



Committee: CABINET

Date: TUESDAY, 12 FEBRUARY 2019

Venue: LANCASTER TOWN HALL

Time: 6.00 P.M.

A G E N D A

1. **Apologies**

2. **Minutes**

To receive as a correct record the minutes of Cabinet held on Tuesday, 15 January 2019 (previously circulated).

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

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

4. **Declarations of Interest**

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

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

Whilst not a legal requirement, in accordance with Council Procedure Rule 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.

5. **Public Speaking**

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

Reports from Overview and Scrutiny

None

Reports

6. **Budget & Policy Framework Update 2019/2023**
(Cabinet Member with Special Responsibility Councillor Whitehead)
Report of the Interim Financial Services Manager - (Report to follow)
7. **Budget and Policy Framework Update 2018 to 2022 - Housing Revenue Account and Capital Programme** (Pages 1 - 26)
(Cabinet Member with Special Responsibility Councillor Warriner)
Report of Director for Communities and the Environment
8. **Corporate Fees and Charges Review - 2019/20** (Pages 27 - 43)
(Cabinet Members with Special Responsibility Councillors Whitehead & Hughes)
Joint Report of Interim Financial Services Manager and Director for Communities and the Environment
9. **Delivering Our Ambitions - Performance Monitoring: Quarter 3 2018-19** (Pages 44 - 48)
(Cabinet Member with Special Responsibility Councillor Whitehead)
Report of Executive Support Manager
10. **Corporate Financial Monitoring 2018/19 - Quarter 3** (Pages 49 - 74)
(Cabinet Member with Special Responsibility Councillor Whitehead)
Report of the Interim Financial Services Manager
11. **Communities and the Environment - Future Direction** (Pages 75 - 83)
(Cabinet Members with Special Responsibility Councillors Burns, Clifford, Hughes & Warriner)
Report of the Director for Communities and the Environment
12. **Cabinet Liaison Group- Climate Change** (Pages 84 - 87)
(Cabinet Member with Special Responsibility Councillor Clifford)
Report of the Director for Communities and the Environment

ADMINISTRATIVE ARRANGEMENTS

(i) Membership

Councillors Eileen Blamire (Chairman), Janice Hanson (Vice-Chairman), Nathan Burns, Darren Clifford, Brendan Hughes, Margaret Pattison, Andrew Warriner and Anne Whitehead

(ii) Queries regarding this Agenda

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

(iii) Apologies

Please contact Democratic Support, telephone 582170, or alternatively email democraticsupport@lancaster.gov.uk.

SUSAN PARSONAGE,
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Published on Thursday, 31 January, 2019.

CABINET

**Budget and Policy Framework Update 2018 to 2022 –
Housing Revenue Account and Capital Programme
12 February 2019**

Report of Director for Communities and the Environment

PURPOSE OF REPORT			
This report provides an update on the council housing budgetary position and seeks Cabinet's decisions on council housing rent levels for 2019/20 and targets for future years. It also seeks approval of Cabinet's supporting revenue budget and capital programme proposals for referral on to Budget Council, in order to complete the HRA budget setting process for 2019/20.			
Key Decision	X	Non-Key Decision	Referral from Cabinet Member
Date of notice of forthcoming key decision	14 January 2019		
This report is public.			

RECOMMENDATIONS OF COUNCILLOR WARRINER

- 1) That the Housing Revenue Account Revised Budget for 2019/20, as set out at Appendix A, be referred on to Council for approval, with the short-term funding requirement of £296.5K being met from unallocated balances.
- 2) That the minimum level of HRA unallocated balances be retained at £500,000 from 01 April 2019, and that the full Statement on Reserves and Balances as set out at Appendix F be endorsed and referred on to Budget Council for approval.
- 3) That council housing rents be set in accordance with statutory requirements as follows:
 - for general properties let as at 01 April 2019, average rent be set at £71.05 for 2019/20, representing a reduction of 1% from the previous year;
 - for sheltered and supported housing properties let as at 01 April 2019, average rent be set at £66.08 for 2019/20, representing a reduction of 1% from the previous year;
 - for any relevant property becoming vacant the following policy be reaffirmed: that they be re-let at the higher 'formula rent' less the relevant cumulative % reduction applicable (i.e. generally 4% for 2019/20).
- 4) That the growth proposals as set out at Appendix E be included in Cabinet's budget proposals for referral on to Council, noting that any approvals be met from unallocated balances.

- 5) **That subject to the above, the resulting Housing Revenue Account budget for 2019/20 onwards, as set out at Appendix A, together with the resulting Capital Programme as set out at Appendix C, be referred on to Budget Council for approval.**

1.0 Introduction

- 1.1 The Council is required under statutory provisions to maintain a separate ring-fenced account for the provision of local authority housing, known as the Housing Revenue Account (HRA). This covers the maintenance and management of the Council's housing stock.
- 1.2 This report sets out the rent setting policy and the latest position with regards to the HRA 30 year Business Plan, covering both revenue and capital budgets, and the associated level of reserves and balances. It seeks approval for rent levels and various other budget matters, with referral on to Budget Council as appropriate. The draft Medium Term Financial Strategy (MTFS) will also be updated to reflect Cabinet's HRA budget proposals.
- 1.3 It can be noted that within the context of ring-fencing the HRA has a role to play in support of wider Council priorities; contributing to and facilitating projects across the district to support the wider regeneration ambitions of the council. The HRA also underpins the Council's general fund through contribution to support services and corporate commitments.

2.0 Achievements 2018/19

- 2.1 Against the financial pressure of three consecutive years of 1% rent decreases the council has continued to deliver a responsive, ambitious service through the HRA. Across household and tenancy management, sheltered housing, allocations and lettings, as well as repairs and maintenance, a number of notable successes have been delivered in 2018/19. For example:
- Using lean thinking principles, joined up working between housing management, choice based lettings, and RMS, delivering a reduction in empty property re-let time from an average of 60+ days per property to 25 days over a twelve months period; efficiencies which have realised over £100k in previously uncollected rental income.
 - Housing Quality Network (HQN) accreditation achieved for best practice within Income Management; successes achieved in preventing rent arrears and promoting tenancy sustainment for council tenants.
 - European funding obtained through ECIF for More Positive Together (MPT); match funding utilised to fund two Employability Coaches for the district, in partnership with KEY (Lancashire based charity).
 - Continued development of Household Intervention Service in response to discontinuation of funding for floating tenancy support across Lancashire; offering intensive support for tenants with complex needs.
 - Repair and Maintenance (RMS) development plan underway; to deliver system improvements, efficiencies, and enhancements to the customer experience.

3.0 Rent Setting

- 3.1 The financial year 2019/20 represents the final year of the government's four year rent setting policy to reduce social housing rents by 1% per annum to 2020, except where properties become vacant and their rents are below 'formula rent'. In these circumstances, the rents to be charged for new tenancies can increase up to the formula rent level, less the cumulative 1% year on year reduction.
- 3.2 This policy continues to progressively add pressure to the HRA, and is the key driver behind the short-term funding requirement referred to in recommendation 1 (above). However, previous budgetary decisions have ensured that the HRA 30 year business plan is sustainable in the short term without the need to utilise the Business Support Reserve at any point.
- 3.3 Rental income is the main funding source for the HRA and there are a number of factors that will influence the outturn position :-
- 2019/20 is a 53 week rent year resulting in 49 rent collectable weeks, once the usual 4 non-collection weeks have been applied.
 - The number of properties within the housing stock is subject to Right to Buy sales which are outside the Council's control
 - Void levels and the time it takes to re-let can have an impact on income levels. Recent good progress in this area has led to a fall in the void rent loss from 2% to 1.5%
- 3.4 Therefore, in line with government policy, Cabinet is now required to set average council rents as follows :-

Property Type	2018/19	2019/20
General	£71.27	£71.05
Sheltered and Supported	£66.31	£66.08

**** Note that the above figures are presented on a 52-week basis.**

With regard to the years following 2019/20, the government have previously announced that for a five year period from 2020/21 to 2024/25 that rent policy will revert to the previous approach of allowing an increase of CPI plus 1% per year.

4.0 Other Charges

- 4.1 A general principal is applied to service charges to ensure they are sufficient to cover the cost of service provision. Service charges are increased each year using a range of inflationary factors: e.g. General Inflationary Index, BCIS, Gas, and Electricity.
- 4.2 In general, there is a standard charge for each service a tenants receives; the cost of the service is spread equally across all tenants who benefit from it. Exceptions to this include district heating charges, electricity costs in general needs communal areas, and sheltered housing service charges, where service charge costs vary by building.

- 4.3 With regard to garage rents, in January 2017 Cabinet established a rent setting policy for garages within the HRA: “That for 2017/18, all garage rents be increased by the Consumer Price Index (CPI) plus £1, with an additional CPI + £1 increase in each subsequent year until 2019/20, with CPI increase thereafter.” Continued adherence to this policy would see a weekly garage rent set at £11.66

5.0 Revenue Expenditure

- 5.1 The 2018/19 revised estimates and the future years estimates for 2019/20 alongside the following three financial years have been prepared as part of this budget setting process. The differences between last year’s approved revenue budget are illustrated in the variance analysis supplied at Appendix B. The key areas are listed as follows :-
- Reduction in average empty property re-let time from 66 days (Jan 2018) to 26 days (Jan 2019), due to a combination of reduced volumes and faster turnaround. This has realised a decrease in void rent loss from 2.6% to 1.5% which equates to approx. £100K additional rental income in 2018/19.
 - Delayed expenditure relating to the RMS development plan, funded by the ICT replacement reserve
 - The two month extension of the RMS Interim Manager and planning consent for new build properties, funded by the business support reserve
 - Delayed capital expenditure (£185K) from 2018/19 to 2019/20 relating to previously approved growth items, funded by the business support reserve
 - Total capital expenditure reduced by £262K in 2018/19 and increased by £414K in 2019/20 which is underpinned by the use of reserves
- 5.2 In summation the 2018/19 revenue budget projected funding requirement is £7.3K, which is lower than the previously projected £150.1K, and this will be funded by unallocated balances. The 2019/20 revenue budget projected funding requirement is £296.5K, which is higher than the previously projected £279.1K and again this will be funded by unallocated balances (prior to approval of growth items).
- 5.3 As outlined in section 3.2, the short-term funding requirement is due to the government’s policy on rent setting of which 2019/20 will be the final year of 4 annual 1% rent reductions. This equates to a 4% reduction in income in addition to annual inflation being applied to expenditure typically at around 2%. The 30 year business plan forecasts the HRA to be self-financing again from year 2021/22 onwards.

6.0 Capital Expenditure

- 6.1 The revised and five year capital programme is included at Appendix C
- 6.2 The key changes to the programme from last years reported position are included at Appendix D.
- 6.3 The 2019/20 capital programme includes provision for development work to prepare plans and options for a major capital project for a transformational refurbishment of the Mainway Estate.

The scope of the project is ambitious and will incorporate all planned capital works to the communal areas, replacement lifts, and new roofs, and co-ordinate these into an estate wide scheme to refurbish the windows, facades and entrance ways. Proposal will consider remodelling of the external spaces, facilities and traffic.

The scheme will look to incorporate the highest standards of thermal efficiency practicable thus contributing to the councils priorities around renewable energy and reducing our carbon footprint.

Proposals will be developed through a consultation model focused on the tenant, the quality of the accommodation, living costs and management, and assured by external technical consultancy, cost engineering and our Council Housing expertise. The project will generate option(s) which will be subject to financial and cabinet scrutiny and approval.

Work over the forthcoming year will define the proposed project. The total project value is not included in the current Capital programme as this is dependent on the project options. However, it is anticipated that the cost of repair and the attendant upgrading will ultimately require us to draw substantially on reserves; potentially £3M-£4M, with significant preparatory work within 2019/20, and a start date within 2020/21.

6.4 Further to this, it is worth also noting the following :-

- Artlebeck – As landowners, the Council will undertake vital work to maintain the river. Over the years the bank has eroded and there is a risk to housing and people. The Environment Agency (EA) are aware of the requirement to undertake remediation works and have after several site meetings issued a permit to enable works to be undertaken after fish have spawned in the summer.
- The Council has a duty maintain the riverbank which is enforced by the Environment Agency. Due to previous flooding events the bank is unstable and remediation works are required to restore the riverbank and protect our housing from flooding.

7.0 Savings and Growth

7.1 Alongside setting council housing rents, Cabinet is also requested to make recommendations regarding savings and growth proposals for consideration by Council.

7.2 Through the business planning process, no savings have been proposed and the following areas of growth within the HRA have been identified:

Growth Proposal	2019/20 £	2020/21 £	2021/22 £	2022/23 £
Community Development – to continue with existing support to community centres	14,300	14,600	14,900	15,200
Creation of System Implementation Project Manager post - to manage and co-ordinate system change	34,400	36,800	38,700	40,700
Anti-Social Behaviour - to increase the HRA contribution to the council's dedicated team for the years 2019/20 to 2022/23 inclusive	50,000	51,000	52,000	53,000
RMS Development Plan Phase 2 – implementation of a dynamic resource scheduling tool (to be funded by ICT replacement reserve)	0	0	0	0
Total of all growth bids	98,700	102,400	105,600	108,900

7.3 To note, the Community Development growth proposal looks to mainstream the HRA contribution, and provide added stability to the provision of vital community centres within the district.

7.4 Please see attached Appendix E which details and discusses individual growth bids.

8.0 Provisions, Reserves and Balances

8.1 After reviewing the Housing Revenue Account and General Fund in comparative terms and considering the key issues, assumptions and risks underlying the budget projections, the Section 151 Officer advises maintaining the minimum level of HRA Balances at £500K from 01 April 2019 to support the budget forecasts, as part of the overall medium term financial planning for the HRA.

8.2 Draft statements on all reserves are attached at Appendix F(i) and Appendix F(ii). Levels are viewed as adequate for the period covered and Cabinet is asked to endorse this information, with the Statement being referred on to council as part of the HRA budget proposals.

9.0 Business Planning & Future Risks

9.1 Taking account of the work that has been done to date, the following table sets out the latest position for the business plan, represented by the level of unallocated balances and the Business Support Reserve (BSR). It compares the position back in March 2018 to projections as at February this year.

30 Year Business Plan: Business Support Reserve and Unallocated Balances

	2018/19 £'000	2019/20 £'000	2020/21 £'000	2021/22 £'000	2022/23 £'000	30 Year Cumulative Total £'000
Business Support Reserve	8,317	8,057	8,057	8,057	8,057	8,057
Unallocated Balances	1,567	1,288	1,237	1,494	1,983	59,135
Projections as at March 2018	9,884	9,345	9,294	9,551	10,040	69,051
Business Support Reserve	8,257	8,072	8,072	8,072	8,072	8,072
Unallocated Balances	2,010	1,714	1,702	1,891	2,444	60,900
Projections as at February 2019	10,267	9,786	9,774	9,963	10,516	68,972
Overall Movement Adverse / (Favourable)	(383)	(441)	(480)	(412)	(476)	79

- 9.2 The unallocated balance is currently £2.0M and at no point within the 30 year business plan does it breach the £500K lower limit as detailed in section 7.1.
- 9.3 The Business Support Reserve has a current unallocated balance of £8.3M which reduces to £8.1M when taking into account the slipped capital expenditure. There is no further call on the reserve at this juncture for the remainder of the 30 year business plan.
- 9.4 Should the growth items in section 6 be approved then the combined level of reserves will be reduced to £65.9M.
- 9.5 It should be reinforced that the healthy cumulative balance is primarily driven by Government's decisions on future rent policy. For simplicity, the business plan now assumes that rents will continue to increase by CPI plus 1% per year, for all years from 2020/21 onwards, but this is by no means certain. The risks surrounding this assumption must be appreciated.
- 9.6 To demonstrate, should Government legislate to allow only CPI inflationary increases in rents from 2025/26 onwards (with no plusage), then the £65.9M projected surplus (including growth) would reduce down to somewhere nearer £34M.
- 9.7 The Section 151 Officer is required to undertake a formal review of general reserve levels. In assessing the adequacy of such balances, the Interim Head of Financial Services takes account of the strategic, operational and financial risks facing the authority. The effectiveness of internal financial and other controls are also taken into account; assurance on these can be taken from the respective formal Statements and external assessments. Consideration has also been given to the specific risks and assumptions underlying the HRA as set out in **Appendix G**.

10.0 Details of Consultation

10.1 The Direct Wide Tenants' Forum have been presented with the headline information from the HRA Report and were very supportive of the budget recommendations being put forward. The Forum supported the current capital programme plans and noted the 1% rent reduction to 2020 and the Government's rent policy from 2020 of increases for CPI plus 1%.

11.0 Options and Options Analysis [including risk assessment]

11.1 There is currently no other alternative available in respect of 2019/20 housing rent setting, given legislative requirements.

11.2 With regard to the revenue budget generally, Cabinet could consider other proposals that may influence spending in current and future years, as long their financing is considered and addressed.

11.3 The options available in respect of the minimum level of HRA balances are to retain the level at £500,000 in line with the advice of the Section 151 Officer, or adopt a different level. Should Members choose not to accept the advice on the level of balances, then this should be recorded formally in the minutes of the meeting and it could have implications for the Council's financial standing, as assessed by its external auditor.

11.4 With regards to the savings and growth proposals as set out in section 7 of the report, Cabinet should consider the costs and benefits of the proposals and whether they are affordable, in particular over the medium to longer term.

11.5 The options available in respect of the Capital Programme are:

- i) To approve the programme in full, with the financing as set out;
- ii) To incorporate other increases or reductions to the programme, with appropriate sources of funding being identified.

11.6 Any risks attached to the above would depend very much on what measures Members proposed, and their impact on the council housing service and its tenants. As such, a full options analysis could only be undertaken once any alternative proposals are known, and Officers may require more time in order to do this.

12.0 Officer Preferred Option (and comments)

12.1 The relevant Officer preferred options are to:

- Set housing rent levels in line with Government legislation.
- Approve / refer on the provisions, reserves and balances position (and their use) as set out.
- Approve / refer on the revenue budgets and capital programme, allowing for Cabinet's recommendations regarding specific savings and growth proposals

RELATIONSHIP TO POLICY FRAMEWORK

The budget represents, in financial terms, what the Council is seeking to achieve through its approved Housing Strategy in relation to council housing.

CONCLUSION OF IMPACT ASSESSMENT

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

No significant implications directly arising. Equality impact assessments are available as background documents.

LEGAL IMPLICATIONS

No specific legal implications arising.

FINANCIAL IMPLICATIONS

As set out in the report.

OTHER RESOURCE IMPLICATIONS, such as Human Resources, Information Services, Property, Open Spaces:

[Insert Other Resource Implications]

SECTION 151 OFFICER'S COMMENTS

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

MONITORING OFFICER'S COMMENTS

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

BACKGROUND PAPERS

none

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HOUSING REVENUE ACCOUNT BUDGET

For Consideration by Cabinet 12 February 2019

	2018/19 Budget £	2018/19 Revised £	2019/20 Budget £	2020/21 Forecast £	2021/22 Forecast £	2022/23 Forecast £
INCOME						
Rental Income - Council Housing	(13,336,700)	(13,436,700)	(13,529,700)	(13,708,000)	(14,128,200)	(14,541,400)
Rental Income - Other (Shops and Garages etc.)	(282,500)	(268,300)	(290,900)	(295,000)	(299,200)	(303,500)
Charges for Services & Facilities	(1,496,600)	(1,525,400)	(1,553,000)	(1,588,100)	(1,620,000)	(1,651,600)
Grant Income	(7,700)	(7,700)	(7,700)	(7,700)	(7,700)	(7,700)
Contributions from General Fund	(103,200)	(104,300)	(105,000)	(111,800)	(113,100)	(116,900)
Total Income	(15,226,700)	(15,342,400)	(15,486,300)	(15,710,600)	(16,168,200)	(16,621,100)
EXPENDITURE						
Repairs & Maintenance	5,097,500	5,167,100	5,106,600	5,228,800	5,338,100	5,444,200
Supervision & Management	3,155,000	3,195,600	3,243,700	3,367,100	3,438,000	3,522,000
Rents, Rates & Insurance	212,700	177,900	193,300	208,700	224,200	239,600
Contribution to Provision for Bad and Doubtful Debts	181,800	181,800	183,800	186,100	188,500	188,500
Depreciation & Impairment of Fixed Assets	2,601,200	2,786,100	2,786,100	2,772,300	2,772,300	2,771,700
Debt Management Costs	1,100	1,100	1,100	1,100	1,100	1,100
Total Expenditure	11,249,300	11,509,600	11,514,600	11,764,100	11,962,200	12,167,100
NET COST OF HRA SERVICES	(3,977,400)	(3,832,800)	(3,971,700)	(3,946,500)	(4,206,000)	(4,454,000)
Capital Grants and Contributions Receivable	(2,000)	0	0	0	0	0
Interest Payable & Similar Charges	1,883,700	1,882,900	1,845,000	1,806,900	1,768,600	1,730,000
Premiums & Discounts from Earlier Debt Rescheduling	0	0	0	0	0	0
Interest & Investment Income	(76,600)	(62,000)	(72,900)	(97,700)	(102,000)	(82,000)
Pensions Interest Costs & Expected Return on Pensions Assets	169,400	169,400	177,800	232,400	231,900	231,900
Self Financing Debt Repayment	1,041,400	1,041,400	1,041,400	1,041,400	1,041,400	1,041,400
(SURPLUS) OR DEFICIT FOR THE YEAR	(961,500)	(801,100)	(980,400)	(963,500)	(1,266,100)	(1,532,700)
Adjustments to reverse out Notional Charges included above	2,000	0	0	0	0	0
Net Charges made for Retirement Benefits	0	0	0	0	0	0
Transfer to/(from) Earmarked Reserves - for Revenue Purposes	0	0	0	0	0	0
Capital Expenditure funded from Major Repairs Reserve	971,100	703,200	1,099,200	799,200	896,200	807,200
Transfer from Earmarked Reserves - for Capital Purposes	(346,500)	(94,800)	(227,300)	76,400	80,000	73,500
Financing of Capital Expenditure from Earmarked Reserves	485,000	200,000	405,000	100,000	100,000	100,000
TOTAL (SURPLUS) / DEFICIT FOR THE YEAR	150,100	7,300	296,500	12,100	(189,900)	(552,000)
GROWTH PROPOSALS						
Community Development	0	0	14,300	14,600	14,900	15,200
System Implementation Project Manager	0	0	34,400	36,800	38,700	40,700
Anti-Social Behaviour	0	0	50,000	51,000	52,000	53,000
RMS Development Plan (funded by ICT Replacement Reserve)	0	0	0	0	0	0
TOTAL GROWTH	0	0	98,700	102,400	105,600	108,900
UPDATED TOTAL (SURPLUS) / DEFICIT FOR THE YEAR	150,100	7,300	395,200	114,500	(84,300)	(443,100)
Housing Revenue Account Balance brought forward	(1,716,702)	(2,017,736)	(2,010,436)	(1,615,236)	(1,500,736)	(1,585,036)
HRA BALANCE CARRIED FORWARD	(1,566,602)	(2,010,436)	(1,615,236)	(1,500,736)	(1,585,036)	(2,028,136)

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.

