



Committee: CABINET

Date: TUESDAY, 17 FEBRUARY 2009

Venue: MORECAMBE TOWN HALL

Time: 10.00 A.M.

A G E N D A

1. **Apologies**

2. **Minutes**

To receive as a correct record the minutes of Cabinet held on Tuesday, 20th January, 2009 (previously circulated).

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

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

4. **Declarations of Interest**

To consider any such declarations.

5. **Public Speaking**

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

Reports from Overview and Scrutiny

None.

Reports

6. **Public Toilet Review (Pages 1 - 9)**

(Cabinet Member with Special Responsibility Councillor Barry)

Report of the Corporate Director (Community Services).

7. **Lancaster Town Hall Centenary (Pages 10 - 14)**

(Cabinet Member with Special Responsibility Councillor Burns)

Report of the Head of Democratic Services.

8. **Financial Support to External Organisations**
(Cabinet Member with Special Responsibility Councillor Bryning)
Report of the Chief Executive to follow.
9. **Pay Inflation and Early Termination of Employment Policies**
Report of the Chief Executive to follow.
10. **Civic Programme 2009/10** (Pages 15 - 18)
(Cabinet Member with Special Responsibility Councillor Burns)
Report of the Head of Democratic Services.
11. **Review of Cabinet Appointments to Outside Bodies, Partnerships and Boards**
(Pages 19 - 23)
Report of the Chief Executive.
12. **Revised Structures for Programmes and External Funds, Project Delivery Teams, and the future of Strategic Housing Role (Major Projects Delivery)** (Pages 24 - 31)
Report of the Corporate Director (Regeneration).
13. **Salt Ayre/Community Pools Savings Options**
(Cabinet Member with Special Responsibility Councillor Fletcher)
Report of the Corporate Director (Regeneration) to follow.
14. **Memorial Safety Programme**
(Cabinet Member with Special Responsibility Councillor Kerr)
Report of the Corporate Director (Community Services) to follow.
15. **Grounds Maintenance - options for service reduction** (Pages 32 - 35)
(Cabinet Member with Special Responsibility Councillor Barry)
Report of the Corporate Director (Community Services).
16. **Treasury Management Strategy 2009/10** (Pages 36 - 50)
(Cabinet Member with Special Responsibility Councillor Bryning)
Report of Head of Financial Services.
17. **Revenue Budget and Capital Programme**
(Cabinet Member with Special Responsibility Councillor Bryning)
Joint report of the Corporate Director (Finance and Performance) and Head of Financial

Services to follow.

18. Exclusion of the Press and Public

Members are asked whether they need to declare any further declarations of interest regarding the exempt appendices to the following reports.

Cabinet is recommended to pass the following recommendation in relation to the following items:-

“That, in accordance with Section 100A(4) of the Local Government Act, 1972, the press and public be excluded from the meeting for the following items of business, on the grounds that they could involve the possible disclosure of exempt information as defined in paragraphs 1, 2, 3, 5 and 7a of Schedule 12A of that Act.”

Members are reminded that, whilst the following appendices have been marked as exempt, it is for the Council itself to decide whether or not to consider each of them in private or in public. In making the decision, Members should consider the relevant paragraph of Schedule 12A of the Local Government Act 1972, and should balance the interests of individuals or the Council itself in having access to information. In considering their discretion Members should also be mindful of the advice of Council Officers.

19. Employee Establishment - Vacancy Authorisation (Pages 51 - 62)

Report of the Chief Executive.

20. Capital Receipts (Pages 63 - 87)

(Cabinet Member with Special Responsibility Councillor Archer)

Report of the Corporate Director (Regeneration).

21. West End Housing Exemplar Project - Chatsworth Gardens (Pages 88 - 109)

(Cabinet Member with Special Responsibility Councillor Archer)

Report of the Corporate Director (Regeneration).

ADMINISTRATIVE ARRANGEMENTS

(i) Membership

Councillors Abbott Bryning (Chairman), Evelyn Archer, Jon Barry, Eileen Blamire, Shirley Burns, Susie Charles, Jane Fletcher, John Gilbert, David Kerr and Roger Mace

(ii) Queries regarding this Agenda

Please contact Debbie Chambers, Democratic Services, telephone 01524 582057 or email dchambers@lancaster.gov.uk.

(iii) Apologies

Please contact Members' Secretary, telephone 582170, or alternatively email memberservices@lancaster.gov.uk.

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

Published on 9th February 2009.

CABINET

Public Toilet Review

17 February 2009

Report of Corporate Director (Community Services)

PURPOSE OF REPORT			
To provide options for toilet provision in 2009/2010.			
Key Decision	X	Non-Key Decision	
		Referral from Cabinet Member	X
Date Included in Forward Plan	[Click here and type date included in Forward Plan]		
This report is public			

RECOMMENDATIONS OF COUNCILLOR BARRY

- (1) That the 14 toilets listed in the report (para 2.2) are 'mothballed' with effect from 1st April 2009 and the draft revenue budget is updated accordingly.
- (2) That the draft capital programme is updated to reflect the proposed changes highlighted in paragraph 2.4 of this report.
- (3) That a 'Community Toilet' scheme is put in place from April 2009 and that £20,000 is allocated to this in 2009/10.
- (4) That a further report is brought to Cabinet in 2009/10 to make further recommendations for the medium / long term future of these toilets and to make recommendations for the future of the 'Community Toilet' scheme. In the meantime, if Parish Councils express an interest in acquiring toilets in their Parish, Cabinet would support this.

1.0 Introduction

- 1.1 As part of the 2009/2010 budget exercise cabinet have requested a report that provides further options for toilet provision within the District. This follows on from a previous review in 2005 that focussed mainly on improving the most used facilities.
- 1.2 The Public Health Act 1936 (Section 87) gives local authorities a 'power' to install 'public sanitary conveniences', but there is no 'duty' to do so. Provision of public toilets does not feature as a priority within the Corporate Plan or Community Strategy.

1.3 The 2009/2010 draft revenue budget for this service area is £381,700. Following a review in 2005 over £300,000 of capital has been spent on improving toilet provision.

1.4 In 2008 the Department of Communities and Local Government (DCLG) produced a report 'Improving Public Access to Better Quality Toilets'. The report outlines several examples of best practice of particular note is the 'Community Toilet' scheme. The scheme provides an excellent means by which local authorities, working in partnership with local businesses, can transform public access to toilets in their areas. Originally devised by the London Borough of Richmond upon Thames and now being adopted elsewhere, the scheme allows the public to use toilet facilities in participating businesses, which receive an annual payment in return to cover their costs. The scheme is cheaper to run than the Council's previous arrangement, and ensures access to a greater range of toilets that are clean and safe, located within managed buildings and available when people need them.

1.5 This report will provide options for toilet provision that-

- take account of this particular example of best practice ;
- take account of the projections of the medium term financial strategy (MTFS).

2.0 Proposal Details

2.1 Current details of public toilet provision are set out in appendix 1.

2.2 As can be seen there are a number of toilets that have already been provided / refurbished / replaced as a result of previous reviews of toilet provision and the Council has contractual obligations. There are also some toilets that complement another Council operation. In order to provide options that will have a budgetary impact in 2009/2010 there is immediate scope for reviewing the following 14 toilets-

West End (Regent Road) Morecambe
Toilets adjacent to the Dome- Morecambe
Heysham Village
Sunderland point
Glasson Dock
Cockerham
Silverdale
Warton
Red bank shore
Carnforth
Bolton Le Sands
Hest Bank
Bull Beck
Victoria Institute- Caton (cleaned by Council)

2.3 Taking account of the MTFS the most significant immediate savings could be made by 'mothballing' these toilets. This would mean that the toilets would still incur some ongoing costs eg- rates, standing utility charges etc. They would also incur some one off costs required to secure their closure (boarding up etc). Merely mothballing the toilets would provide a further opportunity to review their medium term / long term future.

- 2.4 By doing this it is estimated that the 2009/ 2010 revenue budget for toilets could be reduced by £100,000. With regard to Capital, there is £10,000 remaining within the current financial year and £137,000 in 2009/2010 for toilet improvements. The bulk of this had been earmarked for refurbishment of Heysham Village toilets, within minor works (£8K) for Festival Market toilets. Officers have recently been informed, however, that refurbishment of Marketgate toilets is scheduled for this financial year. Based on the original planning agreement the Council is liable for 50% of the improvement costs of these toilets, which are estimated at £45,000. It is proposed, therefore, that this commitment be included in the current year's capital programme and the remaining unallocated capital resources of around £100K be retained as a general capital provision but in year 2010/11, pending a review of the outcome of mothballing.
- 2.5 Although the proposals will involve a reduction in staffing to 1 FTE it is not expected that there will be any redeployment / redundancy issues because the staff will be utilised elsewhere within the cleansing function either as a result of staff turnover or as a direct reduction in the contracted services budget.
- 2.6 Mothballing these toilets and providing no other alternatives would represent a significant reduction in service.
- 2.7 Cherry picking from the list would not provide the same level of savings. Leaving a few toilets open would then require staff and vehicles to clean them. As an example Bull Beck is a fairly well used toilet especially at weekends. The cost of just emptying the septic tank at this toilet is around £14,000 per annum with another £6,000 devoted to repairs following vandalism etc.
- 2.8 In order to improve service provision a 'Community Toilet' scheme originally successfully introduced in Richmond is proposed. This initiative would offer payment to public buildings (eg pubs, cafes, hotels etc) who were prepared to offer use of their toilets to all members of the public (as opposed to just customers). In return the Council would contribute an agreed amount (£750) per annum to the business and provide branding and street signage to raise public awareness (an example of this is provided in Appendix 2).
- 2.9 It is proposed that in 2009/2010 the Council allocates £20,000 to a 'Community Toilet' pilot scheme. This would allow officers to seek around 15 participants and allow for branding and signage for the scheme.
- 2.10 If the scheme is successful a further proposal for expansion to other areas of the District will be brought forward for 2010/2011.
- 2.11 Currently there are 3 sets of public toilets provided in Williamson Park. At this stage no options have been prepared for reducing toilet provision but they will be brought forward with other options for Williamson Park. In the previously approved Capital Programme a specific provision of £60,000 was included for refurbishment. Given recent developments, it is proposed to merge this with another intended park scheme, to make a general provision for future park investment. The allocation of this capital budget would be covered in future reports to Cabinet regarding the park's operations.

3.0 Details of Consultation

- 3.1 None

4.0 Options and Options Analysis (including risk assessment)

4.1 The options and their analysis are as follows-

Option	Pros	Cons
1- status quo	Retains existing levels of toilet provision.	<ul style="list-style-type: none"> • Does nothing to meet requirements of MTFs. • Many of the toilets where City council are in need of major repair, suffer from ongoing vandalism and are in exposed locations.
2- Mothball 14 toilets as listed in para 2.2 - from April 1 2009, with capital changes in para 2.4	<ul style="list-style-type: none"> • Provides a £100,000 per year saving to revenue budget. • Provides a £100,000 general capital budget, for future works (including any demolition). • Mothballing toilets allows for medium term / long term consideration of their future. • Allows other bodies the opportunity to consider taking over the ongoing running of the facility. • Many of these toilets are in need of major repair, suffer from ongoing vandalism and are in exposed locations. 	<ul style="list-style-type: none"> • Represents a significant service reduction and will be unpopular with many. • Mothballed public buildings are unsightly and can attract vandalism. • Although the facility is mothballed it will still incur some service / maintenance charges. • If at a future date the decision is taken to reopen or demolish the mothballed toilets there will obviously be further financial implications to consider, and these might not be fully covered by the £100K capital provision.
3- Mothball some toilets of the toilets in the list in para 2.2- from April 1 2009, with capital changes in para 2.4	<ul style="list-style-type: none"> • Would provide some savings to revenue budget. • As above. • Reduced service reduction. 	<ul style="list-style-type: none"> • The mothballing proposal of 14 toilets has been designed to generate the maximum saving from the resources that are used (eg staff, transport etc). Leaving some open would greatly reduce the saving as it would not be as efficient (ie. staff and a vehicle still have to be allocated to cleaning a reduced amount of toilets). • If at a future date the decision is taken to reopen or demolish the mothballed toilets again there will obviously be further financial implications to consider.
4- Community Toilet Pilot - from April 2009	<ul style="list-style-type: none"> • Retains levels of service provision. • Cheaper to run (Pilot, but assume £20,000 per annum). • Provides toilets that are clean, safe, located within managed 	<ul style="list-style-type: none"> • Businesses may not be willing to participate.

	<p>buildings and available when people need them.</p> <ul style="list-style-type: none"> • Will impact positively on the businesses that participate through an annual contribution, publicity and signage. • Using 2009/2010 as pilot year allows for time to assess effectiveness and then make recommendations for 2010/2011 	
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5.0 Officer Preferred Option (and comments)

5.1 Because of the need to make savings the officer preferred option is option 2 (mothball 14 toilets as listed in para 2.2) combined with option 4 (Community Toilet Pilot). The effective date for this would be April 1 2009.

6.0 Conclusion

6.1 The report provides options for toilet provision that are consistent with best practice and the Council’s financial position.

<p>RELATIONSHIP TO POLICY FRAMEWORK</p> <p>Provision of public toilets does not feature as a priority within the Corporate Plan or Community Strategy.</p>
<p>CONCLUSION OF IMPACT ASSESSMENT (including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)</p> <p>[Click here and type conclusion of impact assesment]</p>
<p>FINANCIAL IMPLICATIONS</p> <p>The draft revenue budget includes £381,700 for the provision of public toilets within the District. Currently 3 full time direct staff are employed on this function of cleansing</p> <p>Option 1 (status-quo) would see no change to the budget requirement and therefore generate no savings.</p> <p>The combination of the preferred options (2 and 4) would see a reduction in staffing to 1 full time employee and generate a saving of £100,000 along with a cost of £20,000 resulting in a net saving of £80,000 per annum. It is anticipated that there would be no redeployment/redundancy issues as the staff will be redirected within the cleansing function through natural wastage or a direct reduction to the contracted services budget.</p>

The savings arising from option 3 are not quantifiable at this moment as there is no schedule of which toilets would potentially be kept. Should Members choose this option then a further appraisal would be required.

As detailed in the report, the latest Capital Programme, as reported to Cabinet on 20th January 2009, includes the sum of £245,000 (profiled £108,000 in 2008/2009 and £137,000 in 2009/2010) for toilet improvements within the District. To date £98,000 has been spent, leaving £147,000 available, but there is the need to provide funding for the Marketgate refurbishment, and provide in future for the outcome of any mothballing.

All options require the Capital Programme to be re-profiled, as follows :-

	2008/2009 £'000	2009/2010 £'000	2010/11 £'000	TOTAL £'000
January Programme	108	137	--	245
Option 1	153	137	--	290
Options 2 & 3	143	--	100	243

If at a future date the decision is taken to reopen or demolish the mothballed toilets there will obviously be further financial implications to consider at that time, against remaining budget provisions.

SECTION 151 OFFICER'S COMMENTS

In reaching a decision, Members are advised to consider the options in context of the budget position and the need to make ongoing savings and achieve value for money, as well as proposed priorities and the impact on service users.

LEGAL IMPLICATIONS

Legal have been consulted and have no further comments to make.

MONITORING OFFICER'S COMMENTS

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

BACKGROUND PAPERS

DCLG- Improving Public Access to Better Quality Toilets

Contact Officer: Mark Davies

Telephone: 01524 582401

E-mail: MDavies@lancaster.gov.uk

Ref:

Appendix 1- Current Provision of Public Toilets

Location	Notes
St Nicholas Arcade- Lancaster	Operated by St Nicholas Arcade- No cost to the Council
Bulk St car park- Lancaster	Operated by Adshel- No cost to the Council
Marketgate- Lancaster	Operated by Marketgate as part of original planning agreement- Council pays an amount for cleaning and maintenance. Also liable for half of any capital improvements. Refurbishment due this year.
Bus Station- Lancaster	Council pays an amount cleaning and maintenance. Part of original agreement when bus station built.
Williamson Park- Lancaster	Operated by Williamson park- 3 toilets café, prefab units, Wyresdale Rd
<ul style="list-style-type: none"> • Happy Mount Park – Morecambe • Clock Tower- Morecambe • Library Car Park- Morecambe 	Newly refurbished 'pay as you go' toilets operated by Danfo. Council pays annual amount of for cleaning, maintenance etc. All income retained by Council
West End Gardens- Morecambe	New facility open to public maintained by Council open daily. Formed part of proposal for external funding of café facility
Stone Jetty- Morecambe	Located within Stone Jetty café but maintained by Council as a public toilet- available all year round.
Dome- Morecambe	Located near to Dome. Maintained by Council only opened during the spring and summer.
West End toilets- Morecambe	Maintained by council
Festival Market- Morecambe	Public toilets attached to Festival Market open daily. Due for minor refurbishment this year.
Bus Station- Morecambe	Closed due to ongoing vandalism and anti social behaviour.
Heysham Village	Maintained by Council
Sunderland point	Maintained by Council
Glasson Dock	Maintained by Council
Cockerham	Maintained by Council
Silverdale	Maintained by Council
Warton	Maintained by Council
Red bank shore	Maintained by Council
Carnforth	Maintained by Council
Bolton Le Sands	Maintained by Council
Hest Bank	Maintained by Council
Bull Beck	Maintained by Council
Victoria Institute- Caton	Cleaned by Council
Conder Green	Provided by Lancashire County Council
Crook O'Lune	Provided by Lancashire County Council

APPENDIX 2- Example from Richmond

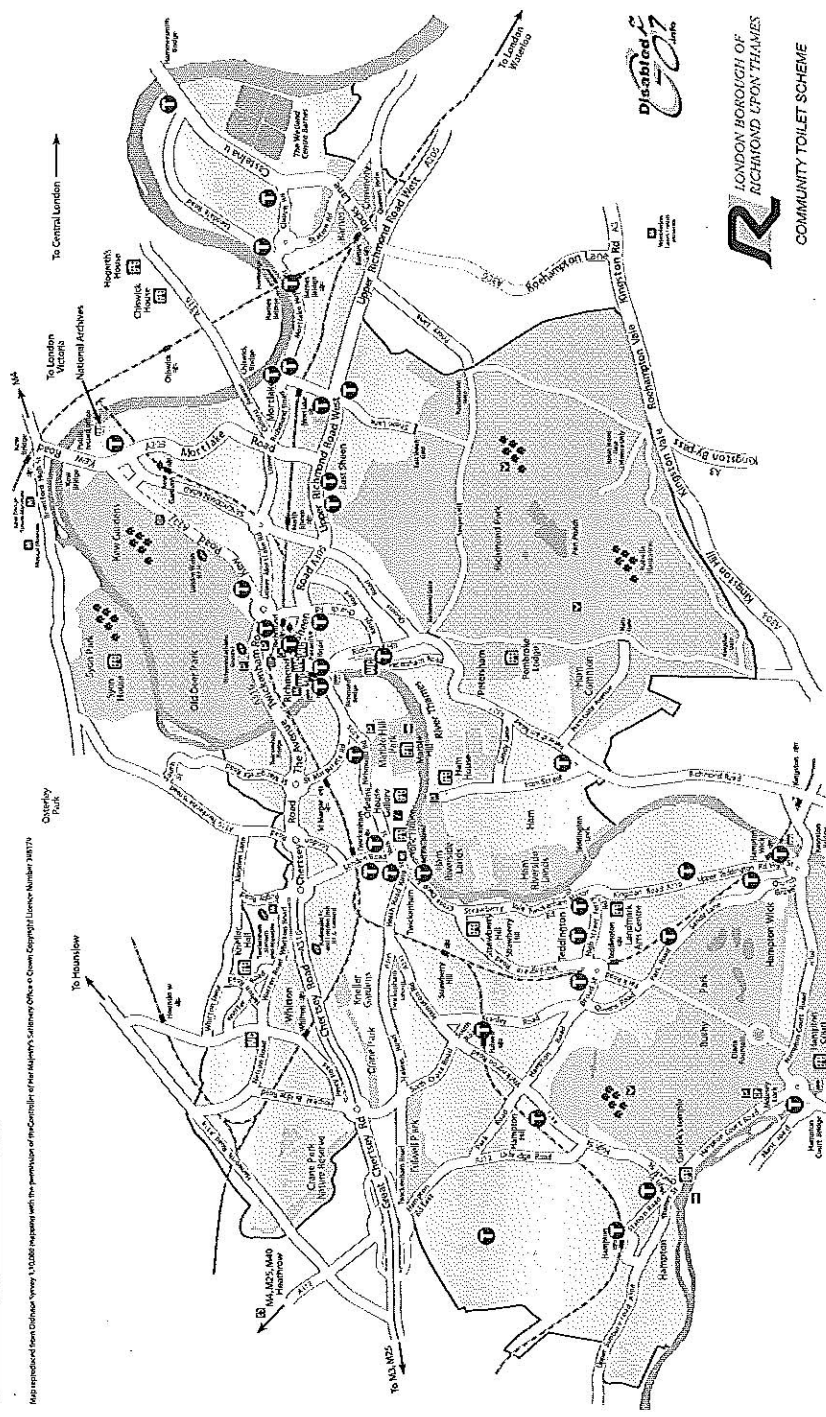
Participating premises display one of these stickers in their window:



