersion of Housing stock issues that face the service.
- No significant work quality or safety issues were identified in the exercise.
- Diligent budget monitoring and housekeeping processes appear to be embedded in the service.
- A main finding of the exercise is that an unusually positive attitude exists, at all levels of the service, to embrace change, to address issues, and improve the service over time.

1.7 The recommendations of the report are included immediately below this executive summary, for ease of reference.

### Recommendations

- 1.8 It is recommended that:
- 1.9 Key benchmarking network data, i.e. Performance Networks, House Mark, and, subject to Health & Housing service agreement, STAR reporting, be updated and submitted, **and this activity be included as a routine task in the service's annual work programme.**
- 1.10 As part of this process, an RMS representative attends **APSE's Performance Networks** Advisory Group for Building Maintenance, held seasonally in Manchester, on a routine basis, to share data issues, and current best practice with their peers.
- 1.11 **The service's overall costs be benchmarked against similar sized Social Landlords, ideally** including a basket of commonly recurring works.
- 1.12 Subject to the outcome of recommendations of 1.9 and 1.11 above, and any subsequent steps to address any immediate cost anomalies, consideration be given to up-scaling the level of in-house labour available to deal with day to day Response repairs, including to Void properties. Any up-scaling to be managed on a phased basis, and subject to operational trials, to minimise service risk.
- 1.13 The service aims to increase the number of works offered by appointment, both by its in-house teams, potentially augmented as above, and its Partner organisations and contractors/sub-contractors, against an ideal standard of all non-emergency works eventually being offered by appointment.
- 1.14 To support implementation of recommendation 1.13 above, **the service's existing** computer systems be refreshed in terms of data held and functionality, in particular the Repairs Finder component.
- 1.15 To support recommendations 1.13 and 1.14 above, appropriate levels of hand held technology be added to the services existing stock, and the users trained in their use.
- 1.16 Working Group(s) be set up to review the processes currently used to deliver Day to Day response repairs to tenanted properties and Voids, with a view to streamlining these

processes, and limiting inspections to those which add value and/or avoid problems downstream.

- 1.17 Other aspects of the overall Repairs and Maintenance service, e.g. Planned Works, Capital Works, Partnered, contracted out, and subcontracted operations be examined in similar vein to Response repairs including Voids, to ensure the Council attains optimum performance from RMS overall, to fulfil its role as an Ensuring Council to maximum effect.

## 2.0. Introduction/Purpose

- 2.1 Following a Peer Review of the Authority in 2015, and the local and general elections of May 2015, Lancaster City Council (the Council), as part of its follow up to the Peer Review, decided to look at how it could best direct, place, and structure its Council Housing Repairs and Maintenance Service (RMS), going forward.
- 2.2 To assist in initiating this process, the Council approached APSE, to provide an initial **external** 'critical friend' perspective on the service.
- 2.3 Following discussions and correspondence between APSE and the Council, it was agreed that APSE would undertake an initial short 'diagnostic' exercise, to begin to form an impartial view of the current status, and issues facing, the Repairs and Maintenance Service.
- 2.4 This report contains the findings of this initial diagnostic exercise, including a set of emerging recommendations for further follow up action.
- 2.5 Due to the limited nature of **this initial diagnostic exercise (6 days' input from APSE)**, the focus has been on the in-house component of repairs delivery, centred on the traditional core work of Day to Day Response Repairs, Voids, and some planned schemes (funded from revenue and capital).
- 2.6 This initial diagnostic exercise has, however, remained mindful of the larger context within which repairs are delivered, including the repairs and improvements to the Council's **housing stock** delivered by Partner organisations (e.g. Forrest, Emcor, etc), and other external providers.
- 2.7 APSE is also mindful of the wider strategic context in which the Council is seeking to develop the quality of life within the district and the wider region, as an Ensuring Council, operating in an age of continuing austerity in local government, and the important contribution of housing repairs to this wider context.
- 2.8 The findings and emerging recommendations of this report are based on feedback from Council employees, primarily via:
  - APSE Performance Networks (PN) returns for 2013/14, benchmarking the service **against other authorities' Repairs and Maintenance organisations. Comparisons are drawn both with authorities of comparable size/nature, and all respondents, UK-wide.**
  - External benchmarking undertaken by the Council via the STAR reports, up to 2013, and associated House Mark data.

- Internal performance management data (e.g. costs, timeliness, quality, safety, workforce/HR, vehicle and customer satisfaction data), gathered by the Council as part of its normal day to day management of the service.
  - A diagnostic workshop held on 5 October 2015 at Morecambe Town Hall, attended by a **representative** 'diagonal slice' of RMS and Housing employees, including managerial, technical, administrative, financial, and front line operational staff.
- 2.9 **Feedback from Council employees to APSE's requests for data has been prompt and thorough.** APSE would like to thank the Council and its employees for this as it has enabled this initial diagnostic exercise to form some clear findings and emerging recommendations for further action, within the required timescale.
- 2.10 Initial findings and emerging recommendations are contained in the report and Appendices below, and are summarised in the Executive Summary above.

### 3.0. Baseline: Current Scale and Context

- 3.1. **Lancaster City Council's area includes a population of 138,000, distributed across the main urban areas of Lancaster, Morecambe/Heysham, and Carnforth, and outlying settlements in an extensive rural hinterland.**
- 3.2. There are 58,000 households within the area, of which 3,783 are currently Council tenancies. These 3,783 Council tenancies are the remainder of an approximate 7,500 original Council properties, the balance routinely having been disposed of under Right to Buy legislation.
- 3.3. Council housing therefore currently accommodates approximately 6.5% of households, a comparatively small proportion for a north-west English district. This is reflected in the overall scale of the Repairs and Maintenance service.
- 3.4. The geographical spread of the district, and the comparatively small scale of the housing stock, generate some pressures and diseconomies of scale on the Repairs service, when seeking to achieve optimum efficiencies and value for money in its operations.
- 3.5. RMS operates out of a central depot at White Lund, shared with other operational services within the Environmental Services group (Waste Collection, Grounds Maintenance, etc.) There are sub-depots at York Road, Cedar Road, and Shakespeare Road, but in effect these consist of basic welfare facilities.
- 3.6. RMS are acutely aware of the diseconomies of scale and geographical dispersal challenges that they face, and have sought to counteract these by adopting modern building maintenance **management processes, including** 'direct to site' working, mobile computer controlled working using hand-held technology, and 'vehicles home' fleet management, where appropriate.
- 3.7. Within the Council, RMS operates within the Environmental Services service group, one of five main service groups reporting to **the Council's Chief Executive**, the others being Planning and Regeneration, Health and Housing, Governance, and Resources.

- 3.8. All **former 'client' and 'contractor'** roles for Housing repairs and maintenance are devolved to Environmental Services. The Health and Housing Service retains responsibility for all other aspects of Housing Management, the long term stewardship **of the Council's residential properties, and the broader Housing provision within the district.**
- 3.9. This is unusual, but officers and employees from both Environmental and Health & Housing service groups confirm this works well, in the post Compulsory Competitive Tendering era, on both the day to day operational, and longer term strategic levels. They confirm that this arrangement has been one of the drivers of service improvement in recent years.
- 3.10. 730 people are currently understood to work for the Council, of whom approximately 400 are employed by the Environmental Services group.
- 3.11. Of these, approximately 67 people are employed within RMS, broken down as follows:
- 4 Managers
  - 4 Technical & Compliance Officers
  - 4 Supervisors
  - Inspectors
  - 18 Joiners
  - 9 Estates Stewards
  - 6 Painters
  - 5 Plumbers
  - 5 Plasterers
  - 5 Electricians
  - Roofers
  - 2 Labourers
- 3.12. A workforce of this scale is broadly commensurate with the level of works undertaken (see below). However, the small scale of operations, in particular in-house operations, inevitably imposes some abnormally high overhead costs on front line operations, even once these costs are correctly distributed across the **totality of RMS's work streams.**

RMS's annual budget expenditure is currently as follows, in headline terms:

|                     |       |
|---------------------|-------|
| Capital Programme   | £4.8M |
| Planned Maintenance | £1.3M |

|                         |            |
|-------------------------|------------|
| Response Repairs        | £3.0M      |
| Civic & Insurance Works | £0.1M      |
| Total:                  | £9.2M p.a. |

Source: LCC 2014/15 out turn, rounded

3.13. Within these overall totals, RMS monitor a Management and Administration account (£900kpa), and an RMS Operating account (£2.4M), in order to ensure internal expenditure is controlled effectively through the year. The figures at 3.12 above include the appropriate recharges to and from internal accounts.

3.14. The £9.2M p.a. repairs expenditure is currently delivered under a 'mixed economy' model, key elements being broadly as follows:

Capital Programme (£4.8M)

|                   |  |
|-------------------|--|
| Partners –Forrest | £2M p.a.   |
| - Emcor           | £500k p.a. (Gas Installations)                               |
| RMS In-house      | £1.3-4M p.a. (e.g. Kitchens/Bathrooms, Fencing, Adaptations) |

All figures above include for materials, charged directly to capital account.

Planned Maintenance (£1.3M)

|               |   |
|---------------|---|
| Partner-Emcor | £600k p.a. Gas servicing                |
| RMS In-house  | £200k p.a. (e.g. rota painting schemes) |

Response Repairs (£3.0M)

|                     |  |
|---------------------|--|
| In-house RMS        | £1.3M p.a. (includes £400k In-house Voids) |
| Subcontracted Voids | £400k p.a.                                 |
| Contracted Services | £600k p.a.                                 |

3.15. Thus in headline terms, of £9.2M expenditure, including £1.2M internal fees and recharges, approximately £3M p.a. including capital materials is undertaken in-house, the balance delivered by Partner organisations for regularly recurring works, external

contractors on a case by case basis, or subcontractors to the in-house team, to deal with peak workload and capacity issues.

### 4.0. Current Performance

- 4.1. APSE has been able to form an overview of current performance based on a variety of empirical data sources. These include:
- APSE Performance Networks data return for 2013/14
  - Lancaster City Council internal performance data
  - STAR/House Mark reports to October 2013
  - Feedback from a diagnostic workshop held in Morecambe with Council employees on 5 October 2015
- 4.2. The data received from each source generally supports that received from the other sources, with no blatant contradictions of key indicators from one source to another. It is therefore possible for a view to be formed on current performance with a high degree of confidence in key reported indicators.
- 4.3. These indicators have been shared with Council employees in the diagnostic workshop. A high degree of unanimity was achieved on the current status **of the service's** performance, and the issues arising from these indications. There was also a high level of appetite for change displayed within the workshop, aimed at improving the service for the future.

#### Performance Networks Data

- 4.4. **The Council is a member of APSE's Performance Networks benchmarking for all its services.** Although in membership, no statistical return had been received for RMS. One of the preparatory actions for this diagnostic exercise was to return the questionnaire template for the service.
- 4.5. This action was completed in August 2015, and has enabled APSE to compare the **Council's performance against other authorities**, across a suite of performance indicators for housing repairs and maintenance covering 2013/14, the last year for which comparative data is available, UK-wide.
- 4.6. Data is currently being collected from across the UK for 2014/15, to allow these comparisons to be updated. One of the recommendations of this report is that RMS routinely return performance data to PN, and take an active part in the Advisory Groups of practitioners from other UK repairs services. These Advisory Groups take place in Manchester on a seasonal basis, to discuss the implications of the data, and share solutions to issues arising.

- 4.7. The data PN collects has been suggested and agreed by practitioners across the UK via the Advisory Groups, to allow for like for like comparison of highly relevant data from services nationwide.
- 4.8. Comparisons of performance are drawn against two sets of other authorities. Firstly, a Family Group of similar authorities (e.g. small district Councils with similar housing stock), and more widely against all responding services, UK-wide.
- 4.9. Where there are sufficient respondents, authorities are ranked within quartiles, i.e. the top 25% of authorities are in Quartile 1, etc. Average and upper quartile threshold scores are also indicated.
- 4.10. The full set of indicators for RMS in 2013/14 is included at Appendix 1, for ease of reference. However, for the purposes of this exercise and report, the most relevant indicators are set out immediately below.
- 4.11. Performance Networks is aimed at improving performance over time, by identifying areas of good and not so good performance within authorities, sharing experience of resolving problems, and implementing best practice.

Key PN Performance Indicators for RMS, 2013/14

| KPI   | Result    | Family Group Ranking | Overall Ranking     |
|---|-----------|----------------------|---------------------|
| Jobs carried out by appointment<br>(PI 1 01a)                               | 13%       | 6/6                  | 22/22<br>Quartile 4 |
| Void turnaround time (PI 20b)<br>Shows time keys with contractor for repair | 34 days   | 7/8                  | 16/18<br>Quartile 4 |
| Time to complete a routine repair<br>(PI 24)                                | 12 days   | 7/10                 | 18/27<br>Quartile 3 |
| The above indicators imply timeliness of completion of work is an issue.    |           |                      |                     |
| KPI   | Result    | Family Group Ranking | Overall Ranking     |
| Value of Work per FTE (PI 10)   | £46,437pa | 7/7                  | 25/25<br>Quartile 4 |
| Productive Labour Costs as % of Total Labour Cost (PI 08a)                  | 60.73%    | 10/11                | 30/34               |

|  |                               |                      | Quartile 4   |
|--|-------------------------------|----------------------|--|
| Average number of jobs completed per FTE<br><br>(PI's 12 a, 12c)   | 190(day2day)<br><br>257 (all) | 3/5<br><br>5/6       | 8/15<br><br>13/18<br><br>Quartiles 2 and 3   |
| <p>These indicators imply that productivity may be an issue. Please note PI 10 (Value of Work) is influenced by the price charged by RMS, i.e. low cost work means low income return, but potentially better value to service users in cost terms. (See KPMG/NSOR below)</p>   |                               |                      |  |
| KPI  | Result                        | Family Group Ranking | Overall Ranking  |
| Sickness absence (all staff)<br><br>(PI 29a)   | 0.88%                         | 1/9                  | 1/23<br><br>Best in UK, bar none   |
| Quality Assurance Processes and Consultation (PI 17)   | 123 out of 150<br><br>maximum | 2/13                 | 4/36<br><br>Top Quartile   |
| HR Processes (PI 19)   | 16 out of 100<br>maximum      | 6/12                 | 25/35<br><br>Scoring is heavily weighted towards formal processes (e.g. IIP accreditation, appraisal schemes, NVQs etc), which tends to favour larger authorities/services, so the Family Group ranking is particularly relevant here. |
| <p>These indicators imply that RMS has the culture and organisation to enable it to tackle issues in need of addressing. The sickness absence levels are considered particularly encouraging. This indicator usually reveals as much about the culture of the organisation, and the commitment of its employees as it does about health issues.</p> <p>An anomalous indicator in this respect is PI 18 (Staff training days). At 0.04 days per employee per year this does not fully fit with feedback from the workshop, and may need further validation.</p> |                               |                      |  |
| KPI  | Result                        | Family Group Ranking | Overall Ranking  |



|  |                       |                      |                      |
|--|-----------------------|----------------------|----------------------|
| Vehicle costs (PI 07b)   | £2,859pa, per vehicle | 1/6                  | 2/24<br>Top Quartile |
| Vehicles per employee (PI 06a)   | 1.08                  | 3/6                  | 20/24                |
| <p>These indicators imply RMS achieves good value/cost control from its vehicles. The Family Group ranking (3/6) for the number of vehicles per employee is the more relevant measure here, in view of the scale of the service. However, as part of the general development of the service, RMS should consider its fleet profile needs, in the light of overall future service delivery plans.</p> |                       |                      |                      |
| KPI  | Result                | Family Group Ranking | Overall Ranking      |
| Customer Satisfaction (PI 37)  | 90.37%                | 4/6                  | 15/17                |
| <p>The ranking for Customer Satisfaction is supported by other data, especially via the STAR reports, and was explored within the workshop (see below).</p>  |                       |                      |                      |

4.12. Issues emerging from the PN data, particularly those of timeliness, productivity, and customer satisfaction have been cross referenced with other data sources, and explored within the workshop as part of the diagnostic exercise.

### Lancaster City Council Internal Performance Data

4.13. RMS monitors its operations against key indices of performance e. g:

- Timeliness
- Quality, including safety
- Cost
- Customer satisfaction

4.14. These are monitored on a routine basis, as part of the day-to-day management of the service. These data are summarised into reports/budget monitoring documents, etc, at appropriate intervals.

4.15. No significant work quality or safety issues were identified in the data presented to APSE. This included externally benchmarked (Performance Network and STAR/ House Mark) data on Quality Assurance processes and customer feedback on work quality.

4.16. From the budget monitoring data presented to APSE, costs are understood to be effectively monitored and controlled. Out turn budgets for 2014/15 routinely completed closely within estimates, for both capital and revenue expenditure, on a detailed level within the key budget headings. The only significant area of

under/overspending noted for 2014/15 was an underspend of £124k within Planned Maintenance, 9% of the £1.4M annual budget. Response repairs out turned at £65k (2%) below its £3M annual budget, and the Capital Programme out turned £152k under its £4.9M revised annual estimate (Source: LCC 2014/15 out turn).

- 4.17. Benchmarking data presented to APSE on costs is limited, with some historic data on comparisons of baskets of commonly recurring work (KPMG study, 2006, see below) and Performance Networks data on Vehicle and Productive Labour costs (see above.)
- 4.18. RMS are understood to be awarded Response Repairs works, and to submit priced bids for planned works funded from revenue and capital sources. Partner organisations are understood to have been the subject of a market testing exercise. Contractors and sub-contractors are understood to be subject to individual priced bids, including, e.g. annual tenders for periodic electrical testing.
- 4.19. One of the recommendations of this report is that regular benchmarking is undertaken by RMS. This should include costs, where feasible, e. g. via an update of the NSOR (H) basket of work exercise.
- 4.20. Customer satisfaction feedback is recorded by RMS on a routine basis, and yields a satisfaction ratio e.g. of 90.37% for the Performance Network return covering 2013/14. Customer satisfaction levels are benchmarked against other authorities both in Performance Networks (see above), and within the STAR/House Mark reports, where customer satisfaction is analysed in detail (see below).
- 4.21. Timeliness of works presents the most significant issue arising from RMS's own performance monitoring data, which is up to date, including 2014/15 out turn performance, and seasonal and year to year trends, for both Voids and repairs to tenanted properties.
- 4.22. The key performance monitoring document is included at Appendix 2 for ease of reference, but key trends can be summarised immediately below:

Repair Category

| (% in Target Time): | 2013/14 | 2014/15 |
|---------------------|---------|---------|
| Emergencies         | 98.29   | 95.57   |
| Urgent              | 80.48   | 74.9    |
| Routine             | 86.17   | 84.41   |
| Gas Certificates    | 98.61   | 99.6    |
| Overall             | 90.16   | 87.69   |

- 4.23. Thus, all categories of reactive repairs, bar gas safety certificates, delivered via Partner organisation Emcor, can be seen to be deteriorating, in terms of timeliness, year to year, from 2013/14 to 2014/15.

- 4.24. The overall effect of this trend is to move the average end to end time for all reactive repairs from 9.9 days in 2013/14, to 15.26 days in 2014/15. (Source: RMS Performance Monitoring, see Appendix 2).
- 4.25. RMS Performance data supports that from APSE Performance Networks and STAR/House Mark benchmarking, that timeliness is an issue to be addressed within the service.

### STAR/House Mark Reports

- 4.26. APSE were provided with reports written for the Council on an annual basis, entitled STAR reports. These reports fed back on detailed research on performance of the **Council’s Housing function**, as a Social Housing landlord. This included the repairs component of the service, and customer satisfaction with that aspect of the service, among others. STAR reports include reference to external benchmarking, including via House Mark data, with other Social Housing landlords, nationally, regionally, and/or of similar size.
- 4.27. The latest STAR report provided to APSE was dated October 2013. Its findings support those from Performance Networks and internal LCC/RMS performance data. The STAR findings also align with feedback from service employees within the diagnostic workshop event (see below).
- 4.28. In summary, key findings from the October 2013 STAR report, concerning customer satisfaction with the repairs service are as follows:

| % of Respondents Satisfied: | LCC | Median | Lower Quartile |
|-----------------------------|-----|--------|----------------|
| (All Social Landlords)      | 76% | 79%    | 72%            |
| (North West)                | 76% | 83%    | 77%            |
| (Small/under 5k properties) | 76% | 80%    | 72%            |

- 4.29. Thus, it can be seen that although customer satisfaction levels show more than three out of four tenants are satisfied with their repairs service, this compares unfavourably with all other social landlords responding (141 in number), those in North West England (42) ,and comparably small in size (52).

(Source; STAR Report, October 2013, pages 74-6)

- 4.30. STAR drill down into the components of customer satisfaction with the repairs service, and year to year trends within these. Key findings include:

| (% Satisfaction)            | 2012 | 2013 |
|-----------------------------|------|------|
| Speed of completion         | 88%  | 82%  |
| Overall quality of work     | 87%  | 83%  |
| Ability to make appointment | 82%  | 81%  |

|                            |     |     |
|----------------------------|-----|-----|
| Right 1 <sup>st</sup> Time | 78% | 78% |
| Time taken to start work   | 77% | 74% |

4.31. Thus, speed of completion shows the most marked year to year decline in key components of customer satisfaction.

(Source: STAR Report, October 2013, page 71)

## Historic KPMG Data

4.32. One of the background documents shared with APSE was a report commissioned from KPMG in 2006, when the Council was appraising its options for the future delivery of Housing Repairs in Lancaster.

4.33. That report makes a range of recommendations, and these are reflected in the current overall profile of the service (mixed economy of delivery, partner organisations, etc.)

4.34. The KPMG report is the only information APSE have been able to refer to that compares **RMS's overall costs** with externally benchmarked comparator Social Landlords, **principally via the National Housing Federation's 'Checkmate'** basket of commonly occurring works. The comparison is drawn using the then current National Schedule of Rates (NSOR (H)).

4.35. KPMG correctly raise a number of significant technical caveats, e.g. RMS were only able to price a proportion (just over half by number, 29%-69% by value, Voids and tenanted properties respectively) of rates, and the basket of work was based on National Federation Checkmate frequencies. The data is also effectively ten years old.

4.36. However, the KPMG data, with all its caveats, did indicate a historic level of low cost/pricing in the delivery of repairs in Lancaster at that time. This is the most up to date externally benchmarked overall cost comparison APSE has seen to date for RMS, and thus is included here, as a reference point.

