



LANCASTER
CITY COUNCIL

Promoting City, Coast & Countryside

COUNCIL MEETING

Wednesday, 3 March 2010

2.00 p.m.

Morecambe Town Hall

Mark Cullinan,
Chief Executive,
Town Hall,
Dalton Square,
LANCASTER



LANCASTER CITY COUNCIL

Promoting City, Coast & Countryside

Sir/Madam,

You are hereby summoned to attend a meeting of the Lancaster City Council to be held in the Town Hall, Morecambe on Wednesday, 3 March 2010 commencing at 2.00 p.m. for the following purposes:

1. **APOLOGIES FOR ABSENCE**

2. **MINUTES**

To receive as a correct record the Minutes of the Meeting of the City Council held on 3rd February, 2010 (previously circulated).

3. **DECLARATIONS OF INTEREST**

4. **ITEMS OF URGENT BUSINESS**

5. **ANNOUNCEMENTS**

To receive any announcements which may be submitted by the Mayor or Chief Executive.

6. **QUESTIONS FROM THE PUBLIC UNDER COUNCIL PROCEDURE RULE 11**

To receive questions in accordance with the provisions of Council Procedure Rules 11.1 and 11.3 which require members of the public to give at least 3 days' notice in writing of questions to a Member of Cabinet or Committee Chairman.

7. **PETITIONS AND ADDRESSES** (Page 1)

To receive an Address from Denis Buczynski, notification of which has been received by the Chief Executive in accordance with the Council's Constitution. A copy of Mr Buczynski's address is attached. The Leader/Cabinet Member will respond.

ITEMS DEFERRED FROM LAST MEETING

8. **NOTICE OF MOTION - GRITTING OPERATIONS** (Pages 2 - 4)

To consider the following motion submitted by Councillors Melanie Forrest, Jude Towers, Morgwn Trolinger, John Whitelegg:

"This council congratulates the hard working staff that undertook gritting operations over the Christmas New Year period. Council notes that for many residents especially the elderly and those with mobility difficulties the conditions on footpaths and pavements were very difficult indeed and led to severe inconvenience, injury and isolation.

Bearing in mind these difficulties experienced by thousands of our residents and taxpayers and bearing in mind that resource constraints do not allow for every path to be gritted by council staff, Lancaster City Council requests that the Lancashire County Council take the following actions to reduce these severe problems in the future:

- Provide a comprehensive network of grit bins throughout the district and ensure they are filled before the start of the winter gritting period.
- Put in place arrangements to deal with telephone and e-mail requests to fill the bins on a regular basis during the winter gritting period so that no bin is left empty for more than 24 hours
- Prepare advice on how best to use the gritting supplies and how to keep paths and pavements clear.”

An Officer Briefing Note is attached to the Agenda.

9. **AMENDMENT TO THE SCHEME OF DELEGATION (APPLICATIONS UNDER THE PUBLIC ORDER ACT 1986)** (Pages 5 - 6)

To consider the report of the Monitoring Officer.

10. **LEADER'S REPORT**

The Leader will report on the proceedings since the last meeting of Council.

MOTIONS ON NOTICE

11. **NOTICE OF MOTION - COMMUNITY POOLS** (Page 7)

To consider the following motion, submitted by Councillors Robinson, Sowden and Woodruff:

‘This Council considers that the decision to give 12 months notice to the County Council to terminate the contract to manage the three Community Pools in Heysham, Carnforth and Hornby, is tantamount to the closure of the aforementioned Community Pools.

This Council, therefore, resolves that the earmarked savings for the financial years 2011-2012 and 2012-2013 be rescinded and the funding for the three Community Pools restored.’

An Officer Briefing Note is attached to the Agenda.

12. **NOTICE OF MOTION - COMMUNITY POOLS 2** (Pages 8 - 9)

To consider the following motion submitted by Councillors Mace, Thomas and Bray:

“That Council endorses its policy of participating in the Community Swimming Pools Partnership Agreement with the County Council and resolves to discuss further with the County Council the options offered by the County Council to enable the City Council to make savings conditional upon keeping open the the Community Swimming Pools for Community use.”

An Officer Briefing Note is attached to the Agenda.

