# CABINET

**10.00 A.M.** **31ST AUGUST 2010**

**PRESENT:-** Councillors Stuart Langhorn (Chairman), June Ashworth, Jon Barry, Abbott Bryning, David Kerr and Peter Robinson

Apologies for Absence:-

Councillors Eileen Blamire and Jane Fletcher

Officers in attendance:-

| | |
|---|---|
| Mark Cullinan | Chief Executive |
| Heather McManus | Corporate Director (Regeneration) |
| Roger Muckle | Corporate Director (Finance and Performance) |
| Nadine Muschamp | Head of Financial Services and Section 151 Officer |
| David Lawson | Assistant Head – Regeneration and Policy |
| Paul Rogers | Regeneration Officer (part) |
| Debbie Chambers | Principal Democratic Support Officer |

## 36 MINUTES

The minutes of the meeting held on Tuesday 27 July 2010 were approved as a correct record.

## 37 ITEMS OF URGENT BUSINESS AUTHORISED BY THE LEADER

The Chairman advised that there were no items of urgent business.

## 38 DECLARATIONS OF INTEREST

No declarations were made at this point.

## 39 PUBLIC SPEAKING

Members were advised that there had been no requests to speak at the meeting in accordance with Cabinet's agreed procedure.

## 40 CHATSWORTH GARDENS HOUSING EXEMPLAR

**(Cabinet Member with Special Responsibility Councillor Kerr)**

Cabinet received a report from the Corporate Director (Regeneration) to provide members with a recommended contingency proposal for the Chatsworth Gardens Housing Exemplar Project, and requests the authority for officers to further develop and submit a detailed contingency proposal to the Homes and Communities Agency (HCA) under the terms of the original funding agreement.

The options, options analysis, including risk assessment and officer preferred option, were set out in the report as follows:

ARUP Site Design Options

The final ARUP report is a detailed technical document which contains exempt information, but can be made available to cabinet members on request. The balance between new build and refurbishment across the site was a key issue, but 100% new build was ruled out at the start due to the failure of this approach in the PfP scheme.

From a long-list the study team focussed on 12 realistic design approaches. Each option was evaluated/scored against quantitative and qualitative benchmarks; effectively creating an 'all opportunity and risk' analysis. The criteria are summarised in Appendix 1a of the report. Weightings were applied where criteria had particular importance (for example to delivery risk) to give an overall score.

While differing individually in details and form the individual options can be grouped for ease of understanding into approaches with broadly similar characteristics and final scores. Officers have distilled the options into 5 groups: A, B, C, D and E. The approaches and overall risk assessment are summarised below (Table 1) and detailed in Appendix 1a of the report. Plans of all the options are set out in Appendix 1b of the report. In the scoring system a high score means lowest overall risk and vice versa.

***Table 1***

| **Approach Group** | **Description** | **Score** | **Overall score "traffic light"** |
|---|---|---|---|
| **A** | Disposal only:<br>Dispose of all acquired properties<br>No physical intervention | 87 | Red |
| **B** | Base model: A "site wide" approach with 2 blocks completely refurbished. | 122 to 127 | Amber |
| **C** | Non-preferred "site wide" approaches<br>Essentially the Base Model with introduction of what are considered (after analysis) to be sub-optimal new build and design elements. | 126 to 141 | Amber |
| **D** | Preferred "site wide" approaches.<br>The Base Model with introduction of what are considered (after analysis) to be optimal new-build and design elements. | 146 to 149 | Green |
| **E** | Single block variants of approaches B, C and D. Essentially utilising the disposal of all properties in the East block to enable a single block scheme to progress for the West block.<br>***Note: In all scenarios the West Block is retained and the East Block value realised due to more extensive current public ownership of the former and the higher quality and better prospects for sale on the latter block.*** | 100 to 112 | Red |

Design Option Summary

Approach A is not preferred due to the difficulties in managing retreat from the area. It is however still a valid way forward when considered in the context of the matters discussed in Section 3.0 of the report.

Group E Single Block approaches score poorly due to:

- The houses in the unimproved block would take some years to sell because of the restrictive covenants (to prevent their reversion to low grade multiple-occupation) being applied prior to sale
- As a result, sale receipts would only partially support the remaining acquisitions needed
- The unimproved block would reduce values and sales rates for the block to be improved
- The overall regeneration effect on the wider area will be weakened by halving the scale of intervention

Groups B, C and D are on a higher scoring suite of interventions across 2 blocks. However, refurbishment of the whole site is regarded as placing too much risk on a developer (this becomes more important when considering the implications outlined in Section 3.0). Group D approaches, specifically Option 11 and Option 12, emerge as preferred because they provide a good balance between new build and refurbishment. Option 12 in particular provides more variety of house types and eliminates the technically challenging and expensive refurbishment of the four storey Regent Road properties. The arguments for preferring an overall site design informed by Option 12 can be summarised as:

***Table 2***

| | |
|---|---|
| **Housing Mix / Marketability Risk** | The proposal includes smaller 2 and 3 bed new-build units in addition to the refurbished and remodelled large 3 and 4 bed units. The ARUP study recommends that the greater the variety of accommodation layouts that can be achieved the better. Introducing smaller new build starter homes within the development is considered to be desirable as the recession has largely halted the construction of this popular type of accommodation. |
| **High Quality Public Realm** | The Chatsworth Road shared surface gives an attractive pedestrian and cycle priority area including bay parking softened by integrated tree and shrub planting. |
| **Varied Parking Solutions** | Parking is provided within the Chatsworth Road shared surface, in parallel bay parking on Westminster Road, on front in-curtilage areas on Balmoral Road, in rear in-curtilage spaces and in small secure gated rear courts. The variety of parking provision ensures that parking does not dominate the streetscape. |

| | |
|---|---|
| **Large Rear Gardens** | The layout and varied parking approach ensures that the preferred option provides the largest rear gardens of all the options, maximising the private amenity value of the units and adding to their sales appeal. |
| **Security and Passive Surveillance** | The layout ensures that rears are only accessed from secure gated rear parking courts with only one entrance in and out. Habitable rooms to the front and side of gable units ensure good levels of passive surveillance. |
| **Environmental Standards** | The addition of new-build units on Chatsworth Road allows for more efficient units with higher attainable Code for Sustainable Homes scores of up to 4*. The retained properties will seek to achieve Code level 3*. |

Members must also however appreciate that the way forward for the project cannot only be informed by the Design Options. It must be informed by cost, funding and implementation factors.

Cost, Funding and Implementation Issues

Financial appraisal of the Design Options were part of the overall scoring assessment and show the notional element of public subsidy required to complete a particular development option. It is useful for members to understand the basic development appraisal calculation/structure and this is outlined in Appendix 2 of the report.

Such appraisals are only as useful as the accuracy of the underlying revenue and cost variables used. The consultants employed the latest available cost benchmarks and undertook a detailed market assessment informed by the views of local agents. The variables and assumptions were also reviewed by qualified surveyors in the Regeneration & Policy team who support the competency of the underlying data. A summary of the assumptions is provided in Appendix 3 of the report.

Officers adjusted the study appraisal figures to take into account:

- The £1 million (at most recent independent valuation) tied up in “non-project properties” (defined in the 2005 Funding Agreement as properties outside the Chatsworth Gardens site). These will be sold to provide project funding.

- The purchase of the existing 46 acquired units within the Chatsworth Gardens has already been funded (or ‘sunk’ in to the project) so £7,000,000 can be removed from the outlay side of the study figures.

Appendix 2 of the report provides a summary of the financial appraisal of each Design Option taking into account the above adjustments.

At this stage it is useful to appreciate the HCA funding situation. HCA has been reluctant to give an indication of amount of funding potentially available preferring to defer to assess the council’s contingency plan on its merits. However, it is clearly important for officers and members to understand in broad terms the likely finance available. The submission of an unaffordable contingency scheme will incur wasted time and resource.

Under the original PfP proposal officers had secured ‘in-principle’ agreement for an additional £2.3m HCA funds. Coverage of all the council’s costs also depended on PfP providing a £1.29m capital receipt for the cleared site. There was therefore an order of additional funding into the scheme from HCA and PfP of around £3.6m. The scheme was regarded even at this stage as being very expensive in unit cost terms, mitigated only by ‘exemplary’ design features and relatively dense site development. Officers have also been guided by the fact that PfP’s alternative approaches, (following indications that they could not proceed with the original scheme), were discounted by stakeholders when the additional public funding requirement was shown to add significant millions of pounds to the ‘in-principle’ sum. The general malaise currently affecting all calls on public funding is widely understood and must also be taken into account.

Officers assess the likelihood of the ARUP study Design Options meeting the broad affordability parameters as follows:

***Table 3***

| **Approach Group** | **Description** | **Funding Requirement** | **Overall Affordability** |
|---|---|---|---|
| **A** | Disposal only:<br>(In the ‘disposal’ option the figure represents “net loss of public funds” rather than additional public funding requirement) | £3.7m | Green |
| **B** | Base model: | £12.3m to £12.7m | Red |
| **C** | Non-preferred “site wide” approach options | £10.3 to £11.9m | Red |
| **D** | Preferred “site wide” approach options | £9.2m to £10.4m | Red |
| **E** | Single block variants of approaches B, C and D. | £2.5 to £4.0m | Amber/Green |

Only Group E Single Block approaches are of an order of additional funding requirement likely to be available from the HCA. As previously noted any Single Block scheme brings particular disadvantages and risks – not least in damage to overall regeneration effect and impact on rate of sales. In addition, without assurance that sale of the properties in the undeveloped block under an anti-HMO covenant represents a positive ‘unit outcome’, it will still be challenging to achieve value for money in HCA appraisal terms. The difficulty presented by the current situation, then, is that only the most risky site options are actually affordable.

Improving Affordability Through Mixed Delivery

The council has an experienced internal staff resource within its Regeneration & Policy section that has delivered refurbished properties to a standard and design envisaged in the ARUP study. The team has undertaken refurbishment of former HMOs throughout the West End and a major tranche of work is currently ongoing around Bold Street. The refurbishment is being undertaken through a number of differing arrangements – some are effectively grant aid to the owner with overage conditions, others are being undertaken wholly at the council's risk. However, the council is undertaking project management on all schemes whether it holds the direct refurbishment risk on end sales or not. The council has been complimented by various public partners on its early achievements on Bold Street, and officers believe this success is down to the level of control it has over the project. The council has however been involved in a number of refurbishment projects with housing partners which have proved problematic in their outturn. Difficulties have arisen where, through contractual arrangements, the council has taken far too much market risk without the ability to mitigate this through project management and other cost savings. Members should recognise that direct involvement in any housing project involves major cost and risk which is brought into sharper focus in a moribund housing market.

If the council did undertake some or all of the terrace refurbishment in a similar manner to the Bold Street project, significant savings on a traditional developer led scheme could be made. Likely key savings offered are:

- Removal of the requirement for developer's profit
- Project management internalised (although any internal provision specific to the project would need to be covered)
- Reduction in professional fees
- Developer's finance costs associated with levered bank finance would reduce (there are still issues for public sector cashflow management and opportunity interest loss – refer to Financial Implications).