APPENDIX B

HOUSING REVENUE ACCOUNT VARIANCE ANALYSIS

	2018/19		2019/20	
	£	£	£	£
ORIGINAL BUDGET		0		0
EXPENDITURE				
Employee Savings				
Salaries turnover savings 2018/19	(17,000)		(21,100)	
		(17,000)		(21,100)
Premises				
Repairs & Maintenance - slipped expenditure from 2017/18 funded by reserves offset by lower void levels in year	133,200		18,000	
Premises Insurance - reduction in premium relating to council house properties	(47,800)		(50,700)	
		85,400		(32,700)
Transport				
	0		0	
		0		0
Supplies & Services				
ICT equipment funded by reserve	17,000		0	
		17,000		0
Support Services				
Recharges from the General Fund to the HRA increase	59,600		3,100	
		59,600		3,100
INCOME				
HRA Dwellings Rent reduction due to higher levels of voids	(100,000)		7,900	
Service Charges Flats service charge income increase, as charge levels set after revised budget	(25,800)		(26,200)	
Investment Interest reduction to reflect current levels of return	14,500		41,700	
		(111,300)		23,400
FINANCING				
Increase in Depreciation Charge	184,900		184,900	
		184,900		184,900
APPROPRIATIONS				
Earmarked Reserves appropriations - slipped expenditure relating to RMS development plan	10,300		(116,400)	
Direct Revenue Financing - slipped expenditure relating to capital schemes	(285,000)		285,000	
Business Support Reserve appropriations - to fund interim RMS Manager and Planning Consent for new build scheme (costs included in Repairs & Maintenance above) offset by slipped capital expenditure relating to previously approved growth	185,000		(185,000)	
Major Repairs Reserve appropriations - net reduction in additional contribution in 2018/19 and 2019/20 due to increased capital receipts and higher depreciation	(267,900)		(131,900)	
		(357,600)		(148,300)
Other Net Service Variances		(3,800)		8,100
IN YEAR VARIANCES		(142,800)		17,400
Previously Agreed Contribution (To) / From Unallocated Reserve		150,100		279,100
REVISED CONTRIBUTION (TO) / FROM UNALLOCATED RESERVE		7,300		296,500

HOUSING REVENUE ACCOUNT CAPITAL PROGRAMME - KEY CHANGES

	18/19 Revised	19/20 Estimate	20/21 Estimate	21/22 Estimate	22/23 Estimate
PREVIOUSLY APPROVED CAPITAL PROGRAMME	4,421	4,329	4,162	4,164	4,240
<u>Energy Efficiency/Boiler Replacement</u>					
Gas Partnership component price increases	+35	+40	+40	+50	+60
Replace water heaters (Mainway)	+51				
Internal refurbishment					
Kitchen refurbishment, savings on tendering (Carnforth)	(106)				
External Refurbishment					
Deferral of rendering (Mainway)		(220)	+250		(560)
Additional rendering (Vale)		+65			
Replacement entrance doors (Carnforth)					+371
Fascias & Soffits additional properties (Ryelands)	+50				
Environmental Improvements					
Boundary fencing (Trumacar/Beaumont/Newton/Caton)	(40)	(40)	(70)	(70)	(75)
Communal Area refurbishment (Mainway)	(100)	+100			
Flat conversions complete 18/19 (Ripley Ct)	+75	(127)		+130	
Re-Roofing/Window Renewals					
Renew main roof (Bridge House)	(46)	+90			
Slate roofs scheme b/f (Ryelands)		+300	(300)		
Renew older slates (Carnforth)			+95		
Renew tiled roofs (Newton)					(124)
Renew tiled roofs (Vale) & work c/f	(73)				
Housing Renewal & Renovation					
Major Voids (revenue adjustment)	(23)	(23)	(23)	(23)	
Major Voids (Halton flooding)	+57				
Major Voids (continue programme)					+217
Sheltered Scheme Conversion (Melling)	(75)	+75			
Property Conversion (Beech Avenue)	(50)	+65			
Garage Replacement (Carnforth)	(45)	+45			
Artlebeck River Bank		+50			
Minor Variances	(28)	(24)	+1	+1	(32)
REVISED CAPITAL PROGRAMME	4,159	4,773	4,153	4,250	4,161

2019 to 2023 BUDGET PROCESS GROWTH PROPOSAL

DIRECTORATE: Communities and the Environment (HRA)

PROPOSAL: Community Centres - Community Development and Support

The purpose of this proposal is to provide ongoing financial support to both the Ridge and Marsh Community Centres over a three year period to enable the Centres to contribute to the Council's community development and support ambitions, as set out in the Council Plan, in a planned and sustained way.

The costs outlined below represent a continuation of the funding provided to both the Ridge and Marsh community centres for 17/18 and 18/19.

ESTIMATED REVENUE COSTS/(SAVINGS)

	2019/20	2020/21	2021/22	2022/23
	£	£	£	£
Ridge Community Centre – Community Development Grant (above existing budget figure)	300	300	300	300
Marsh Community Centre – Community Development Grant	14,000	14,300	14,600	14,900
Total	14,300	14,600	14,900	15,200

FOLLOWING BUDGET COUNCIL – 28 FEB 2019

ESTIMATED LEAD-IN: Not applicable

IMPLEMENTATION DATE: 1st April 2019

REDIRECTION FROM OTHER BUDGETS –

Funded from internal resources, impacts on HRA 30 year business plan but plan still sustainable

PERFORMANCE MEASURES/OUTPUTS (e.g. what key performance improvements will be achieved / what measurable outputs will be achieved):

Support for the delivery hubs within the community; providing community space for local voluntary and community organisations to offer support and shared activities, for example delivering clubs, activities, meetings, and other valuable services and activities.

From 2019 a focused, quarterly monitoring programme will be in place, reporting on the nature and frequency of activities and services being delivered, and including qualitative and quantitative data demonstrating delivery of a community hub which meets the expectations of residents.

AGREED SUPPORT REQUIREMENTS / PROGRAMMING IMPLICATIONS:

Service Level Agreement, Support, and Programme will be managed by the Community Engagement Officer (Council Housing)

2019 to 2023 BUDGET PROCESS GROWTH PROPOSAL

DIRECTORATE: Communities and the Environment (HRA)

PROPOSAL: New post – System Implementation Project Manager

Over the next 5 years there are major renewals of ICT systems required relating to the delivery of council housing services including homelessness prevention, housing options, maintenance of the housing register, allocations and lettings, housing management, lifeline upgrade, asset management, and repairs and maintenance.

It has been identified that the organisation as a whole does not have current capacity to lead and project manage the procurement and implementation of these housing ICT systems, or to manage the project teams over this time period to ensure the projects run to plan, within budget, and that the overall risks are effectively managed.

Discussions with ICT have confirmed that they are not able to fully resource these projects and that they would support the addition of this position within council housing.

The potential implications of not creating the resource is that the council will not be able to efficiently and effectively deliver or manage its services relating to its housing function. The difficulties, over the past three years, in failing to achieve routine upgrades to the Northgate OHMS housing management system, are an illustration of this fact.

Without the necessary planned upgrades to current systems, for example, council housing are currently operating an unsupported system; failure of this system would threaten the ability to raise weekly rent debits, and collect rent.

The additional resource and expertise provided by this post will facilitate the procurement, delivery, and maintenance of systems, and allow effective management of any associated risk.

ESTIMATED REVENUE COSTS/(SAVINGS)

	2019/20	2020/21	2021/22	2022/23
	£	£	£	£
System Implementation Project Manager Salary (G5)	34,400	36,800	38,700	40,700
Total	34,400	36,800	38,700	40,700

FOLLOWING BUDGET COUNCIL – 28 FEB 2019

ESTIMATED LEAD-IN: 3 Months

IMPLEMENTATION DATE: 1st July 2019

REDIRECTION FROM OTHER BUDGETS – *Where else from within the Services could this proposal be funded from?*

Funded from internal resources, impacts on HRA 30 year business plan but plan remains sustainable

PERFORMANCE MEASURES/OUTPUTS *(e.g. what key performance improvements will be achieved / what measurable outputs will be achieved):*

- Effective procurement, implementation, and upgrade of vital ICT systems.

AGREED SUPPORT REQUIREMENTS / PROGRAMMING IMPLICATIONS:

System procurement, implementation, and upgrade requires ICT support. This additional post would reduce the resource requirement burden on ICT.

2019 to 2023 BUDGET PROCESS GROWTH PROPOSAL

DIRECTORATE: Communities and the Environment (HRA)

PROPOSAL: HRA contribution to the ASB Team

Health and Housing Services have developed a capacity within the Public Protection Team to respond to ASB issues across the district.

The ASB Team is funded through a variety of sources including funding through the HRA to provide additional intervention and enforcement capacity on the council's estates. Cabinet previously approved funding into 2019/20. The additional intervention and enforcement capacity has proven to be an important resource in the toolkit for tackling ASB.

It is proposed that the funding should be increased and extended to 2022/23 ongoing as a substantive budget to fund the ASB team.

ESTIMATED REVENUE COSTS/(SAVINGS)

	2019/20	2020/21	2021/22	2022/23
	£	£	£	£
ASB Team contribution (additional funding)	50,000	51,000	52,000	53,000
Total	50,000	51,000	52,000	53,000

FOLLOWING BUDGET COUNCIL – 28 FEB 2019

ESTIMATED LEAD-IN: one month

IMPLEMENTATION DATE: 1 April 2019

REDIRECTION FROM OTHER BUDGETS – *Where else from within the Services could this proposal be funded from?*

Funded from internal resources, impacts on HRA 30 year business plan but plan still sustainable

PERFORMANCE MEASURES/OUTPUTS (e.g. what key performance improvements will be achieved / what measurable outputs will be achieved):

Co-ordinated support for the resolution of ASB cases within the community – across tenure. See "Anti-Social Behaviour Team" growth proposal submitted via General Fund budget reporting for detailed measures/outputs.

AGREED SUPPORT REQUIREMENTS / PROGRAMMING IMPLICATIONS:

Post proposed to continue to sit within the public protection team.

2019 to 2023 BUDGET PROCESS GROWTH/REDIRECTION PROPOSAL

SERVICE: Communities and the Environment

PROPOSAL: RMS Development Plan Phase 2

To implement and utilise a dynamic scheduling tool for repairs and maintenance appointments and work scheduling. Following on from the introduction of a new Schedule of Rates (originally detailed in the RMS Development Plan) a more dynamic scheduling tool will be required. The current system of offering appointments at the point of call is fragmented and not fit for purpose. Staff processing incoming repair requests have limited appointment slots which do not consider the geographical spread of requests. This results in duplication of effort in having to rearrange appointments due to insufficient time to complete repairs – and impacts on the number of repairs completed Right 1st Time. This also inconveniences tenants in having to wait in for a second or third visit to complete a repair.

Currently two IT systems are used for processing incoming repair requests (Northgate OHMS for initial receipt of request) and allocation/completion of works (Totalmobile). The new Schedule of Rates details accurate times (Standard Minute Values – SMV) to complete specific tasks. Aligned with a scheduling tool capable of allocating specific appointment times based on geographical location will equate to increased efficiencies and tenant satisfaction.

A suitable dynamic scheduling tool (Optimise – supplied and supported by Totalmobile) has all the functionality required to provide more accurate appointments and reduced travel time between jobs due to allocating work based on post code locations. Optimise also has the capability to interface with Repairs Finder (an on-line diagnostic tool) for improved accuracy in diagnosing repairs at the point of call. Repairs Finder is installed on OHMS however is currently not used. An added benefit of Optimise is a Dashboard for improved performance management and overall productivity. The combined benefits of utilising Optimise with the new Schedule of Rates and Repairs Finder will ensure the maximise benefits from available technology.

A review of the existing process and scheduling of works will also be required to generate further efficiencies and reduce duplication of effort. Additionally, the Repairs Quality Group will be consulted regarding the review of appointment slots.

ESTIMATED REVENUE COSTS/(SAVINGS)

	2019/20	2020/21	2021/22	2022/23
	£	£	£	£
Initial costs for the purchase and installation of Optimise including on site consultancy/training	35,000			
Annual costs of support and upgrades		1,000	1,000	1,000
ICT Replacement Reserve	(35,000)	(1,000)	(1,000)	(1,000)
Total	0	0	0	0

FOLLOWING BUDGET COUNCIL – 28 FEB 2019

ESTIMATED LEAD-IN: 3 months

IMPLEMENTATION DATE: July 2019

REDIRECTION FROM OTHER BUDGETS – *Where else from within the Services could this proposal be funded from?*

None identified, this is to be funded from the ICT replacement reserve – efficiency savings and reduced travel costs are expected in due course and will be monitored as part of the corporate monitoring arrangements.

PERFORMANCE MEASURES/OUTPUTS (*e.g. what key performance improvements will be achieved / what measurable outputs will be achieved*):

- Improved diagnosis of repairs will increase the volume of repairs completed Right 1st Time
- Dynamic scheduling based on post code location will reduce travel time/costs
- Increase productivity and reduce lost time due to improved accuracy of appointment slots
- Increased tenant satisfaction
- Potential to generate capacity to undertake additional (external – commercialisation) works

AGREED SUPPORT REQUIREMENTS / PROGRAMMING IMPLICATIONS:

Mainly within service but some ICT support required for implementation.

HOUSING REVENUE ACCOUNT - RESERVES AND PROVISIONS STATEMENT

	Balance as at 31/03/18	Contributions			Balance as at 31/03/19	Contributions			Balance as at 31/03/20	Contributions			Balance as at 31/03/21	Contributions			Balance as at 31/03/22	Contributions			Balance as at 31/03/23			
		To the Reserve from Revenue	From the Reserve			To the Reserve from Revenue	From the Reserve			To the Reserve from Revenue	From the Reserve			To the Reserve from Revenue	From the Reserve			To the Reserve from Revenue	From the Reserve			To the Reserve from Revenue	From the Reserve	
			To Capital	To Revenue			To Capital	To Revenue			To Capital	To Revenue			To Capital	To Revenue			To Capital	To Revenue			To Capital	To Revenue
£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£					
HRA General Balances	2,017,736	7,300		(226,700)	1,798,336			(27,800)	1,770,536			(13,300)	1,757,236	185,200			1,942,436	544,700		2,487,136				
Earmarked Reserves:																								
Business Support Reserve	8,332,106			(75,000)	8,257,106			(185,000)	8,072,106				8,072,106				8,072,106			8,072,106				
Major Repairs Reserve		3,471,000	(3,471,000)			3,867,000	(3,867,000)			3,567,000	(3,567,000)			3,664,000	(3,664,000)			3,575,000	(3,575,000)					
Flats - Planned Maintenance	586,362	133,000	(100,000)	(22,900)	596,462	133,000	(220,000)	(22,900)	486,562	133,000	(100,000)	(22,900)	496,662	133,000	(100,000)	(22,900)	506,762	133,000	(100,000)	(22,900)	516,862			
ICT and Systems Improvement	622,636	57,000		(140,300)	539,336	57,000		(16,700)	579,636	57,000		(16,700)	636,636	57,000		(16,700)	693,636	57,000		750,636				
Office Equipment Reserve	39,009				39,009				39,009				39,009				39,009			39,009				
Sheltered - Equipment	330,987	26,700		(12,900)	344,787	23,600		(51,800)	316,587	17,700		(46,100)	288,187	16,200		(36,400)	267,987	14,500		(36,400)	246,087			
Sheltered - Planned Maintenance	173,676	53,200	(25,000)	(15,300)	186,576	47,200		(15,300)	218,476	35,300		(15,300)	238,476	32,200		(15,300)	255,376	29,100		(15,300)	269,176			
Sheltered Support Grant Maintenance	475,975	26,700			502,675	23,600			526,275	17,700			543,975	16,200			560,175	14,500			574,675			
Total Earmarked Reserves	10,560,750	3,767,600	(3,596,000)	(266,400)	10,465,950	4,151,400	(4,272,000)	(106,700)	10,238,650	3,827,700	(3,667,000)	(84,300)	10,315,050	3,918,600	(3,764,000)	(74,600)	10,395,050	3,823,100	(3,675,000)	(74,600)	10,468,550			

RESERVES AND PROVISIONS- For Consideration by Cabinet on 12 February 2019

	Reason for/purpose	How & when it be used	Management & control	Reviewed	Recommendations
Capital Reserves					
Major Repairs Reserve (MRR)	Set up following the introduction of Resource Accounting in the HRA. Credited with the amount of depreciation charged to the HRA and topped up with additional funds required to finance the capital programme in-year.	Use of reserve to be determined and reported by Chief Officer (Resources) (or her nominated representative). Can be applied to capital improvements to HRA housing stock (specifically excluding demolition) and, additionally from 1 st April 2004, repayment of HRA debt and credit liabilities (including premia on early repayment of PWLB loans).	Communities & the Environment/ Corporate Services	Budget & Outturn	To provide in-year funding for the capital programme as budgeted
Business Support Reserve (BSR)	Established to provide support to additional business plan commitments and planned investment opportunities.	Use of the reserve to be approved by Cabinet. Contributions to the reserve to be approved annually as part of the budget.	Communities & the Environment/ Corporate Services	Budget & Outturn	Retain as budgeted, noting that the first call will be to support the business plan

RESERVES AND PROVISIONS- For Consideration by Cabinet on 12 February 2019

	Reason for/purpose	How & when it be used	Management & control	Reviewed	Recommendations
Revenue Reserves					
Flats – Planned Maintenance Reserve	Established to smooth the costs of major revenue and capital works to flats funded from Service Charges.	Contributions from Service Charges made to this reserve, together with additional appropriations in lieu of interest. Reserve to be applied to major works to communal facilities in flats.	Communities & the Environment/ Corporate Services	Budget & Outturn	Retain as budgeted
ICT & Systems Improvement Reserve	Established to fund future ICT systems and equipment replacement.	To be applied to future replacements and system / process improvements.	Communities & the Environment/ Corporate Services	Budget & Outturn	Retain as budgeted
Office Equipment Reserve	Established to fund purchases of major office furnishings.	Used to fund ad-hoc purchases of major office furnishings resultant from health & safety legislation and risk assessments (desk, chairs, cabinets etc) and minor office equipment items.	Communities & the Environment/ Corporate Services	Budget & Outturn	Retain as budgeted
Sheltered Equipment Reserve	Established to fund purchases of equipment for Sheltered schemes funded from Service Charges.	Contributions from Service Charges made to this reserve, together with additional appropriations in lieu of interest. Reserve to be applied to purchases of equipment for common area services for Sheltered schemes.	Communities & the Environment/ Corporate Services	Budget & Outturn	Retain as budgeted

RESERVES AND PROVISIONS- For Consideration by Cabinet on 12 February 2019

	Reason for/purpose	How & when it be used	Management & control	Reviewed	Recommendations
Sheltered – Planned Maintenance	Established to smooth the costs of major revenue and capital works to flats funded from Service Charges	Contributions from Service Charges made to this reserve, together with additional appropriations in lieu of interest. Reserve to be applied to major works to communal facilities in Sheltered schemes.	Communities & the Environment/ Corporate Services	Budget & Outturn	Retain as budgeted
Sheltered – Support Grant Maintenance	Established to fund purchases of equipment for Sheltered schemes funded from Service Charges, but classed as Support Costs under County Guidelines.	Contributions from Service Charges made to this reserve, together with additional appropriations in lieu of interest. Reserve to be applied to major works to communal facilities in Sheltered schemes.	Communities & the Environment/ Corporate Services	Budget & Outturn	Retain as budgeted

Use of all reserves with the exception of the BSR and MRR to be approved by the Director (Communities & the Environment) in consultation with the Director (Corporate Services) (or nominated representative) and reported to Cabinet, primarily as part of normal monitoring, budgeting and outturn reporting arrangements.

	Reason for/purpose	How & when it be used	Management & control	Reviewed	Recommendations
Provisions					
Bad Debts	This provision is used to provide cover for all Housing Revenue Account bad and doubtful debts.	Contributions are determined at budget setting and outturn, based on assessment of the level of debt outstanding. Write offs are charged against the provision during the year.	Corporate Services	Budget & Outturn	As reflected in the report

The Bad Debt provision will be applied by the Director (Corporate Services) (or nominated representative) and reported to Cabinet, primarily as part of normal monitoring, budgeting and outturn reporting arrangements.



2019/20 BUDGET
HOUSING REVENUE ACCOUNT – RISK & ASSUMPTIONS
FOR CONSIDERATION BY CABINET 12 February 2019



RISK AREA	NOTES/DETAILS
Self financing	<p>Under Part VI of the Local Government and Housing Act 1989 a local authority has duty to keep a HRA as a ring fenced account and has a duty to ensure that it does not go into deficit.</p> <p>The Government policy changes within the Welfare Reform and Work Act and the Housing and Planning Act continues to present significant challenges and future financial risks to the council's HRA removing local discretion to set rent levels.</p> <p>To help mitigate those risks, robust business and financial planning arrangements need to be maintained that take into account service budgetary needs, debt financing, stock condition, and ongoing Government social housing rent policy.</p>
Rent policy	<p>The Council had set a local rent policy, based on Government rent policy guidelines and the freedoms introduced under the self- financing regime in 2011, which supported the future investment needs of its HRA housing stock. This enabled the Council to consider council housing in a wider regeneration context. The Council remains committed to maintaining decent homes, and aspires to build and acquire new homes to meet local needs.</p> <p>The original rent policy supported the debt settlement for self-financing, and future financing of the HRA through rent increases of RPI + 1%. The Government subsequently issued guidelines that from 2015 onwards rents should increase by CPI + 1% annually, for ten years. In May 2015 the Government announced that it was going to statutorily limit rents for the next 4 years commencing 2016/17, imposing rent decreases of 1% per annum. This created substantial financial sustainability risks for the HRA, and undermined the business case for new build.</p> <p>On 4 October 2017 the Government announced it would maintain statutory control over rent increases and that increases to social housing rents will be limited to the Consumer Price Index (CPI) plus 1% for 5 years from 2020.</p> <p>The 30 year HRA business plan has been revised to reflect this rent increase from 01 April 2020 will rise on this basis. Whilst this change helps to address viability risks, there is still considerable uncertainty regarding prospects for 2025/26 onwards and the above history highlights that Government policy can change significantly. These risks will need to be considered and Government plans kept under review, to inform future decision-making.</p>
Income recovery	<p>The welfare reform agenda, and in particular the introduction of Universal Credit (UC) within the district in 2016, resulted in significantly increased levels of rent arrears, and risk to rent collection.</p> <p>The Income Management team has been strengthened since 2016, achieving external accreditation for good practice from HQN in 2018. After the initial UC led 'spike,' levels of rent arrears have decreased significantly in 2018/19. However, a sustained focus on Income Management, particularly around financial inclusion and support, is required to maintain this position.</p> <p>Adequate bad debts provisions will be provided for within the HRA, and the level is kept under regular review.</p>
Void levels	<p>Management of voids remains a priority to ensure that rent loss through voids is minimised. Throughout 2018, a project based on lean principles has helped drive significant improvements; more than halving average re-let time for empty properties, and delivering savings of over £100k in rental income previously lost due to empty properties. Void management, however, is subject to fluctuation in property turnover levels, and remains an area of risk.</p>

Reduced demand	<p>Overall demand across the council housing stock is monitored and informs the asset management plans.</p> <p>Demand for council housing remain high, particularly for one and two bedroom properties, but the most recent housing needs survey for the district highlighted that demand for affordable housing (as distinct from social housing) across all groups is not insignificant.</p> <p>The demand profile continues to inform the Council's decision to give priority to building one bedroom accommodation in any new build programme or acquisition scheme.</p>
Stock reductions	<p>The rate of Right to Buy (RTB) sales in 2018/19 remains relatively low compared to historic levels of sales.</p> <p>The Government has put on hold its proposed policy of sale of higher value council homes as they become vacant until at least 2019/20, and it is unclear whether the policy will be implemented thereafter.</p> <p>Any sales lead to future projected rental income levels being reduced, but many costs are fixed, resulting in an adverse impact on the revenue position. On the other hand, low sales levels also lead to lower levels of capital receipt.</p> <p>Significant increase in RTB sale would reduce rental streams that would lead to deterioration in the HRA budgetary position, and the viability of the HRA, unless measures could be taken to reduce costs within the HRA.</p>
Additional capital requirements	<p>Legislation, changes in health and safety standards, or the discovery of previously unknown defects create the potential for additional capital expenditure requirements. The Council has increased its expenditure in recent years on fire precaution works, asbestos management, and the managing the risk of legionella.</p> <p>The Council still need to ensure the asset register and asset management plans correctly identify the investment needs and inform the programmes. Any requirements identified will be reviewed and reflected in the 30 year HRA Business Plan.</p> <p>The Mainway estate (comprising circa 200 council dwellings) benefited from a major refurbishment in the 1990's. Installation of Structherm external render and new windows significantly improved the thermal performance, reducing heating costs and raising the standard of the accommodation for tenants.</p> <p>The refurbishment has performed well, but the site is very exposed and the render system is approaching the end of its economical design life. Consultations are underway to develop repair and maintenance solutions, and identify options to upgrade both the interior and open spaces.</p> <p>Detailed survey work highlights that previous cost assumptions, based on the advice at the time, under-reported the potential liability. Work of the next 12 months will define the proposed project. It is anticipated that the cost of repair and the attendant upgrading, depending on options which will be submitted for approval, will require us to draw substantially on reserves; potentially £3M.</p> <p>The outcome of this project will devise the most cost effective strategy for the future of the estate.</p>
Major disasters	<p>The district has been subject to two severe weather events in recent years.</p> <p>Major disasters are generally covered by insurance. The Government also provides support for uninsurable losses incurred by local authorities through the Bellwin scheme.</p>

<p>Effect of Legislation /Regulation</p>	<p>Implications of new legislation / regulation or changes to existing legislation /regulation can present significant new financial risks.</p> <p>The government green paper, for example, ‘ a new deal for social housing’, contains proposals for the future of social housing.</p> <p>Although the housing related legislative programme of Government remains uncertain, it contains the potential to create new financial challenges and risks to the Council’s HRA.</p>
<p>Other events</p>	<p>Continuing reductions in services in other sectors such and health and social care are presenting increased demands and risks to the Council as a social landlord.</p> <p>In response to these challenges the Council has redesigned, and continues to develop, its housing management services to support tenants’ health and social needs.</p>

CABINET

**Corporate Fees and Charges Review – 2019/20
12 February 2019**

**Joint Report of Interim Financial Services Manager and
Director for Communities and the Environment**

PURPOSE OF REPORT			
To consider the annual review of fees and charges for 2019/20.			
Key Decision	X	Non-Key Decision	Referral from Cabinet Member
Date of notice of forthcoming key decision	14 th January 2019		
This report is public.			