APPENDIX 2 - Richmond Map

Members of the Community Toilet Scheme

- Barnes**
 - The Swan** 22 High Street KT1 4DB
 - White Hart Hotel** 1 High Street KT1 4DA
- Kew**
 - Marks & Spencer** Kew Retail Park TW9 4AA
 - Mortlake**
 - Jolly Gardeners** 36 Lower Richmond Road SW14 7EX
 - Railway Bar & Dining Room** 11 Shoon Lane SW14 8HY
 - The Charlie Butler** 40 Mortlake High Street SW14 8HR
 - The Ship** 10 Thames Bank SW14 7QR
- Richmond**
 - Centro** 31-33 Kew Road TW9 2NQ
 - Pizza al Rollo** 20 Hill Street TW9 1TN
 - Restaurant 109** 109 Kew Road TW9 2PN
 - The Bishop's Finger** 145 Sheen Road TW9 1YT
 - The Richmond Arms** 20 The Square TW9 1DZ
 - The Slug & Lettuce** Water Lane TW9 1TJ
 - Hollyhook Café** Terrace Gardens, Peterham Road, TW10 6UX
 - Tide Tables Café** Beneath Richmond Bridge, Richmond Riverside TW9 1TH
- Teddington**
 - L'Amandine** 200 Kingston Road TW11 9JD
 - Scarpatta** 78 High Street TW11 8JD
 - Teddington Arms** 38-40 High Street TW11 8RW
 - Teddington Pool** Vinegar Road TW11 8EZ
 - The Adelalide** 57 Park Road TW11 0AU
 - The Coffee Mill** 91 High Street TW11 8HG
 - The King's Head** 123 High Street TW11 8HG
 - The Lion** 27 Wick Road TW11 9DN
 - The Nearest Café** 10 Church Road TW11 8PB
 - The Postbox Bistro** 195 Waldegrave Road TW11 8LX
 - The Railway** 3 Victoria Road TW11 0BB
- Twickenham**
 - The Red Lion** 154 Stanley Road TW11 8UD
 - The Tide End Cottage** 8 Ferry Road TW11 9NN
 - Trattoria Sorrento** 132 High Street TW11 8JB
 - Wimpy** 38-40 Broad Street TW11 8DY
 - The Angler's Arms** 3 Boom Road TW11 9NN
 - Twickenham** 32 King Street TW1 3SZ
- Hampton**
 - Dar Laffa** 76 Milton Road TW12 2LJ
 - The Bell Inn** 8 Thames Street TW12 2EA
 - The Jolly Coopers** 16 The High Street TW12 2SU
 - The Railway Bell** Skilton Road TW12 2AP
 - The White House Community Centre** 45 The Avenue TW12 9FN
 - Hampton Court**
 - Blubeckers** 3 Palace Gate, Hampton Court Way, KT8 9BN
 - The Cardinal Wolsey** The Green, Hampton Court Road KT8 9BW
 - Hampton Hill**
 - Duke of Clarence** 147 High Street TW12 1NU
 - The Jenny Lind** 80 High Street TW12 1NY
 - The Windmill** 80 Windmill Road TW12 1QU
 - Hampton Wick**
 - Strykers Railway** 91 High Street KT1 4DG



COMMUNITY TOILET SCHEME

KEY

- Public Toilets
- Tourist Information
- Car parking
- Coach Parking
- Theatres
- Museum
- House
- Pier
- Ferry
- Deer Park
- Rugby Ground
- Underground Station
- British Rail Station

Community Toilet Scheme

- Wheelchair accessible
- Baby changing
- Promises participating in the Council's Community Toilet Scheme operate in this area and display one of these stickers in their window:

Disabled Access

RICHMOND BOROUGH OF RICHMOND UPON THAMES



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CABINET

Lancaster Town Hall Centenary

17th February 2009

Report of Head of Democratic Services

PURPOSE OF REPORT			
To advise Cabinet of options for marking the centenary of the opening of Lancaster Town Hall in 1909.			
Key Decision	<input type="checkbox"/>	Non-Key Decision	<input type="checkbox"/>
			Referral from Officer
			X
This report is public			

OFFICER RECOMMENDATION

- (1) That Cabinet consider the options for marking the centenary of the opening of Lancaster Town Hall and authorise arrangements to be made accordingly.**
- (2) That subject to the above the Head of Financial Services be authorised to update the General Fund Revenue Account in 2008/09 and 2009/10 as appropriate.**

1.0 Introduction

1.1 Lancaster Town Hall was officially opened on 27th December 1909 and will therefore be 100 years old later this year.

1.2 Some research has been undertaken which has uncovered the following programme of events which were held to celebrate its opening:

- Procession lead by Lord Ashton, the Mayor and Town Clerk from the Old Town Hall in Market Square to the new Town Hall
- Lord Ashton opened the doors with a golden Key and the procession continued to the Ashton Hall
- A music recital was held in Ashton Hall with Lord Ashton making a speech dedicating the building to the service of the Mayor and the Corporation
- A choral performance of the Messiah was held in the evening
- A Ball was held in aid of the Mayor's Charity
- Children's Party held the following evening
- A football match was held with proceeds going to the Mayor's Charity
- Commemorative coins were struck
- A series of 9 open days were held during January 1910 where all householders and a guest were invited to the Town Hall to see the facilities it had on offer, and they were given refreshments.

- 1.3 There are also a number of other key anniversaries in the District in 2009 – notably the Ashton Memorial is also 100 years old and the Cathedral is 150 years old.

2.0 Proposal

- 2.1 It had initially been hoped that the City Council would be in a position to make suitable arrangements to celebrate this anniversary and to this end officers have been in discussions with other local organisations through the Lancaster Heritage Group.

- 2.2 The deteriorating financial position has however caused a 're-think' and officers have instead concentrated on ways of marking the anniversary using existing resources.

3.0 Options and Options Analysis (including risk assessment)

- 3.1 Officers in Cultural Services, Democratic Services, Economic Development and Tourism and Property Services have worked together to develop the following options which can be delivered within existing resources as indicated:

3.2 Town Hall Tours

It is suggested that a series of enhanced tours of the Town Hall are arranged as part of the Heritage Open Day Tours on 12th/13th September and over the weekend of 25th/26th/27th September 2009 to coincide with the Lancaster Unlocked promotion being organised by the Heritage Group where events at museums and places of interest in the town are specially marketed and promoted for a particular weekend.

The intention is to widen the scope of the tours of this weekend to introduce an historical interpretation using an actor to play the role of Lord Ashton who will lead the tours as if he is showing members of the public around his new building, culminating in refreshments in the Mayors Parlour with the Mayor. A second actor playing the role of Mr Belcher, the Ashton Memorial Architect could also be used to tie in the celebration of 100 years of the Ashton Memorial in Williamson Park.

Charges are made for Town Hall Tours which cover the cost of opening the building. Funding for the additional costs of hiring a 'Lord Ashton' would need to be identified and refreshments could be provided from the Mayoral Functions budget. Savings can be made on events within the Civic programme to provide additional funding for this purpose, eg. reductions in numbers invited to the Annual Council Mayor Making Lunch.

3.3 Guided Walks

A local blue badge guide could also be employed to lead Edwardian Lancaster (or 'Lord Ashton's Lancaster') themed guided walks on at least some of the Heritage open days & Lancaster Unlocked days referred to above.

Funding for the cost of these would also need to be identified.

3.4 Mayoral At Homes

The Mayoral At Homes event have previously taken place in May each year. However this year they have been moved for the first time and are due to be held in March 2009. If during 2009/10, these are held in January 2010 instead the At Home in Lancaster can be promoted to the public as replicating the open days held in

January 1910 and a similar acted scenario using a Lord Ashton and Mr Belcher could be included.

Funding for the additional costs of staging the scenario would need to be identified. There would be no additional costs for refreshments other than those budgeted for on an annual basis.

3.5 Lancaster Fireworks Festival

It is suggested that the Fireworks in November 2009 be arranged around an Edwardian Theme, both during the day and in respect of the music in the evening.

Subject to approval of the proposed Festival programme, funding for this is included in the Cultural Services budget – there would be no additional costs.

3.6 Community Festival – Williamson Park

Subject to further approval of the 2009/10 budget process, a sum of £7,500 is provisionally allocated for holding events in the Park. This could be used to hold an Edwardian themed Fair in the Park, possibly alongside the Community Festival held for the past few years in which the Council participated for the first time in 2008. This would enable the public to look at Lancaster as it was 100 years ago alongside the Lancaster of today.

3.7 Community Leaders Event/Choral Concert

If funding can be identified, a community event could be organised in the Ashton Hall during December to be hosted by the Mayor. The Lancaster and District Male Voice Choir are interested in performing a concert with the support of Leyland Brass Band who are willing to provide the music for them. This choir performed a concert in the Ashton Hall 100 years ago and were the first public performance in the room. This could be arranged as a separate concert or as part of a Community Leaders Event.

Interest has also been expressed by the NCBI in Lancaster who have recently done a new Welcome poster for the Town Hall steps and it is suggested that the promotion of this could be timed and themed to mark the centenary.

Costs of organising a Community Leaders Event could be met from the as yet unallocated 2008/09 Area Based Grant Reserve for Community Cohesion. A separate concert would need to be a ticketed event and self financing.

3.8 Cabinet are requested to consider whether they wish to pursue any or all of the above options. Alternatively Cabinet may agree not to make any arrangements to mark the centenary of Lancaster Town Hall or the Ashton Memorial.

4.0 Officer Preferred Option

4.1 There are no officer preferred options.

5.0 Details of Consultation

5.1 Officers from several Services have liaised with other organisations through the Lancaster Heritage Group and the proposals outlined in this report meet with their approval and fit the programme of Edwardian themed events being considered by others.

6.0 Conclusion

- 6.1 Initial enquiries have been made to check availability of a suitable Lord Ashton 'look-alike' and provisional bookings made. No firm commitments have yet been made, but in order to secure the necessary bookings for any of the options set out above, action is required at an early date. Members are requested to consider the options set out above and to confirm the provision of the necessary funding in order that arrangements can be commenced in earnest and appropriate events organised.

RELATIONSHIP TO POLICY FRAMEWORK

The proposal to deliver a civic programme which celebrates our local heritage and benefits our communities, with specific reference to the centenaries of Lancaster Town Hall and Williamson Park is included as part of Priority Outcome 16 in the 2008/09 Corporate Plan - to work to maintain a cohesive community where respect for all is valued and celebrated

FINANCIAL IMPLICATIONS

Precise costings of the options set out in the report have not been undertaken by the relevant Services and although provisional enquiries have been made regarding the availability of historical interpreters and walks guides no financial commitment has been entered into. Estimates of the costs involved suggest that the provision of the suggested role playing characters with costumes and props and the guided walks in 3.2, 3.3 and 3.4 above would cost approximately £2,000.

The following potential sources of funding have been identified. However, should the allocation of these be confirmed for this purpose, detailed proposals will be worked up to meet the available funding:

- A proposal to allocate £2,500 to a Williamson Park Local Music Programme and £5,000 to a Williamson Park Christmas Event from the Festivals Innovation Fund for 2009/10 has been referred for further consideration as part of the budget process, but if approved could be utilised for an appropriate Ashton Memorial centenary celebratory event in Williamson Park.
- Savings could be made to other events in the 2009/10 Civic Programme, reducing the guest list at Annual Council for example as a one-off specifically to support additional expenditure on refreshments at Town Hall Tours
- A sum could be set aside from the 2008/09 £26,000 Community Cohesion Area Based Grant Reserve (currently unallocated).

Any reference made to festivals budgets is subject to the outcome of 2009/10 budget process in accordance with the decision of Cabinet on Festivals and Events dated 9th December 2008.

SECTION 151 OFFICER'S COMMENTS

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

LEGAL IMPLICATIONS

There are no direct legal implications as a result of this report.

MONITORING OFFICER'S COMMENTS

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

BACKGROUND PAPERS

None

Contact Officer: Gillian Noall
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E-mail: gnoall@lancaster.gov.uk
Ref:

CABINET

Civic Programme 2009/10

17th February 2009

Report of Head of Democratic Services

PURPOSE OF REPORT			
To advise Cabinet of options for reducing expenditure on the Civic Programme in 2009/10.			
Key Decision	<input type="checkbox"/>	Non-Key Decision	<input type="checkbox"/>
		Referral from Officer	<input checked="" type="checkbox"/>
This report is public			

OFFICER RECOMMENDATIONS

- (1) That Cabinet consider the options for reducing the budget allocated to the Civic Programme for 2009/10 and future years
- (2) That subject to the above the Head of Financial Services be authorised to update the General Fund Revenue Account in 2009/10 as appropriate.

1.0 Introduction

- 1.1 The Democratic Services budget includes a sum of £12,700 for Civic receptions and Mayoral Functions.
- 1.2 This budget covers the cost of all annual events in the Civic Programme, any one-off events such as Freedom Marches and also any incidental costs relating to the Mayoralty such as attending the Royal Garden Party, adding new names on Memorials, repairs to the Mayoral Chain, advertising for Marsh Grass payments to Freeman, for example. It is also used in different ways by each Mayor to provide refreshments for guests invited to the Town Hall during their Mayoral year.
- 1.3 In addition there is a separate budget of £2,300 for floral decorations at civic events.
- 1.4 The annual civic events paid for from this budget are currently as follows:

January	Holocaust Memorial Service
March	Reception for Parish Councils
	Mayoral At Homes
	Visit by Lancashire Civic Heads
May	Annual Council
	Mayor's Sunday
July	Freeman's Court
October	Reception for Overseas Students
November	Remembrance Sunday

2.0 Proposal

- 2.1 Consideration has been given to ways in which expenditure in this area could be reduced either permanently or as a one-off for 2009/10 to ease the current budget situation. The exact saving for each event is difficult to determine as each year the Mayor is consulted on their preferences and expenditure varies according to their priorities.
- 2.2 It should be noted that whilst each event does not have a specific separate allocation of funding as this varies according to the decisions of each year's Mayor, the budget is monitored throughout the year to ensure that there is no overspend, and any savings at the end of the year fall into balances.

3.0 Options and Options Analysis (including risk assessment)

3.1 Visit by Civic Heads of Lancashire

Option 1 – not to hold the event at all, producing a saving of at least £500. The content of the event is personal to each Mayor and the event in 2008 cost over £900 due to the requirement to hire a coach.

Option 2 - to hold a small scale event based in Lancaster Town Hall comprising an afternoon reception with tea and coffee and a tour of the building. This could be run on similar lines to the reception for overseas students held in 2008, tying in a tourism presentation to publicise the district.

3.2 Annual Council

Option 1 – Not to hold a celebratory reception at the end of the Annual Council meeting. This would produce a saving in excess of £3,000.

Option 2 – To reduce the number of guests being invited to a reception on the same basis as in previous years, eg a three course lunch. Reducing the number of invitees by half would produce a saving of over £1,500. A separate report on the Lancaster Town Hall Centenary celebrations for 2009 has already identified that a reduction in the number of guests would produce a saving which could then be utilised to enhance the Heritage and Lancaster Unlocked weekends.

Option 3 – To set a total budget allocation for this event, say £1,000 or £2,000 and with the agreement of the Mayor choose a reduced level of catering, e.g a buffet rather than a served meal. Numbers would be invited according to the budget allocation.

3.3 Attendance at the Royal Garden Party in London

The City Council applies annually for the full allocation of four places to attend the Royal Garden Parties in London in July. The City Council at present pays for a short break to London for the four guests, usually the Mayor and Mayoress/Consort and the Deputy Mayor and their Mayoress/Escort. The cost of the break includes hotel accommodation and rail travel and in 2008 cost the City Council £683.03. The Council then also covers the cost of food and travel (eg taxi fares) whilst in London, raising the cost of this to approximately £840.

Option 1 – that the City Council applies for the allocation of 4 tickets to enable attendance at the Royal Garden Party in London, but that the cost of attending is covered by the Mayor and Deputy Mayor from within their allocated Mayoral Allowances should they wish to attend.

Option 2 - that the City Council does not apply for the allocation of tickets and is not represented at the Royal Garden Party in London.

3.4 Floral Decorations

The budget for floral decorations, currently estimated at £2,300 for the 2009/2010 financial year could be deleted. Limited floral decoration could be provided from the remaining Civic Receptions and Mayoral Functions budget allocation for specific events where required.

4.0 Officer Preferred Option

4.1 There is no officer preferred option. Members need to understand however that this budget has been substantially reduced over the years and all events reviewed to ensure that they provide value for money. It would not be possible to continue to provide the same level of events at reduced costs. Savings can be made, but only by cutting a specific event or making major alterations to events.

5.0 Conclusion

5.1 The civic programme has been extensively reviewed in the past few years by means of both a Civic Task Group which reported to Council and an Internal Audit of the Service as a result of which the list of civic events set out in 1.4 above has been agreed as providing a reasonable level of civic hospitality at the least expenditure.

5.2 Given the financial position for 2009/10, consideration has been given to where further cuts could be made. Cancelling specific events would produce savings or set out in 3.0 above are suggestions where reductions could be made without reducing the Mayoral profile.

RELATIONSHIP TO POLICY FRAMEWORK

The proposal to deliver a civic programme which celebrates our local heritage and benefits our communities is included as part of Priority Outcome 16 in the 2008/09 Corporate Plan - to work to maintain a cohesive community where respect for all is valued and celebrated.

FINANCIAL IMPLICATIONS

The Democratic Services budget includes a sum of £12,700 for Civic receptions and Mayoral Functions and £2,300 for floral decorations.

The possible savings as a result of each option are set out in the report. It should be noted that another report on this agenda suggests the use of some savings to the Civic Programme to fund additional expenditure on refreshments for town hall tours, as part of the Lancaster Town Hall Centenary programme of events. Subject to member decision the 2009/10 (and possible future years) draft budget will be updated accordingly.

DEPUTY SECTION 151 OFFICER'S COMMENTS

In reaching a decision, Members are advised to consider the options in context of the budget position and the need to make ongoing savings and achieve value for money, as well as proposed priorities and the impact on service users.

LEGAL IMPLICATIONS

There are no direct legal implications as a result of this report.

