
Cabinet

Report of the meeting held on 17th September 2015.

Matters for Information

18. ONE LEISURE – SIX MONTH UPDATE REPORT

At the Cabinet meeting in March a report was presented on the performance of One Leisure and having considered the comments of the Overview and Scrutiny Panel (Social Well-Being) (Item No. 13 of their report refers) at the request of the Cabinet a further report has been presented to provide an update on the progress made to date.

The progress made is as follows:

- The financial performance has improved significantly. The 2014/15 final outturn for One Leisure has a deficit of £61k which is an improvement of £314k compared to the previous financial year;
- One Leisure has been in profit for the final quarter of last year and once the expenses and income has been correctly profiled, remains in monthly profit to date;
- 2014/15 admissions have showed an increase in attendance of 9% against the previous year and is currently showing a year to date improvement of 2%;
- The outcome of Phase I management restructure has been implemented and Phase II is currently in progress;
- Following a review of financial performance and usage patterns at One Leisure Sawtry and a consultation exercise with current users, a rationalisation of opening times is being implemented;
- The implementation of the new membership packages was introduced in April, this has shown a net growth in the membership base to July of 427 members compared to a net loss of 391 member for the same period in 2014;
- The latest forecast suggests the Group is on target to reach the annual budget surplus of £343k (before capital charges of £165k).

Although the management restructuring is in its early stages, the lines for reporting and accountability have become clearer which assists with each individual member of staff being able to understand how they contribute to the drive and deliverability of a customer focussed service.

The new membership packages introduced in April 2015 means that Members are now only paying for the services they use at a fairer and more competitive price. Currently 5.5% of Members cancel their

membership each month which is better than the industry standard. A key future focus is to retain Members beyond the average length of membership of 9 months.

The Cabinet recognises that the two smaller sites at Ramsey and Sawtry operate at a loss. However, with the various changes to opening times, management structure and other proposals the annual deficit will reduce to an acceptable level. The Cabinet were pleased to note that the value these two sites have to the local community has been recognised as they will remain operational albeit at a rationalised level.

It has been explained that the staffing structure at Sawtry and Ramsey will be combined. Relations between One Leisure Ramsey and the Abbey College have improved as there is an agreement in place to enable the College to use the facilities. Discussions with Sawtry Academy have commenced regarding relations between One Leisure and the Academy Management Team, with a view to increasing the access for the Academy to use the facilities when they are not open to the public, specifically the swimming pool and sports hall.

Before the opening times of Sawtry were rationalised, a comprehensive review of usage patterns was undertaken, along with a consultation process with users to ascertain current and future usage patterns. It is intended that customer focus groups will be introduced throughout all of the sites.

The Cabinet has commended the Executive Councillor and all Officers for the significant progress made as improvements have been remarkable.

19. CORPORATE PLAN & FINANCE – INTEGRATED PERFORMANCE REPORT

Having considered the comments of the Overview and Scrutiny Panels (Social Well-Being), (Economic Well-Being), (Environmental Well-Being) (Item No's. 11, 16 and 16 of their reports respectively refer), the Cabinet has considered and commented on progress against the Key Activities and Corporate Indicators listed in the Council's Corporate Plan for 2015/16 for the period 1st April to 30th June 2015 and progress on the current projects being undertaken at the Council.

The Cabinet has also considered and commented on the Council's financial performance on revenue and capital spend as at the end of June 2015.

It was noted that as at the end of June 2015 the majority of capital projects have not commenced. Following the Cabinet meeting in February 2015 where it was approved, as recommended by the Finance Governance Board, that the capital programme be reduced by £1.428m, the revised process now requires business plans to be submitted to the Finance Governance Board before funds are

released. In future the only capital programmes that are automatically carried forward from the previous financial year and approved is where a contractual obligation exists.

It was further noted that the Council is not on target to deliver against the New Homes Bonus. There was a level of frustration amongst the Cabinet as the three large sites identified within the Local Plan for development all have received planning permission yet there is no sign of significant development on any of the sites in the near future.

The report has been well received by all three Overview and Scrutiny Panels and a Project Management Select Committee – 6 Month Review report is due to be presented to the Overview and Scrutiny (Economic Well-Being) Panel in October 2015.

The report presented to the Cabinet includes a breakdown of projects including the purpose of the project and comments from the Programme Office as to the current status of each project, allowing for greater transparency and ensures visibility on how the project is progressing.

There is now greater consistency in the quality of the Performance Indicator data which has been collected in accordance with standardised procedures.

The Cabinet acknowledged that the Council is in a challenging position. However, financially it is in a much better position than many other Authorities. Members and Officers should be proud of the achievements and the progress made against the Council's ambition of not being reliant on Central Government Funding.

20. CIVIL PARKING ENFORCEMENT

Having considered the comments of the Overview and Scrutiny Panel (Environmental Well-Being) (Item No.14 of their report refers) the Cabinet has been provided with the outcome of the review into the desirability of the Council supporting the County Council to adopt Civil Parking Enforcement (CPE) powers.