RECOMMENDATIONS OF COUNCILLOR WHITEHEAD:

- (1) That Cabinet endorses the Fees and Charges Policy as set out at Appendix A, and during 2019/20 as part of the mid-year budget strategy review, determines whether any other areas of income generation be explored further for 2020/21 onwards.

RECOMMENDATIONS OF COUNCILLOR HUGHES:

- (1) That Cabinet endorses the freezing of car parking charges, as reported as part of the current 2019/20 budget setting process.
- (2) That Cabinet endorses the freezing of garden waste collection charges, as reported as part of the current 2019/20 budget setting process.

1 GENERAL POLICY

- 1.1 This report sets out the proposed fees and charges framework for 2019/20. The current policy was last considered by Cabinet at its meeting on 15 February 2018 and a copy is attached at **Appendix A**. No substantive updates of the policy are being proposed at this stage, although it is re-iterated that linked to Cabinet's corporate planning and budget proposals, a more focused approach on commercialisation is being adopted. As the emerging strategy develops, then it expected that there will be a need to update the policy in due course to inform future income generation and charging.

- 1.2 In support, **Appendix B** provides a listing of the General Fund fees and charges for 2017/18 actuals, the 2018/19 projected outturn and the 2019/20 current base budget. This shows that the total estimated base income to be generated from fees and charges (including rents) is now projected to be £14.9M next year. Of this total, around £5.7M is generally inflation-linked. The majority of the remaining income relates to statutory fees, commercial charges, general cost recovery and fixed contracts, e.g. trade refuse. As such these income areas allow for little or no discretion in setting fee increases (aside from any consideration of market share etc). Furthermore, certain fees such as various licensing fees cannot by law be set by Cabinet.
- 1.3 From Appendix B, it can be seen that between 2018/19 and 2019/20 gross income from fees and charges is expected to increase from £14.775M to £14.928M, representing an increase of £0.153M or 1.04%. Whilst this does not take account any associated expenditure linked to service provision, it does highlight that income generation is a significant contributor to the Council's net position, thereby helping to reduce service subsidisation and protect other service provision.
- 1.4 In terms of fee increases, generally as part of the budget process all relevant fees and charges will increase by 2.1% for next year, in line with the annual inflationary review.
- 1.5 Where fees and charges are to change in line with policy and/or the budget, these will be amended through existing Officer delegations and therefore no Cabinet decision is required – and so no detail is provided within this report. It should be noted that in exercising their delegated authority, Officers may well consider groupings of charges for similar or related activities and within those groupings, they may vary individual fees (or concessions) above or below inflation, for example – but as long as in totality, it is reasonable to assume that the relevant income budget will be met and the variances do not go against any other aspect of policy, then no Cabinet decision is required.
- 1.6 Cabinet is requested to indicate whether there are any other specific areas for income generation that it wishes to consider as part of its budget development, primarily for 2019/20 onwards, on top of those already included.
- 1.7 From an Officer perspective, there are two charging matters (Car Parking and Garden Waste) that require Cabinet's consideration ahead of Budget Council, and these are set out below, together with other key points for information.

2 OTHER SPECIFIC CHARGING CONSIDERATIONS

2.1 Environmental Services: Car Parking

As reported elsewhere on this agenda, Members have proposed to freeze inflation for 2019/20. The base budget for 2019/20 has been increased by £95,000 which is largely due to a favourable outturn in 2017/18 where usage levels had increased but also further increased usage in 2018/19. The decision to freeze represents a potential c.£60K in foregone inflation.

2.2 Environmental Services: Garden Waste

As reported elsewhere on this agenda, Members have proposed to freeze inflation for 2019/20. The number of subscriptions in 2018/19 was 22,600 which is less than the 24,000 in 2017/18, representing a 5.8% reduction. The decision to freeze represents

a potential c.£19K in foregone inflation, however with subscription levels falling, it is seen as an opportunity to retain and possibly increase the client base.

2.3 **Health and Housing: Taxi and other miscellaneous Licensing Fees**

The outcome of the latest review of taxi and other miscellaneous licensing fees is scheduled for consideration by the Licensing Regulatory Committee on 21 March. These fees are, as a matter of law, are not to be determined by Cabinet, although the budgeting implications of the Committee's decision, subject to how material they are, would need to be further appraised and fed into future financial monitoring reports to Cabinet as part of the Council's usual monitoring arrangements and if appropriate budgets be updated as part of the mid-year budget strategy review. Fees for licences within the remit of the Licensing Act Committee are set by central government.

2.4 **Governance: Legal Fees**

As reported in the previous year's fees and charges review, Officers have now undertaken a comprehensive review of the charging levels within Legal Services. The charges have been comprehensively reviewed and revised in accordance with the Corporate Fees and Charges Cabinet report of February 2018 and have been applied since October 2018. At present it is predicted to have no budgetary impact and levels will be subject to ongoing review, whilst being appropriately substantiated if challenged.

3 **OPTIONS AND OPTIONS ANALYSIS**

- 3.1 The attached policy remains substantively unchanged and it is considered that it remains fit for purpose (at least in the short term) and it adequately covers Cabinet's budget proposals. As such, no options are presented and Cabinet is simply requested to endorse the policy, with a review being undertaken next year.
- 3.2 With regard to car parking charges and garden waste charges, Members have proposed to freeze charges for the forthcoming financial year. Should inflation be applied, further work to determine charging levels would need to take place and be fed into the budget setting process as appropriate.

RELATIONSHIP TO POLICY FRAMEWORK

Fees and charges form an integral part of the budget setting process, which in turn relates to the Council's priorities. Under the Medium Term Financial Strategy (MTFS), income generation is a specific initiative for helping to balance the budget.

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

The proposed increases are considered to be fair and reasonable; generally, equality considerations are provided for within the attached policy.

LEGAL IMPLICATIONS

Local authorities have a variety of powers to charge for specific statutory services.

The Local Government Act 2003 also provides a power to charge for discretionary services. Authorities are under a duty to secure that, taking one year with another the income from charges for these services do not exceed the cost of provision.

The power to charge for discretionary services is therefore on a cost recovery basis only and is not available if there is a statutory duty to provide the service or if there is a specific power to charge for it or if there is a prohibition on charging.

Additionally, the Localism Act 2011 provides local authorities with the general power of competence that confers on them the power to charge for services but again subject to conditions/limitations similar to those noted above.

Where authorities have a duty to provide a statutory service free of charge to a certain standard, no charge can be made for delivery to that standard, however delivery beyond that point may constitute a discretionary service for which a charge could be made.

FINANCIAL IMPLICATIONS

As set out in the report and further detailed financial implications are included in the relevant appendices. With regard to car parking and garden waste proposals, Cabinet have proposed the freezing of inflationary increases, which is still subject to agreement by Council. Any proposals to increase fees would require further consideration and fed into the budget process as appropriate.

OTHER RESOURCE IMPLICATIONS

None specifically arising from this report.

SECTION 151 OFFICER'S COMMENTS

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

MONITORING OFFICER'S COMMENTS

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

BACKGROUND PAPERS

None

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Ref:



LANCASTER CITY COUNCIL
Promoting City, Coast & Countryside

APPENDIX A

FEES AND CHARGES POLICY

February 2019

1 INTRODUCTION

- 1.1 The decisions made by councils about charging for local public services affect everyone. Where councils charge for services, users pay directly for some or all of the costs of the services they use. Where no charges are made, or where charges do not recover the full cost of providing a service, council taxpayers subsidise users.
- 1.2 Fees and charges represent an important source of income, providing finance to help achieve the corporate objectives of the City Council. The purpose of this policy is to set out a clear framework within which fees and charges levied by the Council are agreed and regularly reviewed.
- 1.3 The decisions on whether to make a charge (and the amount to charge) are not always within the control of the Council. Where they are controlled locally, however, it is important that the implications of the charging decisions being taken are fully understood and that the appropriate information is available to make informed decisions.
- 1.4 This policy therefore provides clear guidance to service managers on:
- the setting of new fees and the policy context within which existing charges should be reviewed;
 - how fees and charges can assist in the achievement of corporate priorities;
 - the Council's approach to cost recovery and income generation from fees and charges; and
 - eligibility for concessions.
- 1.5 The policy supports the Council in having a properly considered, consistent and informed approach to all charges it makes for its services. This will, in turn, support the delivery of corporate objectives.

2 GENERAL POLICY

- 2.1 This policy relates to fees and charges currently being levied by the Council and those which are permissible under relevant legislation, including the wider general powers to provide and charge for discretionary services included within the Local Government Act 2003.
- 2.2 Statutory charges also fall within the scope of the policy, even though their level may not be determined by the Council. This ensures clarity and consistency and allows subsequent reviews of the policy to be comprehensive. It also enables changes to the national legislative charging framework, and any other situations that may arise in the future, to be addressed.

Council policies, strategies and priorities

- 2.3 Specific decisions and charging policies should support delivery of the council's Corporate Plan and other local strategies and service objectives. Charging decisions will take account of the council's corporate priorities and have regard for the potential impact on other service areas.

Basis of Charging Decisions

- 2.4 The council will charge for all services where it is appropriate and cost-effective to do so, unless there are contrary policies, legal or contractual reasons that state otherwise.
- 2.5 When discretionary charges are set, the general aim will be to cover the cost of the service or, where legally possible, the council may charge on a commercial basis. Charges will reflect the full cost of provision, unless covered by subsidies/concessions designed to meet corporate priorities or there are contrary policies or legal reasons.

Subsidies and/or Concessions

- 2.6 Subsidies and concessions may be used to help achieve specific targets or objectives. Concessions should be awarded and reviewed in relation to each service. Where subsidies and concessions are applied, there should be a proportionate evaluation process in place to measure levels of success in meeting these objectives. Definitions and qualifying criteria for concessionary target groups should be consistent across the Council.
- 2.7 Any reference to the setting or review of fees and charges within this policy should be taken to include/cover any relevant subsidies or concessions also.

Surplus Income

- 2.8 Income derived from charging will be used to offset the costs of providing the service being charged for, including support service costs. Where a surplus, over budget, is generated in-year, its use shall be determined in accordance with the Council's Financial Regulations (in particular, the virement scheme as set out in the Medium Term Financial Strategy (MTFS)). This is on the provision that this is not prohibited by other statutory requirements or government guidance.
- 2.9 It is acknowledged that the ability to use charges to deliver the corporate priorities of the Council requires a degree of freedom; corporate controls should avoid imposing unnecessary restrictions, but also the Council's future budgetary challenges need to be addressed.
- 2.10 Any proposals for generating any additional income (over and above normal budgetary provisions) to be raised from charging in the expansion and development of a particular service will be considered as part of the budget and planning process, and in line with the approved Medium Term Financial Strategy. Each proposal will therefore be considered on its own merits and in light of financial planning processes and other pressures.

Efficient Administration

- 2.11 Arrangements for charging and collecting fees should be efficient, practical and simple to understand by users, and meet any other requirements of the Council's Financial Regulations and supporting processes. The reasons behind any significant changes to charges should be communicated to residents and service users. The impact of charging decisions on service users and local residents will need to be taken into account.

Regular Review

- 2.12 Charges, and decisions not to charge, will be reviewed annually in sufficient time for the impact of any revisions to be included in the budget setting process. This ensures that they fit within the approved budget framework, as determined by full Council.

Policy Implementation

- 2.13 This policy encompasses decisions made as part of the annual fees and charges review process, where new charges are introduced or where existing charges are removed or amended.
- 2.14 It supports the Council’s Financial Regulations, which are part of the Constitution. Under the Regulations, Chief Officers and others designated by them are responsible for collecting budgeted income, and maximising such income in accordance with this policy and any other relevant supporting policies.
- 2.15 Furthermore, under the Scheme of Delegation to Officers, which is also included in the Constitution, such Officers have authority to set fees and charges in accordance with relevant legislation and any charging policy set by Cabinet (as long as they fit with the approved budget framework).

3 DETERMINING SPECIFIC CHARGING POLICY (CASE BY CASE)

- 3.1 Each fee or charge (or group of similar charges) should be linked to one of the categories in the following table and the appropriate charging policy adopted in establishing and reviewing charging rates for that particular service or activity. Where new charges are being introduced or changes in charging policy are proposed, the charging policy should be made clear as part of the decision-making process.
- 3.2 In all cases, in determining an appropriate charging policy proper consideration should be given to the wider equality implications that could affect accessibility of council services to any groups.

CHARGING POLICY	POLICY OBJECTIVE
Full commercial	The council seeks to maximise revenue within an overall objective of generating as large a surplus (or a minimum loss) from this service.
Full commercial with discounts	As above, but with discounted concessions being given to enable disadvantaged groups to access the service.
Fair charging	The council seeks to maximise income but subject to a defined policy constraint. This could include a commitment made to potential customers on an appropriate fee structure. Alternatively, a full commercial rate may not be determinable or the council may be a monopoly supplier of services.

Cost recovery	The council wishes to make the service generally available, but does not wish to allocate its own resources to the service.
Cost recovery with discounts	As above, but the council is prepared to subsidise the service to ensure disadvantaged groups have access to the service.
Subsidised	Council policy is to make the service widely accessible, but believe users of the service should make some contribution from their own resources. Could also be due to the adverse impact a cost recovery or commercial charging policy would have on other council services.
Nominal	The council wishes the service to be fully available, but sets a charge to discourage frivolous usage.
Free	Council policy is to make the service fully available.
Statutory	Charges are set in line with legal obligations.

3.3 In applying the appropriate charging policy, as well as equality considerations typically the issues that may need to be considered in setting the level of fee and charge for any particular service include those set out below:

CHARGING POLICY	POLICY OBJECTIVE
Full commercial	<ul style="list-style-type: none"> • Are the charges high enough for the service to be profitable? If not, consider whether the service should be provided. • Are competitors charging similar prices? • Does the council offer any premium in terms of service levels that customers would be prepared to pay more for? • How would changes in pricing structures affect demand for the service and potentially its profitability? • How does the proposed fee structure fit in with the long-term business plan for the service?
Fair charging	<ul style="list-style-type: none"> • How do the charges compare to other providers of similar services? • Has the loss of income from not charging on a commercial basis been evaluated? • Is the policy constraint justifying this charging policy still valid?
Cost recovery	<ul style="list-style-type: none"> • Do charges recover the full costs, including overheads, capital charges and recharges? • Is it possible to charge on a full commercial basis and if so has the loss of income from not charging on a full commercial basis been evaluated? • Are Members aware of the effect on demand for this service from this charging policy? • What would be the effect of changing the policy to a different one e.g. subsidised?
Subsidised	<ul style="list-style-type: none"> • Has the cost of the subsidy been evaluated?
Nominal	<ul style="list-style-type: none"> • What has been the impact on demand and on service levels from adopting this approach?
Free	<ul style="list-style-type: none"> • Does this approach fit in with the requirements of other funding streams i.e. grants? • Is this approach legally required? • Is there a potential problem from frivolous use of the service?
Statutory	<ul style="list-style-type: none"> • Are charges in line with statutory requirements? • Are they set at the maximum permitted levels?

4 SUBSIDIES AND CONCESSIONS

4.1 It may be appropriate to consider subsidising some services, particularly if this helps to achieve corporate priorities and supports local strategies and policies. The main reasons for charging less than full cost are set out below:

- There is a sound financial and policy justification for the council tax payers subsidising this service.
- The desire to encourage particular sections of the community to use specific services and they could not afford, or might otherwise be deterred by, full cost charges.
- Charging full cost discourages or prevents uptake, which may have a detrimental impact on the council's finances in the long run.
- Use of the service is sensitive to a change in price – an increase in charges reduces demand and income.
- The council incurs higher costs than other providers because the service is provided in a way that is appropriate and accessible for all sectors of the community.

4.2 When considering using a subsidy, the following points should be taken into account:

- It must clearly and directly support a corporate priority, objective, or policy.
- There is evidence to suggest that the impact of the policy can be measured.
- The cost of the subsidy can be estimated and can be accommodated within the council's budget, making it affordable.
- The proposal is the most effective approach available to deliver the policy objective, and so can be judged to give value for money.

4.3 It is recognised that in some circumstances discounts may not be appropriate and that, in all cases, it will be necessary to carefully consider the impact on income before introducing discounts or concessions to service areas which do not currently offer them.

5 NEW FEES AND CHARGES

5.1 Proposals for new discretionary fees and charges must be considered within the annual budget process or alternatively, if appropriate, submitted to Cabinet initially for approval as an in-year change. Should any proposed change fall outside of the budget and policy framework, it would also require referral to Council.

5.2 Proposals for new fees and charges should be analysed using the guidance in the appendix to this policy. This effectively provides a brief rationale and business case for the proposed charge.

5.3 The effects of any new charge on service usage and income generated will be monitored regularly over the first 12 months and formally reviewed as part of the following budget process.

- 5.4 Where new statutory fees and charges are to be introduced, or when changes have been notified, ideally Cabinet and/or Council should be advised of any significant budgetary or policy implications prior to their implementation by Officers, should timescales allow; this may be done through the budget process. Alternatively, any implications should be reported retrospectively through usual quarterly monitoring arrangements.

6 REVIEWING FEES AND CHARGES

- 6.1 Chief Officers and designated staff must consider charging policies and current levels of charge each year as part of the budget and service planning process.
- 6.2 The general assumption (where the Council has control) is that the value of fees and charges will be maintained in real terms over time and increased annually in line with estimated inflation, as determined through the budget. Clearly this assumption changes, if the adopted charging policy for a particular activity determines otherwise.
- 6.3 Additionally, Cabinet may decide to set income targets for specific service areas as part of an effort to identify efficiencies and/or generate additional income.
- 6.4 Separate to the annual budgeting exercise, if there are any significant matters arising during the course of a year, such as in cost, market forces or service levels, which materially affect current service costs and revenues, then relevant fees and charges should be reviewed. If it is reasonable for them to be adjusted in year, to keep within the budget framework, then the Chief Officer has delegated authority to do so, as long as any fee or charge under question was not explicitly approved by Members during the last budget process. Any such changes must be reported to Cabinet retrospectively as part of usual quarterly monitoring arrangements.
- 6.5 In all other cases (except for statutory fee change notifications covered in 5.4), any proposals to change fees, and/or any expected income budget shortfalls, must be reported initially for Cabinet's consideration. Referral to Council may also follow, depending on circumstances. Any proposal to amend significantly an existing fee or charge will require a full explanation and justification to be provided.

7 COLLECTION OF FEES AND CHARGES

- 7.1 Fees and charges income should be collected and accounted for in accordance with the Council's Financial Regulations and any supporting instructions, procedures and guidance. Wherever it is reasonable to do so, charges should be collected either in advance or at the point of service delivery. Where charges are to be collected after service delivery has commenced, invoices will be issued promptly, and appropriate collection and recovery procedures followed.

8 PUBLICATION OF FEES AND CHARGES

- 8.1 Each service should maintain a schedule of fees and charges levied. This schedule should include, but identify separately, those charges where there are national / external procedures or other specific procedures for determining and reviewing rates of charge.
- 8.2 Generally the Council's fees and charges should be set prior to the start of each financial year. They should be widely published, including through the council's website.
- 8.3 Reasonable notice should be given to service users before any decisions to amend or introduce new fees and charges are implemented, together with clear advice on VAT, and information on any discounts or concessions available. In the absence of any specific requirements, reasonable notice is defined broadly as one calendar month.

GUIDANCE FOR NEW FEES AND CHARGES

Charging Policy

The charging policy objectives must be stated here, together with why this policy (Full Commercial or Fair Charging etc.) has been adopted. The intended aims of the charges should also be clearly thought out and explained. Any legal issues should be identified.

Comparative Information

Include here details of comparative information collected from other authorities or competitors etc.

Financial

Information Required	Description
Level of charge	Recommended or proposed new level of charge.
Start date	Proposed implementation date for new level of charge, although it could be related to a future event.
Budgeted income	Level of income to be generated from the new charge.
Surplus / deficit as a percentage of cost	The total cost of supplying the service (including recharges and other overheads) should be calculated and deducted from the income generated. This surplus or deficit should then be compared to the total cost as a percentage. Calculating total cost may require the use of judgement and reasonable assumptions. This is acceptable, so long as a clear audit trail of those assumptions is maintained.
Surplus / deficit per usage	The difference between income generated and the total cost of providing that service, divided by the expected number of users of that service.

Impact Assessment

Any proposals must identify likely impact on the service's users including; who currently benefits from the service, the effects on them of any changes and who will benefit from new exemptions and discounts together with how demand and usage is expected to change. Equality issues must specifically be considered and reported.

Impact on Other Areas

The likely consequences in terms of reduced or increased demand for other council services must be identified here as well as any extra costs to other services. Equality issues must specifically be considered and reported.

Method of Collection

Proposals for new charges must identify what collection methods will be used. If this is a change in current arrangements it will need to identify the following:

- What the likely impact is on the rate and costs of collection;
- What account has been taken of how low income users can pay; and
- How cost effective will the new methods be?

Alternatives

Explain here the other measures that have been considered instead of, or as well as, the proposed charge (cost cutting, reducing charges, sponsorship etc.).

Consultation

Include here the extent of consultation conducted, which will be dependent upon the impact of fee and/or charge, and the results of that consultation.