4.37. KPMG/NSOR (H) 2006 research indicated RMS costs of 86.16% of the average of all other **respondents' costs for Response repairs, and 79.57% for Voids, i.e. 14-20% below average, respectively, for Response repairs and Voids.**

4.38. Clearly, this information is now out of date, and even at the time was subject to correctly highlighted caveats from KPMG. Unless costs have moved significantly since 2006 compared to other landlords, and/or the technical caveats distort the comparison on further investigation, the indication would appear to be of a low cost service, compared to similar Social landlords. However, in default of more up to date or refined information, this finding is included for reference.

(Source: KPMG Study, Draft Final Report, Slide 12)

- 4.39. If (a big 'if', based on current data) this is the case, the comparatively low value of work generated annually per employee referred to in the Performance Networks return would be at least partially explained (see paragraph 3.11.etc., above).
- 4.40. Because of the importance of cost, and the absence/unreliability of data seen to date by APSE, it is recommended that future enhanced benchmarking includes the element of cost, where feasible.

## 5.0. Diagnostic Workshop, 5 October 2015

- 5.1. Diagnostic workshops **are at the heart of APSE Solutions' process for establishing the current status of services, the issues confronting them, and developing feasible proposals to address these issues, and improve services.**
- 5.2. A diagnostic workshop was held at Morecambe Town Hall on 5 October 2015, aimed at:
  - Agreeing current status of the service in overview terms, and validating data already received
  - Understanding the issues currently facing the service
  - Challenging some aspects of current practice, based on national best practice and comparative data
  - Generating initial ideas for future actions to improve the service that could be owned, and feasibly delivered, by those responsible for it.
- 5.3. The event was well attended, with a cross section of the service present, along with representatives of Housing, Finance, and Organisational Development functions. Attendees took an active part in proceedings, and displayed a very positive attitude to potential improvement actions. **A list of attendees and the day's agenda** are included in the Appendices for ease of reference.
- 5.4. In terms of assessing current performance, attendees carried out a SWOT analysis (Strengths, Weaknesses, Opportunities, and Threats), for both the Council as a whole, and RMS in particular, the results of which are summarised immediately below.
- 5.5. Throughout the event, attendees split into two groups to discuss agenda items and propose potential actions. There were no significant differences of opinion between groups as to current status or proposed actions, and assessments of current status from attendees broadly fitted with findings from external performance data.
- 5.6. Attendees had been generally unaware of the comparative position with other Social Landlords, particularly on customer satisfaction, but had understood the timeliness issue within the customer satisfaction element.



## SWOT Analysis: Lancaster City Council

### Strengths:

- Well run
- Makes good use of assets/attributes
- Service delivery
- Workforce

### Weaknesses:

- Don't celebrate success/blow own trumpet
- Staff turnover, in recent years
- Geographically scattered district
- Communications from the top, sometimes
- Some resistance to change, from some Members
- New building
- Low pay area

### Opportunities:

- New elected Members with new ideas
- New methods potentially available
- Tourism/development
- Environment
- Living Wage
- Population growth/attractive area

### Threats:

- Austerity
- Government cuts
- Selling Council houses

- Housing Associations/Competing for staff

### SWOT Analysis: RMS

Strengths:

- Service delivery
- Positive attitude
- Workforce resilience
- Reliable source of core rental income
- HR/people issues dealt with well
- Price/cost good one. g. kitchens/planned work
- Safety
- Customer satisfaction (bar timescales)

Weaknesses:

- Repeated need for savings/reorganisations distracts/destabilises service
- In-house capacity for volume of available work
- Timeliness
- Capacity for developing service
- Ageing housing stock
- Some silo working
- Staff retention
- Training
- Pay rates
- Competitive intelligence/benchmarking



Opportunities:

- Supportive employer
- Appetite of employer and workforce for change
- More mobile working
- Reviewing vehicle allowances
- Re-evaluating working patterns
- Employ more staff to deliver consistently available work
- Train apprentices
- Partnership working with e.g. Housing Associations & Schools
- External commercial opportunities
- Enhanced data collection and use.

Threats:

- National government agenda (austerity, cuts, Local Government policy, Council rent directives)
- Pay rates in market place
- Competitors

### **Process 'Walk Through'**

- 5.7. Attendees carried out a Process 'walk through' of two main aspects of core in-house repairs delivery, namely:
  - Day to day response repairs
  - Voids
- 5.8. The walk through was aimed at understanding the current processes, highlighting main current difficulties in completing work efficiently, and beginning to consider potential remedies for these, within the time available on the day. The main issues and potential remedies identified on the day are summarised immediately below.

5.9.

Day to Day Response Repairs:

| Issues  | Potential Remedies?  |
|---|--|
| Appointment availability finite                     | Increase capacity (workforce)<br>Update database, and repairs finder software<br>Aim for 100% appointments, bar emergencies              |
| Materials availability                              | Pre-inspector order materials and measure<br>Carry more stock<br>Standardise where feasible  |
| Access  | More appointments<br>Text reminders<br>Update database (phone numbers)   |
| Data  | Refresh database/SOR<br>Implement Repair Finder software   |
| Excessive links in process                          | Review inspection regime, to minimise steps to those which add value/pre-empt difficulty down stream                                     |
| Deployment of workforce geographically, day to day. | More appointments<br>Update database and software<br>Repairs Finder software<br>More hand held technology<br>Increase workforce/capacity |

VOIDS:

| Issues  | Potential Remedies?   |
|---|---|
| Capacity (peaks and troughs)<br>Currently raid Day-to-Day workforce | Increase capacity/workforce to predictable levels (9-10 per week average) |

|  |  |
|--|--|
|  | Sub-contract genuine peaks and specialisms   |
| Capacity (steady state)  | Increase capacity/workforce to predictable levels (9-10 per week average)                                |
| Excessive surveys? (Housing, RMS, Electrical, Gas, Asbestos, Sign off) | Review inspection regime to minimise to surveys that add value/pre-empt problems downstream.             |
| Paper based control system   | Computerise  |
| Access/tenant related issues   | Estates Stewards in place.<br><br>Front-end inspections as feasible.<br><br>Recharge tenants for damage. |

5.10. In summary, the workshop was able to:

- Validate key data provided on current status and performance
- Receive data on benchmarking, especially on customer satisfaction and timeliness
- Identify key issues
- Begin to suggest potential remedies.

5.11. The most encouraging aspect of the event was the clear readiness of the group to embrace change to improve the service. This is in keeping with data received in advance of the event, including Performance Networks data on Quality Assurance and HR/People issues. This readiness for change is not always present in every authority, on some of the key issues faced.

5.12. The workshop has clarified the issues facing the service in regard to its core in-house business, and how that fits into the bigger picture of the mixed economy of Housing repairs in Lancaster.

5.13. These issues, and emerging recommendations for follow-up actions are summarised below.

## 6.0. Findings

6.1. From the information provided by Council employees it is possible to form some clear findings on the current status of the service, and the issues now facing it. From this

understanding, some logical follow up actions begin to emerge. These are referred to here, and within the recommendations of this report.

- 6.2. There are still some 'known unknowns' concerning the service, in particular the benchmarked level of overall cost, and those areas of the service that this initial exercise has not yet been able to consider in any detail (e.g. Planned Works, works delivered by Partner organisations and contractors/sub-contractors). However, it is possible to begin to recommend a course of action to address issues now identified, and ensure any remaining issues are considered appropriately.

### Key issues identified from the diagnostic exercise:

- 6.3. There is an issue with the timeliness of Response repairs, both in terms of reactive repairs to tenanted properties, and Voids.
- 6.4. The timeliness of Response repairs (and many others of the issues identified in this initial study) traces back to the capacity (i.e. size) of the in-house workforce to deal with this, and other key issues.
- 6.5. Overall value for money is currently uncertain, mainly as a result of lack of data to date on benchmarked costs.
- 6.6. Financial monitoring and day to day use of resources (employees, vehicles and plant, materials) appear to be diligent in pursuit of the best value available from these resources. This is borne out in some specific areas by the available empirical data, e.g. the low cost of vehicles.
- 6.7. However, the service necessarily suffers from some diseconomies of scale. These trace **ultimately to the comparatively small scale of the Council's Housing stock**, at c 3,783 dwellings, or 6.5% of residential properties, in a geographically wide-ranging district.
- 6.8. Some of these diseconomies of scale will remain with the Council/RMS, whatever steps it takes to deal with identified issues, simply as a result of the scale and dispersion of its Housing stock.
- 6.9. However, this Housing stock remains a key element in local housing provision, and there are a number of steps the service can take, to ensure it maximises the effectiveness of its resources, both in terms of in-house delivery, and procured services, within the local 'mixed economy' of overall repairs provision.
- 6.10. At present there is a lack of up to date benchmarking of key aspects of service delivery. This is understandable, in view of the limited resources available to the service, resulting from its comparatively small overall scale. However, this small scale in itself magnifies the need for the service to understand its current status and performance, especially when compared to similar, smaller scale Social Landlords.
- 6.11. There is currently a lack of up to date benchmarking data on key elements of service, including:

- Costs
  - Quality
  - Safety
  - Timeliness
  - Customer satisfaction
- 6.12. This data will enable the service to understand its current strengths and weaknesses, and allow it to make informed decisions on actions it may or may not consider cost effective to take, to correct deficiencies, and/or develop the service.
- 6.13. An example of this would be customer satisfaction. Returns for 2013/14, the latest seen by APSE, indicate customer satisfaction levels of 90.37%, as measured against Performance Networks criteria.
- 6.14. Customer satisfaction levels of 90.37% would be the envy of many service organisations. However, benchmarking against similar landlords/repairs providers indicates this level is below average (92.1%) for 2013/14, and historic data indicates customer dissatisfaction to be increasing, in particular with the timeliness of repairs.
- 6.15. Understanding these like-for-like comparisons and trends in near real time will allow the service to address issues promptly, as far as resources and priorities allow. It should be noted that the service may legitimately consider that significant improvements (e.g. to best in class levels of satisfaction, or any other performance indicator) are not worth the additional resources required to deliver that level of improvement. The key is, that the service understands **it's** up to date position, and can make informed choices on priorities, with all key stakeholders in the service.
- 6.16. The service appears to have all the information, systems, and skills available to routinely participate in key benchmarking networks. It is understood that there are pressures on all staff **members'** time, but developing a routine approach to participating in these networks is considered cost effective in terms of return on staff time invested.
- 6.17. Quality and safety of work, including that of partner organisations, e.g. Emcor, appears to be satisfactory or better, from available data.
- 6.18. A key finding of this exercise is that a very positive attitude exists at all levels of the service towards the need to embrace change to improve the service. This level of engagement is unusually high in this service.
- 6.19. This finding is borne out by empirical data including very low levels of absenteeism, good quality assurance and consultation procedures, and HR/people management processes.
- 6.20. **Lancaster's RMS has** modern working practices e.g. salaried trades, mobile working, hand held technology, straight to site operation, vehicles home, etc., already in place.

This baseline, coupled with the well evidenced appetite for positive change, should enable the service to tackle the issues before it, to maximise its potential, and the value for money it delivers to its customers.

- 6.21. A series of action centred recommendations are included below, to follow up these initial findings.

## 7.0. Conclusion

- 7.1. **Lancaster's Repairs and Maintenance Service delivers a key service to its core customers, the district's almost 3,800 Council tenants and their families.** The service faces a number of challenges, primarily relating to the comparatively small scale of the Housing stock, distributed across the wide geographical spread of the district.
- 7.2. The main issues facing the service appear to be the timely delivery of day to day repairs, including to Void properties, and the potential diseconomies of its small scale. There is also an issue of lack of up to date benchmarking of key service data with comparable small Social Landlords.
- 7.3. Despite its small size, the service has all the elements in place to deliver a modern, value for money repairs service. These include modern working methods, computer and other management systems, vehicle fleet, and depot arrangements, operating in a mixed economy of in-house, partnered, and externally procured service delivery.
- 7.4. Alongside these, the key element evidenced in this diagnostic exercise is an appetite **within the service's employees, at all levels, to embrace change to deal with issues and improve the service.**
- 7.5. APSE has no doubt that the service is capable of addressing the issues it faces, to optimise the value for money it offers tenants, and develop the service in future.
- 7.6. To begin to do so, a series of action centred recommendations are set out below.

## 8.0. Recommendations

- 8.1. It is recommended that:
- 8.2. Key benchmarking network data, i.e. Performance Networks, House Mark, and, subject to Health & Housing service agreement, STAR reporting, be updated and submitted, **and this activity be included as a routine task in the service's annual work programme.**
- 8.3. As part of this process, an RMS representative attends **APSE's Performance Networks Advisory Group for Building Maintenance**, held seasonally in Manchester, on a routine basis, **to share data issues, and current best practice with employees' peers.**
- 8.4. **The service's overall costs** be benchmarked against similar sized Social Landlords, ideally including a basket of commonly recurring works.

- 8.5. Subject to the outcome of recommendations 8.2 and 8.4 above, and any subsequent steps to address any immediate cost anomalies, consideration be given to up-scaling the level of in-house labour available to deal with day to day Response repairs, including to Void properties. Any up-scaling to be managed on a phased basis, and subject to operational trials, to minimise service risk.
- 8.6. The service aims to increase the number of works offered by appointment, both by its in-house teams, potentially augmented as above, and its Partner organisations and contractors/sub-contractors, against an ideal standard of all non-emergency works eventually being offered by appointment.
- 8.7. To support implementation of recommendation 8.6 above, the service's existing computer systems be refreshed in terms of data held, and functionality, in particular the Repairs Finder component.
- 8.8. To support recommendations 8.6 and 8.7 above, appropriate levels of hand held technology be added to the services existing stock, and the users trained in their use.
- 8.9. Working Group(s) be set up to review the processes currently used to deliver Day to Day response repairs to tenanted properties and Voids, with a view to streamlining these processes, and limiting inspections to those which add value and/or avoid problems downstream.
- 8.10. Other aspects of the overall Repairs and Maintenance service, e.g. Planned Works, Capital Works, Partnered, contracted out, and subcontracted operations be examined in similar vein to Response repairs including Voids, to ensure the Council attains optimum performance from RMS overall, to fulfil its role as an Ensuring Council to maximum effect.

## Appendix 1 Performance networks report

Please see separate document provided with this report.



## Appendix 2 In house performance indicators

### Repairs and Maintenance

#### 2014-2015 Quarter 1-4 Figures

#### Annual Figures

|  | Q1   | Q2   | Q3    | Q4    | 2010/11 | 2011/12 | 2012/13 | 2013/14 | 2014/15 |
|--|------|------|-------|-------|---------|---------|---------|---------|---------|
| % emergency repairs completed within target time | 98.2 | 97.2 | 96.53 | 95.57 | 98.6    | 97.8    | 97.1    | 98.29   | 95.57   |
| % urgent repairs completed within target time    | 84.2 | 80.5 | 68.99 | 74.9  | 93.7    | 86.9    | 86.4    | 80.48   | 74.9    |
| % routine repairs completed within target time   | 96.2 | 87.7 | 85.15 | 84.41 | 95.1    | 89.3    | 88.7    | 86.17   | 84.41   |







|   |      |      |       |       |       |       |      |       |       |
|---|------|------|-------|-------|-------|-------|------|-------|-------|
| % of Gas Safety Certificates outstanding at end of period | 1.4  | 0.6  | 0.6   | 0.3   | 1.96  | 2.06  | 1.6  | 1.39  | 0.3   |
| % of dwellings with a valid gas safety certificate        | 98.6 | 99.4 | 99.94 | 99.6  | 98.04 | 97.04 | 98.4 | 98.61 | 99.6  |
| % of all reactive repairs completed within target         | 96.2 | 90.9 | 88.27 | 87.69 | 95.9  | 91.8  | 91.6 | 90.16 | 87.69 |
| Average end to end time for all reactive repairs          | 5.5  | 9.17 | 14.83 | 15.26 | 9.12  | 8.6   | 8.79 | 9.9   | 15.26 |



**Voids Maintenance  
2014-2015 Quarter 1-4 Figures**

**Annual Figures**

|   | Q1    | Q2    | Q3    | Q4    | 2010/2011 | 2011/2012 | 2012/2013 | 2013/2014 | 2014/2015 |  |
|---|-------|-------|-------|-------|-----------|-----------|-----------|-----------|-----------|--|
| Standard relet times (cal. days) GN & HfOP              | 50.15 | 56.91 | 57.17 | 60.13 | 38.31     | 49.9      | 52.78     | 46.51     | 60.13     | <br>Worse   |
| Standard relet times (cal. days) GN only                | 50.15 | 56.91 | 56.39 | 58.08 | 39.12     | 50.29     | 49.5      | 47.14     | 58.08     | <br>Worse   |
| RMS Average void time (cal.days) GN & (HFOP)            | 39.39 | 38.86 | 38.57 | 36.12 |           |           | 28.99     | 28.43     | 36.12     | <br>Worse   |
| % of rent loss through dwellings being vacant GN & HfOP | 1.9   | 1.9   | 1.88  | 1.9   | 1.2       | 1.59      | 1.71      | 1.75      | 1.9       | <br>Worse |

## Appendix 3 Workshop Agenda

Lancaster City Council Housing Repairs Service

Diagnostic Workshop 5<sup>th</sup> October 2015

Morecambe Town Hall

### AGENDA

- |   |       |
|---|-------|
| 1. Introductions and purpose of the day | 11.30 |
| 2. Lancaster                            | 11.45 |
| • The area                              |       |
| • The council                           |       |
| • Your service                          |       |
| 3. SWOT analysis                        | 12.30 |
| • The council                           |       |
| • Your service                          |       |
| 4. LUNCH                                | 13.00 |
| 5. Feedback from SWOT                   | 13.30 |
| 6. Performance data                     | 13.50 |
| • Performance networks                  |       |
| • LCC data                              |       |
| • STAR/House mark                       |       |
| 7. SWOT review                          | 14.30 |
| 8. Process walk through                 | 14.45 |
| • Day to day response repairs           |       |
| • Voids                                 |       |
| 9. Feedback from process walk through   | 15.30 |
| 10. Issues to address                   | 16.00 |
| 11. Close                               | 16.30 |

## Appendix 4 Workshop Attendance List

For LCC

Jez Bebbington

Bob Bailey

Chris Hanna (part)

Mark Davies (part)

Kay Haddon

Mark Rigg

Peter Stephens

George Taylor

Tom Greenwood

David Murby

Chris Dunford

Jean Bull

Andrew Kipling

For APSE

Karen Dyson

Peter Moffatt

**LOCAL SERVICES**  
**LOCAL SOLUTIONS**

**APPENDIX**

**REPAIRS AND MAINTENANCE OF COUNCIL HOUSING- Chief Officer (Environment)**

The purpose of this briefing note is to present a considered view of how repairs and maintenance function currently operates. It is not intended as a criticism of any teams or individuals. Although it necessarily highlights one functional area it needs to be acknowledged that close analysis of any functions that any organisation provides will reveal areas for improvement. The intention therefore is to provide a ‘warts and all’ view as a means of identifying how to best make progress.

It is of course written from my perspective.

**BACKGROUND**

In overview (in 2015/16) the Council’s repairs and maintenance service was responsible for the following budgets which are funded by Housing Revenue Account-

| Area                              | Description / Comment   | Spend 15/16 |
|-----------------------------------|---|-------------|
| Planned maintenance (revenue)     | Eg gas servicing, rota painting, ongoing contracts  | £1.44m      |
|                                   | Delivery- Approx 25/75 split in-house/contractors   |             |
| Responsive repairs (revenue)      | Day to day repairs and void properties  | £2.93m      |
|                                   | Delivery -Approx 65/35 split in-house/contractors   |             |
| Refurbishment programme (capital) | Eg adaptations, boiler replacements, kitchen/bathroom replacements, window/door replacements, rewiring, new fencing | £4.99m      |
|                                   | Delivery- Approx 30/70 split in-house/contractors   |             |

The delivery of the above is all managed by an in-house team.

As can be seen although a significant amount of work is undertaken in-house a significant amount of work is also delivered by a range of contractors through a variety of arrangements.

The focus for in-house delivery is day to day responsive repairs, housing voids and ongoing replacement / refurbishment programmes.

This mixed model is entirely consistent with the Council’s Ensuring Council ethos. It means the Council has direct control and accountability. The Council has in place a directly employed core of management, technical and delivery staff. Specialised works are provided by contractors as are some of the core works. As will be seen this in itself provides in-built benchmarks to check value for money, and also allows for management of peaks and troughs of work.

**MAIN ISSUES**

Providing any operation directly naturally creates an increased number of issues, problems and risks. For this service area the main issues are as follows (many of which are linked)-

- Diseconomy of scale- the Council currently has 3,757 properties. Which sounds a lot but actually compared with some social housing providers isn’t. As examples 1) the effort required in planning the replacement of 50 kitchens isn’t much less than

planning the replacement of 500 kitchens. 2) A larger contractor will have a structure where key / specialised skills can be spread across a much larger workforce. It can therefore afford to pay much higher salaries for key / specialised posts. The Council operation requires elements of these key / specialised skills but we don't have the amount of work to justify full time posts. Arguably the all-rounders we have in as an example our technical team are actually much more useful and skilled but recruiting new ones when vacancies arise is difficult because the private sector can offer far greater salaries. On the positive side the 3,757 properties are spread around a manageable geographical area. Some larger providers have much more properties but these will be spread over much larger geographical areas.

- Need to join up efforts- Over the years repairs and maintenance has alternated between being managed within 'Council Housing' and within another service area as it is now. In the current model, although significant improvements have been made we have yet to reach the point where we could say we have perfected the model. As stated improvements have been made but we still see undesirable symptoms like replication of efforts, passing the blame, uncertainty as to whose decision things are, perception that we are operating as a client / contractor, lack of planning, lack of ownership, subjective/ false analysis of problems etc. It would be simplistic to assume that 'sitting' the service area somewhere else would solve the problem.
- Organisational focus on General Fund functions- it is a fact that the corporate focus tends to be on the GF rather than HRA. The previous relatively healthy financial position of the HRA meant that this was a natural approach to take. It is very clear now that new Government policy means that going forward there will be significant financial pressures on the HRA. Responding to these will require an ongoing focus on how to further generate efficiencies, reduce waste, improve processes etc. This requires significant input from a range of Council services / functions- HR/OD, Finance, ICT etc. Clearly the resources the Council have are finite and the same people are already involved in doing the same range of works on GF activities. Therefore, consideration of the capacity and resource required is needed.
- Recruitment and Retention- the construction industry has peaks and troughs of demand in any case. In this District we know the recruitment pool for skilled staff is geographically limited. Sometimes it can be quite easy to recruit to some trades sometimes it can be impossible. Even when recruited fluctuations in the market mean that retention can be difficult. Especially on the technical side the construction industry provides very specialised career paths. The costs of this are absorbed within the larger scale of operation. Our technical team require staff who have a range of skills which can be quite hard to find.
- Reactive work- A large proportion of work is reactive. The Council has little control over things like tenants suddenly vacating a property, taps starting to leak, door handles breaking, bad weather and its impact on buildings etc. There are defined targets for time taken to respond to repairs and turnover voids and increase in demand means that staff capacity has to be directed to the reactive works this in turn then leads to lack of capacity elsewhere. The impact of this is of course reduced by the mixed in-house / contractor model that the Council operates but due to the relatively small size of the operation even moving one or two key trades people from refurbishing a void property to responsive repairs for just one day has a consequent impact that is then reflected in turnaround performance.
- Planning works- because of the above the focus tends to be on running on a day to day basis. There is a recognition that greater focus on planning maintenance works using intelligence from our teams and from condition surveys will in turn help reduce



the amount of reactive works needed. Greater focus on planning medium term / long term planning of maintenance programmes is a positive step.