MONITORING OFFICER'S COMMENTS

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

BACKGROUND PAPERS

None

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CABINET

Review of Cabinet Appointments to Outside Bodies, Partnerships and Boards

17th February 2009

Report of Chief Executive

PURPOSE OF REPORT			
To review Cabinet appointments to Outside Bodies, Partnerships and Boards following the appointment of a new Leader of the Council and the consequential change to Cabinet Portfolios.			
Key Decision	<input type="checkbox"/>	Non-Key Decision	<input checked="" type="checkbox"/>
Referral from Officers			
X			
Date Included in Forward Plan	N/A. This is a Non-Key Decision.		
This report is public.			

OFFICER RECOMMENDATIONS

- (1) That Cabinet considers the appointments to Outside Bodies, Partnerships and Boards as set out in Appendix A to the report.
- (2) That Cabinet reviews the appointments to the Lancaster District Local Strategic Partnership Board, the Lancaster District Local Strategic Partnership Management Group and the LSP Thematic Groups (as listed in Appendix B).

1.0 Introduction

- 1.1 Following the appointment of a new Leader at the Council meeting held on 4th February, and the consequential change to Cabinet portfolios Cabinet is requested to review its appointments to Outside Bodies, Partnerships and Boards. The current memberships and appointments are set out in the appendices to this report.

3.0 Outside Bodies, Partnerships and Boards

- 3.1 Attached at Appendix A is a list of all organisations to which Cabinet makes appointments. The existing representative is listed for information. Cabinet is requested to consider whether this appointment continues to be relevant or if any changes to portfolio responsibilities require that the appointment be changed.
- 3.2 Cabinet is reminded that it was agreed at its meeting on 18th March 2008 (Minute 136 refers) to review appointments to the Lancaster District Local Strategic Partnership

Board and Management Group. Since then Council has agreed that all appointments relating to LSP bodies should be delegated to Cabinet and these are listed in Appendix B.

4.0 Options and Options Analysis

4.1 Cabinet is asked to review its appointments to outside Bodies, Partnerships and Boards and approve any changes to appointments, as appropriate.

5.0 Officer Preferred Option and Comments

5.1 It is recommended that appointments be aligned as closely as possible to individual Cabinet Members' portfolios.

RELATIONSHIP TO POLICY FRAMEWORK Representation on Outside Bodies is part of the City Council's community leadership role.	
CONCLUSION OF IMPACT ASSESSMENT (including Diversity, Human Rights, Community Safety, Sustainability etc) The review provides transparency, accessibility and inclusiveness in the Council's Executive decision-making processes.	
FINANCIAL IMPLICATIONS There are no financial implications with regard to the recommendations.	
SECTION 151 OFFICER'S COMMENTS The Section 151 Officer has been consulted and has no further comments.	
LEGAL IMPLICATIONS There are no legal implications as a result of this report.	
MONITORING OFFICER'S COMMENTS The Monitoring Officer has been consulted and has no further comments.	
BACKGROUND PAPERS Council Agenda and Minutes. Cabinet Agenda and Minutes 8 th July 2008.	Contact Officer: Debbie Chambers Telephone: 582057 E-mail: dchambers@lancaster.gov.uk

APPENDIX A

APPOINTMENTS MADE BY CABINET

ORGANISATION	EXISTING REPRESENTATIVE
Arnsdale and Silverdale AONB Unit Arnsdale and Silverdale AONB (Forum, Countryside Management Service and Limestone Heritage Project)	Susie Charles
British Resorts Association	Shirley Burns
Children's Trust Partnership Lancaster District	Jane Fletcher
Cycling Demonstration Town Board	Eileen Blamire and Jane Fletcher
English Historic Towns Forum	Abbott Bryning
Forest of Bowland AONB Advisory Committee	Susie Charles
Governing Body – Lancaster and Morecambe College Corporation	Abbot Bryning
Groundwork Trust, Lancashire West	Jane Fletcher
Lancashire Economic Partnership	Abbott Bryning
Lancashire Leaders Meeting (Leader)	Roger Mace*
Lancashire Police Authority – Partnerships Forum	Eileen Blamire
Lancashire Rural Affairs	Susie Charles
Lancashire Rural Partnership	Susie Charles
Lancaster and District YMCA Management Board	John Gilbert
Lancaster Canal Restoration Partnership (formerly Northern Reaches SG)	Susie Charles
Lancaster District Community Safety Strategy Partnership Executive Member	Eileen Blamire
Lancaster University Public Arts Strategy Group	Jane Fletcher
LGA Coastal Issues Special Interest Group	Evelyn Archer
LGA Executive (Leader)	Roger Mace*
LGA Tourism Forum	Shirley Burns
Morecambe Bay Partnership	Evelyn Archer
Morecambe Bay Tobacco Control Alliance	David Kerr
North and West Lancashire Priority 1 Action Plan Partnership Board	Abbott Bryning
North West Regional Assembly (Leader)	Roger Mace*
North West Rural Affairs Forum	Susie Charles
Storey Centre for Creative Industries	Abbott Bryning
Waste Management Strategy Steering Group	Jon Barry
Winning Back the West End Steering Group	Evelyn Archer

* Appointed in his capacity as Leader of the Council

MISCELLANEOUS APPOINTMENTS (including Cabinet appointments)

ORGANISATION	BASIS OF APPOINTMENT	EXISTING CABINET REPRESENTATIVE
Lancaster and District Vision Board	Cabinet Member	Roger Mace
Lancaster District Community Safety Strategy Group	Cabinet Members for Community Safety and Rural Affairs and Overview & Scrutiny Committee Member	Eileen Blamire David Kerr
Lancaster District Regeneration Partnership	Cabinet Member for Regeneration plus 3 representatives on PR drawn from the Wards of Skerton East, Skerton West, Castle, Dukes, John O'Gaunt, Bulk, Heysham South and Overton	Abbott Bryning
Lancaster District Sustainability Partnership	Cabinet Member and Overview & Scrutiny Committee Member	Shirley Burns
LGA Rural Commission	Cabinet Member for Rural Affairs plus one on rotation (Independent Group for 2008/09)	Evelyn Archer Susie Charles
Museums Advisory Panel	Cabinet Member	Jane Fletcher
Poulton Neighbourhood Management Board	Cabinet Member for Morecambe Housing and Ward Councillors for Poulton	David Kerr

APPENDIX B

LANCASTER DISTRICT LOCAL STRATEGIC PARTNERSHIP

Organisation	Basis of appointment	Existing appointment
LSP Partnership Board (+ substitute)	Cabinet Member (+ Cabinet Member substitute)	Roger Mace (Evelyn Archer as substitute)
LSP Management Group (+ substitute)	Cabinet Member (+ Cabinet Member substitute)	Roger Mace (Susie Charles as substitute)
LSP Children & Young People Thematic Group	Cabinet Member appointed to the Children's Trust Partnership Lancaster District	Jane Fletcher (Shirley Burns as substitute)
LSP Economy Thematic Group	Cabinet Member	Abbott Bryning (Evelyn Archer as substitute)
LSP Environment Thematic Group	Cabinet Member	Jon Barry (David Kerr as substitute)
LSP Safety Thematic Group	Cabinet Member appointed to Community Safety Partnership Executive	Eileen Blamire (David Kerr as substitute)
LSP Health and Wellbeing Thematic Group	Cabinet Member	David Kerr (John Gilbert as substitute)
LSP Education, Skills and Opportunities Thematic Group	Cabinet Member	Evelyn Archer (Abbott Bryning as substitute)
LSP Valuing People Thematic Group	Cabinet Member	John Gilbert (Shirley Burns as substitute)



**Revised Structures for Programmes and External Funds,
Project Delivery Teams, and the Future of Strategic Housing
Role (Major Projects Delivery)**

17 February 2009

Report of Corporate Director (Regeneration)

PURPOSE OF REPORT			
To propose a new corporate approach, including the establishment of a central, corporate team, for the management of programmes and external funding, and project delivery.			
Key Decision	X	Non-Key Decision	Referral from Cabinet Member
Date Included in Forward Plan	12 January 2009		
This report is public			

RECOMMENDATIONS OF CORPORATE DIRECTOR (REGENERATION):

1. Approve of the re-structure of existing staff resource to create two new sections; (i) the external funding/programmes team, (ii) the regeneration Project Delivery Team, and agree the budgetary provision.
2. Approve the proposal to integrate Housing Strategy into the Local Development Framework (LDF) Team with Planning.

1 INTRODUCTION

1.1 This report proposes the establishment of a new corporate structure to deal with the growing and complex requirements of external funding and programme management, and also provides to re-structure the existing establishment to ensure a corporate/structured approach is taken in delivering subsequent regeneration projects that will result from the programme. The proposal has been developed in response to emerging policy changes, major anticipated opportunities for the District, the extreme likelihood of heavy reliance on external funding and the experience of the Council to date.

2 BACKGROUND

2.1 External funding is critical to the delivery of the ambitious objectives of the Council and represents a significant proportion of the Council's capital programme and revenue budget. At the present time, there are number of key factors that indicate the need for a formal corporate approach that maximises access to appropriate external funding, ensures that the

required external funding can be managed to the rigorous standards required and provides corporate efficiency, cost effectiveness, high performance and good risk management. The Council must also ensure that it has the right level of staffing in place to facilitate the delivery of any proposed regeneration projects, and the flexibility to react to new proposals as and when required.

2.2 Policy framework

The government's Sub National Review of Economic Development and Regeneration underlines the important role of Local Authorities and is explicit in its support for delegation of regeneration funds to Local Authority level and also in the delivery of projects. In recent discussions with North West Development Agency (NWDA) and Homes and Communities Agency (HCA), two of the Council's major funders, this is reiterated, but clearly depends on a number of conditions.

2.3 Economic Geography

It is expected that future funds provided by NWDA/Home and Communities Agency will only be considered where there is a natural economic geography and in many cases this will mean a partnership based approach across a number of Local Authority areas. However, in the case of Lancaster District there is a recognition that the economic geography is distinct and is tied primarily around the administrative boundary of the District, even though there are opportunities for partnership development around Morecambe Bay, the Irish Sea and the rest of Lancashire.

2.4 Clear strategy and priorities

Any external funding needs to be clearly linked to an agreed strategy and to have local support. NWDA and English Partnerships are currently working informally with the Council to develop detailed Investment Frameworks arising from the economic vision for the District, and are progressing the Housing Strategy and policy framework. The Regeneration Programme has been discussed at Council's Cabinet and by the LDLSP and the LSP have now endorsed the Regeneration Programme. The proposals are ambitious and will provide the framework for a possible delegation of funds as soon as this is possible.

2.5 Capacity

It will be a prerequisite that the Council, if it is acting as Accountable Body for external funds, can provide guaranteed management and delivery capacity. Currently, the Council has developed some approaches that have been recognised by funders as being of a high standard. However, the approach is not taken consistently across the Council, so there are varying standards. The Council also relies heavily on staff recruited for the duration of programmes, which, at times, has affected continuity and resulted in loss of critical skills and experience.

3 LOCAL DEVELOPMENTS

3.1 Regeneration plans for the District

Lancaster City Council and the Lancaster District LSP have recently considered the Regeneration Programme for the district, and a three year Action Plan has now been approved. The Council is the lead partner for a very significant proportion of the overall activity included in this. Most of this activity relies heavily on external funding from a range of sources and also management and delivery capability, strongly suggesting the need for the Council to build on its success to date but plan ahead to provide the firm structures and arrangements that will be necessary.

3.2 Corporate management

The Council has developed some very good arrangements for managing programmes and external funds but has done this reactively, often creating new structures and developing new processes from scratch as funding has been offered. This proposal is designed to bring together management resources for external funding, avoiding duplication but retaining

valuable skills and experience. It also provides a vehicle to coordinate a range of complementary corporate management skills to achieve a joint, consistent and cooperative approach to areas of work where there is significant overlap. This includes strategy/policy development (Forward Planning, Corporate Strategy), project and programme management (Corporate Strategy, Internal Audit) financial management (Financial Services), risk management (Financial Services Risk Manager) procurement (Financial Services Procurement Manager), performance management (Corporate Strategy) and delivery services across the Council.

There is already a move towards much more joint working between the current Regeneration Programmes Office and other services, which is proving to be extremely successful. This proposal has been developed in consultation with representatives of a number of these complementary services and the response has been extremely supportive with some specific helpful suggestions being added. Overall there is a strong feeling that this approach is needed and offers an exciting way forwards, and very tangible benefits.

4 DETAILED PROPOSAL

Details of this restructure proposal have been put to all affected staff and the consultation process is ongoing. The restructure, if progressed, will require the City Council to look at the Management structure and Cabinet will be aware that the Chief Executive is currently working on possible proposals for this.

4.1 Option 1

The proposal is to create two new teams with specific responsibilities for (i) programme management and external funds, and (ii) regeneration project delivery, with effect from 1st April 2009.

(i) Programme management and external funds

The proposal suggests a core, established team, which can provide the capacity guarantees that will be required and can deal with the level of work that is known at this time. It assumes further development of close working relationships with other corporate services and an exchange of expertise with those services. It specifically suggests the transfer of the Projects and Performance Officer into the team to ensure that the approach to project management (LAMP) is integrated with project monitoring and vice versa and also reinforce the link with performance monitoring for all projects. In the case of other specific officers, where there are clear overlapping interests, it may be useful to arrange part-time secondments into the team to work jointly on key developments. This can be flexible and short term or ongoing, depending on the requirements. The way in which the proposed new team works with existing services has been developed in consultation and is flexible, adaptable and focused on achieving results.

This approach also offers the opportunity to capture the Council's contribution to the overall model and identify this as match funding, offering value for money to external funders whilst not incurring additional costs for the Council.

The philosophy behind this approach is very much about enabling strong delivery and achievements, supported by good management and sound processes. There is a very clear focus on end results and the presentation of the approach is centred on facilitation, improvement and cooperation.

(ii) Regeneration Projects Team

With regards to the actual delivery of major projects, the Council currently has officers who operate out of several different services, and provides for a mixture of core funded staff on permanent contracts, and externally funded staff on temporary, short term contracts.

The proposal is to organise officers into a core team within Planning Services. This would ensure that a consistent, corporate approach is taken to the delivery methodologies of all major projects. It will also provide for a strong core team who can

facilitate working up the detail of regeneration projects, and provide capacity for delivery, whilst at the same time ensuring full conformity with the LDF. This team should also include two posts currently allocated into Strategic Housing, which deliver housing capital projects in the Poulton and West End renewal projects. It is anticipated that this team would ensure a strong corporate direction is taken in delivering the requirements of the Council's approved Local Development Framework document, and will provide strong strategic direction in the Council's corporate regeneration agenda.

The proposal also provides to incorporate the City Council's Strategic Housing Officer and associated support (currently in Health and Strategic Housing) into the 'LDF' planning team, which aligns the work currently being carried out on the sub-national review.

A separate proposal (outside of this report) is also being made to continue the work of the Worklessness Team, and subject to an external funding bid to the NWDA, it is anticipated that the team (currently within the West End delivery team) will work alongside the Council's current business development unit.

4.1.1 Benefits

The proposal offers the Council a number of benefits including:

- Coordinated strategy development across the Council, clear presentation of objectives and priorities
- Maximised access to external funds
- Maximised delivery of benefits, outcomes, performance
- Efficiency and cost effectiveness – achieving more with existing resources
- Joint working to develop streamlined processes that avoids duplication and utilises key skills and experience
- Added value
- Raising quality and managing risk
- Revising quality of delivery of projects
- Ensure early tie in of major projects to the Council financial and legal obligations.
- Provides flexibility of having a strong core team (using external sources only when required)

4.1.2 Risks

- The proposals being put forward require a re-grouping of some posts, and will also bring to an end the need for temporary posts. The proposal is also subject to external funding being successful.

4.1.3 Financial Issues

(i) Programmes Team

The structure provides that the City Council seeks to extend the temporary contract arrangement of officers, subject to future funding being made available from external funders. Such posts are essential in ensuring that sufficient capacity is in place to submit further, substantial funding bids in future years. It is anticipated that the NWDA bid will be made before March 2009 with negotiations already being carried out. As an interim measure, funding will be needed to be allocated on a temporary 6 month basis to permit staff to remain in post, until the NWDA determine the application for funding. The total costs of the proposed restructure on a 6 month basis are approximately £267,300 (this includes existing Council funding of £158,800). The additional staff costs of £108,500 arising from an unsuccessful bid would be covered by the Project Management Reserve.

It should also be noted that, should funding not be forthcoming from the NWDA, then the City Council will need to serve statutory notice of termination of fixed term contract posts, which will have a financial cost to the City Council of approximately £55,400.

(ii) Regeneration Team

A revised delivery timescale for current and new projects in accordance with new proposals to be submitted to funders is not likely to come on line for at least two years. In the meantime the Council continues to deliver a range of major high profile projects which rank the authority as a credible regeneration body. These include Luneside East, The Bailrigg Science Park, and Townscape Heritage Initiative II at Morecambe. At the present time it is envisaged that the existing core staff plus one additional post, will provide the sufficient capacity to manage this programme, work alongside the Local Development Framework Team to develop an Action Area Plan for Central Morecambe, and work up further projects in line with the Council Regeneration Programme.

Whilst there is a cost associated with providing any level of management service, this particular proposal is unusual in that it brings efficiencies in terms of existing Council resources as well as the potential to draw down a considerable contribution from external funding sources. As such, it is unlikely to create additional costs overall. It captures the current contribution of external funders to management costs which is considerable and has historically required only a very small contribution from the Council, allowing other resources to be focused on delivery.

Where additional funding is offered to support delivery of projects, the Council will have the opportunity to consider costs and benefits of this alongside any funding contribution. There is no automatic assumption that the Council will accept the Accountable Body role and Council decision making to determine this will be supported by internal appraisal and risk assessment in the normal way.

There will, inevitably, be a cost of terminating contracts, and these will need to be assessed, and, as detailed, there is a requirement to funding an initial 6 month period or less, subject to the NWDA making a decision on funding.

4.1.4 Legal Issues

Members will be aware that the current fixed term contract posts covered by these proposals are all on notice to terminate from 31st March 2009. Should Cabinet approve recommendation Option 1 in extending the posts relating to this report for 6 months, then this will be carried out as an extension to the existing fixed term contracts. If funding is not available, Lancaster City Council will need to find sufficient funding for termination of these contracts.

With all the proposed posts in the new structure, subject to funding approval, it is recommended that they are all made “permanent”, despite only 3 years funding possibly being available. The justification for this is that currently the City Council pays a “premium” on many fixed term contract posts, because, by their very nature, officers are usually happy to accept uncertainty about their permanent employment and take a larger salary to compensate. The law provides that any employee exceeding 2 years employment has the right to receive statutory redundancy payments on termination, which effectively means that the City Council is currently paying “redundancy costs” to all staff to which temporary contracts are being terminated at a higher level than had the post been permanent.

On all the posts identified in the report, the salary quoted is existing salary and will be subject to any amendment as a result of the City Council’s Job Evaluation process.

4.2 **Option 2**

The City Council does not progress the proposed structure.

4.2.1 Risk

The City Council would find it more difficult to provide a coordinated approach to the Programmes and Regeneration teams. It would not be in the best position to bid for further regeneration funds from NWDA and HCA, and as such, the Council’s priority on regeneration may be affected.

The Council currently has contractual programme and project agreements with funders. Not having appropriate arrangements in place to manage this will significantly raise the risk of any clawback of external funds.

4.2.2 Benefits

There are few benefits in remaining with existing structures, particularly as the sub-national review of economic regeneration is progressing the consequence of this, as detailed in 'Risk', in that the City Council will have to have strong government structures in place to deal with rapidly changing agendas.

