



LATE REPORTS, URGENT BUSINESS and SUPPLEMENTARY INFORMATION

Cabinet

Tuesday, 11 November 2008

The following reports were received too late to be included on the main agenda for this meeting and were marked 'to follow'. They are now enclosed, as follows:

Agenda Item Number	Page	Title	Reason for Late Report	Officer Responsible For Late Report
9	1 - 13	2009/10 CORPORATE PLAN REFRESH - UPDATE	Appendix received after publication of the Agenda.	Corporate Director (Finance and Performance)

Agenda Item Number	Page	Title	Reason for Late Report	Officer Responsible For Late Report
11	14 - 32	MEDIUM TERM FINANCIAL STRATEGY UPDATE	Received after publication of the Agenda.	Head of Financial Services

Agenda Item Number	Page	Title	Reason for Late Report	Officer Responsible For Late Report
14	33 - 41	CHATSWORTH GARDENS, MORECAMBE REGENERATION PROJECT - SITE ASSEMBLY	Received after publication of the Agenda.	Corporate Director (Regeneration)

**CORPORATE PLAN PRIORITIES - PROGRESS MONITORING
OCTOBER 2008**

TO DELIVER COST EFFECTIVE SERVICES THAT PROVIDE VALUE-FOR-MONEY

The Council is committed to keeping Council tax rises to a maximum of 4.0% in 2009/10 and 4.0% in 2010/2011 in order to meet the targets set out in its Medium Term Financial Strategy (MTFS). At the same time we must ensure that the capital programme remains affordable. Unsupported borrowing must be kept to a minimum. Key to this is ensuring that the money we have is spent on our corporate priorities set out in this Plan and that value for money is achieved.

The most severe threat to the financial stability of the Council is the cost of repairing and maintaining our buildings. We need to reduce these long term costs as part of the ongoing accommodation review within the Access to Services Action Plan.

Priority Outcomes	What we will do	Key Performance Indicators	Update position
1. Continue to evaluate our services to ensure they are delivered in the most efficient and cost effective way	<p>Deliver service improvement targets through business plans and achieve the efficiency targets in the Corporate Improvement and Efficiency Plan, Medium Term Financial Strategy (MTFS) and in the Comprehensive Spending Review (CSR07)</p>	<p>NI 179 Value for money – total net value of on-going cash-releasing value for money gains that have impacted since the start of the 2008/09 financial year.</p> <ul style="list-style-type: none"> • cashable savings achieved in 2008/09. • cashable savings achieved in 2009/10. • cashable savings achieved in 2010/11. <p>£699K of MTFS target savings by March 2009, and £1,155K cumulative savings by March 2010.</p>	<p>NI 179 is an annual target and will only be calculated at the year end. Although the proposed method for calculating this NI has still to be agreed, estimated details for 2008/9 have been submitted in accordance with the agreed timetable. Cabinet has begun the annual Star Chamber exercise to identify efficiencies to meet the targets included in the medium term financial strategy. A revised methodology was agreed Cabinet on 2 Sept (minute 51 refers). An updated MTFS report has been prepared for November's Cabinet.</p>
2. Keep the City Council element of Council Tax increase to acceptable levels.	<p>Reduce sickness absence</p> <p>Keep annual Council Tax increases to a minimum in 2009/10 and 2010/11.</p>	<p>Reduce from 10.3 days in 2007/8 to average of :-</p> <ul style="list-style-type: none"> • 10 days for 2008/9 • 9.75 days for 2009/10 • 9.5 days for 2010/11 <p>2009/10 Council Tax increase below 4.0%</p> <p>2010/11 Council Tax increase below 4.0%.</p>	<p>The latest available figure, at the end of September 2008, was an average of 4.28 days compared with 4.23 days at the same time in 2007/08. At this stage, it is expected that the target will be achieved.</p> <p>The agreed budget and policy framework timetable sets out the process for achieving these targets in conjunction with the information above in respect of identifying efficiency savings.</p>

PROVIDE CUSTOMER FOCUSED, ACCESSIBLE SERVICES

Lancaster City Council has been transforming its services both to better meet the needs of local residents and businesses and also to deliver more efficiency gains.

We must continue to exploit the opportunities offered by new technologies to improve the way we deliver services to our communities whether face to face or telephone by increasing the range of services we offer through our customer service centres in Morecambe and Lancaster Town Halls.

We need to continue to improve our website so that more and more of our customers are able to access our services in ways that are more convenient to them. Our Services will continue to employ the latest technologies to help them become more customer centred and efficient.

We must also continue to work hard to ensure there is equality of access to all of our Services.

Priority Outcomes		What we will do	Key Performance Indicators	Update position
3. Provide customer focused accessible services.	Progress the Access to Services programme by moving the customer facing element of more services into the new face to face centres.	Service Delivery – percentage of services where initial access can be via Customer Service Centres – either face to face, via the telephone or electronically March 2009 – 47% March 2010 – 85%	Moving the initial contact for Strategic Housing services into Customer Service Centres has increased the percentage and the indicator is currently on target. Completion of the targets for future years will depend on the continued commitment to deliver the Access to Services project to integrate all council services into the Customer Service Centres in accordance with the schedule for locating services into the two town halls	
	Reduce avoidable contact from citizens.	NI 14 – proportion of contacts that signify poor use of customers' and officers' time across all service channels, across key service areas Year 1 – establish a baseline for NI 14. Year 2 – reduce NI 14 by 25%. Year 3 – reduce NI 14 by 50%.	No targets set nationally other than to improve year on year. Project proceeding in accordance with plan to identify a baseline figure for 2008/9. Project group has been formed, scope and methodology agreed and baseline sampling window agreed for Jan 2009. Currently identifying key officers for training from each service and overall training approach agreed with HR. On schedule to deliver 2008/9 baseline information in line with the agreed timetable.	
	Improve score against Equality Standard for Local Government	Level 2 – March 2009 Level 3 – March 2011	No work has been undertaken on this, pending Cabinet's proposed reconsideration of community cohesion issues in November 2008. There are currently insufficient staff resources to undertake this work.	

Priority Outcomes	What we will do	Key Performance Indicators	Update position
4. Develop a service culture that embraces transformational change	Publish consistent, measurable service standards.	Completion of Council A to Z with service standards published by July 2008.	Preparation of the Council A to Z has been subsumed into the review of the Council Tax leaflet. It is now proposed to include the A to Z in this leaflet in March 2009 and not as a separate document.
	Provide training for all customer facing staff	100% of customer facing staff trained by March 2009	The training is ongoing, but will not be completed until May/June 2009. The delay was as a result of the work on Investors in People taking precedence, and a vacancy in the Learning and Development Admin. Assistant Post.
	Co-locating staff from partner and voluntary organisations in our Customer Service Centres –	2 Agencies in place. June 2008 4 Agencies in place by June 2009	Two agencies are in place in our Customer Service Centres. CAB and Pensions Service. Target achieved.

TO MAKE OUR DISTRICT A CLEANER AND HEALTHIER PLACE

Residents' satisfaction with street cleanliness has increased to 72% (allowing for deprivation indices adjustment) in a recent survey. Residents satisfaction with our waste collection service is 81% Our residents still want to see higher standards and we want to improve further

71% of residents are satisfied with recycling facilities, and we have met statutory government targets. The ongoing roll-out of the 3 stream waste collection will be completed this year and plastic is being collected as a recyclable item. But we know our residents want us to do still more. We understand that this is a high priority for them, so it must also be a high priority for the Council.

Improving the cleanliness of our streets and open spaces continues to be an over-riding priority for this Council.

Life expectancy between the more affluent and most deprived parts of our district varies by as much as ten years. These unacceptable health inequalities must be tackled across a range of partnerships but there are a number of areas we can influence directly – housing, promoting healthy activities, food and accident prevention.

Priority Outcomes	What we will do	Key Performance Indicators	Update position
<p>5. Cleaner streets and public open spaces</p>	<p>Improve the cleanliness of our streets and public spaces</p>	<p>NI 195 – improved street and environmental cleanliness (levels of graffiti, litter, detritus and fly posting).</p> <p>Litter – 2008/09 – 15%, 2009/10 – 12%, 2010/11 – 10%.</p> <p>Detritus – 2008/09 – 7%, 2009/10 – 6%, 2010/11 – 5%.</p> <p>Fly-posting – 2008/09 – 1%, 2009/10 – 1%, 2010/11 – 1%.</p> <p>Graffiti – 2008/09 – 3.5%, 2009/10 – 3%, 2010/11 – 2.5 %.</p>	<p>On target.</p>
	<p>Reduce dog fouling incidents</p>	<p>NI 196 – reduce incidents of fly-tipping and increase levels of enforcement ; Improve DEFRA rating from 4 to 3</p> <p>Achieve checklist of dog related enforcement activities against best practice checklist</p> <p>2008/9 70% achieved</p> <p>2009/10 80% achieved</p> <p>2010/11 100% achieved</p>	<p>Too early in year to estimate. Monitoring being undertaken.</p> <p>On target to achieve 70% by the end of March 2009.</p>
<p>6. Reduce waste in the district by recycling and re-use</p>	<p>Complete the recycling and waste management programme.</p>	<p>NI 192 – household waste recycled and composted.</p> <p>Target 2008/09 – 33%</p> <p>Target 2009/10 – 36%</p> <p>Target 2010/11 – 40%</p>	<p>On target.</p>
	<p>Continue to develop the recycling of commercial waste.</p>	<p>Target 2008/09 – 5%</p> <p>Target 2009/10 – 15%</p> <p>Target 2010/11 – 25%.</p>	<p>On target for 2008/09.</p>

Priority Outcomes		What we will do		Key Performance Indicators		Update position		
7. To contribute to health improvement and reduce health inequalities through both delivery of our own services and our work with partners	Improve the quality of activity for children and young people and raise the standards of delivery of PE and out of hours opportunities across the district	NI 57 – Children and Young People's participation in high quality PE and sport (- independent provided by DCFS)	NI 110 Young People's participation in positive activities (reported via DCFS)	Local authorities to supply data to the DCSF via the Client Caseload Information System (CCIS).	Reporting organisation is the Department for Children Schools and Families (DCSF). Indicator was referred recently for more consultation, expected to be finalised by April 2009.			
	Use the baseline year of Place Survey to track 10% difference in life expectancy between our most deprived ward and the least deprived ward	NI 119 – self-reported measure of people's overall health and wellbeing NI 137 – healthy life expectancy at age 65			Collection is proposed through the new Place Survey which commenced this October. Results due early 2009.			
	Implement Cycling Demonstration Town programme	Increase no. of trips by 5% for 2008/9 and review future targets if bid for programme extension approved			Rate of increase on target. Bid for further 3 years funding successful.			