The Cabinet has endorsed the outcome of the review and has agreed that the Council should not commit to being the County Council's agent for CPE in Huntingdonshire on the basis that the case for such powers has not yet been made and such powers are not financially viable.

The Cabinet has agreed that the Parking Service should engage with the County Council about the development of a comprehensive traffic management strategy for Huntingdonshire that includes funding by the County for the infrastructure costs if the strategy proposes a Civil Enforcement Area (CEA) for the District.

Although the creation of a CEA in Huntingdonshire is operationally desirable it is not financially viable. In order for the Council and County Council to adopt the powers required for CPE there are initial

set-up costs with an on-going net operating cost per annum, increasing year on year with inflation.

Although the Police will support the application they have deprioritised on-street parking enforcement because of the pressure on their resources and this would suggest that they have evaluated that illegal street parking is not a substantial issue. No resources would transfer from the Police to the Council to support the CEA.

It was noted to the Cabinet that during the discussions at the Overview and Scrutiny Panel (Environmental Well-being) some Members had expressed concerns about parking issues within their wards. Further work is to be undertaken to establish the nature and extent of such issue. However, it was noted that CPE would not necessarily resolve these issues.

The Cabinet have fully supported further engagement with the County Council to investigate whether there is a desire to develop a more holistic traffic management strategy for Huntingdonshire.

21. IMPLEMENTATION OF AUDIT ACTIONS

Having considered the comments of the Overview and Scrutiny Panel (Economic Well-Being) (Item No. 19 of their report refers) the Cabinet has considered, via a recommendation from Council at their meeting on 29th July 2015, the 13 Internal Audit Actions outstanding as at the 30th April 2015.

The Corporate Governance Panel at its meeting on 3rd June 2015 expressed concern at the outstanding audit actions and wanted these issues to be highlighted to the Cabinet. Subsequently the Panel recommended to the Council that it requests the Cabinet take appropriate action to address their concerns.

Of the 13 recommendations that were not implemented when reported to the Corporate Governance Panel:

- 4 recommendations are now fully implemented;
- 4 recommendations are partially implemented; and
- 5 recommendations are not implemented.

By the end of October 2015 all recommendations, with the exception of one, are scheduled to be fully implemented.

The Cabinet have requested that the relevant Executive Councillors ensure that recommendations are implemented where appropriate in line with the revised deadlines (as detailed in Appendix 1 of the Officer's report) and report to the Cabinet if the revised deadlines are not achieved.

22. COMMERCIAL INVESTMENT STRATEGY

Having considered the comments of the Overview and Scrutiny Panel (Economic Well-Being) (Item No. 17 of their report refers) the Cabinet has approved the Commercial Investment Strategy (CIS) and the 'as is' model of governance arrangements.

In order to achieve the Council's ambition to reduce reliance on Central Government funding, a funding gap of £8.2m must be addressed by 2019/20. Income generation is one business activity that will assist to address the funding gap.

The Council's current commercial estate generates a net return of £1.5m (7.2% of the £20.8m value of the estate) and the Council has established a 'Capital Investment Earmarked Reserve' to provide a source of funding for further investment in assets generating a revenue cash flow. The CIS establishes the parameters and governance arrangements for managing this investment.

A Business Plan is currently being drafted to be presented to the Cabinet for approval. The Business Plan will establish the parameters for the Loan to Value of each type of investment to ensure that additional borrowing is affordable and that there is adequate security over direct capital investment in assets.

The governance structure for the CIS must allow the Council to trade on a commercial basis and also recognise the statutory and political boundaries. The report to the Cabinet advised of the two options available to the Council. The preferred option approved by the Cabinet is for the 'as is' position which will make use of existing resources and will ensure Members are involved in relevant decisions through the Treasury and Capital Management Group. The governance structure will ensure regular reporting to Members

At the Council meeting in July 2015 amendments to the Constitution were approved to reflect the Disposal and Acquisitions Policy to provide new financial thresholds for the disposal and acquisition of land and property and subsequently a greater delegated decision making powers to allow Senior Officers and Members to act and take decisions on disposals and acquisitions of land and property.

The issue of risk was discussed amongst the Cabinet and it was explained that this was considered within the CIS. It is not proposed that the Council concentrates on one type investment, for instance commercial property. The CIS identifies a range of investment strategies with different financial, risk and timing profiles. Initial investment will focus on lower risk investments, with potential risk and reward to be increased over time. The Business Plan will set out risks and mitigation for the types of investments planned each year.

The amount of savings that the Council is required to generate will be impossible to deliver without an impact on services, therefore the Cabinet considers that there is a bigger risk in doing nothing. The Cabinet are in agreement that they want to make Huntingdonshire a

better place and are mindful that in implementing the CIS risks must be mitigated appropriately.

