



LATE REPORTS, URGENT BUSINESS and SUPPLEMENTARY INFORMATION

Cabinet

Tuesday, 17 February 2009

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

Agenda Item Number	Page	Title	Reason for Late Report	Officer Responsible For Late Report
8	1 - 5	FINANCIAL SUPPORT TO EXTERNAL ORGANISATIONS	Received after publication of agenda.	Chief Executive

Agenda Item Number	Page	Title	Reason for Late Report	Officer Responsible For Late Report
13	6 - 14	SALT AYRE/COMMUNITY POOLS SAVINGS OPTIONS	Received after publication of agenda.	Corporate Director (Regeneration)

Agenda Item Number	Page	Title	Reason for Late Report	Officer Responsible For Late Report
17	15 - 39	REVENUE BUDGET AND CAPITAL PROGRAMME	Received after publication of agenda.	Corporate Director (Finance and Performance) and Head of Financial Services

Agenda Item Number	Page	Title	Reason for Late Report	Officer Responsible For Late Report
19	40 - 48	EMPLOYEE ESTABLISHMENT - VACANCY AUTHORISATION	Forms received after publication of the agenda (including revised index sheet)	Chief Executive

Agenda Item Number	Page	Title	Reason	Officer Responsible For Late Report
21	49 - 56	WEST END HOUSING EXEMPLAR PROJECT - CHATSWORTH GARDENS	Cabinet Member recommendations now included in report. NB Paragraph 3.1 re Option 1 was missing from original report.	Corporate Director (Regeneration)

CABINET**FINANCIAL SUPPORT TO EXTERNAL ORGANISATIONS****17th February 2009****Report of the Chief Executive**

PURPOSE OF REPORT			
This report details all grant funding levels in the current financial year to enable Cabinet to give consideration to the level of funding for 2009/10			
Key Decision	<input type="checkbox"/>	Non-Key Decision	<input type="checkbox"/>
		Officer Referral	<input checked="" type="checkbox"/>
Date Included in Forward Plan	4 th September 2008		
This report is public			

RECOMMENDATIONS

That consideration be given to the future level of funding to those external organisations set out in paragraph 1.1.

1.0 Introduction

The report outlines all the financial support to outside bodies from the various services of the Council. Detailed below, sub divided by service, are the details of specific grant aid or support by way of rent allowance. Following consideration by Star Chamber recommendations are attached to each grant. Further information, where available is also detailed.

DEMOCRATIC SERVICES

There are thirteen Service Level Agreements listed below. In general these are three year agreements, eleven of which have been drawn up by the Council and indicate that they are not legally binding, although they are subject to budgetary considerations each year and with a termination clause of 6 months written notice in each case. Two of the SLA's – the CVS and the Rainbow Centre - are joint agreements with the County Council. The termination clause in these agreements is for 12 months and 6 months written notice respectively.

The Morecambe and Lancaster Citizen Advice Bureaux agreements expire on 31st March 2009; Lune Valley Transport (Dial a Bus) on 31st March 2009; the Lancaster District CVS on 30th June 2009; the Rainbow Centre on 31st March 2010 and all the remainder on 31st March 2011.

In addition Democratic Services manage the Miscellaneous and Welfare grant provision on behalf of the Council. The Welfare Grant allocation is shown as half the available funds due to the remainder being match funded by the County Council.

	Name of Organisation	Grant £	Recommendation	Savings for 2009/10
1	Age Concern, Lancashire	3,800 (no inflation)	This is match funded by the County Council. Recommended - no reduction.	
2	CAB Lancaster	87,300 + £7,200 rent (no inflation)	Consider options to reduce total support to CAB's by between £20 - 50,000	
3	CAB Morecambe	88,300 (no inflation)	“ “ “ “ “	
4	CVS	18,900 (including inflation)	Joint agreement with County Council. No recommendation to date.	
5	One Voice	6,000 (no inflation)	This organisation, similar to Thumbprint below, operates out of the Cornerstones in Lancaster and provides advice and support to the disabled. No recommendation to date.	
6	Lune Valley Transport (Dial a Bus)	3,300 (no inflation)	Continue with grant following consideration at Cabinet on 20 th January, 2009	
7	Relate	6,800 rent (no inflation)	No recommendation to date	
8	Rainbow Centre	2,500 (no inflation)	Joint agreement with the County Council. Recommended – no reduction.	
9	Samaritans	1,500 (no inflation)	Recommended – no reduction	
10	Shopmobility (Preston Community Transport)	12,900 (including inflation)	Operates mobility scooters for hire one day per week in Lancaster and Morecambe. No recommendation to date	
11	Thumbprint	4,000 (no inflation)	See One Voice at 5 above. No recommendation to date.	
12	Twinning Association (includes grant of 4,100 and sundry expenses)	6,300 (including inflation)	The service level agreement requires the Twinning Association to 'assist in the organisation of cultural, sporting, socio-economic and educational exchanges, between Lancaster and its official and associated twin towns of a non-Civic nature' and 'to strengthen links between Lancaster and its official and associated twin towns.' Whilst it could be argued that following the decision of Council to cancel the Youth Games for 2009 this would assist in maintaining relationships with our twin towns, the anticipated hosting of guests and assisting in arrangements for the Games in Lancaster will not now be necessary and anticipated expenditure will be reduced. Recommend withdraw funding for 2009/10 (in line with decision not to host the Youth Games in 2009).	6,300

	Name of Organisation	Grant £	Recommendation	Savings for 2009/10
13	Victim Support	5,000 (no inflation)	No recommendation to date.	
		=====		=====
	Sub Total	253,800		6,300
1	Miscellaneous Grants	7,500 (including inflation)	Recommend - discontinue funding	7,500
2	Welfare Grants	4,100	This is a net figure and is match funded by the County Council but has been reduced in line with previous years spending patterns. Recommended - no further reduction.	2,600
		=====		=====
	Sub Total	11,600		10,100

CULTURAL SERVICES

	Name of Organisation	Grant £	Recommendation	Savings for 2009/10
1	Dukes Playhouse	167,800	Options requested for reduction up to £75,000	
2	Friends of the Storey Institute	35,000	Recommended - no reduction	
3	Groundwork Trust	18,500	Agreement already terminated – adjusted in base budget.	
4	Ludus	29,900	Recommended - reduce grant	10,000
5	Morecambe Music Residency	11,400	Recommended - reduce grant	5,000
6	Lancaster Lit Fest	9,100	SLA linked to the Storey Institute Recommended – no reduction	
7	Community Projects	10,800	Recommended discontinue funding	10,800
		=====		
	Sub Total	282,500		25,800

PLANNING SERVICES

	Name of Organisation	Grant £	Recommendation	Savings
1	Heysham Heritage Centre	5,100	Officer Recommendation - Discontinue grant	5,100
2	Countryside Projects	9,600	Recommended - no reduction	
3	Arnside &	13,900	Recommended - no reduction	

	Name of Organisation	Grant £	Recommendation	Savings
	Silverdale AONB			
4	Forest of Bowland AONB	7,000	Recommended - no reduction	
		=====		=====
	Sub Total	35,600		5,100

HEALTH & STRATEGIC HOUSING

	Name of Organisation	Grant £	Recommendation	Savings
1	Signposts	95,300	Following the development of the Homelessness Strategy 2008-2013, the City Council resolved to put contracts with voluntary organisations out to tender to target the money much more closely on the priorities identified in the Homelessness Strategy. It is anticipated that greater value for money will be gained by one contract as opposed to the six current SLA's. The 3 year contract to 31.3.2012 has just been awarded to YMCA/Signposts. These are the savings are as a result of this approach.	6,700
2	Portland Street Night Shelter			
3	L/C Homeless Action Service			
4	M/C Homeless Action Service			
5	Women's Aid			
6	YMCA			
		=====		
	Sub Total	95,300		6,700

	Total of Support 2008/09	678,800		54,000
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2.0 Proposal Details

The Cabinet is asked to approve the above recommendations listed above and to make additional recommendations where required

3.0 Details of Consultation

3.1 No consultation has taken place.

4.0 Options and Options Analysis (including risk assessment)

4.1 The risk in any grant reduction will be born by the individual organisations. However, Members should be aware that some of these organisations contribute to the aims of the Sustainable Community Strategy

5.0 Officer Preferred Option (and comments)

5.1 Details of previously agreed recommendations are included in the list.

- 5.2 Officer comments are included in the tables above where appropriate.
- 5.3 Where Service Level Agreements exist, Members should be aware that any reduction in funding will result in a re-negotiation of the level of service to be provided.

RELATIONSHIP TO POLICY FRAMEWORK

The grants schemes recognise the Council's corporate priorities to support local initiatives and the aims of the Sustainable Community Strategy.

CONCLUSION OF IMPACT ASSESSMENT

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

Resources are available to be used to enable local initiatives to be developed.

FINANCIAL IMPLICATIONS

The 2009/10 draft budget includes £678,800 for the support to outside organisations listed above. Some savings relating to the Groundwork Trust have already been included in the base budget for 2010/11 and these have not been included in the total saving figure above.

In a small number of cases 50% of grant aid is recovered by match funding from the Lancashire County Council and the figure shown for the grant is net of this amount.

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 legal implications.

MONITORING OFFICER'S COMMENTS

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

BACKGROUND PAPERS
SLA and Grant Agreements

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CABINET

Salt Ayre Sport Centre and Community Swimming Pools – Savings Options

17th February 2009

Report of Corporate Director (Regeneration)

PURPOSE OF REPORT			
To consider savings options in respect of Salt Ayre Sports Centre and the three community swimming pools in Carnforth, Heysham and Hornby.			
Key Decision	X	Non-Key Decision	Referral from Cabinet Member
Date Included in Forward Plan		February 2009	
This report is public			

RECOMMENDATIONS OF COUNCILLOR JANE FLETCHER (to follow):

1.0 Introduction

1.1 This report is in two parts; the first deals with Salt Ayre Sports Centre (SASC) and the second deals with the proposals regarding savings in respect of the three community swimming pools in Carnforth, Heysham and Hornby.

2.0 Proposals for Salt Ayre Sports Centre (SASC)

2.1 The 2009/10 revenue budget expenditure provision for SASC is currently £2,062,200, of which £871,700 relates to 'Facilities Management' costs (broken down further in the following table), leaving a total of £1,190,500.

Gross Facilities Management / Fixed Council Ownership Costs - £871,700

Expenditure Type	Cost (£)
Employee Related (Maintenance & Plant Engineer Part Time)	12,500
Rates	144,900
Utilities (Gas, Electricity and Water)	262,600

Repair & Maintenance	59,400
Support Recharges (from within Cultural Services)	197,700
Support Recharges (from Corporate Support Services)	151,500
Other Plant Expenses	32,400

All of these 'Facilities Management' costs relate to the physical running of the building and, as discussed with Cabinet, a proposal is to be forwarded regarding the future management of this with the possible review of the current CAPITA arrangement.

It should be noted that the December 2008 monitoring at SASC has shown a potential overspend of £50,000 for 2008/09 in relation to energy costs. It is anticipated that this increase will continue into future years. However, this is subject to confirmation. This would need to be taken into account when reviewing the Facilities Management review.

The support recharges (from within Cultural Services) are to be reviewed as part of the Management Review. The support recharges (from Corporate Support Services) will be reviewed as part of the Corporate Support Services Review.

Gross Service Delivery - £1,195,800

Activity	Usage (2007/08 Public Throughput)
Athletics Track	8,268
Crèche – Supervised Play	2,879
Heatwaves	24,756
Holiday Activities	8,500
Main Hall	58,573
Outdoor Synthetic Pitch	18,376
Projectile Hall	8,681
Reflexions	51,330
Sports Development	30,020
Studio	27,666
Swimming	106,225
TOTAL	345,274

- 2.2 In terms of future provision and development, Cultural Services has been made aware, via the Lancashire Economic Partnership (LEP), of a sports/regeneration opportunity known as "Sports Village". The LEP's initial work is being supported by the North West Development Agency (NWDA), Sport England, the NHS, Lancashire Sport, DTZ (Property Development), and the Lancashire and Blackpool Tourist Board. Successful pilot Sport Village schemes in the region have included, amongst others, Warrington, Leigh and Salford. In those locations, new models of service/facility developments have emerged, drawing in significant private and public finance, ranging from £33m to £88m. Lancaster is considered well placed to being considered as a potential Sports Village, because of:

- Existing international standard facilities at SASC
- Lancaster’s Cycling Demonstration Town status
- A Sport England 2012 Facilities /Legacy Study identifying Lancaster as a key strategic location for the development of rowing and cycling (both Olympic sports)
- Lancaster’s Planning Policy Guidance (PPG) 17 has highlighted significant shortfall in sports pitch provision, but has also identified via the Local Strategic Framework, locations and opportunities to address the shortfall.