REPORTS REFERRED FROM CABINET, COMMITTEES OR OVERVIEW AND SCRUTINY

13. **2010/11 BUDGET AND POLICY FRAMEWORK - GENERAL FUND REVENUE BUDGET AND CAPITAL PROGRAMME** (Pages 10 - 50)

To consider the recommendations of Cabinet from its meeting on 16th February 2010.

Appendix A and A (i) are exempt papers which are for information purposes and can be found at the back of the Agenda.

14. **TREASURY MANAGEMENT FRAMEWORK 2010/11** (Pages 51 - 70)

To consider the recommendations of Cabinet from its meeting on 16th February 2010.

OTHER BUSINESS

15. **COUNCIL TAX 2010/11** (Pages 71 - 77)

To consider the report of the Head of Financial Services.

16. **QUESTIONS UNDER COUNCIL PROCEDURE RULE 12.2**

To receive questions in accordance with the provisions of Council Procedure Rules 12.2 and 12.4 which require a Member to give at least 3 working days notice, in writing, of the question to the Chief Executive.

17. **MINUTES OF CABINET** (Pages 78 - 161)

To receive the Minutes of the meetings of Cabinet held on 8th December 2009 and 19th January 2010 which were deferred from the last meeting of Council and the Minutes of Meeting held on 16th February, 2010.

EXEMPT PAPERS FOR INFORMATION (Pages 162 - 175)



.....
Chief Executive

Town Hall,
Dalton Square,
LANCASTER,
LA1 1PJ

Published on, Tuesday 23rd February, 2010.

Address to Council on 3rd March 2010 by Denis Buczynski - Lancaster Markets Tenants Association

Closure of Lancaster Market and tenants and traders to be served with Notices to Quit.

- (1) Thank Council for the opportunity to speak.
- (2) Express the devastation and despair felt by Tenants by this announcement and outline the effects that closure of the Market Hall will have on Tenants and their staff.
- (3) Report on the reaction and disbelief of the public to the announcement and their willingness to sign a petition to Save Lancaster Market.
- (4) Ask Councillors to reject this proposal and to begin to develop a new approach to the financial problems related to the running of the Market Hall. Report that tenants are willing to explore innovative solutions and want to work in partnership with Lancaster City Council to bring about a viable Market Hall for the benefit of the people of Lancaster.
- (5) Request that should Council decide to close the Market Hall (despite our appeal and the public petition) that more realistic options for relocation or compensation for long standing tenants and traders be seriously considered. The financial problems associated with the head lease that Lancaster City Council holds with Allied cannot be laid at the door of the traders in the Market Hall. Natural Justice surely should not allow for them to be the victims. Council has the opportunity to reject this proposal before the potential for matters to get worse is a reality.

Thank Council for listening to this address.

BRIEFING NOTE- Motion to full Council- Grit Bins

As the highways authority Lancashire County Council are responsible for winter maintenance of adopted highways and pavements across the entire county. Therefore, the majority of information provided within this note has been taken from either briefings issued by the County Council or directly from County Council officers.

BACKGROUND

Lancashire like the rest of the region recently faced some of the most sustained periods of very bad winter weather for around 30 years.

The weather made a huge demand on salt supplies, despite the plans made by the County Council last year to prepare for the then likely winter weather. To make sure the county kept moving operations were prioritised. This meant that all A and B roads plus a proportion of other important "main" roads were salted. As was the case with other local authorities the County Council were not able to treat side roads, pavements or fill grit bins. This is a situation which is kept under regular review.

The County Council did review their general policy after last year's winter and concluded that broadly it was robust and generally effective. This policy has worked in the sense that at no time has the County Council failed to keep key routes open.

Lancashire has one of the largest gritting operations in the UK which comprises 150 trained drivers, 48 frontline gritters, 16 reserve vehicles which are called into use in extreme conditions. The network currently treated as a priority amounts to 2,350 km.

The total length of roads in Lancashire is 7,000km and, in addition, there are over 13 million square metres of pavements and footways. Despite the resources available, it is simply not possible to treat all roads and footways in the kind of extreme weather we recently experienced. The kind of infrastructure that would be needed to treat everywhere would mean Lancashire required at least three times the amount of vehicles, staff and buildings as well as a corresponding increase in the amount of salt. This would mean a significant increase in budget and council tax at a time when local people are already facing difficult financial times. It is also the case that the investment would be unused most normal years.