CONTRIBUTE TO A SAFER SOCIETY

Tackling crime, the fear of crime and anti-social behaviour are of paramount importance to the public and are identified as key priorities. Our residents believe that a low level of crime is the most important thing in making our district a good place to live.

The Council will continue to play a leading role in the Community Safety Partnership in tackling criminal damage and alcohol related violence in the district.

The Council is doing even more to mainstream community safety effectively within Council Service Business Plans. We will focus more strongly on enforcement in the coming year.

Priority Outcomes		What we will do		Key Performance Indicators		Update position	
8. To reduce crime and the fear of crime and to help residents feel safer in their communities	Work with our partners in the Community Safety Partnership to deliver the partnership's crime reduction targets.	Reduction in criminal damage. Reduce by between 16% -19% to April 2009 (year 4 of a 4 year target)		Criminal damage statistics are on amber at present. The target is 3057 by end March 2009 (2851 stretch). Figures for Q1 is 776 and for Q2 738. A Criminal Damage action plan will be produced as part of the CS Plan and LSP Action Planning.			

Priority Outcomes	What we will do	Key Performance Indicators	Update position
		<p>NI 37 – awareness of civil protection arrangements in the local area</p>	<p>The Council now has updated Civil Contingency, Community Recovery, and Emergency Plans in place. The Council's District Emergency Control Centre at Lancaster Town Hall has been improved and similar facilities are being developed at Morecambe Town Hall. A Community Cohesion exercise (Act Now) was successfully held in July and other exercises to test the resilience of the Council's Emergency Plan are scheduled for later in the year. A Sunderland Point Community Emergency Plan has been developed and published in conjunction with the residents. The Council's website continues to include reports of exercises and copies of the District Emergency and Flooding and Severe Weather Plans.</p>
	<p>Reduction in serious violent crime.</p>	<p>NI 23 – perceptions that people in the area treat one another with respect and dignity.</p> <p>NI 22 – perceptions of parents taking responsibility for the behaviour of their children in the area.</p>	<p>The target by which the CSP is measured is 'assault with less serious injury as we are on track to meet this target. The target for end March 2009 is 1098 (1094 stretch). Q1 fig = 248 and Q2 258.</p>
	<p>NI 23 – perceptions that people in the area treat one another with respect and dignity.</p> <p>NI 22 – perceptions of parents taking responsibility for the behaviour of their children in the area.</p>	<p>Reduction in re-offending of PPO's.</p>	<p>This target has not yet been set because we are awaiting the results of the Place Survey. These will enable a baseline and future targets to be established.</p>
	<p>NI 22 – perceptions of parents taking responsibility for the behaviour of their children in the area.</p>	<p>Reduction in re-offending of PPO's.</p> <p>NI 19 Rate of proven re-offending by young offenders</p>	<p>This target has not yet been set because we are awaiting the results of the Place Survey. These will enable a baseline and future targets to be established.</p> <p>No information available at present.</p> <p>No information available at present.</p>
	<p>Work with the Prevent and Deter Forum to produce joint action plans to address anti-social behaviour</p>	<p>60 targeted individuals engaged in sporting/physical/ cultural activity</p>	<p>No information available at present.</p> <p>No information available at present.</p>
		<p>NI 17 – perceptions of anti-social behaviour. .</p>	<p>Target now increased to 300. Diversionary activities in identified areas in need will commence from Sept 08 as part of the portfolio of projects within the Sport and Physical Activity Alliance Programme (SPAA). Meetings are in place now with the Multi-Agency Problem Solving team (MAPS) to establish the hotspot areas to target. Sessions due to commence within Q3.</p> <p>This target has not yet been set because we are awaiting the results of the Place Survey. These will enable a baseline and future targets to be established.</p>

Priority Outcomes	What we will do	Key Performance Indicators	Update position
		<p>NI 21 – dealing with local concerns about anti-social behaviour and crime by the local council and police.</p> <p>NI 27 – understanding of local concerns about anti-social behaviour and crime by the local council and police.</p>	<p>This target has not yet been set because we are awaiting the results of the Place Survey. These will enable a baseline and future targets to be established.</p> <p>This target has not yet been set because we are awaiting the results of the Place Survey. These will enable a baseline and future targets to be established.</p>
<p>9. Reduce alcohol related violence and harm; reduce alcohol related anti-social behaviour.</p>	<p>Work with the Police, Primary Care Trust and other agencies within the Community Safety Partnership to address issues around alcohol related violence and harm in line with the Alcohol Related Harm Strategy.</p>	<p>NI 41 – perceptions of drunk or rowdy behaviour as a problem.</p> <p>NI 42 – perceptions of drug use or drug dealing as a problem. .</p> <p>NI 20 – assault with injury crime rate.</p> <p>NI 39 – alcohol harm admission rate.</p>	<p>This target has not yet been set because we are awaiting the results of the Place Survey. These will enable a baseline and future targets to be established.</p> <p>This target has not yet been set because we are awaiting the results of the Place Survey. These will enable a baseline and future targets to be established.</p> <p>The target by which the CSP is measured is 'assault with less serious injury and we are on track to meet this target. The target for end March 2009 is 1098 (1094 stretch). Q1 fig = 248 and Q2 = 258.</p> <p>Not a City Council target – will be removed in Corporate Plan refresh.</p>
<p>10. Reduce domestic violence.</p>	<p>Work in partnership in line with the Domestic Abuse Strategy.</p>	<p>NI 32 – repeat incidents of domestic violence.</p>	<p>No information available at present.</p>
<p>11. Reduction in the number of people killed or seriously injured in road traffic accidents.</p>	<p>Work with the Community Safety Partnership to influence the County Council to implement a continuing programme of road safety improvements.</p>	<p>NI 47 – people killed in road traffic accidents</p> <p>NI 48 – children killed in road traffic accidents.</p>	<p>Baselines have not yet been set. The Police are leading on setting baselines so targets can be measured. There is an action in the CS Plan to link more closely to the Lancashire Road Safety Partnership. Initiatives will take place around powered two wheeled vehicles.</p> <p>Baselines have not yet been set. The Police are leading on setting baselines so targets can be measured. There is an action in the CS Plan to link more closely to the Lancashire Road Safety Partnership. Initiatives will take place around powered two wheeled vehicles.</p>

TO LEAD THE REGENERATION OF THE DISTRICT

We are now delivering major regeneration programmes in Lancaster, Morecambe, and Carnforth.

The Vision Board has now produced its economic vision for the district and we and our partners will take that vision into account in our planning for the future. We recognise that tourism continues to play an important role in the economy of the district and we will continue to support that activity.

Priority Outcomes		What we will do	Key Performance Indicators	Update position
12. Improve economic prosperity throughout the Lancaster district	Deliver a district wide sustainable regeneration programme based on the economic vision and strategy.	Vision / Economic Performance Plan in place – July 2008. Outcomes and targets to be developed in line with Sustainable Community Strategy and Lancashire Local Area Agreement	A new strategic framework for the Economic Vision, based on the LDLS Action Plan and including five Area Themes, was approved by Cabinet in October.	
	Launch revised business development grant scheme for 12 months and work with Storey CIC to provide targeted support to creative industries	10 new/small businesses supported 2008/09 (Contributes towards NI 171 VAT registration rate) Target to be reconsidered when LAA confirmed.	The new rent grant scheme was launched June 2008. At present 7 applications have been received 6 of them approved) and approximately 4 others are pending. It is expected that the scheme will achieve targets and allocate all available funding by the end of the year.	
	Implement Phase 2 of the Morecambe Townscape Heritage Scheme	Submit successful Stage 2 bid and draw down £923,000 funding from Heritage Lottery Fund by end of this financial year. Develop targets for 2009/10 onwards once funding confirmed.	Stage 2 bid submitted October 2008. HLF decision expected February 2009. Targets will be developed once funding confirmed.	
Prioritise the development of previously used land and restrain greenfield development through the Local Development Framework.	To increase the % of vacant or derelict land which has been undeveloped for more than 5 years from existing 3.83% baseline figure.(NI 170) Targets to be developed in line with Local Development Framework. Maintain existing target currently in place to have 70% of residential development on previously developed land	Figures collected annually and not available on half yearly basis. Figures collected annually and not available on half yearly basis.		

Priority Outcomes	What we will do	Key Performance Indicators	Update position
13. Improve the district's competitiveness as a visitor destination	Implement the council's Tourism Strategy.	Maintain baseline figure of total stock (inspected and non-inspected) at 8809 bed spaces. Increase annual growth in visitor spend by 1% (baseline 2006 was £224.75 per head)	Baseline figure has been revised to 15,933 bed spaces and will be measured again at year end. The baseline for visitor spending was revised by STEAM for 2006 to £259.26 million and the figure for 2007 showed a growth of 3% to £267 million.
	Attract visitors to the district by promotion of cultural events	Visitor attendances at Cultural events (target is to average 20% and increase by 5% over 3 years)	Half year reporting figure 39%. This figure is derived from audience surveys at 2008 Jazz and We Do Like To Be Beside The Sea Festival. The Jazz Festival held in Lancaster 22-24 August and the We Do Like ... in Morecambe on 13/14 Sept. Individual figures Jazz 34%, We Do Like ... 44%, this divided by 2 gives 39%.
		NI10 visits to museums and galleries	Data for this indicator is being collected through Sport England's Active People Survey; data collection began in April 2008. The baseline data will be reported in December 2008 via the DCMS website and the Data Interchange Hub.
		NI 11 Engagement in the arts	The baseline data will be reported in December 2008 via the DCMS website and the Data Interchange Hub.

TO SUPPORT SUSTAINABLE COMMUNITIES AND ACTION ON CLIMATE CHANGE

The Council is over the past year developed its own in-house Climate Change Strategy as it considers how to best respond and adapt to the challenges of climate change and this issue will increasingly impact upon our future plans and policies. This year we will look to develop a district wide response to these issues.

Levels of homelessness (and increasingly, homeless young people) are of concern and as the Council Housing stock continues to reduce, it is essential to work with partners to develop sustainable solutions.

Improving housing throughout the district by providing affordable housing for young people and families is a high priority..