Summary of General Fund Fees and Charges (including rents)

APPENDIX B

For Consideration by Cabinet 12 February 2019

Service	Service Area	Cost Centre Area	Detail Code	2017/18 Actual £	2018/19 Revised £	2019/20 Estimate £	
Environmental Services	Public Realm	Cemeteries - General	Hire Of Chapels	-6,300	-5,000	-5,100	
			Interment Fees	-149,520	-149,500	-152,600	
			Memorial Fees	-23,026	-25,100	-25,600	
			Rents - General	-513	-500	-500	
			Rents - Grazing Rights	-330	-300	-300	
			Sale Of Grave Spaces	-76,051	-77,700	-79,300	
			Sale Of Memorial Benches	-611	-600	-600	
			Sale Of Memorial Plaques	-22,435	-28,000	-28,700	
			City Centre Markets & Traders	Administration Charges	-480	-500	-500
				General Fees & Charges	-14,438	-17,000	-17,400
		Market Tolls		-79,108	-75,500	-77,100	
		Rents - Market Stalls		-18,868	-20,100	-20,500	
		Grounds Maintenance	Service Charges Recovered	-2,957	-4,300	-4,300	
			General Fees & Charges	-146,672	-165,800	-149,600	
		Happy Mount Park	Bowling	-429	-400	-400	
			General Fees & Charges	-26,617	-45,000	-45,900	
			Rents - Concessions	-3,500	-3,500	-3,600	
			Rents - General	-29,565	-31,200	-31,900	
			Service Charges Recovered	0	-500	-500	
			Tennis	-386	-400	-400	
			Morecambe Market	Advertising - Hoardings Etc	-431	-300	-300
				Rents - Market Stalls	-276,187	-271,600	-277,300
				Service Charges Recovered	-13,378	-12,400	-12,400
				Storage	-6,269	-6,600	-6,600
		Non-Resort Parks	Administration Charges	-1,780	-1,500	-1,500	
			Bowling	-1,839	-1,100	-1,100	
			Receipts Non-Vatable	-8,825	-10,900	-11,100	
			Rents - Concessions	-8,221	-9,500	-9,700	
			Rents - General	-11,268	-10,400	-10,600	
			Service Charges Recovered	-1,608	-1,700	-1,700	
			General Fees & Charges	-57,471	-57,500	-58,700	
		Nurseries	Car Parking Fees *	-2,240,877	-2,250,900	-2,352,300	
			Car Parking Fees - RingGo *	-250,391	-367,000	-374,700	
			Car Parking Permits *	-170,133	-170,400	-174,000	
		Off Street Car Parks	Fines	-150,501	-145,000	-145,000	
			Rents - General	-71,309	-69,000	-57,000	
			Rents - Concessions	-29,711	-30,100	-30,700	
			Rents - General	-16,697	-15,900	-16,200	
			Sales - Promenade Passes	-1,041	-1,200	-1,200	
			Service Charges Recovered	-664	-1,500	-1,500	
			General Fees & Charges	-23,626	-23,100	-23,100	
		Promenade Management	Rents - Concessions	-4,160	-4,100	-4,200	
			Rents - General	-3,133	-3,300	-3,400	
			Service Charges Recovered	-1,329	-100	-100	
		Public Conveniences	General Fees & Charges	-200	-400	-400	
			Rents - Concessions	-200	-2,100	-2,100	
		Resort Parks	General Fees & Charges	-28,419	-31,100	-31,800	
			Admission Fees	-95,586	-107,100	-95,100	
		Small Parks & Open Spaces	Educational Usage	-11,500	-12,000	-12,300	
			Family Tickets	-34,449	-35,000	-32,700	
			Sales - General	-310,691	-327,000	-329,500	
		Street Cleaning	Special Events	-23,115	-26,200	-26,800	
			Venue Hire	-43,177	-44,700	-45,600	
		Williamson Park Butterfly House	Sales - General	-4,182	-26,000	-24,500	
			Car Parking Fees	-39,450	-39,500	-40,300	
		Williamson Park Cafe	Sales - General	-350	-400	-400	
			Sale Of Memorial Plaques	-333	-1,700	0	
		Williamson Park Events	Sale Of Recycling Material	-798	-1,000	-1,000	
			Sales - General	-53,556	-62,400	-56,200	
		Williamson Park Ice Cream Concession	Sales - Publications & Data	-187	-200	-200	
			General Fees & Charges	-6,725	-5,500	-5,500	
		Williamson Park Mngmt & Admin	MOT Income	0	-7,000	-7,000	
			Feed In Tariff Credits	-16,039	-17,000	-17,000	
		Williamson Park Reception & Retail	Rents - General	-13,835	-13,800	-13,800	
			Sales - Goods Resold	-2,563	-5,000	0	
		Safety	Training Course Fees	0	-2,500	-5,100	
			Domestic Collections	-76,031	-90,500	-92,400	
		Service Support	Sales - Goods Resold	-14,137	-14,100	-14,400	
			Sales - Scrap	-1,635	-1,200	-1,200	
		Waste / Recycling	Bulky Waste Collection	Fees - United Utilities	-1,237	-1,200	-1,200
				Garden Waste Collection *	-615,894	-903,000	-922,000
			Garden Waste	General Fees & Charges	-8,680	-8,700	-8,800

Service	Service Area	Cost Centre Area	Detail Code	2017/18 Actual £	2018/19 Revised £	2019/20 Estimate £		
Environmental Services		Household Waste	Clinical Waste	-4,585	-5,000	-5,000		
			Domestic Collections	-1,507	-1,500	-1,500		
			Fees - United Utilities	-1,584	-1,600	-1,600		
		Recycling	General Fees & Charges	-26,040	-26,000	-26,500		
			Fees - United Utilities	-1,463	-1,400	-1,400		
			General Fees & Charges	-3,877	-3,800	-4,000		
Trade Refuse	Trade Refuse Collections	-1,378,160	-1,426,400	-1,460,900				
Governance	Democratic Services	Electoral Registration	Sales - Publications & Data	-3,086	-2,200	-2,200		
	Legal Services	Legal Services Mgt & Admin	General Fees & Charges	-18,311	-46,000	-32,700		
			Legal Fees-County Court	-5,198	-7,500	-16,800		
			Legal Fees-Magistrates Courts	-2,483	-27,900	-3,000		
Searches Administration	Search Fees	-205,383	-206,400	-210,700				
Health & Housing Services	Environmental Health	Dog Warden Service	Collections and Kennelling	-4,522	-5,700	-5,800		
			Fines	-1,144	-1,500	-1,500		
			Sales - General	-235	-600	-600		
		Environmental Protection	EPA Authorisation Fees	-14,023	-14,000	-14,000		
			Fines	-80	-4,000	-4,000		
			Income - Works In Default	-8,695	-2,200	-2,200		
		Food & Safety	Water Sampling Fees	-2,457	-3,200	-3,300		
			Fines	-110	-100	-100		
			General Fees & Charges	-2,630	-2,100	-3,200		
		Lancaster Port Health Authority	Pest Control	Training Course Fees	-7,644	-1,600	-1,600	
				General Fees & Charges	-6,178	-5,000	-5,100	
		Public Health Services	Domestic Insects	-23,427	-36,000	-31,700		
			Domestic Rodents	-42,498	-45,000	-45,900		
			Unbugged	-72,101	-100,000	-102,100		
			Burial Of The Dead	-4,213	-6,400	-6,500		
			Licences - Dog Breeding	-443	-800	-800		
			Licences - Pet Shops	-766	-1,000	-1,000		
			Licences-Animal Boarding	-3,858	-4,800	-4,900		
			Licences-Riding Estabs	0	-500	-500		
			Vets Fees Recovered	-937	-1,000	-1,000		
			General Fund Housing	Mellishaw Park	Rent - Houses	-60,764	-62,000	-62,000
		Licensing	Gambling Act 2005	Service Charges Recovered	-7,185	-7,400	-7,600	
				Amusement Machines	-2,950	-3,200	-3,300	
				Licences - Betting Shops	-9,800	-10,600	-10,800	
				Licences - Bingo Establishments	-3,000	-3,100	-3,200	
				Licences - Lotteries	-3,180	-3,200	-3,300	
				Licences-Gaming Machines	-2,200	-3,200	-3,300	
				Hackney Carriage & Private Hire Licenc	Dual Drivers Badge	-43,405	-37,200	-25,500
					H.C. Driver Licence	-5,801	-6,100	-4,900
					H.C. Inspection Fees	-12,913	-13,400	-13,700
					H.C. Taxi Plates	-2,588	-2,300	-2,300
					H.C. Vehicle Licence	-28,516	-27,700	-28,300
					P.H. Drivers Licence	-5,281	-6,100	-5,100
					P.H. Inspection Fees	-26,256	-26,600	-27,200
					P.H. Operators Licence	-8,088	-5,500	-5,600
					P.H. Taxi Plates	-5,848	-5,300	-5,400
					P.H. Vehicle Licence	-44,086	-44,000	-44,900
				Licensing Act 2003	Unmet Demand Survey	0	0	-8,000
		Licensing Act 2003 - Personal	-5,861		-7,600	-7,800		
		Licensing Act 2003 - Premises	-115,430		-119,000	-121,500		
		Temporary Event Notices	-6,279		-6,900	-7,000		
		Miscellaneous Licences	Licences - Motor Salvage Operators		-1,830	-100	-4,600	
			Licences - Second Hand Dealers		-359	-300	-300	
			Licences - Sex Shops		-541	-500	-500	
			Licences - Street Cafes		-5,358	-5,400	-5,500	
			Licences-Skin Piercing\Tattoos		-3,977	-3,000	-3,100	
		Sport and Leisure	Community Leisure Projects		Admission Fees	-1,816	-600	0
			Salt Ayre	Admission Fees	0	0	0	
		Strategic Housing	Home Improvement Team	Feed In Tariff Credits	-13,282	-16,800	-16,800	
				Fees and Charges	-2,094,371	-2,425,000	-2,511,300	
				Administration Charges	0	-4,400	0	
				General (CR) - Miscellaneous	-10,000	-11,000	-10,000	
				Home Improvements	Administration Charges	-184,288	-320,000	-255,300
				Private Rented Sector Activity	Admin-Works In Default	-10,553	-3,500	-1,000
					APS Fees	0	-100	-100
					Fines	-902	-2,800	-2,800
					HMO License Fees	-73,570	-99,600	-41,500
Immigration Inspection Fees	-269				-400	-300		

Service	Service Area	Cost Centre Area	Detail Code	2017/18 Actual £	2018/19 Revised £	2019/20 Estimate £				
Regeneration & Planning	Development Management	Building Regulations	Bldg Regs - Application Fees	-62,921	-50,000	-60,000				
			Development Control	Planning Application Fees	-791,146	-1,000,000	-1,000,000			
				Planning Pre Application Advice Fees	-26,900	-50,000	-50,000			
	Economic Development	Arnside and Silverdale AONB	City Museum	Feed In Tariff Credits	-482	-500	-500			
				Admission Fees	0	-100	-200			
				Sales - General	0	-9,000	-18,400			
			Lancaster V.I.C.	Commission - Concerts/Discount Ticket	-2,601	-2,000	-2,000			
				Commission - National Express	-314	-200	-200			
				Sales - Publications & Data	-9,394	-8,000	-8,200			
			Maritime Museum	Sales - Souvenirs	-16,620	-17,200	-17,600			
				General Fees & Charges	0	-3,400	-6,900			
				Sales - General	0	-1,800	-3,700			
			Morecambe V.I.C.	Sales - Refreshments	0	-2,000	-4,100			
				Commission - Accom Bookings	-17	-100	-100			
				Commission - Coach Travel Tickets	-175	-400	-400			
				Commission - Concerts/Discount Ticket	-300	-300	-300			
				Commission - National Express	-59	-200	-200			
				Commission - Sea Cat	-223	-200	-200			
		Sales - Publications & Data		-6,947	-7,100	-7,200				
		Sales - Souvenirs		-11,966	-13,600	-13,900				
		Travel Tickets		-2,101	-2,300	-2,300				
		Platform	Admission Fees	-140,438	-241,700	-240,800				
			Bar	-59,617	-74,500	-76,100				
			Cafe	-3,121	-3,200	-3,300				
			Private Hire	-24,827	-52,900	-54,000				
			Venue Hire	-33,755	-28,700	-29,300				
			Rents - General	-875	-900	-900				
		Regeneration	Middleton Nature Reser & Pumping	Rents - Grazing Rights	-625	-500	-900			
				Rents - Wayleaves & Titles	-500	-500	-500			
				Winning Back West End Property	Rents - Commercial Properties	-16,240	-16,000	-16,000		
				Resources	Financial Services Property Group	Financial Services Management & Commercial Land & Buildings	Administration Charges	-1,927	-2,200	-2,100
							Hire Of Premises	-6,998	-4,600	-4,700
		Rents - General	-794,217				-811,500	-840,500		
		Rents - Grazing Rights	-7,895				-4,000	-4,000		
		Sales - Refreshments	-107				-100	-100		
		Service Charges Recovered	-315,409				-317,000	-313,000		
	Hire Of Premises	-37,987	-40,900				-46,900			
	Rents - General	-4,550	-4,600				-4,700			
	Sales - Refreshments	-2,642	-2,900				-3,000			
	General Fees & Charges	-6,475	-2,100				-2,100			
	Municipal Land & Buildings	Property Services Mgmt & Admin Storey Institute	Hire Of Premises	-52,482	-55,400	-61,700				
Rents - General			-82,585	-87,600	-85,000					
Sales - General			-119,790	-150,000	-153,200					
Service Charges Recovered			-65,325	-70,400	-68,800					
Legal Costs Recovered			-360,479	-446,600	-457,100					
Sales - Goods Resold			-717	-700	-700					
Revenues and Benefits	Council Tax & NNDR	Customer Services Mgmt & Admin								
TOTAL INCOME				-13,075,556	-14,775,300	-14,928,200				

* inflation included for the purpose of this appendix but will be removed following approval of budget proposal elsewhere on this agenda

CABINET

**Delivering Our Ambitions
Performance Monitoring: Quarter 3 2018-19
12 February 2019**

Report of Executive Support Manager

PURPOSE OF REPORT				
To report on the performance of key indicators for October-December 2018 (Quarter 3).				
Key Decision	<input type="checkbox"/>	Non-Key Decision	<input checked="" type="checkbox"/>	Referral from Cabinet Member
This report is public				

OFFICER RECOMMENDATIONS

(1) That Cabinet note the performance of key indicators during Quarter 3.

1.0 Performance Monitoring Quarter 3 2018-19

1.1 A breakdown of performance against key corporate indicators for the period October-December 2018 is contained in the appendix to this report.

2.0 Changes to Corporate Indicators

2.1 Indicator A2.2 (Number of fly-tipping enforcement notices issued) has been removed from the scorecard for Quarter 3, in anticipation of the development of a new set of indicators covering Clean, Green and Safe Neighbourhoods for future measurement.

3.0 Project Reporting

3.1 The Delivering Our Ambitions report for Quarter 2 included summarised updates on key corporate projects. It is proposed that future Delivering Our Ambitions reports include a more developed report on progress of key projects, in line with the development during Quarter 4 of a full portfolio of documentation for use on future projects.

4.0 Significant Achievements

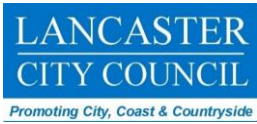
- Percentage of minor, other and major planning applications determined within statutory timescales (A1.1, A1.2 and A1.3) continue to perform strongly, with Lancaster City Council ranked 7th of 330 authorities in England for non-major applications, and 23rd of 330 authorities in England for major applications.
- Residual waste collected (A2.3) has decreased by 8.3% in comparison with the same quarter last year, partly as a result of the warm weather and its impact on garden waste; this is a 'lagging' measure so data is provided in respect of the period July-September 2018.
- Diesel consumption (A2.5) has decreased by 3% in comparison with the

same quarter last year, as a result of initiatives to reduce business travel and increase usage of electric vehicles.

5.0 Areas for Improvement

- Admissions to Salt Ayre Leisure Centre (A3.6) were below target for this quarter, but anticipated to exceed target across the whole year 2018-19; income for the Centre is also ahead of target despite the decrease in admissions.
- Average number of days of sickness absence per full-time employee (A4.2) has increased in comparison with the same quarter in previous years. The Human Resources team continue to support managers in proactively managing sickness absence to ensure a successful return to work at the earliest opportunity.

<p>RELATIONSHIP TO POLICY FRAMEWORK</p> <p>Performance and project monitoring provides a link between the Council Plan and operational achievement, by providing regular updates on the impact of operational initiatives against strategic aims.</p>	
<p>CONCLUSION OF IMPACT ASSESSMENT (including Health & Safety, Equality & Diversity, Human Rights, Community Safety, HR, Sustainability and Rural Proofing):</p> <p>The content of this report has no impact in itself.</p>	
<p>LEGAL IMPLICATIONS</p> <p>No legal implications directly arising from this report.</p>	
<p>FINANCIAL IMPLICATIONS</p> <p>No financial implications directly arising from this report.</p>	
<p>OTHER RESOURCE IMPLICATIONS, such as Human Resources, Information Services, Property, Open Spaces:</p> <p>No other implications directly arising from this report.</p>	
<p>SECTION 151 OFFICER'S COMMENTS</p> <p>The Section 151 Officer has been consulted and has no further comments.</p>	
<p>MONITORING OFFICER'S COMMENTS</p> <p>The Monitoring Officer has been consulted and has no further comments.</p>	
<p>BACKGROUND PAPERS</p> <p>N/A</p>	<p>Contact Officer: Jez Bebbington Executive Support Manager Telephone: 01524 582011 E-mail: jbebbington@lancaster.gov.uk Ref: N/A</p>



Lancaster City Council

Delivering Our Ambitions: Quarter 3 Performance Scorecard

Quarter 3 - Overall Performance



Performance Information		Year 2017/18						Year 2018/19						High Neutral Low	Trend
		Quarter 3		Quarter 4		End of Year 2017/18		Quarter 1		Quarter 2		Quarter 3			
Reference Code	Indicator	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual		

A Thriving and Prosperous Economy

A1.1	Percentage of minor planning applications determined within 8 weeks or agreed time (Speed of Decision)	70%	98.41%	70%	100%	70%	99.1%	70%	98.61%	70%	98%	70%	94.67%	High is Good	
Green: 75 applications in the Minor Category were determined in the quarter, with 71 of these being determined either within the statutory planning application timescale, or within a mutually-agreed timeframe with the applicant.															

A1.2	Percentage of other planning applications determined within 8 weeks or agreed time (Speed of Decision)	70%	99.32%	70%	97.30%	70%	98.82%	70%	97.52%	70%	100%	70%	94.25%	High is Good	
Green: 174 applications in the Minor Category were determined in the quarter, with 164 of these being determined either within the statutory planning application timescale, or within a mutually-agreed timeframe with the applicant.															

A1.3	Percentage of major planning applications determined within 13 weeks or agreed time (Speed of Decision)	60%	100%	60%	100%	60%	100%	60%	100%	60%	100%	60%	100%	High is Good	
Green: All 8 major applications determined within the quarter were determined either within the statutory planning application timescale, or within a mutually-agreed timeframe with the applicant.															

A1.4	Number of empty properties brought back into use	15	14	15	26	60	76	15	12	15	20	15	13	High is Good	
Red: 13 empty homes were brought back into use with Council Involvement in the third quarter. So of the 212 properties being monitored 6% were brought back into use. The number of empty homes brought back into use each quarter is likely to fluctuate given the nature of the work, as it is dependent on the home owners willingness to work with the Council and the amount of work required to bring a home back into use. It is expected that the target of 15 properties will be met again in Q4.															

Clean, Green and Safe Neighbourhoods

A2.1	Number of fly tipping reports actioned within 5 days	125	313	125	351	500	1,220	125	389	125	315	125	207	High is Good	
Green: Between 1st Oct and 31st Dec, Public Realm dealt with 403 service requests around Fly Tipping, of which 207 had been fully dealt with and closed on the LAGAN system within 5 working days. This equates to 51.3% of all cases.															

A2.2	Percentage of household waste recycled (Quarter Behind)	45%	41.40%	45%	33.5%	45%	35.6%	45%	30.07%	45%	38.30%	45%	39%	High is Good	
Red: This lagging performance percentage refers to Q2 and denotes the total amount of household waste recycled and composted. This overall percentage figure is made up of 20.82% Dry Materials and 18.14% Composted (Garden Waste). Dry materials have marginally increased on the previous year (2017/18) by +0.02% whilst composting has reduced by -2.49% (528 tonnes) likely as a result of the long hot summer with little garden growth.															

A2.3	Kilogrammes of residual waste per household (Quarter Behind)	87.17	88.4	87.17	82.2	348.68	334.58	87.17	75.9	87.17	88.3	87.17	81	Low is Good	
Green: This lagging figure represents weights in Q2. This figure is low in comparison to previous Q2 figures and what we'd expect to see as a consequence of the low composting tonnage. However Q2 has also seen a reduction in household waste not sent for recycling, reuse or composting of 335 tonnes compared to the same quarter in 2017/18, notionally this reduction could also have resulted from less garden waste in the residual collection.															

A2.4	Total number of subscriptions to the Garden Waste Scheme	30,000	23,971	30,000	23,967	30,000	23,967	24,000	22,042	24,000	22,594	24,000	23,265	High is Good	
Amber: The final figure for 2018/19. Subscriptions closed at the end of November 2018. Subscriptions will open for 2019/20 late January 2019.															

Performance Information		Quarter 3		Quarter 4		End of Year 2017/18		Quarter 1		Quarter 2		Quarter 3		High	Low	Trend
Reference Code	Indicator	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Neutral		
A2.5	Diesel Consumption - Council Vehicle Fleet (Litres)	121,728	120,321.5	121,728	115,342	486,912	484,805.5	121,728	119,639.5	121,728	117,762	121,728	117,001	Low is Good		
Green																
A2.6	Cost/M2 spent on energy across corporate buildings (Quarter Behind)	Baseline	£3.31	Baseline	£5.02	Baseline	£16.31	Baseline	£4.71	Baseline	£3.65	Baseline	£3.35	Low is Good		
Baseline: This figure has stabilised compared to the previous quarter, as we predicted, although it is up slightly on last year (£3.31) as the project to install smart meters and bring all billing up to date was still ongoing during this quarter. Further investigation also showed that the temperature was warmer on average for the quarter, but the drop in temperature from August to September was more severe and caused an influx of requests for heating to be brought online.																
A2.7	Amount of energy usage in council buildings (Gas/KWH) (Quarter Behind)	Baseline	809,376	Baseline	1,838,504	Baseline	5,591,719	Baseline	2,204,958	Baseline	1,250,679	Baseline	682,533	Low is Good		
Baseline: This figure is more stable and inline compared with the previous quarter, but is higher than last year for the same reasons as shown in the Cost M2 update.																
A2.8	Amount of energy usage in council buildings (Electricity/KWH) (Quarter Behind)	Baseline	656,213	Baseline	807,951	Baseline	2,754,790	Baseline	695,231	Baseline	527,235	Baseline	566,849	Low is Good		
Baseline: This is a drop in consumption when comparing year on year and Salt Ayre, Lancaster Town Hall and The Storey all seem to be contributing to this with the gradual introduction of LED lighting across sites.																
Healthy and Happy Communities																
A3.1	Number of people statutorily homeless	25	24	25	21	100	75	25	14	25	10	25	12	Low is Good		
Green																
A3.2	Number of Disabled Facilities Grants completed	50	50	50	78	200	232	50	122	50	83	50	78	High is Good		
Green: The average no of grants completed per month in 2017/18 was 19. The average no of grants completed per month at the end of Q3 2018/19 is 31.																
A3.3	Number of properties where 'category 1 hazards' have been eliminated	25	42	25	27	100	112	25	18	25	24	25	38	High is Good		
Green: In total, 95 properties were improved this quarter through the reduction of both/either category 1 (38) and category 2 (80) hazards. This compares with 70 for quarter 3 in 2017/18. The Housing Standards Team received a significant increase in applications for HMO licences following the change in legislation on the 1st October – 87 applications received in this quarter compared with 16 in quarter 3 2017/8.																
A3.4	Percentage of premises scoring 4 or higher on the food hygiene rating scheme	90%	88.49%	90%	88.52%	90%	88.52%	90%	88.36%	90%	87.80%	90%	90.70%	High is Good		
Green: The figure is calculated from Published figures available to the public, and has been adjusted for business currently not showing a food rating because they are new businesses awaiting inspection. Total number of rated businesses is 1132, and 1028 are rated 4 or 5.																
A3.5	Percentage of high risk food hygiene inspections completed	100%	93%	100%	100%	100%	100%	100%	85%	100%	86%	100%	75%	High is Good		
Red: High risk inspections are businesses that have either been given a poor food hygiene rating from their last inspection or businesses that produce high risk foods or cater for vulnerable customers. There were 12 businesses due for inspection in the quarter including 4 carried forward from the previous quarter. 9 businesses were inspected and 1 business was closed for refurbishment during the quarter and could not be inspected. The closed business reopened in January and has now been re-inspected. The two remaining businesses will be inspected in this quarter.																
A3.6	Total number of admissions to Salt Ayre Leisure Centre	230,000	237,222	197,740	232,554	737,740	747,301	130,000	210,621	180,000	220,521	230,000	193,561	High is Good		
Red: Oct to Dec is traditionally a quieter period for gym visits and new memberships. Although slightly behind target for Q3, we anticipate visitor numbers for Q4 to achieve target and in fact the outturn for the whole year 2018/19 is expected to slightly exceed the target.																
A3.7	Time taken to re-let council houses (Days)	38	66.31	38	63.13	38	63.13	38	30.80	38	27.92	38	25.68	Low is Good		
Green: The progress made in recent months has been sustained, and improved further, during Q.3. 73 properties were re-let during the period which equates to 207 re-lets cumulatively YTD. The void action plan remains in place with the aim of realising any additional gains.																

Performance Information		Quarter 3		Quarter 4		End of Year 2017/18		Quarter 1		Quarter 2		Quarter 3		High Neutral Low	Trend
Reference Code	Indicator	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual		
A Smart and Forward - Thinking Council															
A4.1	Number of followers on Lancaster City Council's Twitter Page (Cumulative Indicator)	9000	9,295	9000	10,250	9000	10,250	9000	10,923	9000	11,295	9,000	11,858	High is Good	
Green: Number of followers has increased, despite Twitter removing dormant/fake accounts during the quarter which initially saw a dip in followers but which has since rebounded.															
A4.2	Average number of days of sickness absence per full time employee	1.75	1.79	1.75	1.64	7	6.05	1.75	1.73	1.75	1.78	1.75	2.2	Low is Good	
Red: At the end of Q3 sickness rates were 0.45 above the QTD target. There is often a higher level of absence in Q3 due to seasonal viruses. The current financial year has also seen a higher level of long term absence. HR is working with managers to resolve long term absence, wherever possible. The Council has a challenging sickness absence target of 7.0 days or less per employee, well below the Public Sector average absence levels of 8.5 days per employee* (CIPD 2018)															
A4.3	Occupancy rates for all commercial properties (including estate shops)	100%	97%	100%	96.5%	100%	96.50%	100%	95.60%	100%	95.30%	100%	96.60%	High is Good	
Amber: The total level of occupancy has increased by 1.3% following a tenant in CityLab expanding from one office to two and that vacant office being immediately relet during this quarter. In general terms 96.6% represents a good level of occupancy in the current climate.															
A4.4	Average time taken to process new Housing Benefit and Council Tax claims (Days)	23	26	23	26.2	23	26.2	23	28.3	23	48	23	40	Low is Good	
Red: As reported for Q2 (48 days), the current Q3 performance is considered skewed, as a consequence of addressing a problem in claimants not applying for Council Tax Support at the right time, resulting in arrears. To counteract this issue the Council changed the Scheme, to allow backdating of Support to the Universal Credit start date, which in turn distorts the indicator in the short term. The PI is slowly returning towards target and is expected to recover over the coming months.															