The potential to lower the building specification (which is recognised as 'exacting' in order to ensure definitive compliance with the environmental criteria) while still retaining 'exemplary' features also exists. However, the current specification has been agreed with HCA and is, by requirement of the study brief, 'exemplary'. Any change in specification would be subject to further negotiation.

There is unlikely to be a single preferred developer for the new build elements, or at least a developer that could commit to take the risk on all potential new build units. The council would probably need to enter into agreements with more than one developer for the new build site parcels. However, it is considered that risk would be reduced on the new build elements in these circumstances, and with the council leading on refurbishment elements/site provision, the developer's costs (for example, profit expectation) could also be assumed to reduce. The report will return to the issue of 'public sector risk' in a later section.

To illustrate a "Mixed Delivery" scenario, Appendix 4 of the report shows a detailed analysis of Design Option 12 where it is assumed the council refurbishes 4 terraces, with 4 new build terraces built by the private sector - all costing assumptions are revised accordingly. Under this approach assumed savings would significantly reduce the total net public funding requirement to around £6.3m. Whilst these savings (as compared with a developer led Option 12) are significant, at up to £3m, they are fair considering the assumptions on the differences between a wholly private led scheme undertaken by a single developer and this mixed approach. But, even after considering all possible savings the conclusions drawn are:

Preferred 2 block Design Options (Group B, C & D are still not within acceptable affordability in public funding terms.

Single Block schemes (Group E) are brought further within range of the potential additional funding available but still carry excessive overall delivery risk.

Phasing the Scheme

In the development of the proposal to date, the 2 block option variations (as in the original PfP scheme) assume it is best to resource and secure all property interests across the site 'up front'. The main reasons behind this approach are as follows:

- Certainty in site assembly in order to secure the interest of a single major developer across the site
- Ability to provide a definitive exit point for public sector
- Certainty in delivery of the comprehensive design approach, optimum regeneration impact and lowest risk.

Having enough resource to secure all property interests is attractive. Whichever option/delivery route is ultimately adopted, it will be necessary to bring blocks or terraces of properties under single ownership or control. Whilst every effort would be taken to agree acquisitions by agreement, it may as a last resort be necessary to use the Council's powers of compulsory purchase order (CPO) to enable the redevelopment to take place in the desired form (Members should note that it is too early at the moment to decide whether a CPO is required, but it is likely to feature in any future formal delivery proposal).

The ability and approval to use CPO powers is also underpinned by having certainty in delivery. Given there is unlikely to be enough funding available to acquire all site properties the feasibility of a more pragmatic approach, that is phasing the scheme, must be considered. .

To illustrate this approach Appendix 4 of the report shows how costs of Design Option 12 can be split into 2 separate block phases (under similar constraints and assumptions of a mixed public/private approach discussed above). The West Block is regarded as Phase 1 with public sector investment brought to public realm/infrastructure works. Properties already purchased in the East Block are retained (rather than sold to fund a Single Block scheme), with the council giving a commitment to hold properties and review the implementation of Phase 2 on an ongoing basis. An even more incremental approach could be used in Phase 1 (for example moving across Phase 1 terrace by terrace). But for certainty of regeneration impact and clarity in exploring the issues, it is reasonable to start from a position where the council seeks to secure funds from the HCA for at least the whole of Phase 1.

The cost analysis shows a funding requirement of £2.6 million for Phase 1 which appears affordable in the terms discussed previously. The Phase 2 funding requirement of approximately £3.7 million becomes more open and is then reliant on:

- The HCA's willingness to fund the project to a greater extent than any funding it makes available to complete Phase 1.
- Availability of future Housing Capital Programme (HCP) Funds and recycling of return on current HCP projects (see Financial Implications);

- The skill and commitment of Council officers to drive those savings previously outlined through Phase 1 for recycling into Phase 2.

A final contingency position in any phased approach, if funding is not available to progress Phase 2, is the sale of the properties with anti-HMO covenants as under a standard Single Block option. Any additional public funds (spend over and above proceeding at the outset with a Single Block option) would be the holding costs of East Block acquired property up until a decision could be made on viability of Phase 2. On the scale of the project anticipated, these costs would not be significant but they could have an adverse impact on the council given the budget pressures. .

From the point of view of delivery risk the council should, as a matter of principle, undertake as few refurbishments as possible and only intervene at the point at which private developers would refuse to take on the refurbishment elements at the level of public subsidy available. However, according to the ARUP study figures, and using the example of Option 12, the private sector will only become involved in 100% of the refurbishment elements if an additional funding requirement of £3.9m for Phase 1 is secured. The Phase 2 funding requirement would be £5.4m. This also assumes there are willing developers wishing to fully engage in the refurbishment side of the project – an area which the developer market is not strong at the current time

It will be seen then that in order to deliver Phase 1 in the example discussed a funding requirement of between £2.6m (assuming 'all public risk' on refurbishment) and £3.9m (assuming 'all private risk' on refurbishments) is required.

<u>Moving from Design Options to Main Options</u>

As noted in Section 3.0 of the report, it is not enough for members to only consider the Design Options of the scheme (as set out in section 2.0 of the report) on their own merits. The matters of potential public sector delivery risk and affordability have to be considered. The introduction of these issues leads to the consideration of a number of strategic Main Options illustrated in the table (appended to these minutes). Appreciating and understanding the issues involved is challenging but members should have in mind that the Main Options simply integrate the public sector risk and affordability issues discussed in section 3.0 of the report with the Design Option groups discussed in Section 2.0 of the report.