2.3 Alternative Management Models

Lancaster City Council has previously exposed SASC to market testing via Compulsory Competitive Tendering (CCT), and on each occasion the service has remained “in-house”. The City Council has also considered and rejected a previous voluntary exercise of exploring the possibility of transferring into a Trust/Not for Profit Distributing Organisation (NPDO) (Minute 86 03/04 refers). In both cases, there was no financial benefit to the City Council. For the reasons above, this is not being presented as an option.

3.0 **Options for Salt Ayre Sports Centre (SASC)**

3.1 Option 1

Officers enter into early negotiations with CAPITA regarding the facilities management issues and seek to address where, and if possible, savings that can be made.

Operational Risk	Financial Risk	Legal Risk	Benefits
In re-allocating the facilities management function, care needs to be taken that the building operates in accordance with the Service needs and a strong Service Level Agreement will need to be in place.	Clarity around fixed cost budgets should provide clarity around monitoring of budgets and future financial management. It would also mitigate future increasing costs such as utilities.	The City Council has substantial health and safety, and corporate liabilities. A more focussed approach to facilities management should reduce the risk associated with this area.	The City Council is currently setting itself challenging targets following recommendations made in the recent Carbon Trust report and a more proactive approach to facilities Management will assist this. Mitigate increasing unknown costs associated with utilities.

3.2 Option 2

Cabinet resolve to request a financial saving of 10%, which equates to £119,000 from the Service Delivery budgets, and request that a further report be brought back to Cabinet advising which areas of Service delivery have been affected by the proposal.

Operational Risk	Financial Risk	Legal Risk	Benefits
<p>Any cut in service costs will have an issue on the level of service provided. Officers will need to carry out a full options analysis and consultation process to identify where a revised capped budget can best achieve maximum service delivery, whilst minimising any effect on income.</p> <p>The above option will include the opportunity for officers to consider the possible closure of the SASC for 1 or 2 days.</p>	<p>Providing a set budget will provide clarity around monitoring of budgets and future financial management.</p>	<p>The service provision is discretionary. However, there may be employment and other contractual arrangements in place, which may be affected by redefining the services. However, these will be addressed as part of the options analysis that officers will undertake.</p>	<p>Setting a revised fixed budget will offer up the necessary contribution to the 2009/10 Budget Process, and by allowing officers the flexibility and time to carry out a full options appraisal on future services delivery, will ensure that minimum service disruption within budget is achieved.</p>

3.3 Option 3

With regards to the revenue income (£956,600), Cabinet request officers look to explore possibilities of increasing additional income generation, and maximise such income, bearing in mind possible service delivery cuts, should Option 2 also be taken.

Operational Risk	Financial Risk	Legal Risk	Benefits
<p>Should the service savings be taken under Option 2, this may affect the capability of increasing income.</p> <p>For a number of years, Cultural Services have adopted a 'market pricing policy' which subsidises targeted users via the Passport to Leisure scheme (PTL). If these are to be reviewed, this may have an impact on disadvantaged groups.</p>	<p>Any increase in income fees that are sustainable can only be a financial benefit to the City Council.</p> <p>Care must be taken not to exceed the fees of any competitive market as this could cause a reduction in use and therefore income.</p>	<p>There is no legal risk as fees are entirely at the City Council's discretion.</p>	<p>Increased income can have a direct knock on effect of increasing service delivery as in theory more budgets could be made available to improve future service delivery.</p> <p>The issues of service delivery and the cost of delivering services are cyclical.</p>

3.4 Option 4

To retain existing budgets and service provision within SASC and not take any savings from the service.

Operational Risk	Financial Risk	Legal Risk	Benefits
There are no operational risks	There would be no contribution from SASC towards the City Council's challenging financial position, and the cost is likely to increase as a result of additional utility costs.	There is no legal risk as the service is discretionary.	Cultural Services contributes to 3 out of 4 of Lancaster City Council's corporate objectives, and delivers against 6 out of 7 of the Local Strategic Partnership (LSP) priority themes. The work undertaken by, and with, the district's sports organisations contribute to the City Council's service priorities as well as local and national indicators.

4.0 Proposals for the community swimming pools

4.1 The draft 2009/10 revenue budgets for the three community swimming pools are:

Carnforth	£52,400 (net revenue subsidy)
Heysham	£17,300 (net revenue subsidy)
Hornby	£38,900 (net revenue subsidy)

It should be noted that the financial monitoring for Heysham Pool, at the end of December 2008, was projecting an overspend of £32,800. It is anticipated that £6,000 of this increase will continue into future years.

4.2 The three community swimming pools in Carnforth, Heysham and Hornby have, since 2001, been the subject of a Partnership Agreement between Lancashire County Council and Lancaster City Council. Lancashire County Council undertake the "landlord" function as the owners of the premises, and Lancaster City Council manage and operate swimming services for both community and school swimming (directly to the schools, as a "devolved" activity). Predominantly, the latter relates to all the primary schools within the Lancaster district that are required to provide swimming as part of Key Stage 1 and Key Stage 2 of the National Curriculum for Physical Education. A small number of secondary schools within the Lancaster district also access the three community swimming pools.

4.3 It is a condition of the Partnership Agreement, between Lancashire County Council and Lancaster City Council, that either party gives a full 12 months notice of intent to terminate the above Agreement. In the event of terminating the Agreement for one, or more, of the community swimming pools, there would be HR implications to Lancaster City Council.

4.4 The current usage of the community pools are as follows:

2007/08 Full Year Figure	Casual/Public Swimming	Clubs	Schools/number of classes
Carnforth Pool	5,316	10,890	12/22
Heysham Pool	14,912	18,307	14/23
Hornby Pool	7,566	6,979	12/12

- 4.5 As part of the current options appraisal, in respect of SASC and the three community swimming pools, Cultural Services has undertaken a review of pools provision within the District. The following is a summary of that review:

Pool	Review
Capernwray Hall	Private
JJB Fitness	Members Club
Lancaster Royal Grammar School	Poor Condition, very limited use
Lancaster University	Public and private use, but no spare capacity
Pine Lake Resort	Private
Sandpiper Health Club	Private
Spirit Health Club	Private
Total Fitness	Members Club
VVV Health Club	Members Club
Whoop Hall County Club	Private
Ripley St Thomas School	May be able to accommodate some school and/or public use
Holgate Leisure Park	Public and private use
Mansergh Caravan Park	Private
Bleasdale Special School	Fully used with no spare capacity
South Lakes Leisure Park	Private
Ocean Edge Leisure Park	Private

Of the above, it is clear that, whilst there are a substantial amount of pools, it is unclear whether such pools are appropriate for school usage. It is likely that they may be useable for general swimming on the proviso that the operators would welcome such an approach. Given the short timescale available, officers have not, to date, had the opportunity to fully test the feasibility of this alternative provision.

5.0 Options for the community swimming pools

5.1 Option 1

Cabinet resolve to serve notice on Lancashire County Council to terminate its current agreements with regards to the community swimming pools, with effect from 31 March 2010, and officers provide support over the next 12 months in assisting users to seek alternative venues.

Operational Risk	Financial Risk	Legal Risk	Benefits
The City Council currently only operate the facilities due to the fact that Lancashire County Council withdrew its service provision. Closure of the pools would clearly have an impact on community provision but it would be hoped that these could be picked up within the other private/public facilities available (including SASC).	The Council would make significant cost savings. It would also mitigate future increasing costs such as utilities. The cost of redundancies will need to be addressed.	The City Council would need to ensure that it terminates the contracts in accordance with the Legal Agreement in place. The Council has no statutory requirement to make provision for community, or educational, swimming.	Substantial budgetary savings without impacting on statutory service provision. Mitigate increasing unknown costs associated with utilities.

5.2 Option 2

Continue with existing Agreement.

Operational Risk	Financial Risk	Legal Risk	Benefits
The City Council currently only operates the facilities due to the fact that Lancashire County Council withdrew its service provision. Closure of the pools would clearly have an impact on community provision but it would be hoped that these could be picked up within the other private/public facilities available (including SASC).	The cost of operating the pools would still have to be met by the Council. In addition, this cost may increase if the current increased energy costs continue into future years.	The Council has no statutory requirement to make provision for community, or educational, swimming.	

6.0 **Officer Preferred Option (and comments)**

6.1 Officer preferred options are detailed within 3.1, 3.2, 3.3 and 5.1 of this report.

7.0 **Conclusion**

7.1 The report raises significant issues in terms of determining Value -vs.- Cost in maintaining publically accessible sports and leisure facilities within the district.

RELATIONSHIP TO POLICY FRAMEWORK

Salt Ayre Sports Centre and the three community swimming pools at Carnforth, Heysham and Hornby are an integral part of the Cultural Services “offer” within the district and impact in terms of facilities provided for residents and visitors.

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

The report raises issues in respect of community safety, sustainability and rural proofing.

FINANCIAL IMPLICATIONS

The figures quoted within the report are draft figures that have yet to be agreed as part of the 2009/10 budget process.

SASC and Heysham pool have recently reported through PRT an increase to the Utilities budgets in 2008/09. These are likely to affect the current draft budgeted position for 2009/10 by circa £50k SASC and £6k Heysham Pool.

Once Cabinet have determined their preferred option regarding the future operation of SASC and the three community pools, a more detailed report (to include all operational, financial and legal matters) will need to be brought back to Members before final implementation.

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

In respect of the options for Salt Ayre Sports Centre, there are no legal implications arising at this stage from these proposals.

With regard to the options in relation to the community pools, Legal Services have considered both the Agreement and Lease documents. Both documents are silent as to when the pools should be open, and indeed do not include an unequivocal obligation to open, but clearly the intent of these documents is to pass all management/operational responsibilities to Lancaster City Council. The Agreement defines the three grounds upon which the arrangement can be determined:-

- 1) On the occurrence of a material breach of any provision of the Agreement.

If it was resolved to stop managing and operating the pool, it is likely that this would be perceived by the County as a material breach, and they would then seek to claim for any loss arising from the Council’s failure to manage/operate the pools.

- 2) The Agreement shall automatically terminate upon termination of the Lease (for whatever reason). The City Council could surrender the Lease. This could be done expressly by deed, both parties entering into a deed of surrender and agreeing all liabilities placed upon the City Council cease from the date of surrender. or implicitly

by handing back the keys to Lancashire County Council and the County accepting them, the surrender being effected by operation of law. It is not known whether the County Council would agree to either course of action.

3) By giving not less than 12 months notice to terminate.

Other issues

HR and/or other contractual arrangements (such as supply agreements and maintenance, etc).

Any outstanding claims or disputes directly arising from the City Council's management/operation of the pools.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and her comments incorporated in the report.

BACKGROUND PAPERS

None

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CABINET

**Revenue Budget and Capital Programme
17 February 2009**

**Report of Corporate Director (Finance & Performance) and
Head of Financial Services**

PURPOSE OF REPORT			
To inform Cabinet of the latest position following Council's consideration of the Budget and Policy Framework at its meeting held on 04 February, and to make recommendations back to Council in order to complete the budget setting process for 2009/10.			
Key Decision	<input type="checkbox"/>	Non-Key Decision	<input type="checkbox"/>
		Referral	<input checked="" type="checkbox"/>
Date Included in Forward Plan	February 2009		
This report is public.			

RECOMMENDATIONS OF COUNCILLOR BRYNING:

- 1) That Cabinet notes the latest position regarding the Corporate Plan.
- 2) That Cabinet notes the actions of the Head of Financial Services with regard to the funding of asset acquisitions as outlined in section 3.1 of the report.
- 3) That Cabinet approves the current year's revised General Fund Capital Programme as set out at Appendix B (as amended for items elsewhere on the agenda), for referral on to Council.
- 4) That Cabinet considers the draft Capital Investment Priorities for 2009/10 onwards, as set out at Appendix C, and makes any amendments as appropriate.
- 5) That Cabinet considers the five-year draft Capital Programme from 2009/10 onwards as set out at Appendix B (as amended for items elsewhere on the agenda), together with the supporting principles and information as set out in section 3 of the report, and:
 - makes any amendments as appropriate, keeping the Programme in balance
 - refers the resulting 5-year Programme on to Council, for final approval.
- 6) That the associated Prudential Indicators at Appendix D be updated in line with recommendation (5) above, and be referred on to Council for approval.