- Logistical / Administrative complexity of operation- based on the relatively small housing stock this sounds contradictory. However, the smaller the job (and we get 1,000's of small jobs in a year) the greater the logistical and administrative complexities, the greater the need for effective processes / systems to manage the work/ data / financial flow. Any deficiencies rapidly lead to inability to accurately set and monitor budgets resulting in overspends / underspends.
- Complexity of supporting systems- there are a number of systems that 'support' the delivery and administration of the service. Some of these systems are not well integrated and have in place 'work arounds' to provide the needed information. Due to their complexity how they work and what they do are very difficult to understand, (even by staff who have a good understanding of systems). This creates ongoing problems in a variety of ways. Consideration is currently being given to what corporate systems are needed to support the Council's range of functions. Key to getting the right system is having a clear plan for the future of repairs and maintenance.
- Short term focus- Managing any day to day operation inevitably requires good juggling skills. In a relatively small operation such as ours the need to have these skills is required by line managers at all levels. Even relatively small issues like a dissatisfied tenant tend to escalate very quickly and demand the input of the service manager and even Chief Officer. The streamlined nature of the service means that time spent on that issue can't then be spent on doing more constructive medium term to long term work.
- Challenge to demonstrate VFM- this is of course a necessity for any function the Council provides. The spotlight is on this service area because the product supplied is also supplied by many other providers in a wide variety of different ways. In terms of helping evidence VFM a very obvious way is through benchmarking. Benchmarking is a relatively easy way of going some way to providing assurance that what we do either represents VFM or doesn't. The APSE report has highlighted some very apparent weaknesses through benchmarking. Key to moving forward is analysing and understanding the actual reasons for these apparent weaknesses. For some of the reasons outlined above capacity required to provide this information has been utilised elsewhere of late but it would be relatively straightforward to pick up again.

All the above could be seen as presenting a very gloomy picture, albeit a realistic one. There are of course many positives-

- The Council has direct control and therefore can be directly accountable to tenants for the service provided.
- The staff involved in delivering the service generally have a great pride and commitment to doing so. They also have an invaluable wealth of local knowledge. Indicators relating to staff eg sickness rates show that areas like this are well managed.
- Generally tenants value the service provided by the Council and the ability to get a response from the Council when things go wrong. By way of context, it should be pointed out tenant satisfaction with the repairs and maintenance service is generally good (but according to the APSE report relative to other Councils is an area to focus on). The 2015 customer satisfaction survey (BMG) said-

*In terms of areas for focus, **repairs and maintenance** is the service most likely to be mentioned as a priority by tenants, the key driver analysis also shows this to be a service aspect found to be the important in influencing a tenant's overall satisfaction. Although not statistically significant, there is an indication that tenant satisfaction for the repairs and maintenance service has improved slightly since 2013 (82% cf. 79%). Exploration of satisfaction levels amongst key demographic groups shows tenants living in a house are markedly less satisfied than tenants living in other property types. Looking in more detail at the views of those who have had repairs carried out in the last 12 months, in comparison to 2013, there have been significant rises in satisfaction levels for the overall quality of work, keeping dirt and mess to a minimum, and the repair being done 'right first time'. There has also been a marked improvement on appointment times being kept. However, satisfaction with the time taken before work started remains the aspect residents are least satisfied with, an improvement on tenants' understanding of how long it will be until a repair is completed when the initial contact is made should help to manage expectations with this aspect.*

- The mixed model of delivery that is in place means that benchmarking of real costs and processes takes place by default. We know how much a contractor will charge to fit a kitchen or bathroom. We also know how much it costs us to do the same work. We know what method of work a contractor will employ to fit the kitchen or bathroom. Our in-house operation has refined our process to undertake the work in a way that is both cost effective and cause least disruption to the tenant. The rota painting operation provides a good example of where in the short term at least the bottom line cost of using a contractor may have appeared to be lower but in the medium to long term the value for money in terms of quality, longevity of works etc means that VFM is far greater being delivered in-house.
- The Council's housing stock is of a good standard and well maintained.
- Even though it uses £10 million of spend each year in terms of issues faced by the Council maintenance of its housing stock is not topic that currently features significantly at Council meetings or in the local media.
- All involved in delivering and supporting the service want the same outcomes.
- Much work in improving the service has already taken place and is continuing to do so.

### GOING FORWARD

It is apparent that improvements in how we deliver this aspect of our Council Housing operation can and need to be made. What is positive is there seems to be an all round recognition that progress is possible. However, it is easy to get in a cycle where the constant demands of the 'day job' get in the way of making the improvements needs- when in reality if the improvements were made they'd reduce the constant demands of the 'day job'

In terms of taking positive action-

- A report was commissioned from APSE to get an external view of how the service was performing. It is fair to say there have been mixed views as to the depth and scope of the report. The report was never intended as a root and branch review. What it did was look at a range of performance indicators and use these to give an

idea of where the most immediate improvements could be made. Therefore from an operational point of view it has served a useful purpose.

- Going forward it is recognised that there needs to be more focus on medium / long term asset management. Work is taking place to develop our approach to this.
- The Organisational Development team has been assigned to work with us to develop and implement an action plan following the APSE report. Work is well underway and is yielding positive results.
- Work has been taking place to fully analyse and then make improvements to performance in critical areas like turnover of void properties, moving to majority of responsive jobs by appointment, reducing tele- repairs etc
- There are lots of incremental unseen things that are happening which are needed to either comply with changing legislation or to improve service delivery. We shouldn't lose sight of the fact that these happen as a matter of course.

All the above leads to a number of things to consider-

- As an organisation do we have the capacity to achieve what we need to?
- Does the services involved either in delivery or essential support have the capacity to achieve what we need it to?
- None of the above is new. Concerns about how RMS operates have been raised in various forms for at least the number of years I have worked here (irrespective of where RMS has sat in the organisation). The same concerns still seem to be there but are now in the spotlight. If the concerns have always been there but never been resolved does that suggest that realistically RMS is one that is beyond an internal resolution, or does it just suggest that as an organisation we need to focus more on the HRA? If we take the view that the former case then we need to look at another means of delivery. In order to do that we would still need capacity / resource to define what it is exactly we want and then a means of ensuring we get what it is we want. The former Forrest partnership demonstrates we initially (at least ) weren't that good at doing. We would also still have the vfm case to prove. From a 'contractor' point of view the best type of service to take over is one that is capable of improvement because that's where the profit is!

My view would be that at this stage we are not in a strong position to test the market (or even to raise the issue of testing the market as an option with Cabinet for that matter).

We have reached a stage though where change needs to happen. That change will only happen though if additional capacity/ resource is allocated.

The point is though with so many other organisational changes on the go or required consideration needs to be given to how we programme this.

This is well summed in an extract below from a previous budget report-

*The short term is different, however. In particular, the implementation of any option will require the input of the originating service and also, usually, input from a range of other services (EG. HR/OD, Finance, Legal, Property, ICT etc). The scale of change means that consideration needs to be given to prioritisation - but there is also budgetary pressure to deliver savings sooner rather than later - so overall, further up-front investment is expected to be needed, to ensure sufficient capacity. This applies corporately, as well to specific service areas. For example, there is already an identified need to improve the approach to council housing repairs and maintenance. It is already apparent that sustained improvement*

*in this area will require, at least in the short to medium term, considerable support from from a wide range of services.*

In order to help obtain some objective external assessment in this regard Cabinet will shortly be asked to consider the use of KPMG (who have previously undertaken a similar exercise) to assess the current position of the service (particularly with regards to vfm, direction of travel and wider corporate implications) and make recommendations for the future.

**Mark Davies – Chief Officer (Environment)**

## Budget and Performance Panel

### Provisional Revenue, Capital and Treasury Management Outturn 2015/16

12 July 2016

### Report of Financial Services Manager

#### PURPOSE OF REPORT

To provide Members of the Panel with the Provisional Revenue and Capital Outturn for 2015/16.

**This report is public.**

#### RECOMMENDATIONS

(1) That the report be noted.

##### 1.0 Introduction

1.1 A copy of the report considered by Cabinet at its meeting on 28 June 2016 is appended for consideration by the Budget and Performance Panel.

#### CONCLUSION OF IMPACT ASSESSMENT

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

None arising from this report.

#### FINANCIAL IMPLICATIONS

See attached report – no other implications arising directly.

#### SECTION 151 OFFICER'S COMMENTS

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

#### LEGAL IMPLICATIONS

There are no legal implications directly arising.

#### MONITORING OFFICER'S COMMENTS

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

#### BACKGROUND PAPERS

None.

**Contact Officer: Andrew Clarke**  
**Telephone: 01524 582138**  
**E-mail: [acclarke@lancaster.gov.uk](mailto:acclarke@lancaster.gov.uk)**  
**Ref:**

**CABINET**

**Provisional Revenue, Capital and Treasury Management  
Outturn 2015/16  
28 June 2016  
Chief Officer (Resources)**

| <b>PURPOSE OF REPORT</b>  |          |                         |   |  |
|---|----------|-------------------------|---|--|
| This report provides summary information regarding the provisional outturn for 2015/16, including treasury management. It also sets out information regarding the carry forward of capital slippage and other matters for Members' consideration. |          |                         |   |  |
| <b>Key Decision</b>   | <b>X</b> | <b>Non-Key Decision</b> | <b>Referral from<br/>Cabinet Member</b> |  |
| <b>Date of Notice of Forthcoming Key Decision</b>   |          |                         | 27 May 2016                             |  |
| <b>This report is public.</b>   |          |                         |   |  |

**RECOMMENDATIONS:**

1. That the provisional outturn for 2015/16 be endorsed, including the transfers to provisions and Balances actioned by the Chief Officer (Resources), and the position regarding overspendings.
2. That the requests for capital slippage and the adjustments to reflect accelerated capital spending on projects as set out at Appendix G be approved.
3. That the Annual Treasury Management report and Prudential Indicators as set out at Appendix H be noted and referred on to Council for information.
4. That the implications of renewable energy business rate income be noted, with them being fed into the next update of the Council's Medium Term Financial Strategy (MTFS).

**1 BACKGROUND**

- 1.1 All local authorities have a legal duty to produce annual accounts, in support of openness and accountability. By the time of the Cabinet meeting, the work required to close the Council's 2015/16 accounts will be substantially complete and the draft Statement of Accounts is expected to be signed off by the Chief Officer (Resources) on 30 June, to meet the statutory deadline. The draft Statement will be freely available on the Council's website.
- 1.2 This report provides Cabinet with an update on the provisional outturn, including treasury management, and seeks approval for certain matters. If there are any further updates to the position these will be fed into the Cabinet meeting. The Council's

financial performance is integral to its service performance overall and Members are advised to consider this report in that context.

1.3 Note that larger copies of the appendices are available on request.

## 2 PROVISIONAL REVENUE OUTTURN: SUMMARY

2.1 A summary of the revenue outturn position for the main service accounts of the Authority is set out below.

|   | Revised<br>Budget<br>Position<br><br>£000 | Provisional<br>Outturn<br><br>£000 | Variance<br>(Favourable) /<br>Adverse<br><br>£000 |
|---|---|------------------------------------|---|
| Housing Revenue Account (HRA) – relates to Council Housing services                                     | (303)                                     | (651)                              | (348)   |
| General Fund Council Tax Requirement – covers all other Council services (but excludes parish precepts) | 7,853                                     | 7,522                              | (331)   |

## 3 HOUSING REVENUE ACCOUNT (HRA)

3.1 The Housing Revenue Account was underspent in last year by approximately £348K net (2014/15 comparative: £536K underspend).

3.2 A summary of the HRA provisional outturn is included at **Appendix A**. Discounting any notional and presentational variances, the main items of interest are as follows:

- reduced revenue funding requirement for capital, mainly shown as a lower call on the Major Repairs Reserve (£47K net saving overall);
- reduced spend on repairs and maintenance of £242K;
- additional contribution to bad debt provision of £20K;
- a variety of underspendings on supervision and management, amounting to £79K. These include salaries and reduced flood recovery costs relating to Cable Street, plus additional income from fees and charges.

3.3 With regard to repair and maintenance, Members will be aware that various actions are underway to understand and improve the service's performance and management reporting. Budget and Performance Panel are due to consider a recent external review (undertaken by APSE) and it is intended that proposals for further commissioning of external advice will be brought forward for Cabinet's consideration in due course.

3.4 At outturn the HRA's financial standing remains sound. As at 31 March its Balances stood at £1.692M, this being £348K higher than budgeted. A summary of all its Balances, reserves and provisions is included at **Appendix D**.

## 4 GENERAL FUND

### 4.1 Revenue Outturn

4.1.1 The 2015/16 financial year saw further substantial reductions in Government funding, amounting to around £1.7M or 16%. The outturn for General Fund should be considered in this context.

4.1.2 After allowing for various year-end adjustments, there has been a net underspending of £331K against the Revised Budget for 2015/16 and a summary statement is included at **Appendix B**. The underspending represents 1.9% of the Council's net revenue budget (2014/15 comparative: £553K underspend, 3% of budget) or 4.2% of the council tax requirement (i.e. the amount raised from council tax; this measure is growing in prominence). If compared with the Council's gross budget, however, which is in the region of £100M+, the level of net underspending is very minor.

4.1.3 Variance analysis is provided at **Appendix C**, the key elements of which are summarised below:

| Main Areas for variances                  | Gross Budget<br>(For comparison)<br>£'000 | Value<br>(Favourable)<br>/ Adverse<br>£'000 |
|---|---|---|
| <b>Operational:</b>                       |   |   |
| Employee Related                          | 19,599                                    | (79)  |
| Premises Related                          | 9,677                                     | (95)  |
| Transport and other Supplies and Services | 14,170                                    | (15)  |
| General Income                            | (16,185)                                  | (164)                                       |
| Other minor variances                     |   | 19  |
| <b>Other Areas:</b>                       |   |   |
| Capital Financing Costs                   |   | (57)  |
| Extra Contributions to Provisions         |   | 60  |
| <b>Net Total</b>                          |   | <b>(331)</b>                                |

4.1.4 Underspending is encouraged where it does not damage performance; indeed current financial strategy is still based on taking proactive management decisions to save money during the year. Other reasons for underspending do occur though and so it is important that appropriate analysis is undertaken. This will be undertaken as normal alongside monitoring arrangements, with the aim of drawing out further savings and any service performance or financial improvements needed. Any budgetary matters arising will be reported through corporate monitoring and incorporated into the half-yearly Medium Term Financial Strategy (MTFS) review.

4.1.5 This process will lead into the 2017/18 budget and planning process, for which the timetable and other arrangements are due to be considered by Cabinet over the summer.



## 4.2 Provisions, Reserves and Balances

4.2.1 In closing the accounts for last year the Council's reserves and provisions have been reviewed; this is in accordance with the policy and schedule approved by Council back in March. A full statement is attached at **Appendix D** and the main issues and transfers regarding General Fund are highlighted specifically below:

- An additional contribution of £60K has been made into the Bad Debts provision following a reassessment of sundry debts – particularly those in relation to housing benefit (HB) overpayment recoveries. Typically the Council deals with HB recoveries in excess of £1.2M per year, not all of which prove collectable. Currently £1.9M remain outstanding (cumulatively, covering many previous years) and the Bad Debts provision now provides cover for 70% of this, as well as covering other sundry debts.
- Following the outcome of appeals regarding Luneside East, the Council must recognise any estimated income due to it in relation to the recovery of costs, but the associated risks of recovery also need to be recognised and therefore the net estimated income of £544K has been used to increase the Bad Debts provision for the time being. As these items offset each other, there is no bottom-line impact on the outturn position. This does not reflect the outcome of recovery action, however, as this has not yet been concluded.

4.2.2 The transfers have already been reflected in the General Fund summary position outlined earlier, hence Cabinet is asked to endorse them.

4.2.3 After allowing for these transfers, the General Fund net underspending of £331K has been transferred into Balances by the Chief Officer (Resources). This means that as at 31 March 2016 Balances amount to £4.459M, as compared with the budgeted figure of £4.128M. Similar to the HRA, the General Fund's financial standing is currently sound but as Members know, General Fund still has big challenges and much uncertainty ahead.

## 5 'CARRY FORWARD' OF UNDERSPENDINGS AND OVERSPENDINGS

5.1 Under the financial strategy, provisions exist to adjust budgets between years by carrying forward under- or over-spending. These arrangements help to:

- provide some flexibility in delivering the Council's stated objectives
- remove the incentive to spend up budgets unnecessarily by year end, and
- promote good financial management.

5.2 With regard to the carry forward of revenue underspend, there are no requests for Cabinet to consider.

5.3 With regard to overspendings, arrangements require that:

- any overspending on any expenditure budget, or shortfall on any income budget, under the control of a Chief Officer (or their nominated representative) will be automatically carried forward to the following year as part of the closure of accounts process except where the relevant Chief Officer and the s151 Officer agree that it does not make operational sense to do so, or where the overspending is trifling in value.

- The s151 Officer will report to Cabinet on overspendings and their treatment as part of year-end reporting. Such reporting will also include the reasons for any overspendings occurring and details of any actions taken to prevent the situation recurring.

- 5.4 There are only a small number of revenue overspendings occurring and given their nature, Officers have agreed that there is no case for carrying these forward to reduce the current year's budgets. **Appendix E** sets out the relevant details, for Cabinet's consideration and endorsement.
- 5.5 Capital related carry forward matters are covered later in section 7 of this report.

## 6 COLLECTION FUND

- 6.1 The Collection Fund deals with local taxation matters and as such, its performance has a direct bearing on General Fund services. For this reason, a high level review of its outturn is presented for Members' information.

### 6.2 Council Tax

- 6.2.1 At the end of the financial year there was a surplus of £219K in relation to council tax, which is less than the £500K estimated surplus declared in January earlier this year. This has resulted from a reduction of approximately 177 chargeable dwellings (*0.5% of the estimated Tax Base*) from when the estimate was set to the end of March. As the City Council retains 13% of the surplus this would mean a potential shortfall of £32K in 2016/17 from the budgeted position. This will be monitored and reported to Members as part of the quarterly financial monitoring process.

### 6.3 Retained Business Rates

- 6.3.1 The position for business rates is again somewhat more complicated. A further major appeal has been made together with increases in estimated settlements on other appeals. This has meant that the overall position has gone from an estimated surplus of £8M to a deficit of £35M at the end of 2015/16.
- 6.3.2 Of the £35M deficit, the City Council's share is £14M. The complexities of the Business Rates Retention Scheme mean that this will not be recouped for some time but very importantly, any adverse impact is restricted through the operation of a 'safety net'. This guarantees a minimum level of rating income for General Fund services each year.
- 6.3.3 In terms of the 2015/16 General Fund outturn therefore, fortunately there is no bottom-line impact as the City Council is now due £9.8M back from the Government to bring net income back up to the safety net. Unfortunately, however, the settlement of the appeals does mean that the City Council has again lost the opportunity to retain growth in other business rate income, originally estimated to be £459K in last year.
- 6.3.4 Furthermore, an increase of £288K to the tariff payment to the Government has had to be allowed for.

- 6.3.5 On a much more positive note, however, last year's outturn has seen the realisation of some renewable energy business rate income from 2014/15, amounting to £662K. For renewable energy schemes approved by the Council as planning authority, the current regulatory framework provides for the City Council retaining 100% of such business rate income, outside of the operation of the main rates retention system and the safety net. The realisation of income regarding 2014/15 (albeit with a year's delay before recognition, as required by the accounting framework) is very important, as it should also feed into subsequent years for the medium term at least.
- 6.3.6 With regard to 2015/16, renewable energy rates income of over £900K has been identified, and subject to the provisional outturn being confirmed and there being no successful rating appeals coming through, this income should become available for use during the current financial year, as flagged within the latest Medium Term Financial Strategy (MTFS).
- 6.3.7 Furthermore, subject to the same caveats and Government not changing the current regulatory framework, this income stream should remain until at least 2020 and this would help significantly with addressing the Council's budget gap. Beyond 2020, it is not known whether the current renewable energy scheme provisions will still apply under the wider reforms regarding full business rates retention. From a professional viewpoint it is difficult to envisage that they will be retained fully in their current form, but clearly this is an area to keep under close review. Whatever the longer term position, the scheme should deliver significant financial benefits for the medium term. Cabinet is recommended to note this positive development.
- 6.3.8 In summary, the main business rate transactions are presented below.

|   | <b>2015/16<br/>Estimate<br/>£'000</b> | <b>2015/16<br/>Outturn<br/>£'000</b> | <b>Variance<br/>£'000</b> |
|---|---------------------------------------|--------------------------------------|---------------------------|
| Retained Business Rates                         | (24,480)                              | (24,480)                             | 0                         |
| Central Government Tariff                       | 19,763                                | 20,051                               | 288                       |
| <b>Net Retained Business Rates</b>              | <b>(4,717)</b>                        | <b>(4,429)</b>                       | <b>288</b>                |
| Small Business Rate Relief Grant                | (1,408)                               | (1,240)                              | 168                       |
| 2015/16 Estimated Surplus                       | (3,123)                               | (3,123)                              | 0                         |
| 2015/16 Actual Deficit (in total)               | -                                     | 14,008                               | 14,008                    |
| Transfer Estimated Surplus & Growth to Reserves | 3,582                                 | 0                                    | (3,582)                   |
| 2014/15 Renewable Energy realised in 2015/16    | 0                                     | (662)                                | (662)                     |
| Growth Levy payable to Central Government       | 459                                   | 0                                    | (459)                     |
| Safety Net Payment from Central Government      | 0                                     | (9,766)                              | (9,766)                   |
| <b>Net Revenue Funding from Business Rates</b>  | <b>(5,207)</b>                        | <b>(5,212)</b>                       | <b>(5)</b>                |

- 6.3.9 The upshot from all of the above is that whilst the Council had budgeted for business rate income at the higher baseline level, even though that income has fallen to safety net, it has not had to draw on the Business Rates Retention Reserve in order to cover the shortfall (of approaching £400K).