<u>Officer Preferred Option (and comments)</u>

For the reasons outlined in the table and the report Main Option 6 is preferred, although the preferred approach is in reality a "least worst" regeneration option available to the council in the current circumstances.

If this public/private delivery and phased model is agreed, consideration can then return to the Design Option that provides the best framework for action with lowest risk attributes. The discussion in Section 2.0 of the report, when considered alongside the issues outlined in Section 3.0 of the report, points to Design Option 12 as the preferred design framework. Option 12 is also the cheapest of the 'preferred group' of options (Group D) and one which strikes the best market balance.

The additional funding requirement on the preferred option ranges from approximately £2.6 m (a minimum to complete Phase 1 with all refurbishment elements undertaken by the public sector) and £3.9 m (a likely requirement to bring the private sector into 100% of Phase 1 refurbishments). Available funding will probably mean a proportion of the refurbishments need to be undertaken by the public sector. The size of this role depends on the funding available and response of the private sector to the opportunity. If the project is only able to secure somewhere between £2.6m and £3.9m decisions will need to be made on the balance between:

- The funds used to bring the private sector into the project (essentially being spent on subsidising private risk).
- The number of refurbishments which can reasonably be undertaken by the public sector.
- The funding available to contribute towards undertaking Phase 2.

If refurbished elements do need to be undertaken by the council officers can mitigate delivery risk by:

- Progressing terrace refurbishments in 'pilot' sub-phases.
- Further reviewing performance specifications to reduce costs without compromising 'exemplar' features.
- Building on best practice undertaken on current terrace refurbishments.
- Partnering with investors or Registered Social Landlords (RSL) to carry out refurbishments (there would have to be no HCA funding attributable to the RSL's input as this would have to be counted in their overall public purse VFM calculations).
- Investigate partnering with an RSL for introducing a proportion of private letting into the mix (respecting the council's cashflow and revenue requirements on the capital scheme).
- Exploring self-build opportunities for some individual/group property refurbishments within terraces.
- Exploring grant aided individual/group property refurbishments within terraces with developers and existing owners of non-acquired property.
- Work with a preferred mortgage provider to secure finance to build a fixed number of individual purchasers.

Officers will continue discussions with HCA prior to submission of the detailed proposal on the assumption that £3.9m is required as a minimum to deliver Phase 1 under the original expectation that no delivery risk falls to the council. However, funds available are not likely to meet this figure. The minimum funding to allow Phase 1 to go ahead is £2.6m with the council undertaking all refurbishments, and it is useful for members to appreciate the financial risks inherent in this level of involvement. These are outlined under Financial Implications section, but it should be recognised that this situation is worst case in terms of any funding settlement which may be acceptable to members.

More likely is that the funding settlement will need to be considered flexibly in the terms outlined in paragraph 5.3 above. With future funding and receipts from the Housing Capital Programme, Phase 2 should also be able to progress at least in part. There may be opportunities to undertake Phase 2 elements at the same time as, or even in place of, parts of Phase 1. Disposal of any remaining acquired units and engagement with owners of properties not acquired would be positively managed to a best fit within the overall 'aspirational framework' of Option 12.

Officers have to develop the proposal in some detail for submission to the HCA. Under the terms of the funding contract HCA have to indicate by 6th October whether the contingency proposal is acceptable and what further appraisal is necessary to meet their approval requirements (refer to Legal Implications). There is no further time to furnish members with a detailed scheme proposal document. However, under the council's own project management protocol (LAMP) the contingency proposal is, in formal terms, 'in exception' to the project previously agreed via the council's internal project scrutiny panel (now CPROG). It is therefore appropriate for the final submission document to be reviewed and approved by CPROG, ensuring a further robust independent test of the proposal assumptions and soundness. A further level of scrutiny would also be made available on any offer of funding by the HCA whereby members reserve a decision to accept the offer subject to a further report on the final scheme shape and details of the anticipated role of the council in direct delivery.

Members should also be aware that the unit costs of the scheme are high and the additional public funding requirement will be considered in HCA appraisal alongside their 'sunk' resources. There is therefore no guarantee that the contingency proposal submitted will meet with HCA approval. The HCA could reject the council's proposal but are then obliged to prepare their own proposal for the council's consideration.

Councillor Kerr proposed, seconded by Councillor Ashworth:-

"(1) That officers undertake further detailed development and submit to the HCA a Chatsworth Gardens contingency proposal consisting of a 2 block phased approach using a mixed public/private model (Main Option 6) within a framework defined by ARUP Design Option 12.

(2) That officers request a HCA funding commitment sufficient to deliver Phase 1 at lowest potential risk to the council and discuss with HCA any additional funding commitment which could be brought to the project in order to progress Phase 2.

(3) That subject to project funding approval the viability of proceeding with Phase 2 is made subject to regular review with respect to current and future funding opportunities.

(4) That acceptance of any HCA funding offer and authority to proceed with the scheme be subject to a further Cabinet report."

By way of amendment, Councillor Robinson proposed:-

"(1) That Cabinet tells the HCA that it doesn't think it can deliver a scheme and asks the HCA what scheme it can suggest."

However, it was noted that there was no seconder to the amendment and, therefore, the amendment was deemed to have fallen.