The County Council treats 35% of roads as a top priority. Not only is this a higher proportion than other councils in the UK, the county has more roads than most other councils.

Through the County Council website and other media residents were urged to think about whether they should travel and to offer help to any vulnerable neighbours, friends and family.

GRIT BINS

Essentially the motion is to request that the county council replenishes grit bins throughout the winter period.

How comprehensive is the grit bin network currently?

Lancaster district currently has about 240 grit bins and a small number of salt heaps in rural areas.

Under 'normal' circumstances what is the specification for filling grit bins?

Under normal circumstances salt bins would be refilled with dry salt after the first reports of empty bins started being received – this would be done by a general run round of all bins when there was spare labour or by individual filling of reported bins if the labour was scarce.

Why weren't empty bins filled during the recent period of snow and ice?

The salt stock is managed to ensure that the priority routes are kept open. This means that there is no salt available to fill salt bins –all the salt currently in the depots could be used many times over just filling each grit bin once, leaving nothing for the priority routes.

What are the financial and operational implications of this proposal ?

Each additional 100 bins would have the following impacts:

Purchase + placement £350 x 100= £35,000

Initial filling and refilling £75-150/bin depending on location = £7,500-15,000

Total estimated additional cost to place 100 bins = £42,500-50,000 + £7500-15000 for refilling + costs for bin maintenance.

In practice, filling and maintaining a large number of grit bins would divert highway staff and financial resources away from other, possibly more important, duties. The recent prolonged event has shown that it is sometimes necessary to sacrifice lower priorities in order to meet the higher priorities, and this will always be the case. A similar request has been received from most districts in Lancashire, and it is unlikely that additional resources will be available from County budgets in future years to meet the cost of these requests. On balance, the proposal may only become practical if district councils support the initiative with financial and staff resources.

From experience, a large proportion of the salt in bins is likely to be used on private areas and not for the benefit of highway users. For example, if additional salt is required for the treatment of footways and minor roads, a more effective answer would be to hold stockpiles of salt specifically for footways to be applied by hand by provided through diverting City Council staff from their normal work. If the City Council was willing to treat this as mutual aid under the public realm agreement, the salt would be more likely to be applied where it was required and at the correct time. However, if salt is in short supply, priority routes would always take precedence.

COMMENTS FROM HEAD OF CITY COUNCIL (DIRECT) SERVICES

During the recent period of bad weather as part of our ongoing formal highways maintenance contractual arrangements several CC(D)S staff were deployed to drive gritting vehicles for the County Council. Remaining highways maintenance staff were directed by the County Council to undertake various winter maintenance works, as per our contractual agreement. For the first time in nearly 30 years two days of waste collection were lost to the weather. On both these occasions many staff decided to take annual leave. On the first occasion remaining staff were diverted on an ad hoc basis to clear snow in Lancaster, Morecambe and Carnforth town centres. On the second occasion the few remaining staff cleared the depot to help ensure operational vehicles were able to access the highway. The cleansing operation continued throughout and reverted to a much more labour intensive manual operation which focussed on emptying litter bins, litter picking and cleansing town centres. Many grounds maintenance staff had already taken annual leave the remainder were mainly deployed on winter maintenance of Council open space and contractual works.

Were the City Council to consider the suggestion by the County Council of introducing a formalised policy of diverting staff from their normal work to hand grit footways etc much consideration would have to be given as to whether and how this would actually work in

practice. Eg which footways would be priority? What equipment would be required? What would be the operational implications of diversion? How serious would the weather conditions be if staff were diverted? Would the grit actually be available or would it end up having to be diverted.

The fundamental question which needs considering both nationally and locally is what frequency of severe winter weather is it reasonable to plan for and how flexible should plans be to escalate. It is understood that County are proposing to set up a task group to debrief on what happened this time, what lessons can be learned and presumably as a result what changes to make to existing plans and operations.

For the City Council the issue is how far would we want to contribute to the County agenda and to what extent should the City Council make provision on its own land eg cemeteries, parks, car parks.