## 7 CAPITAL OUTTURN

7.1 **Appendix F** includes a provisional capital expenditure and financing statement for the year, which is summarised in the following table:

| Capital Programme | Revised Budget | Expenditure (before slippage) | Overspend or (Underspend) |       |
|-------------------|----------------|-------------------------------|---------------------------|-------|
|                   | £'000          | £'000                         | £'000                     | %     |
| Council Housing   | 4,831          | 4,875                         | 44                        | 0.9   |
| General Fund      | 7,695          | 7,522                         | (173)                     | (2.2) |
| Total Programme   | 12,526         | 12,397                        | (129)                     | 1.0   |

### 7.2 Capital Slippage

7.2.1 Details of individual slippage (i.e. carry forward) requests from services have been received, a schedule of which is attached at **Appendix G**. In considering these, Cabinet is asked to note that many of the associated capital schemes are already underway and expenditure may already have been incurred in this year – the actual carry forward of slippage can be a formality. If Members have any questions on particular requests and/or are minded to refuse any, it would be useful to know prior to the meeting, to ensure that sufficient detailed information is available.

7.2.2 Information on recent years' slippage is also included below for comparison. It is pleasing to note that slippage has significantly reduced when compared to the previous two years.

|                          | 2015/16<br>£'000 | 2014/15<br>£'000 | 2013/14<br>£'000 | 2012/13<br>£'000 | 2011/12<br>£'000 |
|--------------------------|------------------|------------------|------------------|------------------|------------------|
| Council Housing          | 36               | 95               | 0                | 16               | 160              |
| General Fund             | <u>576</u>       | <u>2,526</u>     | <u>1,706</u>     | <u>438</u>       | <u>1,828</u>     |
| Total Slippage Requested | <u>612</u>       | <u>2,621</u>     | <u>1,706</u>     | <u>454</u>       | <u>1,988</u>     |

### 7.3 Capital Overspends / Accelerated Spending

7.3.1 The requirements relating to revenue overspends (as set out in section 5) also apply to capital overspends. At the end of 2015/16 there were two HRA schemes and three General Fund schemes where overspends exceeded £10K:

#### Housing Revenue Account

- External Refurbishments £31K
- Fire Precaution Works £29K

#### General Fund

- Salt Ayre Sports Centre £255K
- Wave Reflection Wall £126K
- Corporate Property Works £55K

- 7.3.2 The HRA overspends are due to slippage from 2014/15 schemes being removed (in error) from last year’s revised budget. This has been addressed in terms of monitoring arrangements, but other than that no further budget adjustments are warranted.
- 7.3.3 The Salt Ayre Sports Centre apparent overspending is actually accelerated spending (ahead of schedule) on the main £5M redevelopment project, which therefore needs a corresponding reduction in the 2016/17 budget. The same applies to the Wave Reflection Wall and again a corresponding reduction will be made to the 2016/17 budget. Other than these adjustments, which are reflected in Appendix G, no further action is required.
- 7.3.4 The overspending on corporate property works is reflective of the fact that the estimates are based on surveys undertaken in 2012. As a result, there will inevitably be changes in pricing and further deterioration and/or further works required following more intrusive surveys being undertaken. Given this and the comparatively small scale of overspending against the overall budget of £1.843M, no further action is recommended.

**7.4 Summary Position**

- 7.4.1 The following table pulls together the financing position after allowing for slippage and budget adjustments in respect of accelerated spending. Overall, the overspendings are minor when compared with the programme as a whole.

| <b>Capital Programme</b> | <b>Revised Estimate</b> | <b>Comparative Adjusted Expenditure</b> | <b>Overspend Or (Underspend) - Rounded</b> |
|--------------------------|-------------------------|---|--|
|                          | <b>£’000</b>            | <b>£’000</b>                            | <b>£’000</b>                               |
| Council Housing          | 4,831                   | 4,911                                   | 80   |
| General Fund             | 7,695                   | 7,717                                   | 22   |

**8 TREASURY MANAGEMENT**

- 8.1 The annual treasury management report is attached at **Appendix H** and sets out the performance of treasury operations for 2015/16 in terms of long and short term borrowing, investment activities and relevant borrowing limits and prudential indicators. This must be referred on to Council for information.
- 8.2 Whilst the topic is complex, it does have strong linkages with other aspects of the outturn, for example the capital position and business rates income.

**9 TIMETABLE FOR COMPLETION OF ACCOUNTS AND ASSOCIATED MATTERS**

9.1 As in previous years, key aspects of the outturn will be made available to Members and other stakeholders for their due consideration, in line with the following timetable:

|                        |   |
|------------------------|---|
| Friday 01 July         | Commencement of 30 working day period for public inspection, questioning and objecting to unaudited accounts (change to previous requirements). |
| Monday 11 July         | Audit of accounts commences.  |
| Tuesday 12 July        | Budget and Performance Panel: consideration of outturn.   |
| Wednesday 13 July      | Council: annual Treasury Management report for information.   |
| Wednesday 07 September | Audit Committee: consideration of audited accounts.   |

During July the first quarterly monitoring report for 2016/17 will be produced. This will draw on the outturn for last year, to identify any implications for current and future years.

**10 DETAILS OF CONSULTATION**

10.1 As reflected in section 9 above, the statutory arrangements regarding the public's rights in relation to the accounts have now changed. Legislation now requires a fixed 30 working day period, to commence on 01 July for this year.

**11 OPTIONS AND OPTIONS ANALYSIS**

11.1 The City Council has a legal requirement to ensure that its expenditure is fully funded and to produce accounts in accordance with proper accounting practice. In addition, the Prudential Indicators are a statutory requirement linked to the budgetary framework. For these aspects, therefore, there are no alternative options for Cabinet to consider. Members are being asked to endorse certain actions taken by the Chief Officer (Resources), and Cabinet should consider whether it has sufficient information to do so or whether it requires any further justification.

11.2 The report requests Cabinet to consider a number of revenue overspending, capital slippage and other budget adjustment matters. The framework for considering these is set out in the report but basically Cabinet may:

- Approve any number of the items / requests, in full or part.
- Refuse various requests and if commitments have already been incurred, require alternative funding options to be identified. Cabinet should note, however, that this may impact on other areas of service delivery.
- Request further information regarding them, if appropriate.

**12 OFFICER PREFERRED OPTION AND JUSTIFICATION**

12.1 The Officer preferred options are as set out in the recommendations, on the assumption that Members continue to support their previously approved spending plans.

**13 CONCLUSION**

13.1 Although the General Fund budget and associated Government funding reduced again in 2015/16, the Council continued to manage the financial pressures well, and has again improved the Fund's overall financial standing as at 31 March 2016. Similarly, the HRA's standing is sound. Whilst net revenue underspendings were experienced on both General Fund and HRA, their scale was lower than in previous years, perhaps reflecting the much tighter financial environment within which the Council is working. Although various actions have been outlined in the report, there are no wholly new matters arising that have not previously been reported or highlighted in some form, and this should give some comfort with regard to the Council's financial planning and monitoring arrangements. This is especially so, given that local government finance appears to be getting more complex. It will be important that capacity is in place to address the various actions highlighted, however, and this is becoming increasingly difficult given the resource pressures that exist.

|  |   |
|--|---|
| <b>RELATIONSHIP TO POLICY FRAMEWORK</b>  |   |
| The Outturn and Statement of Accounts report on all the financial resources generated and/or used by the Council in providing services or undertaking other activities under the Policy Framework. |   |
| <b>CONCLUSION OF IMPACT ASSESSMENT (including Diversity, Human Rights, Community Safety, Sustainability etc)</b>   |   |
| None directly identifiable, due to the high level nature of this report.   |   |
| <b>FINANCIAL IMPLICATIONS</b>  |   |
| As set out in the report.  |   |
| <b>SECTION 151 OFFICER'S COMMENTS</b>  |   |
| This report forms part of the section 151 officer responsibilities, with the outturn being subject to external audit.  |   |
| <b>LEGAL IMPLICATIONS</b>  |   |
| There are no legal implications directly arising.  |   |
| <b>MONITORING OFFICER'S COMMENTS</b>   |   |
| The Monitoring Officer has been consulted and has no further comments to add.  |   |
| <b>BACKGROUND PAPERS</b>   | <b>Contact Officer: Nadine Muschamp</b>   |
| None.  | <b>Telephone: 01524 582117</b>            |
|  | <b>E-mail: nmuschamp@lancaster.gov.uk</b> |

**HOUSING REVENUE ACCOUNT OUTTURN 2015/16****For Consideration by Cabinet 28 June 2016**

|  | Original<br>Budget<br>£ | Revised<br>Budget<br>£ | Actual<br>£         | Variance<br>£             | Adjusted<br>Variance<br>£ |
|--|-------------------------|------------------------|---------------------|---------------------------|---------------------------|
| <b>INCOME</b>  |                         |                        |                     | (Favourable) /<br>Adverse | (Favourable) /<br>Adverse |
| Rental Income - Council Housing                              | (13,707,200)            | (13,681,200)           | (13,685,589)        | (4,389)                   | (4,389)                   |
| Rental Income - Other (Shops and Garages etc.)               | (203,600)               | (213,100)              | (209,866)           | 3,234                     | 3,234                     |
| Charges for Services & Facilities                            | (1,866,900)             | (1,810,400)            | (1,780,133)         | 30,267                    | 30,267                    |
| Grant Income   | (7,700)                 | (7,700)                | (7,736)             | (36)                      | (36)                      |
| Contributions from General Fund                              | (80,700)                | (88,100)               | (88,644)            | (544)                     | (544)                     |
| <b>Total Income</b>  | <b>(15,866,100)</b>     | <b>(15,800,500)</b>    | <b>(15,771,968)</b> | <b>28,532</b>             | <b>28,532</b>             |
| <b>EXPENDITURE</b>   |                         |                        |                     |                           |                           |
| Repairs & Maintenance  | 4,697,000               | 4,736,800              | 4,494,560           | (242,240)                 | (242,240)                 |
| Supervision & Management                                     | 3,208,100               | 3,175,200              | 3,114,537           | (60,663)                  | (95,959)                  |
| Rents, Rates & Insurance                                     | 170,500                 | 175,100                | 179,345             | 4,245                     | 4,245                     |
| Contribution to Provision for Bad and Doubtful Debts         | 190,400                 | 144,800                | 164,741             | 19,941                    | 19,941                    |
| Depreciation & Impairment of Fixed Assets                    | 1,984,000               | 2,015,300              | 8,612,836           | 6,597,536                 | 846,871                   |
| Debt Management Costs  | 1,100                   | 1,100                  | 1,100               | 0                         | 0                         |
| <b>Total Expenditure</b>                                     | <b>10,251,100</b>       | <b>10,248,300</b>      | <b>16,567,119</b>   | <b>6,318,819</b>          | <b>532,858</b>            |
| <b>NET COST OF HRA SERVICES</b>                              | <b>(5,615,000)</b>      | <b>(5,552,200)</b>     | <b>795,151</b>      | <b>6,347,351</b>          | <b>561,390</b>            |
| Capital Grants and Contributions Receivable                  | 0                       | 0                      | (116,352)           | (116,352)                 | (116,352)                 |
| Interest Payable & Similar Charges                           | 2,006,600               | 2,006,600              | 2,004,510           | (2,090)                   | (2,090)                   |
| Premiums & Discounts from Earlier Debt Rescheduling          | (600)                   | (600)                  | (573)               | 27                        | 27                        |
| Interest & Investment Income                                 | (33,300)                | (63,600)               | (76,974)            | (13,374)                  | (13,374)                  |
| Pensions Interest Costs & Expected Return on Pensions Assets | 178,000                 | 178,000                | 448,546             | 270,546                   | 0                         |
| Self Financing Debt Repayment                                | 1,041,400               | 1,041,400              | 1,041,367           | (33)                      | (33)                      |
| <b>(SURPLUS) OR DEFICIT FOR THE YEAR</b>                     | <b>(2,422,900)</b>      | <b>(2,390,400)</b>     | <b>4,095,675</b>    | <b>6,486,075</b>          | <b>429,568</b>            |
| Adjustments to reverse out Notional Charges included above   | (27,500)                | (27,600)               | (6,580,533)         | (6,552,933)               | 0                         |
| Net Charges made for Retirement Benefits                     | 0                       | 0                      | 496,426             | 496,426                   | 0                         |
| Transfer to/(from) Earmarked Reserves - for Revenue Purposes | (47,000)                | 0                      | 0                   | 0                         | 0                         |
| Capital Expenditure funded from Major Repairs Reserve        | 2,517,500               | 2,333,500              | 1,490,721           | (842,779)                 | (842,779)                 |
| Transfer from Earmarked Reserves - for Capital Purposes      | (386,600)               | (544,300)              | (525,837)           | 18,463                    | 18,463                    |
| Financing of Capital Expenditure from Earmarked Reserves     | 366,500                 | 325,400                | 372,501             | 47,101                    | 47,101                    |
| <b>TOTAL (SURPLUS) / DEFICIT FOR THE YEAR</b>                | <b>0</b>                | <b>(303,400)</b>       | <b>(651,047)</b>    | <b>(347,647)</b>          | <b>(347,647)</b>          |
| Housing Revenue Account Balance brought forward              | (1,041,017)             | (1,041,017)            | (1,041,017)         | 0                         | 0                         |
| <b>HRA BALANCE CARRIED FORWARD</b>                           | <b>(1,041,017)</b>      | <b>(1,344,417)</b>     | <b>(1,692,064)</b>  | <b>(347,647)</b>          | <b>(347,647)</b>          |

Note: The shaded items relate directly to financing the capital programme, and comprise depreciation on Council Dwellings, grants and contributions, use of the Major Repairs Reserve and specific Earmarked Reserves.

The first variance column includes notional variances mainly relating to pensions charges and revaluations that have to be included within the relevant service areas, but they are then reversed out and so do not impact on the 'bottom-line' outturn position. The adjusted variance column excludes these items and therefore shows a clearer outturn position.



## GENERAL FUND REVENUE BUDGET SUMMARY

For Consideration by Cabinet 28 June 2016

|  | Original<br>Budget<br>£ | Revised<br>Budget<br>£ | Actuals<br>£        | Variance<br>£<br><br>(Favourable) /<br>Adverse | Adjusted<br>Variance<br>£<br><br>(Favourable) /<br>Adverse |
|--|-------------------------|------------------------|---------------------|--|--|
| <b>Management Team</b>                       | 0                       | 0                      | 0                   | 0  | (966)  |
| <b>Environmental Services</b>                |                         |                        |                     |  |  |
| Service Support                              | 0                       | 0                      | 0                   | 0  | 32,736   |
| Public Realm                                 | 2,523,800               | 2,265,700              | 2,372,634           | 106,934  | 14,670   |
| Repairs & Maintenance                        | 0                       | 0                      | 0                   | 0  | (25,738)   |
| Safety                                       | 170,100                 | 188,300                | 187,437             | (863)  | (9,347)  |
| Waste / Recycling                            | 2,857,200               | 2,676,100              | 2,711,340           | 35,240   | (35,828)   |
|  | <b>5,551,100</b>        | <b>5,130,100</b>       | <b>5,271,411</b>    | <b>141,311</b>                                 | <b>(23,507)</b>  |
| <b>Governance Services</b>                   |                         |                        |                     |  |  |
| Democratic Services                          | 1,592,900               | 1,574,900              | 1,590,294           | 15,394   | 7,813  |
| Human Resources & Organisational Development | 263,800                 | 259,700                | 256,428             | (3,272)  | (17,792)   |
| Legal  | (70,700)                | (89,400)               | (98,226)            | (8,826)  | (9,776)  |
| Licensing                                    | (5,300)                 | 14,000                 | 13,057              | (943)  | (3,595)  |
|  | <b>1,780,700</b>        | <b>1,759,200</b>       | <b>1,761,553</b>    | <b>2,353</b>                                   | <b>(23,350)</b>  |
| <b>Health &amp; Housing Services</b>         |                         |                        |                     |  |  |
| Environmental Health                         | 1,412,500               | 1,344,200              | 1,374,379           | 30,179   | (5,033)  |
| General Fund Housing                         | 152,600                 | 190,700                | 178,215             | (12,485)                                       | (13,769)   |
| Sport and Leisure                            | 1,871,900               | 2,104,400              | 2,186,879           | 82,479   | 41,645   |
| Strategic Housing                            | 874,600                 | 841,600                | 773,903             | (67,697)                                       | (44,666)   |
|  | <b>4,311,600</b>        | <b>4,480,900</b>       | <b>4,513,376</b>    | <b>32,476</b>                                  | <b>(21,823)</b>  |
| <b>Regeneration &amp; Planning</b>           |                         |                        |                     |  |  |
| Development Management                       | 764,600                 | 454,900                | 430,916             | (23,984)                                       | (49,590)   |
| Economic Development                         | 1,749,500               | 1,783,200              | 1,777,294           | (5,906)  | (20,091)   |
| Regeneration                                 | 3,154,900               | 3,341,300              | 4,434,191           | 1,092,891                                      | (670,274)  |
| Service Support                              | 66,600                  | 51,900                 | 50,791              | (1,109)  | (9,299)  |
|  | <b>5,735,600</b>        | <b>5,631,300</b>       | <b>6,693,192</b>    | <b>1,061,892</b>                               | <b>(749,254)</b>   |
| <b>Resources</b>                             |                         |                        |                     |  |  |
| Audit  | 69,100                  | 65,600                 | 62,121              | (3,479)  | (27,789)   |
| Financial Services                           | 0                       | 0                      | 13,684,955          | 13,684,955                                     | (22,607)   |
| ICT  | 0                       | 0                      | 0                   | 0  | (15,209)   |
| Property Group                               | (237,700)               | (191,700)              | (158,537)           | 33,163   | (9,336)  |
| Revenues and Benefits                        | 1,228,800               | 1,057,600              | 917,656             | (139,944)                                      | (122,058)  |
|  | <b>1,060,200</b>        | <b>931,500</b>         | <b>14,506,195</b>   | <b>13,574,695</b>                              | <b>(196,999)</b>   |
| <b>Corporate Accounts</b>                    |                         |                        |                     |  |  |
| Capital Financing                            | 2,730,100               | 2,415,000              | 2,358,033           | (56,967)                                       | (56,967)   |
| Other Corporate Costs                        | 1,594,800               | 1,869,500              | (13,799,229)        | (15,668,729)                                   | 616,617  |
| Reversal of Notional Charges                 | (3,896,700)             | (4,161,000)            | (4,569,665)         | (408,665)                                      | 0  |
| Treasury Management                          | 1,018,400               | 1,062,800              | 1,898,464           | 835,664  | (29,721)   |
| Other Government Grants                      | (1,380,400)             | (1,427,200)            | (1,419,665)         | 7,535  | 7,535  |
| Appropriations (to / (-) from Reserves)      | (453,300)               | (143,000)              | 9,625               | 152,625  | 152,625  |
| Appropriations (to / (-) from Balances)      | (1,000,000)             | (497,000)              | (497,000)           | 0  | 0  |
|  | <b>(1,387,100)</b>      | <b>(880,900)</b>       | <b>(16,019,437)</b> | <b>(15,138,537)</b>                            | <b>690,089</b>   |
| <b>Net Revenue Budget</b>                    | <b>17,052,100</b>       | <b>17,052,100</b>      | <b>16,726,290</b>   | <b>(325,810)</b>                               | <b>(325,810)</b>   |
| <b>Financed by:</b>                          |                         |                        |                     |  |  |
| Retained Business Rates                      | (24,969,700)            | (24,969,700)           | (24,974,765)        | (5,065)  | (5,065)  |
| Less Business Rates Tariff                   | 19,762,900              | 19,762,900             | 19,762,945          | 45   | 45   |
| Baseline Funding Level                       | (5,206,800)             | (5,206,800)            | (5,211,820)         | (5,020)  | (5,020)  |
| Revenue Support Grant                        | (3,861,500)             | (3,861,500)            | (3,861,474)         | 26   | 26   |
| <b>Total Settlement Funding</b>              | <b>(9,068,300)</b>      | <b>(9,068,300)</b>     | <b>(9,073,294)</b>  | <b>(4,994)</b>                                 | <b>(4,994)</b>   |
| <b>Council Tax Surplus</b>                   | <b>(131,000)</b>        | <b>(131,000)</b>       | <b>(131,000)</b>    | <b>0</b>                                       | <b>0</b>   |
| <b>Council Tax Requirement</b>               | <b>7,852,800</b>        | <b>7,852,800</b>       | <b>7,521,996</b>    | <b>(330,804)</b>                               | <b>(330,804)</b>   |

Note the underspend of approx £331K will be transferred to Unallocated Balances to balance off the Fund accounts.

The first variance column includes notional variances relating to numerous capital and pensions charges that have to be included within the relevant service areas, but they are then reversed out (within the Corporate Accounts section) and so do not impact on the 'bottom-line' outturn position. The adjusted variance column excludes these items and therefore shows a clearer outturn position - the full analysis of this is shown at Appendix C.