CABINET

Corporate Financial Monitoring 2018/19 – Quarter 3
12 February 2019
Report of the Interim Financial Services Manager

PURPOSE OF REPORT			
To provide an overview of the Council's financial position for Quarter 3 of the 2018/19 monitoring cycle, and the supporting actions underway.			
Key Decision		Non-Key Decision	X
			Referral from Cabinet Member
Date of notice of forthcoming key decision		N/A	
This report is public.			

OFFICER RECOMMENDATIONS:

- (1) That Cabinet notes the report and endorses the supporting actions as set out in Appendix A.

1. Overview

- 1.1. The corporate financial monitoring report for Quarter 3 is attached at **Appendix A**. The headline messages are as follows:

- Quarter 3 monitoring is against the original budget as approved by Council 28th February 2018 and not a revised position as has been the case in previously
- As at 31st December a slight net overspend of **£17K** existed. Should spending progress as currently forecast, a net overspend in the region of **£13K** could be experienced by year-end, once agreed funding from the Council's reserves is applied. Although officers are currently taking action to address each area of overspending, an amount of **£13K** would equate to approximately **0.08%** of the Councils Net Revenue Budget for 2018/19... However, should a net overspending still be forecast then General Fund unallocated balances would need to be used to fund it
- The Housing Revenue Account is currently underspent by **£87K**, and this is expected to increase to **£143K** by the year-end. The key message relates to the significant improvement in void property turnaround times, which has led to forecast additional rental income of **£100K**.

- 1.2. Lower level analysis to support the values above is included at **Appendix B**.

- 1.3. An update and supporting commentary on Salt Ayre financial and non-financial performance is included at **Appendix C**
- 1.4. Details of the Councils General Fund and HRA Capital Programme, expenditure to date and forecast year-end outturn is included at **Appendix D** and **Appendix E**.
- 1.5. A full list of General Fund reserves and current forecast year-end balances are included at **Appendix F**.
- 1.6. Progress against the savings measures approved as part of the 2018/19 budget is detailed within **Appendix G**. Progress is allowed for in the overall headline figures quoted above.
- 1.7. To support corporate financial monitoring, the latest Treasury Management update report is included at **Appendix H**.

RELATIONSHIP TO POLICY FRAMEWORK

This report is in support of the delivery of the Council's overall policy framework, and more specifically its Corporate Plan.

CONCLUSION OF IMPACT ASSESSMENT

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

None directly arising from this report. Any additional implications linked to or arising from the various financial matters raised will be addressed in taking any relevant actions forward.

LEGAL IMPLICATIONS

None directly arising from this report. Any additional implications linked to or arising from the various financial matters raised will be addressed in taking any relevant actions forward.

FINANCIAL IMPLICATIONS

As set out in the attached.

OTHER RESOURCE IMPLICATIONS

Human Resources / Information Services / Property / Open Spaces:

References and any related implications are contained within the report and related appendices.

SECTION 151 OFFICER'S COMMENTS

This report is in the name of the s151 Officer, albeit in the capacity as Interim Financial Services Manager

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comment

BACKGROUND PAPERS

None.

Contact Officers: Danial Bates, Interim Financial Services Manager
Telephone: 01524 582138
E-mail: dbates@lancaster.gov.uk
Ref:

CORPORATE FINANCIAL MONITORING 2018/19

QUARTER 3: October to December 2018

INTRODUCTION

This report provides an overview of the Council's financial position and key budgetary variances as at the end of December 2018, in terms of the revenue and capital budgets and local taxation. It also includes updates on key reserves and income collection. Please note that Quarter 3 monitoring is against the original budget as approved by Council 28th February 2018 and not a revised position as has been the case in previously.

REVENUE BUDGET

General Fund – As at 31st December a slight net overspend of **£17K** existed. Should spending progress as currently forecast, a net overspend in the region of **£13K** could be experienced by year-end, once agreed funding from the Council's reserves is applied. Although officers are currently taking action to address each area of overspending, an amount of **£13K** would equate to approximately **0.08%** of the Councils Net Revenue Budget for 2018/19.

The main variances are summarised in the table below and provided in more detail at **Appendix B**. In addition, a separate monitoring statement on Salt Ayre Leisure Centre is included at **Appendix C**.

	Qrt 3 £000's	Full Year Forecast £000's
General Fund Revenue Budget	16,204	16,204
	(Favourable)/ Adverse	
Employees	122	179
Premises	10	86
Transport	28	44
Supplies & Services	(50)	56
Fees & Charges	(187)	(231)
Minor Variances	33	26
Other Variances	61	(148)
Update Revenue Budget	16,221	16,217
(Under)/ Overspend	17	13
Percentage of Net Revenue Budget	0.10%	0.08%

Movement September (Q2) to December 2018 (Q3)

The Council's overall projected position has improved since Qtr. 2 (**+£93K**). This is because of several variances the most significant being, a reduction in the forecast over spend of employee expenses of (**£58K**), together with increased parking fees, and investment income of (**£30K**) and (**£14K**) respectively.

These favourable variances are offset by the areas such as the impact of reduction in demand for Gravity at Salt Ayre **£26K** and a reduction in the amount reclaimed for engineers salaries for the Caton Road Flood Defence project **£13K**.

Movement in Year

As previously reported the significant movements for the year to date are, Salt Ayre's contract with the University of Cumbria (**£83K**), additional grant funding (**£88K**) being received in relation to Disabled Facilities Grants, additional licence fee income as a result of legislative changes in regard to Houses of Multiple Occupancy (HMO) (**£74K**). In addition, we have identified a saving on the Councils

Minimum Revenue Provision (MRP) (£103K) and have been allocated (£35K) from Central Government over the next 2 financial years in order to prepare for Brexit, (£17.5K) has been included in the full year forecast.

Conversely, budget pressures remain evident within several service areas, additional air quality and traffic count reports are required as part the Council's Local Plan +£117k, reduced occupancy levels on the markets continue +£15K, as is reduced activity within Building Control +£62K.

Although the corporate staff turnover provision was removed as part of PRT 2 and budgets realigned based on projected phasing of recruitment, the funding of temporary appointments to fill various positions within the Council continues to place pressure in the area.

Garden Waste Collection - The Council's garden waste collection service has generated £904K of income, but a shortfall (+£57K) is still forecast.

The following table illustrates the number of subscriptions gained in 2018/19 and the corresponding financial impact

	Estimated Subscriptions	Actual Subscriptions	Variance	Original Budget £	Actual £	Variance £
Paid prior to 01 April 2018	20,841	17,839	-3,002	833,640	713,560	-120,080
Paid during 2018/19	3,159	4,749	1,590	126,360	189,960	63,600
TOTAL	24,000	22,588	-1,412	960,000	903,520	-56,480

Housing Revenue Account (HRA) – Current underspent by £87K, which is forecast to increase to £143K by year-end. As reported previously a significant improvement in void property turnaround times which has led to forecast additional rental income (£100K). However, additional contributions have been made in respect of staff turnover savings (£27K) and direct revenue financing because of slippages within the HRA capital programme.

CAPITAL

Expenditure

General Fund – The Capital Programme remains unchanged from that reported at Quarter 2 totalling £15.251M.

Capital Movements		
Original Capital Programme		£11.400M
Slippage 2017/18	Slippage & accelerated expenditure from 2017/18	£0.515M
Quarter 1 Movements		£0.204M
Quarter 2 Movements		£3.132M
Quarter 3 Movement		£0.000M
Total Movements		£3.851M
Revised Capital Programme		£15.251M

Total spend and commitments to the end of December totalled **£5.191M** leaving **£10.060M** still to spend. A review of the programme has highlighted potential slippage of **£8.510M**. Details of variances over £500K are included below.

General Fund Capital Programme expenditure to date and forecast year-end outturn is included at **Appendix D**.

Service	Scheme	Forecast Year End Variance £	Comments
Environmental Services	Vehicle Renewals	(562,000)	The replacement of some vehicles have been deferred
Health and Housing	Disabled Facilities Grants	(1,178,000)	Forecast based on performance to date
Regeneration & Planning	Morecambe TH12: A View for Eric	(522,000)	Due to the late withdrawal of a partner, it has not been possible to identify an alternative suitable project before the end of the financial year. The remaining expenditure and related grant will therefore lapse.
	Canal Quarter	(2,000,000)	Amount originally allocated to make a bid to purchase land owned by British Land is no longer required. A bid for £550k to facilitate the purchase of alternative strategic land acquisition in Canal Quarter has been put forward for 2019/20
Resources	Corporate Property Works	(2,598,939)	Several schemes within this programme of works have been held back pending review as part of 2019/20 budget round.

Housing Revenue Account (HRA) – The HRA Capital Programme remains unchanged from that reported at Quarter 2 totalling **£4.481M**. Spend and commitments to the end of December totalled **£2.431M** leaving **£2.050M** still to spend. A review of the programme has highlighted potential slippage of **£114K**.

Details of the HRA Capital Programme expenditure to date and forecast year end performance is included at **Appendix E**.

Financing

General Fund

£5.713M of grants and contributions have been received against a revised budget of £6.328M, with capital receipts at the end of December 2018 of £41k; all of these receipts will be utilised in support of the Minimum Revenue Provision.

RESERVES

Details of movements in reserves totalling **£53K** are below. A full list of reserves

Budget Support Reserve – Approved allocations are below, which leave a current balance of **£1.729M** on the reserve.

	£000's
Opening Balance	1,734
ICT Azure Business Case	(5)
Closing Balance	1,729

Renewals Reserve – Approved allocation are below which leave a current balance of **£208K** on the reserve.

	£000's
Opening Balance	257k
SALC Swimming Pool Heating Control	(30)
Pool Car replacement	(19)
<hr/>	
Closing Balance	208

General Fund Unallocated Balances

Unallocated General Fund Balances remains unchanged from Quarter 2 at **£5.046M**

A full list of reserves and current forecast year-end balances are included at **Appendix F**. As part of the annual budget setting process, the s151 Officer is required to review the level and purpose of the Councils reserves to ensure they are appropriate for both the internal and external risks to which it is exposed.

LOCAL TAXATION

Council Tax – Current deficit of £599K (£94K deficit as at 31 March 2018). Main changes are:

- Deficit from previous year +£94K
- Reduced cost of Council Tax Support (£107K)
- Reduced charge for Second/Empty Homes +£107K
- Other Movements in Tax Base +£504K

In tax base terms, this equates to approximately 335 net chargeable Band D equivalent properties, bringing the total tax base to 41,417 gross properties.

Retained Business Rates – The latest position on business rates shows net income down by £1.171M when compared to the original estimate, after allowing for an increase in estimated appeals of £1.130M.

	Original £000's	Qrt 1 (June 18) £000's	Qrt 2 (Sept 18) £000's	Qrt 3 (Dec 18) £000's	Movement From Original Fav (-) / Adverse (+) £000's
Net Rates Payable	(64,487)	(65,398)	(64,767)	(64,446)	41
Appeals	3,123	4,132	3,821	4,253	1,130
Business Rates Income	(61,364)	(61,266)	(60,946)	(60,193)	1,171
City Council Retained Income (40%)	(24,546)	(24,506)	(24,378)	(24,077)	469
Less Tariff	18,848	18,848	18,848	18,848	-
Add Net Small Business Rates Relief Grant	(1,102)	(1,042)	(1,054)	(1,069)	33
Net Retained Income	(6,800)	(6,700)	(6,584)	(6,293)	507
Safety Net Payment	-	-	-	-	-
Baseline	(5,518)	(5,518)	(5,518)	(5,518)	-
Growth Above Baseline	(1,282)	(1,118)	(1,066)	(775)	507
50% Levy Payment	616	589	531	387	(229)
Total Retained Income	(6,184)	(6,111)	(6,053)	(5,906)	278

Overall, the total estimated Retained Income is **£278K** down on the original forecast due to the impact of the increase in appeals. This position will inevitably fluctuate during the year. The Business Rates Reserve will be used to negate the impact on the General Fund.

Appeals

Analyse Local currently provide our appeals data and suggest our exposure has increase by **£1.130M** to **£4.253M** from the original budget figure of **£3.123M**, a movement of **£432K** from Qrt 2. The reasons are due to an increase in general appeals, and a volume of specific appeals, regarding Automatic Teller Machines (ATMs) totalling **£517K**.

The s151 Officer is currently reviewing our provision for 2019/20 to ensure it is adequate to address the risk of successful appeals with particular reference to outages at Heysham Power Station and ATM's.

Future Risks

A legal challenge by 20 NHS Foundation Trust to allow them to claim charitable status, which attracts an 80% reduction in their Business Rates. The Council is not party to the initial action but should the case be successful its liability regarding Lancaster Royal Infirmary (LRI), if backdated to 2010 would be approximately **£925K**.

The Council opted out of joining the Lancashire 75% Business Rate Pooling pilot and so continues to enjoy the protection of the Governments Safety Net arrangements for any significant income loss, such as outages at Heysham Power Stations. From 2020/21 when the 75% Business Rate Retention Scheme is introduced nationally there is a risk that without a Safety Net arrangement the other Lancashire Pool members may continue not to propose suitable risk sharing arrangements and the Council may have to bear the full impact of the of the significant risk imposed by Heysham Power Station. This issue is not unique to Lancaster and the Council along with other Councils with nationally strategic assets such as Power Stations are continuing to raise this issue with Central Government.

Collection Performance

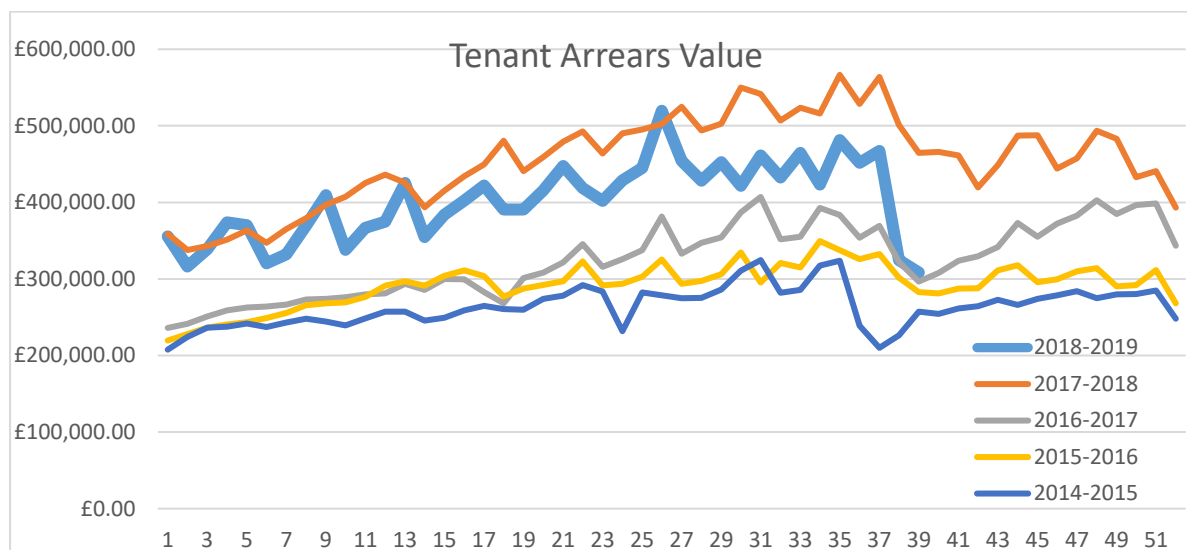
	Full Year Target	Qrt 3 Target	Qrt 3 Actual	Variance Fav (-) / Adverse (+)
Council Tax	96.1%	84.3	84.4	(0.1)
Business Rates	98.7%	79.9	79.9	0

Both Council Tax and Business Rates collection rates are in line with the annual profile, with the expectation the full year targets will be achieved.

No specific action is required at this point.

INCOME COLLECTION

Council Housing Rent Arrears – At the end of week 39 the level of current council housing rent arrears was **£308K** (2.3% of **£13.337M** rent debit). This represents a decrease of **£212K** on the previously reported Qtr2 figure of **£520K**, and a **£156K** (34%) reduction against 2017/18 Q3 arrears values (**£465K**). This reflects Council Housings increased focus on intervention, and a more intensive approach to income management.



Sundry Debts – At the end of December, the level of debt was **£2.671M**, which is a decrease of **£339K** from Qtr2. The bad debt provision (BDP) currently stands at **£2.491M**, which is **£57K** higher than the required level. No action is required at present. We will review our BDP as part of our year-end assessment.

SERVICE	< 28 Days	28-59 Days	60-91 Days	92-183 Days	184-364 Days	365+ Days	2018/19 QUARTER 3 TOTALS	Compared to 2017/18 Quarter 3 totals
	£	£	£	£	£	£	£	
Environmental Services	63,236	63,243	7,504	24,772	113,578	15,407	287,740	252,213
Regeneration & Planning	10,727	170	32,500	1,267	342	26,807	71,812	48,607
Resources	135,911	25,076	65,018	49,210	46,392	49,909	371,516	468,340
Health & Housing	24,251	1,338	20,296	11,707	26,791	23,795	108,178	79,727
Governance	-	225	-	885	-	967	2,077	500
Hsg Benefits (Revenues)	25,361	43,386	38,970	65,046	174,029	1,482,919	1,829,711	1,955,584
2018/19 Quarter 3 Totals	259,485	133,439	164,287	152,887	361,133	1,599,804	2,671,035	2,804,971
2018/19 Quarter 2 Totals	351,592	151,079	109,769	497,851	250,150	1,649,672	3,010,113	

CONTRACT PROCEDURE RULES AND OTHER EXCEPTIONS TO TENDER

Exceptions to Tender – There were two exceptions to tender in Quarter 3:

Microsoft Enterprise Agreement Renewal.

Renewal of the Councils Microsoft Enterprise licences via a direct award using the KCS framework in order to secure current prices.

Lancaster Canal Quarter Regeneration Preparation of a Strategic Regeneration.

Use of Homes England Framework, competition was carried out but from select list of suppliers.

Subjective Area	Service	Reason for Variance	Current Variances		Projection for Year	
			Adverse / (Favourable)		Adverse / (Favourable)	
			£	£	£	£
Employees	Environmental Services	Salaries - turnover savings	(101,966)		(139,700)	
	Environmental Services	Provision for staff turnover	123,163		164,200	
	Environmental Services	Approved Revenue Savings	42,800		42,800	
				63,997		67,300
	Governance	Additional Staff Costs	29,333		58,722	
	Governance	Provision for staff turnover	11,627		15,500	
	Governance	Minor Employee variances	1,727		1,800	
				42,687		76,022
	Health & Housing	Staff Turnover	(32,200)		(25,200)	
	Health & Housing	Provision for staff turnover	38,100		50,800	
	Health & Housing	Additional overtime due to new HR standby policies	3,500		4,700	
				9,400		30,300
	Health & Housing - Leisure	Provision for staff turnover	27,602		36,800	
	Health & Housing - Leisure	SALC Sals - Various vacant posts	(38,041)		(66,591)	
	Health & Housing - Leisure	Minor Employee variances	(4,020)		(4,200)	
				(14,459)		(33,991)
	OCE	Various additional staffing costs	15,107		2,200	
	OCE	Provision for staff turnover	25,352		33,800	
				40,459		36,000
	Regeneration & Planning	Provision for staff turnover	33,078		65,900	
Regeneration & Planning	Regen & Planning salary variances due to vacant posts and lower SCP's.	(14,806)		(10,708)		
Regeneration & Planning	VIC additional costs due to TUPE of County staff	5,794		12,290		
			24,065		67,482	
Resources	Various turnover savings including vacant CSC, Finance, Property and ICT posts	(73,044)		(102,336)		
Resources	Provision for staff turnover	30,004		40,000		
Resources	Revised EL&TP Insurance Recharges	(1,401)		(1,500)		
			(44,441)		(63,836)	
		Employees Total	121,709		179,277	
Premises	Environmental Services	Williamson Park - bringing electricity budget in-line with previous year spend based on current usage	(987)		7,000	
	Environmental Services	Markets - New lighting required, not included in original Property Services schedule	4,617		5,700	
				3,630		12,700
	Health & Housing - Leisure	SALC - Additional costs associated with NNDR, installation of CHP unit and increased usage by SPA	35,250		68,800	
	Regeneration & Planning	Middleton Wood Pumping Station fault investigation and repair	-		25,000	
				35,250		93,800
Resources	Net savings on Repairs & Maintenance	(20,553)		(7,500)		
Resources	Rates savings at Storey/Lansil Water Treatment Plant	(8,454)		(13,000)		
Resources	Revised Premises Insurance Recharges	5		(300)		
			(29,002)		(20,800)	
		Premises Total	9,878		85,700	
Transport	Environmental Services	Diesel prices - 7.5% increase in first six months of the year	19,243		19,300	
	Environmental Services	Vehicle Maintenance Unit Stock Write-Off. New systems of management and control to be introduced	(385)		14,900	
	Environmental Services	Pooled vehicles - Delays in receiving vehicles resulted in additional hire costs	8,817		8,600	
				27,675		42,800
Health & Housing	Reduction in Car Allowances rate from October 18	(2,500)		(2,500)		
Health & Housing	Additional Van costs for Pest control	3,300		3,800		
			800		1,300	
		Transport Total	28,475		44,100	
Supplies & Services	Environmental Services	Nursery - Correction of year end stocktake	20,191		5,700	
	Environmental Services	Waste Collection approved savings not achieved	22,953		30,600	
				43,144		36,300
	Governance	Legal Case Management System - project to be delayed until 2019/20	(20,000)		(20,000)	
	Governance	Reduction in Members Allowances in year	(2,815)		(3,100)	
	Governance	Reduction in demand for Community Governance Review	(20,494)		(20,000)	
	Governance	Various minor legal increases	684		5,110	
				(42,625)		(37,990)
	Health & Housing	Licensing - Increased use of Agency staff	10,300	10,300	10,300	10,300
	Health & Housing - Leisure	Inclusion of Management Fee expenditure	3,297	3,297	5,000	5,000
	OCE	ICT Software - Reduction in costs in year	15,954		3,200	
	OCE	Mobile Phone - Reduced recharges	(4,147)		(5,100)	
	OCE	Reduced Insurance Recharges	(2,999)		(3,000)	
	OCE	Increased HR demand for legal advice	-		2,000	
				8,808		(2,900)
Regeneration & Planning	Reduction to IDOX subscriptions	(18,600)		(18,600)		
Regeneration & Planning	Additional Local Plan reports required	26,258		117,300		
Regeneration & Planning	Additional Planning legal costs and support for upcoming court cases	(10,000)		36,000		
Regeneration & Planning	Increase to numbers of statutory advertising regarding certain planning application	2,157		7,000		
Regeneration & Planning	Economic Growth initiatives slipped to 2019/20	(40,934)		(55,000)		
			(41,120)		86,700	
Resources	DWP Housing Benefit Grant - Additional monies received	(25,000)		(35,800)		
Resources	Reduced Property Services Consultancy requirement	(6,668)		(5,000)		
			(31,668)		(40,800)	
		Supplies & Services Total	(49,863)		56,610	
Fees & Charges	Environmental Services	Car Parking - Increased pay and display income expected	(16,633)		(77,800)	
	Environmental Services	Markets - Reduced occupancy levels resulting in lower rent income	14,845		14,600	
	Environmental Services	Williamson Park - Increase in visitor numbers	(32,738)		(22,100)	
	Environmental Services	Splash Park - Lower than expected user numbers	18,108		17,800	
	Environmental Services	Happy Mount Park - Additional profit share from café concession	(7,925)		(7,900)	
	Environmental Services	Garden Waste - Subscription levels currently in excess of 22,500 against projected 24,000	55,030		57,000	
	Environmental Services	Trade Waste - Additional income	(150,890)		(35,300)	
	Environmental Services	Waste Collection - Income budget for bins and boxes realigned with previous year outturn	15,299		14,300	
				(104,904)		(39,400)
	Governance	Additional court costs awarded	(24,852)		(30,000)	
	Governance	Reduction in the predicted number of searches for year	10,039		9,000	
				(14,813)		(21,000)
	Health & Housing	Increase in HMO Income	(55,300)		(73,700)	
	Health & Housing	Additional income from externally funded staff time recharges	(18,800)		(25,000)	
	Health & Housing	Pest Control - Increase in charges	14,700		15,900	
	Health & Housing	Add Income from disclosure training & £1600 inc from CSP for statement taking	(3,100)		(5,600)	
	Health & Housing	Lancashire County Council DFG grant completions	(81,800)		(110,200)	
	Health & Housing	Reduced Licensing Income	900		2,500	
				(143,400)		(196,100)
	Health & Housing - Leisure	University of Cumbria Contract 2018/19	(41,499)		(83,400)	
	Health & Housing - Leisure	Reduced demand for Gravity	14,459		39,300	
				(27,040)		(44,100)
	OCE	Costs of staff advertisements	2,986	2,986	3,000	3,000
Regeneration & Planning	Planning fee - Additional income	31,425		7,500		
Regeneration & Planning	Income to be recovered against Viability work from developers	-		(10,000)		
Regeneration & Planning	Platform - Additional income from increased numbers of shows	(14,000)		(14,611)		
Regeneration & Planning	Building Control reduced application volumes	46,484		62,000		
Regeneration & Planning	Light up Lancaster and Vintage revenue savings target removed.	17,039		19,500		
Regeneration & Planning	Engineers Capital Salaries adjustment	6,527		(8,600)		
			87,475		55,789	
Resources	Reduction in Printrooms Café income target	13,025		23,100		
Resources	Additional Rent & Service Charge income at CityLab/Storey	-		(12,500)		
			13,025		10,600	
		Fees & Charges Total	(186,671)		(231,211)	
Minor Variances	Environmental Services	Minor variances	30,373		20,700	
	Governance	Minor	(4,005)		(2,700)	
	Health & Housing	Minor & ASB	(2,300)		8,500	
	Health & Housing - Leisure	Minor Leisure variance	(2,900)		(10,200)	
	OCE	Minor	(300)		700	
	Regeneration & Planning	Minor R&P income variances	(1,316)		(8,929)	
	Resources	Minor Resources variances	13,408		17,870	
		Minor Variances Total	32,960		25,941	
Other Variances	Environmental Services	RMS (recharges into account)	(46,597)		(20,200)	
	Environmental Services	GM Contract (outside service)	67,678		(2,600)	
	Environmental Services	On-Street P&D	5,828		-	
	Environmental Services	WLD recharges	(2,623)		200	
	Environmental Services	Building Cleaning recharges	5,131		6,200	
	Environmental Services	Commuted Sums - budget correction for S106 contribution to Bolton-le-Sands young peoples facilities	-		15,000	
	Governance	Changes in recharges to HRA	-		(24,100)	
	OCE	HRA recharges	-		(6,500)	
	Other Income & Expenditure	Minimum Revenue Provision Saving	-		(103,800)	
	Resources	Revised HRA recharges	-		(11,200)	
	Other Income & Expenditure	MHCLG Brexit Funding	-		(17,500)	
	Other Income & Expenditure	Reduction in investment income	31,500		16,900	
			Other Variances Total	60,917		(147,600)
			Total Forecast (Under)/ Over Spend	17,404		12,817