**HEAD OF CITY COUNCIL (DIRECT) SERVICES
19/01/2010**

SECTION 151 OFFICER'S COMMENTS

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

MONITORING OFFICER'S COMMENTS

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

COUNCIL

**AMENDMENT TO THE SCHEME OF DELEGATION
(APPLICATIONS UNDER THE PUBLIC ORDER ACT 1986)
3rd February 2010
Report of the Monitoring Officer**

PURPOSE OF REPORT

To report an amendment to the Scheme of Delegation to Council in accordance with Rule 1.4 of the Cabinet Procedure Rules, in order for Council to approve the appropriate amendment to the Scheme of Delegation to Officers in Part 3 Section 15 of the Constitution.

This report is public

RECOMMENDATIONS

(1) That the Scheme of Delegation in Part 3 Section 15 of the Constitution be amended to reflect the Cabinet delegation to the Chief Executive of authority to make application to the Home Secretary for consent to make an Order under the Public Order Act 1986 in response to an application from the Chief Constable, and to make the appropriate Order following the receipt of the Home Secretary's consent.

1.0 Introduction

- 1.1 By an Individual Cabinet Member Decision of the 10th December 2009, the Cabinet Scheme of Delegation was amended to authorise the Chief Executive to make application to the Home Secretary for consent to make an Order under the Public Order Act 1986 in response to an application from the Chief Constable, and to make the appropriate Order following the receipt of the Home Secretary's consent.
- 1.2 The Police have powers at common law and under the Public Order Act 1986 to deal with public disorder and the threat of public disorder. However, in extreme cases, the Chief Constable may have occasion to apply to the district council for an order prohibiting public processions or trespassory assemblies. Before making such an Order, the Council must obtain the consent of the Home Secretary.
- 1.3 Whilst this situation will be extremely rare, if the need for an application arises, it will by its very nature need to be dealt with promptly. The Head of the Lancashire Constabulary's Legal Department recently asked the district councils within Lancashire to review their procedures to ensure that they would be in a position to react quickly to such an application. The Individual Cabinet Member decision came about as a result of this request, and it was felt that the delegation to the Chief Executive was consistent with his other emergency responsibilities.

2.0 Proposal Details

2.1 As the delegation is of an executive function, it must be reported to Council for inclusion in the Scheme of Delegation to Officers in Part 3 Section 15 of the Constitution.

3.0 Details of Consultation

3.1 The delegation arose from a meeting between the Head of the Lancashire Constabulary's Legal Department and representatives of the district councils in Lancashire.

4.0 Options and Options Analysis (including risk assessment)

4.1 There are no options. The delegation of an executive function is simply being reported for inclusion in the Constitution.

5.0 Conclusion

5.1 Council is asked to amend the Scheme of Delegation to Officers in Part 3 Section 15 of the Constitution accordingly.

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

None directly arising from this report. However, with regard to the substance of the delegation, it is in the interests of Community Safety for the police and Council to work together to ensure a proper use of the available powers under the Public Order Act 1986. In considering any application from the Chief Constable for an Order, the human rights implications will be fully considered and balanced against the general public interest.

FINANCIAL IMPLICATIONS

There are no financial implications arising directly from this report.

SECTION 151 OFFICER'S COMMENTS

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

LEGAL IMPLICATIONS

The legal implications are included in the report.

MONITORING OFFICER'S COMMENTS

The report has been prepared by the Monitoring Officer, as the officer responsible for recommending changes to the Constitution.

<p>BACKGROUND PAPERS</p> <p>None</p>	<p>Contact Officer: Mrs S Taylor Telephone: 01524 582025 E-mail: STaylor@lancaster.gov.uk Ref:</p>
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**BRIEFING NOTE TO ACCOMPANY THE FOLLOWING MOTION FOR COUNCIL
- 03 MARCH 2010**

'This Council considers that the decision to give 12 months notice to the County Council to terminate the contract to manage the three Community Pools in Heysham, Carnforth and Hornby, is tantamount to the closure of the aforementioned Community Pools.

This Council, therefore, resolves that the earmarked savings for the financial years 2011-2012 and 2012-2013 be rescinded and the funding for the three Community Pools restored.'

Submitted by Councillors Robinson, Sowden and Woodruff

Cabinet, at its meeting on the 16 February 2010, resolved, amongst other things that:

Cabinet notes the desire of the Overview and Scrutiny Committee that 'a suitable agreement is obtained from Lancashire County Council to take over community swimming.' Cabinet believes that its original decision is the best way to achieve this aim and notes the progress already made in discussions with the County Council. Therefore, in order to achieve its objective of the maintenance of the community swimming pool service within the district, Cabinet reaffirms its original decision; and that the City Council issues the necessary 12 months notice to terminate the partnership agreement with the County Council, from 1 April 2010.