**GENERAL FUND VARIANCE ANALYSIS**

For Consideration by Cabinet 28 June 2016

2015/16 Outturn  
Compared to Working  
Budget(Favourable) / Adverse  
£ £

| <b>COUNCIL TAX REQUIREMENT</b>  |          | <b>7,852,800</b> |
|---|----------|------------------|
| <b>EXPENDITURE</b>  |          |                  |
| <b>Employee Savings</b>   |          |                  |
| Management Team   | (5,445)  |                  |
| Environmental Services  | (4,475)  |                  |
| Governance  | (15,157) |                  |
| Health & Housing - Redundancy Costs, Additional Training and Swimming/Lifeguard Costs | 43,436   |                  |
| Regeneration & Planning   | (30,890) |                  |
| Resources   | (66,430) | <b>(78,961)</b>  |
| <b>Premises</b>   |          |                  |
| Williamson Park - Grounds Maintenance   | (16,088) |                  |
| Public Realm - Repair and Maintenance   | (15,068) |                  |
| Middleton Reserve Pumping Station - Repair and Maintenance                            | (16,324) |                  |
| Salt Ayre - Energy Savings  | (30,331) |                  |
| White Lund Depot - Repair and Maintenance, Utility Savings                            | (17,059) | <b>(94,870)</b>  |
| <b>Transport Expenses</b>   |          |                  |
| Three Stream Waste - Increased Repair and Maintenance Costs                           | 31,244   |                  |
| Grounds Maintenance - Reduced Repair and Maintenance Costs                            | (20,842) |                  |
| Street Cleansing - Reduced Repair and Maintenance Costs                               | (8,348)  | <b>2,054</b>     |
| <b>Supplies &amp; Services</b>  |          |                  |
| Three Stream Waste - Mainly Less Requirement for Bins and Boxes                       | (25,993) |                  |
| Waste Disposal Charges  | 40,678   |                  |
| Townscape Heritage Initiative 2 - Reduced take up of scheme by Property Owners        | (26,123) |                  |
| Environmental Protection - Delay in partnership agreement for Air Quality Assessments | (12,625) |                  |
| St. Leonard's House - Development Fees (to be offset by capital receipt in 2016/17)   | 80,815   |                  |
| Property Services - Reduced need for external surveyors and other professional fees   | (21,343) |                  |
| Benefits Administration - Grant towards web serve software                            | (6,237)  |                  |
| Council Tax Administration - Reduced legal fees                                       | (18,137) |                  |
| Housing Benefits  | (27,825) | <b>(16,790)</b>  |
| <b>INCOME</b>   |          |                  |
| Net Investment Interest and Bank Charges  | (38,148) |                  |
| Waste Collection - new properties bins/boxes, special collections                     | (16,501) |                  |
| Bulky Waste Collections   | (7,991)  |                  |
| Off Street Parking  | 44,294   |                  |
| Williamson Park Café  | (18,665) |                  |
| Development Control - Planning Application Fees                                       | (27,849) |                  |
| Cemeteries  | 31,110   |                  |
| Salt Ayre Sports Centre - Swimming  | 18,773   |                  |
| Legal Services - Additional Court Costs Recovered                                     | (8,695)  |                  |
| Search Fees   | (12,050) |                  |
| Commercial Properties - Rental Income   | (56,666) |                  |
| Council Tax Administration - Additional Court Costs Recovered                         | (25,199) |                  |
| Housing Benefit Overpayment Recoveries  | (46,529) | <b>(164,116)</b> |
| <b>Other Net Service Variances</b>  |          | <b>18,846</b>    |
| <b>SPECIFIC VARIANCES NOT INCLUDED ABOVE:</b>   |          |                  |
| Bad Debt Provision - Additional Contribution  |          | <b>60,000</b>    |
| Capital Financing - Minimum Revenue Provision   |          | <b>(56,967)</b>  |
| <b>TOTAL VARIANCES</b>  |          | <b>(330,804)</b> |
| <b>PROVISIONAL OUTTURN 2015-16</b>  |          | <b>7,521,996</b> |

# RESERVES AND PROVISIONS STATEMENT (INCLUDING BALANCES)

For consideration by Cabinet 28 June 2016

| GENERAL FUND  | OUTTURN          |                          |                           |                  |                  |
|---|------------------|--------------------------|---------------------------|------------------|------------------|
|   | 31/03/15         | Contributions to Reserve | Contribution from Reserve |                  | 31/03/16         |
|   |                  | From Revenue             | To Capital                | To Revenue       |                  |
| £   | £                | £                        | £                         | £                |                  |
| <b>General Fund Balance</b>                           | 4,625,207        |                          |                           | (166,196)        | 4,459,011        |
| <b>Earmarked Reserves:</b>                            |                  |                          |                           |                  |                  |
| Apprenticeships                                       | 38,054           | 21,200                   |                           | (19,600)         | 39,654           |
| Business Rates Retention                              | 381,458          |                          |                           |                  | 381,458          |
| Capital Support                                       | 298,767          | 235,687                  |                           | (8,000)          | 526,454          |
| Corporate Property                                    | 342,585          |                          |                           | (14,479)         | 328,106          |
| Elections   | 0                |                          |                           |                  | 0                |
| Highways  | 279,390          |                          |                           | (59,787)         | 219,603          |
| Homelessness Support                                  | 16,285           | 60,175                   |                           |                  | 76,460           |
| Invest to Save  | 1,501,412        |                          | (23,855)                  | (8,000)          | 1,469,557        |
| Local Plan  | 42,167           | 29,407                   |                           |                  | 71,574           |
| Markets   | 59,599           | 23,855                   |                           | (29,355)         | 54,099           |
| Morecambe Area Action Plan (MAAP)                     | 223,803          |                          | (90,000)                  | (19,334)         | 114,469          |
| Performance Reward Grant                              | 19,000           |                          |                           | (19,000)         | 0                |
| Renewals (all services)                               | 707,601          | 605,400                  | (256,281)                 | (244,459)        | 812,262          |
| Restructuring/Budget Support Reserve                  | 602,922          |                          |                           |                  | 602,922          |
| S106 Commuted Sums - Open Spaces                      | 128,448          |                          |                           | (24,438)         | 104,010          |
| S106 Commuted Sums - Affordable Housing               | 235,682          | 109,250                  | (148,857)                 |                  | 196,075          |
| S106 Commuted Sums - Highways, crossing & cycle paths | 883,680          | 66,909                   | (40,814)                  |                  | 909,775          |
| Welfare Reforms                                       | 307,996          | 107,315                  |                           | (19,027)         | 396,284          |
| Youth Games   | 21,514           | 15,000                   |                           | (3,600)          | 32,914           |
| <b>Reserves Held in Perpetuity:</b>                   |                  |                          |                           |                  |                  |
| Graves Maintenance                                    | 22,201           |                          |                           |                  | 22,201           |
| Marsh Capital   | 47,677           |                          |                           |                  | 47,677           |
| <b>Total Earmarked Reserves</b>                       | <b>6,160,242</b> | <b>1,274,198</b>         | <b>(559,807)</b>          | <b>(469,079)</b> | <b>6,405,554</b> |

| AS CURRENTLY BUDGETED    |                           |                  |                          |                           |                  |                  |                          |                           |                 |                  |
|--------------------------|---------------------------|------------------|--------------------------|---------------------------|------------------|------------------|--------------------------|---------------------------|-----------------|------------------|
| Contributions to Reserve | Contribution from Reserve | 31/03/17         | Contributions to Reserve | Contribution from Reserve |                  | 31/03/18         | Contributions to Reserve | Contribution from Reserve |                 | 31/03/19         |
|                          |                           |                  | From Revenue             | To Capital                | To Revenue       |                  | From Revenue             | To Capital                | To Revenue      |                  |
| £                        | £                         | £                | £                        | £                         | £                | £                | £                        | £                         | £               | £                |
| 56,400                   |                           | 4,515,411        | 164,900                  |                           |                  | 4,680,311        |                          |                           |                 | 4,680,311        |
|                          |                           |                  |                          | (39,654)                  | 0                |                  |                          |                           |                 | 0                |
|                          |                           | 381,458          |                          |                           |                  | 381,458          |                          |                           |                 | 381,458          |
|                          |                           | 277,654          |                          | (248,800)                 | 277,654          | 277,654          |                          |                           |                 | 277,654          |
| 54,600                   | (59,000)                  | 323,706          |                          |                           |                  | 323,706          |                          |                           |                 | 323,706          |
| 40,000                   |                           | 40,000           | 40,000                   |                           |                  | 80,000           | 40,000                   |                           |                 | 120,000          |
|                          |                           | 10,203           |                          | (209,400)                 | 10,203           | 10,203           |                          |                           |                 | 10,203           |
|                          |                           | 66,260           |                          | (10,200)                  | 66,260           | 66,260           |                          |                           |                 | 66,260           |
| 350,700                  | (6,000)                   | 1,814,257        |                          |                           |                  | 1,814,257        |                          |                           |                 | 1,814,257        |
|                          |                           | 55,174           |                          | (16,400)                  | 55,174           | 16,574           | (38,600)                 |                           |                 | 16,574           |
|                          |                           | 0                |                          | (54,099)                  | 0                | 0                |                          |                           |                 | 0                |
|                          |                           | 54,469           |                          | (45,000)                  | 54,469           | 54,469           |                          |                           |                 | 54,469           |
|                          |                           | 0                |                          |                           | 0                | 0                |                          |                           |                 | 0                |
| 402,800                  | (492,000)                 | 653,562          | 479,300                  | (230,000)                 | (43,100)         | 859,762          | 479,300                  | (280,000)                 | (48,300)        | 1,010,762        |
| 333,600                  |                           | 750,022          |                          | (186,500)                 | 750,022          | 750,022          |                          |                           |                 | 750,022          |
|                          |                           | 81,510           |                          | (22,500)                  | 81,510           | 60,610           |                          |                           | (20,900)        | 44,010           |
|                          |                           | 196,075          |                          |                           | 196,075          | 196,075          |                          |                           |                 | 196,075          |
|                          | (578,000)                 | 331,775          |                          |                           | 331,775          | 281,775          | 75,000                   | (75,000)                  |                 | 281,775          |
| 23,500                   |                           | 229,784          |                          | (190,000)                 | 229,784          | 229,784          |                          |                           |                 | 229,784          |
|                          |                           | 0                |                          | (32,914)                  | 0                | 0                |                          |                           |                 | 0                |
|                          |                           | 22,201           |                          |                           | 22,201           | 22,201           |                          |                           |                 | 22,201           |
|                          |                           | 47,677           |                          |                           | 47,677           | 47,677           |                          |                           |                 | 47,677           |
| <b>1,205,200</b>         | <b>(1,180,000)</b>        | <b>5,335,788</b> | <b>519,300</b>           | <b>(280,000)</b>          | <b>(102,600)</b> | <b>5,472,488</b> | <b>594,300</b>           | <b>(355,000)</b>          | <b>(64,900)</b> | <b>5,646,888</b> |

Note - For various provisions and reserves, not all spending needs are reflected and so over the period their balances will reduce from the levels shown above, as and when spending commitments and their timing are confirmed.

| Provisions              | 31/03/15         | Contributions to Reserve | Payments from Reserve | 31/03/16         |
|-------------------------|------------------|--------------------------|-----------------------|------------------|
|                         | £                | £                        | £                     | £                |
| Bad Debts               | 1,174,523        | 954,096                  | (168,704)             | 1,959,915        |
| Legal                   | 175,000          | 147,506                  | (158,038)             | 164,468          |
| Insurance               | 359,608          | 149,216                  | (109,207)             | 399,617          |
| <b>Total Provisions</b> | <b>1,709,131</b> | <b>1,250,818</b>         | <b>(435,949)</b>      | <b>2,524,000</b> |

**HOUSING REVENUE  
ACCOUNT**

|                                      | OUTTURN           |                          |                    |                           |                   |          |
|--------------------------------------|-------------------|--------------------------|--------------------|---------------------------|-------------------|----------|
|                                      | 31/03/15          | Contributions to Reserve |                    | Contribution from Reserve |                   | 31/03/16 |
|                                      |                   | From Revenue             | To Capital         | To Revenue                | To Revenue        |          |
| £                                    | £                 | £                        | £                  | £                         | £                 |          |
| <b>HRA General Balance</b>           | 1,041,017         | 651,049                  |                    |                           | 1,692,066         |          |
| <b>Earmarked Reserves:</b>           |                   |                          |                    |                           |                   |          |
| Business Support Reserve             | 8,612,720         |                          |                    | (175,839)                 | 8,436,881         |          |
| Major Repairs Reserve                | 0                 | 4,339,300                | (4,339,300)        |                           | 0                 |          |
| Flats - Planned Maintenance          | 922,460           |                          | (231,723)          |                           | 690,737           |          |
| Central Control Equipment / Telecare | 40,000            |                          |                    | (40,000)                  | 0                 |          |
| Non-Sheltered Scheme Equipment       | 16,260            | 4,447                    |                    | (20,707)                  | 0                 |          |
| I T Replacement                      | 591,195           |                          |                    |                           | 591,195           |          |
| Office Equipment Reserve             | 40,271            | 3,000                    |                    | (7,262)                   | 36,009            |          |
| Sheltered - Equipment                | 366,021           |                          |                    | (125,067)                 | 240,953           |          |
| Sheltered - Planned Maintenance      | 224,475           | 42,318                   | (140,779)          |                           | 126,014           |          |
| Sheltered Support Grant Maintenance  | 279,299           | 165,776                  |                    |                           | 445,075           |          |
| <b>Total Earmarked Reserves</b>      | <b>11,092,701</b> | <b>4,554,840</b>         | <b>(4,711,802)</b> | <b>(368,876)</b>          | <b>10,566,864</b> |          |

| Provison  |         |
|-----------|---------|
| Bad Debts | 515,987 |

| AS CURRENTLY BUDGETED    |                           |                  |                   |                          |                    |                 |                   |                           |                    |                 |                   |
|--------------------------|---------------------------|------------------|-------------------|--------------------------|--------------------|-----------------|-------------------|---------------------------|--------------------|-----------------|-------------------|
| Contributions to Reserve | Contribution from Reserve |                  | 31/03/17          | Contributions to Reserve |                    |                 | 31/03/18          | Contribution from Reserve |                    |                 | 31/03/19          |
|                          | From Revenue              | To Capital       |                   | To Revenue               | From Revenue       | To Capital      |                   | To Revenue                | From Revenue       | To Capital      |                   |
| £                        | £                         | £                | £                 | £                        | £                  | £               | £                 | £                         | £                  | £               |                   |
| 275,700                  |                           |                  | 1,967,766         | 120,900                  |                    |                 | 2,088,666         |                           |                    | (338,500)       | 1,750,166         |
|                          |                           |                  |                   |                          |                    |                 |                   |                           |                    |                 |                   |
|                          |                           | (39,400)         | 8,397,481         |                          |                    | (39,500)        | 8,357,981         |                           |                    |                 | 8,357,981         |
| 4,152,400                | (4,152,400)               |                  | 0                 | 3,988,500                | (3,988,500)        |                 | 0                 | 4,171,400                 | (4,171,400)        |                 | 0                 |
| 133,000                  | (167,000)                 |                  | 656,737           | 133,000                  | (200,000)          |                 | 589,737           | 133,000                   | (200,000)          |                 | 522,737           |
|                          |                           |                  | 0                 |                          |                    |                 | 0                 |                           |                    |                 | 0                 |
|                          |                           |                  | 0                 |                          |                    |                 | 0                 |                           |                    |                 | 0                 |
| 57,000                   |                           |                  | 648,195           | 57,000                   |                    |                 | 705,195           |                           |                    |                 | 705,195           |
| 3,000                    |                           |                  | 39,009            |                          |                    |                 | 39,009            |                           |                    |                 | 39,009            |
|                          |                           | (51,200)         | 189,753           | 28,000                   |                    | (38,000)        | 179,753           | 28,100                    |                    | (40,700)        | 167,153           |
| 80,700                   | (50,000)                  | (20,000)         | 136,714           | 56,800                   | (55,000)           | (20,000)        | 118,514           | 57,200                    |                    | (20,000)        | 155,714           |
| 27,100                   |                           |                  | 472,175           | 28,000                   |                    |                 | 500,175           | 28,100                    |                    |                 | 528,275           |
| <b>4,453,200</b>         | <b>(4,369,400)</b>        | <b>(110,600)</b> | <b>10,540,064</b> | <b>4,291,300</b>         | <b>(4,243,500)</b> | <b>(97,500)</b> | <b>10,490,364</b> | <b>4,417,800</b>          | <b>(4,371,400)</b> | <b>(60,700)</b> | <b>10,476,064</b> |

## Carry Forward of Controllable Overspends

For Consideration by Cabinet 28 June 2016

| Services and Detail of Overspend         |  | Revised Budget<br>£ | Actual<br>£ | Variance<br>£ | Comments   |
|--|--|---------------------|-------------|---------------|--|
| <b>GENERAL FUND REVENUE</b>              |  |                     |             |               |  |
| <b>Environmental Services</b>            |  |                     |             |               |  |
| Waste Collection                         | Vehicle R&M                                      | 223,200             | 257,811     | 34,611        | Higher levels of repairs were required in year due to an ageing fleet following the rescheduling of renewals due to the uncertain direction of the service. This was partly offset by £17K savings within other vehicle R&M areas of the service. This may be ongoing whilst ongoing budget reviews are underway.  |
| Nurseries                                | Nursery Income                                   | -75,200             | -66,390     | 8,810         | The nursery has previously supplied plants, hanging baskets etc. to other local authorities but this has reduced significantly in the last year due to the budget pressures faced within local government. This was managed through an £8K reduction in materials purchased. The future income projections of the nursery have been reduced due to the cessation of winter bedding and this will be monitored closely. |
| Street Cleaning                          | Salaries - Overtime                              | 84,700              | 94,622      | 9,922         | Increased overtime to clean up after floods, events, one offs. Shift patterns to be reviewed during 2016/17 and organisers of events to be responsible for cost of any additional cleansing.   |
|  | Materials  | 30,400              | 36,944      | 6,544         |  |
| Car Parking                              | Off Street Car Park Income                       | (2,251,700)         | (2,207,940) | 43,760        | Income ahead of target to December allowing 2 free Saturdays post floods, however impact of flooding period greater than anticipated compounded with poor Christmas and winter thereafter. The flooding was an exceptional one-off event and it is difficult to predict the impact of weather conditions, therefore no future budgetary action is required.  |
| Markets                                  | Charter Market Income                            | -78,200             | -70,593     | 7,607         | Fewer adhoc bookings taken following floods compounded with poor weather combined with essential works on museum resulting in 5 "out of action" pitches. As above no future budgetary action is required.  |
| <b>Resources</b>                         |  |                     |             |               |  |
| Information, Communications & Technology | Infrastructure - Update & Maintenance            | 66,600              | 80,186      | 13,586        | Offset by underspends on consultancy. Pilot scheme in partnership with Lancaster University for free Public Wi-Fi to determine whether to roll out on a permanent basis. Storage support extension costs arising from delay in capital project to take advantage of rapidly reducing storage costs. These are one-off overspends and therefore no future budgetary action is required.                                 |
| <b>Governance</b>                        |  |                     |             |               |  |
| City Council Elections                   | Printing & Stationery / Election Fees / Postages | 179,300             | 192,496     | 13,196        | Additional costs mainly relating to Carnforth Bye-Election due to death of Councillor. This was a one-off cost and therefore no further budgetary action is required.  |

**Officer Decisions:** That no further action be taken as all overspends are offset by other savings. On-going implications still being reviewed as appropriate, as referred to above.

## Lancaster City Council - Capital Expenditure 2015/16

For consideration by Cabinet 28 June 2016

| HOUSING REVENUE ACCOUNT                   | Revised Estimate | Expenditure in 2015/16 | Expenditure to be financed in 2015/16 | SCHEME FINANCING       |                  |                                 |                            |                                    | TOTAL SCHEME SPECIFIC FINANCING / ITEMS | BALANCE FINANCED BY GENERAL CAPITAL RESOURCES |
|---|------------------|------------------------|---------------------------------------|------------------------|------------------|---------------------------------|----------------------------|------------------------------------|---|---|
|   |                  |                        |                                       | GRANTS & CONTRIBUTIONS | GRANTS UNAPPLIED | EARMARKED RESERVES / PROVISIONS | SPECIFIC REVENUE FINANCING | MAJOR REPAIRS ALLOWANCE (HRA only) |   |   |
|   | £                | £                      | £                                     | £                      | £                | £                               | £                          | £                                  | £                                       |   |
| <b>COUNCIL HOUSING</b>                    |                  |                        |                                       |                        |                  |                                 |                            |                                    |   |   |
| Bathroom Kitchen Refurbishment            | 1,018,000        | 996,073.97             | 996,073.97                            |                        |                  |                                 |                            | 791,427.74                         | 791,427.74                              | 204,646.23                                    |
| External Refurbishment                    | 903,000          | 1,002,689.97           | 1,002,689.97                          | 68,247.29              |                  |                                 |                            | 934,442.68                         | 1,002,689.97                            | 0.00  |
| Re-roofing / Window Renewals              | 797,000          | 822,220.08             | 822,220.08                            | 16,183.75              |                  |                                 |                            | 806,036.33                         | 822,220.08                              | 0.00  |
| Environmental / Crime Prevention Works    | 839,000          | 851,522.77             | 851,522.77                            | 21,839.02              |                  | 166,745.00                      |                            | 662,938.75                         | 851,522.77                              | 0.00  |
| Energy Efficiency Works                   | 655,000          | 650,566.21             | 650,566.21                            | 1,215.79               |                  | 121,698.72                      |                            | 527,651.70                         | 650,566.21                              | 0.00  |
| Rewiring                                  | 83,000           | 90,216.54              | 90,216.54                             |                        |                  |                                 |                            | 90,216.54                          | 90,216.54                               | 0.00  |
| Adaptations                               | 250,000          | 138,383.11             | 138,383.11                            |                        |                  |                                 |                            | 138,383.11                         | 138,383.11                              | 0.00  |
| Fire Precaution Works                     | 178,000          | 216,348.97             | 216,348.97                            | 8,865.90               |                  | 84,057.52                       |                            | 123,425.55                         | 216,348.97                              | 0.00  |
| Lift Replacement                          | 96,000           | 94,529.81              | 94,529.81                             |                        |                  |                                 |                            | 94,529.81                          | 94,529.81                               | 0.00  |
| Communication Equipment - High Rise Flats | 12,000           | 12,173.12              | 12,173.12                             |                        |                  |                                 |                            | 12,173.12                          | 12,173.12                               | 0.00  |
| <b>TOTAL - HRA</b>                        | <b>4,831,000</b> | <b>4,874,724.55</b>    | <b>4,874,724.55</b>                   | <b>116,351.75</b>      | <b>0.00</b>      | <b>372,501.24</b>               | <b>0.00</b>                | <b>4,181,225.33</b>                | <b>4,670,078.32</b>                     | <b>204,646.23</b>                             |