- 7) That the existing Capital Investment Strategy be updated in line with recommendations (4) and (5) above, for referral on to Council.
- 8) That Cabinet notes the position regarding estimated Collection Fund balances.
- 9) That Cabinet approves the reassessment of reserves as set out in section 5 of the report, and notes that the full policy on provisions and reserves, as updated, will be reported into Council in support of Cabinet's budget proposals.
- 10) That Council be recommended to approve the General Fund Revenue Budget at £23.999M for 2009/10, excluding parish precepts.
- 11) That Cabinet considers the budget proposals summarised at Appendix G and makes recommendations regarding a balanced revenue budget for 2009/10, for referral on to Council.
- 12) That the existing Medium Term Financial Strategy be updated in line with Cabinet's budget proposals, for consideration by Council.

1 INTRODUCTION

- 1.1 Cabinet's initial proposals regarding the Budget and Policy Framework were considered by Council on 04 February and the relevant resolutions of that meeting are included at **Appendix A**. This report builds on those resolutions and on other updated financial information, in order that recommendations can be made back to Budget Council on 04 March to finalise the Capital Programme, the Revenue Budget and Council Tax for 2009/10.

2 CORPORATE PLAN

- 2.1 A draft version of the Corporate Plan was approved by Council at its last meeting. Officers are now working on developing the targets and outcomes for each corporate priority to fit with Cabinet's draft budget proposals, and the outcome of this will be reviewed by the Council's Business Committee prior to referral back to Council. As such, at this meeting there are no further specific proposals for Cabinet to consider.

3 GENERAL FUND CAPITAL PROGRAMME

- 3.1 With regard to the current year, a review has now been undertaken for all schemes and this has resulted in a number of adjustments being proposed, together with various other slippage adjustments mainly between this year and next. These are reflected in **Appendix B** for Members' consideration. The main points to highlight are as follows:
 - There have been a few minor changes to the current year programme since it was last considered by Cabinet. This includes the proposed changes regarding Marketgate Toilets, included elsewhere in the agenda. Associated profiling adjustments have been made to the funding arrangements.

- Recently the Council received notification of an additional £152K Regional Housing Pot (RHP) grant allocation in the current year, of which £70K remains unallocated; other amounts have been used to meet costs in connection with existing housing schemes. It is assumed that this unallocated amount will be rolled forward and its use be considered as part of any other RHP allocation that the Council may receive for 2009/10.
- The Council has recently completed an options appraisal regarding the acquisition of just over £1M of asset acquisitions and as a result of this, £175K of wheeled bins are to be financed through unsupported borrowing, rather than through leasing arrangements. The revenue consequences of this can be met from existing budget provisions, although some transfers between budget headings is required. This action is covered by existing delegations to the Head of Financial Services and Cabinet is asked to note these actions.

3.2 Overall, the current year's gross Revised Programme now stands at £11.653M. Capital receipts unapplied as at 31 March 2009 are estimated at £370K (to be carried forward for use in the following year).

3.3 With regard to future years, at earlier Cabinet meetings Members have approved a number of financing principles to be followed in determining the General Fund Capital Programme, as well as draft capital investment priorities; the latest version of these is set out at **Appendix C**. Subject to any amendments that Cabinet may propose, the draft priorities will be incorporated into the Capital Investment Strategy, for consideration by Council.

3.4 In line with the strategy and to address recognised capital risks, Star Chamber have also considered the re-scheduling of various schemes in order to ease pressure on the funding position, especially in 2009/10. In line with these points, a programme for the five-year period to 2013/14 is also set out at **Appendix B** for Cabinet's consideration. It is highlighted that the appendix includes two versions of the programme. The first sheet shows the Net Capital Programme that focuses on the City Council's own contributions to schemes, and the second sheet shows the full Gross Capital Programme, which sets out the total estimated cost of schemes including any amounts to be funded from external grants and contributions, etc.

3.5 In total the 5-year draft Capital Programme (from 2009/10 onwards) now amounts to £30.817M. The funding position is balanced in all years, and should the programme and its financing be delivered as currently planned, there would be a surplus in capital receipts of £917K, at the end of 2013/14.

3.6 Cabinet is now required to make formal recommendations to Council regarding the Capital Programme. In doing so, a number of points are highlighted:

- i. There have been no major changes to the basic funding assumptions underpinning the draft programme and they are as follows, from 2009/10 onwards (i.e. excluding the current year):
 - A £1.401M reduction in the underlying need to borrow, to offset the interim increase approved by Council.
 - £8.783M of applied capital receipts over the period. A further £917K is receivable, but any additional resources such as this will not be allocated to fund new capital expenditure. Instead, these balances will be left for now, to help with any potential funding difficulties arising over the period.

- £745K funding from revenue / reserves. This has increased by £250K, to provide additional cover for legal costs associated with Luneside compensation claims.

3.7 With regard to the timing of specific capital receipts, around £4M (of the £7M due in 2009/10) is needed to fund capital spending in that year. There is a clear risk in that schemes may not be able to progress as planned, if receipts are not received early enough in the financial year (see separate report on the capital receipts position, included elsewhere on the agenda).

3.8 There are also a number of points and risks to note regarding specific schemes:

- i. For Luneside, the draft programme provides only for defending existing compensation claims, and for settling such claims at previously budgeted levels. In the event that further liabilities arise, the Council would have no option other than to meet such liabilities from an increase in its borrowing assumptions and this is to be provided for within the Council's borrowing limits accordingly, for approval by Council. It is stressed that Officers have no authority to make use of such a borrowing provision; the decision-making arrangements would need to be considered by Cabinet beforehand, as appropriate. Regarding any revenue implications and any assessment of Prudential Code implications, (i.e. affordability, sustainability and prudence), these would be considered at that time. For now though, and on the basis that this provision is a fall-back for an asset that would still be under development, no provision for any future years' repayment needs to be provided as yet – although clearly this would change if the borrowing provision is needed. In such a situation, this would add further pressure to future years' revenue budgets and this risk should be noted.

To be clear, the draft programme does not include any budget provision for resolving any future development of the site. Options around this are currently being assessed, centred around further external funding bids. A report on such options will be presented to Cabinet in due course. It is reiterated also that the draft programme (or revenue budget) does not provide for any developer contribution being receivable in connection with any future transfer of the development site; the total contribution due under existing agreements is £1.89M.

- ii. Similarly the draft programme makes no provision for any new Access to Services developments, any Chatsworth Road Scheme, nor any capitalisation of concessionary travel costs or potential losses in respect of Icelandic investments. (Officers have now received confirmation that the capitalisation bid for concessionary travel was unsuccessful).
- iii. As in previous years, for several proposed schemes their funding positions and/or their business cases are not finalised and whilst they are included provisionally within the draft programme, this is only on the basis that positive outcomes will be forthcoming. This applies specifically to some Coastal Protection schemes, Townscape Heritage Phase 2, Energy Efficiency measures, and any developments associated with The Platform, as examples. It is highlighted that the proposed arrangements for strengthening programme management and project support included elsewhere on this agenda will assist with ensuring that robust appraisals are undertaken, before any such schemes progress.
- iv. The Lancaster Science Park scheme is included provisionally, but this will be the subject of a separate Cabinet report in any event.

- v. Other potential capital schemes have been omitted at this stage, and will only be incorporated into the Programme should they gain the relevant approvals to progress. This covers the Sea Change Bid for the Winter Gardens, and also other schemes covered by the Council's Economic Regeneration Strategy generally. These will also be taken through the Council's formal appraisal and decision-making process, with the Capital Programme being updated accordingly if required.
 - vi. Members will see from the attached draft Programme that by far the biggest area of capital investment to be funded from the Council's own resources relates to Municipal and other Building Works. Under the Financial Regulations, schemes cannot progress until funding is in place, and section 3.7 above touches on the risks involved. Notwithstanding the financial pressures, there could be a need to progress some emergency works to ensure that key health and safety standards are met and buildings can be kept in operation, irrespective of the funding position (this is also catered for within Financial Regulations.) In this regard, it is recommended that an additional interim increase of £1M be built into the borrowing limits on a similar basis to that approved by Council last year (i.e. short term only, to be 'repaid' through future capital receipts). A strict approach would be adopted to ensure that the use of any such facility is kept to an absolute minimum; this would be determined by the Corporate Director (Regeneration) and the Head of Financial Services, with the relevant Cabinet portfolio holder being updated accordingly.
 - vii. Finally, and also with regard to Municipal and Other Building Works, it is recognised that the draft Programme assumes that the bulk of backlog 'repairs' will constitute capital expenditure, given the amount of structural works involved, but there is significant risk in this approach. To manage this, arrangements are in place to assess the nature of works at the tendering stage. Should some expenditure fall as revenue, this would be scored against the revenue budget provisions and if necessary, the Council's existing renewals reserves, prior to entering any contractual commitment. This gives some flexibility, but it is an area that will require close management. It will also be covered by future plans for facilities management generally.
- 3.9 The Council's Prudential Indicators have been updated to reflect the draft capital position so far and these are attached at **Appendix D**. They will need to be updated to reflect Cabinet's final budget proposals, prior to being considered by Council.
- 3.10 The Capital Investment Strategy will also be updated to reflect all of the above points, as amended for any Cabinet changes, and the full document will be presented to Council in March for approval. The existing Strategy document has not been attached to this report at this time, but it is available either through the Council's website or by contacting the Head of Financial Services.

4 **COLLECTION FUND POSITION**

- 4.1 Legislation requires that an estimate of any surplus or deficit on the Collection Fund is made each year, and that any such balance is distributed to precepting authorities and taken into account in setting Council Tax. The Collection Fund is the account into which all Council Tax income is paid, and from which precept payments to the County, Police and the City Council are made.
- 4.2 The review of the Fund's financial position as at January 2009 indicates that overall the Fund is broadly in balance, after allowing for a reassessment of the bad debts provision. This indicates good practice, both in terms of collection rates, and in terms of financial forecasting. The County, Fire and Police Authorities have been informed accordingly and details of the review are attached at **Appendix E**.

5 **GENERAL FUND BUDGET: CURRENT YEAR UPDATE**

- 5.1 At the last meeting Council approved this year's overall revised budget position, reflecting a net overspending of £571K. Within that amount, however, there are a number of further changes for consideration as outlined below.
- 5.2 Very recently the Council was notified of a further award of Local Authority Business Growth Incentive (LABGI) grant, amounting to £344K in the current year. Whilst the award is subject to consultation, it has been allocated based on the same principles as used for earlier awards and therefore no major changes are expected.
- 5.3 Another key budget issue arising since January relates to remaining earmarked reserves; Members may recall that some had yet to be reviewed and this work has now been completed. The outcome is as follows:

Access to Services (Accommodation)

The balance of £139K is to be retained, to support some smaller scale accommodation works. This is on the basis that any wider plans will not be taken forward at present. Once the Council's financial outlook is clearer, any future plans can be re-assessed.

Business Continuity

Provisional spending plans have been developed indicating that at most, funding of around £60K is needed, and accordingly the reserve balance has been reduced by £40K.

Capital Support

As highlighted earlier in this report, a further £250K is required for Luneside and other funding measures are proposed to provide cover for any further liabilities arising. On this basis, the reserve balance has been reduced by £447K. (Members may recall that last year's earlier award of additional LABGI grant was transferred here, pending an assessment of the Luneside position.)

Customer First

This reserve of £50K remains, to support one-off costs associated with some further integration of services into the Customer Service Centres. As with accommodation above, completion of any integration can be re-assessed later, when the Council's financial prospects are more certain.

Every Child Matters

This reserve was created as part of the 2007/08 budget, but with contributions starting in 2008/09. Funding for Children and Young People (staff and other minor budgets) has effectively been mainstreamed into the Council's budget on an ongoing basis, and specific amounts have been earmarked towards the Happy Mount Park Natural Play capital project (£5K in 2009/10) and Diversionary Activities (£20K in 2010/11). The remaining reserve balance has been reduced by £23K accordingly.

Homelessness

This reserve was created pending the outcome of the Supporting People funding review. Around £30K of the reserve has now been applied to the revenue budget to provide funding for Home Support, and the remaining reserve balance has been reduced by £45K. Furthermore, future years' net contributions amounting to £15K (total, not per year) have been removed from the base budget accordingly.