Cabinet gave the following as its reason for making the decision:

The decision allows the City Council to negotiate with the County Council in an effort to reduce the City Council contribution to swimming, particularly in terms of school swimming.

Section 151 Officer Comments

As set out above, the decision to terminate the existing agreement regarding Community Pools was reaffirmed by Cabinet at its meeting on 16 February.

In line with that decision the base revenue budgets have been reduced accordingly, for years 2011/12 and 2012/13. This is in line with how the budget should be prepared, as set out within the Medium Term Financial Strategy document and as referred to within the Council's Financial Regulations.

The above motion seeks to reinstate the budgets at previous levels. Whilst this could be done, it is important to recognise that this would not reverse the decision already taken by Cabinet. In effect, unless there was a change arising from further Cabinet consideration of the matter, then savings would accrue anyway in the years affected. As such, it would not represent good practice in terms of financial planning.

Monitoring Officer Comments

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

**Mark Cullinan
Chief Executive
24 February 2010**

**BRIEFING NOTE TO ACCOMPANY THE FOLLOWING MOTION FOR COUNCIL
- 03 MARCH 2010**

"That Council endorses its policy of participating in the Community Swimming Pools Partnership Agreement with the County Council and resolves to discuss further with the County Council the options offered by the County Council to enable the City Council to make savings conditional upon keeping open the the Community Swimming Pools for Community use."

Submitted by Councillors Mace, Thomas and Bray

Community Pools

The position of Lancaster City Council in respect of community pools is as set out in the Minutes of the Cabinet meeting held on the 16 February 2010, which resolved, amongst other things:

- (1) *That Cabinet notes the desire of the Overview and Scrutiny Committee that 'a suitable agreement is obtained from Lancashire County Council to take over community swimming.' Cabinet believes that its original decision is the best way to achieve this aim and notes the progress already made in discussions with the County Council. Therefore, in order to achieve its objective of the maintenance of the community swimming pool service within the district, Cabinet reaffirms its original decision; and*
- (2) *That the City Council issues the necessary 12 months notice to terminate the partnership agreement with the County Council, from 1 April 2010.*

Cabinet gave the following as its reason for making the decision:

The decision allows the City Council to negotiate with the County Council in an effort to reduce the City Council contribution to swimming, particularly in terms of school swimming.

The officer preferred option remains unchanged from that stated in the original report to Cabinet of the 19 January 2010 and which was reaffirmed in the referral report to Cabinet of the 16 February, in that:

The City Council's position is that, providing school swimming facilities are not a statutory requirement nor are they within discretionary priorities, the report identifies that, with regards community swimming, there are alternatives available. In light of this, officers recommend that the partnership with Lancashire County Council is terminated and the pools are handed back to the County Council,

Partnership Working with the County Council

Also at the 16 February meeting, Cabinet considered progress on partnership working between the City Council and County Council and resolved, amongst other things:

That officers continue developing partnership opportunities for achieving service improvements and efficiencies as set out in section 3 of the report with a view to reporting back to a future meeting of Cabinet as appropriate.

Cabinet gave the following as its reason for making the decision:

Much work has been undertaken in identifying and developing opportunities that would see the Lancaster District benefit from shared services/joint working with partner organisations. Proceeding with the programme of opportunities so far identified is likely to offer realistic choices for the Cabinet to achieve further improvements and efficiencies to help the council meet the challenges and financial targets that it will face in the immediate future and beyond.

Officers of the City Council and County Council continue to meet to take forward partnership work on the following issues, including community pools:

- Facilities management
- Shared accommodation
- ICT and customer services
- Payroll
- Streetscene/highways/grounds maintenance : covered by the County
- Land drainage
- Children and young people
- Museums
- Community pools
- Economic development and regeneration/Science Park

Section 151 Officer Comments

The S151 Officer has been consulted and has no comments to add.