SALT AYRE LEISURE CENTRE

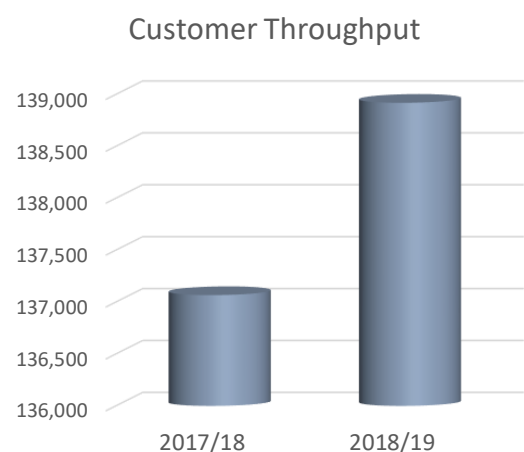
2018/19 QUARTER 3 PERFORMANCE MONITORING

Key messages

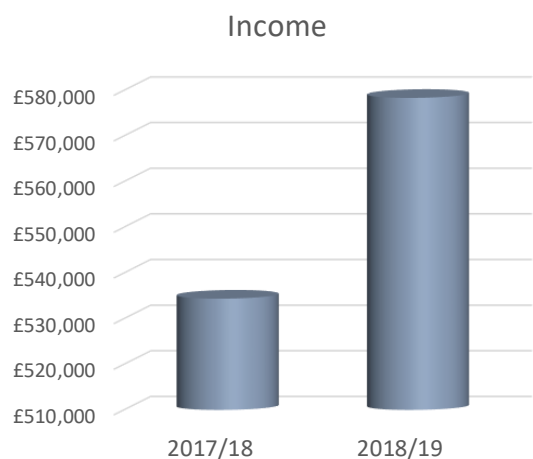
- **This years predicted operating subsidy for Salt Ayre Leisure Centre (SALC) has reduced by £500K to £200K- (It was £700k pre development). Year to date Income exceeds budget by £50k.**
- Quarter 3 financial performance is showing a net surplus of **£2791**
- Salt Ayre has sustained and is continuing to grow throughput. Pre development figures of circa 300,000 visits increasing to circa 750,000 post development, the centre still manages to gain in key areas such as the gym and Spa. **1800** increase for Quarter 3
- Salt Ayre won Health & Fitness Venue of the Year at the Bay Business Awards
- Swimming income continues to increase as a result of a number of improvements in the way lessons are managed. Introducing the direct debit option has resulted in easier payment options for customers and a more regular flow of income to the Centre. The income target has been increased by £112k.
- Health and Fitness similarly continues to perform exceeding original targets with an increase of £56k being added to original budget expectations.
- The increase in premises costs has been previously reported and due to an increase in National Non Domestic Rates (NNDR) of £21k and the installation of the new CHP led to an over optimistic energy budget reduction. Both these were outside the control of SALC. Winter data is now showing the CHP is delivering savings and with more energy efficient practices across the centre, there is a £20k of savings expected. Further adjustments will take place once a fully year of actual performance has been established.
- The building heating management system in the Swimming Pool Hall failed. Cost of work circa £30k funded from council reserves. This quarter has been very challenging in terms of repairs and maintenance with unexpected and unplanned repairs needed for the centre which has resulted in a small increase in premises costs.
- Additions to budget forecast include £37k for staff turnover, which is a figure the Council sets across all services. General reductions as a result of staff turnover are already included within management of wages and salaries.
- The café continues to perform well and is on track to meet or exceed the target of £413k.

	2017/18 Full Year Actuals	2018/19 Original Full Year Budget	Qtr3 Budget	Qtr3 Actual	Qtr3 Variance	Full Year Projection	Variance to Original Budget	Percentage of Original Budget
	£	£	£	£	(Favourable) / Adverse £	£	(Favourable) / Adverse £	
Expenditure								
Employees	1,259,787	1,396,400	1,011,040	981,849	(29,191)	1,367,209	(29,191)	-2%
Premises Costs	589,995	548,900	446,592	545,392	98,800	647,700	98,800	18%
Transport Costs	23,000	14,600	17,807	17,407	(400)	14,200	(400)	-3%
Supplies and Services	538,632	539,000	429,764	438,464	8,700	547,700	8,700	} 0%
Funding from Renewals Reserve	(89,814)	0	0	(30,000)	(30,000)	(30,000)	(30,000)	
Income								
Fees and Charges	(2,123,387)	(2,354,500)	(1,765,625)	(1,816,325)	(50,700)	(2,405,200)	(50,700)	2%
Direct Net Operating Cost/(-) Surplus	198,213	144,400	139,578	136,787	(2,791)	141,609	(2,791)	
Support Service Costs	399,292	361,800	271,350	271,350	0	361,800	0	
Total Net Operating Cost	597,505	506,200	410,928	408,137	(2,791)	503,409	(2,791)	
Renewals Reserve Contribution	150,000	150,000	0	0	0	150,000	0	
Capital Financing Costs - MRP re £5M development	177,973	218,500	163,875	163,875	0	218,500	0	
Total Net Cost	925,478	874,700	574,803	572,012	(2,791)	871,909	(2,791)	

Customer Throughput	2017/18 £	2018/19 £	(Favourable) / Adverse	(Favourable) / Adverse %
Shop	771	465	306	39.69%
Health & Fitness	30,173	37,462	(7,289)	(24.16%)
SASC Café	54,876	50,252	4,624	8.43%
Sports Hall	5,743	6,149	(406)	(7.07%)
Studio	9,468	9,031	437	4.62%
Swimming	16,942	16,299	643	3.80%
Spa	3,193	5,949	(2,756)	(86.31%)
Gravity	202	135	67	33.17%
Xheight	2,752	2,199	553	20.09%
Energy	12,947	10,978	1,969	15.21%
	137,067	138,919	(1,852)	0.00%



Income	2017/18 £	2018/19 £	(Favourable) / Adverse	(Favourable) / Adverse %
Shop	3,300	2,551	749	22.70%
Health & Fitness	186,840	244,085	(57,245)	(30.64%)
SASC Café	112,782	97,937	14,845	13.16%
Sports Hall	46,528	40,993	5,535	11.90%
Studio	7,091	4,367	2,724	38.41%
Swimming	111,954	96,132	15,822	14.13%
Spa	17,019	52,458	(35,439)	(208.23%)
Gravity	2,111	908	1,203	56.99%
Xheight	17,771	18,535	(764)	(4.30%)
Energy	28,974	20,380	8,594	29.66%
	534,370	578,346	(43,976)	(8.23%)



Comments from Sports Development & Facilities Manager

- Staff turnover in key cost centres (Health & Fitness / Spa) has been a challenge in Q3. In spite of this December 2018 was the best performing month since opening.
- Significant contribution to the Spa throughput has been the success of The Feel Good Suite in this quarter.
- Salt Ayre worked collaboratively with 'Lancaster on Ice by' providing reduced entry fee on production of ticket. The success of 'Lancaster on Ice' may have contributed to a decrease in 'Energy' admissions as we have seen 500 less admissions compared to the same period in December last year.
- 16 Staff undertook group exercise training delivered by the Precor Master Trainer in preparation for the launch of the new class timetable in January.
- Active Lives Team is now back up to full strength and ready to deliver for the final 15 months of the contract.

Education

- Work continues to grow with the School Sport Partnership. 12 schools attended in the quarter which was an increase on Q2.
- CPD workshops continue to be delivered at Salt Ayre for primary and secondary school teachers.
- Schools Sports Partnership Conference took place in December with over 80 local school teachers attending.
- The Chadwick Centre for excluded children have been attending regularly and have increased their number of sessions per week. Positive feedback received from teachers, pupils and County Council inspectors.
- Work experience opportunities have been created with the local college and high schools and the team at SALC also provide tours and workshops on health & safety, facility management and Spa operation

Disability sessions

- The ongoing programme continues to grow. Around 150 visits per week attending the regular programme.
- Piccadilly Gardens, centre for adults with learning disabilities, now access SALC on a weekly basis taking part in a range of activities.

Partnership working / Community Support

- The Midwives continue with 4 clinics per week. This has been very well received due to the closure of community venues such as Children's Centres. The Centre also provides a venue for health visitors to see clients.
- University Of Cumbria are delivering their Rehabilitation Clinics running 2 days per week. This enables 3rd year students to hone their skills for the benefit of Centre users and the general public. To date over 100 have benefited from this service.
- LFX and Les Mills annual seminars took place in The Hub for the first time and repeat bookings have been secured.

Programme development

- SALC have developed some new holiday activities to stimulate the creative side of child development. Creation station and Pyjama Drama have been successful in attracting a new audience. Breakfast with Santa and Christmas Disco in Energy were both sold out events, as were the Learn to Cycle sessions. Roller disco was added to October half term which proved successful
- SALC now has pre-school offer every day. The introduction of a new pre-school swim to complement our children's play Zappers sessions. Similarly the Centre contributes greatly to the Council's 'Ambitions' plan and has this new vibrant ethos at its heart.

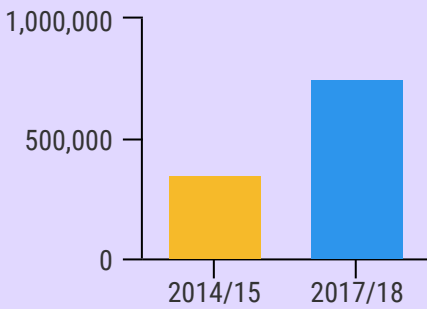


Salt Ayre

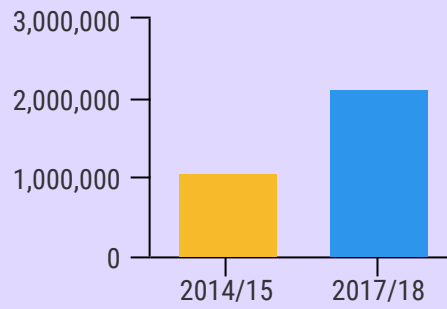


How did the development affect performance?

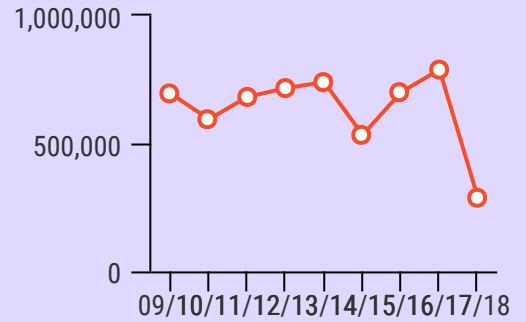
Increase in Customer Throughput



Increase in Overall Net Income



Net Operating Subsidy



From October 2017 - October 2018 Salt Ayre has



Helped 15 families from Safe attend sessions (domestic violence charity)



Served 57,532 hot drinks



Welcomed 1,152 babies via midwife clinics at SALC



Had over 3,500 visitors to our disability sports programme



Relaxed 13,500 visitors in our Spa



Tired out 32,000 children in soft play



Let 8,300 children climb the walls



Sang Happy Birthday 730 times



- APSE - Best public/private sector partnership
- APSE - Efficiency & transformation initiative
- National Fitness Awards - Functional Training
- National Fitness Awards - Gym of the year
- Innovation Award - Procurement & commissioning
- Bay Business Awards - Leisure Venue of the year
- Bay Business Awards - Health & Fitness Centre
- Bay Business Awards - Health & Beauty
- Celebrating Success - LCC Award
- Celebrating Success - Team of the Year
- Celebrating Success - Innovation & Enterprise
- SLC - Catering Team of the Year

General Fund Capital Programme 2018/19

SERVICE	SCHEME	2018/19 Gross Budget	Actual to Date	Actual Variance + Overspend/ (Underspend)	Forecast Year End Variance	Commentary
		£	£	£	£	
Environmental Services	Vehicle Renewals	1,224,000	56,673	(1,167,327)	(562,000)	The replacement of some vehicles have been deferred. This has been factored in to future years budgets.
	Car Parks Improvement Programme/Electric Vehicle Charging Points	7,000	4,526	(2,474)	47,000	Expenditure to be grossed up by grant awarded for Electronic Vehicle Charging Points. Scheme must be completed by 31.3.19
	CCTV Extension to White Lund Depot	53,000	33,490	(19,510)	0	Expected to spend in full
	Cable Street Car Park Extension	35,000	23,455	(11,545)	0	Expected to spend in full
	Half Moon Bay Car Park Extension	60,000	0	(60,000)	(60,000)	Scheme to be deferred until 2019/20 pending completion of Parking Strategy
	Vehicle Fleet Review	107,000	56,253	(50,747)	(48,000)	Saving arising from better prices being negotiated for new vehicles
	Vehicle Maintenance Unit Replacement Ramp	34,000	34,485	485	485	Minor overspend
	Bolton-Le-Sands Young Peoples' Facility	15,000	14,920	(80)	0	Spent in full
	Disabled Facilities Grants	3,190,000	1,669,857	(1,520,143)	(1,178,000)	£1,178k expected to slip based on performance to date
Health and Housing	Salt Ayre Sports Centre Redevelopment	174,000	111,000	(63,000)	(10,000)	£10,000 expected to slip into 2019/20
	Heysham School Capital Funding	36,000	36,000	0	0	Spent in full
	Coastal Revival Fund - Morecambe Co-op Building	37,000	0	(37,000)	13,000	Scheme to be grossed up by additional £40k in respect of additional funding from Coastal Revival Fund bringing scheme total to £77k. £50k expected to be spent this year.
Regeneration and Planning	Sea & River Defence Works & Studies	2,432,000	2,354,682	(77,318)	(5,000)	Schemes are complete. A minor underspending is expected
	Amenity Improvements (Morecambe Promenade)	16,000	4,259	(11,741)	(10,000)	£10k will not be spent in year but will be used to establish a reserve which will facilitate the continuation of works in future years.
	Lancaster Square Routes	45,000	12,060	(32,940)	(24,000)	£21k expected to be spent in year. Scheme to be grossed up by additional £5k in respect of a contribution from Lancaster BID for city centre ginnel improvements.
	Morecambe THI2: A View for Eric	537,000	14,642	(522,358)	(522,000)	Final year of THI programme. £15k expected to be spent in year. Due to the late withdrawal of a partner it has not been possible to identify an alternative suitable project before the end of the financial year, the remaining expenditure and related grant will therefore lapse.
	MAAP Improving Morecambe's Main Streets	185,000	10,658	(174,342)	(141,000)	Phase 2 Wayfinding project will slip into 2019/20 as s106 contribution which funds the majority of this project is not expected to be received this financial year
	Lancaster District Empty Homes Partnership	101,000	0	(101,000)	(65,000)	£36k in respect of schemes currently in the pipeline expected to spend in the year with the £65k expected to slip into 2019/20
	Cable Street Christmas Lights	30,000	0	(30,000)	(30,000)	£15k in respect of Cable Street lights will slip into 2019/20 as supplier is unable to schedule work in 2018/19. £14k financed from Renewals Reserve to be transferred to revenue for maintenance of Dalton Square lights
	S106 Highways Works	200,000	149,866	(50,134)	(50,000)	£18k additional public right of way contribution to be added to 2018/19 programme. £70k contribution can not be spent until 2019/20 as a legal variation is required to allocate it to an alternative project
	Heysham Gateway - Demolition & Removal of Tanks	1,048,000	105,643	(942,357)	(916,000)	Original scheme for remediating and developing out site has changed substantially. £132k is expected to be spent in year. A new capital bid is being developed outlining an alternative scheme.
	Canal Quarter	2,000,000	0	(2,000,000)	(2,000,000)	Amount originally allocated to make a bid to purchase land owned by British Land is no longer required. A bid for £550k to facilitate the purchase of alternative strategic land acquisition in Canal Quarter has been put forward for 2019/20
Resources	ICT Systems, Infrastructure & Equipment	333,000	168,331	(164,669)	(40,000)	£40k set aside for a document management system is not required in year. Future options for replacement are under review.
	Corporate Property Works	3,041,000	329,966	(2,711,034)	(2,598,939)	Several schemes within this programme of works have been held back pending review as part of 19/20 budget round.
	Energy Efficiency Works	311,000	0	(311,000)	(311,000)	Scheme delayed by uncertainty of timing regarding plans for a new conference centre at Williamson Park. It is expected that the £311k allocation for a replacement boiler serving the existing buildings at the park will slip in to 2019/20
Total Gross Programme		15,251,000	5,190,765	(10,060,235)	(8,510,454)	
Note: The Capital Programme remains unchanged from that reported at Quarter 2						

Council Housing Capital Programme 2018/19

Appendix E

	2018/19 Original Budget	2018/19 Revised Budget	2018/19 Projected Outturn	2018/19 Variance (Revised v Projected)	Comments (Revised Budget to Projected Outturn)
	£	£	£	£	
EXPENDITURE					
Adaptations	250,000	250,000	250,000	0	Expenditure on track
Energy Efficiency/Boiler Replacement	635,000	721,000	721,000	0	Expenditure on track
Internal Refurbishment	1,032,000	927,000	892,000	-35,000	Less works required following full property surveys and works commencing on site
External Refurbishment	632,000	677,000	694,000	17,000	Extra monies required over original budget on render/door contract to replace damaged cills on Higher Heysham and throughout Yealand - additional painting commissioned to offer 'completed' works once contractor finished on site
Environmental Improvements	405,000	340,000	323,600	-16,400	Tender figure received for final phase of Ripley Ct - lower than expected
Re-roofing/Window Renewals	641,000	571,000	559,000	-12,000	Works completed on site - final valuation received and savings reported
Rewiring	86,000	78,000	10,000	-68,000	Labour element undertaken whilst kitchen renewal programme, therefore taken into account via that budget. Costs are only materials which are attributed to replacement of consumer units.
Lift Replacements	70,000	70,000	70,000	0	Expenditure on track
Fire Precaution Works	180,000	190,000	190,000	0	Expenditure on track
Housing Renewal and Renovation	490,000	335,000	335,000	0	Expenditure on track
TOTAL EXPENDITURE	4,421,000	4,159,000	4,044,600	-114,400	

Reserves Statement (Including Unallocated Balances)

	31 March 2018	From Revenue	To / (From) Capital	To Revenue	31 March 2019	From Revenue	To / (From) Capital	To Revenue	31 March 2020	From Revenue	To / (From) Capital	To Revenue	31 March 2021	From Revenue	To / (From) Capital	To Revenue	31 March 2022	From Revenue	To / (From) Capital	To Revenue	31 March 2023
	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
Unallocated Balances	(5,067,000)			21,400	(5,045,600)				(5,045,600)				(5,045,600)				(5,045,600)				(5,045,600)
Earmarked Reserves:																					
Business Rates Retention	(4,602,000)	(4,347,700)		2,666,300	(6,283,400)				(6,283,400)				(6,283,400)				(6,283,400)				(6,283,400)
Budget Support	(710,800)	(2,666,300)	356,000	1,292,300	(1,728,800)			421,300	(1,307,500)			93,000	(1,214,500)			46,600	(1,167,900)				(1,167,900)
Canal Quarter	(214,200)	(186,000)		216,400	(183,800)			103,500	(80,300)			23,200	(57,100)				(57,100)				(57,100)
Capital Support	(485,200)		36,000	379,000	(70,200)		65,000		(5,200)				(5,200)				(5,200)				(5,200)
Corporate Property	(411,700)			40,000	(371,700)				(371,700)				(371,700)				(371,700)				(371,700)
Economic Growth	(358,700)		25,000	140,900	(192,800)			109,100	(83,700)			41,900	(41,800)			1,500	(40,300)				(40,300)
Elections	(80,000)	(40,000)			(120,000)	(40,000)		160,000		(40,000)			(40,000)	(40,000)			(80,000)	(40,000)			(120,000)
Homelessness Support	(101,600)	(6,600)			(108,200)	(6,600)			(114,800)	(6,600)			(121,400)	(6,600)			(128,000)	(6,600)			(134,600)
Invest to Save	(1,506,000)		53,000		(1,453,000)			143,800	(1,309,200)	(60,800)			(1,370,000)	(55,100)			(1,425,100)	(27,900)			(1,453,000)
Local Plan	(124,900)			124,900																	
Morecambe Area Action Plan	(27,300)				(27,300)		11,000		(16,300)				(16,300)				(16,300)				(16,300)
Planning Fee Income		(61,800)			(61,800)	(14,400)			(76,200)			31,200	(45,000)			39,600	(5,400)				(5,400)
Renewals Reserves	(451,400)	(479,300)	480,000	243,100	(207,600)	(479,300)	253,000	122,400	(311,500)	(479,300)	63,000	34,200	(693,600)	(479,300)	60,000	34,200	(1,078,700)	(479,300)		34,200	(1,523,800)
Restructure	(565,700)			33,500	(532,200)				(532,200)				(532,200)				(532,200)				(532,200)
Revenue Grants Unapplied	(744,100)	(30,000)		125,900	(648,200)	(15,000)		47,200	(616,000)	(5,300)		13,500	(607,800)				(607,800)				(607,800)
S106 Commuted Sums - Open Spaces	(60,600)			16,600	(44,000)			15,600	(28,400)			11,800	(16,600)			11,800	(4,800)			4,700	(100)
S106 Commuted Sums - Affordable Housing	(687,300)				(687,300)				(687,300)				(687,300)				(687,300)				(687,300)
S106 Commuted Sums - Highways, Cycle Paths etc.	(444,200)	(300,000)	237,000	9,300	(497,900)	(200,000)	120,000		(577,900)	(200,000)			(777,900)	(200,000)			(977,900)	(200,000)			(1,177,900)
Welfare Reforms	(223,500)	(154,100)		25,000	(352,600)			25,000	(327,600)				(327,600)				(327,600)				(327,600)
Amenity Improvements		(29,000)			(29,000)				(29,000)				(29,000)				(29,000)				(29,000)
Reserves Held in Perpetuity:																					
Graves Maintenance	(22,200)				(22,200)				(22,200)				(22,200)				(22,200)				(22,200)
Marsh Capital	(47,700)				(47,700)				(47,700)				(47,700)				(47,700)				(47,700)
Total Earmarked Reserves	(11,869,100)	(8,300,800)	1,187,000	5,313,200	(13,669,700)	(755,300)	449,000	1,147,900	(12,828,100)	(792,000)	63,000	248,800	(13,308,300)	(781,000)	60,000	133,700	(13,895,600)	(753,800)		38,900	(14,610,500)
Total Combined Reserves	(16,936,100)				(18,715,300)				(17,873,700)				(18,353,900)				(18,941,200)				(19,656,100)