Other Commuted Sums

A further amount of £16K is to be applied to the revenue budget.

Renewals

The overall balance is to be consolidated within one reserve, with detailed information being held separately. Given the risks attached to the assumed capitalisation of Building Works referred to earlier, there are no further changes proposed regarding the reserve.

Restructuring Reserve

A report elsewhere on the agenda relates to staffing and pay issues, in particular the application of Human Resources (HR) policies for managing reductions in the Council's workforce. A number of key savings proposals, for either next year or future years, rely on such reductions being achieved but these will incur significant one-off costs in relation to redundancy and/or early retirement. It is proposed therefore that the additional income from LABGI and the transfers from the various reserves above are transferred to create a new Restructuring Reserve, approaching £1M. Any subsequent use of this Reserve would require either Personnel Committee approval for larger restructuring, or approval through existing officer delegations for more minor changes. Any future contributions to the reserve would require Cabinet approval, and its balance would be reviewed half yearly.

- 5.4 The Head of Financial Services advises that taking account of the above proposals and those elsewhere on the agenda, the resulting level of reserves is adequate for the period covered, but they will need to be reviewed regularly and this is provided for within the current policy.
- 5.5 Cabinet is therefore recommended to approve the associated recommendations on reserves as set out above, as amended for other agenda items. The above changes will be actioned in the current year, as summarised overleaf, but overall they have no net impact on the Revised Budget.

	2008/09 £'000
RESERVES MOVEMENTS	
Business Continuity	-40
Capital Support	-447
Every Child Matters	-23
Homelessness	-75
Other Commuted Sums	-16
Restructuring	+945
OTHER BUDGET CHANGES	
Additional LABGI Grant	-344
NET TOTAL	--

- 5.6 A schedule of all provisions and resulting reserve levels is included at **Appendix F**. Cabinet is asked to note that the full policy on provisions and reserves is required to be presented to Council. The document will be duly updated to reflect Cabinet's resolutions from both this and the January meeting. The existing policy has not been included with this agenda, but copies are available either through the Council's website, or by contacting the Head of Financial Services.

6 2009/10 GENERAL FUND REVENUE BUDGET

- 6.1 Following confirmation of Government support and the Collection Fund position, and in order to fit with the Council Tax increase approved by Council on 04 February, the General Fund Revenue Budget must be set at £23.999M for 2009/10, excluding parish precepts, and Cabinet is requested to refer this on to Council for approval.
- 6.2 In support of the above, much work has been undertaken regarding the budget position and updated revenue proposals have been prepared as set out at **Appendix G**. These take account of recent base budget adjustments and issues raised informally at Star Chamber meetings, as well as other specific items covered elsewhere on this agenda. Where appropriate, the appendix includes Officer recommendations regarding various items.
- 6.3 In summary, sufficient savings have now been identified to give a revenue budget that fits with a 4% increase in Council Tax. This is on the assumption, however, that all the savings and growth proposals as set out in Appendix G will be approved by Cabinet, for referral on to Council.

6.4 A summary of the key budget changes since January Cabinet is set out below:

	2009/10 £000
Target Budget (to give 4% Council Tax increase)	23,999
Draft Budget as considered on 20 January 2008	25,701
Net Savings Proposals at that date	-306
Remaining Savings Requirement at 20 January	1,396
Further Budget Changes:	
Review of Provisions and Reserves	-28
Other Base Budget Adjustments	-345
New Savings Proposals Included on Schedule	-1,023
Savings Requirement still remaining	0

6.5 The main base budget adjustments allow for January Cabinet decisions not subject to the budget, such as car parking changes, as well as reviews of various budget headings, including:

- the profiling of debt repayment provisions in line with policy, as well as investment interest rates
- concessionary travel, based on latest usage forecasts
- contributions to reserves, as referred to earlier
- planning fee income
- vehicle fuel
- updates regarding various grant notifications, e.g. benefits
- planning inquiry costs; a provision of £50K is now assumed.

6.6 There are a few other points to note, with regard to next year's budget:

- Members will be aware that the district's share of any Performance Reward Grant resulting from the achievement of Local Area Agreement (LAA) targets will be channelled through its Local Strategic Partnership. Details are not yet confirmed, although it is assumed that the City Council will be expected to act as accountable body, and therefore a report to Cabinet will be required in due course prior to any arrangements being implemented.
- Members may also recall that participatory budgeting was going to be considered in more detail after setting next year's budget, drawing on the presentation made last year. Since then, however, the Council's financial position and its budget prospects have deteriorated considerably, and this will impact on the availability of budgets for which participatory budgeting might have been considered. Given these points, this concept has been put on hold for the foreseeable future.
- In line with the Capital Programme Proposals, the profiling of revenue funding has been updated, resulting in one-off savings for 2009/10.

- Further to Cabinet in January, is it reiterated that the draft budget assumes that the phased use of surplus revenue balances will end, unless Cabinet indicates otherwise. A contribution of £191K is already included in the base budget, meaning that balances are already forecast to reduce to their minimum level.
- The proposals as set out have been updated to include other Officer proposals. This includes a re-assessment of general inflation for supplies and services. The latest Bank of England Inflation Report has just been issued and this forecasts that general inflation (i.e. the Consumer Price Index- CPI) is likely to be between 0-1% for next year, but could be even lower. Given this, it is reasonable to assume an inflation freeze for some spending, resulting in savings of around £50K per year.
- Potentially there could be further savings arising, depending on Cabinet's resolutions regarding other items on this agenda, e.g. Grants to Outside Bodies. This provides Members with some opportunity to consider the relative merits and priorities of different savings options.

6.7 Cabinet is now requested to consider the schedule of budget proposals as set out in the appendices, together with other items included on this agenda, and make recommendations to Council to tie in with a Revenue Budget of £23.999M. This will result in a 4% increase in the basic City Council Tax Rate for the district. The actual basic Band D City Council tax payable (excluding parish precepts) will be £185.31, representing a cash increase of £7.14. Clearly this excludes any impact from the recent abolition of the Special Expenses adjustment for non-parishes areas. It does correspond with the Council Tax amounts that the Secretary of State is expected to consider when considering capping, however.

7 PROSPECTS FOR FUTURE YEARS

7.1 Indicative revenue spending and Council Tax forecasts for 2010/11 and 2011/12 have been reported and updated on an ongoing basis during the budget process. The latest projections are included at **Appendix H** and are summarised below:

	Revenue Budget Projections			Council Tax Projections	
	Net Budget	Annual Increase	Assumed Contribution from Balances	Average Band D Tax Rate	Annual Increase (YOY)
	£000	%	£000		%
2010/11	25,684	7.0	--	£215.19	16.1
2011/12	26,604	3.6	--	£228.62	6.2

7.2 As in previous years, some limited work has been done in analysing the drivers behind future years' budget increases and this will be used to inform future budget reviews. From the work undertaken so far, it is clear that the projections are as robust as they can be, taking into account the inherent risks and assumptions underlying any financial projections.

7.3 It is also recognised that certain key issues have yet to be addressed, and these will need to be resolved or clarified during the next year or so. The main issues are:

- final Outcome of Fairpay / Job Evaluation
- prospects for recovery of Icelandic investments
- Luneside East & other Regeneration plans
- future plans for Access to Services (accommodation / customer services)
- future responsibilities regarding Concessionary Travel
- pension costs (from 2011/12 onwards)
- wider organisational review of Council services
- achievement of other ongoing efficiency savings and reductions in services.

Coupled with the above, future prospects for the UK Economy as a whole will have a major bearing.

7.4 For 2010/11, in simple terms the reasons for the higher Council Tax forecast can be accounted for by a small number of budget changes:

- Effects of pay and other price increases / economic conditions
- Fall out of one-off savings and removal of any contribution from Balances
- Increased net revenue growth

7.5 Regarding Government funding, the Council received a good three-year provisional Settlement for the period to 2010/11, but future prospects are gloomy and authorities may well see real reductions in their funding levels.

7.6 Whilst the Council has the potential to achieve substantial recurring savings during this budget exercise, based on current forecasts there is still a considerable way to go before the Council has what could be viewed as a financially sustainable budget. The Council needs to maintain focus on the medium term, in order to make future budget exercises easier to manage and deliver. Should there be an over-reliance on one-off savings, this makes future years' budget setting much more difficult, including managing various stakeholder expectations.

7.7 A year ago, the Council Tax forecast increases for 2009/10 and 2010/11 were 13.1% and 8.8% respectively. A year on, the proposed rate increase for 2009/10 is down to 4% but 2010/11 is now forecast at around 16%. To some degree this follows a similar pattern in previous years but there are many factors that have changed the projections; the major ones being:

- the economy as a whole, and its impact on income and services
- service growth coming on line in 2009/10 (e.g. food waste)
- the timing and nature of savings proposals, in particular one-off items
- to a lesser degree, changes in contributions from balances.

7.8 Given this context, Cabinet is asked to consider its targets for future years' Council Tax increases, for incorporation into the Medium Term Financial Strategy (MTFS). To assist with this, Cabinet is asked to note the following:

- Should Members wish to retain the existing target of a 4% year on year Council Tax increase, the net savings requirements would be:

2010/11:	£972K
2011/12:	£1.221M

These are also shown in Appendix H. No general headroom for future years' growth has been quantified, other than for those items previously considered (e.g. food waste). Instead, the savings requirements would need to be increased to cover any such needs.

- It is again assumed that Cabinet would attempt to generate additional savings beyond those required to meet the proposed MTFS targets, to support the options of either allowing further growth, and/or allowing a lower increase in Council Tax below the targets. A number of actions to generate savings from 2010/11 onwards are included at the bottom of Appendix G.

7.9 The existing MTFS document will be updated to reflect all of Cabinet's budget proposals, for consideration by Council. Again, whilst the existing document has not been included within this report, it is available either through the website or from the Head of Financial Services.

7.10 Finally, the budget reports presented to Cabinet have highlighted the assumptions and estimates underpinning the budget process; these will also be incorporated into the MTFS. They will continue to be reviewed and updated regularly; in this way the Council can maintain an informed view about its financial outlook and the implications for corporate priorities and service delivery.

8 **Details of Consultation**

The outcome of budget consultation was reported into Council on 04 February. There has been no further general consultation since then.

9 **Options and Options Analysis (including risk assessment)**

Cabinet are now requested to finalise their preferred revenue budget and capital programme proposals for referral on to Council, using the latest information as set out in this report.

Corporate Plan and Policy Framework

This is for noting only and therefore no options have been put forward.

Funding Assumptions and Achieving a Balanced Capital Programme

The broad options for achieving a balanced programme are set out below and are very much dependent on Members' views on spending priorities. As such, a full options appraisal and risk assessment cannot be completed until budget proposals are known in more detail. That said, the basic options for achieving savings include:

- removing schemes from the draft programme, taking account of service needs and priorities;
- reducing proposed net expenditure on schemes, where possible;
- generating additional capital resources (e.g. receipts, direct revenue financing or borrowing), within affordable limits;
- deferring projects into later years – although this would not help with the overall five-year programme unless schemes were deferred until after 2013/14.

Should surplus resources be available, these could be used:

- to repay borrowing, or to reduce the call on the revenue budget;
- to fund new capital schemes;
- to make provision for other anticipated liabilities.

As referred to in earlier reports, setting a balanced capital programme is an iterative process, essentially balancing service delivery impact and aspirations against what the Council can (and is prepared to) afford. The programme attached represents the outcome of the work undertaken to date.

In deciding the way forward, Cabinet is asked also to take into account the relevant basic principles of the Prudential Code, which are:

- *that the capital investment plans of local authorities are affordable, prudent and sustainable, and*
- *that local strategic planning, asset management planning and proper options appraisal are supported.*

Revenue Budget

As Council have now determined the City Council Tax Rate for 2009/10, there are no options to change the total net revenue budget for next year (recommended at £23.999M) but Cabinet now needs to put forward detailed budget proposals that add back to that amount. Detailed options would be dependent very much on Members' views on spending priorities and as such, a full options analysis could only be undertaken once any alternative proposals are known and it should be noted that Officers may require more time in order to do this. The Head of Financial Services (as s151 Officer) would advise as strongly as possible that emphasis should be very much on achieving recurring reductions to the revenue budget, and avoiding any "unidentified" savings targets that undermine the robustness of the budget and financial planning arrangements generally.