| GENERAL FUND   | Revised Estimate | Expenditure in 2015/16 | Expenditure to be financed in 2015/16 | SCHEME FINANCING       |                  |                                 |                            |                                    | TOTAL SCHEME SPECIFIC FINANCING / ITEMS | BALANCE FINANCED BY GENERAL CAPITAL RESOURCES |
|--|------------------|------------------------|---------------------------------------|------------------------|------------------|---------------------------------|----------------------------|------------------------------------|---|---|
|  |                  |                        |                                       | GRANTS & CONTRIBUTIONS | GRANTS UNAPPLIED | EARMARKED RESERVES / PROVISIONS | SPECIFIC REVENUE FINANCING | MAJOR REPAIRS ALLOWANCE (HRA only) |   |   |
|  | £                | £                      | £                                     | £                      | £                | £                               | £                          | £                                  | £                                       |   |
| <b>ENVIRONMENTAL SERVICES</b>                              |                  |                        |                                       |                        |                  |                                 |                            |                                    |   |   |
| Allotments   | 5,000            | 5,028.00               | 5,028.00                              |                        |                  |                                 |                            | 0.00                               | 5,028.00                                |   |
| Vehicle Renewals   | 697,000          | 625,740.89             | 625,740.89                            |                        |                  |                                 |                            | 0.00                               | 625,740.89                              |   |
| Vehicle Tracking System                                    | 24,000           | 15,378.00              | 15,378.00                             |                        |                  | 15,378.00                       |                            | 15,378.00                          | 0.00                                    |   |
| Bins & Boxes Scheduled Buy-Outs                            | 21,000           | 21,556.42              | 21,556.42                             |                        |                  |                                 | 21,556.42                  | 21,556.42                          | 0.00                                    |   |
| Car Park Improvement Programme                             | 82,000           | 80,171.84              | 80,171.84                             |                        |                  |                                 |                            | 0.00                               | 80,171.84                               |   |
| Middleton Solar Farm                                       | 24,000           | 23,855.30              | 23,855.30                             |                        |                  | 23,855.30                       |                            | 23,855.30                          | 0.00                                    |   |
| Williamson Park Improvements & Enhancements                | 107,000          | 109,876.79             | 109,876.79                            | 30,000.00              |                  |                                 | 2,876.79                   | 32,876.79                          | 77,000.00                               |   |
| <b>Sub-Total</b>   | <b>960,000</b>   | <b>881,607.24</b>      | <b>881,607.24</b>                     | <b>30,000.00</b>       | <b>0.00</b>      | <b>39,233.30</b>                | <b>24,433.21</b>           | <b>0.00</b>                        | <b>93,666.51</b>                        | <b>787,940.73</b>                             |
| <b>HEALTH &amp; HOUSING</b>                                |                  |                        |                                       |                        |                  |                                 |                            |                                    |   |   |
| Disabled Facilities Grants                                 | 600,000          | 557,436.69             | 557,436.69                            | 557,436.69             |                  |                                 |                            | 557,436.69                         | 0.00                                    |   |
| Warmer Homes Scheme  | 6,000            | 4,278.41               | 4,278.41                              |                        | 4,278.41         |                                 |                            | 4,278.41                           | 0.00                                    |   |
| Salt Ayre Sports Centre - Redevelopment                    | 0                | 254,885.41             | 254,885.41                            |                        |                  |                                 |                            | 0.00                               | 254,885.41                              |   |
| <b>Sub-Total</b>   | <b>606,000</b>   | <b>816,600.51</b>      | <b>816,600.51</b>                     | <b>557,436.69</b>      | <b>4,278.41</b>  | <b>0.00</b>                     | <b>0.00</b>                | <b>0.00</b>                        | <b>561,715.10</b>                       | <b>254,885.41</b>                             |
| <b>REGENERATION &amp; PLANNING</b>                         |                  |                        |                                       |                        |                  |                                 |                            |                                    |   |   |
| Toucan Crossing - King Street                              | 3,000            | 3,000.00               | 3,000.00                              |                        |                  | 3,000.00                        |                            | 3,000.00                           | 0.00                                    |   |
| Dalton Square Christmas Lights (Renewal)                   | 29,000           | 28,960.00              | 28,960.00                             |                        |                  | 27,960.00                       | 1,000.00                   | 28,960.00                          | 0.00                                    |   |
| Sea & River Defence Works & Studies                        | 905,000          | 1,017,371.88           | 1,017,371.88                          | 1,014,371.88           |                  |                                 | 3,000.00                   | 1,017,371.88                       | 0.00                                    |   |
| Amenity Improvements (Morecambe Promenade)                 | 7,000            | 7,107.86               | 7,107.86                              | 3,107.86               |                  |                                 |                            | 3,107.86                           | 4,000.00                                |   |
| Luneside East  | 50,000           | 42,552.89              | 42,552.89                             |                        |                  |                                 |                            | 0.00                               | 42,552.89                               |   |
| Lancaster Square Routes                                    | 103,000          | 86,712.75              | 86,712.75                             | 26,307.40              |                  |                                 |                            | 26,307.40                          | 60,405.35                               |   |
| Morecambe THI 2: A View for Eric                           | 313,300          | 192,893.93             | 192,893.93                            | 145,183.92             |                  |                                 | 47,710.01                  | 192,893.93                         | 0.00                                    |   |
| MAAP - Improving Morecambe's Main Streets                  | 127,000          | 112,680.62             | 112,680.62                            |                        |                  | 42,000.00                       | 3,623.18                   | 45,623.18                          | 67,057.44                               |   |
| MAAP - Connecting Eric                                     | 158,000          | 159,383.70             | 159,383.70                            |                        |                  | 90,000.00                       | 1,000.00                   | 91,000.00                          | 68,383.70                               |   |
| Albion Mills Affordable Housing s106 Scheme                | 40,000           | 39,750.00              | 39,750.00                             |                        |                  | 39,750.00                       |                            | 39,750.00                          | 0.00                                    |   |
| King St/Wellington Terrace Affordable Housing s106 Scheme  | 90,000           | 0.00                   | 0.00                                  |                        |                  |                                 |                            | 0.00                               | 0.00                                    |   |
| Middleton Nature Reserve s106 Scheme                       | 17,000           | 17,056.76              | 17,056.76                             |                        |                  | 17,056.76                       |                            | 17,056.76                          | 0.00                                    |   |
| Pedestrian/Cycle Links - Sainsbury's Morecambe s106 Scheme | 59,000           | 57,692.89              | 57,692.89                             |                        |                  | 55,000.00                       |                            | 55,000.00                          | 2,692.89                                |   |
| Bold Street Housing Regeneration Site Works                | 24,000           | 26,603.30              | 26,603.30                             |                        |                  |                                 | 26,603.30                  | 26,603.30                          | 0.00                                    |   |
| Chatsworth Gardens   | 1,878,000        | 1,878,287.00           | 1,878,287.00                          | 287.00                 |                  |                                 |                            | 287.00                             | 1,878,000.00                            |   |
| Lancaster District Empty Homes Partnership                 | 50,000           | 0.00                   | 0.00                                  |                        |                  |                                 |                            | 0.00                               | 0.00                                    |   |
| AONB Vehicle Replacement                                   | 25,000           | 25,388.00              | 25,388.00                             |                        |                  | 14,388.00                       |                            | 14,388.00                          | 11,000.00                               |   |
| S106 Highways Works  | 32,000           | 31,800.00              | 31,800.00                             |                        |                  | 31,800.00                       |                            | 31,800.00                          | 0.00                                    |   |
| <b>Sub-Total</b>   | <b>3,910,300</b> | <b>3,727,241.58</b>    | <b>3,727,241.58</b>                   | <b>1,189,258.06</b>    | <b>0.00</b>      | <b>320,954.76</b>               | <b>82,936.49</b>           | <b>0.00</b>                        | <b>1,593,149.31</b>                     | <b>2,134,092.27</b>                           |
| <b>Resources</b>   |                  |                        |                                       |                        |                  |                                 |                            |                                    |   |   |
| ICT Systems, Infrastructure & Equipment                    | 376,000          | 198,554.51             | 198,554.51                            |                        |                  | 198,554.51                      |                            | 198,554.51                         | 0.00                                    |   |
| Corporate Property Works                                   | 1,842,600        | 1,898,006.14           | 1,898,006.14                          | 1,691                  |                  |                                 |                            | 1,691.25                           | 1,896,314.89                            |   |
| <b>Sub-Total</b>   | <b>2,218,600</b> | <b>2,096,560.65</b>    | <b>2,096,560.65</b>                   | <b>1,691.25</b>        | <b>0.00</b>      | <b>198,554.51</b>               | <b>0.00</b>                | <b>0.00</b>                        | <b>200,245.76</b>                       | <b>1,896,314.89</b>                           |
| <b>TOTAL - GENERAL FUND</b>                                | <b>7,694,900</b> | <b>7,522,010</b>       | <b>7,522,010</b>                      | <b>1,778,386.00</b>    | <b>4,278.41</b>  | <b>558,742.57</b>               | <b>107,369.70</b>          | <b>0.00</b>                        | <b>2,448,776.68</b>                     | <b>5,073,233.30</b>                           |

| GENERAL FUND<br>HOUSING REVENUE ACCOUNT          | Revised Estimate  | Expenditure in 2015/16 | Expenditure to be financed in 2015/16 | SCHEME FINANCING    |                  |                                 |                            |                                    | TOTAL SCHEME SPECIFIC FINANCING / ITEMS | BALANCE FINANCED BY GENERAL CAPITAL RESOURCES |
|--|-------------------|------------------------|---------------------------------------|---------------------|------------------|---------------------------------|----------------------------|------------------------------------|---|---|
|  |                   |                        |                                       | GRANT               | GRANTS UNAPPLIED | EARMARKED RESERVES / PROVISIONS | SPECIFIC REVENUE FINANCING | MAJOR REPAIRS ALLOWANCE (HRA only) |   |   |
|  | £                 | £                      | £                                     | £                   | £                | £                               | £                          | £                                  | £                                       |   |
| <b>GENERAL FUND</b>                              | 7,694,900         | 7,522,009.98           | 7,522,009.98                          | 1,778,386.00        | 4,278.41         | 558,742.57                      | 107,369.70                 | 0.00                               | 2,448,776.68                            | 5,073,233.30                                  |
| <b>HOUSING REVENUE ACCOUNT</b>                   | 4,831,000         | 4,874,724.55           | 4,874,724.55                          | 116,351.75          | 0.00             | 372,501.24                      | 0.00                       | 4,181,225.33                       | 4,670,078.32                            | 204,646.23                                    |
| <b>TOTAL CAPITAL EXPENDITURE &amp; FINANCING</b> | <b>12,525,900</b> | <b>12,396,734.53</b>   | <b>12,396,734.53</b>                  | <b>1,894,737.75</b> | <b>4,278.41</b>  | <b>931,243.81</b>               | <b>107,369.70</b>          | <b>4,181,225.33</b>                | <b>7,118,855.00</b>                     | <b>5,277,879.53</b>                           |

| 2015/16 CAPITAL EXPENDITURE FINANCING  |  |  | Housing Revenue Account | General Fund        | Grand Total for all Funds |
|--|--|--|-------------------------|---------------------|---------------------------|
|  |  |  | £                       | £                   | £                         |
| <b>Amounts to be financed by General Capital Resources</b>                   |  |  | <b>204,646.23</b>       | <b>5,073,233.30</b> | <b>5,277,879.53</b>       |
| <b>Financed by:</b>  |  |  |                         |                     |                           |
| <b>Underlying Borrowing Need - Increase in Capital Financing Requirement</b> |  |  | <b>0.00</b>             | <b>4,417,305.92</b> | <b>4,417,305.92</b>       |
| <b>Usable Capital Receipts</b>   |  |  | <b>204,646.23</b>       | <b>655,927.38</b>   | <b>860,573.61</b>         |
| <b>General Grants Unapplied</b>  |  |  | <b>0.00</b>             | <b>0.00</b>         | <b>0.00</b>               |
| <b>Total Financing from General Capital Resources</b>                        |  |  | <b>204,646.23</b>       | <b>5,073,233.30</b> | <b>5,277,879.53</b>       |

**CAPITAL SLIPPAGE - INTO FINANCIAL YEAR 2016/17**  
**For Consideration by Cabinet 28 June 2016**

|   | Slippage Requested | Percentage of Revised budget | Source of Funding |                        |                | Reasons for Slippage Requests   |
|---|--------------------|------------------------------|-------------------|------------------------|----------------|---|
|   |                    |                              | LCC Funded        | Grants & Contributions | Total          |   |
|   | £                  |                              | £                 | £                      | £              |   |
| <b>GENERAL FUND</b>                                       |                    |                              |                   |                        |                |   |
| <b>Environmental Services</b>                             |                    |                              |                   |                        |                |   |
| Vehicle Renewals  | 63,000             | 9%                           | 63,000            |                        | 63,000         | £20,000 in respect of a tractor delivered but not in Council ownership on 31 March 2016, balance relates to a JCB loadall on which the lease was extended pending a service review in 2016/17 |
| Car Parks Improvement Programme                           | 2,000              | 2%                           | 2,000             |                        | 2,000          |   |
|   | 65,000             |                              | 65,000            | 0                      | 65,000         | Minor variation in the timing of improvement works  |
| <b>Health and Housing</b>                                 |                    |                              |                   |                        |                |   |
| Disabled Facilities Grants                                | 42,000             | 7%                           |                   | 42,000                 | 42,000         | Represents commitments entered into but not discharged by 31 March 2016   |
| Warmer Homes Scheme                                       | 1,000              | 28%                          | 1,000             |                        | 1,000          | Represents commitments entered into but not discharged by 31 March 2016   |
|   | 43,000             |                              | 1,000             | 42,000                 | 43,000         |   |
| <b>Regeneration and Planning</b>                          |                    |                              |                   |                        |                |   |
| Sea & River Defence Works & Studies                       | 5,000              | 1%                           | 5,000             |                        | 5,000          | Land compensation and easement in respect of Artle Beck Scheme not yet completed  |
| Amenity Improvements (Morecambe Promenade)                | 3,000              | 37%                          |                   | 3,000                  | 3,000          | Additional income received during 2015/16 will be used to carry out further improvements during 2016/17   |
| Luneside East   | 7,000              | 15%                          | 7,000             |                        | 7,000          | Anticipated cost of concluding scheme following outcome of hearing  |
| Lancaster Square Routes                                   | 11,000             | 11%                          |                   | 11,000                 | 11,000         | Represents the cost of completing the externally funded Wayfinding element of the scheme  |
| MAAP Improving Morecambe's Main Streets                   | 18,000             | 14%                          | 18,000            |                        | 18,000         | Required to support the Wayfinding element of the scheme which is currently out to tender   |
| THI 2 - A View for Eric                                   | 120,000            | 38%                          |                   | 120,000                | 120,000        | Represents commitments in respect of grants to properties   |
| King St/Wellington Terrace Affordable Housing s106 Scheme | 90,000             | 100%                         | 90,000            |                        | 90,000         | The trigger point for payment on this scheme was not reached in 2015/16   |
| Pedestrian/cycle links Sainsbury's Morecambe s106 Scheme  | 1,000              | 2%                           | 1,000             |                        | 1,000          | Minor works required to complete scheme   |
| Lancaster District Empty Homes Partnership                | 50,000             | 100%                         | 50,000            |                        | 50,000         | Delays cause by the withdrawal of a large scheme part way through 2015/16   |
|   | 305,000            |                              | 171,000           | 134,000                | 305,000        |   |
| <b>Resources</b>  |                    |                              |                   |                        |                |   |
| ICT Systems, Infrastructure & Equipment                   | 163,000            | 43%                          | 163,000           |                        | 163,000        | Relates to a delay in the Customer Relationship Management system replacement project   |
|   | 163,000            |                              | 163,000           | 0                      | 163,000        |   |
| <b>GENERAL FUND TOTAL</b>                                 | <b>576,000</b>     |                              | <b>400,000</b>    | <b>176,000</b>         | <b>576,000</b> |   |
| <b>Council Housing</b>                                    |                    |                              |                   |                        |                |   |
| Environmental / Crime Prevention Works                    | 36,000             | 4%                           | 36,000            |                        | 36,000         | Start on site delayed to undertake entrance doors to Arcon & Heaton   |
|   | 36,000             |                              | 36,000            | 0                      | 36,000         |   |
| <b>HOUSING REVENUE ACCOUNT TOTAL</b>                      | <b>36,000</b>      |                              | <b>36,000</b>     | <b>0</b>               | <b>36,000</b>  |   |
| <b>Accelerated Spend</b>                                  |                    |                              |                   |                        |                |   |
| <b>GENERAL FUND</b>                                       |                    |                              |                   |                        |                |   |
| <b>Health and Housing</b>                                 |                    |                              |                   |                        |                |   |
| Salt Ayre Sports Centre - Redevelopment                   | -255,000           |                              | -255,000          |                        | -255,000       | Accelerated spend on main £5M redevelopment project   |
| <b>Regeneration and Planning</b>                          |                    |                              |                   |                        |                |   |
| Wave Reflection Wall                                      | -126,000           |                              |                   | -126,000               | -126,000       | Accelerated spend on 2016/17 scheme   |
|   | -381,000           |                              | -255,000          | -126,000               | -381,000       |   |
| <b>OVERALL NET SLIPPAGE</b>                               | <b>231,000</b>     |                              | <b>181,000</b>    | <b>50,000</b>          | <b>231,000</b> |   |

## Appendix H

# **Annual Treasury Management Report** 2015/16

For Noting by Cabinet 28 June 2016



# Annual Treasury Management Review 2015/16

---

## Purpose

The Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2015/16. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

During 2015/16 the minimum reporting requirements were that the full Council should receive the following reports:

- an annual treasury strategy in advance of the year (Council 04 March 2015)
- a mid-year (minimum) treasury update report (Council 16 December 2015)
- an annual review following the end of the year describing the activity compared to the strategy (this report).

In addition, Members have received quarterly treasury management update reports on which were presented to Cabinet and Budget and Performance Panel.

The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.

The Council confirms that it has complied with the requirement under the Code to give prior scrutiny (by Budget and Performance Panel) to all of the above treasury management reports before they were reported to the full Council. Member training on treasury management issues was undertaken in February 2016 in order to support the scrutiny role.

## Introduction and Background

This report summarises the following:-

- Capital activity during the year;
  - Impact of this activity on the Council's underlying indebtedness (the Capital Financing Requirement);
  - The actual prudential and treasury indicators;
  - Overall treasury position identifying how the Council has borrowed in relation to this indebtedness, and the impact on investment balances;
  - Summary of interest rate movements in the year;
  - Detailed debt activity; and
  - Detailed investment activity.
-

## 1. The Council's Capital Expenditure and Financing 2015/16

The Council undertakes capital expenditure on long-term assets. These activities may either be:

- financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council's borrowing need; or
- if insufficient financing is available from the above sources, or a decision is taken not to apply such resources, the capital expenditure will give rise to a borrowing need (also referred to as "unfinanced", within the tables and sections below).

The actual capital expenditure forms one of the required prudential indicators. The table below shows the actual capital expenditure and how this was financed.

| General Fund (GF) £M   | 2014/15 Actual | 2015/16 Estimate | 2015/16 Actual |
|--|----------------|------------------|----------------|
| <b>Capital expenditure</b>   | <b>5.717</b>   | <b>7.695</b>     | <b>7.522</b>   |
| Financed in year   | 5.424          | 3.373            | 3.105          |
| <b>Unfinanced capital expenditure (i.e. reliant on an increase in underlying borrowing need)</b> | <b>0.293</b>   | <b>4.322</b>     | <b>4.417</b>   |

| HRA £M   | 2014/15 Actual | 2015/16 Estimate | 2015/16 Actual |
|--|----------------|------------------|----------------|
| <b>Capital expenditure</b>   | <b>4.709</b>   | <b>4.831</b>     | <b>4.875</b>   |
| Financed in year   | 4.709          | 4.831            | 4.875          |
| <b>Unfinanced capital expenditure (i.e. reliant on an increase in underlying borrowing need)</b> | <b>0.000</b>   | <b>0.000</b>     | <b>0.000</b>   |

## 2. The Council's Capital Expenditure and Financing 2015/16

The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's indebtedness. The CFR results from the capital activity of the Council and resources used to pay for the capital spend. It represents the 2015/16 unfinanced capital expenditure (see above table), and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.

Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury function organises the Council's cash position to ensure that sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies (such as the Government, through the Public Works Loan Board [PWL] or the money markets), or utilising temporary cash resources within the Council.

**Reducing the CFR** – the Council's (non HRA) underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The Council is required to

make an annual revenue charge, called the Minimum Revenue Provision – MRP, to reduce the CFR. This is effectively a repayment of the non-Housing Revenue Account (HRA) borrowing need (there is no statutory requirement to reduce the HRA CFR). This differs in purpose from other treasury management arrangements, which ensure that cash is available to meet capital commitments. External debt can also be borrowed or repaid at any time, but this does not change the CFR.

The total CFR can also be reduced by:

- the application of additional capital financing resources (such as unapplied capital receipts); or
- charging more than the statutory revenue charge (MRP) each year through a Voluntary Revenue Provision (VRP).

The Council's 2015/16 MRP Policy (as required by CLG Guidance) was approved as part of the Treasury Management Strategy Report for 2015/16 on 04 March 2015.

The Council's CFR for the year is shown below, and represents a key prudential indicator. It includes leasing schemes on the balance sheet, which effectively increase the Council's borrowing need. No borrowing is actually required against these schemes, however, as a borrowing facility is included in the contract (if applicable).

| CFR (£M): General Fund                        | 31 March<br>2015<br>Actual | 31 March<br>2016<br>Budget | 31 March<br>2016<br>Actual |
|---|----------------------------|----------------------------|----------------------------|
| <b>Opening balance</b>                        | <b>33.975</b>              | <b>32.681</b>              | <b>32.681</b>              |
| Add unfinanced capital expenditure (as above) | 0.293                      | 4.322                      | 4.417                      |
| Less MRP                                      | (1.383)                    | (1.513)                    | (1.456)                    |
| Less finance lease repayments                 | (0.204)                    | (0.095)                    | (0.113)                    |
| <b>Closing balance</b>                        | <b>32.681</b>              | <b>35.395</b>              | <b>35.529</b>              |

| CFR (£M): HRA                                 | 31 March<br>2015<br>Actual | 31 March<br>2016<br>Budget | 31 March<br>2016<br>Actual |
|---|----------------------------|----------------------------|----------------------------|
| <b>Opening balance</b>                        | <b>44.473</b>              | <b>43.432</b>              | <b>43.432</b>              |
| Add unfinanced capital expenditure (as above) | 0.000                      | 0.000                      | 0.000                      |
| Less Debt Repayment                           | (1.041)                    | (1.041)                    | (1.041)                    |
| <b>Closing balance</b>                        | <b>43.432</b>              | <b>42.391</b>              | <b>42.391</b>              |

| CFR (£M): Combined                            | 31 March<br>2015<br>Actual | 31 March<br>2016<br>Budget | 31 March<br>2016<br>Actual |
|---|----------------------------|----------------------------|----------------------------|
| <b>Opening balance</b>                        | <b>78.448</b>              | <b>76.113</b>              | <b>76.113</b>              |
| Add unfinanced capital expenditure (as above) | 0.293                      | 4.322                      | 4.417                      |
| Less Debt Repayment, Finance Leases and MRP   | (2.628)                    | (2.649)                    | (2.610)                    |
| <b>Closing balance</b>                        | <b>76.113</b>              | <b>77.786</b>              | <b>77.920</b>              |

Borrowing activity is constrained by prudential indicators for net borrowing and the CFR, and by the authorised limit.