Priority Outcomes	What we will do	Key Performance Indicators	Update position
14. Reduce the impact of climate change within the district	Develop local responses to mitigate and adapt to climate change	NI 185 CO ₂ reduction from local authority operations.	Energy audit undertaken and reported into September Cabinet Liaison Group. Further work being undertaken to be considered at the December CLG to determine CO ₂ emissions baseline and reduction targets.

Priority Outcomes	What we will do	Key Performance Indicators	Update position
		<p>Reduce overall energy use in Council buildings to 8,720,000 kwh by April 2009.</p> <p>Reduce CO₂ emissions from Council buildings to 0.0970 tonnes per m² by April 2009.</p> <p>Increase the percentage of energy the Council uses from sustainable sources.</p> <p>Target to be developed through Climate Change Cabinet Liaison Group once LAA in place</p> <p>NI 188 adapting to climate change – Level 1 by April 2009. Later targets to reflect LAA county targets.</p> <p>NI 189 – flood and coastal erosion risk management. Agree local targets with Environment Agency.</p> <p>NI197 – Improved local bio-diversity – active management of local sites – Management plans in place for all 3 managed sites by April 2010.</p> <p>Effective management in line with management plan.</p>	<p>Quarter 2 PRT shows on target, however, now entering autumn and winter months and this could impact on achieving the target.</p> <p>Q2 PRT shows target on track.</p> <p>Targets still to be developed through the Climate Change Cabinet Liaison Group. Awaiting information from LAA.</p> <p>Refresh and review of LAA likely to mean that this target (at district level) will shift to 2009/10.</p> <p>Target not formalised.</p> <p>Warton Crag Local Nature Reserve Trowbarrow Local Nature Reserve Middleton Wood All 3 have adopted Management Plans in place. In the case of Middleton Wood the current MP expires March 09 but work is currently underway to produce a new MP for the next 5 years.</p> <p>Target to be agreed following establishment of baseline in 2008/09 user satisfaction survey.</p>
15. Increase the provision of affordable housing.	Provide affordable housing in accordance with the Housing and Homelessness Strategies.(due for revision June/July 08)	NI 154 – net additional homes provided - Targets yearly for housing units completed is 400 per annum.	<p>Figures collected annually and not available on half yearly basis. However, housing completions will be affected by downturn in housing market.</p>

Priority Outcomes	What we will do	Key Performance Indicators	Update position
		<p>NI155 number of affordable homes delivered (gross) – Targets yearly for housing - in line with the Local Development Framework strategy are :-</p> <ul style="list-style-type: none"> - 60 units completed per annum - 70 negotiated per annum <p>NI 156 – number of households living in temporary accommodation – reduce to 21 by 2009 to 12 by 2010.</p> <p>Increase in homelessness cases successfully resolved from 3 per 1000 households in 2007/8 to 9 per 1000 households in 2010/11</p> <p>NI 180 – changes in Housing Benefit / Council Tax Benefit entitlements within the year.</p> <p>Target for 2008/9- 11,500 in baseline year. Targets to be set for 2009/10 & 2010/11</p> <p>NI 181 - time taken to process new claims and change events – Target process - 15 days in baseline year in 2008/9 and maintain for future years.</p> <p>% of all dwelling completions which are 'affordable' – target 20% annually.</p> <p>NI 158 – percentage of decent council homes. Maintain at 100% decency</p>	<p>Figures collected annually and not available on half yearly basis. However, ability to negotiate affordable housing will be affected by downturn in housing market.</p> <p>On target to achieve 21 by March 2009 – current performance is 14 but this may fluctuate over the year.</p> <p>The current (Q2, 08/09) level of cases successfully resolved stands at 9.11 per 1000 households.</p> <p>NI180 – local management information indicates that we are on target to exceed this figure. Nationally, the DWP are having problems with the collation of the data therefore published figures are generally inaccurate.</p> <p>NI 181 Current performance = 11 days.</p> <p>Figures collected annually and not available on half yearly basis. However, ability to negotiate affordable housing will be affected by downturn in housing market.</p>
<p>16. Work to maintain a cohesive community where respect for all is valued and celebrated.</p>	<p>Develop and implement a Community Cohesion Strategy.</p>	<p>NI 1 – percentage of people who believe people from different backgrounds get on well together in their local area.</p>	<p>All targets for NI 1 and NI 2 to be set following Place Survey.</p>

Priority Outcomes	What we will do	Key Performance Indicators	Update position
		<p>NI 2 – percentage of people who feel that they belong to their neighbourhood.</p> <p>% of CYP Strategic Plan milestones achieved</p> <p>30% yr 1 (08/09)</p> <p>60% yr 2 (09/10)</p> <p>100% yr 3 (2010/11)</p>	<p>All targets for NI 1 and NI 2 to be set following Place Survey.</p>
	<p>Implement the Children and Young People Strategic Plan.</p>		<p>On track to achieve 30% target.</p> <p>Training for Child Protection – 2 courses run; info. Out re safeguarding to play-workers for YP.</p> <p>Mapped 'engagement' opportunities in district.</p> <p>Developed Local Democracy Campaign – run successful events – increased levels of participation.</p> <p>Contact made with all secondary schools / colleges.</p> <p>Significant progress with YES through Special Council.</p> <p>Broad range of involvement in work with partners.</p> <p>Communication with district, county and regional organisations.</p> <p>Publicising C&YP team internally, arranging training, etc.</p>
	<p>Deliver a Civic Programme which celebrates our local heritage and benefits our communities</p>	<p>Mark the centenaries of Lancaster Town Hall and Williamson Park and 75 year celebration of Morecambe Town Hall.</p> <p>Target is to develop a 'Civic Programme'</p>	<p>Research has been undertaken into the civic programme for the opening of Lancaster Town Hall and discussions have been held with local heritage groups with a view to producing costed options in the near future. Information has been obtained that Morecambe Town Hall was opened in 1932 meaning that the 75th Anniversary has now passed.</p>

ENSURE THAT LOCAL COMMUNITIES HAVE MORE INFLUENCE AND INVOLVEMENT IN THE WAY SERVICES ARE DELIVERED AND DECISIONS THAT AFFECT THEM ARE MADE

We are ambitious for our communities and believe local people should be at the forefront of decision making and we are committed to enabling local people to play a fuller role in shaping their communities.

In Morecambe we are using Neighbourhood Management to deliver both social and physical regeneration. There are many opportunities to work more closely with neighbourhoods so that decisions can be made at a local level. This is a high priority for the Council.

Priority Outcomes	What we will do	Key Performance Indicators	Update position
<p>17. Local communities have more influence and involvement in the way services are delivered</p>	<p>Develop neighbourhood management arrangements for the District.</p>	<p>To be developed following Cabinet's consideration of the future development of Neighbourhood Mgt linked to allocation of Area Based Grant.</p>	<p>Cabinet agreed use of ABG for neighbourhood management and set up a liaison group to review options for future direction.</p>

Priority Outcomes	What we will do	Key Performance Indicators	Update position
	<p>Increase the Council's responsiveness to local concerns by improving consultation and communication procedures.</p>	<p>NI 138 – satisfaction of people over 65 with both home and neighbourhood.</p> <p>NI 139 – people over 65 who say that they receive the information, assistance and support needed to exercise choice and control to live independently.</p> <p>NI 140 – fair treatment by local services.</p> <p>NI 3 – civic participation in the local area.</p> <p>NI 4 – percentage of people who feel they can influence decisions in their locality.</p> <p>NI 5 – overall / general satisfaction with local area</p> <p>NI 6 – participation in regular volunteering.</p>	<p>All targets for NIs (below) relating to this action to be set following Place Survey baseline.</p> <p>All targets for NIs (below) relating to this action to be set following Place Survey baseline.</p> <p>All targets for NIs (below) relating to this action to be set following Place Survey baseline.</p> <p>All targets for NIs (below) relating to this action to be set following Place Survey baseline.</p> <p>All targets for NIs (below) relating to this action to be set following Place Survey baseline.</p> <p>All targets for NIs (below) relating to this action to be set following Place Survey baseline.</p> <p>All targets for NIs (below) relating to this action to be set following Place Survey baseline.</p>
<p>18. An improved quality of life for those who live, work in and visit the Lancaster District.</p>	<p>Work with members of the LSP on joint initiatives to implement the Sustainable Community Strategy.</p>	<p>Targets to be developed when Sustainable Community Strategy in place (June 2008)</p>	<p>Progress to date. The Strategy has been drafted and is going to full council 19 November for endorsement. LSP partners via the Thematic Groups are now finalising their second stage action plans. It is expected that the LDLSPP will be fully prepared for its performance cycle to commence April 2009. The action plans will be fully integrated with the LAA and will cover a three year period.</p>

CABINET

**Medium Term Financial Strategy Review
11 November 2008**

Report of the Head of Financial Services

PURPOSE OF REPORT				
To provide updated financial projections for future years based on information currently available, in order that Cabinet can review the appropriateness of existing targets for Council Tax increases and make recommendations on to Council as appropriate.				
Key Decision	X	Non-Key Decision		Referral
Date Included in Forward Plan	November 2008			
This report is public.				

RECOMMENDATIONS OF COUNCILLOR MACE TO FOLLOW

The officer options are set out at paragraphs 7 and 8 of the report

1 Introduction

1.1 The Council's Medium Term Financial Strategy (MTFS) sets out projections for future years' net revenue spending as compared with the Council's targets for Council Tax. It therefore provides a financial basis on which Members can consider and review what changes need to be made to the level and scope of services provided, if the Council's aims with regard to restricting Council Tax increases in future years are to be met.

1.2 Clearly the financial projections are based on many assumptions and estimates that need to be reviewed and updated regularly; the timetable for this is set out in the Strategy document itself. This report provides information on the first formal review to be undertaken during 2008/09. This is later than originally planned, and initially this was to allow for the latest proposals regarding food waste recycling to be incorporated. Since the last Cabinet meeting other major financial issues have arisen, however, most notably the Icelandic Investments position and Concessionary Travel. Outline updates on these are also provided.

1.3 Cabinet is requested to consider all the information in this report and indicate whether, for the time being:

- target increases for future years' Council Tax should remain at no more than 4% for future years.

1.4 Recommendations would then be referred on to Council and form the initial basis for the budget and planning exercise. **There will still be the opportunity to update the projections and make changes to Council Tax targets later in the exercise, however. This is a key point, as there is much uncertainty regarding the financial outlook at present.**

In considering the report, Cabinet is asked to note that currently the projections cover the period up to 2010/11 but the forthcoming detailed budget preparation will move them forward another year, i.e. covering 2011/12 also.