With regard to the use of surplus balances, Cabinet could put forward alternative arrangements with regard to the £191K available, but this would result in the need to make other budget savings.

Medium Term Financial Strategy (MTFS)

In terms of target Council Tax increases for future years and Government's position on capping, it is felt that there is little scope for increasing the target above 4%, as Government has made it very clear about expecting increases to be substantially below 5%. In considering any lower target, Members should have regard to the impact on service delivery, the need (and capacity) to make savings, or to provide for growth, and the impact on subsequent years.

10 Officer Preferred Option and Comments

The recommendations as set out are in line with Officer recommendations.

Recommendations put forward by Cabinet should fit with any external constraints and the budgetary framework already approved (i.e. establishing a balanced, affordable capital programme, approving a budget level to tie in with a 4% increase in Council Tax and the Government's stance regarding capping). The

recommendations as set out meet these requirements; the detailed supporting budget proposals are then a matter for Members.

11 Conclusion

This report outlines the actions required to complete the budget setting process for 2009/10 and to set the financial planning framework for future years.

RELATIONSHIP TO POLICY FRAMEWORK

The budget should represent, in financial terms, what the Council is seeking to achieve through its Policy Framework.

CONCLUSION OF IMPACT ASSESSMENT

(including Diversity, Human Rights, Community Safety, Sustainability etc)
None directly arising in terms of the corporate nature of this report – any implications would be as a result of specific decisions on budget proposals affecting service delivery, etc.

FINANCIAL IMPLICATIONS

As set out in the report.

SECTION 151 OFFICER’S COMMENTS

The Local Government Act 2003 placed explicit requirements on the s151 Officer to report on the robustness of the estimates included in the budget and on the adequacy of the Council’s reserves. Previous Cabinet and Council reports have already included some relevant details of this advice, together with the risks and assumptions underpinning the budget process so far. A summary of the s151 Officer’s current advice regarding General Fund is provided below for information, but it should be noted that this is provisional until such time as Cabinet’s full budget proposals have been finalised.

Reserves and Provisions

- Specific earmarked reserves and provisions are satisfactory at the levels currently proposed, given that measures are in place to manage and reassess other key issues such as Fairpay / Job Evaluation, and recognising that the arrangements to deal with any principal losses arising from Icelandic investments have effectively been postponed, in line with Government Regulations. The budget proposals and future plans include a number of measures that involve reductions to the staffing establishment. With this in mind, a restructuring reserve has been created but clearly actual costs arising cannot yet be accurately assessed. This will need careful monitoring as the year progresses.
- Unallocated balances of £1M for General Fund are reasonable levels to safeguard the Council’s overall financial position.

With regard to General Fund balances, £1M represents about 4.2% of the net Revenue Budget. The above advice regarding unallocated balances is dependent upon other provisions and reserves remaining broadly at proposed levels, unless a specific service policy change indicates otherwise, and also this advice may be reviewed again once

Cabinet's final General Fund budget proposals are known.

At present the General Fund budget proposals assume that estimated surplus balances as at 01 April 2009 (£191K) will be used to support next year's revenue budget. The use of any further surplus balances arising would be linked with future MTFs reviews, and would require Council approval.

Robustness of Estimates

A variety of exercises have been undertaken to establish a robust budget for the forthcoming year. These include:

- Producing a continuation budget, taking account of service commitments, pay and price increases and expected demand / activity levels as appropriate, and the consideration of key assumptions and risks.
- Reviewing the Council's priorities and its associated service activities and spending / income generation plans. This is being supported by the Star Chamber exercise and by consultation. It includes putting some wider plans on hold for the time being, e.g. accommodation.
- Reviewing the Council's medium term financial strategy and planning, following its adoption last March, together with other corporate financial monitoring information produced during the year.
- Undertaking a review of the Council's affordable borrowing levels to support capital investment, in line with the Prudential Code, but taking account of Government Regulations regarding Icelandic investments.
- Reviewing the level of reserves and other sources of financing, to ensure as far as possible that funding arrangements are in place for potential but un-quantified costs and liabilities (again this excludes any provision for Icelandic investments, but does cover Luneside and future restructuring).

These measures ensure that as far as is practical at this stage, the estimates and assumptions underpinning the revenue budget are robust. Proposals already exist regarding a balanced General Fund Capital Programme.

Other key areas of risk are highlighted in the body of the report.

Affordability of Spending Plans

In addition, the s151 Officer is responsible for ensuring that when setting and revising Prudential Indicators, including borrowing limits, all matters to be taken into account are reported to Council for consideration. This will be covered in the report to Budget Council, at which time Council will consider full proposals regarding the capital programme and financing for the five year period to 2013/14.

In considering affordability, the fundamental objective is to ensure that the Council's capital investment remains within sustainable limits, having particular regard to the impact on council tax and housing rents. Affordability is ultimately determined by judgements on what is 'acceptable' - this will be influenced by public, political and national influences.

The factors that have been taken into account in considering capital investment plans include the following.

- Availability of capital resources, including capital grants, capital receipts, etc
- Existing commitments and service / priority changes
- Revenue consequences of any proposed capital schemes, including interest and debt repayment costs of any borrowing
- Future years' revenue budget projections, and the scope to meet borrowing costs
- The likely level of government support for borrowing and for revenue generally.
- The likely need for further capital investment and prudential borrowing, as yet un-quantified, to address other potential liabilities arising.

In considering and balancing these factors, the capital proposals to date are based on a net reduction in prudential borrowing over the period from 2009/10 to 2013/14. As far as possible, measures have been taken to minimise capital investment, in recognition of the pressures facing the Council. That said, it is acknowledged that some degree of unsupported borrowing may be unavoidable, to address Luneside and Municipal Building Works. It is acknowledged that if this is the case it will add further pressure to the revenue budget, at least in the short term, and further revenue savings would be required to ensure affordability. These issues have been built into the draft Prudential Indicators for approval by Council in March, but again these are subject to Cabinet's final budget proposals.

LEGAL IMPLICATIONS

Legal Services have been consulted and have no observations to make on this report.

MONITORING OFFICER'S COMMENTS

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

BACKGROUND PAPERS
LG Finance Settlement
Prudential Code

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**BUDGET & POLICY FRAMEWORK: EXTRACTS FROM DRAFT MINUTES OF
COUNCIL, 04 FEBRUARY 2009**

102 BUDGET AND POLICY FRAMEWORK UPDATE - CORPORATE PLAN

Resolved:

- (1) That the current version of the Corporate Plan, attached at Appendix B to the report, be approved.
- (2) That the remaining outstanding sections of the Plan be completed accordingly and referred to the Council's Business Committee for further consideration prior to Council formally signing off the Plan.

**103 BUDGET AND POLICY FRAMEWORK UPDATE - GENERAL FUND REVENUE
BUDGET**

Resolved:

- (1) That the General Fund revenue budget proposals to date, as set out in section 3 of the report be noted.
- (2) That the 2008/09 Revised Budget of £23.782M be approved, with the net overspending of £571K being met from Revenue Balances.
- (3) That the minimum level of General Fund Balances be retained at £1M from 01 April 2009.
- (4) That a City Council Tax increase of 4% be approved for 2009/10.

**104 BUDGET AND POLICY FRAMEWORK UPDATE - GENERAL FUND CAPITAL
PROGRAMME**

Resolved:

That the current General Fund Capital Programme position as set out in section 4 of the report be noted.

105 HOUSING REVENUE ACCOUNT

Resolved:

- (1) That the Housing Revenue Account (HRA) Revised Budget for 2008/09 be approved, as set out at Appendix B to the minutes.
- (2) That the minimum level of HRA Balances be retained at £350K from 1st April 2009, and that the Statement on Reserves and Balances (as set out at Appendix H to the report) be noted.
- (3) That the HRA Budget for 2009/10 be approved, also as set out in Appendix B to the minutes.
- (4) That the Council Housing Capital Programme be approved, as set out at Appendix C to the minutes.