5 OFFICER PREFERRED OPTION

5.1 The officer preferred option is Option 1.

6 CONCLUSION

6.1 At the present time, national, regional and local factors combine to create enormous opportunity for the whole District to benefit from policy changes and economic and political factors. There is opportunity to see local decision making become very real with the role of Local Authorities being emphasised by the Government as central in both determining local objectives and enabling delivery of key services and interventions. Current market factors suggest a volatile period ahead during which the Council will need to be well informed and able to respond to needs in the District.

6.2 External funding, which has in recent years been closely guarded by regional agencies, now looks set to be delegated down to local areas that meet certain conditions. Lancaster District is very well placed to achieve this but will be required to guarantee its management capacity and capability. This proposal has been designed to meet this need but offers additional benefits to the Council itself in terms of corporate management, efficiencies and added value.

RELATIONSHIP TO POLICY FRAMEWORK

The government's Sub National Review of Economic Development and Regeneration underlines the important role of Local Authorities and is explicit in its support for delegation of regeneration funds to Local Authority level and also in the delivery of projects. In recent discussions with North West Development Agency (NWDA) and Homes and Communities Agency (HCA), two of the Council's major funders, this is reiterated, but clearly depends on a number of conditions.

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

The new structures to be put in place will provide the appropriate framework to ensure that all the issues of Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing will be addressed through appraisal.

FINANCIAL IMPLICATIONS

Option 1 – Creation of two new teams with specific responsibilities for (i) programme management and external funds, and (ii) regeneration project delivery with effect from 1st April 2009.

The costs of this revised staffing structure based on the current information provided are

approximately £534,600 2009/10, £554,400 2010/11 and £569,100 2011/12. Part of these costs will be met by the existing Council staffing budget provision. The remaining costs of £217,000 2009/10, £267,500 2010/11 and £275,200 2011/12 are to form part of the NWDA funding bid.

As an interim measure, funding will need to be allocated on a temporary 6 month basis to permit staff to remain in post, until the NWDA determine the application for funding. The total costs of the proposed restructure on a 6 month basis are approximately £267,300 (this includes existing Council funding of £158,800). The additional staff costs of £108,500 arising from an unsuccessful bid will be covered by the Project Implementation Reserve; currently the balance stands at just under £200K.

It is anticipated that this activity will continue to be funded by NWDA on a 3 year basis. However, this cannot be guaranteed. Alternative options would need to be considered by Cabinet in relation to circumstances prevailing at that time, and could include recovery of cost via a new funding source, budget growth or redundancy/redeployment.

Redundancy Costs

Members should be aware that several of the posts referred to in this report have had sufficient length of employment to acquire redundancy entitlement which would need to be taken into account on both options.

If the proposed structure is approved, but the funding bid is unsuccessful the City Council would need to serve statutory notice of termination to fixed term contract posts. The redundancy costs associated with this are currently estimated at £55,400 however this does not take account of any early retirement costs and are based on an enhanced redundancy settlement.

Option 2 – Do nothing option – allow unfunded posts to end 31st March 2009

If the City Council does not progress the proposed structure the redundancy costs of all temporary posts in the current structure would need to be funded. This is currently estimated at £49,900 however this does not take account of any early retirement costs on an enhanced redundancy settlement. The relevant permanent posts that are still subject to continuation of funding may continue for a number of months via the remaining LCC budgets, the length of which would be determined by the volume of remaining committed work.

For either option, the Project Implementation Reserve could be used to meet any redundancy costs, if other sources were not available. Such funding issues are considered as a separate item elsewhere on the agenda.

Regarding the remaining housing posts and the proposed transfers into the 'LDF' planning team, there will be a small saving of around £5K per year, as the Strategic Housing Officer post will revert to its substantive grade.

SECTION 151 OFFICER'S COMMENTS

Option 1 presents an opportunity to strengthen financial management, control and planning associated with various programmes and the delivery of major projects, within existing budgets. Whilst there are some risks involved, these are manageable and in the s151's view, they are far outweighed by the opportunities that this proposal presents. With option 2, these opportunities could not be realised, and greater financial risks would remain.

LEGAL IMPLICATIONS

The legal implications concerning contractual employment rights have been incorporated within this report.

MONITORING OFFICER'S COMMENTS

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

BACKGROUND PAPERS

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CABINET

Grounds Maintenance – Options for Service Reduction

17 February 2009

Report of Corporate Director (Community Services)

PURPOSE OF REPORT				
To provide Cabinet with options for service reduction in the service area of grounds maintenance.				
Key Decision	X	Non-Key Decision		Referral from Cabinet Member
Date Included in Forward Plan		29 th Jan 2009		
This report is public				

RECOMMENDATIONS OF COUNCILLOR BARRY

- (1) From the list of savings described (2a-2g) only 2f (reduction in mowing at Lancaster Cemetery) is taken through as a budgetary savings.

1.0 Introduction

- 1.1 As part of the 2009/2010 budget setting process Cabinet have requested a report that provides realistic options for making immediate savings from the service area of grounds maintenance.
- 1.2 Grounds maintenance is not in itself a statutory service area. However, it does contribute significantly to the corporate plan medium term objective 'make our district a cleaner and healthier place'. This objective has the priority outcome of 'cleaner streets and public open spaces'. The key performance indicator that measures this is NI195 which is used to measure improvements in litter, detritus, fly-posting and graffiti. Performance against this target is one of the few where the City Council are directly measured within the Lancashire Area Agreement.
- 1.3 Activities undertaken by the ground maintenance service also support a number of other corporate objectives particularly in the areas of regeneration and community safety.
- 1.4 These contributions were reinforced following the organisational restructure of City Council Direct Services (CCDS) which grouped the grounds maintenance and street cleansing operations within the same line management structure. As a result many of the functions of the service are operationally linked- eg litter bin emptying, litter picking, leaf clearance, removal of dumping etc. This organisational change has

generated operational efficiencies across the two service areas which have translated into demonstrable improvements in the cleanliness of streets and public open space.

1.5 The grounds maintenance operation is highly efficient and already operates to the most stretched schedules (eg grass cutting) that the equipment will allow. Through previous budget rounds considerable cutbacks in the standard of service have already been made (reduction in mowing frequencies, fallow areas, turfing of flower beds, replanting with perennials etc.)

1.6 The net cost of maintaining the parks and open space for which the Council has direct responsibility is £899,000. Additional expenditure is incurred and income generated from operations undertaken within the District that are carried out for different funders. These include-

- Highways verges (in urban core)- County Council
- Highways trees (in urban core)- County Council
- Housing estate open space – Council Housing HRA
- Housing estate trees- Council Housing HRA
- Maintenance of land drainage – Planning Services
- Weed spraying (in urban core) - County Council
- Some aspects of Cemeteries maintenance- Environmental Health and Strategic Housing
- Contract work- eg NHS, other Councils, regeneration schemes etc

2.0 Proposal Details

2.1 The options can be selected as individual items or as a whole.

2.2 If Cabinet do choose to select some or all of these options the number of seasonal gardeners recruited by CCDS will be reduced accordingly.

3.0 Details of Consultation

3.1 None

4.0 Options and Options Analysis (including risk assessment)

4.1 The options are as follows-

Option	Description	Pros	Cons
1	Maintain current levels of service provision.	<ul style="list-style-type: none"> • Targets for LAA and corporate plan assume current levels of service. • Will maintain the current level of cleanliness of streets and public spaces. 	<ul style="list-style-type: none"> • Does not generate any savings for 2009/2010 budget.
2	Reduce current levels of service provision through selection of some of or all of the sub- options set out below.	<ul style="list-style-type: none"> • Generates savings for 2009/2010 budget • The options have been designed to be realistic and can be 	<ul style="list-style-type: none"> • Savings will be very visible • Will generate ongoing complaints from residents /

Option	Description	Pros	Cons
		<p>immediately implemented.</p> <ul style="list-style-type: none"> The options have been designed so that they do not impact on the District's parks. 	<p>visitors / users.</p> <ul style="list-style-type: none"> Likely to have negative impact on corporate plan priority outcomes and targets in LAA

The sub- options for option 2 are as follows-

Sub - option	Description and officer comments	Saving per annum
2a	Cease over marking of football pitches- currently pitches are over marked 15 times per season. They would be marked only once at the beginning of the season. Users of the pitches will consider this is something they contribute to via pitch fees.	£3,100
2b	Turf over 33 of the 37 flower beds in Harbour garden area of Morecambe promenade- regeneration work is taking place in the adjoining area. The flower beds are in need of some redesign.	£6,800
2c	Turf over all flower beds in the sunken gardens at Morecambe Town Hall- the flower beds are a long standing and popular feature. They are not visible from the main road.	£3,300
2d	Turf over all 4 flower beds in the oval gardens in Dalton Square- the flower beds are a long standing and popular feature.	£1,800
2e	Reduce the playground improvement revenue budget by 50%- this budget is used to repair/ replace broken playground equipment throughout the year. If the budget was reduced the remaining amount would be spent on a priority basis (using playground priority list). Equipment in playgrounds lower down in the priority list would be removed once damaged / broken.	£18,100
2f	Reduce number of grave plots that are mown on a regular basis in Lancaster cemetery- currently all areas are mown 16 times per year. If the budget was approximately 50% of the plots would only be mown once per year.	£8,900
2g	Reduce frequency of mowing on Broadway Bridge bankings to once per year- currently these bankings are cut 16 times per year. The area would be included on a more frequent litter picking schedule if this option was selected.	£4,700

5.0 Officer Preferred Option (and comments)

5.1 The officer preferred option is option 2 with the exception of 2a.

6.0 Conclusion

6.1 The report responds to Cabinet's request for options that are realistic, can be quickly implemented and will generate savings.

RELATIONSHIP TO POLICY FRAMEWORK

Corporate Plan-

Medium term objective- To make our district a cleaner and healthier place

Priority Outcome- cleaner streets and public open spaces

KPI- NI 195- improved street and environmental cleanliness

Lancashire Area Agreement- 3 year target set for individual Districts measured by NI 195

CONCLUSION OF IMPACT ASSESSMENT

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

The main impact will be aesthetic only in terms of the appearance of the affected areas. There may be reduced play opportunities if vandalised/broken playground equipment is taken out of service.

FINANCIAL IMPLICATIONS

As contained within the report. The proposal (option 2) offers an array of savings totalling £46,700 which can be achieved through a reduction to the number of seasonal gardeners recruited and/or materials. All approved savings should be built into the 2009/2010 budget process with immediate effect.

SECTION 151 OFFICER'S COMMENTS

In reaching a decision, Members are advised to consider the options in context of the budget position and the need to make ongoing savings and achieve value for money, as well as proposed priorities and the impact on the service.

LEGAL IMPLICATIONS

Legal have been consulted and have no further comments to add.

MONITORING OFFICER'S COMMENTS

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

BACKGROUND PAPERS

[Click here and type list of background papers]

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CABINET

**TREASURY MANAGEMENT STRATEGY 2009/10
17 February 2009**

Report of Head of Financial Services

PURPOSE OF REPORT			
This report sets out the position regarding the 2009/10 to 2011/12 Treasury Management Strategy for Cabinet's approval.			
Key Decision	✓	Non-Key Decision	Referral
Date Included in Forward Plan		February 2009	
This report is public.			

RECOMMENDATIONS OF OFFICERS

1. That Cabinet approves the Treasury Management Strategy for the period 2009/10 to 2011/12, including the Investment Strategy, and as updated for Cabinet's final budget proposals, for subsequent referral to Council.

REPORT

Introduction

It is a requirement of the CIPFA Code of Practice on Treasury Management that a strategy outlining the expected treasury activity for the forthcoming 3 years is adopted, but that this be reviewed annually. The proposed Treasury Management Strategy for the period 2009/10 to 2011/12 will need to reflect Cabinet's final budget proposals and associated Prudential Indicators, but it will cover the following activities and forecasts:

- the current treasury position
- expected movement in interest rates
- the borrowing and debt strategy
- the investment strategy
- specific limits on treasury activities

The Strategy will be referred on to Budget Council on 04 March.

As context, Members also need to note the Treasury Policy Statement each year, as set out at **Appendix A**. This will also be included in the Council report accordingly.

Proposal/Details

It is proposed that Cabinet approves the Treasury Management Strategy Statement for 2009/10 to 2011/12, including the Investment Strategy, as updated to reflect Cabinet's final budget proposals. A current draft is attached at **Appendix B**. Responsibilities for Treasury Management are set out at **Appendix C**; these are broadly unchanged from previous years, although the reporting arrangements have been updated to tie in with current practice.

Borrowing Aspects of the Strategy

At present, there is only a very small increase assumed in the Council's underlying need to borrow, to support the capital programme proposals to date. In general terms this increase would be covered through cash flow, rather than taking out new borrowing. The proposed strategy needs to provide sufficient flexibility to manage the treasury function over the coming year, however, and therefore a number of scenarios are covered. Furthermore, the Strategy will need to be updated to reflect Cabinet's final budget proposals, in particular in respect of the General Fund Capital Programme.

Investment Aspects of the Strategy

Clearly the recent failure of Icelandic Institutions has had a major impact on the Council and its financial position and future planning. As a result of this, together with recent decisions to repay some capital related debt, as well as expected reductions in the Council's reserves and balances, the Council's cash flow and level of monies available for investment are forecast to be much lower over the coming year. This in itself reduces the exposure to further "counterparty risk" (i.e. the risk of a bank failing), but in addition the following measures are included in the proposals, to reduce the Council's investment risk exposure further:

- The maximum amount to be invested with any one institution (other than the UK Government) has been reduced from £6M to £4M. Generally these maximums would only apply to investments where there is instant access (i.e. not fixed term investments), but with the exception of investments placed with other local authorities or the European Central Bank. Other time / value limits have been similarly reduced.
- The Strategy includes a separate limit of £10M specifically for the Government's Debt Management Accounts Deposit Facility (DMADF). This is included as a 'safe haven', if further major crises occur in the banking sector, as it represents the lowest risk option in the UK. The downside is that its investment rate can be very very low.
- UK institutions will take precedence over other countries, and sovereign ratings (i.e. the credit ratings of countries) will be used. Aside from the UK, only other EU countries would be used, if required.
- No forward deals will be entered into.
- No investments will be made for any period longer than a year (though the bulk of investments are expected to be instant access anyway, to support cashflow needs. There would need to be a major improvement in the Council's financial position to warrant investment periods approaching 12 months).
- Various other restrictions have been introduced, centred around restricting the criteria used to determine counterparty lists etc. In addition, the Strategy makes

it clear than other restrictions on investment activity may be introduced, should circumstances warrant it.

It is stressed that in terms of treasury activity, there is no risk free option, but it is felt that the measures set out above provide a sound framework within which to work over the coming year, in response to the turmoil in the global financial sector, and the uncertainty and lack of confidence that surrounds it.

Finally, it is known that nationally a number of inquiries and reviews are being undertaken in response to the Icelandic banking collapse, and it may well be that further guidance and / or regulations are issued over the coming months. If so, the Council's Treasury Management framework will be reviewed accordingly and any required updates will be presented for Members' consideration in due course.

Consultation

Officers have liaised with Butler's, the Council's Treasury Advisors, in developing the proposed Strategies. The proposals are also to be considered by Budget and Performance Panel at its meeting on 24 February 2009 and any recommendations arising will be fed directly into Budget Council.

Options and Options Analysis

As part of the adoption of the CIPFA Code of Practice on Treasury Management it is a statutory requirement that the authority has a Treasury Management Strategy Statement and Investment Strategy. In this regard, Cabinet may put forward alternative proposals or amendments to the proposed documents, but these would have to be considered in light of legislative, professional and economic factors. As such, no further options analysis is available at this time.

Furthermore, the Strategies must fit with other aspects of Cabinet's budget proposals, such as investment interest estimates and underlying prudential borrowing assumptions, feeding into Prudential Indicators. It should be noted that the Prudential Indicators will also be covered in the Budget report, elsewhere on this agenda.

Officer Preferred Option and Justification

To approve the annual Treasury Management Strategy Statement as set out, including the Investment Strategy, for referral on to Council, but as updated for Cabinet's final budget proposals.

<p>RELATIONSHIP TO POLICY FRAMEWORK</p> <p>This report is in accordance with the Council's Treasury Management Policy.</p>
<p>CONCLUSION OF IMPACT ASSESSMENT (including Diversity, Human Rights, Community Safety, Sustainability etc)</p> <p>No direct implications arising.</p>
<p>FINANCIAL IMPLICATIONS</p> <p>None directly arising. The Strategy is in support of achieving the borrowing cost and investment interest estimates included in the draft base budget.</p>

DEPUTY SECTION 151 OFFICER'S COMMENTS

This report and its content forms part of the S151 Officer's responsibilities.

LEGAL IMPLICATIONS

Legal Services have been consulted and have no observations to make regarding this report; there are no implications directly arising.

MONITORING OFFICER'S COMMENTS

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

BACKGROUND PAPERS

CIPFA Code of Practice

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LANCASTER CITY COUNCIL

TREASURY MANAGEMENT POLICY STATEMENT

As reported to Cabinet 17 February 2009

(This is unchanged from previous years)

1. This organisation defines its treasury management activities as:

“The management of the authority’s cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks”.

2. This organisation regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation.

3. This organisation acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving best value in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

Treasury Management Strategy 2009/10 to 2011/12

Draft for Consideration by Cabinet 17 February 2009

Introduction

1. The treasury management function is an important part of the overall financial management of the Council's affairs. Its importance has increased as a result of the freedoms provided by the Prudential Code. Whilst the prudential indicators consider the affordability and impact of capital expenditure decisions, the function covers the effective funding of these decisions. There are also specific treasury prudential indicators included in this strategy that need approval.
2. The Council's activities are strictly regulated by statutory requirements and a professional code of practice (the CIPFA Code of Practice on Treasury Management). This Council adopted the Code of Practice on Treasury Management on 13 February 2002, and as a result adopted a treasury management policy statement. This adoption complies with the requirements of the first of the treasury prudential indicators.
3. The Code requires an annual strategy to be reported to Cabinet outlining the expected treasury activity for the forthcoming 3 years. A further report is produced after the year-end to report on actual activity for the year.
4. A key requirement of this report is to explain both the risks, and the management of the risks, associated with the treasury function.
5. This strategy covers:
 - The current treasury position
 - The expected movement in interest rates
 - The Council's borrowing and debt strategy (including its policy on making provision for the repayment of debt)
 - The Council's investment strategy (in compliance with the Department for Communities and Local Government guidance)
 - Specific limits on treasury activities

Treasury Position

6. The forecasted treasury position and the expected movement in debt and investment levels over the next three years are as follows.

Table 1: Gross external debt and investment forecast

	2009/10 Estimated	2010/11 Estimated	2011/12 Estimated
	£'000	£'000	£'000
EXTERNAL DEBT			
Borrowing	39,200	39,200	39,200
Other long term liabilities	265	260	255
Total Debt at 31 March	39,465	39,460	39,455
INVESTMENTS			
Total Investments at 31 March*	9,600	12,900	12,900

*this figure is inclusive of the £6m principal held with Icelandic banks.

The forecast position on external borrowing remains static across the three years, despite the fact that by the end of 2008/09 there will be a cumulative increase in the underlying need to borrow of £3.605M (2006/07 £1.608M, 2007/08 £1.762M, 2008/09 £1.636M, 2009/10 -£1.401M – *figures subject to final budget proposals*) for which no actual additional borrowing has been taken up. This is because the twin issues of the amounts set aside for the future repayment of debt, and a cashflow position which is forecast to remain relatively stable, mean that there is no immediate need to take out new loans.