2 Outcome of Review

2.1 Work has been undertaken to pull together various financial issues that have arisen since the Budget was approved back in February of this year. These may come from many sources, such as:

- Member approvals
- Last year's outturn and this year's financial monitoring
- Economic or other external factors (the 'credit crunch', interest rates, inflation / pay awards etc.)
- Other base budget adjustments (either known or potential, e.g. linked to changes in demand)
- Other issues under consideration (e.g. through Star Chamber)
- Government's Spending Plans and any proposals for changes to the Local Government Finance system.

A schedule of the actual and potential budget changes quantified to date is included at **Appendix A** with a summary provided overleaf. Overall there has been a significant deterioration in the position and this is based on some fairly broad assumptions, without any objective assessment or sensitivity analysis of certain key financial risks. It is highlighted, therefore, that the projections have even more risk attached to them than might normally be the case. On balance, it is felt that there is more chance of the position worsening as the detailed budget work progresses.

	2008/09 Budget £000	2009/10 Projection £000	2010/11 Projection £000
Changes approved or considered by Members to date	+212	+72	+327
Other known/ potential budget changes	+362	+814	+979
Changes in contributions to(+) / from (-) balances	-574	+219	-30
Total Increase in Budget Projections	0	+1,105	+1,276
Anticipated Cumulative Reduction in Council Tax Base Forecasts	--	100 Band D properties	250 Band D properties
Resulting Projected Council Tax Increase (across district)	n/a	27.7%	9.9%
New Net Savings Requirement (assuming a 4% increase in Council Tax for future years)	n/a	1,822	2,479

3 Main Assumptions, Risks and Issues underpinning the Review

3.1 In considering the table and attached details, there are some important points to note:

- a) The revised projections take account of the information provided in the Quarter 1 corporate financial monitoring report and where possible this has been updated to include Quarter 2 information. There are still gaps in the analysis, however, and these will be addressed in producing the detailed 2008/09 revised budget.
- b) The information also takes account of known, expected changes in future years, arising as a result of either last year's outturn or this year's monitoring. The figures focus on the major expected changes, and again there are gaps to address.
- c) It has been assumed that General Fund Balances will be retained at £1M and that surplus balances will continue to be used on the currently approved phased basis, though this is expanded upon later in the report.

3.2 The main financial risks and issues facing the Council at this time are outlined below:

- a) From a capital perspective, a number of significant risks exist as listed below and as a result, the Council's exposure is considered much higher than in recent times. These risks may well impact on the MTFs as, if risks materialise and no other sources of funding are found, then the Council would be faced with increasing its borrowing need, the costs of which would be felt on the revenue budget. It is anticipated that progress will be made on most, if not all of these

risks as the budget progresses but if this is not the case, then it is advised that the Council would need to curb its plans to avoid taking on further significant financial risk in future, until some issues have been resolved. Again, further advice on this aspect will be provided during the budget process.

- Regarding Luneside, total maximum exposure for outstanding compensation claims, developer contributions, and clawback (net of available funding) remains at over £10M, although negotiations are underway to find a resolution for progressing this development. A report is scheduled for the December Cabinet meeting and this will provide an up to date reassessment of the financial position and remaining risks.
- Further to the capital update provided at the last meeting, Members agreed an increase in unsupported borrowing of £1.4M and this has been referred on to the November Council meeting for approval. The £1.4M is still dependent upon the Council achieving a further £1.2M in asset sales this year. Given the other financial pressures that have arisen since Cabinet considered this matter, it is highlighted that only essential capital works to municipal buildings will be authorised to progress; any other schemes will be incorporated into the usual review underway as part of the budget process. Furthermore it should be noted that the building works are only to improve the condition of the buildings, in line with the Corporate Property Strategy. They are not part of any wider accommodation project under Access to Services. This project is not yet included in the Council's approved spending plans and therefore there is no authority in place to commence such works.
- A report elsewhere on the agenda provides an update on Chatsworth Gardens and this highlights the current £1.2M shortfall on the scheme. The report makes various recommendations to take forward urgent discussions and pursue other options for the scheme; a further update will follow in due course.
- The impact of the Council's investments in Icelandic Institutions may also result in capital pressures (see separate section below).

The above highlights current capital issues only; general capital prospects for future years were covered last month. In particular, Members will recall that the sale of land at south Lancaster is crucial in funding the existing 5 year programme. Whilst there is also the potential for generating an extra £3.4M capital receipts in the medium to longer term, this will be influenced by the economic outlook overall and how soon the current crisis starts to turn round.

As an indication of potential costs for managing the above, the minimum annual cost of borrowing £1M is currently around £85K, allowing for interest at 4.5%. This equates to a little over a 1% increase in Council Tax at Band D. **No additional budget provision has been made at this stage for managing the risks associated with Luneside, Chatsworth Gardens, or any further capital receipts changes.**

- b) The position regarding the £6M of investments placed with Icelandic institutions represents another substantial but uncertain risk facing the Council. For information, the latest guidance issued by the Local Government Association is attached at **Appendix B**. Claims have been registered with the various

Administrators but until some information is known regarding prospects for amounts recoverable and the timescales involved, it is not possible to make any reasonable estimate. The following points can be made, however:

- To the date the banks entered into administration / receivership (i.e. during the week commencing 06 October), the Council was due investment interest of £260K; this too is at risk. A further £135K was due from October to the end of this financial year, with £23K in 2009/10. **These two latter amounts have been excluded from the MTFs projections but this is very much a provisional adjustment and no further losses have been provided for at this stage.** Further guidance is being sought on how any impact will be apportioned between General Fund and the Housing Revenue Account, as this is also very unclear.
- The Government has indicated that it will consider capitalisation applications to allow councils greater flexibility to manage the financial consequences of the Icelandic banking collapse. This means that authorities could:
 - o use capital resources such capital receipts etc, to fund any losses, depending on such resources being available; or
 - o use borrowing to fund any part of those losses. In effect, this would mean that the Council could finance them over a number of years.

Whilst it is not known whether the Government will implement a special capitalisation bidding round, the usual annual process has an initial deadline of 15 December. In the unlikely event that no better guidance becomes available before this date, in consultation with her Cabinet Member, the Head of Financial Services will submit an initial application based on best information available at that time. This will in no way commit the Council to a specific course of action; it merely keeps the Council's options open and further updates will be reported during the budget process. Cabinet will also be aware that a special Audit Committee is being held on 17 November.

- c) Concessionary travel presents another major financial challenge for the Council. Whilst Lancashire authorities have agreed in principle to enter into pooling arrangements to help spread the costs and risks, the agreement has not yet been finalised. Under the agreement, basically councils would move to being charged their actual share of concessionary travels costs (away from the present estimates) on a phased basis over the next three years. The agreement also provides for the sharing of any scheme surpluses or deficits.

Very recently information has been released to indicate how the City Council's position stands taking account of 'actuals' data (i.e. from Smartcard readings). This shows that as at the end of July, the extra net costs facing the Council in this are between £129K and £243K. The higher figure takes account of seasonal variations and therefore represents the best estimate; this has been incorporated into the updated budget projections. These figures allow for using £150K set aside in the Concessionary Travel Reserve and assume that the pooling agreement will be implemented, which would benefit the City Council, but it is known that a number of other Councils are now reviewing their positions. The table overleaf shows the potential impact of the proposed agreement for the City Council, taking account of the seasonally adjusted cost projections.

As a final point, Cabinet should note that following last year's budget exercise a review of the community transport element of Concessionary Travel is underway, for consideration by Members.

	2008/09 £'000	2009/10 £'000	2010/11 £'000
Current Concessionary Travel Budget (excluding Community Transport, but including Reserve)	2,207	2,146	2,243
Forecasts – with Seasonal Adjustment:			
City Council Estimated Costs	2,700	2,782	2,863
Less Potential Pooling Arrangement Benefit	(250)	(192)	(91)
Net Cost to Council	2,450	2,590	2,772
Potential Net Increase Required in Budget	243	444	529

d) There are a number of assumptions and risks regarding staffing:

- This year's pay award has not yet been agreed. The budget assumed a pay increase of 2.5% and the latest Employer offer of 2.45% has now gone to arbitration. For every ½% increase on the pay bill, this costs General Fund around £100K. The projections assume that no further offer will be made in this year but future years assume a 3% increase for now. It is hoped that during the period of the MTFs inflationary pressures will reduce from current levels, but on the other hand new pension contribution rates will come in for 2011/12 onwards.
- With regard to Fair Pay, the Council's overall aim is to manage the process within the current ongoing pay bill, with any interim costs to achieve this being met from the Reserve. There are clearly key risks attached to the position but this forms the basis of current budget projections. A report elsewhere on the agenda provides more information but it should be noted that extra turnover savings of £100K per year are assumed, and that these will be used to help fund the overall outcome. Such key financial assumptions will continue to be reviewed and updated as necessary during the project and the budget process.
- For other aspects of turnover, a full analysis of the savings to be incorporated into this year's revised budget will be presented in due course. Coupled with previous years' information, this may highlight any service areas where there could be the potential to convert such turnover savings into permanent reductions for the staffing Establishment. This will also be influenced by the separate report elsewhere on the agenda.

e) With regard to waste management, net savings have been generated on costs associated with recyclables and these have been factored in for future years. The estimated costs associated with the recommended option for food waste recycling (i.e. "Option 3") have been included from 2010/11 onwards.