**General Fund Draft Net Capital Programme
For Consideration by Cabinet 17 February 2009**

Service	Scheme	2008/09	Grants & Contribs.	Gross Total	2009/10	2010/11	2011/12	2012/13	2013/14	Net Total	Grants & Contribs.	Gross Total
		£	£	£	£	£	£	£	£	£	£	£
City Council (Direct)	White Lund Depot Improvements	6,000	0	6,000	0	0	0	0	0	0	0	0
Services	District Playground Improvements	76,000	0	76,000	0	60,000	60,000	0	0	120,000	0	120,000
	Morecambe Toilet Improvements (see Cabinet report)	98,000	0	98,000	0	0	0	0	0	0	0	0
	Marketgate Toilet Refurbishment (see Cabinet report)	45,000	0	45,000	0	0	0	0	0	0	0	0
	Other Toilet Works (see Cabinet report)	0	0	0	0	100,000	0	0	0	100,000	0	100,000
Corporate Strategy	Three Stream Waste Equipment	175,000	0	175,000	0	0	0	0	0	0	0	0
	Building Safer Communities (Capital Elements)	0	2,000	2,000	0	0	0	0	0	0	0	0
	Fairfield Allotments Extension	2,000	28,000	30,000	0	0	0	0	0	0	0	0
Cultural Services	Salt Ayre Athletics Track Resurfacing Works	13,000	25,000	38,000	0	0	0	0	0	0	0	0
	Salt Ayre Cycle Track	0	172,000	172,000	0	0	0	0	0	0	0	0
	Salt Ayre Building Works	78,000	0	78,000	0	0	0	0	0	0	0	0
	Salt Ayre Athletics Track Security Fencing	0	0	0	0	20,000	0	0	0	20,000	0	20,000
	Salt Ayre Postside Seating Project	35,000	0	35,000	0	0	0	0	0	0	0	0
	Salt Ayre Reception Refurbishment	0	0	0	0	40,000	0	0	0	40,000	0	40,000
	Williamson Park Developments (See Toilets Cabinet Report)	0	0	0	0	75,000	0	0	0	75,000	0	75,000
	Happy Mount Park Natural Adventure (subject to funding confirmation)	0	0	0	0	0	0	0	0	0	99,000	99,000
	The Platform Improvements (Subject to business case)	0	0	0	108,000	0	0	0	0	108,000	0	108,000
	The Dome (Demolition)	0	0	0	85,000	0	0	0	0	85,000	0	85,000
Econ Devt and Tourism	Port of Heysham Site 4 Access Improvements	21,000	8,000	29,000	2,000	0	0	0	0	2,000	0	2,000
	Port of Heysham Sites 1&4 (Clawback Provision)	0	0	0	328,000	0	0	0	0	328,000	0	328,000
	EDZ-4/5 Dalton Square	10,000	10,000	20,000	0	0	0	0	0	0	0	0
	Lancaster Science Park (Subject to Cabinet report)	0	0	0	0	0	0	0	0	0	17,240,000	17,240,000
	Storey Institute Centre for Industries	415,000	2,543,000	2,958,000	0	0	0	0	0	0	0	0
	Carnforth Market Town Initiative	59,000	95,000	154,000	0	0	0	0	0	0	0	0
	Lancaster Hub TIC Refurbishment	60,000	60,000	120,000	0	0	0	0	0	0	0	0
	Dukes Theatre Refurbishment (Feasibility)	0	29,000	29,000	0	0	0	0	0	0	0	0
	Winter Gardens Morecambe (Feasibility)	0	378,000	378,000	0	0	0	0	0	0	0	0
	Harbour Band Arena Works	0	226,000	226,000	0	0	0	0	0	0	0	0
Financial Services	Finance Replacement Ledger System	17,000	0	17,000	0	0	0	0	0	0	0	0
Health and Strategic	Mellishaw Park Improvements Scheme	0	166,000	166,000	0	0	0	0	0	0	0	0
Housing	Disabled Facilities Grants	0	907,000	907,000	0	0	0	0	0	0	653,000	653,000
	Acquisition of Land at Clarendon Road East	22,000	48,000	70,000	0	0	0	0	0	0	0	0
	District Wide Home Assistance	0	26,000	26,000	40,000	30,000	20,000	0	0	90,000	8,000	98,000
	Primrose Street Group Repairs / Renovation	65,000	86,000	151,000	0	0	0	0	0	0	0	0
	Euston Road Group Repairs	0	240,000	240,000	0	0	0	0	0	0	0	0
	Individual Property Renovation Grants	144,000	0	144,000	0	0	0	0	0	0	0	0
	Chatsworth Road Scheme (subj. to Cabinet report)	0	0	0	0	0	0	0	0	0	0	0
	Bold Street Renovation Scheme	0	150,000	150,000	0	0	0	0	0	0	0	0
	Clarendon Road Car Park	0	112,000	112,000	0	0	0	0	0	0	0	0
	Clarendon/West End Road Rear Yard Wall	0	80,000	80,000	0	0	0	0	0	0	0	0
	Marlborough Road Demolition	0	18,000	18,000	0	0	0	0	0	0	0	0
	Marlborough Road Adactus Project	0	323,000	323,000	0	0	0	0	0	0	0	0
	Adactus Top-Up Grants, including West End Flats	219,000	39,000	258,000	0	0	0	0	0	0	0	0
	Public Realm Works (Safer Stronger Communities Funding)	6,000	131,000	137,000	0	0	0	0	0	0	0	0
	Other Private Housing (Unallocated Funding: subject to Cabinet Report)	0	70,000	70,000	0	0	0	0	0	0	0	0
	Cemetery Paths Improvements	18,000	0	18,000	0	0	0	0	0	0	0	0
	YMCA Places of Change	0	750,000	750,000	0	0	0	0	0	0	750,000	750,000
Information & Customer	I.T. Infrastructure	77,000	0	77,000	15,000	0	15,000	15,000	25,000	70,000	0	70,000
	I.T. Application Systems Renewal	40,000	0	40,000	64,000	200,000	120,000	100,000	0	484,000	0	484,000
	I.T. Desktop Equipment	116,000	0	116,000	30,000	87,000	87,000	87,000	82,000	373,000	0	373,000
	Computer Room: Air Conditioning & Fire Detection	2,000	0	2,000	0	0	0	0	0	0	0	0
Planning Services	Morecambe Coast Protection: Scheme 6	2,000	230,000	232,000	0	0	0	0	0	0	0	0
	Beach Monitoring	0	3,000	3,000	1,000	0	0	0	0	1,000	15,000	16,000
	Sunderland Point Resilience Measures	1,000	4,000	5,000	0	0	0	0	0	0	0	0
	Strategic Monitoring (River & Sea Defences)	5,000	123,000	128,000	7,000	0	0	0	0	7,000	246,000	253,000
	Mill Head Warton (Flood Defences)	2,000	241,000	243,000	1,000	0	0	0	0	1,000	34,000	35,000
	Wave Reflection Wall Study	0	20,000	20,000	0	0	0	0	0	0	0	0
	Wave Reflection Wall Refurbishment (Subj. to Env. Agency approval)	0	0	0	10,000	10,000	0	0	0	20,000	1,000,000	1,020,000
	Morecambe Strategy Study (Sea Defences)	0	0	0	0	0	0	0	0	0	33,000	33,000
	Artle Beck Improvements (Flood Defences)	0	0	0	2,000	0	0	0	0	2,000	107,000	109,000
	Cycling England	0	412,000	412,000	0	0	0	0	0	0	700,000	700,000
	Luneside East - Land Acquisition & Associated Fees	115,000	202,000	317,000	371,000	0	0	0	0	371,000	0	371,000
	Luneside East Compensation Claims	160,000	0	160,000	290,000	0	0	0	0	290,000	0	290,000
	Middleton Wood	2,000	2,000	4,000	0	0	0	0	0	0	0	0
	EDZ-Cycling and Walking Network	4,000	163,000	167,000	0	0	0	0	0	0	0	0
	Morecambe Townscape Heritage Initiative (THI)	0	400,000	400,000	0	0	0	0	0	0	0	0
	Fisherman's Square Improvements	34,000	58,000	92,000	0	0	0	0	0	0	0	0
	Poulton Pedestrian Route	0	0	0	0	33,000	0	0	0	33,000	127,000	160,000
	Christmas Lights Renewals	35,000	0	35,000	0	31,000	0	0	0	31,000	0	31,000
	Morecambe Promenade Frontage	0	0	0	0	40,000	0	0	0	40,000	0	40,000
	Bike It - Links to Schools	0	140,000	140,000	0	0	0	0	0	0	0	0
	Denny Beck Bridge Improvements	0	0	0	0	139,000	0	0	0	139,000	0	139,000
	Morecambe THI 2 : A View For Eric	0	0	0	0	0	0	0	0	0	1,653,000	1,653,000
	St George's Quay - Heritage Lighting	18,000	0	18,000	0	0	0	0	0	0	0	0
Property Services	Car Park Improvement Programme	86,000	0	86,000	0	50,000	0	0	0	50,000	0	50,000
	Customer Service Centres	29,000	0	29,000	0	0	0	0	0	0	0	0
	Fire Safety Works	60,000	0	60,000	0	0	0	0	0	0	0	0
	St Leonards House Electrics	112,000	0	112,000	0	0	0	0	0	0	0	0
	Other Corporate and Municipal Building Works	412,000	0	412,000	1,871,000	1,656,000	1,156,000	459,000	0	5,142,000	0	5,142,000
	Carnforth CCTV	0	0	0	0	25,000	0	0	0	25,000	25,000	50,000
	Energy Efficiency Schemes	20,000	0	20,000	20,000	20,000	20,000	20,000	0	80,000	0	80,000
Revenues Services	Electronic Document Mgmt & Workflow System	17,000	0	17,000	0	0	0	0	0	0	0	0
GENERAL FUND CAPITAL PROGRAMME		2,933,000	8,720,000	11,653,000	3,245,000	2,616,000	1,478,000	681,000	107,000	8,127,000	22,690,000	30,817,000
	Financing :			11,653,000								30,817,000
	Usable Capital Receipts (see below)	599,000	0	599,000	4,296,000	2,341,000	1,408,000	631,000	107,000	8,783,000	0	8,783,000
	Direct Revenue Financing	523,000	0	523,000	350,000	275,000	70,000	50,000	0	745,000	0	745,000
	Underlying Increase in Unsupported Borrowing	1,811,000	0	1,811,000	-1,401,000	0	0	0	0	-1,401,000	0	-1,401,000
TOTAL FINANCING		2,933,000			3,245,000	2,616,000	1,478,000	681,000	107,000	8,127,000		

Annual Surplus/Shortfall (-)

0 0 0 0 0 0

Cumulative Surplus/Shortfall (-)

0 0 0 0 0 0

KEY:

New Project Submissions for consideration, or those proposed to be updated, as covered in other Cabinet reports.

Funding Analysis							
	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	Total (2009/10 onwards)
Capital Receipts							
Balance Brought Forwards:	1,424	370	3,149	2,028	1,615	1,004	n/a
Receipts Due In Year:	1,250	7,075	1,220	995	20	20	9,330
Amount Set Aside for other purposes:	-1,705	0	0	0	0	0	0
In Year Capital Programme Financing:	-599	-4,296	-2,341	-1,408	-631	-107	-8,783
Balance Carried Forwards :	370	3,149	2,028	1,615	1,004	917	

**General Fund Draft Gross Capital Programme
For Consideration by Cabinet 17 February 2009**

Service	Scheme	2008/09		Gross Total	2009/10	2010/11	2011/12	2012/13	2013/14	Gross Total	
		£	£								£
City Council (Direct)	White Lund Depot Improvements	6,000	6,000		0	0	0	0	0	0	
Services	District Playground Improvements	76,000	76,000		0	60,000	60,000	0	0	120,000	
	Morecambe Toilet Improvements (see Cabinet report)	98,000	98,000		0	0	0	0	0	0	
	Marketgate Toilet Refurbishment	45,000	45,000		0	0	0	0	0	0	
	Other Toilet Works (see Cabinet report)	0	0		0	100,000	0	0	0	100,000	
	Three Stream Waste Equipment	175,000	175,000		0	0	0	0	0	0	
Corporate Strategy	Building Safer Communities (Capital Elements)	2,000	2,000		0	0	0	0	0	0	
	Fairfield Allotments Extension	30,000	30,000		0	0	0	0	0	0	
Cultural Services	Salt Ayre Athletics Track Resurfacing Works	38,000	38,000		0	0	0	0	0	0	
	Salt Ayre Cycle Track	172,000	172,000		0	0	0	0	0	0	
	Salt Ayre Building Works	78,000	78,000		0	0	0	0	0	0	
	Salt Ayre Athletics Track Security Fencing	0	0		0	20,000	0	0	0	20,000	
	Salt Ayre Poolside Seating Project	35,000	35,000		0	0	0	0	0	0	
	Salt Ayre Reception Refurbishment	0	0		0	40,000	0	0	0	40,000	
	Williamson Park Developments (See Toilets Cabinet Report)	0	0		0	75,000	0	0	0	75,000	
	Happy Mount Park Natural Adventure (subject to funding confirmation)	0	0		99,000	0	0	0	0	99,000	
	The Platform Improvements (Subject to business case)	0	0		108,000	0	0	0	0	108,000	
	The Dome (Demolition)	0	0		85,000	0	0	0	0	85,000	
Econ Devt and Tourism	Port of Heysham Site 4 Access Improvements	29,000	29,000		2,000	0	0	0	0	2,000	
	Port of Heysham Sites 1&4 (Clawback Provision)	0	0		328,000	0	0	0	0	328,000	
	EDZ-4/5 Dalton Square	20,000	20,000		0	0	0	0	0	0	
	Lancaster Science Park (Subject to Cabinet report)	0	0		2,802,000	7,219,000	7,219,000	0	0	17,240,000	
	Storey Institute Centre for Industries	2,958,000	2,958,000		0	0	0	0	0	0	
	Carnforth Market Town Initiative	154,000	154,000		0	0	0	0	0	0	
	Lancaster Hub TIC Refurbishment	120,000	120,000		0	0	0	0	0	0	
	Dukes Theatre Refurbishment (Feasibility)	29,000	29,000		0	0	0	0	0	0	
	Winter Gardens Morecambe (Feasibility)	378,000	378,000		0	0	0	0	0	0	
	Harbour Band Arena Works	226,000	226,000		0	0	0	0	0	0	
	Financial Services	Finance Replacement Ledger System	17,000	17,000		0	0	0	0	0	0
	Health and Strategic	Mellishaw Park Improvements Scheme	166,000	166,000		0	0	0	0	0	0
		Housing	Disabled Facilities Grants	907,000	907,000		653,000	0	0	0	653,000
	Housing	Acquisition of Land at Clarendon Road East	70,000	70,000		0	0	0	0	0	0
		District Wide Home Assistance	26,000	26,000		48,000	30,000	20,000	0	0	98,000
Primrose Street Group Repairs / Renovation		151,000	151,000		0	0	0	0	0	0	
Euston Road Group Repairs		240,000	240,000		0	0	0	0	0	0	
Individual Property Renovation Grants		144,000	144,000		0	0	0	0	0	0	
Chatsworth Road Scheme (subj. to Cabinet report)		0	0		0	0	0	0	0	0	
Bold Street Renovation Scheme		150,000	150,000		0	0	0	0	0	0	
Clarendon Road Car Park		112,000	112,000		0	0	0	0	0	0	
Clarendon/West End Road Rear Yard Wall		80,000	80,000		0	0	0	0	0	0	
Marlborough Road Demolition		18,000	18,000		0	0	0	0	0	0	
Marlborough Road Adactus Project		323,000	323,000		0	0	0	0	0	0	
Adactus Top-Up Grants, including West End Flats		258,000	258,000		0	0	0	0	0	0	
Public Realm Works (Safer Stronger Communities Funding)		137,000	137,000		0	0	0	0	0	0	
Other Private Housing (Unallocated Funding; subject to Cabinet Report)		70,000	70,000		0	0	0	0	0	0	
Cemetery Paths Improvements		18,000	18,000		0	0	0	0	0	0	
YMCA Places of Change		750,000	750,000		750,000	0	0	0	0	750,000	
Information & Customer Services		I.T. Infrastructure	77,000	77,000		15,000	0	15,000	15,000	25,000	70,000
		I.T. Application Systems Renewal	40,000	40,000		64,000	200,000	120,000	100,000	0	484,000
		I.T. Desktop Equipment	116,000	116,000		30,000	87,000	87,000	87,000	82,000	373,000
Planning Services		Computer Room: Air Conditioning & Fire Detection	2,000	2,000		0	0	0	0	0	0
	Morecambe Coast Protection: Scheme 6	232,000	232,000		0	0	0	0	0	0	
Planning Services	Beach Monitoring	3,000	3,000		16,000	0	0	0	0	16,000	
	Sunderland Point Resilience Measures	5,000	5,000		0	0	0	0	0	0	
	Strategic Monitoring (River & Sea Defences)	128,000	128,000		130,000	123,000	0	0	0	253,000	
	Mill Head Warton (Flood Defences)	243,000	243,000		35,000	0	0	0	0	35,000	
	Wave Reflection Wall Study	20,000	20,000		0	0	0	0	0	0	
	Wave Reflection Wall Refurbishment (Subj. to Env. Agency approval)	0	0		510,000	510,000	0	0	0	1,020,000	
	Morecambe Strategy Study (Sea Defences)	0	0		33,000	0	0	0	0	33,000	
	Artle Beck Improvements (Flood Defences)	0	0		109,000	0	0	0	0	109,000	
	Cycling England	412,000	412,000		350,000	350,000	0	0	0	700,000	
	Luneside East - Land Acquisition & Associated Fees	317,000	317,000		371,000	0	0	0	0	371,000	
	Luneside East Compensation Claims	160,000	160,000		290,000	0	0	0	0	290,000	
	Middleton Wood	4,000	4,000		0	0	0	0	0	0	
	EDZ-Cycling and Walking Network	167,000	167,000		0	0	0	0	0	0	
	Morecambe Townscape Heritage Initiative (THI)	400,000	400,000		0	0	0	0	0	0	
	Fisherman's Square Improvements	92,000	92,000		0	0	0	0	0	0	
	Poulton Pedestrian Route	0	0		0	160,000	0	0	0	160,000	
	Christmas Lights Renewals	35,000	35,000		0	31,000	0	0	0	31,000	
	Morecambe Promenade Frontage	0	0		0	40,000	0	0	0	40,000	
	Bike It - Links to Schools	140,000	140,000		0	0	0	0	0	0	
	Denny Beck Bridge Improvements	0	0		0	139,000	0	0	0	139,000	
Morecambe THI 2 : A View For Eric	0	0		1,653,000	0	0	0	0	1,653,000		
Property Services	St George's Quay - Heritage Lighting	18,000	18,000		0	0	0	0	0	0	
	Car Park Improvement Programme	86,000	86,000		0	50,000	0	0	0	50,000	
	Customer Service Centres	29,000	29,000		0	0	0	0	0	0	
	Fire Safety Works	60,000	60,000		0	0	0	0	0	0	
	St Leonards House Electrics	112,000	112,000		0	0	0	0	0	0	
	Other Corporate and Municipal Building Works	412,000	412,000		1,871,000	1,656,000	1,156,000	459,000	0	5,142,000	
	Carnforth CCTV	0	0		0	50,000	0	0	0	50,000	
Revenues Services	Energy Efficiency Schemes	20,000	20,000		20,000	20,000	20,000	0	80,000		
	Electronic Document Mgmt & Workflow System	17,000	17,000		0	0	0	0	0	0	
GENERAL FUND CAPITAL PROGRAMME		11,653,000	11,653,000		10,372,000	10,960,000	8,697,000	681,000	107,000	30,817,000	
Financing :											
	Usable Capital Receipts	599,000	599,000		4,296,000	2,341,000	1,408,000	631,000	107,000	8,783,000	
	Revenue Financing	523,000	523,000		350,000	275,000	70,000	50,000	0	745,000	
	Underlying Increase in Unsupported Borrowing	1,811,000	1,811,000		-1,401,000	0	0	0	0	-1,401,000	
	Grants and Contributions	8,720,000	8,720,000		7,127,000	8,344,000	7,219,000	0	0	22,690,000	
TOTAL FINANCING		11,653,000	11,653,000		10,372,000	10,960,000	8,697,000	681,000	107,000	30,817,000	
Annual Surplus/Shortfall (-)		0	0		0	0	0	0	0	0	
Cumulative Surplus/Shortfall (-)		0	0		0	0	0	0	0	0	