Expected Movement in Interest Rates

7. The UK economy has entered a profound recession, worsened by a dangerous combination of negative growth and dislocation in the domestic and world financial markets. The situation in the economy is considered critical by the policy setters who are concerned that the testing financial environment, the sharp decline in house prices and persistently tight credit conditions could trigger a collapse in consumer confidence. At best this could deliver a short, sharp downturn, at worst a prolonged Japanese-style recession.
8. The sharp downturn in world commodity, food and oil prices, the lack of domestic wage pressures and weak retail demand promises a very steep decline in inflation in the year ahead. In the recent pre-Budget Report, the Treasury suggested RPI inflation could fall to minus 2.25% by September 2009. Inflation considerations will not be a constraint upon Bank of England policy action. Indeed, the threat of deflation strengthens the case for more aggressive policy ease.
9. The Government's November pre-Budget Report did feature some fiscal relaxation but it also highlighted the very poor health of public sector finances. The size of the package is considered insufficient alone to kick-start the economy. The onus for economic stimulation will fall upon monetary policy and the Bank of England.
10. The Bank will continue to ease policy and the need to drive commercial interest rates, currently underpinned by the illiquidity of the money market, to much lower levels suggests the approach will be more aggressive than might otherwise have been the case. A Bank Rate below 1% now seems a distinct possibility and short-term LIBOR rates of below 2% may result. Only when the markets return to some semblance of normality will official rates be edged higher.
11. Long-term interest rates will be the victim of conflicting forces. The threat of deep global recession should drive bond yields to yet lower levels and this will be a favourable influence upon the sterling bond markets. But the prospect of exceptionally heavy gilt-edged issuance in the next three years (totalling in excess of £100bn per annum), as the Government seeks to finance its enormous deficit, could severely limit the downside potential for yields.
12. The expected movement in interest rates is as follows:

Table 2: Medium-Term Rate Estimates (averages)

Annual Average %	Bank Rate	Money Rates		PWLB Rates*		
		3 month	1 year	5 year	20 year	50 year
2008/09	3.9	5.0	5.3	4.2	4.8	4.5
2009/10	1.0	1.6	1.8	2.4	3.9	3.8
2010/11	1.7	2.1	2.8	3.2	4.1	4.0
2011/12	2.4	2.8	3.6	4.0	4.3	4.1

* Borrowing Rates

Information provided by Butlers Consultants (January 2009).

The following debt and investment strategies are based on the above interest rate projections. The general scene is one of low returns on investment with little opportunity to restructure debt due to the premia charged by the PWLB which, simplistically speaking, increase as interest rates decrease. In the scenario that rates are expected to increase, this may mean that repaying debt is a more attractive investment option in the future, as this will become relatively cheaper than when the underlying rates are low. Similarly if rates are expected to rise any borrowing requirement will be taken earlier in the year.

Borrowing and Debt Strategy 2009/10 to 2011/12

13. The uncertainty over future interest rates increases the risks associated with treasury activity. As a result the Council will take a cautious approach to its treasury strategy.
14. Long-term fixed interest rates are at risk of being higher over the medium term. The Head of Financial Services, under delegated powers, will take the most appropriate form of borrowing depending on the prevailing interest rates at the time, taking into account the risks shown in the forecast above. It is likely that shorter term fixed rates may provide better opportunities.
15. With the likelihood of a steepening of the yield curve debt restructuring is likely to focus on switching from longer term fixed rates to cheaper shorter term debt, although the Head of Financial Services and treasury consultants will monitor prevailing rates for any opportunities during the year.
16. The option of postponing borrowing and running down investment balances will also be considered. This would reduce counterparty risk and hedge against the expected fall in investments returns.
17. Whilst the Capital Programme for 2009/10 provides for an in-year reduction in the underlying need for unsupported borrowing, over recent years the need has increased with £1.608M brought forward from 2006/07, £1.762M from 2007/08 and £1.636M from 2008/09 (*again, subject to Cabinet's budget proposals*). No additional actual borrowing has been entered into (see under paragraph 6 above). Any borrowing activity needed will take place when it is viewed most advantageous for the authority, and this will be regularly monitored by officers. The monitoring will also cover, as appropriate, continued use of the option of utilising the Council's cash balances as an alternative to immediately entering into new borrowings.

Provision for the Repayment of Debt 2009/10 to 2011/12

18. Up until 2007/08 the Council calculated the basic amount of provision, which it sets aside each year for the repayment of debt, in accordance with a prescribed formula. To this has been added a further provision, in respect of the financing of assets with relatively short lives, as considered prudent.
19. The new arrangements were introduced from 1 April 2008. In summary:
 - the prescribed formula has been abolished and replaced by a simple requirement for Councils to make 'prudent' provision;
 - the old calculation may still be used for expenditure financed by un/supported (or 'prudential') borrowing before 31 March 2008, but
 - provision for expenditure financed by un/supported borrowing after this date must either be based on the estimated life of the asset, or equal to the depreciation on the asset.
20. Financially, this has no real impact on the Council, because the changes effectively codify the full 'prudent' provision which the Council was already making, but because an element of discretion has been introduced, the Council's approach needs to be incorporated within the borrowing strategy.

21. Therefore, for 2009/10, the Council's policy for the making of provision for the repayment of debt will be as follows.
- For all expenditure financed from un/supported borrowing prior to 1 April 2008, with the exception of that in respect of motor vehicles (less than 15 years life), by the application of the methodology detailed in the former Regulations.
 - For expenditure on motor vehicles prior to 01 April 2008, and for all expenditure on motor vehicles and other short-life assets on or after that date, equal annual amounts based on the estimated life of each individual asset so financed.

Investment Strategy 2009/10 – 2011/12

22. In the current climate, the main principle governing the Council's investment criteria is the security of its investments. After this main principle the Council will ensure:
- It maintains a policy covering the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security.
 - It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.
23. The Head of Financial Services will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary. It is highlighted that these criteria select which counterparties the Council will choose, rather than defining what its investments are. The ratings criteria will use the 'lowest common denominator' method of selecting counterparties and applying limits. This means that the application of the Council's minimum criteria will apply to the lowest available rating for any institution. For instance, if an institution is rated by two agencies, one meets the Council's criteria, the other does not, the institution will fall outside of the lending criteria.
24. The use of the lowest common denominator method reflects the current economic climate and the Council's priority to ensure the security of its financial assets. The credit rating limits to be applied are as follows:
- The Council will use banks, subsidiary and treasury operations of banks, Money Market funds, building societies, local authorities, the UK government and Supranational institutions (i.e. the European Central Bank (ECB) in line with the limits set out in table 3.
 - In exceptional circumstances, the Council will consider using UK banks whose ratings fall below the criteria specified in table 1 if all of the following conditions are met
 - (a) wholesale deposits in the bank are covered by a government guarantee;
 - (b) the government providing the guarantee is rated "AAA" by all three major rating agencies (Fitch, Moody's and Standard & Poors); and
 - (c) the Council's investments with the bank are limited to amounts and maturities within the terms of the stipulated guarantee.
 - The Council will also consider using banks whose ratings fall below the criteria specified in table 3 if the organisation is an Eligible Institution for the HM Treasury Credit Guarantee Scheme initially announced on 13 October 2008.

- In addition, should the authority's own bank (i.e. currently the Co-Operative Bank) fall below the criteria specified in table 3, Council will consider still using it for investment purposes, with the caveat that this will be monitored on a daily basis, with funds being moved to other counterparties meeting the criteria per table 3 at the first opportunity. Although, due to the nature of Local Government funding, there will be spikes in the balances on the current account that mean it may well exceed the £4m upper limit set in table 3 at some point (e.g. overnight), daily banking practices are already in place which aim to maintain the net current account balance at 0 +/- £100K.
25. Due to the uncertainty in the financial markets, it is acknowledged that Officers may restrict further the pool of available counterparties from the above criteria, to safer instruments and institutions. Currently this involves the use of the Debt Management Account Deposit Facility (DMADF), AAA rated Money Market Funds and institutions with higher credit ratings than those outlined in the investment strategy, or which are provided support from the Government.
 26. The credit rating of counterparties will be monitored regularly. The Council receives credit rating advice from its treasury management consultants, on a daily basis, in respect of any changes in ratings, and counterparties are checked promptly. On occasion, ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately by the Head of Financial Services. New counterparties which meet the criteria will, similarly, be added to the list. More details on the different ratings can be found in appendix B2.
 27. The Authority will make deposits in both Specified and Non Specified Investments, these are defined in appendix B1. As the Council will no longer risk investing cash for greater than 1 year at present, this effectively prevents using most Non Specified products apart from the exceptions included in paragraph 24 above.
 28. In addition to the credit ratings applied to institutions, the Council will only deposit with institutions in EU countries with a AAA sovereignty rating. Precedence will be given, however, to institutions listed as UK banks in the Butler's counterparty listing.
 29. The exception to these sovereignty limits relates to institutions within the UK, i.e. other Local Authorities, UK based money market funds and deposits direct with the UK Government. In these cases the limits will apply as per table 3 but no sovereignty limit will apply. The Head of Financial Services retains the discretion to apply further limits where the relationship between institutions and sovereignties is ambiguous, for example UK banks who are owned by foreign institutions.

30. For the above categories of Specified and Non Specified Investments, and in accordance with the Code, the Council has developed additional criteria to set the maximum amounts which will be invested in these bodies. The criteria, using the lowest common denominator approach (see paragraph 24 above) are set out below.

Table 3: Counterparty criteria and investment limits.

	Minimum across all three ratings			Money Limit	Time Limit
	Fitch	Moody's	Standard & Poors		
Upper Limit ¹	F1+/AA-	P-1/AA3	A-1/AA-	£4M	N/A - Instant Access Only
Middle Limit ²	F1/A-	P-1/A3	A-1/A-	£2M	1 Year
Other Institutions ³	N/A	N/A	N/A	£4M	1 Year
Money Market fund ⁴	AAA	AAA	AAA	£4M	N/A - Instant Access Only
DMADF deposit ⁵	N/A	N/A	N/A	£10M	1 Year
Sovereign rating to apply to all foreign counterparties except UK investments ⁶	AAA	AAA	AAA	N/A	N/A

Note that the Time Limit starts on the placing of the investment and not its inception date

1 & 2 The Upper and Middle Limits apply to appropriately rated banks and building societies.
3 The Other Institutions limit applies to other local authorities and supranational institutions (i.e. ECB).
4 Sterling, constant net asset value funds only, sovereignty limits apply to domicile of host institution.
5 The DMADF facility is direct with the UK government, it is extremely low risk and hence the higher limit.
6 UK investments are defined as those listed under UK banks or building societies in the Butler's counterparty listing.

31. In the normal course of the Authority's cash flow operations it is expected that both Specified and Non-specified Investments will be utilised for the control of liquidity as both categories allow for short term investments. The Council will maintain a minimum £2M of investments in Specified Investments provided that the cashflow allows for this.
32. To control the geographical risk, no more than £4M will be invested in any one country, with the exception of institutions listed as UK banks on the counterparty listings supplied by Butlers.
33. The use of longer term instruments (greater than one year from inception to repayment) will not be used.
34. Expectations on shorter-term interest rates, on which investment decisions are based, show a likelihood of the current 1.0% Bank Rate reducing during 2009/10. This means that the average rate receivable on the Council's investments will be significantly below that for 2008/09, which was running at an average of 5.1% over the year to the end of December 2008.
35. The criteria for choosing counterparties set out above provide a sound approach to investment in current market circumstances. Whilst formal Member approval is required for the base criteria above, under exceptional market conditions the Head of Financial Services will temporarily restrict further investment activity to those counterparties considered of higher credit quality than the minimum criteria set out above.
36. Examples of these restrictions would be the greater use of the Debt Management Account Deposit Facility (DMADF) – the Government body which accepts local authority deposits, but at very low rates of interest.

Treasury Management Prudential Indicators and Limits on Activity

37. There are four mandatory treasury Prudential Indicators. The purpose of these prudential indicators is to contain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of an adverse movement in interest rates. The full list of Prudential Indicators is included elsewhere on the agenda, but the treasury management indicators are as follows:

- Upper limits on fixed interest rate exposure – This indicator identifies a maximum limit for fixed interest rates based upon the debt position net of investments
- Upper limits on variable interest rate exposure – Similar to the previous indicator, this covers a maximum limit on variable interest rates.
- Maturity structures of borrowing – These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.
- Total principal funds invested for greater than 364 days – given the current economic climate the Authority is not willing to risk investing sums for fixed terms of greater than 1 year and so this is £0.

38. Council will be requested to approve the Prudential Indicators, as updated in line with final budget proposals, at its meeting on 04 March 2009.

Table 4: Prudential Indicators

	2009/10		2010/11		2011/12	
Interest Rate Exposures						
	Upper		Upper		Upper	
	£'000		£'000		£'000	
Limits on exposure to fixed interest rates	£40m		£40m		£40m	
Limits on exposure to variable interest rates	£14m		£14m		£14m	
Maturity Structure of fixed interest rate borrowing						
	Lower	Upper	Lower	Upper	Lower	Upper
Under 12 months	0%	35%	0%	35%	0%	35%
12 months to 2 years	0%	20%	0%	20%	0%	20%
2 years to 5 years	0%	20%	0%	20%	0%	20%
5 years to 10 years	0%	20%	0%	20%	0%	20%
10 years and above	60%	100%	60%	100%	60%	100%
Maximum principal sums invested > 364 days						
Principal sums invested, in 2008/09, for periods of greater than 364 days, to mature after the end of each financial year	£0M		£0M		£0M	

Performance Indicators

39. The Code of Practice on Treasury Management requires the Council to set performance indicators to assess the adequacy of the treasury function over the year. These are distinct historic indicators, as opposed to the prudential indicators, which are predominantly forward looking. Examples of performance indicators often used for the treasury function are:

- Debt – Average rate movement year on year
- Investments – Internal returns above the 7 day LIBID rate

The results of these indicators will be reported in the Treasury Annual Report.

TREASURY MANAGEMENT DOCUMENTS and RESPONSIBILITIES

APPENDIX C

DOCUMENT	RESPONSIBILITY
<p>CODE of PRACTICE</p>	<p>This was adopted by Council on 13 March 2002.</p>
<p>POLICY STATEMENT</p>	<p>The Code of Practice recommends a specific form of words to be used to set out the Council's objectives within the Policy Statement, for its Treasury Management activities. It is the responsibility of Council to approve this document initially, and then note it each year thereafter.</p>
<p>TREASURY MANAGEMENT STRATEGY</p>	<p>The Strategy document breaks down the Policy Statement into detailed activities and sets out the objectives and expected market forecasts for the coming year. It is the responsibility of Cabinet to approve this document, and Council must be then informed of its content for information only.</p>
<p>PRUDENTIAL INDICATORS</p>	<p>These are included within the Strategy Statement as part of the framework within which treasury activities will be undertaken. It is the responsibility of Council to approve these limits.</p>
<p>INVESTMENT STRATEGY</p>	<p>The Investment Strategy states which types of investments the Council may use for the prudent management of its treasury balances during the financial year. The Secretary of State recommends that the Strategy should be approved by Council.</p>
<p>TREASURY MANAGEMENT PRACTICES</p>	<p>These are documents that set out the procedures that are in place for the Treasury Management function within the Council. The main principles were approved by Cabinet following the adoption of the Code of Practice; they include:</p> <ul style="list-style-type: none"> <i>TMP 1:</i> Risk management <i>TMP 2:</i> Best value and performance management <i>TMP 3:</i> Decision-making and analysis <i>TMP 4:</i> Approved instruments, methods & techniques <i>TMP 5:</i> Organisation of responsibilities & dealing <i>TMP 6:</i> Reporting & management information <i>TMP 7:</i> Budgeting, accounting & audit <i>TMP 8:</i> Cash & cash flow management <i>TMP 9:</i> Money laundering <i>TMP 10:</i> Staff training & qualifications <i>TMP 11:</i> Use of external service providers <i>TMP 12:</i> Corporate governance <p>Any changes to the above principles will require Cabinet approval. It is the Head of Financial Service's responsibility to maintain detailed working documents and to ensure their compliance with the main principles. It is highlighted that for 2009/10, quarterly treasury management reports will continue to be included within Corporate Financial Monitoring and in turn, these will be reported into Cabinet and Budget and Performance Panel.</p>

Definition of specified and non specified investments.

See table 1 in the investment strategy for details on limits to be applied.

1. Specified Investments are defined as follows.

SPECIFIED INVESTMENTS

These are to be sterling investments of a maturity period of not more than 364 days, or those which could be for a longer period but where the Council has the right to be repaid within 364 days if it wishes. These are low risk assets where the possibility of loss of principal or investment income is negligible. These include investments with:

- (i) The UK Government (such as the Debt Management Office, UK Treasury Bills or a Gilt with less than one year to maturity).
- (ii) Supranational bonds of less than one year's duration.
- (iii) A local authority, parish council or community council.
- (iv) An investment scheme that has been awarded a high credit rating by a credit rating agency.
- (v) A body that has been awarded a high credit rating by a credit rating agency (such as a bank or building society)

For category (iv) this covers a money market fund rated by Standard and Poor's, Moody's or Fitch rating agencies.

2. Non-specified Investments are defined as follows:

Non-specified investments are any other type of investment (i.e. not defined as Specified above). The identification and rationale supporting the selection of these other investments are set out below.

Ref	Non Specified Investment Category	Limit
(i)	A body which has been provided with a government issued guarantee for wholesale deposits within specific timeframes. Where these guarantees are in place and the government has an AAA sovereign long term rating these institutions will be included within the Council's criteria temporarily until such time as the ratings improve or the guarantees are withdrawn. Monies will only be deposited within the timeframe of the guarantee.	Included as per Appendix B paragraph 24.
(ii)	A body which is an Eligible Institution for the HM Treasury Credit Guarantee Scheme initially announced on 13 October 2008.	Included as per Appendix B paragraph 24.
(iii)	The Council's own banker if it fails to meet the basic credit criteria. In this instance balances will be minimised as far as is possible.	Included as per Appendix B paragraph 24.

Background information on credit ratings

Credit ratings are a key part of the Authority's investment strategy. The information below summarises some of the key features of credit ratings and why they are important.

What is a Credit Rating ?

A credit rating is:

- An independent assessment of an organisation;
- It gauges the likelihood of getting money back on the terms it was invested;
- It is a statement of opinion, not statement of fact;
- They help to measure the risk associated with investing with a counterparty;

Who Provides / Uses Credit Ratings?

There are three main ratings agencies, all of which are used in the Authority's treasury strategy.

- Fitch
- Moody's Investor Services
- Standard & Poors

The ratings supplied by these agencies are used by a broad range of institutions to help with investment decisions, these include:

- Local Authorities;
- Other non-financial institutional investors;
- Financial institutions;
- Regulators;
- Central Banks;

Rating Criteria

There are many different types of rating supplied by the agencies. The key ones used by the Authority are ratings to indicate the likelihood of getting money back on terms invested. These can be split into two main categories:

- 'Short Term' ratings for time horizons of 12 months and less. These are the most important for local authorities.
- 'Long Term' ratings for time horizons of over 12 months. These are less important in the current climate.

In addition, the agencies issue sovereign, individual and support ratings which will also feed into our investment strategy.

Rating Scales (Fitch, Moody's and Standard & Poors)

The table below shows how some of the higher graded short and long term ratings compare across the agencies, the top line represents the highest grade possible. We liaise with our treasury consultant's Butlers, who provide information relating to the appropriate gradings for our investment strategy.