- f) One of the larger variances arising in previous years' outturns has related to the Highways operation. Estimated annual surpluses of around £100K have now been assumed and these will be reviewed and updated as the budget develops.
- g) Regarding Civil Parking Enforcement, it is assumed that the City Council's operation will continue to break even in the coming years, under any new arrangements implemented by the County Council.
- h) At various times during the year Cabinet has made recommendations regarding the use of Area Based Grant. The updated projections assume that the funding will be used to meet commitments regarding Neighbourhood Management, subject to the budget process, and also to provide some resources for taking forward Equalities in this year. No other specific budgetary provision exists for these items. Cabinet may remember too that any County Council ABG allocations regarding Community Safety are also uncertain for future years.
- i) In terms of other various grants, these have been updated to take account of the most recent allocations. Where these have reduced, there may be options to reduce related expenditure accordingly and these will be picked up in future budget reports. No assumptions have been made regarding the new Local Authority Business Growth Incentive (LABGI) scheme, as it will be much smaller and may well last for only 2 years. For other grants, such as Planning Delivery and any others to be fed through the Local Area Agreement (LAA), it is assumed that they will have no impact on the Council's budget overall, but some will be subject to specific consideration by Members in due course as appropriate.
- j) There are a number of issues that have been reported to Members and are under further consideration, where it is not yet known what the outcome / financial implications might be. Examples include Access to Services, Williamson Park, Auction Mart Car Park, Lancaster Market, Morecambe Town Council etc etc. Furthermore there are other initiatives being taken forward, such as the Canal Corridor Development, where the Council has options regarding the nature of its future landholdings and these will also impact on the budget. Finally, the impact of the bleak economic outlook and its impact on the demand and cost drivers for council services cannot readily be determined – although some relatively small specific aspects such as Search Fees income have been assessed provisionally. Members are requested to note these uncertainties, in addition to the headline risks reported earlier.
- k) Regarding inflation other than pay, factors for next year have not been finalised but for now an adjustment of around £200K has been provided in total, but on the basis that higher inflation is experienced only in 2009/10. The original projections assumed inflation of 2% per year increase, although currently it is running at 5.2% (based on the Consumer Price Index). As a very broad indication, a 1% increase may result in around a £100K net cost to the budget. Once the next Inflation Report has been published, factors for future years will be set and whilst these can be reviewed later during the process, it is expected that inflation forecasts (or alternatively, reduced interest rates) may well give rise to further budgetary pressures.
- l) A 1% change in Council Tax amounts to approximately £77K. A 1% change in Government support represents £155K or approximately 2% on Council Tax. The Council Tax Base projections have been reduced provisionally, to take

account of the slow down in housing developments. Firm estimates will be produced during December, in setting the Tax Base for 2009/10.

- m) The New Net Savings Requirements shown in the table (section 2) do not provide for any other growth; they would need to be increased to provide for any such proposals. A review of progress against this year's savings and growth is also being undertaken, to be fed into the budget.
- 3.3 Whilst the above points may seem like a long list, inevitably the Council's financial forecasts have many inherent risks attached to them. Clearly demand led activities are subject to market pressures; other areas of spending / income generation will be influenced by internal factors such as competing work pressures and standards of financial management. Also major capital schemes or developments bring with them financial (as well as other) risks that could have revenue implications. The Council's financial monitoring arrangements should help to counter these risks and individual services' performance management should provide additional support. The national economy and Government's other plans can have a marked impact on financial planning, however. Inevitably further changes to the financial projections will arise in producing the detailed budget.

4 Review of Revenue Balances

- 4.1 As mentioned previously, for now the revised budget projections assume that the current application of surplus balances (in the ratio 3:2:1) would be retained. A supporting statement is attached at **Appendix C**.
- 4.2 The main aims of the current phasing are to help smooth out Council Tax increases for the period but also to give more time for identifying savings options, in recognition that some initiatives may take a long time to implement fully. The table below shows the original estimates for Council Tax increases and use of balances, together with the latest projections. This highlights the reliance on their use, especially in the current year:

	2008/09	2009/10	2010/11
Council Tax Increases:			
MTFS Projection (Feb 2008):	--	13.1%	8.8%
Current Position / Forecast	4.6%	27.7%	9.9%
Use Of Balances:			
MTFS Projection (Feb 2008):	£888K	£432K	£112K
Current Forecast	£1,462K	£213K	£142K

- 4.3 As at the end of next March balances are currently forecast to reduce to £1.427M and whilst this is still substantially higher than the £1M basic minimum, it is the lowest forecast for some years. It is also highlighted that carrying balances of around £1M can generate around £50K per year in investment interest. Once the funds are spent, the investment interest is lost.

5 Other Issues for Consideration

5.1 Capping Criteria

Members may be aware that in previous years the Government has exercised its capping powers. Effectively this has meant that some councils have been forced to set lower budgets and council tax rates, because they had not met certain Government criteria.

Government did use its powers for 2008/09 Council tax setting. Whilst the average Council Tax increase in England was quoted as 4.0%, not all complied with Government's expectations that council tax rises should be substantially below 5%, hence capping powers were invoked.

A recent Government announcement (made before the current economic crisis) stated "there is no excuse for excessive increases in council tax, and authorities should be in no doubt that the Government will use its full range of capping powers to deal with excessive increases and protect council tax payers in future years".

Cabinet is advised to take this into account in reviewing its MTFS targets for future years.

5.2 Council Priority Setting and Key Partnerships

As mentioned at the start of this report, the MTFS review forms the initial financial basis for progressing the 2009/10 budget and policy framework, and at previous meetings Cabinet has considered the way forward regarding priority setting and the associated consultation exercise. Whilst clearly there is much pressure on authorities generally to save money and restrict Council Tax increases, Members will have aims and aspirations regarding service delivery and potential improvements or reductions etc. It is important that the MTFS is considered in this context; the two processes (i.e. financial planning and priority setting) should inform each other and this is reflected in the timetable approved at the Cabinet meeting back in July.

Cabinet Members may also be aware that another piece of work regarding assessment of the Council's key partnerships is underway, due for completion in March. The outcome of this may also have bearing on the MTFS and associated budget projections for the future.

It is important to note, therefore, that as yet this initial review of the financial projections underpinning the MTFS does not take account of any potential changes in the Council's priorities, and how they fit with other key partnerships. The financial implications and options arising from the outcome of the priority setting exercise will be considered at a later stage during the budget, and fed into the resulting MTFS for consideration at Budget Council.

5.3 Government's Spending Plans and Finance Settlements

Every three years the Government undertakes a strategic Comprehensive Spending Review (CSR) of its spending plans. The last one was completed during 2007 (known as CSR07) and in turn, this informed the first ever three-year settlement for

Councils, which included provisional allocations for 2009/10 and 2010/11 as well as 2008/09.

Latest information is that the 2009/10 and 2010/11 settlement figures will be confirmed in February 2009 and February 2010 respectively. These will each be subject to the usual annual statutory consultation exercise, however, and therefore it is expected that provisional figures will be re-issued in November each year.

For 2011/12, at present it expected that provisional figures will be released only once the next CSR has been completed, i.e. in 2010. The figures would be released as part of the next three-year settlement, i.e. 2011/12 to 2013/14.

In short, there will be no rolling three-year settlement. Each will simply follow on from the next, with no overlap or annual review.

It is also known that Government do not intend to update the provisional allocations for 2009/10 and 2010/11 for any data changes – to give greater certainty to Councils. That said, the Local Government Association and Councils are lobbying the Government to take account of the large increases in costs expected for Concessionary Travel and Energy, as examples, but clearly the Government is facing a very difficult financial outlook at present.

For the MTFs projections, therefore, the existing provisional allocations will be used, and 2011/12 will be addressed later during the budget.

	2008/09	2009/10	2010/11
	<i>Final £'000</i>	<i>Provisional £'000</i>	<i>Provisional £'000</i>
Total Government Support (known as Formula Grant)	15,523	15,994	16,377
Made up of:			
Redistributed NNDR	13,626	No split available	No split available
Revenue Support Grant (RSG)	1,897		
Year on Year Increase:	£591K 4.0%	£471K 3.0%	£383K 2.4%

6 Details of Consultation

The consultation on Cabinet's proposed priorities for 2009/10 onwards is currently underway, and this includes future Council Tax targets. The outcome of this will feed into future budget and MTFs considerations.

7 Options and Options Analysis (including risk assessment)

Cabinet is asked to consider the financial projections and information included above. Options on the key aspects are set out below.

7.1 Council Tax Targets:

- (a) **Option 1 -retain the existing Council Tax target increases for future years**
Current forecasts indicate that this would require net savings of £1,822K and £2,479K to be identified for 2009/10 and 2010/11 respectively.
- (b) **Recommend an alternative Council Tax target increase for future years.**
The level of any net savings requirement (and the associated risks) would depend on the tax level proposed.

The main risks attached to either option follow on from the assumptions and information underlying the revision of the financial projections and the ability of the Council to take decisions on matching service levels with the money available to fund them. In addition, the reputation and public perception of the Council may be affected. The key risks can be summarised as follows:

- Actual savings targets prove to be substantially different from shown above, due to changes in financial projections.
- Required savings targets can't be met, without having an unacceptable impact on service delivery – either from the Council's own viewpoint or from public perception.
- Government / the public perceive the increase to be too high, resulting in capping action being taken against the Council and/or a negative impact on public relations and the Council's reputation
- Council tax targets are too low, resulting in them being unsustainable in the longer term, without having adverse effects on future service delivery and/or the Council's financial standing and reputation.

The report highlights that there is significant scope for the projections to change, as a result of both internal and external factors. To counter this, there will be further opportunities to review target increases during the forthcoming budget as more definite information becomes available on forecast spending.

With regard to capping, the report provides information on Government's actions this year and its commitment to using its capping powers in future. Should Cabinet wish to support spending levels that result in a Council Tax increase much higher than the current MTFs target, then there are strong indications that the Government is likely to challenge this course of action. This may well result in the Council's budget being capped – in such a situation it would be forced to cut spending / services in an unplanned way and it would incur rebilling costs. Alternatively, if Cabinet wish to support a much lower increase, then future sustainability may become an issue. At present the financial projections for 2009/10 appear much worse than previously reported but they could change significantly, though on balance it is felt they are likely to get worse, rather than better.

In terms of options, the impact on Council Tax payers is key. Members should consider the balance between providing services that the local community needs and wants, against how much it is prepared to pay. There will be reputational,

operational and financial risks, opportunities and trade-offs attached to whichever option Cabinet chooses.

8 Officer Preferred Option and Comments

There is no specific officer preferred option with regard to Council Tax levels. That said, the Head of Financial Services would advise against planning for a Council Tax increase of 5% or above at this time as it would in all likelihood be subject to capping, although the Council must also be in a position to set a robust, achievable budget in line with its priorities. Conversely, the Head of Financial Services would advise against aiming for too low a Council Tax level at this time if Members aim to continue to provide a wide range of services to the public and wish to avoid more potential for major service cuts in future years.

Whatever Council Tax targets are in place, Members need to have supporting plans in place to achieve a balanced budget.

9 Conclusion

The Council's financial economic outlook has deteriorated significantly since February, and there is still considerable uncertainty that is likely to result in further pressures. There is now a strong need to respond positively to this challenge, in ensuring greater focus on key service areas and in delivering the necessary savings, including service reductions, to achieve Council Tax targets. This is a scenario facing many councils up and down the country.