Monitoring Officer Comments

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

Mark Cullinan
Chief Executive
24 February 2010

COUNCIL**2010/11 Budget and Policy Framework -
General Fund Revenue Budget and Capital Programme****03 March 2010****Report of Cabinet****PURPOSE OF REPORT**

To present Cabinet's budget proposals in order that the City Council can approve the 2010/11 Revenue Budget and Capital Programme in accordance with statutory deadlines and the framework previously approved by Members, and approve the Council's future financial strategy for the medium term.

This report is public, with the exceptions of Appendices A and A(i), which are exempt by virtue of paragraph 3 of Schedule 12a of the Local Government Act 1972.

Appendices A and A(i) are for information purposes only and can be found at the end of the Agenda.

RECOMMENDATIONS:

1. That the City Council's 2009/10 Revised Budget of £24.046M be approved, with the net overspending of £47K being met from Balances.
2. That the City Council's 2010/11 General Fund Revenue Budget of £24.740M be approved, together with the supporting proposals as set out at Appendices B to E.
3. That the Medium Term Financial Strategy covering both revenue and capital investment, and as set out at Appendix F, be approved.
4. That the Capital Programme as set out at Appendix G be approved, together with the supporting Prudential Indicators at Appendix H.
5. That Council notes the Section 151 Officer's advice regarding robustness of budget estimates, the adequacy of reserves and balances and the affordability of borrowing.

1 INTRODUCTION

- 1.1 At Cabinet on 16 February Members reconsidered their General Fund budget proposals; those items requiring Council approval are reflected in the recommendations above. It should be noted that some specific issues were considered as separate items by Cabinet and therefore at the time of producing this report, they were still subject to call-in.

- 1.2 For the Housing Revenue Account (HRA), the budget and rent setting exercise was completed at the Council meeting held on 03 February and therefore there are no specific recommendations contained within this report regarding council housing.
- 1.3 With regard to the Corporate Plan, proposals for the specific targets and outcomes to be considered for each corporate priority will be finalised after Council has approved the detailed proposals of the Revenue Budget and Capital Programme included in this report. Final recommendations relating to the Corporate Plan will therefore be presented to the next Council meeting, scheduled in April.
- 1.4 Supporting information in connection with Cabinet's budget proposals is outlined in the following sections. In addition Members are requested to refer to earlier Cabinet reports for additional information as appropriate.

2 **2009/10 GENERAL FUND REVENUE BUDGET UPDATE**

- 2.1 At the last meeting Members considered the position regarding the current year's budget but given the uncertainties surrounding Icelandic investments at the time the report was produced, no firm recommendations were made regarding the revised position.
- 2.2 A capitalisation directive has now been received from Government, however, and this provides a way forward in managing the estimated additional potential losses associated with not gaining priority creditor status for claims against Glitnir. Landsbanki claim assumptions could change in future, but they will be formally reviewed again at outturn.
- 2.3 As such, the revised budget for 2009/10 remains at £24.046M and it is proposed that the net overspending of £47K be met from surplus balances. Whilst corporate financial monitoring information indicates a comparatively small net underspending against the proposed revised budget, there are still various budgetary uncertainties that may impact on outturn. Importantly though, there is no further net overspending forecast at this point.
- 2.4 There is only one other item highlighted that may result in further potential spending in the current year, that being the proposal for Lancaster Market. Details of this are set out in the attached **exempt Appendix A**. At the February Cabinet meeting Members resolved, subject to call-in:
 - (1) *That approval be given to a letting of the Market Hall, Lancaster, to a single retailer on the basis set out in the report, subject to the revenue and capital implications identified within the report being approved by full Council as part of the 2010/11 budget process. Such report (to full Council) to include a cash flow forecast.*
 - (2) *That, subject to that approval by full Council, in order to facilitate the letting to a single retailer, whether in accordance with the proposal in recommendation (1) or to any alternative single trader should that proposal fail to materialise, approval be given to serve notices to terminate the leases/licences to existing market traders.*
 - (3) *That subject to recommendation (1) being approved, further reports be made on the staffing implications of operating the markets.*
 - (4) *That the opportunity to increase the number of days on which the Charter Market operates be investigated.*

(5) *That subject to recommendation (1) being approved, in accordance with the council's Financial Regulations, approval be given to an exception to the Contract Procedure Regulations to enable the appointment of Cushman Wakefield to undertake the design/project management work on the Market Hall building.*

2.5 The cash flow forecast referred to in resolution (1) above is now included at **exempt Appendix A(i)**. Whilst the proposals impact mainly in 2010/11 and beyond, potentially there could be a small amount of expenditure incurred in the current year. A separate potential source of financing has been identified, however, and therefore either way, the Market proposals would have no bearing on the recommendations for the 2009/10 Revised Budget.