Councillors then voted:-

***Resolved:***

***(5 Members (Councillors Ashworth, Barry, Bryning, Kerr and Langhorn) voted in favour and 1 Member (Councillor Robinson) voted against.)***

(1) That officers undertake further detailed development and submit to the HCA a Chatsworth Gardens contingency proposal consisting of a 2 block phased approach using a mixed public/private model (Main Option 6) within a framework defined by ARUP Design Option 12.

(2) That officers request a HCA funding commitment sufficient to deliver Phase 1 at lowest potential risk to the council and discuss with HCA any additional funding commitment which could be brought to the project in order to progress Phase 2.

(3) That subject to project funding approval the viability of proceeding with Phase 2 is made subject to regular review with respect to current and future funding opportunities.

(4) That acceptance of any HCA funding offer and authority to proceed with the scheme be subject to a further Cabinet report.

**Officers responsible for effecting the decision:**

Corporate Director (Regeneration)
Head of Regeneration and Policy

**Reasons for making the decision:**

The decision will allow officers to further develop and submit a detailed contingency proposal to the Homes and Communities Agency (HCA) under the terms of the original funding agreement and in line with the Council's corporate priorities.

**41 2010/11 QUARTER 1 CORPORATE PERFORMANCE REVIEW**

**(Cabinet Member with Special Responsibility Councillor Langhorn)**

Cabinet received a highlight report from the Leader of the Council in respect of the first quarter of Performance Review Team (PRT) meetings for 2010/11 recently undertaken by individual cabinet members.

The report was for noting and comment.

Councillor Langhorn proposed, seconded by Councillor Kerr:-

"(1) That Council be recommended to approve the changes to the Corporate Plan's key performance indicators as identified in the monitoring report.

(2) That officers ensure that the reports prepared for individual cabinet members for quarter 2 PRTs are consistent and include monitoring information in respect of each corporate priority's key targets, actions and projects and corporate health indicators as set out in the Corporate Plan.

(3) That Cabinet receive a refresh briefing on the Performance Management Framework.

(4) That Cabinet note that the October Cabinet meeting will receive the following reports:

- Shared Services update including Community Pools and Facilities Management

- Lancaster District Local Strategic Partnership – Performance Reward Grant allocations update

- External funding update in respect of the budget sums currently included in both the Regeneration and Policy and Community Engagement Services.

(5) That Cabinet note:

- That a report on Search Fees be brought back to the future Cabinet meeting once the legislative position becomes clear

- That the Leader is to meet with the Head of Health and Housing Services and the Cabinet portfolio holder to discuss the actions being taken to address the overspend on the Housing Revenue Account's responsive repairs budget."

Councillors then voted:-

***Resolved unanimously:***

(1) That Council be recommended to approve the changes to the Corporate Plan's key performance indicators as identified in the monitoring report.

(2) That officers ensure that the reports prepared for individual cabinet members for quarter 2 PRTs are consistent and include monitoring information in respect of each corporate priority's key targets, actions and projects and corporate health indicators as set out in the Corporate Plan.

(3) That Cabinet receive a refresh briefing on the Performance Management Framework.

(4) That Cabinet note that the October Cabinet meeting will receive the following reports:

- Shared Services update including Community Pools and Facilities Management

- Lancaster District Local Strategic Partnership – Performance Reward Grant allocations update

- External funding update in respect of the budget sums currently included in both the Regeneration and Policy and Community Engagement Services.

(5) That Cabinet note:

- That a report on Search Fees be brought back to the future Cabinet meeting once the legislative position becomes clear

- That the Leader is to meet with the Head of Health and Housing Services and the Cabinet portfolio holder to discuss the actions being taken to address the overspend on the Housing Revenue Account's responsive repairs budget.

**Officers responsible for effecting the decision:**

Chief Executive
Corporate Director (Finance and Performance)
Corporate Director (Regeneration)

**Reasons for making the decision:**

The Council's Performance Management Framework requires the regular reporting of performance to both the Budget & Performance Panel and Cabinet as part of the Performance Review Team cycle of meetings.

**42 MEDIUM TERM FINANCIAL STRATEGY UPDATE**

**(Cabinet Member with Special Responsibility Councillor Langhorn)**

Cabinet received a report from the Head of Financial Services updating Members on the Council's financial prospects for future years, taking account of last year's outturn, current year's monitoring and known or expected changes being introduced by Government.

This report was primarily for Members' information and therefore no specific options were put forward in the report.

Councillor Langhorn proposed, seconded by Councillor Kerr:-

"(1) That Cabinet notes:

- the current position regarding current spending and forecasts for future years, together with the associated risks and uncertainties;

- the expectation that the Council's current council tax targets of no more than 3.75% will need to be significantly less in future, in light of section 4 of the report;

- in responding to any further specific funding reductions, Service Heads will ensure that appropriate remedial action is taken as soon as possible and in accordance with any delegations, to avoid any situations arising that are contrary to budget, as outlined in section 3.7 of the report;

- the key issues arising from this review will be reported to Council for information; but that

- a further update is scheduled to be reported to Cabinet in November, at which time it is hoped that sufficient information will be available for Cabinet to make recommendations to Council regarding new council tax targets, in light of Government's spending review and any changes to existing capping arrangements

(2) That Council Business Committee, which will be considering the Council's response to the government's consultation on its proposals on replacing capping with local referendums on council tax, be informed of Cabinet's view of the proposals. This is that the proposals are unnecessarily expensive and do not take into account Councils' own budget consultation arrangements."

By way of addendum, Councillor Robinson proposed:-

"(3) That Cabinet identify options to focus future modelling and scenario planning based on one of these options:-

(a) equity between statutory and discretionary services
(b) prioritisation of both statutory and discretionary services to commit to at least the current level of funding
(c) to focus future growth funding on those statutory and discretionary services that contribute significantly to safer and cleaner streets."