**Gross borrowing and the CFR** - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2015/16) plus the estimates of any additional capital financing requirement for the current (2016/17) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure. This indicator allowed the Council some flexibility to borrow in advance of its immediate capital needs in 2015/16. The table below highlights the Council's gross borrowing position against the CFR. The Council has complied with this prudential indicator.

|                          | 31 March<br>2015<br>Actual | 31 March<br>2016<br>Budget | 31 March<br>2016<br>Actual |
|--------------------------|----------------------------|----------------------------|----------------------------|
| Gross borrowing position | £67.572M                   | £66.659M                   | £66.418M                   |
| CFR                      | £76.113M                   | £77.786M                   | £77.920M                   |

**The authorised limit** - the authorised limit is the “affordable borrowing limit” required by s3 of the Local Government Act 2003. Once this has been set, the Council does not have the power to borrow above this level. The table below demonstrates that during 2015/16 the Council has maintained gross borrowing within its authorised limit.

**The operational boundary** – the operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary are acceptable subject to the authorised limit not being breached.

**Actual financing costs as a proportion of net revenue stream** - this indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

|   | 2015/16   |
|---|-----------|
| Authorised limit  | £104.000M |
| Maximum gross borrowing position                            | £67.572M  |
| Operational boundary  | £87.020M  |
| Average gross borrowing position                            | £66.995M  |
| Financing costs as a proportion of net revenue stream - GF  | 15.8%     |
| Financing costs as a proportion of net revenue stream - HRA | 21.9%     |

### 3. Treasury Position as at 31 March 2016

The Council's debt and investment position is administered to ensure adequate liquidity for revenue and capital activities, security for investments and to manage risks within all treasury management activities. Procedures and controls to achieve these objectives are well established both through member reporting detailed in the summary, and through officer activity detailed in the Council's Treasury Management Practices. At the end of 2015/16 the Council's treasury (excluding borrowing relating to finance leases) position was as follows:

|                                 | 31 March 2015 Principal | Average Rate | Average Life yrs | 31 March 2016 Principal | Average Rate | Average Life yrs |
|---------------------------------|-------------------------|--------------|------------------|-------------------------|--------------|------------------|
| Fixed rate funding:             |                         |              |                  |                         |              |                  |
| PWLB                            | £67.332M                | 4.56%        | 38               | £66.291m                | 4.59%        | 37               |
| <b>Total debt</b>               | <b>£67.332M</b>         |              |                  | <b>£66.291M</b>         |              |                  |
| <b>CFR</b>                      | <b>£76.113M</b>         |              |                  | <b>£77.920M</b>         |              |                  |
| <b>Over / (under) borrowing</b> | <b>(£8.781M)</b>        |              |                  | <b>(£11.629M)</b>       |              |                  |
| <b>Total investments</b>        | <b>£35.800M</b>         | <b>0.39%</b> |                  | <b>£39.216M</b>         | <b>0.47%</b> |                  |

All investments were placed for under one year.

The loan repayment schedule is as follows:

|                                | 31 March 2015 actual | 31 March 2016 actual |
|--------------------------------|----------------------|----------------------|
| Under 12 months                | £1.041M              | £1.041M              |
| 12 months and within 24 months | £1.041M              | £1.041M              |
| 24 months and within 5 years   | £3.124M              | £3.124M              |
| 5 years and within 10 years    | £5.207M              | £5.207M              |
| 10 years and within 20 years   | £10.414M             | £10.414M             |
| 20 years and within 30 years   | £7.290M              | £6.249M              |
| More than 30 years             | £39.215M             | £39.215M             |

The average rate of interest payable on PWLB debt in 2015/16 was 4.59%. A total of £3.071M interest was incurred during the year, of which £2.004M was recharged to the HRA.

#### *Interest Payable*

|          | 2015/16 |
|----------|---------|
| Estimate | £3.071M |
| Actual   | £3.071M |

Prudential Indicators also provide exposure limits that identify the maximum limit for variable / fixed interest rate exposure, based upon the debt position. The table below shows that the outturn position was within the limits set by Members at the beginning of the year. The Council currently only has fixed interest rate debt, although again this could change in future if market conditions warrant or facilitate it.

#### *Fixed/Variable rate limits*

|               | Prudential Indicator (%) | Actual (%) |
|---------------|--------------------------|------------|
| Fixed Rate    | 100                      | 100        |
| Variable Rate | 30                       | 0          |

## 4. The Strategy for 2015/16

The expectation for interest rates within the treasury management strategy for 2015/16 anticipated a low but rising Bank Rate, and gradual rises in medium and longer term fixed borrowing rates during 2016/17. Continued uncertainty in the aftermath of the 2008 financial crisis promoted a cautious approach, whereby investments would continue to be dominated by low counterparty risk considerations, resulting in relatively low returns compared to borrowing rates.

## 5. The Economy and Interest Rates (supplied by Capita Asset Services)

*Market expectations for the first increase in Bank Rate moved considerably during 2015/16, starting at quarter 3 2015 but soon moving back to quarter 1 2016. However, by the end of the year, market expectations had moved back radically to quarter 2 2018 due to many fears including concerns that China's economic growth could be heading towards a hard landing; the potential destabilisation of some emerging market countries particularly exposed to the Chinese economic slowdown; and the continuation of the collapse in oil prices during 2015 together with continuing Eurozone growth uncertainties.*

*These concerns have caused sharp market volatility in equity prices during the year with corresponding impacts on bond prices and bond yields due to safe haven flows. Bank Rate, therefore, remained unchanged at 0.5% for the seventh successive year. Economic growth (GDP) in the UK surged strongly during both 2013/14 and 2014/15 to make the UK the top performing advanced economy in 2014. However, 2015 has been disappointing with growth falling steadily from an annual rate of 2.9% in quarter 1 2015 to 2.1% in quarter 4.*

*The Funding for Lending Scheme, announced in July 2012, resulted in a flood of cheap credit being made available to banks which then resulted in money market investment rates falling materially. These rates continued at very low levels during 2015/16.*

*The sharp volatility in equity markets during the year was reflected in sharp volatility in bond yields. However, the overall dominant trend in bond yields since July 2015 has been for yields to fall to historically low levels as forecasts for inflation have repeatedly been revised downwards and expectations of increases in central rates have been pushed back. In addition, a notable trend in the year was that several central banks introduced negative interest rates as a measure to stimulate the creation of credit and hence economic growth.*

*The ECB had announced in January 2015 that it would undertake a full blown quantitative easing programme of purchases of Eurozone government and other bonds starting in March at €60bn per month. This put downward pressure on Eurozone bond yields. There was a further increase in this programme of QE in December 2015. The anti-austerity government in Greece, elected in January 2015 eventually agreed to implement an acceptable programme of cuts to meet EU demands after causing major fears of a breakup of the Eurozone. Nevertheless, there are continuing concerns that a Greek exit has only been delayed.*

*As for America, the economy has continued to grow healthily on the back of resilient consumer demand. The first increase in the central rate occurred in December 2015 since when there has been a return to caution as to the speed of further increases due to concerns around the risks to world growth.*

*On the international scene, concerns have increased about the slowing of the Chinese economy and also its potential vulnerability to both the bursting of a property bubble and major exposure of its banking system to bad debts. The Japanese economy has also suffered disappointing growth in this financial year despite a huge programme of quantitative*

---

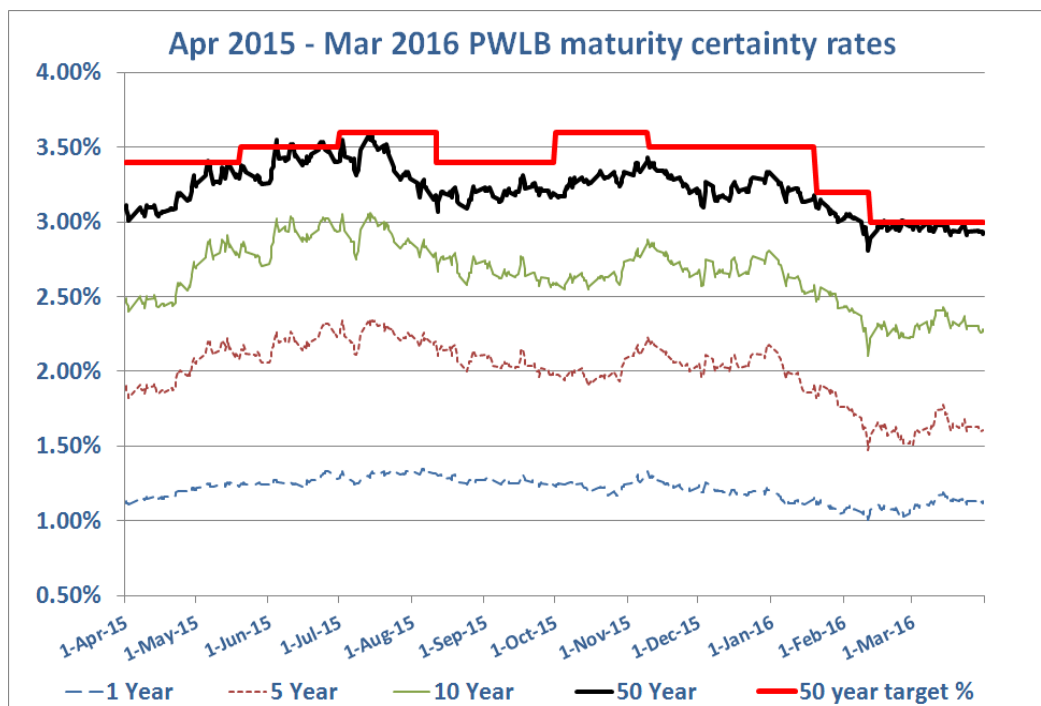


easing, while two of the major emerging market economies, Russia and Brazil, are in recession. The situations in Ukraine, and in the Middle East with ISIS, have also contributed to volatility.

The UK elected a majority Conservative Government in May 2015, removing one potential concern but introducing another due to the promise of a referendum on the UK remaining part of the EU. The government maintained its tight fiscal policy stance but the more recent downturn in expectations for economic growth has made it more difficult to return the public sector net borrowing to a balanced annual position within the period of this parliament.

## 6. Borrowing Rates in 2015/16

**PWLB certainty maturity borrowing rates** - the graphs and table for PWLB rates below show, for a selection of maturity periods, the average borrowing rates, the high and low points in rates, spreads and individual rates at the start and the end of the financial year.



## 7. Borrowing Outturn for 2015/16

### Borrowing

No actual borrowing was undertaken during the year.

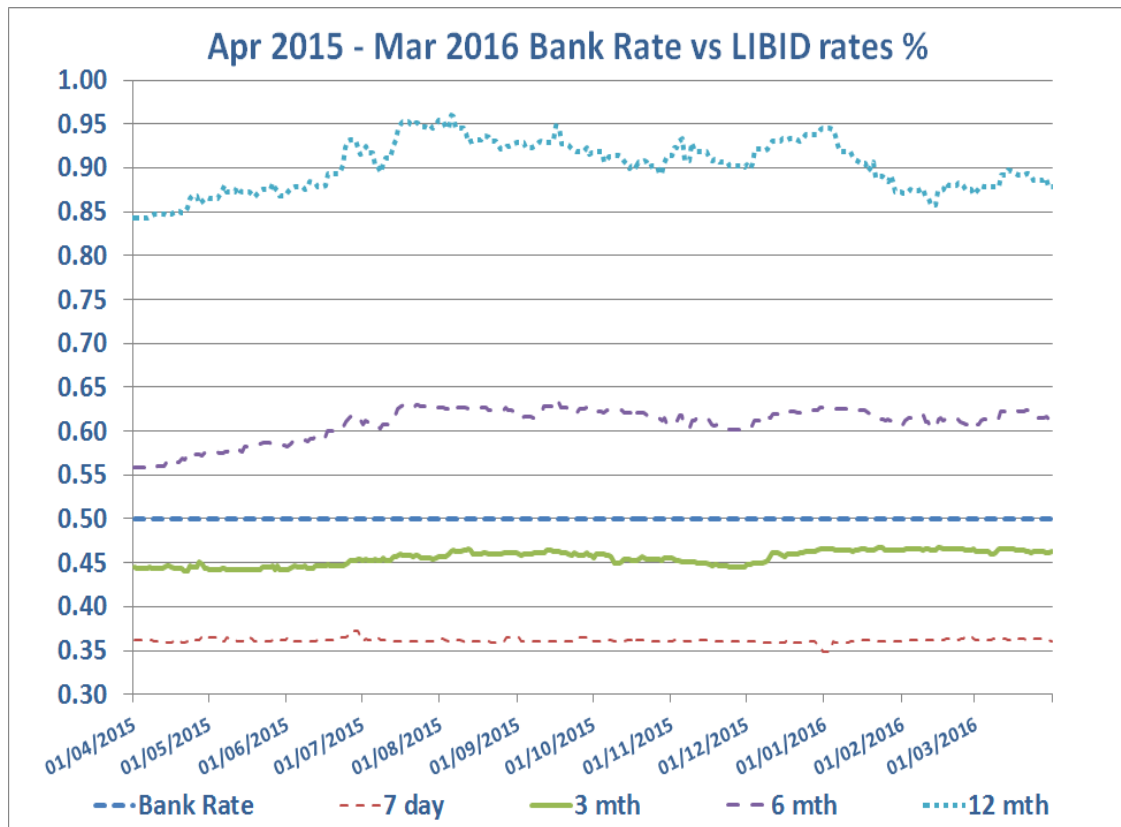
### Rescheduling

No rescheduling was done during the year as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

## 8. Investment Rates in 2015/16

Bank Rate remained at its historic low of 0.5% throughout the year; it has now remained unchanged for seven years. Market expectations as to the timing of the start of monetary tightening started the year at Quarter 1 2016 but then moved back to around Quarter 2 2018 by the end of the year. Deposit rates remained depressed during the whole of the year,

primarily due to the effects of the Funding for Lending Scheme and due to the continuing weak expectations as to when Bank Rate would start rising.



## 9. Investment Outturn for 2015/16

**Investment Policy** – the Council’s investment policy is governed by CLG investment guidance, which has been implemented in the annual investment strategy approved by the Council on 04 March 2015. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc.).

The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

**Resources** – the Council’s cash balances comprise revenue and capital resources and cash flow monies. The Council’s core cash resources comprised as follows:

| Balance Sheet Resources (£M) | General Fund  |               | HRA           |               |
|------------------------------|---------------|---------------|---------------|---------------|
|                              | 31/03/15      | 31/03/16      | 31/03/15      | 31/03/16      |
| Balances                     | 4.625         | 4.459         | 1.041         | 1.692         |
| Earmarked reserves           | 6.160         | 6.406         | 11.093        | 10.567        |
| Provisions                   | 1.709         | 2.524         | 0.495         | 0.516         |
| Usable capital receipts      | 0.000         | 0.000         | 0.000         | 0.000         |
| <b>Total</b>                 | <b>12.494</b> | <b>13.389</b> | <b>12.629</b> | <b>12.775</b> |



**Investments held by the Council** - the Council maintained an average investment balance of £46.7M of internally managed funds. The average interest earned is compared to the base rate and average 3-month LIBID rate.

|                          | 2014/15 | 2015/16 |
|--------------------------|---------|---------|
| Lancaster CC Investments | 0.39%   | 0.47%   |
| Base Rate                | 0.50%   | 0.50%   |
| 3 Month LIBID            | 0.40%   | 0.46%   |

In terms of performance against budget the actual interest earned in 2015/16 was £214K compared to a budget of £179K.

## 10. Other Risk Management Issues

Many of the risks in relation to treasury management are managed through the setting and monitoring of performance against the relevant Prudential and Treasury Indicators and the approved Investment Strategy, as discussed above.

The Authority's Investment Strategy is designed to engineer risk management into investment activity by reference to credit ratings and the length of deposit to generate a pool of counterparties, together with consideration of other creditworthiness information to refine investment decisions. The Council is required to have a strategy is required under the CIPFA Treasury Management Code, the adoption of which is another Prudential Indicator. The strategy for 2015/16 complied with the latest Code of Practice (November 2011) and relevant Government investment guidance.

## 11. Conclusion

The Council's treasury activities were in line with its approved policies and strategies. Last year was very quiet in terms of borrowing activity. With respect to investments, longer fixed term investments were placed which helped to increase the average yield for the year. Cash balances will however reduce significantly during 2016/17 with the completion of transactions relating to business rate appeals. This in turn will reduce investment interest, which has already been reflected in future forecasts.

---

**LANCASTER CITY COUNCIL**  
**TREASURY MANAGEMENT POLICY STATEMENT**

**Last reported to Council on 04 March 2015**

This reflects the revised CIPFA Treasury Management Code of Practice (Code updated in 2011).

1. This organisation defines its treasury management activities as:  
  
“The management of the authority’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks”.
  
  2. This organisation regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation and any financial instruments entered into to manage these risks.
  
  3. This organisation acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.
-

## 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, and it is 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 over up to 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.
-

E.g. 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 money markets, however because of its nature, currently the PWLB is generally able to offer better terms.
- **Capita Asset Services** – they 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*.

---

**BUDGET AND PERFORMANCE PANEL****Review of Business Travel****23 February 2016****Report of Chief Officer (Environment)****PURPOSE OF REPORT**

To present, as requested by Budget and Performance Panel, details of the extensive business improvement work that was undertaken by Human Resources and Organisational Development on the council's business travel arrangements. The report also outlines initial plans to realise benefits and efficiencies from service improvements going forward.

**This report is public**

**RECOMMENDATIONS**

- (1) **That Budget and Performance Panel considers the report and appendix, making any comments and recommendations for officer consideration as necessary**
- (2) **That progress on plans in place and being developed around business travel be reported to a future meeting of the Budget and Performance Panel**

**1 Introduction**

- 1.1 The Council's energy strategy recognises the importance of practical and obvious ways of reducing energy usage, and as such includes a review of business travel in the agreed action plan. During 2014/15 a major business improvement review was undertaken to determine the extent of business travel across the council and to gain a clear understanding of current business travel needs from both an operational and customer perspective.
- 1.2 Detailed process analysis of the council's business travel arrangements has been undertaken. This has led to the setting out of numerous options and solutions that could be considered and implemented by individual members of staff and/or at an operational and corporate level to reduce and, in some cases, eliminate business travel.
- 1.3 It is recognised that much needs to be done and that strong leadership will be essential to fully realise the benefits of the review and deliver efficiencies and service improvements. Chief Officers undertook to take a lead on reassessing business travel when reviewing service provision and structures to make best advantage of the options and opportunities set out in the review.

**2 Details**

- 2.1 *Appendix A* sets out the detailed activities and findings resulting from the business travel review identified under four distinct themes:
  - **Right People** – are the right members of staff generally undertaking travel and is there a business need from an operational and customer perspective?
  - **Right Places** – covered a number of issues around staff work bases; places visited in carrying out work, location of assets / materials needed in the conduct of work and how that generates travel, and travel to and from home

- **Right Reasons** – considered business travel generated from proactive, planned and reactive work
  - **Right Approach** – looked at route mapping, vehicle usage, fleet management and potential alternatives to car travel
- 2.2 The completed review identified a large number of potential opportunities and options for reducing or eliminating business travel when undertaking work through:
- alternative transport arrangements;
  - increased / better use of technology and mobile and remote working;
  - better understanding of customer demand and considering opportunities to change customer expectations of the services the council provides;
  - business improvement techniques and the redesigning of work activities and travel planning;
  - better use of business intelligence and analytics;
  - improved communications to provide a 'one-stop-shop' of information on work travel; journey planning; available technology (i.e. audio and video conferencing), guidance and policy;
  - reviewing the council's fleet management and use of telemetry
- 2.3 Organisational Development have recently worked with officers from Regeneration and Planning Services on a service modelling review of the Development Management function in which actions were agreed to, amongst other things:
- undertake a trial of remote networking tablet devices when on planning visits to aid mobile working;
  - trial online route planning software to help assess the most efficient route for all trips taken and;
  - work up more formal arrangements for sharing workloads when officers are on site visits in an area where other work is also required
- 2.4 Supplementary to the business travel review, arrangements have been made with the agreement of Chief Officers, for the phased cessation of the essential car user designation and allowances by 31 March 2016, based on a consideration and analysis of the characteristics of officers work activities and related mileage data.
- 2.5 Arising from the business travel review and in line with the Council's stated aim of *'no employee being under any obligation to use their own vehicle for business use'*, Organisational Development took a lead on arrangements to establish the management and administration of a pool of vehicles for business use.
- 2.6 Based on an initial assessment of need, six vehicles – three in both Lancaster and Morecambe - were acquired on a flexible hire agreement from suppliers who already provide hire vehicles to the Council. The current agreement runs until the end of February 2016, at which point there will be the potential to consider other opportunities (including an assessment of the potential use of electric vehicles in the future).
- 2.7 The current arrangements commenced on 01 July 2015. Based on an assumption that officers with essential car user allowance will either use the pool cars provided, or their own vehicle and claim casual rather than essential user mileage rates, savings of between £7,200 and £10,700 in 2015/16 and £55,000 and £93,900 in subsequent years have been projected.

- 2.8 The use of pool cars is being monitored and the initiative is proving to be popular with a good level of utilisation against availability so far. Each vehicle is fitted with a vehicle tracker which provides useful data that is helping to understand and inform business travel and flag up potential efficiencies. A detailed report, specifically on the use of the pool cars will be presented after 31 March 2016.
- 2.9 Vehicle trackers are now fitted to nearly all of the council's fleet, including refuse collection vehicles, panel vans, large goods vehicles, road sweepers and various grounds maintenance equipment, providing data on the number of journeys made, when the vehicles/units are in operation and the amount of time taken on each journey, routes travelled and driver behaviour (i.e. instances of speeding and inefficient braking).
- 2.10 Monitored centrally by Organisational Development the data and information has resulted in a greater understanding of the reasons for business travel using the Council's fleet and has led to some immediate efficiency changes in how work is undertaken and improved utilisation of the fleet.
- 2.11 It is recognised that there are opportunities for further efficiencies to be made connected to the strategy and management of the Council's fleet and related work. This work is being picked up as part of other wider service reviews, including the Repairs and Maintenance Service.
- 2.12 Arising from the business travel review, recent budget proposals and changes for 2016/17 – 2019/20 considered by Cabinet, Budget and Performance Panel and subsequently full Council have included '*use of the vehicle [sic] tracking system to improve the management of the Council's fleet*' with estimated savings of over £56k. Plans are also being made for a project to consider the installation of electric charging points from 2017 / 18 that has the potential to generate £30k in additional income to 2019 / 20, and also the viability of use of electric vehicles within the Council's own fleet.