<p>RELATIONSHIP TO POLICY FRAMEWORK The Medium Term Financial Strategy is part of the policy framework.</p>	
<p>CONCLUSION OF IMPACT ASSESSMENT (including Diversity, Human Rights, Community Safety, Sustainability etc) There is no direct, quantifiable impact arising at this stage, although the MTFS sets out the level of funding expected for the delivery of council services. As such, it will have a direct bearing on the level and impact of services provided in future.</p>	
<p>FINANCIAL IMPLICATIONS As referred to in the report.</p>	
<p>DEPUTY SECTION 151 OFFICER'S COMMENTS The s151 officer has produced this report, as part of her responsibilities.</p>	
<p>LEGAL IMPLICATIONS Legal Services have been consulted and have no comments to add. .</p>	
<p>MONITORING OFFICER'S COMMENTS The Monitoring Officer has been consulted and has no further comments.</p>	
<p>BACKGROUND PAPERS Medium Term Financial Strategy</p>	<p>Contact Officer: Nadine Muschamp Telephone:01524 582117 E-mail:nmuschamp@lancaster.gov.uk</p>

Summary of Anticipated Budget Changes
Review for reporting to Cabinet 19 November 2008

		2008/09 Budget £000	2009/10 Projection £000	2010/11 Projection £000
Changes Approved by Cabinet to date:				
	Minute:			
22 April: Area Based Grant (ABG) Provisional Amounts Due	} 144	-703	-307	-75
ABG Allocation to Neighbourhood Management (subject to budget)	}	+677	+258	
01 May: Morecambe Football Club	150		+2	+2
31 July: Carry forward of underspends (approved also by Council)	35(7)	+238		
Changes Approved by Cabinet, but subject to Council Approval:				
02 Sept: Storey Creative Industries Centre support / TIC Rent	57		+63	+31
07 Oct: Capital Investment Strategy Update	71(2)		+56	
Food Waste Recycling (Option 3)	68			+369
Sub-total: Changes Approved or Considered by Members		+212	+72	+327
2008/09 Projected Net Underspend per Quarter 1 monitoring:		-80		
Adjustments affecting Quarter 1 monitoring figure above:				
Lancaster Market Rent		+39	+50	+50
Search Fees		+45	+20	+20
Licensing Income		-20	-20	-20
Other Known or Potential Changes:				
Waste Collection (Net reduction re recyclables)		-66	-69	-71
Anticipated Surplus on Highways Operations		-99	-100	-100
Homelessness Grant (Error in Govt. original notification)		+20	+21	+22
Potential Equality Expenditure (following call-in on Area Based Grant)		+26	?	?
Reduction in Housing Benefit Administration Grant			+34	+38
Concessionary Travel		+243	+444	+529
Investment Interest (Icelandic Banks - very provisional adjustment)		+135	+23	?
St.Leonard's House Rental Income		+119	+111	+111
Pay Inflation (assumes 3% increase, initially)			+100	+200
Other Price Inflation (very provisional adjustment)			+200	+200
Sub-total: Other Known / Potential Base Budget Changes		+362	+814	+979
Use of Surplus Revenue Balances:				
Funding of Carry Forward Requests (per Member approvals above)		-238		
Funding of Current Year's Estimated Overspend (per this review)		-336		
Change in Future Estimated Phased Use of Balances (see attached schedule)			+219	-30
Sub-total: Change in Use of Balances		-574	+219	-30
Total Estimated Net Budget Increases		+0	+1,105	+1,276

Any Member approvals that are wholly cost neutral have been excluded, for simplicity.

Some budget changes are subject to full Council approval.

Future Years' Budgets, Settlement Assumptions and associated Council Tax Rates

Review for reporting to Cabinet 19 November 2008

	2007/08 Original £000	2008/09 Budget £000	2009/10 Projection £000	2010/11 Projection £000
Original Revenue Budget Projection	22,309	23,211	24,726	25,924
Proposed Amendments (see attached sheets):				
Changes approved or considered by Members to date		+212	+72	+327
Other known / potential budget changes or proposals		+362	+814	+979
Additional Contributions to (+) / From (-) Balances		-574	+219	-30
Latest Revenue Budget Projection	22,309	23,211	25,831	27,200
Latest Estimated Government Support	14,932	15,523	15,994	16,377
Collection Fund Deficit / (-) Surplus	-60	+0	+0	+0
Amount met by Council Tax	7,317	7,688	9,837	10,823

Latest Tax Base Estimates	43,150	43,250	43,300
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COUNCIL TAX IMPLICATIONS :

Band D Average Council Tax (across district)	£178.17	£227.45	£249.95
Percentage Increase Year on Year	4.6%	27.7%	9.9%

As Compared with:

Projections in February 2008	£201.43 13.1%	£219.24 8.8%
MTFS Targets, February 2008	£185.30 4.0%	£192.71 4.0%

FOR INFORMATION :

The above projections assume an annual increase of 100 Band D properties on the Tax Base for 2009/10 and an increase of 50 thereafter.

The Council Tax figures in the shaded boxes relate to the average City Council Tax payable across the district. This is the rate that the Secretary of State considers when deciding when to use his capping powers.

Future Years' Net Savings Requirements

Review for reporting to Cabinet 19 November 2008

	2008/09 Budget £000	2009/10 Projection £000	2010/11 Projection £000
Proposed Amendments (see attached sheet):			
Budget Changes approved or considered by Members to date	212	72	327
Other known / potential base budget changes	362	814	979
Change in Use of Revenue Balances	-574	219	-30
Impact of Reduction in Tax Base Projections		+18	+48
Total Estimated Net Change	0	1,123	1,324
Original Net Savings Requirement		-699	-1,155
New Net Savings Requirement required to achieve a 4.0% average Council Tax increase across the district		-1,822	-2,479

Total In Year Contribution from Balances assumed in above	1,462	213	142
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A 1% change in Council Tax equates to roughly £77,000
A 1% change in Government Support equates to roughly £155,000 or 2% Council Tax

Note that the Savings Requirements shown above (£1,822K for 2009/10 and £2,479K for 2010/11) do not provide for any further growth at present - they would need to be increased accordingly.

MTFS UPDATE TO CABINET 11 NOVEMBER 2008

APPENDIX B

30 October 2008

Dear Colleague,

The purpose of this note is to update you on the Icelandic Bank situation and the work the LGA has been doing over the last three weeks.

You can find LGA's press releases and public statements on this issue at: <http://www.lga.gov.uk/lga/core/page.do?pageId=659902>

Recap of position

There are four banks with which local authorities made deposits that are either Icelandic companies or UK subsidiaries of Icelandic companies.

The four are:

- Landsbanki Islands hf, a public limited company incorporated under the law of Iceland (Landsbanki)
- Glitner Bank (Glitner), an Icelandic Bank whose parent company is in receivership in Iceland
- Heritable Bank plc (Heritable), a UK subsidiary of an Icelandic group. Heritable is in administration under UK law.
- Kaupthing Singer & Friedlander Ltd (KSF), a UK subsidiary of an Icelandic group. KSF is in administration under UK law.

Landsbanki and Glitner are in Icelandic receivership, whereas Heritable and KSF are in UK administration. The deposits are split across the four banks:

Landsbanki	£347m
Glitner	£208m
Heritable	£284m
KSF	£ 82m

The LGA has analysed how much money has been deposited by each type of English local authority within its membership:

Shire Counties	£274m
Shire Districts	£229m
London Boroughs	£148m
Unitary authorities	£106m
Metropolitan districts	£32m
Fire and rescue authorities	£1.4m

Requests for information from the LGA - breakdown across banks

A number of authorities have requested details about which fellow councils are exposed to different banks, allowing them to work out who they need to work with.

We are be happy to share with the councils affected a list of other authorities with deposits with the same bank. However, given the sensitivities in this area we will not include your council's name and share it with others if you opt out of this. **Please email us at lqfinance@lga.gov.uk by close Tuesday 4 November if you do not want your council to be included on this list.**

UK Administrators

A number of councils have raised queries about the differences between administration and receivership. Full guidance is available at: <http://www.companieshouse.gov.uk/about/gbhtml/gbw1.shtml>

MTFS UPDATE TO CABINET 11 NOVEMBER 2008

APPENDIX B

We have had conference calls with the Administrators of UK subsidiaries of Icelandic banks (Ernst and Young); they plan to report back in mid November with a more detailed assessment how much authorities might receive and when this could be paid.

We noted that we did not wish to see a fire sale of assets, and that Administrators should focus on gaining maximum value for creditors.

The Administrators have asked that we have two groups of local authority councils who will act as lead creditors. The lead authorities include Counties, Districts, Police Authorities, and Welsh Councils. Authorities represented on the creditor groups are listed below:

Kaupthing Singer and Friedlander

- Cheltenham
- Bassetlaw
- Hertfordshire
- Peterborough
- Carmathenshire
- BANES

Heritable

- Plymouth
- Haringey
- South Ribble
- West Sussex
- Gateshead
- Caerphilly
- Westminster

Further details about the work of these creditor groups, and how they will liaise with other councils, will be circulate as soon as possible.

Icelandic receivers

We have been pressing HM Treasury to take this issue forward and they have provided the update below.

"Following conversations between the Chancellor and Icelandic Prime Minister, a delegation of officials from the Treasury and Bank of England held discussions with the Icelandic authorities. The recent round of discussions has ended but talks are not over and will be continued in the very near future. The aim of these is to agree a mechanism whereby the Icelandic government can honour its obligations to UK depositors and ensure the fair treatment of UK creditors."

We are in the process of setting up creditor groups for the Icelandic banks, with a view to them acting as a contact point with the Landsbanki and Glitner administrative committees. Again, further details about the work of these creditor groups, and how they will liaise with other councils, will be circulated as soon as possible.

Glitnir have recently published a press release giving an email address through which creditors are advised to get in touch, see: [http://www.glitnirbank.com/media/news-room/detail/item/7217/Glitnir_banki_hf_\(%22Old_Glitnir%22\)/](http://www.glitnirbank.com/media/news-room/detail/item/7217/Glitnir_banki_hf_(%22Old_Glitnir%22)/)

Accounting treatment of impairments

CIPFA is developing guidance on treatment of potential liabilities. Their draft guidance is attached as Appendix A [*Note to Cabinet: this is not attached as it is a technical document but it is available for any member if they would like it*]

Information/advice will be needed at time budget assumptions are finalised, as well as later in the budget process – when S151 Officers are advising on the robustness of budgets, and adequacy of reserves. We will press the CIPFA and the Audit Commission to ensure authorities have consistent information and advice.