However, it was noted that there was no seconder to the addendum and, therefore, it was deemed to have fallen.

Councillors then voted:-

***Resolved unanimously:***

(1) That Cabinet notes:

- the current position regarding current spending and forecasts for future years, together with the associated risks and uncertainties;

- the expectation that the Council's current council tax targets of no more than 3.75% will need to be significantly less in future, in light of section 4 of the report;

- in responding to any further specific funding reductions, Service Heads will ensure that appropriate remedial action is taken as soon as possible and in accordance with any delegations, to avoid any situations arising that are contrary to budget, as outlined in section 3.7 of the report;

- the key issues arising from this review will be reported to Council for information; but that

- a further update is scheduled to be reported to Cabinet in November, at which time it is hoped that sufficient information will be available for Cabinet to make recommendations to Council regarding new council tax targets, in light of Government's spending review and any changes to existing capping arrangements

(2) That Council Business Committee, which will be considering the response to the government's consultation on its proposals on replacing capping with local referendums on council tax, be informed of Cabinet's view of the proposals. This is that the proposals are unnecessarily expensive and do not take into account Councils' own budget consultation arrangements.

**Officers responsible for effecting the decision:**

Corporate Director (Finance and Performance)
Head of Financial Services

**Reasons for making the decision:**

The decision will ensure that Cabinet receives reports back on the key issues it has specified to help Members' financial planning for the future.

***(The meeting adjourned at 11.55am, reconvening at 12pm.)***

## 43 BUDGET COMMUNITY ENGAGEMENT

**(Cabinet Member with Special Responsibility Councillor Langhorn)**

Cabinet received a report from the Corporate Director (Regeneration) seeking Cabinet's approval to the timetable and process for the budget community engagement proposals to inform the 2011/12 budget.

The options, options analysis, including risk assessment and officer preferred option, were set out in the report as follows:

Option 1
To approve the timetable for carrying out the exercise and delegate final approval of the budget questionnaire to the Leader of Council.

Option 2
To approve an amended timetable and / or an amended scheme of delegation for approval of the budget questionnaire.

Option 1 is the officer preferred option, as this provides increased opportunities for local people to engage in the process, assisting the council in its decision making process.

Councillor Langhorn proposed, seconded by Councillor Bryning:-

"(1) That the timetable set out in the report to deliver the 2011/12 budget community engagement plan be approved.

(2) That approval to the final format and content of the questionnaire to be used as the basis of the engagement exercise be delegated to the Leader of Council in consultation with other Cabinet Members."

Councillors then voted:-

***Resolved:***

***(4 Members (Councillors Ashworth, Barry, Bryning and Langhorn) voted in favour and 1 Member (Councillor Robinson) abstained.)***

***Note: Councillor Kerr was absent when the vote was taken.***

(1) That the timetable set out in the report to deliver the 2011/12 budget community engagement plan be approved.

(2) That approval to the final format and content of the questionnaire to be used as the basis of the engagement exercise be delegated to the Leader of Council in consultation with other Cabinet Members.

**Officers responsible for effecting the decision:**

Corporate Director (Regeneration)
Head of Community Engagement
Head of Financial Services

**Reasons for making the decision:**

The decision will ensure that an engaging budget community consultation takes place to ensure that together with emerging government policy and legislation the Council is able to capture feedback from its communities and use this feedback to inform budget decisions and future service delivery.

**44 SHARED SERVICES - REVENUES AND BENEFITS**

**(Cabinet Member with Special Responsibility Councillor Langhorn)**

Cabinet received a report from the Corporate Director (Finance and Performance)seeking approval for the development of a business case for a full shared service. The business case, based upon operating assumptions contained within this report, would then be presented at the November 2010 Cabinet meeting, enabling Cabinet to make an informed decision about whether or not to enter into a full shared service arrangement for Revenues and Benefits.

Councillor Langhorn proposed, seconded by Councillor Kerr:-

"(1) That in the light of the further work carried out, Cabinet re-affirms its support for the Revenues and Benefits shared service proposal between Lancaster City Council and Preston City Council.

(2) That Cabinet approves the development of a full business case for a shared Revenues and Benefits service between the two authorities, based on the assumptions presented within the report."

Councillors then voted:-

***Resolved unanimously:***

(1) That in the light of the further work carried out, Cabinet re-affirms its support for the Revenues and Benefits shared service proposal between Lancaster City Council and Preston City Council.

(2) That Cabinet approves the development of a full business case for a shared Revenues and Benefits service between the two authorities, based on the

assumptions presented within the report.

**Officers responsible for effecting the decision:**

Corporate Director (Finance and Performance)
Head of Financial Services

**Reasons for making the decision:**

The decision will ensure that the process agreed upon will enable Cabinet to make an informed decision about whether or not to enter into a full shared service arrangement for Revenues and Benefits.

**45 ALLOCATION OF AFFORDABLE HOUSING S106 CONTRIBUTIONS TO ADACTUS HOUSING ASSOCIATION**

**(Cabinet Member with Special Responsibility Councillor Kerr)**

Cabinet received a report from the Corporate Director (Regeneration) to obtain Cabinet approval to permit a grant application for £90K from the affordable housing Section 106 commuted sums.