### **3 Conclusion**

- 3.1 The review of council business travel focused on gaining a clear and broad understanding of the work and related needs and demands, from both an operational and customer perspective, that generates necessary travel in order to fulfil officer responsibilities and deliver services.
- 3.2 The review covered all Services and identified numerous opportunities to achieve wide ranging efficiencies and savings from the reduction, or elimination of business travel that can be achieved through changing customer expectations and the way that work is carried out. Efficiencies can also be realised through more investment in information technology, like the introduction of In-cab technology in refuse collection vehicles that will provide the added benefit of real time data that will provide useful information, such as the reasons for bins not being collected.
- 3.3 In order to achieve these benefits, it will be important for options to be considered and/or tested as part of service remodelling and effectively coordinated and managed where solutions to reduce travel across the Council are identified.

**CONCLUSION OF IMPACT ASSESSMENT**

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

None directly arising from this report but improvements in driver behaviour and reduce any risks to driver safety.

**LEGAL IMPLICATIONS**

None arising from this report.

**FINANCIAL IMPLICATIONS**

Outline information is contained in the report. There is the potential to realise further substantial savings through a coordinated approach to reducing and/or eliminating business travel across the Council.

**OTHER RESOURCE IMPLICATIONS**

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

Investment in information technology as part of the review of the needs of Services and exploitation of the digital workplace programme will realise further improvements and efficiencies.

**SECTION 151 OFFICER'S COMMENTS**

The Section 151 Officer has been consulted and at this stage, all she would add is that there is a need to ensure that savings are monitored and captured within future budget updates.

**MONITORING OFFICER'S COMMENTS**

The Monitoring Officer has been consulted and has no further comments

**BACKGROUND PAPERS**

Business Travel Review

**Contact Officer:** Bob Bailey, Organisational Development Manager

**Telephone:** 01524 582018

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

**Ref:** B&PP 230216



## 1. Right People

| Activity                       | Findings   | Options  |
|--------------------------------|--|--|
| Right staff undertaking travel | <p>Senior officers undertake certain tasks and journeys that could be fulfilled through alternative means</p> <p>Staff acknowledge that, wherever possible, alternative and existing arrangements could / should be used and / or that such journeys should be part of other activities being undertaken at the time</p> | <p>1) Consider whether journeys need to be made or could be fulfilled through alternative means (i.e. use of technology / courier)</p> <p>2) Consider whether certain activities can be carried out by other members of staff within the Service and / or as part of other activities being undertaken that are close to the destination</p> <p>3) Set up a mechanism that will enable staff to carry out certain tasks on behalf of others from across the council where they are planning travel to, or are located nearer to, the required destination</p>  |
|                                | Operational services staff travel to meet officers in support services at Lancaster Town Hall  | 4) Consider whether travel could be reduced by support staff temporarily working in another location and for a set period where the work demands it  |
|                                | Staff undertaking travel that could fit better with officers in other work areas   | 5) Consider scope for better communication and understanding of work across the council  |
| Customers                      | The business travel review has helped to develop an understanding of current business need from both an operational and customer perspective   | 6) With the support of the Organisational Development team carry out Service specific reviews of business travel and transport from the perspective of customers and operational needs   |
|                                | There is an improved understanding and acceptance that work should be considered from the perspective of the customer and based on an analysis of demand.  | 7) Develop and establish business improvement and demand management across the council relating to the work and its impact on business travel  |
|                                | Staff accept that more efficiencies could be made through managing customer expectations and whilst not yet widespread across the council this is starting to develop.   | <p>8) Develop opportunities to change customer expectations in the delivery of Services to reduce business travel and operational need (See also 45) below)</p> <p>9) Review and communicate statutory duties and responsibilities and the operational work of Services to improve understanding across the council and to help reduce the risk of managing customer expectations having a negative impact on other Services (See also 28) below)</p> <p>10) Encourage all staff, no matter where they work, to suggest ways in which the council could manage customer expectations and realise efficiencies in business travel</p> |

## 2. Right Places

| Activity  | Findings   | Options   |
|---|--|---|
| Consideration of staff 'main work base' and where this is in relation to their work                             | <p>The main work base for a number of staff is not the nearest location to where the majority of their work currently is.</p> <p>An analysis of travel data identified that an offer based at WLD rather than his current work base would reduce annual mileage by 811 miles. Similarly another officer could reduce travel from 1578 to 973 miles by being based at WLD.</p> <p>Conversely, there are staff located at WLD and MTH whose work is predominantly in Lancaster and rural districts</p> <p>Planned work is predominantly located in one geographical area of the district, away from the officers main work base.</p> | <p>11) Provide staff with the flexibility to work from any of the councils buildings and to consider this as their 'main office base' where it is practicable and more efficient to do so</p> <p>12) Any such plans should involve Property Group (as well as other officers as necessary) and be cognisant of any planned accommodation and service reviews</p>  |
| Use of other premises for planned work  | <p>Some officers working on council projects have 'temporarily based' themselves at a council building other than their 'main work base'</p> <p>Other officers regularly travel to undertake work on council projects, sometimes travelling from MTH to the project site on two or three occasions a day. This has included visits where travel to the project site was the only purpose of the journey</p> <p>Officer's travel to one location for planned work from their main work base and return after reason for the visit</p>   | <p>13) Actively encourage staff to manage planned working arrangements such that council buildings and external partners premises are used as the work demands and for the duration of the work / activity</p> <p>14) Build travel plans into project management arrangements and service / work reviews</p> <p>15) Manage officer expectations and review corporate policy (staff contracts / T&amp;C's) regarding any premises being considered as the work base for the period of the work</p> |
| Staff travel to carry out work and return to their main work-base on a number of occasions in a day             | <p>A number of staff have outward and inward journeys to their main base on numerous occasions during a day's work.</p>  | <p>16) Review the root cause / reasons why staff return to their main work base several times a day and consider alternatives that will reduce mileage and save time travelling, whilst adding value to customers</p>   |
| Staff travel to carry out work and return to their main work-base on a number of occasions in a day (continued) | <p>A number of staff have outward and inward journeys to their main base on numerous occasions during a day's work</p> <p>Staff gave a number of reasons why they have to return to their main work base including: the work demands it and there is no viable alternative ; it is a short trip back to the workplace and the officer has not been out for very long; to have a break; to collect equipment; to complete paperwork / use office systems; it is custom and practice</p>   | <p>17) Review the root cause / reasons why officers need to travel to merchants and suppliers and, where practicable, consider alternative means</p> <p>18) Consider this review and any impact it may have on the Stores review being undertaken as part of the work of the Can we fix it? Project Group</p>   |

## 2. Right Places

| Activity   | Findings   | Options  |
|--|--|--|
| Sites, locations and premises visited                              | Staff visit the same location on numerous occasions  | 19) Review the root cause / reasons for repeat visits to certain locations with the aim of avoiding / reducing the number of visits and related business mileage<br><br>20) Consider more effective data analysis and use of Geographic Information System (GIS) with a view to identifying location 'hotspots' in order to understand the reasons for business travel and to identify areas where specific / alternative action would create efficiencies and improve service delivery<br><br>21) Use telemetry software / data to identify and inform decisions on reducing repeat / regular visits to the same location (See also 31) below)<br><br>22) Consider whether there is a viable alternative to regular travel to Lancaster University as part of the Active Health Program |
|  | Nature of some work means that visits will be concentrated in one area / location.<br><br>The work of the Home Improvement Agency is to actively generate repeat visits (based on an initial assessment) to build a relationship with vulnerable persons and as a requirement of funding | See 19); 20) and 21) above   |
|  | There are occasions when staff have had an abortive journey that has required a return visit to the same location  | 23) Pre-plan journeys and carry out checks before travel to avoid / reduce the incidence of unproductive journeys<br><br>24) Develop internal communications to ensure that staff across the council whose work may be impacted by any changes are informed so that alternative arrangements can be made and abortive journeys avoided   |
| Travel to / from home  | Staff generally plan journeys to coincide with travel to and from home which they consider to be beneficial to the council   | 25) Review work journeys where they have been planned to coincide with inward and onward travel to / from the officers home to ensure that this is advantageous to the council and has no negative impact on customer demand   |
| Location of assets/materials and travel generated as a consequence | Additional travel is generated on some journeys by a requirement to collect equipment from other council buildings   | 26) Review working arrangements and the location of assets to establish the frequency of usage and any possible alternatives that will reduce / avoid unproductive travel and 'lost time'  |

### 3. Right Reasons

| Activity                              | Findings  | Options   |
|---------------------------------------|---|---|
| Statutory                             | <p>Some travel is generated to fulfil statutory requirements</p> <p>Notwithstanding statutory responsibilities staff consider that a physical presence is 'highly desirable' where the council is answerable to the public, demonstrating that the council takes its responsibilities and the public's concerns seriously</p> | <p>27) Review and proactively communicate the council's statutory responsibilities (See also 9) above)</p> <p>28) Review work in light of a clear understanding of statutory functions to determine whether it would be advantageous to make changes to the work that will realise efficiencies and reduce business travel</p>  |
| Proactive / planned or scheduled work | <p>Environmental Services supervisors schedule daily visits to check that work is being carried out safely and to the required standards and quality, and staff have the right and adequate equipment to do the job</p>   | <p>29) Review supervisory visits to work sites with a view to determining the necessity to do these daily or whether efficiencies can be made without any negative impact on the work and / or the customer</p>   |
|                                       | <p>There are wide variations in the number of visits made in a single journey</p>   | <p>30) Review work to gain a greater understanding of the flow and to identify any advantages and efficiencies from alternative arrangements such as visits carried on particular and specified day(s) rather than spread across the whole working week</p> <p>31) Use telemetry software/data to determine how much of the overall journey is spent travelling and to inform any decisions on how this could be reduced (See also 21) above)</p> |
|                                       | <p>Data highlights predictable peaks in demand for travel in terms of location and possible seasonal variations.</p>  | <p>32) Analyse travel data to identify and predict peaks (and troughs) in demand to inform work planning and related business travel.</p> <p>33) Take advantage of predictable travel and any trends to highlight any opportunities for visits to be combined with other business needs and travel within the Service and / or across the council</p>   |
|                                       | <p>Some instances where work is planned around 'evening meetings' based on customer requirements / circumstances.</p>   | <p>34) Review flexitime arrangements and, specifically, consider whether it would be beneficial to give staff the flexibility to stagger their working day to meet business needs</p> <p>35) Review work to determine the extent to which customer expectations can be 'nudged' into accepting reduced services and changes to the work that is more in line with the council's capacity and business needs</p>                                   |
|                                       | <p>Number of visits generated from direct and immediate response to 'complaint(s)' including requiring direct council action (i.e. noisy neighbours and dangerous buildings) and those specifically against the council.</p>  | <p>36) Review customer complaints to consider whether this is as a result of failure demand with a view to addressing the causes</p> <p>37) Consider whether an investigation into the complaint requires a journey and the extent to which this can be done through other means (i.e. photographic evidence) or as part of other planned</p>   |

**3. Right Reasons**

| Activity | Findings   | Options  |
|----------|--|--|
|          |  | business travel  |
| Reactive | Some staff commented that there can be a frequent need to have immediate and unrestricted access to a car due to the nature of the work being occasionally urgent / reactive | 38) Review the cause of reactive work to determine opportunities to 'switch off' failure demand and determine ways in which reactive work can be reduced or changed to make efficiencies<br><br>39) Review data input of business travel through <i>My View</i> to enable an assessment to be made of reactive work and related business travel data |
|          | Some travel appears to have been caused through apparent poor planning / organisation  | 40) Wherever possible take time to consider ways in which the causes of unnecessary journeys could be eradicated   |

## 4. Right Approach

| Activity   | Findings  | Options   |
|--|---|---|
| Route mapping – Geographical split of duties         | Some work is based on geographical area rather than workload / demand.  | 41) Review work and available travel data and other relevant intelligence / software to determine whether there are any advantages and efficiencies to be gained from work being allocated on geographical area   |
| Route mapping – scheduling beyond current day        | Little evidence of work being actively planned and combined beyond a single day with a view to consolidating visits into more efficient journey planning  | 42) Plan journeys with the aim of reducing the number of journeys made including looking at ways in which work activity can be combined with other planned travel across the working week   |
|  | Large number of claims made for a single journeys in a day over a number of consecutive days from office base to location and return  |   |
|  | Travel to council estates and other locations have been visited on concurrent days  | 43) Review work with a view to avoiding travel at peak times including changing the work and staggering start and finish times (See also 34) above)   |
| Route mapping – use of technology (Google Maps/ GIS) | Trips are made with little or no route planning to make optimum use of journey time and a reduction in mileage  | 44) Plan visits using Google Maps or equivalent free software to determine optimum routes to reduce travel time and mileage.  |
|  | Route mapping becomes more important where numerous sites are visited to seek ways in which time lost travelling between locations can be minimised (i.e. more value time at sites rather than unproductive time travelling)    | 45) Review work to establish what triggers the way and order in which visits are made and whether customer expectations can be changed to avoid travel at peak times (See also 8) above)<br>46) Consider whether work can be managed to identify an optimum 'round(s)' where regular visits to the same location are made   |
| Vehicle usage and fleet management                   | Council fleet vehicles could be utilised more effectively and made more accessible for staff to use   | 47) Undertake a full review of the council's fleet and its management to determine what efficiencies can be made  |
|  | Instances where car share could have been organised   | 48) Develop a Car-sharing scheme for the council and / or consider signing up to <i>Shared Wheels</i> a scheme developed in partnership by Blackpool Council, Blackburn with Darwen Borough Council, Lancashire County Council and Lancaster University.<br>49) Improve internal communications within the council with a view to identifying opportunities for car sharing locally and to events / conferences wider afield where public transport is not beneficial |
| Alternative to car travel                            | Claims made for short journeys  | 50) Potential to further promote walking / cycling for short journeys and / or as part of a Healthy Living Campaign   |
|  | Little evidence of teleconferencing and video conferencing technology across the council.<br>There is a clear appetite for IT solutions to help reduce travel in the future particularly to facilitate home and mobile working. | 51) Review arrangements and use of teleconferencing and videoconferencing and hot-desking facilities.<br>52) Consider further investment in other IT solutions aimed at reducing business travel and providing the same or better level of service  |

## 4. Right Approach

| Activity                                  | Findings  | Options  |
|---|---|--|
| Alternative to car travel (continued)     | Staff generally feel that the PCSN restrictions has led to an increase in travel and removed the flexibility of home-working                                | 53) Raise awareness of what IT options are available and are being planned for the future and provide necessary training   |
|   | Some staff undertake travel by bicycle rather than car  | 54) Review the cycling policy to ensure that this is encouraged where appropriate but also takes account of the time a journey by cycle may take   |
| Quality of Information (claiming process) | There is an inconsistency in the level of detail provided when making mileage claims with little commentary about the purpose and/or details of the journey | 55) Provide guidance and training as necessary on the level of information expected / required to assist with the analysis of business travel and efficiency<br><br>56) Ensure that management regularly check business travel data and purpose of journeys, supporting and challenging these as necessary when authorising mileage claims |
|   | Over processing due to multiple claims made on the same day.  | 57) Raise awareness of best practice for making claims for business travel   |
| Guidance and principles                   | Staff expressed the view that existing travel policies (largely incorporated in the <i>Employee Expenses and Benefits Guide</i> ) are out-dated.            | 58) Develop business travel guidance and policy and carry out a campaign to change staff culture on alternatives to business travel  |

**BUDGET AND PERFORMANCE PANEL****Work Programme Report****12<sup>th</sup> July 2016****Report of the Chief Executive****PURPOSE OF REPORT**

To consider the Panel's Work Programme for 2016/17.

**This report is public.**

**RECOMMENDATIONS**

- (1) That Members note the items to be carried forward for consideration at future meetings, as detailed in Appendix A to the report.
- (2) That Members consider what should be included in the 2016/17 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 Committee 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**

Provided below are the Work Programme items that are regularly reported to the Panel, or have been requested. These are as follows: -

**2.1 Annual Stakeholder's Meeting**

As part of the budget consultation process, the Leader of the Council and the relevant Cabinet Member have previously been invited to present the City Council's budget proposals to the Panel. All council members and economic stakeholders are invited to attend this meeting.

Members may also wish to consider extending an invitation to representatives of Lancashire County Council to present Lancashire County Council's budget, the



Lancashire Combined Fire Authority and the Lancashire Police and Crime Commissioner. Previously all of these organisations have submitted reports relating to their budget proposals.

Members may wish to consider requesting representatives of these organisations to present their proposals to the January 2017 meeting of the Panel.

## 2.2 Complaints Monitoring

Following the introduction of the revised Customer Comments, Compliments and Complaints policy it has been agreed by Cabinet, in line with the recommendations of Overview and Scrutiny Committee, that Budget and Performance Panel undertake regular half yearly monitoring of the complaints procedure.

These have formed part of the Panel's overall corporate performance monitoring process.

## 2.3 Forthcoming Key Decision List

It is suggested that Members could put forward financial or performance related items for pre-decision scrutiny, or which they wish to be considered by the pre-decision scrutiny champion of Overview and Scrutiny Committee to investigate.

## 2.4 Invitations to Cabinet Members

Members may wish to consider extending invitations to Cabinet Members to coincide with consideration of issues relevant to their respective portfolios. It is suggested that the Leader of the Council and the holder of the financial portfolio be invited to discuss budget issues and financial matters, together with performance management issues.

## 2.5 Procurement Strategy

The Panel has previously considered and scrutinised progress on updating the City Council's Procurement Strategy, in light of recent and ongoing national and local issues. As part of its terms of reference, the Panel has responsibility for scrutinising the City Council's various arrangements for securing value for money (VFM), and making recommendations as appropriate. The City Council's procurement framework is one aspect of such VFM measures. The Panel has requested to have a further opportunity for fuller pre-scrutiny prior to the updated Procurement Strategy being presented to Cabinet.

## 2.6 Budget Overspends/Variances

In the past the Panel has considered budget variances which had been identified when considering the annual outturn reports. With the agreement of the Chief Executive, officers have previously been required to attend meetings to present the additional information requested, explain why the variances had occurred, provide an explanation of lessons learnt and whether any variances were ongoing and would impact on the year's budget's.

If there are significant variances in the current year Members may wish to undertake this exercise again.

2.7 Treasury Management Strategy

In line with the (2011) CIPFA Treasury Management Code of Practice, the Panel has been explicitly named as responsible for scrutiny of the Treasury Management function, including review of the Annual Strategy.

The Panel's views will be sought regarding the proposed treasury management framework for 2017/18.

2.8 Financial Monitoring

The Panel receives regular updates regarding the budget, treasury management and other financial issues throughout the year. The Panel is asked to note the timetable as included in the Work Programme at Appendix A.

2.9 Corporate Performance Monitoring

Reports are routinely provided to the Panel throughout the year. Set out below is the draft timetable for undertaking the 2015/16 Corporate Performance Monitoring. The Panel are asked to note the timetable included in the Work Programme at Appendix A.

2.10 Update on CorVu

Members received a live demonstration of the City Councils Performance Management Information System, CorVu which was due to be rolled out from April 2016 in line with the 2016-2019 Corporate Plan.

The Panel will receive updates on the wider implementation of the system.

2.11 Commercial Properties

At its meeting in the 23<sup>rd</sup> February 2016 the Panel requested a report on Council owned commercial properties be included in the Work Programme.

2.12 Litter Enforcement Service

At its meeting on the 23<sup>rd</sup> February the Panel requested a report on the Litter Enforcement Service be included on the Panels Work Programme, subject to this being agreed at Budget Council on the 2<sup>nd</sup> May 2016.

**SECTION 151 OFFICER'S COMMENTS**

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

**MONITORING OFFICER'S COMMENTS**

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

**BACKGROUND PAPERS**

None.

**Contact Officer:** Sarah Moorghen

**Telephone:** 01524 582132

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

**BUDGET & PERFORMANCE PANEL WORK PROGRAMME 2015/2016**

| <b>Matter for consideration</b>  | <b>Officer responsible/<br/>External</b> | <b>Expected date of meeting</b>  |
|--|--|--|
| Financial Monitoring   | Chief Officer (Resources)                | (1) Quarter 1 – September 2016.<br>(2) Quarter 2 – November 2016.<br>(3) Quarter 3 – February 2017 |
| Corporate Performance Monitoring   | Chief Officer (Environment)              | (1) Quarter 1 – September 2016<br>(2) Quarter 2 – November 2016<br>(3) Quarter 3 – February 2017   |
| Business Travel Plans  | Chief Officer (Environment)              | July 2016<br>(Deferred from February 2016)   |
| APSE report and Action Plan arising from the review of the Repairs and Maintenance Service | Chief Officer (Environment)              | July 2016  |
| Budget Overspends/Variance   | Chief Officer (Resources)                | As required  |
| Procurement Strategy   | Chief Officer (Resources)                | Prior to the updated Strategy being presented to Cabinet.  |
| Update on wider implementation of the CorVu System   | Chief Officer (Environment)              | As required  |
| Commercial Properties  | Chief Officer (Resources)                | TBC  |
| Litter Enforcement Service   | Chief Officer (Environment)              | TBC  |

**Invitations to Cabinet Members**

| <b>Cabinet Member and area of responsibility</b> | <b>Issue</b>  | <b>Expected date of meeting</b>                   |
|--|---|---|
| Councillor Blamire, Leader of the Council        | Corporate Performance Monitoring  | Various – as set out in the Work Programme Report |
| All Members of Cabinet                           | Various. Invitations to be extended to Cabinet Members to coincide with issues relevant to their respective portfolios. | Various   |

**Briefing Notes**

| <b>Matter for Consideration</b>                                 | <b>Date Requested</b> | <b>Officer Responsible</b> | <b>Date Circulated</b> |
|---|-----------------------|----------------------------|------------------------|
| Expenditure on Venues and Facilities in Lancaster and Morecambe | 21.07.2015            | Financial Services Manager | TBC                    |

**Member Briefing:**

APSE Report and Action Plan – 7<sup>th</sup> April 2016