Initiative	Type	Budget	Profiled Budget	Actual to Date	Variance	R A G	Progress
PHASE 1 - 2018/19 APPROVED SAVINGS		£	£	£	£		
Environmental Services							
Solar Farm Design and Business Case Development	Inc Generation	50,000	4,440	4,440	0	➔	Funded from Business Support Reserve. Business case for three additional installations at SALC developed. Feasibility of a solar farm currently being worked on. SALC options to be assessed as part of 19/20 capital programme which will allow Elected Members to make an informed decision on whether to proceed. The farm option will be assessed once completed.
Waste Collection Management Systems	Efficiency	138,000	3,364	3,364	0	➔	Funded from Business Support Reserve. Preferred supplier has been identified, delays commissioning due to lack of resources in Waste Collection and ICT. Scheme likely to slip into next financial year.
Extension of CCTV to Public Buildings	Efficiency	(17,000)	(17,000)	(17,000)	0	➔	Nearing completion. £14k project overspend offset by contributions from BIDs and Morecambe Town Council to public CCTV system.
Extension of Cable Street Car Park	Inc Generation	(9,000)	(4,500)	(1,436)	3,064	↓	Project now complete, delayed by 2 months resulting in profiled budget not being met. Overall, car parking income has performed well in year.
Management of St. George's Quay Car Park	Inc Generation	(10,000)	(5,000)	(2,229)	2,771	↓	Project completed in September with P&D income being taken from 1st October.
Vehicle Fleet Review	Inc Generation	(27,000)	(20,250)	(11,434)	8,816	↓	All pool cars have now been purchased, variance relates to extended hire due to delays in scheme and repair of damage prior to returning hired vehicles.
Williamson Park Facilities Expansion - Design and Business Case Development	Inc Generation	210,000	0	0	0	➔	Funded from Business Support Reserve. Tender has been awarded and likely spend for this financial year is c.£50k with remaining amount to be carried forward into 2019/20. Tender feeding into business plan which is being written. On completion, design brief for the Café/Wedding Conference Centre will be formulated.
Bulky Waste Collection - Service and Charging Review	Inc Generation	(20,000)	(15,000)	(14,105)	895	↓	Review built into budget and broadly in line to date.
Health & Housing							
Development of Business Case for Local Authority Trading Company (LATC)	Inc Generation	75,000	65,000	65,000	0	➔	£65k order raised P03 with the remainder to be spent during the year.
Management Team							
Rationalisation of Organisational Development Capacity	Efficiency	(77,000)	(57,750)	(57,750)	0	➔	Staff Changes actioned and built into budget.
Regeneration & Planning							
Heysham Gateway - Site Improvement Works		320,000	100,000	100,000	0	➔	£132k to be spent in year on site surveys, drainage studies and master planning work and the majority of this is now spent. A capital bid has been made to spend £479k on land remediation on the site for 2019/20
Extension of Charging for Planning Services	Inc Generation	(5,000)		0	0	➔	Delayed start with tree-related working charges. This remains low priority given the changing operational needs of the Service during 2018. The Service will be reviewing its non-statutory chargeable services to inform the Annual Fees and Charges Report shortly.
Resources							
ICT Network Performance Monitoring and Improvement	Efficiency	30,000	30,000	10,000	(20,000)	↑	ICT used £10k for SSD Drives - remaining allocation to be utilised by the end of March.
Repair and Maintenance of Corporate Property	Efficiency	(82,000)	(61,500)	(61,500)	0	➔	Built into budget and expected to be managed within overall R&M allocation.
Continuation of Internal Audit Collaboration and Restructure	Efficiency	(26,000)	(19,500)	(19,500)	0	➔	Savings already incorporated into budget and expected to be achieved.
Revenues & Benefits Shared Service Savings	Efficiency	(45,000)	0	0	0	➔	Savings achieved in Shared Service Budget and recharge will be reduced in Quarter 4.
Total		505,000	2,304	(2,150)	(4,454)		

Treasury Management Update

Quarter Ended 31 December 2018

Report of Interim Head of Financial Services

2018/19 Treasury Management Update

Quarter Ended 31 December 2018

1. Introduction

The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management recommends that members be updated on treasury management activities regularly (through the reporting of the Treasury Management Strategy, and annual and midyear reports). This report is in line with best practice in accordance with that Code, to help demonstrate transparency and promote accountability.

2. Economic update (provided by Link Asset Services)

*After weak **economic growth** of only 0.1% in quarter one, growth picked up to 0.4% in quarter 2 and to 0.6% in quarter 3. However, uncertainties over Brexit look likely to cause growth to have weakened again in quarter four. After the Monetary Policy Committee raised the Bank Rate from 0.5% to 0.75% in August, it is little surprise that they have abstained from any further increases since then. We are unlikely to see any further action from the MPC until the uncertainties over Brexit clear. In the event of a disorderly exit, the MPC have said that rates could go up or down, though it is probably much more likely to be down so as to support growth. Nevertheless, the MPC does have concerns over the trend in **wage inflation** which peaked at a new post financial crisis high of 3.3%, (excluding bonuses), in the three months to October. The main issue causing this is a lack of suitably skilled people due to the continuing increase in total employment and unemployment being near to 43 year lows. Correspondingly, the total level of vacancies has risen to new highs.*

*As for **CPI inflation** itself, this has been on a falling trend, reaching 2.3% in November. However, in the November Bank of England Inflation Report, the latest forecast for inflation over the two year time horizon was raised to being marginally above the MPC's target of 2%, indicating a slight build up in inflationary pressures.*

*The rise in wage inflation and fall in CPI inflation is good news for consumers as their spending power is improving in this scenario as the difference between the two figures is now around 1%, i.e. a real terms increase. Given the UK economy is very much services sector driven, an increase in **household spending power** is likely to feed through into providing some support to the overall rate of economic growth in the coming months.*

*In the **political arena**, there is a risk that the current Conservative minority government may be unable to muster a majority in the Commons over Brexit. However, our central position is that Prime Minister May's government will endure, despite various setbacks, along the route to Brexit in March 2019. If, however, the UK faces a general election in 2019, this could result in a potential loosening of monetary policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up.*

3. Interest Rate Forecast

The council's treasury advisor, Link Asset Services has provided the following forecast:

Link Asset Services Interest Rate View													
	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	1.50%	1.50%	1.75%	1.75%	1.75%	2.00%
3 Month LIBID	0.90%	1.00%	1.10%	1.20%	1.30%	1.40%	1.50%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%
6 Month LIBID	1.00%	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%
12 Month LIBID	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%	2.30%	2.40%
5yr PWLB Rate	2.10%	2.20%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%	2.80%	2.80%
10yr PWLB Rate	2.50%	2.60%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%
25yr PWLB Rate	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%	3.50%	3.50%	3.60%	3.60%
50yr PWLB Rate	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%	3.40%

After the August increase in the Bank Rate to 0.75%, the first above 0.5% since the financial crash, the MPC has since then put any further action on hold, probably until such time as the fog of Brexit clears and there is some degree of certainty of what the UK will be heading into. It is particularly unlikely that the MPC would increase Bank Rate in February 2019 ahead of the deadline in March for Brexit, if no agreement on Brexit has been reached by then. **The above forecast, and other comments in this report, are based on a central assumption that there is an agreement on a reasonable form of Brexit.** In that case, then we think that the MPC could return to increasing Bank Rate in May 2019 but then hold fire again until February 2020. However, this is obviously based on making huge assumptions which could be confounded. In the event of a disorderly Brexit, then cuts in the Bank Rate could well be the next move.

The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is probably neutral.
- The balance of risks to increases in the Bank Rate and shorter term PWLB rates, are probably also even and are broadly dependent on how strong GDP growth turns out, how slowly inflation pressures subside, and how quickly the Brexit negotiations move forward positively.

4. Investing Activities

The Treasury Management Strategy Statement (TMSS) for 2018/19, which includes the Annual Investment Strategy, was approved by the Council on 28 February 2018. It sets out the Council's investment priorities as being:

- Security of capital;
- Liquidity; and
- Yield.

The Council aims to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity. In the current economic climate it is considered appropriate to keep investments short term to cover cash flow needs, but also, if and where appropriate, to seek out value available in periods up to 12 months with highly credit rated financial institutions, using the adopted creditworthiness approach, including a minimum sovereign credit rating, and Credit Default Swap (CDS) overlay information.

Officers confirm that the approved limits within the Annual Investment Strategy were not breached during the quarter ended 31 December 2018.

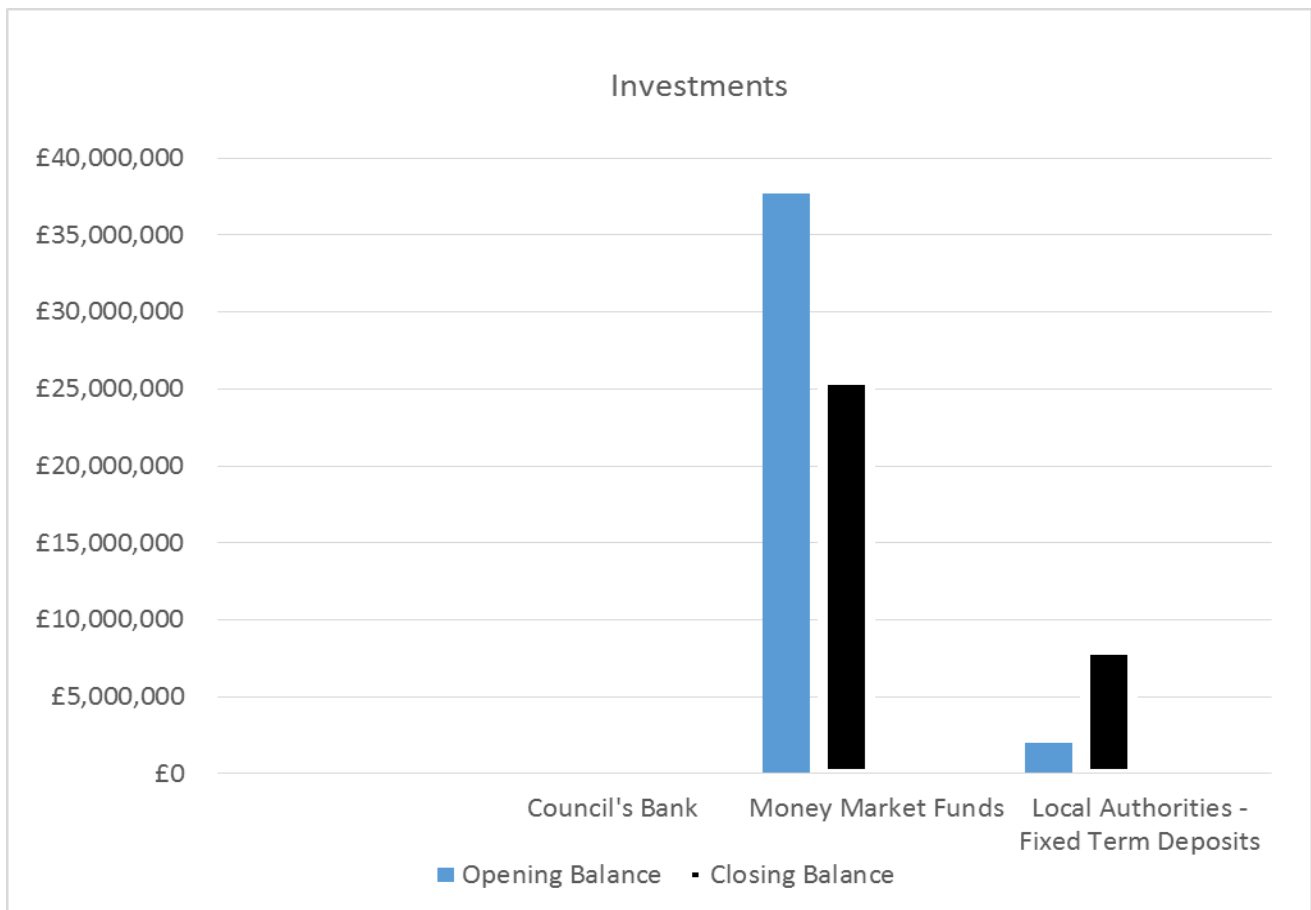
The average level of funds available for temporary investment purposes during the quarter was £37M. The level of funds available was mainly dependent on the timing of precept and business rate related payments, the receipt of grants and progress on the Capital Programme.

In terms of performance against external benchmarks, the return on investments compared to the 7 day LIBID and bank rates at the end of the period is shown below. This is viewed as reasonable performance given the need to prioritise the investments and liquidity (i.e. making sure that the Council's cash flow meets its needs).

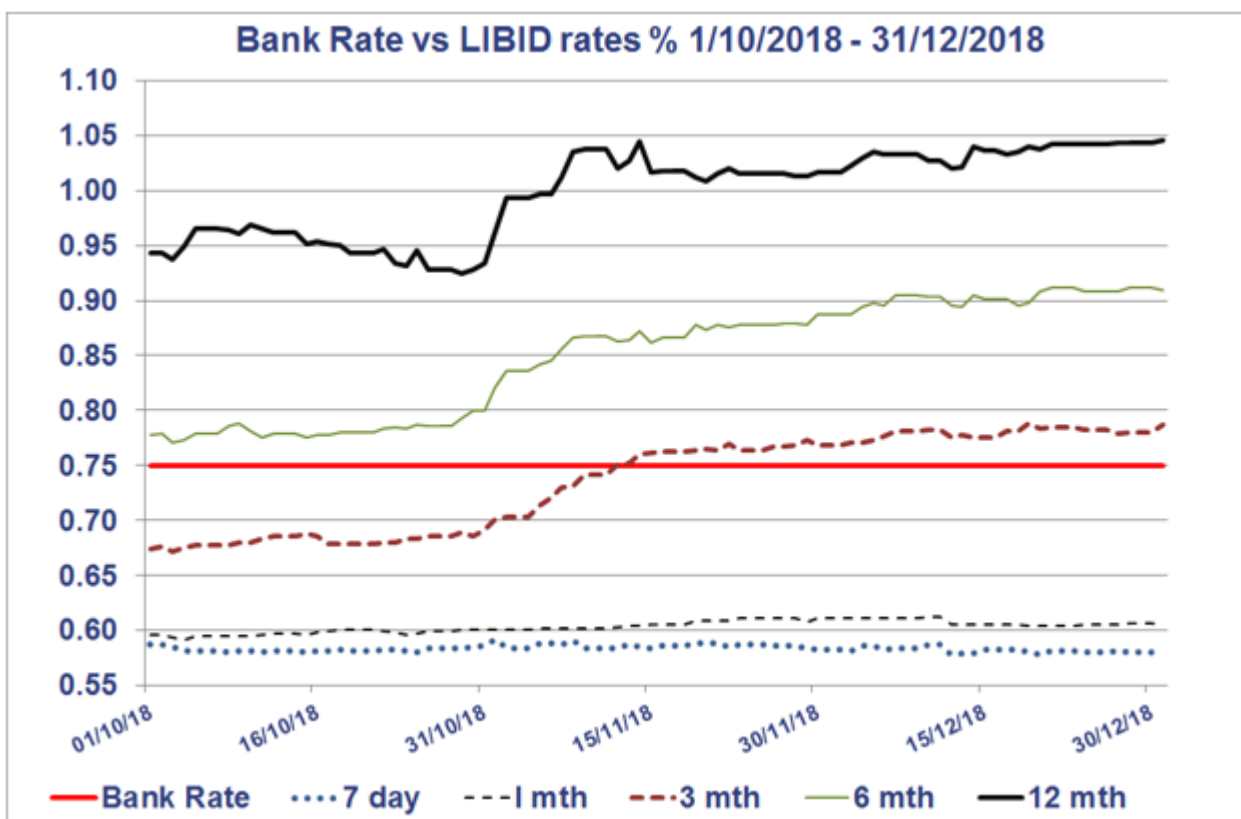
Base Rate	0.75%
7 day LIBID	0.58%
Lancaster City Council investments	0.70%

Investment Balances – quarter ended 31 December 2018

At the start of the quarter investments totalled £40m falling to £33m by 31 December. Fixed term investment with local authorities at 31 December were £25m whilst Money Market Fund balances were £8m



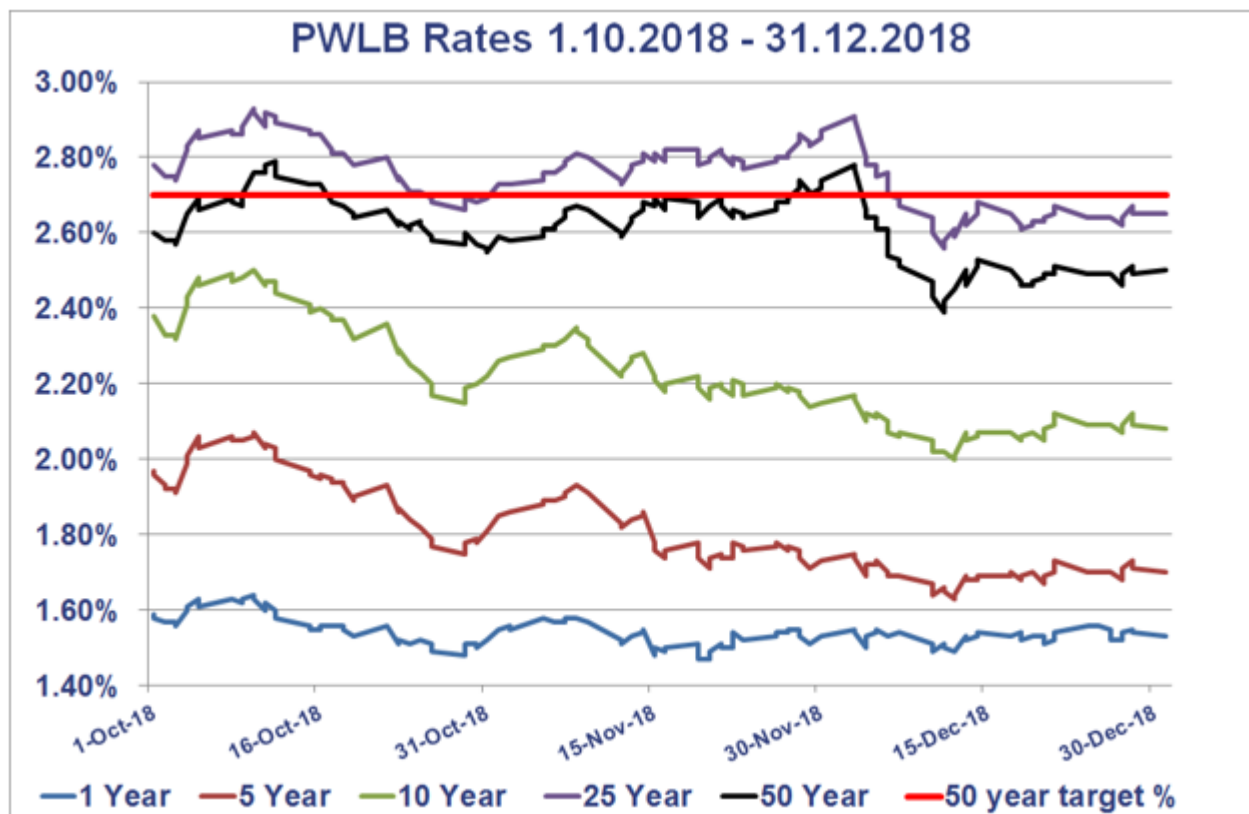
Other Investments	Term	Maturity Date	Opening £	Closing £	Indicative Rate (YTD)	Current Fixed Rate	Interest to Date £
Call Accounts							
Natwest (Cash Manager Plus)			71,193	61,900		0.01%	189
Money Market Funds							
Blackrock Sterling Liquidity First Fund			6,000,000	6,000,000	0.71%		24,632
Blackrock Sterling Government Liquidity Fund			6,000,000	0	0.58%		8,116
LGIM			6,000,000	6,000,000	0.73%		23,704
Aberdeen Life Investments			6,000,000	6,000,000	0.74%		27,392
Insight			6,000,000	1,550,000	0.68%		14,498
Goldman Sachs			6,000,000	6,000,000	0.69%		10,892
Lancashire County Council Call Account			1,680,000	0	0.50%		1,168
Fixed Term Deposits							
Guildford Borough Council	364 days	17/07/2018	0	0		0.53%	7,768
Rugby Borough Council	11 months	29/06/2018	0	0		0.35%	853
Antrim & Newtown Abbey BC	364 days	06/08/2018	0	0		0.37%	3,862
Broxtowe Borough Council	364 days	28/09/2018	0	0		0.40%	1,973
London Borough of Islington	364 days	01/10/2018	0	0		0.40%	4,011
Telford & Wrekin Council	123 days	25/09/2018	0	0		0.55%	7,414
Surrey Heath Borough Council	183 days	16/11/2018	1,000,000	0		0.75%	6,774
Northamptonshire County Council	363 days	01/04/2019	1,000,000	1,000,000		0.70%	5,235
Midlothian Council	31 days	03/01/2019	0	7,000,000		0.63%	3,383
Sub-total			39,751,193	33,611,900			151,864
						Budgeted income	179,250
							(27,386)



5. Borrowing Activities

PWLB rates have not been on any consistent trend during this period.

During the quarter, the 50 year PWLB target (certainty) rate for new long term borrowing varied between 2.40% and 2.70%.



Due to the overall financial position there is no new underlying need to borrow for capital purposes (the Capital Financing Requirement – CFR), therefore no new borrowing was undertaken.

6. Debt Rescheduling

Officers continue to monitor potential saving opportunities associated with the early repayment of existing debt. This takes into account the premiums or discounts associated with early repayment and the projected cost of refinancing or loss in investment interest. Debt rescheduling opportunities have been limited in the current economic climate and following the increase in the margin added to gilt yields which has impacted PWLB new borrowing rates since October 2010. At present it would not be financially prudent to repay any debt because of the high penalties associated with early repayment. No debt rescheduling was, therefore undertaken during the quarter.

7. Compliance with Treasury and Prudential Limits

It is a statutory duty for the Council to determine and keep under review its affordable borrowing limits. The Council's approved Treasury and Prudential Indicators are included in the approved Treasury Management Strategy.

During the quarter ended 31 December 2018 the Council has operated within the approved treasury and prudential indicators and in compliance with the Council's Treasury Management Practices.

8. Other Issues

Changes in risk appetite

The 2018 CIPFA Codes and guidance notes have placed enhanced importance on risk management. Where an authority changes its risk appetite this change in risk appetite and policy should be brought to members' attention in treasury management update reports.

Treasury Management Glossary of Terms

- **Annuity** – method of repaying a loan where the payment amount remains uniform throughout the life of the loan, therefore the split varies such that the proportion of the payment relating to the principal increases as the amount of interest decreases.
- **CIPFA** – the Chartered Institute of Public Finance and Accountancy, is the professional body for accountants working in Local Government and other public sector organisations, also the standard setting organisation for Local Government Finance.
- **Call account** – instant access deposit account.
- **Counterparty** – an institution (e.g. a bank) with whom a borrowing or investment transaction is made.
- **Credit Rating** – is an opinion on the credit-worthiness of an institution, based on judgements about the future status of that institution. It is based on any information available regarding the institution: published results, Shareholders' reports, reports from trading partners, and also an analysis of the environment in which the institution operates (e.g. its home economy, and its market sector). The main rating agencies are Fitch, Standard and Poor's, and Moody's. They analyse credit worthiness under four headings:
 - **Short Term Rating** – the perceived ability of the organisation to meet its obligations in the short term, this will be based on measures of liquidity.
 - **Long Term Rating** – the ability of the organisation to repay its debts in the long term, based on opinions regarding future stability, e.g. its exposure to 'risky' markets.
 - **Individual/Financial Strength Rating** – a measure of an institution's soundness on a stand-alone basis based on its structure, past performance and credit profile.
 - **Legal Support Rating** – a view of the likelihood, in the case of a financial institution failing, that its obligations would be met, in whole or part, by its shareholders, central bank, or national government.