The options, options analysis, including risk assessment and officer preferred option, were set out in the report as follows:

**Option 1:** Approve the £90K grant to Adactus Housing Association from the S106 commuted sum funds, which will provide the necessary funding in this financial year to make the scheme viable, subject to the resultant £90K from the £200K commitment contained in the Private Sector Housing Capital Programme being used to achieve further acquisitions of properties on Bold Street as originally anticipated prior to the Regional Housing Pot funding being reduced.

An agreement will be compiled to confirm the grant. The money will be awarded to the Association at the commencement of the development along with £110K from the Private Sector Housing Capital Programme. The agreement will set out a requirement that the Association must liaise with the Council on any change of use or adaptation to the management of the properties that would impact on the original use and nomination rights.

**Option 2:** Do not approve the £90K grant to Adactus Housing Association from the S106 commuted sum funds. There will still be a requirement to provide a £200K commitment from the Private Sector Housing Capital Programme in this financial year, which will ensure the Marlborough Road scheme continues to be viable, but will not enable any opportunities to be gained from releasing £90K of RHP monies for other purposes. Instead, the £90K S106 money will be used to support an alternative affordable housing project within the district. To date, partner Registered Social Landlords have submitted informal expressions of interest for a number of possible schemes, which include three schemes in Lancaster city, a scheme to provide 6 x shared ownership properties in rural areas, and two schemes in North Lancaster. All of these schemes would be subject to formal approval and sufficient funding being identified. The Marlborough Road scheme is at an advanced stage of preparation and it is fully anticipated that it can be commenced in the near future.

**Option 3:** Approve the £90K grant and then re-allocate the released funds from the Private Sector Housing Capital Programme into the Disabled Facilities Grant programme (DFG's). Members will recall that the report to Cabinet in June highlighted the need for a waiting list to be introduced to manage the reduction in budget. Since this was introduced following Cabinet's decision, the service has experienced delays in receiving new referrals from Occupational Therapy at LCC and although officers are in discussions with county to seek a resolution, at this point in time, there is no guarantee that any additional funds allocated to DFG's would be able to be spent or committed by the end of March 2011. Furthermore, this option offers no benefits in terms of targeting additional financial resources in bringing about the continued regeneration of the West End, as a direct result of using the Section 106 commuted sums funds, which is expressly why approval is being sought for the Marlborough Road scheme instead of alternative affordable housing schemes elsewhere in the district.

**Option 4:** Approve the £90K S106 grant but then leave the resulting £90K of RHP funding unallocated, to cover funding risks associated with providing the remaining £274K funding needed for Marlborough Road in future years or any future changes in DFG demand. There is no certainty that the £90K of RHP funding, if left unallocated, would be used to support the regeneration of the West End; it would depend on Members' future decisions. Furthermore, in line with the comments above, there is no clear information on future funding needs for DFGs. Additionally, and as described in paragraph 1.7 above, should the Council not be in a position to progress the acquisition and demolition on Bold Street, then its continuing decline is likely to impact negatively on the potential sales and take up of properties on the Marlborough Road scheme and so potentially jeopardise the delivery of the overall intention to secure economic and social benefits in the West End through the implementation of a comprehensive and co-ordinated programme of regeneration.

The officer preferred option is Option 1

Councillor Kerr proposed, seconded by Councillor Ashworth:-

"(1) That the allocation of £90K of S106 monies to Adactus Housing Association be approved, to bring forward the development of 23 units of affordable housing at Marlborough Road, West End, Morecambe.

(2) That the General Fund Capital Programme be updated to reflect the above Section 106 grant allocation to Adactus for Marlborough Road, and that £90K of Regional Housing Pot funding be re-allocated from the Marlborough Road scheme to the Bold Street scheme, to continue with further acquisition and demolition."

Councillors then voted:-

***Resolved:***

***(5 Members (Councillors Ashworth, Barry, Bryning, Kerr and Langhorn) voted in favour and 1 Member (Councillor Robinson) abstained.)***

(1) That the allocation of £90K of S106 monies to Adactus Housing Association be

approved, to bring forward the development of 23 units of affordable housing at Marlborough Road, West End, Morecambe.

(2) That the General Fund Capital Programme be updated to reflect the above Section 106 grant allocation to Adactus for Marlborough Road, and that £90K of Regional Housing Pot funding be re-allocated from the Marlborough Road scheme to the Bold Street scheme, to continue with further acquisition and demolition.

**Officers responsible for effecting the decision:**

Corporate Director (Regeneration)

**Reasons for making the decision:**

The decision will enable the delivery of the Marlborough Road proposal and contribute to the continued implementation of the West End Masterplan in line with the Council's corporate priorities.

Chairman

(The meeting ended at 12.30 p.m.)

**Any queries regarding these Minutes, please contact Debbie Chambers, Democratic Services, telephone 01524 582057 or email dchambers@lancaster.gov.uk**