Ratings Agencies

We have called for a review of the role of credit agencies, given that the bank ratings remained largely stable over the summer before collapsing.

Parliamentary review and John Healey evidence to CLG select committee

The CLG Parliamentary Select Committee have announced that they will hold an inquiry into local authority investments. The LGA will be submitting a response to this, and will consult with its members on this. Details of the inquiry are available here:

http://www.parliament.uk/parliamentary_committees/clg/clg_200708_pn63.cfm

Ministers Hazel Blears and John Healey appeared in front of the Parliamentary Select Committee on 27th October. The LGA set out its objections in advance to the naming of individual authorities in that meeting.

Ministers did open the door to capitalisation of amounts owed – but this would be assessed on a case-by-case basis. They released a note after the meeting setting out the position as they see it <http://www.communities.gov.uk/statements/corporate/icelandicbanks> .

Audit Commission

We have agreed to undertake a joint review of lessons learned with the Audit Commission. That work has not started yet and we'll ensure colleagues are kept up-to-date with developments.

We will also press for consistent treatment of authorities facing Icelandic difficulties in CPA and other audit queries.

Lobbying

LGA continues to press for Government support for authorities who face financial difficulties. We are drafting a set of proposed actions which we believe would help authorities who face difficulties.

Communication

We are conscious it has been a while since we contacted you all directly and apologise for this. We hope to be able to provide regular updates on this issue in future, and are planning on weekly communications to council chief executives and leaders of council political groups. These will be based on more detailed communications which we intend putting out to our finance contacts.

A number of you have raised queries about similar issues, or mentioned pieces of work you are thinking of doing that would be of interest to other authorities. We propose creating a shared mailing list, to enable you to share information among yourselves. We would appreciate any views on this – in particular whether you find it useful.

The LGA finance team

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GENERAL FUND BALANCES SUMMARY

Per MTFS Review, Cabinet 11 November 2008

	Per 2008/09 Budget Process	Per this MTFS Review	Sub Total
	£	£	£
Balance as at 31st March 2007	3,014,904	3,014,904	
Budgeted Contribution to Revenue Budget 2007/08 Underspend (following Outturn)	(583,100)	(583,100)	456,561
Balance as at 31st March 2008	2,431,804	2,888,365	
Budgeted Contribution to Revenue Budget	(887,800)	(887,800)	} (1,461,600)
Spending of Carry Forward Approvals (Cabinet 31 July 08)		(237,800)	
2008/08 Projected Overspend per this MTFS review		(336,000)	
Balance as at 31st March 2009	1,544,004	1,426,765	
Budgeted Contribution to Revenue Budget	(431,500)	(431,500)	} (212,500)
Reduction in contribution per this MTFS review		219,000	
Balance as at 31st March 2010	1,112,504	1,214,265	
Budgeted Contribution to Revenue Budget	(112,500)	(112,500)	} (142,500)
Additional contribution per this MTFS review		(30,000)	
Balance as at 31st March 2011	1,000,004	1,071,765	
Budgeted Contribution to Revenue Budget	0	0	
Additional contribution per this MTFS review		(71,000)	
Balance as at 31st March 2012	1,000,004	1,000,765	

CABINET

Chatsworth Gardens West End Housing Exemplar Project- Deed of Variation to Funding Agreement

Report of Corporate Director (Regeneration)

PURPOSE OF REPORT			
To provide Cabinet with an update report regarding the delivery of the Chatsworth Gardens West End Housing Exemplar Project.			
Key Decision	X	Non-Key Decision	Referral from Cabinet Member
Date Included in Forward Plan	March 2008		
This report is public			

RECOMMENDATIONS OF COUNCILLORS ARCHER AND KERR

That Cabinet:

- (1) Notes (a) the need to provide quality family accommodation on a key gateway site into the West End, and (b) the current position regarding delivery of the Chatsworth Gardens Housing Scheme.
- (2) Requests full independent legal advice as to the status of and enforceability by or against the Council of “the 2005 funding agreement” and all the subsequent development and other related agreements, whether signed or not, and the continuing or future legal and financial implications of all those agreements.
- (3) Requests the Corporate Director (Regeneration) to enter into urgent discussions with English Partnerships as the funding body, to clarify the legal implications of our relationship, and to pursue the potential for options to be placed before Cabinet in place of a complete new-build which would be more economical and more environmentally sustainable than the current scheme, would not be subject to the risk of claw-back, and would deliver quality family accommodation in partnership with one or more developers over a period of time.
- (4) Subject to the advice received in (2) above, and the outcome of discussions in (3) above, requests a report setting out alternative options for the council, in place of a complete new-build.

1.0 Introduction

- 1.1 Following a process of comprehensive analysis and community consultation the Winning Back Morecambe's West End Masterplan was adopted by the Council in February 2005 (minute 149 refers) as a Supplementary Planning Document to the Lancaster District Plan. The Masterplan divides the area into 17 intervention areas categorised for high, medium and low levels of intervention. Chatsworth Gardens falls within an area requiring a high level of intervention and was identified in the Masterplan as being suitable for a housing exemplar scheme. The area was chosen as a result of a significant amount of HMOs being present within the scheme, and the need to provide a wider range of quality family accommodation on a key gateway site into the West End.
- 1.2 Housing studies have been carried out to underpin the West End Masterplan, and these identified that there is an oversupply of poor quality privately rented accommodation in the area, and also a shortage of housing suitable for families. In order that the West End becomes a strong and sustainable community, a broader housing offer is essential.
- 1.3 It was proposed that the housing "Exemplar" project would deliver modern housing choices that appeal to a wider spectrum of the housing market, with the emphasis on first time buyers and family housing.
- 1.4 The principle of the scheme, approved by Cabinet in 2005, was that the properties within the area bounded by Regent Road, Westminster Road, Albert Road and Balmoral Road (including Chatsworth Road) would be acquired by the City Council, and a developer would be selected to deliver the "Exemplar" scheme in line with a Development Brief. This Development Brief was approved following detailed option analysis by English Partnerships and consultation with the West End Partnership and provided for a part demolition and refurbishment of properties within the defined area (Plan A). The funding for the acquisition of the properties would be provided by both English Partnerships and the developer (via its contribution for the land value of a cleared site).
- 1.5 As a consequence of these proposals, Cabinet agreed to enter into a funding agreement with English Partnerships at its meeting of 13th December 2005, to secure funding for the scheme (Plan A). At this meeting Cabinet also agreed to:
- Give delegated authority to the Corporate Director (Regeneration) to negotiate and enter into a Development Agreement on behalf of the Council, jointly with English Partnerships and the Developer selected in accordance with the Funding Agreement.
 - Ring fence the capital receipt of £200,000 from the sale of the former Illuminations Depot on Heysham Road, Morecambe to fund property acquisitions of property within the Housing Exemplar Project.
 - Confirm that it was minded to bring forward and make a Compulsory Purchase Order for the purpose of acquiring property within the boundary of the Housing Exemplar Project.
- 1.6 A developer procurement process was subsequently carried out where developers were invited to submit scheme proposals based on the Development Brief and to make a monetary offer in return for being able to develop their proposal. The

developers' scheme proposals were displayed publicly to enable community views to be collected and subsequently fed into the final selection process.

- 1.7 The winning developer was finally selected by an assessment panel including the Cabinet Member with special responsibilities for Regeneration during April 2007. The Panel undertook a detailed assessment of the bids and took account of the results of the community consultation events in making its selection. The preferred bid/scheme proposal was made by Places for People. However, this bid was fundamentally different from the Development Brief in that it comprised of proposals to carry out a complete demolition of all the properties, and provided for complete new-build (Plan B).
- 1.8 As a consequence of the final Exemplar bid (Plan B) requiring all of the properties within the scheme to be demolished, with a complete new-build proposal, the financial offer and development cost required for further funding to be sought from English Partnerships, to acquire the extra properties. As a result of the quality of the scheme proposals, English Partnerships (EP) sought approval to meet the funding shortfall. The amount of additional expenditure however meant that the scheme was outside of EP's delegated authority and approval was required from DCLG. To secure DCLG approval a detailed economic appraisal was required to demonstrate value for money. This work was completed and DCLG approval was secured in October 2007.

2.0 Proposal Details

- 2.1 In order to draw down the funds from EP a Deed of Variation is now required to the original 2005 Funding Agreement between EP and the City Council. The Deed of Variation will release an additional £ 2,442,000 to the Council in order to complete site assembly, including owner and occupier compensation and disturbance costs. These funds are required to partially meet the Council's costs in securing a Compulsory Purchase Order, maintaining security of the property and supporting the Masterplan Delivery Team for a further 18 months. As part of the financial package to deliver Plan B, the City Council will also require a contribution from the Developer partner of £1,239,000 and will also be required to dispose of assets outside the "Exemplar" Scheme, purchased by English Partnerships' funds, and redistribute these funds (estimated £1,379,500) into the acquisition programme. A summary of the financial costs is set out in Table 1 below.

- 2.2 Table 1 – Financial Costs

Capital Costs	(£)
Remaining property acquisitions including Compensation and Disturbance	4,810,000
Less Developer Bid – Places for People	<u>(1,239,300)</u>
Net Cost of Property Acquisition	3,570,700
Contingency	209,000
Surveyors/ Valuations & Conveyancing Costs, inc Contingency	100,800
Total Capital	3,880,500
Revenue Costs	
CPO Legal Advice	49,200
Property Holding Costs	81,000
Delivery Team	150,600
Total Revenue Costs	280,800

GRAND TOTAL	4,161,300
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2.3 It is proposed that these costs are funded as set out in Table 2.

2.4 Table 2 - Funding

Funding	(£)
EP Deed of Variation	2,442,800
Resale of Existing Property	1,379,500
Illuminations Depot Receipt	200,000
Rental Income	139,000
Total	4,161,300

2.5 In return for this funding, the Agreement will commit the Council to entering into a Development Agreement with Places for People, acquire the remaining properties and to use its CPO powers if necessary.