POLICY AND FINANCIAL PLANNING
CAPITAL INVESTMENT STRATEGY
- EXTRACT



7 DRAFT CAPITAL INVESTMENT PRIORITIES

In line with the Council's core values, priorities and associated targets, capital investment for the period to 2014 will be focused into delivering the Council's seven corporate objectives (*updated*).

In determining priorities where funding is limited, then preference will be given to those schemes that contribute to delivering the agreed high priorities for capital investment, as set out below:

- Delivering the Council's Economic Vision as set out in the Economic Regeneration Strategy
- Delivering improvements for Cleaner Streets and the Public Realm
- Completion of the phased implementation of the Recycling and Waste Management Strategy
- Delivering schemes that support the Council's Climate Change agenda
- Developing further the district's Cycling Infrastructure
- Delivering the City Council's obligations in the Sustainable Community Strategy, Community Safety Partnership, the LSP's other related Building Block partnerships, and the county wide Lancashire Local Area Agreement.
- ~~Delivering improvements to Neighbourhood Management~~ (assumed to be deleted, given no direct capital investment proposals have been identified)
- Progressing the priorities within the Council's agreed Housing Strategy and in particular, in meeting the 'Lancaster' Standard in the provision of Council Housing, in line with the 30-Year Business Plan.
- Refurbishment/ replacement of existing property or facilities required to deliver existing service levels, or to achieve key performance targets as set out in the Corporate Plan or Corporate Property Strategy, or to meet other legislative requirements.
- New (or the expansion of existing) facilities, where they link clearly with the draft Corporate Plan and they are either :
 - at least self financing (both in revenue and capital terms) or
 - invest to save proposals that require some up front capital investment but would generate cashable (and where possible, non-cashable) ongoing revenue savings. As a general guide, payback should be achievable in the medium term, up to 5 years, but longer payback periods may be considered should circumstances warrant it.

PRUDENTIAL INDICATORS - LANCASTER CITY COUNCIL

		2009/10 £'000	2010/11 £'000	2011/12 £'000
AFFORDABILITY				
PI 1:	Estimates of ratio of financing costs to net revenue stream			
	Non - HRA	12.3%	11.5%	10.2%
	HRA	8.5%	8.1%	7.8%
	Overall	11.1%	10.4%	9.4%
PI 2:	Actual ratio of financing cost to net revenue stream	Reported after each financial year end		
PI 3:	Estimates of impact of Capital Investment decisions on the Council Tax	£10.67	£8.51	£5.56
	This includes the impact of all elements of funding, including any increase in the need to borrow, required to finance new schemes added to the Capital Programme	5.99%	4.78%	3.12%
PI 3A:	Illustrative Impact of Additional Borrowing £1 million	Repayment Period		
		5 Years	10 Years	25 Years
	Increase in Council Tax (£)	£4.93	£2.73	£1.54
	Increase in Council Tax (%)	2.66%	1.47%	0.83%
PI 4:	Estimates of impact of Capital Investment on Housing Rents	Nil	Nil	Nil
PRUDENCE				
PI 6:	Estimates of capital expenditure			
	Non - HRA	10,372	10,960	8,697
	HRA	3,547	3,546	3,477
	Total	13,919	14,506	12,174
PI 7:	Actual capital expenditure	Reported after each financial year end		
PI 8:	Estimates of Capital Financing Requirement			
	Non - HRA	27,709	26,259	25,065
	HRA	15,303	15,303	15,303
	Total	43,012	41,562	40,368
PI 9:	Actual Capital Financing Requirement	Reported after each financial year end		
PI 10:	Authorised Limit			
	Authorised Limit for Borrowing	51,310	51,310	51,310
	Authorised Limit for Other Long Term Liabilities	290	290	290
	Authorised Limit for External Debt	51,600	51,600	51,600
PI 11:	External Debt: Operational Boundary	43,800	43,800	43,800
PI 12:	Actual external debt	Reported after each financial year end		
TREASURY MANAGEMENT				
PI 13:	Treasury Management: adoption of CIPFA code of Practice	The Council adopted the CIPFA code of Practice for Treasury Management at its meeting on the 13th March 2002.		
PI 14:	Fixed Interest Rate Exposure			
	The Authority will limit its exposure to fixed interest rate costs to the amounts payable on the following amount of outstanding debt.	£50m	£50m	£50m
PI 15:	Variable Rate Interest Rate Exposure			
	The Authority will limit its exposure to variable interest rate costs to the amounts payable on the following amount of outstanding debt.	£15m	£15m	£15m
PI 16:	Maturity Structure of Borrowing			
	Upper and Lower Limits			
	Under 12 months	0% to 35%	0% to 35%	0% to 35%
	12 months and within 24 months	0% to 20%	0% to 20%	0% to 20%
	24 months and within 5 years	0% to 20%	0% to 20%	0% to 20%
	5 years and within 10 years	0% to 20%	0% to 20%	0% to 20%
	10 years and above	60% to 100%	60% to 100%	60% to 100%
	Maturity Profile of Current Outstanding Debt			
	Under 12 months	0%	0%	0%
	12 months and within 24 months	0%	0%	0%
	24 months and within 5 years	0%	0%	0%
	5 years and within 10 years	0%	0%	0%
	10 years and above	100%	100%	100%
PI 17:	Investments for periods longer than 364 days			
	The Authority will not invest for periods of longer than 364 days.	Nil	Nil	Nil

**Council Tax Collection Fund Surplus
as at 15 January 2009**

<u>Bad Debts Provision Summary</u>		£'000
Bad Debts Provision balances :	Pre Yr. 2000	359
	2000/01	76
	2001/02	183
	2002/03	235
	2003/04	412
	2004/05	289
	2005/06	279
	2006/07	47
	2007/08	102
	2008/09	386
	TOTAL	<u>2,368</u>
Reduction due to reassessment of arrears		<u>(35)</u>
Required Bad Debt Provision		<u><u>2,333</u></u>

<u>Collection Fund Balance Summary</u>		£'000
Actual Deficit as at 1st April 2008		11
Movement to 31st December 2008		<u>102</u>
Deficit as at 31st December 2008		113
Other Estimated Movement on Fund for the Year (previous year trends)		(78)
Reassessment of Bad Debts Provision (see above)		<u>(35)</u>
Total Balance for Distribution		<u><u>0</u></u>

PROVISIONS AND RESERVES STATEMENT : For consideration by Cabinet 17 February 2009

PROVISIONS

	31/03/08	Contributions to Provision	Contributions from Provision	31/03/09
	£	£	£	£
B&D Debts-General Fund	439,393			439,393
Provision for Stock Write Off	26,729			26,729
Derelict Land Clawback	56,932			56,932
Equal Pay Provision	300,000			300,000
Insurance Excess	246,345	100,000		346,345
Vehicle Provision	94,998		-94,998	0
Williamson Park	0	100,000		100,000
	1,164,398	200,000	-94,998	1,269,400

RESERVES

	31/03/08	Contributions to Reserve	Contributions from Reserve	31/03/09	Contributions to Reserve	Contributions from Reserve	31/03/10	Contributions to Reserve	Contributions from Reserve	31/03/11	Contributions to Reserve	Contributions from Reserve	31/03/12
	£	£	£	£	£	£	£	£	£	£	£	£	£
Access to Services	151,017	59,500	-71,100	139,417			139,417			139,417			139,417
Allotment Improvements	5,660	3,200	-2,000	6,860	3,200		10,060	3,200		13,260	3,200		16,460
Building Regulation Account	12,405		-12,405	0			0			0			0
Business Continuity	100,000		-40,000	60,000			60,000			60,000			60,000
Business Development Scheme	32,160		-32,160	0			0			0			0
Capital Support	1,231,690		-762,700	468,990			0			0			0
City Lab	0	25,000	-25,000	0	48,200		23,200	31,500		54,700	34,900		89,600
Cohesion (subj. to Cabinet item 170209)	0	26,000		26,000			26,000			26,000			26,000
Concessionary Travel	224,080		-224,080	0			0			0			0
Customer First	50,000			50,000			50,000			50,000			50,000
Every Child Matters	0	47,700	-22,700	25,000			20,000			0			0
Emergency Planning	47,134		-47,134	0			0			0			0
Graves Maintenance	22,201			22,201			22,201			22,201			22,201
HMO Registration Fees	20,785			20,785			20,785			20,785			20,785
Homelessness Support	50,000	25,000	-75,000	0			0			0			0
Homeworking/Hotdesking	0	45,000	-45,000	0			0			0			0
Insurance	100,000		-100,000	0			0			0			0
Job Evaluation (use subject to Fairpay outcome)	718,325		-63,300	655,025			642,025			642,025			642,025
Keller Road	9,500		-9,500	0			0			0			0
Marsh Capital	47,677			47,677			47,677			47,677			47,677
Modernising Local Govt.	21,465		-21,465	0			0			0			0
Open Spaces Commuted Sums	276,121	80,500	-60,100	296,521			236,421			176,321			118,521
Other Commuted Sums	118,200	16,000	-91,200	43,000			0			0			0
Planning Delivery Grant	261,929		-185,100	76,829			17,029			29			29
Priv.Hsg-Rental Deposit Guarantee	2,000			2,000			2,000			2,000			2,000
Project Implementation (subj. Cabinet item 170209)	224,000		-27,100	196,900			196,900			196,900			196,900
Renewals (all services)	320,142	247,000	-267,900	299,242	129,000		305,142	129,000		335,142	129,000		394,842
Restructuring	0	945,800		945,800			945,800			945,800			945,800
Risk Management	35,583	5,400		40,983	10,000		50,983	10,000		60,983	10,000		70,983
Smartcard Replacement Reserve	32,000		-32,000	0			0			0			0
Smokefree Legislation	6,898		-6,898	0			0			0			0
	4,120,972	1,526,100	-2,223,842	3,423,230	190,400		2,815,640	173,700		2,793,240	177,100		2,843,240
General Fund Unallocated Reserve	2,888,366		-1,697,000	1,191,366			1,000,066			1,000,066			1,000,066