**MINUTES PUBLISHED ON THURSDAY 2 SEPTEMBER 2010.**

**EFFECTIVE DATE FOR IMPLEMENTING THE DECISIONS CONTAINED IN THESE MINUTES: FRIDAY 10 SEPTEMBER 2010.**

**APPENDIX**

**Main Option Summary Table**

| Option | Advantages | Disadvantages | Overall assessment |
|---|---|---|---|
| 1. Disposal only:<br>Properties are placed back on the market under restrictive covenant. This is also the 'default' option where no scheme is considered acceptable to HCA / Council. | Advantages to those ascribed for the Type A approach outlined in Appendix 1.<br>While showing the highest overall risk in purely financial terms it is the 'most affordable' and 'least risky' approach for the council. | Disadvantages are those ascribed for the Type A approach outlined in Appendix 1 of the report. | In general scoring terms this was the lowest across the range of variables assessed in the ARUP study (i.e. highest overall 'all risk').<br>According to the ARUP study the potential impact of adopting the approach has a high negative regeneration effect. There are political and community risks in the council and HCA being seen to 'pull out' of the project and the impact on West End. But in financial terms 'managing retreat' is the least risky option in the council's pure 'financial risk' terms. |
| 2. Further develop and submit a preferred 2 Block approach using a private developer delivery model. | 'All risk' advantages are those ascribed for the B, C & D Group approaches outlined in Appendix 1 of the report.<br>Certainty in site assembly.<br>Provides a relatively well defined 'exit point' for public sector.<br>More certainty in delivery of a comprehensive design approach, optimum regeneration impact and lowest risk. | 'All risk' disadvantages are those ascribed for the Group B, C & D approaches outlined in Appendix 1 of the report.<br>No single developer would probably take on the project as a whole. Engagement of smaller private developers would still be challenging.<br>Net additional public funding requirements are very high and are not likely to be supportable under HCA value for money criteria. | Site wide approaches score medium/high across the range of variables assessed in the ARUP study (i.e. lowest overall risk)<br>Variants delivered solely by the private sector are probably unaffordable in terms of public funding available to support the financial 'gap' on the scheme. |
| 3. Further develop and submit a preferred 2 Block approach using mixed public / private model. | As Option 2<br>Public sector involvement brings significant savings, drive and additional expertise and reduces risk for private sector involvement. | As Option 2<br>Public sector direct delivery involvement brings additional end sales risk to the public sector. | Site wide approaches score medium/high across the range of variables assessed in the ARUP study (i.e. lowest overall risk)<br>Variants delivered on a public/private basis are probably unaffordable in terms of public funding to bridge the financial 'gap' |
| 4. Further develop and submit a preferred Single Block approach using a private developer delivery model. | 'All risk' advantages are those ascribed for the Group E approaches outlined in Appendix 1 of the report.<br>Certainty in Single Block site assembly.<br>Provides a definite 'exit point' for public sector.<br>Certainty in delivery of some positive regeneration elements. | 'All risk' disadvantages are those ascribed for the Group E approaches outlined in Appendix 1 of the report.<br>Engagement of smaller private developers would still be challenging.<br>Net additional public funding requirements are still high but are brought within reach of an order of additional costs likely to be supportable under HCA vfm criteria. | Single block variants are low/medium scoring across the range of variables assessed in the ARUP study (i.e. relatively high on 'all risk' analysis).<br>Variants delivered on a sole private basis are within the realm of affordability in terms of public funding available to support the financial 'gap', but this option is tempered by relatively poor risk matrix score.<br>Still challenging to achieve Value for Money in HCA appraisal terms. |

| Option | Advantages | Disadvantages | Overall assessment |
| --- | --- | --- | --- |
| 5. Further develop and submit a preferred Single Block approach using a mixed public / private model | As Option 4<br>Public sector involvement brings significant savings, drive and additional expertise and reduces risk for private sector involvement. | As Option 4 although:<br>Public sector direct delivery involvement brings additional end sales risk to the public sector.<br>Net additional public funding requirements are still high but are further brought within reach of an order of additional costs likely to be supportable under HCA value for money criteria. | Single block variants are low/medium scoring across the range of variables assessed in the ARUP study.<br>Variants delivered on a public/private basis are more within the realm of affordability in terms of public funding available to support the financial 'gap' than Option 4, but this option is tempered by relatively poor risk matrix score.<br>Still challenging to achieve Value for Money in HCA appraisal terms. |
| 6. Further develop and submit a preferred 2 Block approach using mixed public/private model requesting a funding commitment consistent with delivery of at least "Phase 1 West Block" with ongoing review of "Phase 2 – East Block".<br>**Preferred Main Option** | 'All risk' advantages are those ascribed for the Group B, C & D approaches outlined in Appendix 1 of the report. Outturn Group E approach advantages considered as 'contingent' for this option.<br>Certainty in Phase 1 site assembly.<br>Provides a relatively definitive 'exit point' for public sector if Phase 2 considered unviable.<br>Certainty in delivery of some positive regeneration elements.<br>Public sector involvement brings significant savings, drive and additional expertise and reduces risk for private sector involvement. | 'All risk' disadvantages are those ascribed for the Group B, C & D approaches outlined in Appendix 1 of the report. Outturn Group E approach disadvantages are considered as 'contingent' for this option.<br>Public sector direct delivery involvement brings additional end sales risk to the public sector.<br>Engagement of smaller private developers would still be challenging.<br>Net additional public funding requirements are still high for Phase 1 but are further brought within reach of an order of additional costs likely to be supportable under HCA value for money criteria as Option 5.<br>Public Sector would be committed to a less definitive exit point in order to retain flexibility in implementation of Phase 2.<br>Phase 2 site assembly risk is increased. | Commitment to Phase 1 should secure regeneration benefits similar to Single Block variants which are 'low/medium' scoring across the range of variables assessed in the ARUP study.<br>Phase 1 is within the realm of affordability in terms of public funding available to support the financial 'gap' as Option 5 but given the relatively poor matrix score for Single Block Options an aspiration to achieve Phase 2 is desirable.<br>A flexible approach to Phase 2 should secure improvement to a position which could score at least medium in terms of a matrix score and could potentially lead to a medium/high outcome.<br>Development of at least part of Phase 2 is probably affordable in terms of the future public funding/resource availability to support the financial 'gap' of particular terraces/elements.<br>Still challenging to achieve Value for Money in HCA appraisal terms |