3.0 Details of Consultation

3.1 The Winning Back Morecambe's West End Masterplan was developed by a multi agency steering group which included community representation through the West End Partnership, along with representation from the City Council, County Council, English Partnerships, the Housing Corporation, Adactus Housing Group, NWDA and the MP for Morecambe and Lunesdale. The initial scope of the Masterplan was set following a day long consultations event where the local community was asked what issues they wanted to see addressed. The options for addressing those issues were then developed through a two day Enquiry by Design event which included expert professional advisors working through potential interventions with representatives of the local community. The final options for intervention were then agreed by the Steering Group before going out to a three day consultation event held at Heysham High in September 2004. A further public meeting was held in December 2004 at the Platform which was attended by approximately 300 people. Following this event the final Masterplan was agreed by the Steering Group in December 2004. The Masterplan was subsequently adopted by Cabinet as a supplementary planning document to the Lancaster District Plan at its meeting in February 2005.

3.2 The Chatsworth Gardens Housing Exemplar Project has specifically been subject to further detailed consultation process. The initial development brief which formed the basis of the developer selection process was developed and agreed in consultation with the West End Partnership. Community views were then sought on the developer bid submissions during a three day consultation event. These views were collated and fed into the selection panel who interviewed each developer. Lancaster City Council was represented by the Cabinet Member with special responsibilities for Regeneration who also represented the West End Partnership. Following this process, the scheme submitted by the Places for People Group was preferred by the results of the community feedback and by the selection panel.

3.3 Following their selection, Places for People undertook a further community consultation day to seek community views on the scheme, the site layout, urban design principles, house layouts and on other ways that community benefits can be achieved throughout the development period. The results of this event have informed the detailed design development.

3.4 An Outline planning application has now been approved with a reserved matters application programmed for submission late autumn. These processes will lead to further statutory consultation which will be reported into the formal planning decision making processes.

4.0 Issues

4.1 As detailed in the report, whilst English Partnerships have received Government approval to the Exemplar Scheme (Plan B), Members of Cabinet have currently not approved the Deed of Variation to the 2005 funding agreement.

4.2 A difficulty has now arisen in that, when drafting this report for Member consideration, clarification was sought from Places for People with regards to their commitment to the development costs via their proposed contribution of £1,239,000 (for the cleared land).

4.3 The Development Agreement was never formally signed by the developer partner, and Places for People have now formally notified the City Council that, due to current market conditions, the residual valuation for the scheme now shows viability issues, and as such, they are unable to sign up, at this stage, to the terms of the Development Agreement.

4.4 Without this commitment from the Developer, the project has a £1,239,000 gap in funding, and, the current proposals to enter into a revised funding agreement, along with the terms of such an agreement, cannot be implemented.

5.0 Options

5.1 Option 1

The City Council has already started a process of acquisition in line with the 2005 funding agreement and the 2005 funds have now been fully drawn down by the City Council. In accordance with the (Plan A) proposals of the original scheme, the City Council could seek to work with English Partnerships to identify how a partial demolition/refurbishment scheme could progress, and identify future funding needs to deliver such a project. At this stage, it is impossible to assess whether such a scheme would be financially viable and whether funds could be made available. Further work will be required to draw up a (Plan A) option and it is recommended that officers are instructed to start early negotiations with funders to seek an “acceptable” funding package for further consideration by Members.

Operated Risk	Financial Risk	Legal Risk	Benefits
<ul style="list-style-type: none"> English Partnerships would not agree to such a proposal as their existing analysis on the refurb/demolition option (Plan A) was originally considered by the funder as not to be a cost effective option. Bearing in mind current market conditions, it is difficult to see how 	<p>In the absence of a full commitment from English Partnerships and on a fully committed developer partner, there would probably be an increase in the financial contribution required from the Council sufficient to rule this option out.</p> <p>There is also the risk</p>	<p>All options have legal implications in terms of our contractual relationship with English Partnerships and at this stage it would be premature to observe what these implications would be prior to further discussions with the funding body.</p>	<ul style="list-style-type: none"> The City Council is seen to be proactive with the community and its funders to finding a positive solution in current economically challenging times.

<p>this analysis would significantly change to provide a positive cost effective outcome.</p> <ul style="list-style-type: none"> • A developer partner cannot be found to deliver such a scheme. This is of particular concern as the Plan A scheme was the proposal that was originally tested with developers. • The community within the West End will consider the consultation exercise for the Exemplar Scheme to have been “ignored”, and they may raise concerns that a “step change” project has not been achieved. • Further design work/appraisal work will take time, and we currently have empty properties within the scheme awaiting demolition. We are also holding all costs of staff and security as a City Council cost, which is outside budget provision. 	<p>that while a certain level of commitment might be obtained from English Partnerships and / or a developer partner could be secured under certain conditions, the increase burden would still be greater than the Council could afford.</p> <p>Further costs that would be incurred will be, in the absence of any additional funding, represent an additional cost to the Council which will increase steadily with time.</p>		
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5.2 Option 2

The City Council seeks to re-negotiate the current “variation to funding agreement” document with English Partnerships to reflect the funding gap, and seek possible options on how this funding gap should be addressed, for further consideration by Members.

Operated Risk	Financial Risk	Legal Risk	Benefits
<ul style="list-style-type: none"> • Insufficient funds will be made available to bridge the gap, causing a delay in delivery for any possible alternative options. 	<p>There is no specific financial risk in that if sufficient funds are not made available the scheme will simply not proceed.</p> <p>There will be some residual costs but this is dealt with in</p>	<p>All options have legal implications in terms of our contractual relationship with English Partnerships and at this stage it would premature to observe what these implications would be prior to further</p>	<ul style="list-style-type: none"> • The City Council is seen to be proactive with the community and its funders to finding a positive solution in current economically challenging times.

	option 4.	discussions with the funding body.	
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5.3 Option 3

That the City Council seek to implement both Option 1 and Option 2, ensuring that a full report is submitted to Members, providing for:

- a) Possible options for partial demolition/refurbishment.
- b) Options for implementing a full scale demolition/re-build for the Exemplar site.

Operated Risk	Financial Risk	Legal Risk	Benefits
<ul style="list-style-type: none"> • See Options 1 and 2. 	See options 1 & 2	All options have legal implications in terms of our contractual relationship with English Partnerships and at this stage it would premature to observe what these implications would be prior to further discussions with the funding body.	<ul style="list-style-type: none"> • The City Council is seen to be proactive with the community and its funders to finding a positive solution in current economically challenging times.

5.4 Option 4

The City Council no longer proceed with the Exemplar scheme, and either offer the properties acquired back to the original owners, or dispose of the assets on the open market, in their current condition.

Operated Risk	Financial Risk	Legal Risk	Benefits
<ul style="list-style-type: none"> • The City Council may be subject to claw-back provision with EP, for the funding already spent on the scheme. Due to current market conditions, it is unclear whether the subsequent sale of these properties on the open market will release sufficient capital to re-pay the funding drawn-down. It is also uncertain whether the City Council could sell these properties taking into account current market conditions. • The delivery of the objectives of the West End 	<p>The maximum amount that is potentially subject to claw-back is £4.5M. Though, if the full amount were required this would be offset by receipts from the sale of the properties currently held.</p> <p>A more likely outcome is that EP would require that the properties be sold and the proceeds be remitted to them, though any such arrangement would be subject to negotiation.</p> <p>There would be some additional revenue cost to the</p>	All options have legal implications in terms of our contractual relationship with English Partnerships and at this stage it would premature to observe what these implications would be prior to further discussions with the funding body.	

<p>Masterplan would be significantly affected, as the original proposals for the project was to reduce the large numbers of rented accommodation and HMOs, and replace with family sized owner occupied/part ownership accommodation.</p> <ul style="list-style-type: none"> The future relationship with our funding partner, English Partnerships, could be damaged due to the Exemplar Scheme not proceeding in some form. 	<p>Council incurred in the maintenance and security of properties pending sale. These are estimated at approximately £32K per annum.</p> <p>The Delivery Team is subject to a separate funding agreement of £277K and there is sufficient funding to finance the team for another 9 – 12 months, if it isn't subject to claw-back. Provision.</p>		
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6.0 Officer Preferred Option

6.1 The preferred option is Option 3 in the report. This will hopefully find an early solution to an issue that has been created by a recession in the markets, and will work with funders, to ensure that we retain good partnership working, which is essential during the current financial crisis.

RELATIONSHIP TO POLICY FRAMEWORK

The Morecambe Action Plan recognised the housing issues within Poulton and West End areas as having negative impact on the perception and economic potential of the town and that radical interventions were necessary to remove HMOs and privately rented flats and create new modern housing options.

The Council's Housing Strategy 2004/08 prioritises neighbourhood level investment in Poulton and West End areas of Morecambe.

The Chatsworth Gardens Project is a key element of the Winning Back Morecambe's West End Masterplan.

As 40% of the districts homelessness derives from failed private sector tenancies in the West End, these proposals will help reduce homelessness as the housing supply imbalances are corrected and the transient nature of the community is stabilised.

CONCLUSION OF IMPACT ASSESSMENT

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

The Masterplan has carefully considered issues of sustainability and is drafted on those principles. The scheme will be designed and built in accordance will English Partnerships Quality and Price Standards which ensure high quality urban design, including safer by design and life time homes standards as well as high environmental.

Human rights and diversity issues are given special consideration as owner interests are

acquired and through dedicated resettlement support offered to existing residents.

FINANCIAL IMPLICATIONS

The financial implications have been addressed in the financial risk column of the table shown in 5.0. The cost of obtaining independent legal advice is set out in the legal implications below.

SECTION 151 OFFICER'S COMMENTS

The report sets out the key financial risks facing the Council in connection with this scheme and whilst the officer preferred option should help mitigate these risks as far as is possible; depending on the outcome of negotiations / any future options appraisal there is still the potential for some costs / risks to remain with the Council. These will be re-assessed and fed into the budget and planning process accordingly. The financial issues associated with the project are also highlighted in the Medium Term Financial Strategy update report, elsewhere on the agenda.

LEGAL IMPLICATIONS

All options set out above have legal implications in terms of the Council's contractual relationship with English Partnerships and at this stage it would premature to observe what these implications would be prior to further discussions with the funding body.

Advice has already been sought from external solicitors on the proposed Deed of Variation. It is difficult to quantify the cost of obtaining the further advice referred to in Recommendation 2, but it is estimated that this should not exceed an additional £1,000, which could be met from the Project Management budget.

MONITORING OFFICER'S COMMENTS

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

BACKGROUND PAPERS

Winning Back Morecambe's West End Masterplan
 Morecambe Action Plan 2002
 Lancaster District Housing Strategy 2004/08

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