Page 38 PROVISIONAL SAVINGS & GROWTH

For Consideration by Cabinet 17 February 2009

(Note that this is subject to the consideration of other items elsewhere on the agenda)

	2008/09 £000	2009/10 £000	2010/11 £000	2011/12 £000
BUDGET PROJECTIONS : Per Budget Report to Cabinet 20 January		25,701.0	27,040.0	27,987.0
ADDITIONAL BASE BUDGET ADJUSTMENTS:				
Additional Government Grant (LABGI)	-344.4			
Review of Provisions & Reserves	+344.4	-27.7	+15.0	
Early Repayment of Capital Related Debt, & Review of Investment Interest		-103.0	-72.0	+8.0
Reassessment of Fuel Costs & Inflation		-40.0	-40.0	-40.0
Concessionary Travel : Updated Usage / Inflation Forecasts		-43.0	-31.0	-105.1
Assumed Increase in Pension Costs - Employer Contribution Rates				+320.0
Other Base Budget Adjustments		-163.1	-54.9	-56.9
UPDATED BASE BUDGET PROJECTIONS	0.0	25,324.2	26,857.1	28,113.0
TARGET REVENUE BUDGET (for a 4% increase in basic Council Tax, assumed year on year)		23,999.0	24,712.0	25,383.0
SAVINGS REQUIREMENT TO ACHIEVE A 4% COUNCIL TAX		1,325.2	2,145.1	2,730.0
Provisional Savings (see schedule below)		-1,386.5	-1,203.2	-1,540.0
Provisional Growth (see schedule below)		61.3	30.1	30.9
Net Total		-1,325.2	-1,173.1	-1,509.1
REMAINING SAVINGS REQUIREMENT		0.0	972.0	1,220.9

PROVISIONAL BUDGET PROPOSALS TO DATE:

SAVINGS :	NOTES	-1,386.5	-1,203.2	-1,540.0
Corporate				
Management Restructure (gross saving, before consideration of one-off costs)	Report (post Budget)	-50.0	-50.0	-50.0
Amendments re Capital projects funded by Revenue		-179.0	+179.0	-139.0
Removal of 2009/10 Inflation increase (general supplies and services)		-50.0	-50.8	-51.6
Conferences & Seminars : 50% Cut for all Services		-5.2	-5.4	-5.5
Democratic Services				
Democratic & Member Support : Printing & Stationery		-7.1	-7.2	-7.3
Member Development / Training / Conferences		-6.7	-6.9	-
Civic & Ceremonial Savings	17 Feb Cabinet - up to...	-6.6	-6.7	-6.8
Withdrawal of Special Responsibility Allowance (for Group Leaders & Administrators)		-6.3	-6.4	-6.5
Corporate Strategy				
Service Restructure		-30.0	-30.6	-31.2
Communications : Marketing Review	Report (post Budget)	-30.0	-50.0	-50.0
Additional Advertising Income - withdrawal of free advertising for LSP (District Council Matters)		-2.0	-2.0	-2.0
Information & Customer Services				
IT Desktop & Telephony : Use of multi-functional devices (MFD's) / Mobile Phone savings		-13.0	-15.0	-15.0
Revenue Services				
Council Tax & Housing Ben Admin : Staffing Restructure		-53.7	-55.9	-57.2
Benefits Staffing Reduction		-50.8	-53.7	-55.3
CC(D)S				
Waste Collection : Increase charge for Bulky Matters		-11.0	-11.2	-11.4
KIMO Subscription		-1.7	-1.7	-1.7
Finance/Admin/Depot/Stores : VMU Reduction in establishment		-10.1	-10.3	-10.5
Street Cleansing : Cease funding of 4 Environmental PCSOs		-49.9	-50.1	-50.3
Public Conveniences	17 Feb Cabinet	-80.0	-82.0	-84.0
Other Grounds Maintenance (Member Recommendation c£8.9 per year)	17 Feb Cabinet (Officer Recs)	-43.6	-44.3	-46.5
Reduction in Building Cleaning Service		-24.0	-24.4	-24.8
Cultural Services				
Venues & Events : Withdrawal from Youth Games (2010/11 onwards)	09 Dec Cabinet	-	-8.0	-12.0
Salt Ayre	17 Feb Cabinet (Officer Recs)	-119.0	-120.8	-122.6
Community Pools	17 Feb Cabinet (Officer Recs)	-	-111.4	-112.6
Festivals Innovation Fund		-26.9	-32.4	-33.0
Reduction in support for FIF Events		-30.0	-50.0	-50.0
Env Health & Strat Hsg				
Reduction in Dog Warden Service (linking management with Pest Control)		-15.7	-15.9	-16.1
Fees & Charges - Cemeteries (Exclusive Right of Burial - EROB)	20 Jan Cabinet	-15.0	-15.0	-15.0
Fees & Charges - Pest Control	20 Jan Cabinet	-6.0	-6.0	-6.0
Other Fees & Charges - 5% increase	20 Jan Cabinet	-16.0	-16.0	-16.0
Grounds Maintenance : Cemeteries		-8.8	-8.9	-9.0
Planning Services				
Achievement of Break-even for Building Control (reduction in staffing / increase in fees)		-143.4	-138.7	-137.2
Property Services				
Discontinuation of distribution to Members : Provisional		-	-9.0	-9.0
Community Transport : Introduction of Flat Fee, but based on 50% reduction in budget (as cap)		-78.0	-82.0	-86.0
Concessionary Travel: Estimated savings from Renegotiation of Reimbursement Rates		-134.0	-134.0	-134.0
Venue Hire to break even		-10.0	-10.0	-10.0
Econ. Dev. & Tourism				
Removal of 2008/09 Growth (Regeneration Staffing)		-19.0	-	-
SUPPORT TO OUTSIDE BODIES				
Officer Recommendations per Cabinet Report	17 Feb Cabinet	-54.0	-59.5	-64.9
Further Savings as recommended by Cabinet		?	?	?
PROVISIONAL GROWTH :		+61.3	+30.1	+30.9
Democratic Services	Lancaster Town Hall Centenary (costs and funding to be determined)			
	17 Feb Cabinet	-	-	-
Legal & HR	Land Charges : Voluntary registration with Land Registry	+8.0	-	-
	HR Advice & Support : Increased Occ Health advice	+6.1	+6.4	+6.7
Env Health & Strat Hsg	Continuation of Memorial Safety Programme (to be cost neutral)			
	17 Feb Cabinet	-	-	-
CC(D)S	Schools Recycling	+7.0	+7.2	+7.4
Property Services	Facilities Management : Energy Performance Certificates	+16.2	+16.5	+16.8
Financial Services	Parish Financial Arrangements Review	+24.0	-	-
SAVINGS PROPOSALS TO BE TAKEN FORWARD DURING 2009/10 FOR FUTURE YEARS' BUDGETS		-	-	-
Corporate				
Management Restructure (gross saving, before consideration of one-off costs)		-	?	?
Support Services Review		-	?	?
Cultural Services	Museum Partnership efficiency savings	-	?	?
Planning Services	Implications of Pitt Report (Flood Defence)	-	?	?
Property Services	Facilities Management	-	?	?

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

For Consideration by Cabinet 17 February 2009

	2008/09 Estimate £000	2009/10 Projection £000	2010/11 Projection £000	2011/12 Projection £000
Original Revenue Budget Projection	23,211	24,726	25,925	0
Projection per MTFS Review November 2008	23,211	25,831	27,200	0
Base Budget Amendments :				
Changes resulting from Budget review to February 2009	+235	-524	-482	+28,045
Savings & Growth Proposals :				
Growth		+61	+30	+31
Savings		-1,390	-1,206	-1,543
Remaining Savings Requirement		+0		
Change in Contributions to (+) / From (-) Balances	-235	+21	+142	+71
Latest Revenue Budget Projection	23,211	23,999	25,684	26,604
Provisional Government Support	15,523	15,994	16,377	16,705
Collection Fund Deficit / (-) Surplus	+0	+0	+0	+0
Amount met by Council Tax	7,688	8,005	9,307	9,899

Latest Tax Base Estimates	43,150	43,200	43,250	43,300
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COUNCIL TAX IMPLICATIONS :

Band D Basic Council Tax (across district)	£178.17	£185.31	£215.19	£228.62
Percentage Increase Year on Year	4.6%	4.0%	16.1%	6.2%

As Compared with:

Original Projections	£201.43	£219.24
	13.1%	8.8%
MTFS Original Targets	£185.30	£192.70
	4.0%	4.0%

Assumed Target Year on Year Basic Council Tax Increase	In % terms	4.0%	4.0%	4.0%
	In £ terms (Band D)	£7.14	£7.41	£7.71
Target Basic City Council Tax Rate across the District		£185.31	£192.72	£200.43
Budget assumptions to achieve these targets:		£'000	£'000	£'000
Current Revenue Budget Projection (from above table)		23,999	25,684	26,604
Net Growth (+) / Savings (-) Requirement		+0	-972	-1,221
Target Revenue Budget Requirement		23,999	24,712	25,383

The above net savings requirements would need to be increased to cover any additional growth proposals.

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

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

Report of Corporate Director (Regeneration)

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

- (1) That Members support, in principle, the future delivery of a “new-build” Exemplar scheme at Chatsworth Gardens, in line with the development process that the City Council has been party to, on the proviso that HCA provide sufficient funding to secure the developer, Places for People, signing a Development Agreement which will contribute £1,239,300 to acquisition costs, and that HCA also provide interim support for the £1,379,000 capital receipts monies which will result from the City Council undertaking its best endeavours “to dispose of assets currently held by the City Council, which are “outside” of the Exemplar Scheme”.

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

That Members support, in principle, the future delivery of a "new-build" Exemplar scheme at Chatsworth Gardens, in line with the development process that the City Council has been party to, on the proviso that HCA provide sufficient funding to secure the developer, Places for People, signing a Development Agreement which will contribute £1,239,300 to acquisition costs, and that HCA also provide interim support for the £1,379,000 capital receipts monies which will result from the City Council undertaking its best endeavours "to dispose of assets currently held by the City Council, which are "outside" of the Exemplar Scheme".

Table 1 – Financial Costs

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.

<u>Capital Costs</u>	(£)
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
<u>Revenue Costs</u>	
CPO Legal Advice	49,200
Property Holding Costs	148,200
Delivery Team	150,600
Total Revenue Costs	348,000
<u>GRAND TOTAL</u>	<u>4,161,300</u>

Table 2 - Funding

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

Operational Risk	Financial Risk	Legal Risk	Benefits
The City Council must ensure the effective property management of all the properties currently acquired as	Subject to all appropriate funding being in place to acquire the remaining properties, a robust	The City Council must ensure that it has robust legal arrangements in place to ensure the	The City Council is seen to be proactive with the community and its funders to finding a

<p>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).</p>	<p>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.</p> <p>As an interim provision, funds will need to be made available to cover the 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>	<p>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.</p>	<p>positive solution in current economically challenging times.</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</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</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</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>

<p>put in place to assure the on-going safety of the public and buildings.</p>	<p>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 programmes, particularly with the threat of "Critchell Down" (see legal risk).</p>	<p>project (see legal advise, Appendix A). 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>	
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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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