Short Term			Long Term		
Fitch	Moody's	S&P	Fitch	Moody's	S&P
F1+	P-1	A-1+	AAA	Aaa	AAA
F1	P-1	A-1	AA	Aa2	AA
F2	P-2	A-2	A	A2	A

CABINET

**Employee Establishment - Vacancy Authorisation
17 February 2009**

Report of Chief Executive

PURPOSE OF REPORT			
To seek Cabinet's approval to the filling of established vacancies where recommended.			
Key Decision	<input type="checkbox"/>	Non-Key Decision	<input type="checkbox"/>
		Referral from Chief Executive	<input checked="" type="checkbox"/>
Date Included in Forward Plan	N/A		
This report is public with the exception of the Appendix. This is exempt by virtue of Paragraph(s) 1, 2 of Part 1 of Schedule 12A of the Local Government Act 1972.			

RECOMMENDATIONS OF THE CHIEF EXECUTIVE

- (1) That Cabinet Members agree that the vacancies recommended for filling by Service Heads are filled as soon as possible.
- (2) That the Revenue Budget be updated accordingly, for any deleted or deferred posts.

1.0 Introduction

1.1 Cabinet, at its meeting on the 12 November 2008, resolved, amongst other things:

That Cabinet

- (2) Notes the responsibility of Cabinet for the funding of the employee establishment and until further notice, determines to withdraw funding in respect of all posts becoming vacant, apart from Refuse Collection or where a service is facing severe disruption where temporary arrangements be put in place. It should be noted that health and safety is a priority and supersedes all other requirements. This is all subject to the outcome of (3) below.
- (3) Requests that the Chief Executive, upon any post becoming vacant, submits an appropriate form to Cabinet for its consideration to determine if the filling of the post is considered essential for delivering the Council priorities/statutory responsibilities.
- (4) Requests the Chief Executive to develop the appropriate internal procedures to manage this process.

- (5) Resolves that this process be reviewed following the next annual Council meeting in May 2009.
- (7) Authorises the Head of Financial Services to update the Revenue Budgets for any post reductions as a result of 2 and 3 above.

1.2 As determined by Cabinet, an appropriate Vacancy Authorisation form has been produced identifying employee vacancies. The form identifies where the post concerned contributes to a Council statutory responsibility, the fulfilment of a Corporate Plan Priority, Service Business Plan objective, income generation/collection or is financed by external funding. The forms will be circulated prior to the meeting.

2.0 Proposal Details

2.1 Cabinet is requested to consider the recommendations of Service Heads and comments from the Human Resources Manager and Corporate Directors. Cabinet are advised to identify which Service areas are considered to be a higher priority for the filling of vacancies and, therefore, approving expenditure.

3.0 Details of Consultation

3.1 None.

4.0 Options and Options Analysis (including risk assessment)

4.1 The information contained within each form provides details related to the risks of not filling the related vacancy. Cabinet has the option of releasing funding on either a time limited or permanent basis or withholding funding. If funding is not released, there will be an impact on Service provision. If funding is time limited, it will be more difficult and possibly more expensive to fill a post.

5.0 Officer Preferred Option (and comments)

5.1 To fill those posts as recommended by Service Heads unless Cabinet identifies the work as being of a low priority

RELATIONSHIP TO POLICY FRAMEWORK

Effective management of the council's establishment will help to meet the financial efficiency targets included in the Medium Term Financial Strategy. Care must be exercised however to ensure that the process allows the filling of vacant posts that contribute to the delivery of the Council's corporate priorities and statutory responsibilities.

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

The process allows for an impact assessment of not filling a post to be made in respect of each vacant post as it is considered

FINANCIAL IMPLICATIONS

As set out on each Vacancy Authorisation form.

SECTION 151 OFFICER'S COMMENTS

The Section 151 Officer has no comments at this stage, but will comment at the meeting if necessary.

LEGAL IMPLICATIONS

There are no legal implications.

MONITORING OFFICER'S COMMENTS

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

BACKGROUND PAPERS

Funding of the Employee Establishment Report to Cabinet and Minute from the 12 November 2008.

Contact Officer: Mark Cullinan

Telephone: 01524 582011

E-mail: chiefexecutive@lancaster.gov.uk

Ref:CE/ES/Cttees/Cabinet/Vacancy Authorisation/17.02.09

By virtue of paragraph(s) 1, 2 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

By virtue of paragraph(s) 1, 2 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

CABINET

Capital Receipts 17th February 2009

Report of Corporate Director (Regeneration)

PURPOSE OF REPORT			
To update Cabinet on the current position with the planned major receipts and to consider adopting a Disposal Strategy for the Council as part of a Medium Term Corporate Property Strategy			
Key Decision	<input type="checkbox"/>	Non-Key Decision	<input type="checkbox"/>
Referral from Cabinet			X
Date Included in Forward Plan	N/A		
This report is public, with the exception of Appendix A. This is exempt by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972.			

RECOMMENDATIONS OF COUNCILLOR ARCHER

- (1) That Cabinet note the position with regard to capital receipts.
- (2) That the Disposal Strategy be adopted to act as guidance to the Council in the disposal of assets to achieve the need for capital receipts.

1.0 Introduction

- 1.1 At the meeting on 7th October 2008, cabinet requested a review of potential asset sales being reported back to Cabinet. This report sets out the position regarding asset sales.
- 1.2 The need for the report has arisen from consideration of the Capital Investment Strategy, in particular whether there would be sufficient capital receipts to fund the draft capital programme and offset the short-term increase in borrowing approved by Council back in November. The information contained within this report has been reflected in the summary of the capital programme funding, to be included elsewhere on the agenda.

1.3 Currently, the management of the Council's assets is informed by the Corporate Property Strategy adopted in 2005. This Strategy is now due for review and a Medium Term Corporate Property Strategy is being prepared. As a part of this, a separate Disposal Strategy (attached as appendix B) has been prepared which, in view of the current concerns over capital receipts, is proposed for adoption at this stage.

2.0 General

2.1 The property market is suffering in the same way as many other sectors due to the downturn in the current economic climate. Within the property market, there are slight variations in different sectors but none can be said to be prosperous.

2.2 In particular, the residential development market has almost come to a halt with some national and regional residential developers going into administration. However, there is still demand in food retail sector for appropriate new sites. The yields on investments have been seen to fall, but there are some that have sold at an acceptable level by the vendor, particularly where the investment size was small enough to widen the range of bidders.

2.3 Each of the properties that have not been sold already and are contained within the General Fund Property Disposal Schedule (copy attached as an exempt appendix) is covered in turn below. Each has been marketed or has been the subject of a negotiated sale as appropriate.

Heysham Mossgate	A receipt had been anticipated during the year, but the proposed purchasers have backed out of the transaction. A number of direct approaches have been made to other residential developers but there has been no success. In the current climate it is not anticipated that there will be a significant change in demand and it would be prudent to consider deferring this disposal until at least 2010/11, subject to a further review of market conditions in 2009/10.
29 Castle Hill	Initially this was identified for sale in the final quarter of this year at public auction but with the uncertainty of the completion date of the new Visitor Information Centre in the Storey Institute, it has been included in next year's programme. It is possible that an investment of this size could sell, and advice will be taken on the state of the market at the start of the financial year.
Land at South Lancaster	Terms have been agreed for the sale of the land at Lawson's Bridge, Scotforth to E.H. Booths. Progress is being made with the disposal, but there remains a need to resolve the outstanding Town Green application, upon which legal advice is being sought. At this stage, it is still anticipated that the initial receipt can be obtained in the next financial year, with the remainder in 2011/12.
Land at Westgate	This disposal is that related to the development of a new stadium by Morecambe FC. Legal documents have now been agreed and the capital receipt was received at the end of January 2009.

<p>12-14 Wellington Terrace, Morecambe.</p>	<p>This is a further residential development where the developer has major concerns over the provision of affordable housing prior to signing documents. The disposal should be retained in the 2009/10 programme with the land re-marketed to identify the level of offer made at that time.</p>
<p>Canal Corridor/Central Morecambe development</p>	<p>Originally a provisional amount totalling £500K was included over years 2010/11 and 2011/12, with reference to both these schemes. This was reduced in October, however, and is now included only in 2011/12. In terms of the Canal Corridor scheme, terms for the disposal have been agreed on the basis that the council has a choice between a capital receipt or a future stream of income (reflecting the fact that the land/property to be included in the development currently produces revenue from rents and car parking charges). With delays in the scheme's planning process, it is likely that it could be 2012/13 before the Council needs to determine whether it requires a capital receipt or income stream. For this reason no reference is now made to this site in the Property Disposal Schedule.</p> <p>The Central Morecambe development is only progressing slowly, and based on the fact that the proposed scheme has a substantial residential development base, the likelihood of an early receipt also looks remote. Reference is made in the Property Disposal Schedule to a future receipt but this will need to be refined as a scheme is developed which is capable of being valued.</p>

- 2.4 **Land at Quernmore Road, Lancaster** - Although this sale is not included in the Property Disposal schedule, its potential for a capital receipt has been noted in previous reports. The ultimate use is residential development and whilst there is progress on the principle of disposal, this limits the current value. At this stage there is sufficient lack of clarity over the proposals to warrant excluding this from the Property Disposal Schedule at the present time.
- 2.5 The current state of the residential property market is so bad that it is known that a number of local authorities in the north-west region have decided not to dispose of residential development land for the time being. Such an approach has been made on the basis that there are a minority of "investors" who, with reserves of cash available, are looking for sites on the basis that they would hold the land during the economic downturn, looking to sell the land when the economic climate improves to make a substantial surplus. Should the Council decide to dispose of land for a low value, which may in the present climate be deemed to be market value, it is likely that the land would not be developed and any future "profits" from the land would be made by a third party not the Council.

Other potential disposals

- 2.6 Properties associated with the Access to Services scheme are being re-valued to assess their potential for disposal in the near future. In addition, however, the future of the scheme as a whole needs to be determined as part of the wider consideration of Members' priorities and the Capital Programme. Further information will be reported via proposals for the scheme as they are developed.
- St. Leonards House, Lancaster
 - Palatine Hall, Lancaster
 - 1 Dalton Square, Lancaster
 - 56-60 Euston Road, Morecambe
 - Caretakers House, Morecambe Town Hall
- 2.7 The list of property for disposal was identified from the appraisal process for the Access to Services review and reflects the operating costs of those buildings, including backlog repairs. Depending on the outcome of consideration of the review as a whole, some of the properties referred to in paragraph 2.6 could be included in the Property Disposal Schedule.
- 2.8 The "call for sites" under the Local Development Framework may result in some sites owned by the Council becoming suitable for development with the potential for receipts. However, it should be pointed out that as these sites are for residential development, there would need to be a major improvement in the economic climate for any value to be realised.
- 2.9 Officers continue to discuss opportunities for development of Council land with developers of different types but at the time of writing this report, there are no other development opportunities that have any certainty of producing a receipt.

Disposal strategy

- 2.10 The Corporate Property Strategy adopted in 2005 informs the management of the Council's assets. As indicated above, the Strategy is now due for review and a Medium Term Corporate Property Strategy is being prepared. As a part of this, a Disposal Strategy has been prepared which, in view of the current concerns over capital receipts, is proposed for adoption at this stage.
- 2.11 The Strategy builds on the Property Review that was undertaken at the start of the year and presented to Star Chamber. Whilst the latter part of the Strategy sets out procedural issues, the main basis of the Strategy is to identify a framework within which it identifies those properties which should be retained by the Council, and the reason for doing so, and those where there is opportunity for disposal.
- 2.12 The draft Medium Term Corporate Property Strategy will identify the following "Corporate Asset objectives" against which the council's assets should be measured:
- Fit for Purpose
 - Affordability
 - Compliance with Statutory/Regulatory codes
 - Improved corporate management
 - Sustainability
 - To serve the Council's key aims
 - Enabling

2.13 The Disposal Strategy expands on these objectives with further detail and examples and it is recommended that the Strategy be adopted.

3.0 Details of Consultation

3.1 There has been no consultation on this matter as the report relates to an update on land transactions.

4.0 Options and Options Analysis (including risk assessment)

4.1 Option 1 – That the current position with capital receipts is noted and that the Disposal Strategy be adopted. This would build on the Corporate Property Strategy provide an improved framework for managing the Council's asset disposal process.

4.2 Option 2 - That the current position with capital receipts is noted but that the Disposal Strategy is not adopted. The existing guidance of the Corporate Property Strategy would be maintained although this is now out of date and does not meet the Council's current priorities.

5.0 Officer Preferred Option (and comments)

5.1 Option 1 is the preferred option. The adoption of the Disposal Strategy provides an improved framework for managing the Council's asset disposal process.

RELATIONSHIP TO POLICY FRAMEWORK

There is a direct link to the policy framework with the priority to keep the City Council element of Council Tax increase to acceptable levels.

In addition the Corporate Property Strategy identifies the need to use the Council's assets to meet the Council's corporate priorities.

CONCLUSION OF IMPACT ASSESSMENT

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

The report indicates that development of the site could provide the opportunity to create a sustainable development reflected through design, use and associated transport issues.

FINANCIAL IMPLICATIONS

Since January Cabinet, the position regarding capital receipts / asset sales has only changed in respect of assumptions regarding land at Mossgate, and other minor miscellaneous receipts. Should any further development opportunities arise in the coming months, then these will need to be factored into the monitoring of the Council's Capital Investment Strategy and Capital Programme, to be approved by Council in March.

Similarly, should Members resolve to adopt the Disposal Strategy being put forward then this will also need to be considered in the above.

SECTION 151 OFFICER'S COMMENTS

The s151 Officer has been consulted and has no comments to add.

LEGAL IMPLICATIONS

There are no legal implications directly arising out of this report. The implementation of the disposal strategy, if approved, will require consideration of the provisions of Section 123 of the Local Government Act 1972 and Circular 06/2003: Local Government Act 1972 general disposal consent (England) 2003 disposal of land for less than the best consideration that can reasonably be obtained.

MONITORING OFFICER'S COMMENTS

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

BACKGROUND PAPERS

Public Cabinet reports and minutes

Contact Officer: Graham Cox
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Ref: N/A

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

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DISPOSAL STRATEGY
2009

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1. INTRODUCTION

An owner of land is usually free to dispose of land as and when – in whatever manner – he or she chooses. But local authorities are subject to constraints when they come to sell land in their ownership. Some of these constraints are enshrined in law; others arise because of a general expectation that local authorities should be seen to act fairly when disposing of land as in other aspects of their work.

The Corporate Property Strategy 2005 recognised the impositions on Local Authorities when disposing of land and buildings, coupled with important service delivery considerations relevant to certain disposals. The approved policy identified a number of “key issues” for processing land sales. It further identified the preferred methods of disposal for the sale of different types of property where varying service objectives and marketing considerations are presented.

This Disposal Strategy is an integral part of the wider Medium Term Property Strategy which in turn is linked to the Medium Term Financial Strategy.

2. CONSIDERATION OF CORPORATE POLICY OBJECTIVES

Property disposals contribute towards the achievement of several important Service objectives, namely:

- **To lead the regeneration of our District**
- **Contribute to a safer society**
- **To deliver cost effective services that provide value for money**

These themes further flow through the Council's corporate planning process and strategies. Conducting a systematic programme of searching property review assessments to identify surplus properties for disposal is integral to the Asset Management Process.

Disposals guided by policy objectives, other than the simple generation of a monetary receipt, may be affected in two ways:

- **Disposal for preferred use may reduce receipt**

It is possible on rare occasions when disposal for a preferred use, or restricted use, does not produce the highest receipt available. An example would be the promotion of a scheme to create greater employment opportunities on a site where retail development could also be obtained and give a higher land value.

- **Disposal to a preferred purchaser (“special purchaser”) may conflict with equal opportunity and fairness principles**

Disposal to a particular party without the property first being offered on the open market exposes the Council to the challenge that equal opportunity for others to submit an alternative scheme and/or higher price has been denied.

The considerations and procedures to deal with these issues, within a legal and audit framework, are detailed in the following two sections of this report.

3. BEST CONSIDERATION ISSUES

Section 123 of the Local Government Act 1972 requires Local Authorities not to sell land for a “consideration less than the best that can reasonably be obtained”. However, the Local Government Act 2000 provides Councils with a power to carry out any transaction provided they can prove social, economic or environmental well being. In 2003, the General Disposal consent was amended to allow Disposals to occur without Secretary of State Approval to assist to deliver the 2000 Act with the proviso that the disposal of the land where the difference between the unrestricted value of the interests to be disposed of and the consideration accepted (“the undervalue”) is £2 million or less.

The Council’s Disposal procedures fully reflect this fundamental legal duty.

Although it is accepted that “best consideration” need not be best price, it is understandable that price is perhaps the most obvious criteria by which to measure the negotiated terms of disposal. It is acknowledged that as a small District Authority, the occasions when a property disposal is promoted to achieve non-monetary objectives will be rare, the circumstances in which other forms of consideration can apply and how they can be quantified is not always clear cut and a cautionary approach is required.

In such cases the following methodology needs to be adopted:

- Identify the relevant corporate policy objectives affecting the potential disposal and evaluate the depreciation in value it causes.
- Consider the implications of implementing a policy objective via a proposed property disposal and seek the approval of Cabinet to earmarking Capital Resources in order to specifically achieve the particular policy objectives rather than contributing generally to the capital receipts balances. The provisions of the ODPM Circular 06/2003, Local Government Act 1972: General Disposal Consent (England) 2003, specifically require that Members approve accepting an undervalue.
- Where the difference between open market value, and undervalue exceeds £2M, then Secretary of State Approval must be sought for the Disposal.
- Circular 06/2003 provides for a general disposal consent only where the following circumstances are met:
 - (a) the authority considers that the purpose for which the land is to be disposed is likely to contribute to the achievement of any one or more of the following objects in respect of the whole or any part of its area, or of all or any persons resident in its area:
 - (i) the promotion or improvement of economic well-being,
 - (ii) the promotion or improvement of social well-being,
 - (iii) the promotion or improvement of environmental well-being, and

- (b) the difference in the unrestricted value of the land to be disposed of, and the consideration for disposal, does not exceed £2,000,000.

In considering whether to rely on this General Disposal Consent and to sell land for less than the best consideration that could reasonably be obtained, the Council should consider the following aspects for each case:

- Ensure that the legal basis is in line with the General Disposal Consent. In particular, the Council will need to consider what evidence is available as to whether and how the economic/social/environmental well-being objectives would be met by the proposed disposal of the land.
- The need to ensure that the Council complies with normal and prudent commercial practices, including obtaining the view of a professionally qualified valuer as to the likely amount of the under value. In particular, the requirements of the Technical Appendix to the Circular must be met.
- The Council should have regard to its community strategy when considering the application of the well-being objectives.
- Ensure that the Council's policy/corporate objectives are met.
- Consider the Council's financial situation and the financial implications (including VAT) of disposing of the land at less than the best consideration that could reasonably be obtained. Use of the General Disposal Consent should not undermine or significantly increase risks associated with the funding of the Council's investment plans/Capital Programme.
- Consider the feasibility of each proposal, i.e. robustness of business case / ongoing viability, supported where appropriate by a fully documented Business Plan
- Consider alternative options for land / property in question, including uses and valuations
- Consider the interests of the Council tax payers and proportionality; i.e.
 - The extent of any economic/social/environmental advantages that will arise from the disposal, balanced against the financial loss to the Council.
 - Justification of the reasons for disposing of a particular piece of land at less than market value, whilst seeking the best consideration for other land.
- Fairness in dealing with third parties who may have an interest in acquiring the land, or in acquiring other land for which full market value is to be sought.
- Whether a sale at an under value would constitute state aid, and if so whether the "aid" is within any prescribed limits.

- Ensure that if the disposal is to be at less than best consideration, controls are in place to cover future disposal, so that the Council's financial interests are protected.