23. ZERO BASED BUDGETING UPDATE: PREPARATION FOR THE 2016/17 BUDGET AND MEDIUM TERM FINANCIAL STRATEGY

Having considered the comments of the Overview and Scrutiny Panel (Economic Well-Being) (Item No. 18 of their report refers) the Cabinet has been provided with an update on the Zero Based Budgeting (ZBB) process in preparation for the 2016/17 Budget and Medium Term Financial Strategy (MTFS).

As part of the budget setting cycle for 2016/17, the Council is continuing the ZBB exercise that started during the last financial year in preparation for the 2015/16 budget. The ZBB process is split into a number of Tranches, with Tranche 1 having been undertaken during the Autumn of 2014 (in which £1.8m was removed from the Council's 2015/16 budget) and Tranches 2 and 3 are being undertaken during 2015/16.

In preparation for 2016/17 budget setting, Tranche 2 commenced in April 2015 and concluded with a Cabinet led Star Chamber in mid-July 2015. Tranche 3 commenced in August and the associated Star Chamber is scheduled for November 2015

In addition to the above ZBB reviews, other budget activity is being undertaken including a:

- series of ZBB 'light' reviews for those services that were 'heavy' reviewed during Tranche 1 in the last financial year; and
- two cross-cutting ZBB review's, namely administration support and design-service.

The confirmed 2019/20 savings accumulated from Tranche 2 of the ZBB process that can be included in the budget savings for 2016/17 are £1.372m. However, there is a potential further £12,000 which may be able to be secured once a LEAN review is completed within the Licensing Service (this would give a total ZBB Tranche 2 saving of £1.384m). The conclusion of this review will be reported to the November 2015 Star Chamber and Cabinet thereafter. The detailed service changes as a result of Tranche 2 are detailed in Appendix 1 of the Officer's report.

The Cabinet has agreed that the benchmarking information provided by Pixel Financial Consulting has been useful in the process as a comparison against other Authorities.

The Cabinet has expressed appreciation to the Executive Councillors and Officers that had been involved in the ZBB process.

24. LANGLEY COURT – LOAN TO LUMINUS

Having considered the comments of the Overview and Scrutiny Panel (Economic Well-Being) (Item No. 20 of their report refers) the Cabinet has agreed:

1. to the transfer of the grassed area (as identified in Appendix 1 of the Officer's report) at the front of Langley Court to Luminus, subject to a clawback arrangement as per paragraph 3.5 of the Officer's report; and
2. to the continued support of the Langley Court development by the provision of loan finance at nil cost to the Council;
3. that the Head of Resources, as the Section 151 Officer, be authorised to make the loan following consultation with the Executive Councillor for Resources (and a satisfactory Due Diligence report from the Council's Treasury Management Advisors).

The need for extra care for older people in St Ives is a priority in the Council's Housing Strategy 2012-15. Luminus had an outdated sheltered scheme in Langley Close, Ramsey Road, St Ives and planned to demolish the scheme and redevelop a new extra care scheme in its place consisting of 55 one and two bedroom flats. Luminus has supported residents to move out of the original building, the new building has planning permission and ground works have commenced.

There is a grassed area to the front of the site, bordering the car park which is owned by the Council. To make best use of the site, Luminus would like to use this space to form part of the car park and green space for the scheme. To enable this to happen, this Council would need to transfer ownership of the green space to Luminus. Any potential transfer will be subject to a clawback arrangement so that if the site is ever sold in the future, the monetary equivalent of the land value reverts to this Council. The grassed area does not have any standalone development potential, given its proximity to the street and the surrounding buildings, and therefore transferring it to Luminus would be in line with the Council's forthcoming Asset Strategy.

Legal advice has been obtained to give assurance of the Council's legal position in relation to the loan. A specialist consultant has been appointed by this Council to help arrange the loan facility for Luminus. The heads of terms for the legal agreement have been drafted and the due diligence is underway. These fees will be reimbursed by Luminus.

At the time of drafting the report the specific loan details are yet to be finalised. However, the loan will not have a negative financial impact on the Council as Luminus will be repaying the loan in full including a margin of 1.5% over the 30 year term of the loan. The net loan finance to be arranged by the Council in respect of the development itself is £5m. It is anticipated that Luminus will draw down their loan

at various stages of the development process, consequently the Council will draw down the loan from the Public Works Loan Board in similar tranches.

Financial security during the development phase will be Brook House, which is owned by Luminus Finance Limited. As the development comes to practical completion the intention will be to transfer this to the Langley Court development itself.

The Cabinet were keen to support the proposals as a need for additional care for older people in the area had been identified as a priority in the Council's Housing Strategy. The Cabinet were satisfied that the risks regarding the loan to Luminus were well mitigated.

25. SAFETY ADVISORY GROUP

The Cabinet has received the report of the Safety Advisory Group meeting held on 3rd June 2015.

J D Ablewhite
Chairman