The rating agencies constantly monitor information received regarding financial institutions, and will amend the credit ratings assigned as necessary.

- **DMADF and the DMO** – The DMADF is the 'Debt Management Account Deposit Facility'; this is highly secure fixed term deposit account with the Debt Management Office (DMO), part of Her Majesty's Treasury.
- **EIP** – Equal Instalments of Principal, a type of loan where each payment includes an equal amount in respect of loan principal, therefore the interest due with each payment reduces as the principal is eroded, and so the total amount reduces with each instalment.
- **Gilts** – the name given to bonds issued by the U K Government. Gilts are issued bearing interest at a specified rate, however they are then traded on the markets like shares and their value rises or falls accordingly. The Yield on a gilt is the interest paid divided by the Market Value of that gilt.
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 the money markets, however because of its nature the PWLB is generally able to offer better terms.
- **Link Asset Services** – 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*.

CABINET**12th February 2019****Communities and the Environment- Future Direction****Report of Director for Communities and the Environment**

PURPOSE OF REPORT			
To seek Cabinet's agreement to the strategic direction outlined in the report			
Key Decision	X	Non-Key Decision	Referral from Cabinet Member
Date of notice of forthcoming key decision	7 th Jan 2019		
This report is public.			

RECOMMENDATIONS OF THE DIRECTOR FOR COMMUNITIES AND THE ENVIRONMENT

- (1) Approves the strategic principles outlined in paragraphs 1.5 & 1.6 of this report.
- (2) Agrees the commencement of staff consultation and delegates consequent development and implementation of the proposals to the Director for Communities and the Environment.
- (3) Notes that, where required, further reports on the proposals be brought to Cabinet or Personnel Committee as appropriate.
- (4) Cabinet approves the future use of the Restructuring Reserve as appropriate, subject to minimum reserve levels being retained.

1.0 Introduction

1.1 The Council has highly ambitious plans for enhancing the economy, wellbeing and presence of the area; setting out its priorities and vision for the district to thrive as a vibrant regional centre in the north west of England in its recently published Council Plan.

1.2 The Council Plan sets out our four Ambitions for 2018-22:

- A Thriving and Prosperous Economy
- Clean and Safe Neighbourhoods
- Healthy and Happy Communities
- A Smart and Forward-Thinking Council

- 1.3 The Council has also identified four principles which describe the approach it aims to take in delivering on its ambitions; these are:
- Community Leadership
 - Shaping the Place
 - A Business-Like Approach
 - Valuing Distinctiveness
- 1.4 In parallel with developing a new council plan, a new senior management structure was approved which will ensure the council organisationally is in position to meet the ambitions in the plan, to meet strategic objectives and the financial challenges the council faces in the future. Part of the restructure involved the amalgamation of what was Environmental Services, Health and Housing and Customer Services into one new Directorate of Communities and the Environment. One of the first tasks of the new Director is to reshape the directorate to :-
- a) Maximise the use of our public realm (parks and open spaces) assets to benefit our communities.
 - b) Adopt a service delivery model where the norm is listening to and understanding our communities' needs followed by working to meet these with the full involvement of the community and other partners.
 - c) Align the resources and structure to best meet this model and the ambitions in the council plan.
- 1.5 All three directorates are considering the most effective way of delivering services in the future. Whilst the range of services being delivered by each directorate is diverse the principles of future direction will all be consistent with the Council's Ambitions, Medium Term Financial Plan and financial resilience plan agreed in Funding the Future.
- 1.6 For the Directorate of Communities and the Environment the guiding principles contained in the strategies above, which form the basis for future direction are-
- Working in a commercial way- through improving internally delivered services, establishing new delivery models and income generation.
 - Pursuing efficiency and rigour – by reducing waste and re-engineering processes.
 - Identifying alternative and efficient methods of using limited resources. Including staffing, equipment, vehicles, plant and physical assets.
 - Demonstrating Community Leadership and Shaping the Place through meaningfully involving communities, service users and partners in the design and delivery of services.
 - Fully involving all our staff in the way the strategic direction is delivered. Making the best use of our staff by training, redeployment and reskilling.
 - Being customer focussed and customer- friendly
- 1.7 Reports setting out the future direction of the Directorates for Economic Growth and Regeneration and Corporate Services will be presented in due course.

2.0 Proposal Details

- 2.1 The services delivered by the Directorate for Communities and the Environment have a significant impact on achieving the ambitions of 'Clean, Green and Safe Neighbourhoods' and 'Healthy and Happy Communities'.

- 2.2 The Council plan recognises that delivering ambitious outcomes in the context of the Council's financial position requires a radically different approach. A 'Council knows best' approach is ineffective.
- 2.3 Involving our communities is key to achieving the ambitions of the Council plan. It has never been more important to make sure that local people and community involvement are at the heart of what the Council does. The resources the Council has are precious and it is important that every penny is spent on services and solutions that are right for individual areas. Community involvement covers everything from informing the design and delivery of our services in parks and open spaces, taking a more active role in health and wellbeing, helping reduce anti-social behaviour, watching out for neighbours and friends and actively caring for the area in which the community is.
- 2.4 The Council plan highlights the importance of engaging with residents, businesses and other partners to understand their needs and views, and work with them to develop and deliver plans for positive change. In practical terms this means-
- Actively involving and seeking the views of residents and other partners;
 - Being accessible and transparent;
 - Being on the ground when we are needed;
 - Delivering agreed community outcomes that can be sustained.
- 2.5 A shift to a community focussed approach is not something that will happen overnight. There is no off the shelf model that can be applied. What is important is agreeing the strategic direction and then putting in place tactics that will naturally allow for community involvement.
- 2.6 Work has taken place to look at best practice in other areas (eg Wigan, York, Bolton, Eastbourne, East Riding). Many Councils have adopted an area based approach. This change in organisation allows for greater community involvement, easier access for local democracy, day to day working with partners and direct access to an empowered area based Council officer. Within this District there are several examples of where working on a very local level, in a very different way, often in partnership with others, has had very positive results.
- 2.7 From a customer perspective the different layers of local government within a District Council are a cause of frustrations when problems arise. The lack of clarity is further compounded when other organisations have responsibilities in particular situations. The understandable frustrations then escalate and even more time is wasted in not actually solving the problem. For residents the City Council is a very visible and easily accessible. Taking a positive role as a point of contact to help coordinate multi-agency solutions would-
- capitalise on the visibility of the City Council;
 - improve the customer service offer of the Council;
 - generate efficiencies in the customer service centre.
- 2.8 Due to the size of the Directorate it would be inefficient to disaggregate all services to an area level. It is proposed that a style of area working is adopted, based around enhanced strategic co-ordination role at a local level. This will allow for the delivery of some elements of larger services (e.g. cleansing, grounds maintenance, waste collection) at an area level. For all services this will allow for shaped and improved service delivery through more co-ordinated working with internal and external partners, and by enhanced voluntary sector and community engagement.

2.9 Taking this strategic approach helps inform the organisational structure of the Directorate. A key element of this will be a suggested new team of 'Community Advocates'. This team of three will work closely with Elected Members (on ward level issues), service providers, partners, and the voluntary sector within three defined geographical areas. The team will develop the engagement of a wider range of partners within the area to provide a more cohesive, and efficient approach to service delivery. They will give service teams greater understanding of local community needs, aspirations and expectations, and through closer working identify efficiencies and reduce duplication.

2.10 Each of the members of the team would have a number of key roles-

- Listening to and understanding community needs by immersing themselves in the area.
- To undertake ward 'audits' and identify the extent of local provision such as the number of voluntary and community groups, local activities and physical assets:
- To develop ward profiles using intelligence from the ward audits which will contain data and information that will provide much needed information to wards on which to identify community need and build customer choice. This information will help develop new ward level priorities.
- To liaise with elected members, the community, internal departments and partners and use the ward audits and local intelligence to determine what services are being provided by whom, and to identify and address gaps.
- To liaise with service providers and users be a 'broker' of activity across a ward to maximise or provide new service delivery, improve efficiency and be a problem-solver.
- Once the process is established, expand the audits to include data around health and wellbeing to baseline current health status of an area and inform priorities for health improvement.

EVALUATION

2.11 Subject to the agreement by Cabinet to the strategic direction and then appropriate consultation on implementation the approach will be closely monitored and evaluated. The evaluation criteria will need adjustment for each area, but the below gives examples of how if agreed this approach would be evaluated-

- Service delivery more accurately reflecting the needs of local communities. This approach will improve service delivery and create both quantitative and qualitative efficiencies.
- Partnership working within the wards has increased, and that partnership membership is appropriate to the activity that is required to deliver the identified priorities within the areas.
- New informed and focussed community action plans are driving service delivery at a ward level and partnership members are working together to deliver related outcomes.
- The number of residents engaging with the local decision making process and informing local service delivery is increasing.
- Reduced number of contacts through the customer service centres

- Voluntary sector engagement is increased and involved in delivering local activities.
- Financial savings as a result of closer partnership working, and getting things right first time.
- 'non-cashable' added value activities arising from enhanced partnership and voluntary sector engagement.

2.12 So that this different way of working has clear and tangible outcomes Council owned parks, open space and leisure facilities will be used as a means addressing a wide range of other issues including-

- Adding economic value to the surrounding area
- Positively impacting on physical and mental health
- Benefitting Children and Young People
- Reducing Crime and the fear of crime
- Using open space to bring communities together
- Increasing biodiversity and natural habitat

2.13 Ward Councillors would be a key part of the ongoing evaluation process. The results of evaluation will help ensure that the proposed strategy is delivered as intended. The service delivery model will remain flexible enough to be adjusted as necessary.

WHICH AREAS?

2.14 The areas broadly follow the area footprint the Police and some other partners work to and have 20 ward councillors within each area.-

- AREA 1- Ellet, Scotforth E, Scotforth W, University, John O'Gaunt, Castle, Marsh, Bulk
- AREA 2- Heysham S, Heysham C, Heysham N, Harbour, Westgate, Poulton, Torrisholme, Bare
- AREA 3- Bolton and Slyne, Carnforth and Millhead, Halton, Kellett, Lower Lune, Silverdale, Skerton E, Skerton W, Upper Lune, Warton, Overton

HOW WILL THIS HAPPEN IN PRACTICALLY?

2.15 Shifting to an area based approach represents a significant change. Particularly in terms of providing community leadership and shaping the place. Delivering in this way will complement guiding principles described in para 1.6. What will further support this is considering how the Directorate is best led and organised.

2.16 A restructure of the entire Directorate is currently being planned. This restructure will consist of three stages, which will be accompanied by consultation with those involved.-

- Stage 1 (May 2019) Directorate senior management structure. Appointment of the Community Advocates.
- Stage 2 (Sept 2019) Directorate line management structure.
- Stage 3 (March 2020) Directorate frontline structure.

- 2.17 Stage 1 will be critical in terms of creating the directorate leadership team that will deliver the intended outcomes of the Council's recent senior management restructure.
- 2.18 Prior to the directorate restructure there were ten business units, reporting into three services- public protection, council housing, private sector housing, sport and leisure, customer services, repairs and maintenance, public realm, business support, waste and recycling, town centre management.
- 2.19 It is intended to consult with staff and trade unions on proposed leadership structure consisting of five business units-
- **Public realm** – open space management/ maintenance, parks, street cleansing, waste and recycling, car parks.
 - **Public Protection**- all regulatory / enforcement services- environmental health, licensing, private housing enforcement/ standards, ASB team, community safety, environmental enforcement
 - **Housing**- council housing, repairs and maintenance, home improvement agency, housing options, homelessness.
 - **Business Support**- transport, civil contingencies, building cleaning, safeguarding, health and safety
 - **Community Involvement and Leisure**- Salt Ayre, customer services, area working team.
- 2.20 Reducing the number of business units will allow for greater strategic alignment and create efficiencies. It will also allow for consistency of operation and service delivery. In order to ensure a rationalised leadership team has sufficient capacity to deliver services it will be necessary to strengthen operational line management capacity.
- 2.21 Each business unit will have a service manager. It is intended that the service manager will be selected by May 2019. Postholders directly affected at stage 1 who are not selected as service managers will be managed through the Council's redeployment policy or early termination of employment policy and arrangements. NOTE- (due to vacancies that are currently being managed on an 'acting up' basis) there are five postholders that are directly affected.
- 2.22 Once in post the priority for the service managers will be to work with the Director and Deputy Director to review the line management structures in their service areas.
- 2.23 It is envisioned that this second phase will be completed by September 2019. As outlined at the outset one of the reasons for this is to plan to meet the wider strategic aims of the Council as described in the introduction. A consequence of this is that there will be a reduction in the number of posts on the Council's establishment. However, because of different methods of working and improved efficiency there will not be a negative impact on the delivery of the ambitions of the Council plan and wider strategic aims.

3.0 Details of Consultation and Communication

- 3.1 The approach outlined has been developed from consideration of best practice in a number of different organisations. It has also taken into account Elected Member views drawn from a number of different forums (including Cabinet, Overview and Scrutiny, Budget and Performance).
- 3.2 The proposals outlined have a direct impact on staff. The immediate impact is on the staff who currently report directly to the Director and Deputy Director. Cabinet are

asked to agree the direction outlined. How this is delivered in organisational terms will be the subject of extensive consultation with staff and their representatives.

4.0 Options and Options Analysis [including risk assessment]

4.1 Option 1- to agree the recommended strategic direction that has been outlined in the report as it provides the intended outcomes of the Council's senior management structure, Council plan and financial context. The report outlines the steps that will be put in place to monitor the effectiveness of this new way of working.

4.2 Option 2- to maintain status quo. This will fail to achieve the above.

5.0 Officer Preferred Option (and comments)

5.1 Option 1 – as outlined above.

6.0 Conclusion

6.1 Successful delivery of the council's ambitious plans will require a new approach especially in the context of reducing resources and increasing customer demands. The proposals outlined in this report put our residents and communities at the heart of our front line service delivery, improves collaboration with other partner agencies and generates ongoing revenue savings.

RELATIONSHIP TO POLICY FRAMEWORK

As set out in the report

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

As set out in the report

LEGAL IMPLICATIONS

Any restructure/reorganisation has inherent risks for potential claims of unfair dismissal, discrimination and breach of contract.

Although there is an impact on staffing numbers, the threshold for collective redundancy is unlikely to be triggered. It is still important that staff and the union are consulted in a meaningful way and the proposed reorganisation should not be presented as a fait accompli.

In addition, the Council must be cognisant of the wider definition of redundancy under sections 188-198 of TULR(C)A 1992. The definition of redundancy includes where the employer proposes to vary employees' contracts in order to offer new contracts on different terms. It also covers the scenario where the proposal is to redeploy staff following redundancy on substantially different contracts, and can also cover voluntary redundancies. These scenarios may inadvertently increase the number of employees to 20 or more to trigger the collective consultation requirements.

Any collective agreement needs to be complied with and/or consideration of Information and Consultation of Employees Regulations 2004.

Best practice approach should be adopted to mitigate any legal risks i.e. equality impact assessment in relation to protected characteristics under the Equality Act 2010, and also impact on atypical workers such as part time-employees or employees on fixed-term contracts; change management.

FINANCIAL IMPLICATIONS

Initial costings have taken place regarding the subsequent restructure should this report be approved. As documented elsewhere on this agenda, a very conservative savings figure of £130K has been included in the draft revenue budget for 2019/20 due to phasing of the changes. It is expected that significant further annual savings should be achievable in future years once the new structure is in place.

It is hoped that any changes required resulting from future restructures will be met through natural wastage and redeployment where appropriate. However, should this not be achievable, it is requested that any costs will be met from the Restructuring Reserve for which Cabinet approval is now sought. For information, the balance of the reserve is projected to be £532K as at 1st April 2019.

All savings arising from the subsequent restructures will be monitored via the usual corporate monitoring arrangements prior to inclusion in future budget projections.

OTHER RESOURCE IMPLICATIONS, such as Human Resources, Information Services, Property, Open Spaces:

As set out in the report

SECTION 151 OFFICER'S COMMENTS

The Section 151 officer has been consulted and has no further comments

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments

BACKGROUND PAPERS

NONE

Contact Officer: Mark Davies

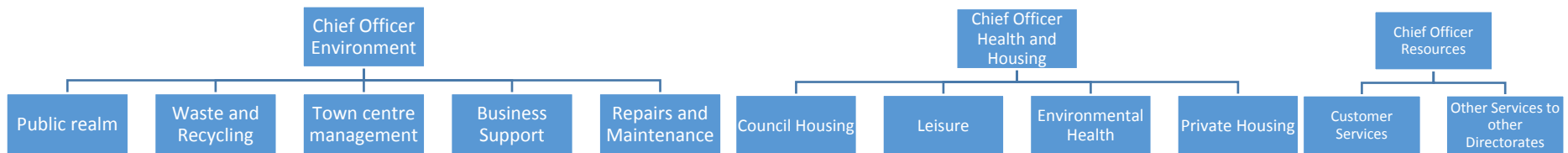
Telephone: 01524 582401

E-mail: mdavies@lancaster.gov.uk

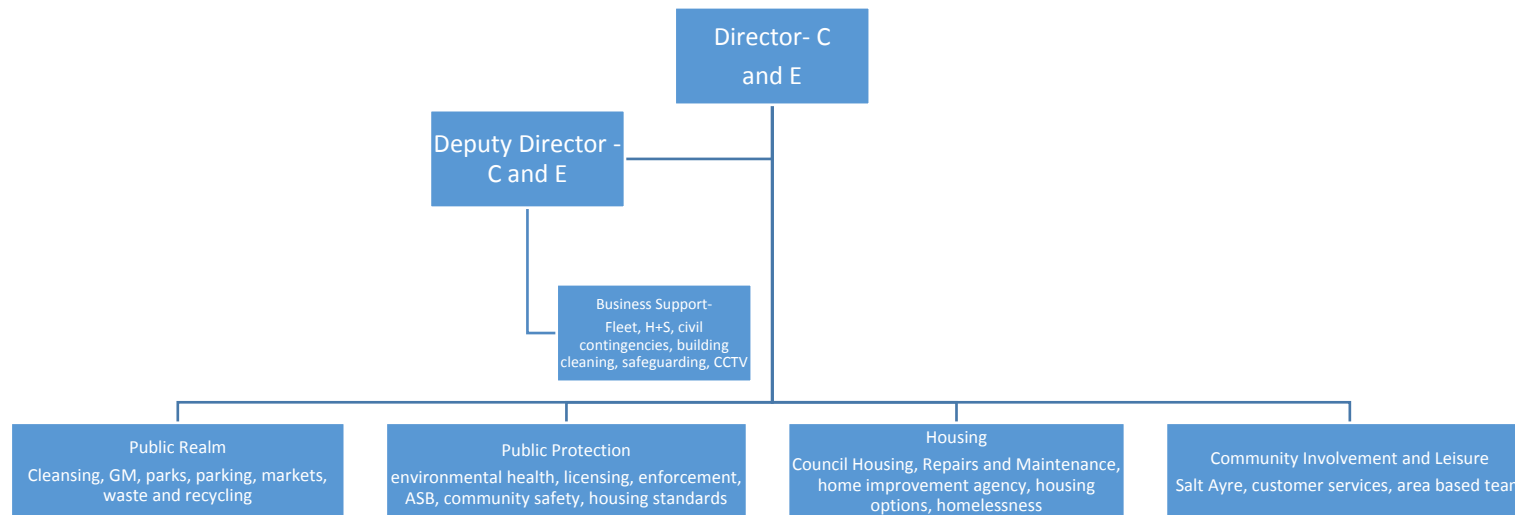
Ref: [Insert reference, if applicable]

APPENDIX

A- Pre directorate Service Units



B- Proposal for Service Units – for consultation.



CABINET

**Cabinet Liaison Group- Climate Change
12 February 2019**

**Report of the Director for Communities and the
Environment**

PURPOSE OF REPORT				
To allow Cabinet to consider whether to establish a climate change liaison group				
Key Decision		Non-Key Decision	X	Referral from Cabinet Member
Date of notice of forthcoming key decision		Not applicable		
This report is public.				

RECOMMENDATIONS OF COUNCILLOR DARREN CLIFFORD

- (1) That Cabinet establishes a climate change liaison group and, if so, agrees the terms of reference a set out in appendix A.

1.0 Introduction

- 1.1 The Council plan includes the ambition of ‘clean, green and safe neighbourhoods’. To contribute towards this the Council has joined the UK100 network of local government leaders committed to transitioning towards 100% green energy by 2050.
- 1.2 A detailed plan for achieving this needs to be developed.
- 1.3 It is recognised that there are already many examples of best practice from other Councils that can help, as well as considerable expertise within the District.

2.0 Proposal Details

- 2.1 To help inform the plan and future policy the cabinet portfolio holder recommends the establishment of a cabinet liaison group with the terms of reference attached in appendix A.

3.0 Details of Consultation

3.1 None at this stage

4.0 Options and Options Analysis (including risk assessment)

4.1 The option is to agree to the principle and the terms of reference as attached.

<p>RELATIONSHIP TO POLICY FRAMEWORK The aims and objectives of the climate change liaison group will be aligned to support the Council plan</p>
<p>CONCLUSION OF IMPACT ASSESSMENT (including Health & Safety, Equality & Diversity, Human Rights, Community Safety, HR, Sustainability and Rural Proofing) None directly arising at this stage</p>
<p>LEGAL IMPLICATIONS None directly arising at this stage</p>
<p>FINANCIAL IMPLICATIONS None directly arising at this stage</p>
<p>OTHER RESOURCE IMPLICATIONS Human Resources: None Information Services: None Property: None Open Spaces: None</p>
<p>SECTION 151 OFFICER'S COMMENTS The s151 Officer has been consulted and has no further comments.</p>
<p>MONITORING OFFICER COMMENTS The Monitoring Officer has been consulted in the drafting of this report and has no further comments. Cabinet Liaison Groups are set out in the constitution, Part 4, Rules of Procedure, Section 4 Cabinet at paragraph 29.</p>

Cabinet Liaison Groups

(a) Cabinet Liaison Groups are not an essential body but may be created to take forward business. However, they are purely consultative and not decision-making. They will be chaired by a member of Cabinet and there is no restriction on size although the group must be limited to what is manageable and effective for their purpose. They may be time limited or of longer standing, again depending on their purpose.

(b) The participants in the Group will be by invitation of the Chairman and can be made up from any or all of the following:

- Other members of Cabinet - Others from outside the council
- Other members of Council not on Cabinet - council officers.

(c) Terms of Reference: Their Terms of Reference are to share information about a particular topic, e.g. e-government, and develop effective consultation and communication links with community groups and other bodies with an interest in the subject area. In this way, individual Cabinet members will have a wider information and advisory platform to inform executive decision-making and policy effectiveness.

(d) Specific outcomes from their meetings may generate requests for pieces of work to be undertaken by officers or partner bodies. Alternatively, it could be a request to Overview and Scrutiny to set up a Task Group to undertake a specific piece of work. There could also be specific reports to Cabinet, Committees of Cabinet, individual Cabinet members, or other Committees of council recommending action for determination.

(e) Each Liaison Group will have their terms of reference and expected outputs approved by Cabinet before they meet.

BACKGROUND PAPERS

None.

Contact Officer: Mark Davies

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E-mail: mdavies@lancaster.gov.uk

CLIMATE CHANGE CABINET LIAISON GROUP

Chairman:

- Cabinet Member with Special Responsibility for Climate Change**

Composition

- Up to 10 members of the group
- Open invitation to all Councillors from all political groups
- No substitute members attending
- The Chairman may invite other representation to join the group

Terms of Reference

1. To advise the Cabinet member and Cabinet on how to achieve 100% clean energy across the council's full range of functions by 2050, in a way that complements our other aims and objectives, is ambitious and cost effective
2. To assist the Cabinet member and Cabinet to best work in partnership with our residents, and stakeholders to deliver against this commitment.
3. To assist the Cabinet member and Cabinet to develop a plan by 2021 that sets out how the Council will practically achieve this ambition.
4. To invite and consider external presentations and examples of best practice.
5. To assist with consultation with business, public and other stakeholders and to advise the Cabinet Member of outcomes.
6. To gather existing information on the District and City Council to identify the priority areas and to establish a baseline to monitor progress.
7. To meet every two months.