Finally, a major consideration with regard to dealing with Corporate Policy Objectives relates to the Council's financial position at any one time and its sometimes competing needs for both revenue income and capital receipts. Generally, the Council has recently been in the fortunate position of being able to achieve its capital receipts programme targets without seriously impacting on revenue income from property. In other words, most disposals have been of non-tenanted properties and this has fitted in well with the principal elements of the Corporate Property Strategy.

This position may change in future and the Medium Term Property Strategy seeks the maximisation of rental income and rental growth. Where the council may have a choice in whether a future stream of income is retained or a capital receipt is received, then maintaining that choice for as long as possible is important. Such a situation has arisen with the Canal Corridor Scheme, where terms have been agreed for either a capital receipt or a revenue stream with the Council having a choice when the scheme is completed. In other circumstances, it will be necessary to undertake a Property Review where the analysis of good and bad property performers is employed to advise the Council on which disposals are best brought forward in order to maintain the balance between conflicting requirements for income and capital receipts. Such a Review was most recently carried out in January 2008.

4. DEALING WITH SPECIAL PURCHASERS

The general approach to disposing of Council properties is to offer them for sale on the open market and invite offers by way of tender. This method is usually chosen to ensure that a transaction is fair and transparent and that best consideration will be achieved.

However, the possibility of negotiation with a single (special) purchaser is not precluded. Indeed there will be occasions when the benefits to the Council lie clearly in dealing with special purchasers. These benefits may relate to such matters as a policy of the Council, or the locality of an adjoining property already owned by the special purchaser. Where, for example, the Council is involved in a site assembly venture with other landowners, special purchaser arrangements are appropriate when the assembled site is sold to the scheme developer. The Special Purchaser is also relevant with the Housing Programme and the selection of preferred development partners such as Housing Associations.

Circumstances vary considerably as to whether the grant of special purchaser status may be justified. However, typical tests to be applied include the following:

- Identification of relevant policy objectives (if appropriate)
 - Assess degree to which objectives supported and identify any specific outputs/outcomes;
 - Identify linkages to other corporate policies/strategies;
 - Identify Partnership Working considerations.

- Assess any financial benefit to the Council
 - Determine premium price and/or marriage value;
- Assess whether there is any general market for property
 - Determine whether property is of interest or value to one party only by virtue of its particular location, access availability or other characteristic (often relevant to purchase applications from adjoining land owners).

To aid the understanding of the application of the tests, it is perhaps worth considering a few examples.

1. In the West End of Morecambe, approval has been given to identify suitable specific sites for developments by individual Housing Associations. Under this policy Housing Associations have consequently been given special purchaser status at market value to ensure grant aid from the Housing Corporation can be secured. The rationale behind this was that it was envisaged that Housing Associations would be the only builders of social housing for the foreseeable future and the Housing Corporation did not wish to have different Housing Associations all competing for funds. This approach can continue under the existing proposals.
2. From a Regeneration viewpoint particularly in the area of Business Development, there are perhaps four main areas to be considered:
 - a) Business expansion onto adjoining land;
 - b) Inward investment from targeted sectors of industry or commerce;
 - c) Business relocation, where the existing premises may be released for other objectives.
 - d) Redevelopment schemes involving preferred sectors of activity, such as tourism, and the like.

When a Special Purchaser application is received and where time allows, a report shall be submitted to Cabinet for consideration of justification for direct negotiations prior to their commencement. Once negotiations are underway, the Council's Property Service will be able to determine, and endeavour to seek, the best price and other non-monetary terms (as appropriate) for the property to be disposed of.

Where time is limited, or the transaction is relatively minor, a two part approval on the same report may be acceptable; i.e. consideration of award of Special Purchaser status in principle and then, if approval given, consideration of a provisionally agreed disposal terms.

Best consideration rules apply to "special purchaser" transactions in the same way as other disposals. It is usual practice for the Council's Property Service to undertake negotiations with confirmed Special Purchasers and report recommended terms. Where this cannot be achieved the parties could agree to appoint either the District Valuer or independent expert Surveyor to act as arbitrator to determine the matter and give the Council protection from future

challenge. Alternatively, where it is thought that a Special Purchaser is seeking to take unfair advantage of the situation, it may be prudent to market the property generally to stimulate a serious offer from the applicant.

Assuming the District Valuer is not already acting on behalf of the Council or would be purchaser (e.g. NHS Trust, Housing Association) in special purchaser negotiations, he may still have a role. To demonstrate that the agreed terms represent best consideration, and therefore protect the Council from challenge, it is good audit practice for the District Valuer to be asked to supply a "franking" report for transactions of a significant/strategic nature.

5. MARKETING CONSIDERATIONS

The purpose of this section is to identify the marketing considerations which need to be taken into account before the Council makes its land available for disposal. This first distinction to be made is the difference between property that has significant development potential, and that which has not. Some of the property being dealt with will probably have little or no development potential because it is already fully developed, and planning consent is unlikely to be available for another use. A simple example might be a retail unit where there is no choice but to sell the unit as it stands.

Properties with development potential might range from an existing building where planning consent might be available to change to a more valuable use, to a vacant site which is ripe for development. It is essential to identify development potential before the sale process gets underway. Sometimes the potential is obvious; sometimes it needs seeking out. Within the Lancaster District, the number of sites available in council ownership where there is development potential is extremely limited. Should such a site be available for disposal, it may be easily be marketed, or may require careful handling before marketing can be contemplated. When a site is ready for the market, there are two considerations that need attention. Firstly, what is the level of demand, and when should a particular property be sold to maximise capital receipts. Secondly, which sites and property should be actively promoted to benefit the perception of the City Council to the outside world, so that inward investment can be targeted. Both of these considerations are not dissimilar in the sense that they relate in the need to phase the release of land prudently to maximise potential.

The capital receipts programme is scheduled for a 5 year period meaning that some sites and premises will be dealt with in future financial years. This can mean that some properties may be vacant for a long period of time. In this case, consideration should be given to a number of important issues. Firstly, there is a need for an assessment of which vacant properties are most vulnerable to vandalism and damage, and potential erosion of the capital value. This will enable the formulation of a priority action list in the disposal programme. Clearly, vacant buildings would be at the top of the list in such circumstances.

Secondly, having identified land or property that is likely to be unsold for a lengthy period of time, temporary treatment of those properties should be pursued in order to positively promote that perception of the City and its surrounds. This may involve such action as making sites and premises secure in the interest of public health and safety, and generally keeping property in a neat and tidy condition. Where long term disuse of land in particular is envisaged,

action should involve the exploration of funding sources to create temporary landscaping schemes.

As such matters relating to temporary treatment of land and buildings depart from the Disposal Strategy issues, this is dealt with by way of a separate section under the Medium Term Property Strategy.

In the current Local Authority environment, any disposal policy would not be complete without reference to financial considerations. Capital controls have essentially linked the Council's disposal programme to its capital programme. Whilst the phasing outlined above may generate one approach, the aspirations of the Authority in one particular year may force an alternative approach. The Medium Term Property Strategy is a flexible Strategy and where possible, will help to attain these objectives.

6. MARKETING OF STRATEGIC SITES

Land disposals are undertaken by the Council's Property Service, although it may be prudent in certain circumstances to enlist the help of specialist agents if it is felt that this may result in a greater capital receipt to the Council due to their more detailed knowledge of the market for that property. The marketing strategy for each piece of land will reflect the outputs required from the disposal and each project will be taken on its merits.

7. MINOR LAND ENQUIRIES

The Council regularly receives enquiries about the purchase of small areas of miscellaneous land. These enquiries can have an impact on service delivery as they can be quite time consuming yet result in minimal financial reward to the Council.

From time to time it is necessary to advise potential purchasers that if the disposal is not in line with Corporate Plan priorities, then it will not be possible to prioritise the work involved in the process. Where enquiries relate to miscellaneous sites of relatively low value (£5,000 or less) that may be of interest to more than one party but are not currently on the property review programme, in the interest of overall value as opposed to an individual's aspirations, it is appropriate for Property Services to be able to defer consideration of a case, albeit by placing the site at the lower end of the review list. Such enquiries should be deferred for up to 1 year, unless exceptional circumstances cause a dramatic increase in value. At the expiration of the 1 year period, the position shall be reviewed.

8. DISPOSAL PROCESS

The appendix accompanying this document provides guidance for the treatment of transactions through the disposal process. It consolidates and updates best practice gained through the development of previous disposal policies and draws on experience in processing transactions over many years.

The preparation work required for a success disposal is outlined, together with an analysis of the available methods of disposal (particularly the tender mechanism). Topics relating to the grant property options and the monitoring of disposals are further discussed.

Where property disposals take place, each case should be considered and supported by the Asset Management Working Group. The property disposal programme for each year should also be considered by the Asset Management Working Group as part of its requirements to look at all investment decisions and to inform the Medium Term Financial Strategy. Any opportunity disposals that arise outside of this programme should be the subject of an officer recommendation to Cabinet in the first instance following full consideration by the Asset Management Working Group.

Where appropriate, Development Agreements should be used that ensure that the Council can retain control over major development schemes and yet ensure that maximum consideration is received as required under s123 of the Local Government Act 1972, as amended.

APPENDIX

PREPARATION FOR DISPOSAL

The key to a successful disposal of any sort is preparation. To assist in meeting the corporate targets set for capital receipts/regeneration projects/service delivery, a strict timetable should be set for the sale process, since the proceeds of sale will be required as quickly as possible. The stages of preparation for disposal need to be clearly defined and carefully followed, so that misconceptions and delay are kept to a minimum. These stages need to include the following:

(i) Internal circulation

Under normal circumstances, Property Services will be aware of all Departments' strategic needs for property in the future, via their Service Asset Management Plans. In circumstances where operational requirements are identified by Services and are included in the Capital Programme with funding available, then there may be a need to provide a safety net, by advising that Service of the availability of the property, subject to a strict timescale for, say, one month. However, such circumstances are very rare and it is envisaged that this will occur before the property is formally "declared surplus" to the Council's requirements and, once this latter trigger point has been passed, progress must be rapid.

(ii) Inspection

This is an obvious, but sometimes neglected stage. The purpose will be to spot any matter that is likely to hinder the disposal. This may be some physical defect in a building or, perhaps, evidence of encroachment by a neighbour. These matters will have to be dealt with before the property comes onto the market. The property to be sold should be as “clean” as possible. The inspection should bring to light any potential for development about which the Council is not already aware. For clarity, the inspection particulars and report to senior managers should be in a form which indicates that all necessary steps have been taken.

(iii) Special Purchaser (refer also to Special Purchaser Section in main body of Policy document)

At an early date, it should be established whether the balance of advantage is likely to lie in dealing with a special purchaser. In some cases, the decision is marginal. However, there will be situations where the adjoining owner wishes to acquire the Council’s land, or where he may own an overriding interest over it, such as a right of way, for instance. Dealing with this party direct may produce a marriage value which would enhance the capital receipts above that which would be paid in the general market. In such circumstances, it may be prudent to deal with the special purchaser against a strict time limit with contingency plans, having been made to go to the market if negotiations cannot be progressed. If the special purchaser does not already have an interest in the property, it can sometimes be advantageous to let him bid in open competitions, particularly if this is by sealed tender.

(iv) Asset Vehicle

Where the Authority chooses to use its assets to procure modern methods of delivering regeneration projects, it may be appropriate to put land within an asset value which will have a 10-15 year timescale on return and investment but will secure sustainable regeneration projects.

(v) Legal Matters

The Legal Service should be instructed as early as possible to report fully on the Council’s title and any rights or obligations which might affect it. Typical examples could include restrictive covenants, rights of way and reversion clauses. It is often too late if any problems become apparent once marketing and negotiations are underway, as these tend to prejudice the Council’s position. In addition, where it is intended to include covenants or conditions, it is essential to obtain legal advice at an early stage to ensure that these can be fulfilled in practice, prior to negotiations.

(vi) Physical Constraints

Certain physical constraints (e.g. electricity pylons) will be obvious from inspection; others (e.g. underground cables, adverse ground conditions) may not be. It will be necessary, therefore, to check the Council’s own records, and also to check with statutory undertakers. Opinions differ about the validity of carrying out site condition surveys, as these are expensive

and often may not relate directly to a particular developer's own intentions. The merit of undertaking such a survey will need to be considered in relation to each site, and the extent of the restrictions which the Authority intends to place on the development activity.

(vii) Define Development Potential

At this stage, a view will have been formed on any development potential which might exist, and any matters affecting potential value will have been brought to light. It will be necessary to decide if some, or all, of any identified constraints should be removed before marketing takes place. For those properties with development potential, it is essential, in order to maximise the realisation from disposal, to give potential purchasers the most detailed possible guidance. In straightforward cases, the equivalent of an "outline planning consent" for the most valuable use available should be secured. Where definite scheme criteria are to be met, or a range of development options is possible, a "development brief" could be agreed which gives some scope for the "flair" of individual developers. Where the Council wishes to consider ensuring a desired use of property to achieve its policy objectives, it will be necessary to introduce appropriate clauses or covenants.

It is Council policy to include a clawback provision on disposals.

METHODS OF DISPOSAL

In view of the potential scale and sensitivity of land transactions, a high standard of probity is necessary to avoid any possible allegation of corruption. The chosen method of disposal must therefore be fair and consistent, entirely transparent and primarily in accordance with Standing Orders.

Where the property is marketed, as opposed to negotiations with a special purchaser, there are four principal methods of disposal available:

- (i) Private Treaty
- (ii) Informal Tender (sealed bids)
- (iii) Formal Tender (contractual bids)
- (iv) Auction

Clearly, each method of disposal engenders varying degrees of ensuring fairness and transparency with the sale by formal tender probably being the most likely to avoid any criticism of the authority's dealings. However, it is not always appropriate or convenient to adopt the formal tender route, nor does it always guarantee best consideration when potential purchasers are put off by the sometimes complex and lengthy procedures. The Property Service should recommend to the Council which other method of disposal is appropriate provided that best consideration can be achieved.

Council's Constitution

It is important that the appropriate sections of the Council's Constitution are strictly adhered to, in particular the Contracts Procedure Rules and Financial Regulations.

It will also be noted that the decision on the method of any disposal will be taken in accordance with the principles and guidelines set out in this policy document.

The characteristics and constraints of each method of disposal are as follows:

(i) Private Treaty

This is probably the most widely used method of disposal in the property market, as it is the simplest to adopt, and the asking price can be at a pre-determined figure. Further advantages are that it allows a flexible approach, time pressures are seldom imposed and it is widely understood and accepted by the general public. However, it is also acknowledged that the main disadvantage is that proceedings cannot always overcome allegations of unfairness, and it is therefore a method to be used sparingly and with caution in the local government field. Difficulties have arisen where individuals have anticipated that, where they are first to apply, they will receive an option to acquire, and this has caused some concern, both to Council Members and, more importantly, to the market in general. To overcome such potential problems, unless a special purchaser situation applies, all properties to be sold under this method should be advertised for sale, in any event, so that all interested parties have an opportunity to enter into the discussions.

In applying this method, it should be remembered that this approach is satisfactory in the case of properties whose sale value is reasonably easy to predict, and therefore settlement of an asking price is straightforward, e.g. dwellinghouses. It is difficult to engender competition on price because an indication of what will be acceptable is generally given at the outset. It should be considered bad practice to try and play offerers against each other to build up their offers of the asking price, and could damage the Local Authority's reputation in the market (although an acceptable price).

Development sales should not be conducted by this method, since it leaves little scope for the flair and interpretation which may lead to the unexpectedly favourable offer. It is worth noting that the procedure can be time-consuming since time limits are difficult to fix, and there may be many individual negotiations before a satisfactory transaction takes place. It is the method with the least openness and, therefore, the most susceptible to abuse.

To ensure the greatest possible transparency in this type of transaction, proposals have been put forward with regards to recommended procedures. Primarily, there is a need to ensure segregation of duties i.e. one person should not be able to undertake all the fundamental stages in the sale process. This might involve one person preparing a valuation and another carrying out the negotiations although it is considered technically unsatisfactory to do this. More practical measures are already in place, and will continue to be so, where an independent person (usually a manager) reviews the valuation of another. In any event, the "asking and settling" figures should be approved by the Head of Property Services at the outset, and should be reviewed in line with progress.

In view of recent market conditions, it is considered prudent that the Council should set a time limit against potentially tardy prospective purchasers, and that they are made aware of the Council's firm view on this prime point at

the outset of negotiations. It is also worth noting that the Council must satisfy itself as to the financial ability of the prospective purchaser to complete, before negotiations become too advanced.

(ii) Informal Tender (sealed bids)

Procedures which need to be adopted are similar to those as set out below for the Formal Tender. However, tenderers may put forward conditional offers which will only become binding once that conditions have been resolved. It will, therefore, be open to the Council to pursue discussions with more than one tenderer in order to achieve the most advantageous transaction. Since considerable time and effort may be spent on such discussions, it is essential that *bona fide* shortlisted tenderers should be established at the outset, and guarantees that finance for a particular scheme is available.

As it is possible to hold discussions, there is more opportunity to arrive at a deal which suits both parties. Some conditions may not be capable of fulfilment for a considerable time, but there is an opportunity to build in provisions for the Council to take advantage or, say, a better than expected planning consent or better receipts above an agreed threshold.

For more complex development schemes, it is commonplace for interested parties to be interviewed and outline development schemes presented, before the tender procedure starts. This is in line with the three key criteria that have been long established in progressing major schemes, i.e. quality of the scheme, deliverability and the financial bid. It may be appropriate for a selected list of purchasers/developers to be asked to take part in the tender procedure itself. This approach saves wasted effort from potential purchasers, and cuts down the possibility of abortive negotiations being pursued on receipt of tenders. An important role with the Informal Tender procedures, which needs to be adopted by the Council, is that the Council should not seek to increase the basic tenders put forward, nor accept increased offers from unsuccessful tenderers. However, it will be permissible for the Council to seek increased rewards from the fulfilment of conditions which would create more value than the original offer envisaged.

In comparison with the Formal Tender, the Informal Tender lacks the advantage of speed, since post-tender negotiations can be protracted. It also lacks the certainty of the Formal Tender procedure, since negotiations may not be successful. There is a much greater burden on the professionals' skills of the Council's advisers, as the requirement to negotiate raises some of the disadvantages of a sale by private treaty. For this method to be a success, the rules for Informal Tenders must be laid down very clearly and followed to the letter by the Council and external advisers. The main advantage of the Informal Tender process is that the most advantageous terms for the Council can be formulated even in very complex cases. Notwithstanding the advantages and disadvantages, the Informal Tender route is presently the most commonly used method of disposal by this authority.

Generally, the rules to ensure transparency, fairness and consistency outlined above in the sale by private treaty method should be applied to informal tendering where practical.

(iii) Formal Tender (contractual bids)

The Formal Tender (otherwise known as Contractual Tender) procedure requires a great deal of preparation, as the tender document forms the contract for sale. A full appraisal of the transaction needs to be carried out in order to have a baseline against which to assess the tenders when they are returned, and may, indeed, provide a guide price during the course of marketing. For sound legal reasons, the Council will need to indicate in the tender documents that it is not bound to accept the highest or any tender. In addition, tenderers must be required to provide evidence, on return of the tender, that finance is available to proceed. In order to ensure fairness and the best chance of an acceptable offer, the tender will be widely publicised, and all interested parties given the chance to participate.

The advantages of the Formal Tender procedure are that it can be concluded quickly where it is unconditional, it avoids tentative time-wasting enquiries, the Council does not need to accept any tender if the offer is not satisfactory, the tender procedure should guarantee complete fairness and, as bids are not public, tenderers should put forward their best offer, rather than, as at auction, a figure marginally more than the second bid. However, this method does have its disadvantages: some potential purchasers may be put off by the procedure whereby they commit themselves contractually upon making the financial offer. All matters must be completely clear before the procedure starts. There is little room for discussion about the scheme itself although to some extent this could take place with prospective purchasers during the marketing preparation provided care is taken not to compromise the transparency of the transaction.

This method of disposal is, therefore, inappropriate for straightforward transactions where conditions of substance remain to be overcome before the bid can be finalised. In development situations, it could, for example, be effective in the sale of cleared sites for residential development where planning consent is available and the density of development is not in question. It may also be appropriate where several development schemes might be possible where negotiations with various parties will not be required to achieve the best scheme. On the other hand, it is now becoming more common in residential land sales for Formal Tenders to take place conditional upon detailed planning consent where outline consent has been previously obtained.

The rules for formal tenders for sale cover, inter alia:-

- advertising that tenderers are to be sought;
- procedure for pre-tender shortlisting of applicants, where appropriate;
- evidence of financial standing required from tenderers, either on receipt of tenders or at the pre-tender selection stage;
- the principal contents of the tender package, including a clear indication of the date before which the tender must be returned;
- inclusion of a pre-addressed envelope clearly indicating details of a tender and the date on which it is to be opened;

- how receipt of tenders should be recorded and arrangements for safe keeping prior to the opening date;
- the constitution of the Council's team which should be present at opening of tenders and if an independent witness is necessary;
- arrangements for listing and witnessing tenders on opening;
- the form of the officer's report to Committee recommending which tender(s) should be accepted or pursued further in discussion;
- rules for informing successful tenderers;
- instructions not to solicit or accept increased basic offers after receipt of tenders;
- Members should not engage in negotiations under any circumstances;
- the external advisers should not be bound by similar rules.

Tenders – Dealing with Late Bids

Whilst best efforts are made to ensure that policies and procedures are watertight and completely fair and transparent, there are occasional circumstances that, if not handled with great care, can lead to challenges against the Council of maladministration. In the context of sale of land and property by tender, the issue of dealing with late bids is one such area of concern.

The potential dilemma is that whilst it may be appropriate to maintain a policy of disregarding any late bids in a tender exercise, the Council may find itself missing the opportunity to secure best consideration where a late bid substantially exceeds bids received on time. Indeed, case law referred to in the Legal Framework confirmed that Councils could be found to fall short of achieving best consideration if rival bids are not fully investigated.

Presumably in the light of this case law, the Local Government Act 1972 General Disposal Consents were widened in 1998 to effectively give authorities the discretion to disregard late bids in a formal tender exercise. Unfortunately no guidance was given as to whether using this discretion would defeat a challenge of the actions of the Council if taken to Court.

As far as this Council is concerned, where it is decided that the tender route for the sale of land and property is the right approach, there are very good reasons for laying down strict rules of compliance with the procedures, particularly time-scales. This is to ensure that all interested parties are treated equally and that the Council operates in an efficient and cost effective manner by reducing uncertainty and delay. Above all, the principle that parties should not benefit from the tactic of an intentional late bid is paramount. Nevertheless, there may be, at times, genuine late bids and where the proposed disposal involves a substantial capital receipt the Council must be able to make decisions that avoid foregoing significant increases in sums achievable.

It is proposed, therefore, that the policy of the Council in respect of late bids should be as follows:

- Where a land and property disposal is to be effected by way of tender, whether informal or formal, any bids received after the specified closing date will not be accepted.
- This will at all times be made quite clear in the tender documentation.
- In the case of a tender exercise where the highest bid opened in accordance with the rules and procedures is less than £50,000, the Head of Property Services will proceed to report for approval all bids received on time and exchange contracts with the approved bidder accordingly.
- In the case of a tender exercise where the highest bid opened in accordance with the rules and procedures is £50,000 or more, the Head of Property Services will proceed to report for approval all bids received on time. If, however, at any time before approval or exchange of contracts a higher bid is received, the Head of Property Services will bring such a bid, or bids, to the attention of Council.
- Where late bids are brought to attention of the Council, the recommendation of officers would invariably be that a re-tender exercise should be undertaken, unless the late bid is less than £5,000 above the highest valid bid, in which case best consideration as a whole would be compromised by a re-tender exercise.

It is recognised that dealing with late bids would be less of an issue where the period between receipt of tenders and exchange of contracts is minimised. The Council's Property Services will, therefore, use all practical means to reduce the time taken to complete transactions after receipt of bids, notwithstanding delays that can be encountered when dealing with a cautious purchaser.

It is interesting to note that in the case *R v Pembrokeshire C.C. ex parte Coker* (1999), the rejection of an offer by the Council owing to it being late and lacking certainty of monetary worth (offer dependent on success of further negotiations), it was held on this point that the Council has acted reasonably. The conclusion was that it was common sense for the Council to accept the bird in hand offered by one party in contrast to an alternative offer that was "a bird in a faraway bush".

(iv) Public Auction

To achieve success with this method of disposal, external auctioneers will inevitably be used. It will be advisable for the auctioneer to be briefed at an early stage, and fully involved in preparing conditions of sale and fixing the reserved price. The reserve should be approved by the Council and conveyed to the auctioneer immediately before the auction. Sale by auction requires preparation of all contractual details beforehand in order that a binding contract may be affected immediately a bid is accepted.

The advantages of an auction are complete openness and swift completion of the transaction if an acceptable bid is generated. However, there are disadvantages with this method. Firstly, the principle of sale by auction falls in and out of favour with the market, and there are times when auction should not be considered as the interest from the market will be low.

Secondly, success of an auction will depend on the atmosphere generated in the sale room which, in its own right, may depend on the quality of other lots on offer, over which the Council may have no control, and a great deal will rest with the skill of the auctioneer. Thirdly, as a binding contract must be entered into immediately a bid is accepted, funds to meet the sale price must be available within 28 days, and this may exclude most purchasers who need to raise finance. Fourthly, there is little time for potential purchasers to consider the transaction, and no opportunity to discuss alternative ways to structure the deal. Finally, the winning bid need only be marginally more than the second highest bid, and need not represent the maximum the purchaser would have been willing to pay.

In view of the current financial constraints illustrated above, auctions are only considered appropriate for property where they do not hold any major strategic influence.

9. OPTIONS

A further matter, which needs to be considered under this heading, is the question of options. In relation to land and property, these are rights, usually created by contract, enabling a party to acquire property at a future date if certain pre-conditions are satisfied. Normally, in this Council's experience, options are used to assist industrialists with long term business planning and expansion or to give developers an opportunity and comfort to work up expensive development proposals on complex schemes. The latter can sometimes be linked to a "Lock Out" agreement whereby the Council would agree to withdraw a piece of property from the disposal market for a fixed period of time, usually of short term duration.

In the past, the City Council has rarely used this process, but that does not mean to say that it does not have a place in the disposal process, especially where market conditions were to seriously deteriorate, and they were need to bring confidence to future investment. In any event, there is invariably a potential value to an option, and in the right commercial circumstances, the Council should negotiate a suitable consideration before granting an option on land or property.

MONITORING DISPOSALS

Disposals of land and property obviously play a key role in both the Council's realisation of policy objectives, and in maintaining an acceptable capital programme through the generation of capital receipts. The Property Review process has helped to bring forward substantial capital receipts in recent years, but, as time goes by, it is proving more difficult to identify opportunities, as assets reduce. Nevertheless, important links have been established with the Head of Financial Services via the Asset Management Working Group, to successfully monitor the situation and, with the limitations of capital controls, the free flow of up-to-date information is always important.

To assist in the monitoring role, the Head of Property Services reports on a regular basis on progress with disposals through the Asset Management Working Group and through the PRT process.

As resources become tighter, it has become clear that this monitoring process needs to stretch through to completion, as the availability of capital receipts greatly affects the flexibility of the Council's actions. In addition, where disposals

at restricted values are agreed, it will be important for the Council to monitor the position on the ground to ensure that its intended objectives are achieved, and, where developments change, to seek clawback. Similarly, post-disposal monitoring also extends to checks to ensure that purchasers comply with any conditions of sale or covenants (usually within stipulated time periods) specifically imposed in order to achieve Council Policy objectives. As part of wider property management best practice, post-monitoring procedures are followed to ensure that the Council does not miss any opportunities created in the past or near future.

CABINET

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

17th February 2009

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, save for Appendix A which contains exempt information by virtue of paragraphs 5 of Schedule 12A of the Local Government Act 1972, and Appendices B and C which contain confidential information as defined in Section 100A(3)(a) of the Local Government Act 1972.			

RECOMMENDATIONS OF COUNCILLORS ARCHER AND KERR to follow.

1.0 Background

At its meeting on 17 November 2008, Cabinet received a report on the delivery of the Chatsworth Gardens “Exemplar” Scheme, and were advised that whilst the original concept for the scheme, in 2005, was to provide a partial demolition/refurbishment of properties, following a full tendering exercise, it was provisionally agreed by all parties that a refurbishment/part demolition was not a viable scheme, and that a complete “new build” scheme was to be proposed.

Resolutions from Cabinet on 13 December 2005 are:

- (1) That Cabinet authorises the Corporate Director (Regeneration) to enter into a Funding Agreement on behalf of the Council with English Partnerships as set out in Appendix B

of this report, subject to concluding legal negotiations and the financial implications being agreed by the Head of Financial Services.

- (2) That Cabinet gives 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 set out in Appendix B of this report for the purpose of undertaking the Housing Exemplar Project set out in that Funding Agreement.
- (3) That Cabinet approves the payment of £200,000 towards the Housing Exemplar Project to be paid within 18 months of the Funding Agreement set out in Appendix B of this report.
- (4) That Cabinet confirms that it is minded to bring forward and make a Compulsory Purchase Order for the purpose of acquiring property within the boundary of the Housing Exemplar Project located on the plan attached as Appendix A of this report.
- (5) That Cabinet authorises the Head of Financial Services to update the General Fund Capital Programme and General Fund revenue budget to reflect the expenditure and financing of the project, subject to there being no additional net call on the Council's resources.

Cabinet have never resolved to approve a complete "new build" scheme. However, the tender process to appoint Places for People regarding the "new build" did have Cabinet representation through the Portfolio Holder for Regeneration, on the team.

The report of 17 November 2008 identified that Cabinet were required to accept a revised funding agreement with English Partnerships, now Homes and Communities Agency (HCA), in order to fund the extra cost of acquisition for the new build scheme. Cabinet were also advised that in order for sufficient funds to be made available to progress the scheme, the Development Agreement needed to be signed with Places for People. However, notification had been received that the developer was not in a position to sign up to this agreement due to the current economic recession.

Cabinet resolved the following :

That Cabinet:

- 1) Notes (a) the need to provide quality family accommodation in 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.

2.0 Issues

As a consequence of the Cabinet resolution (2), legal opinion has been sought from external solicitors regarding the 2005 Funding Agreement, and is shown in Appendix A of this report.

As a consequence of the Cabinet resolution (3), discussions have taken place with HCA, and it is apparent that in 2006, the City Council went through a rigorous exercise to assess the part demolition/part refurbishment option. As a consequence of this exercise, HCA assessed the cost liability of new-build to part refurbishment/part demolition, and advised the City Council, through the working party, that they would wish to pursue funding for the New-Build scheme only, as costs for part demolition/part refurbishment was in excess of intervention rates.

Following oral discussions with HCA, and looking at the 2005 Funding Agreement, it is clear that if the City Council does not wish to pursue the new-Build proposals being put forward, the Council would need to go back to HCA with a comprehensive, costed proposal for part demolition/part refurbishment.

The cost of delivering such a scheme would be significant to Lancaster City Council. A full appraisal and tendering process would need to be carried out, along with selection of a development partner who would be capable of delivering a scheme, and the funding gap would need to be met. The City Council has no funds identified to deliver this scheme. This would effectively be a re-run of how this project has progressed and how it has come to the resolution where only the New-Build option is considered viable by HCA, and, because of this, officers' advice is that this is not an option to pursue.

The City Council could well be criticised for duplicating costs on delivering regeneration schemes.

3.0 Proposal

Taking all the information to hand, and following a further officer meeting with HCA, a request has been received advising that HCA are prepared to consider possible funding options for the "new build" scheme, on the proviso that Member support is sought in principle to the scheme (see email Appendix C). This, therefore, provides for the following options:-

3.1 Option 1

The projected financial cost of this option will remain largely as reported to Cabinet on the 11th November, with the main differences being:

- The transfer of £62,200 contingency from the Surveyors / Valuations & Contingency, into Property Holding costs. This does not alter the total cost of the project, and
- The funding allocation between Capital and Revenue as shown in Table 2. The shortfall in the Capital funding would be met from a contribution from the revenue allocation, with the overall project cost being contained within the total available funding.

A summary of the indicative costs and funding are set out in the tables below.

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.	33,600
Total Capital	3,813,300
Revenue Costs	
CPO Legal Advice	49,200
Property Holding Costs	148,200
Delivery Team	150,600
Total Revenue Costs	348,000
GRAND TOTAL	4,161,300

Table 2 - Funding

Capital Funding	(£)
EP Deed of Variation	2,200,200
Resale of Existing Property	1,379,500
Illuminations Depot Receipt	200,000
Total Capital	3,779,700
Revenue Funding	
EP Deed of Variation	242,600
Rental Income	139,000
Total Revenue Funding	381,600
Total	4,161,300

Operational Risk	Financial Risk	Legal Risk	Benefits
The City Council must ensure the effective property management of all the properties currently acquired as part of the Exemplar scheme, and as soon as contracts are in place, must ensure a robust management plan is in place to manage the said properties up until all the properties have been acquired (either by agreement or compulsory purchase order).	Subject to all appropriate funding being in place to acquire the remaining properties, a robust financial plan will need to be in place to manage the “property management plan” for the scheme, and the revised funding agreement with HCA will reflect such costs. As an interim provision, funds will need to be made available to cover the	The City Council must ensure that it has robust legal arrangements in place to ensure the Developer is contractually committed to the scheme, and at the same time, any legal agreements are made with HCA to accept further funding for the scheme.	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>holding costs of the properties, as current funding for this expires on 31st March 2009. These costs are contained within Table 1 and will be covered, should option 1 be approved. It is estimated that up to £66,000 of the £148,200 would need to be allocated, within the first quarter of 2009/10.</p>		
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3.1 Option 2

The City Council does not approve in principle the revised proposal to deliver a “new build” Exemplar scheme in line with the Development process that has been carried out.

Operational Risk	Financial Risk	Legal Risk	Benefits
<p>To proceed with this option would leave the City Council with ownership of residential properties to which no funding would immediately be available to progress an alternative scheme. The failure to deliver this would also significantly affect the delivery of a significant element of the West End Masterplan. A property management plan will also need to be put in place to assure the on-going safety of the public and buildings.</p>	<p>Should the City Council agree to not progress the “new build” Exemplar scheme, cost will be incurred in managing the currently vacant buildings acquired for the Exemplar scheme for example the holding costs alone are currently estimated at £66K per annum, and such costs could not be re-charged to HCA as there is currently no contractual funding agreement in place after 31 March 2009 to accommodate these costs. The City Council would then need to incur costs of re-appraising what scheme could progress, which are currently not provided for within the City Council’s Capital and Revenue</p>	<p>The legal advice sought on this matter is that, technically, because a Development Agreement has not been signed, there is currently a breach of the 2005 Funding Agreement with HCA. Should the Council not wish to pursue the HCA option of progressing with the “new build” Exemplar project, then further work will be required to seek an appropriate legal framework to exit the project (see legal advise, Appendix A).</p> <p>It should also be noted that further work will also need to be carried out to assess the implications of the “Critchell Down” rules in this matter.</p>	<p>Given current economic climate, and the City Council’s current financial position, it is difficult to advise Members of what benefits there would be in not progressing the “new build” Exemplar scheme.</p>

	programmes, particularly with the threat of "Critchell Down" (see legal risk).		
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With regards both these options, it should be noted that the financial data used is based on 2008 figures. Subject to Cabinet decision, these will be revisited and a further report will be submitted to Cabinet regarding the proposed funding agreement with HCA.

4.0 Officer Preferred Option

4.1 The preferred option is Option 1 in the report.

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

Option 1:

The scheme as structured above is fully funded by a contribution of external grant and directly generated capital receipts, leaving a nil additional demand on the Council's internal resources. The key costs of the scheme have been based on best information and professional advice, which was taken almost 12 months ago, therefore these will need to be revisited and further appraisals will be required to ensure that this project can be delivered within the funding quoted in table 2 of this report.

As it is the intention here that agreement be given in principle for new build, subsequent Cabinet approval would be sought for all funding agreements, which would be supported by a robust financial plan and a property management plan.

The mismatch between the capital and revenue funding allocation in table 2, has arisen from the capitalisation of some costs, previously included as revenue. This is not a major issue as, should option 1 be adopted;

- 1) It will be picked up as part of the extensive appraisals which will be required and will also be contained within the financial plan, and in any case,
- 2) The shortfall in capital can be easily remedied by a contribution from a corresponding surplus in revenue.

It was previously reported to Cabinet that this project could also give rise potentially to a need to increase the Council's underlying borrowing requirement, either in the short or longer term, due to the potential difficulties in resale of the properties in current market conditions. Further negotiations will need to take place with HCA to see if this issue can be addressed.

Should Members ultimately approve the project, the scheme costs and funding would be incorporated into the approved Capital Programme, profiled over three years. Progress and reporting would then be monitored through the Council's existing arrangements, with any further recommended actions being identified and reported accordingly.

At this stage (in seeking an in-principle decision only) it is not possible to fully assess extent of the financial risk involved. To do so would not be easy under stable market conditions let alone with the current uncertainties in both the property and financial markets. Although this is a factor which must be carefully considered, this must be done in the full context of the scheme and its projected benefits. It must be noted that no project of this scope and scale can be expected to be risk free, even with the implementation of the most robust procedures.

As with previous phases of this project, it is anticipated that the Council will defray capital expenditure upfront and claim back funding quarterly in arrears, therefore the impact on the City Council's Capital Programme and cashflow position needs to be taken into account. This will need to be managed through advanced warning of any significant expenditure commitments.

It is re-emphasised that should Option 1 be adopted, the Council will not enter in to any contractual or financial arrangement without bringing back a more detailed report for Members to consider.

Option 2:

The key financial risks and issues for option 2 are as outlined in table 3.1 of this report. However, it is highlighted that should option 2 be adopted in principle, again the financial implications would need appraising fully, including the following:

A thorough options analysis would need to be undertaken, together with preparation of an exit strategy for the scheme. The Council has no budget provision for this.

If a situation arose that would lead to claw back of all or part of the external grant, this may need to be funded from unsupported borrowing. This could be mitigated by property / land sale, although outside of a formal valuation there is currently no indication of what such a sale could achieve. However, it is possible that a straight disposal of a site on to the market

could be cost neutral to the Council, as all receipts may be returned to the funder under the 2005 funding agreement. This is by no means certain, however.

Until the Council disposes of the property / land, it will be responsible for the site management and security and all the costs associated with this. This is a continuing financial liability to the Council, for which it would have no budget provision.

Should option 2 be adopted, any estimated additional costs falling on the Council (e.g. interim property holding costs) would need to be fed into the 2009/10 budget process.

SECTION 151 OFFICER'S COMMENTS

Given the wider financial risks facing the Council at this time, Option 1 (the officer preferred option) represents a way forward that would help manage the Council's financial risk, whilst still delivering a regeneration scheme. Under Option 2, potentially the Council would be faced with far greater financial risk and there would be the immediate need to make some revenue budget provision in 2009/10 for property holding costs, etc. This would need to be reflected in Cabinet's budget proposals.

LEGAL IMPLICATIONS

Please note independent advice and legal risk shown in Option 1.

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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