3 **2010/11 GENERAL FUND REVENUE BUDGET PROPOSALS**

3.1 In line with the resolutions of the last Council meeting, updated revenue proposals for 2010/11 have been prepared as set out at **Appendix B**. These take account of various base budget adjustments as well as many other specific budget proposals considered by Members.

3.2 Also the Collection Fund position has now been reviewed indicating that overall the Fund is in surplus, of which £19K is attributable to the City Council. This too has been taken account of in Cabinet's budget proposals.

3.3 The most significant changes to the budget proposals since the February Council meeting relate to the following:

- a £20K reduction in the Budget Requirement, to tie in with a 3.75% increase in Council Tax;
- removal of the proposed £111K growth to acquire a vehicle tracking system for the refuse collection service;
- the addition of more minor growth, to reinstate previous funding levels for Countryside Projects and the Areas of Outstanding National Beauty (AONBs);
- the inclusion of various base budget changes and other relatively minor changes to savings proposals;
- and finally, and perhaps most significantly, the inclusion of the Lancaster Market proposals referred to earlier, albeit that the up front costs would be funded from monies held within the Capital Support Reserve. The balance on this had previously been earmarked for any additional liabilities arising in connection with Luneside East; this is considered later within section 5 of this report.

3.4 In terms of savings and growth, the items reported into Council in February amounted to a £131K net reduction for 2010/11. As a result of the changes highlighted above, the new savings and growth proposals result in a reduction of £223K, but with much greater impact in subsequent years. Given the financial pressures facing the Council, the overall aim of this budget exercise has been to reduce net spending on an ongoing basis and it must be recognised that future savings cannot be achieved through efficiency measures alone. The savings and growth proposals set out at Appendix B should be considered with this in mind.

3.5 Taking account of all the above, the budget proposals are now based on a £120K contribution to Balances in 2010/11. This would result in estimated Balances being

that much above their minimum level as at the end of March 2011. The existing Medium Term Financial Strategy (MTFS) does not provide specifically for the application of such surplus balances. In effect, assuming no further overspending arises in the current year, these monies would be available for Council to allocate in due course, as part of future MTFS reviews or budget processes. Updated statements on all provisions and reserves are included at **Appendices C and D**.

- 3.6 Council is now recommended to approve the schedule of budget proposals as set out in the appendices. This would result in a net General Fund Revenue Budget (excluding parish precepts) of £24.740M as shown also at **Appendix E**, representing a 3.1% or £741K increase in net revenue spending. This ties in with a 3.75% increase in the basic City Council Tax Rate, excluding parish precepts, as agreed at the last Council meeting. The actual Band D Tax rate payable has now been confirmed as £192.25, representing a cash increase of £6.94. The year on year % increases referred to are the figures that the Secretary of State is expected to review when considering capping. Recommendations regarding the full Council Tax charges for the district are included later on the agenda.

4 PROSPECTS FOR FUTURE YEARS

- 4.1 Indicative revenue spending and Council Tax forecasts for 2011/12 and 2012/13 have been reported and updated on an ongoing basis during the budget process. The latest projections are also included at **Appendix E** and are summarised below:

	Revenue Budget Projections (allowing for savings & growth)			Council Tax Projections	
	Net Budget	Annual Increase	Assumed Contribution from Balances	Average Band D Tax Rate	Annual Increase (YOY)
	£000	%	£000		%
2011/12	24,938	0.8	--	£208.32	8.4
2012/13	25,292	1.4	--	£227.18	9.1

- 4.2 Importantly, the above figures include the savings from Community Pools and Lancaster Market. In February Cabinet reaffirmed its decision to terminate the existing Pools management agreement with the County Council and therefore this saving is now included within the base budget. Clearly though the Lancaster Market proposal is still subject to Council approval and it is therefore included within Cabinet's specific budget proposals.

- 4.3 As a result of these key items and other savings, future years' budget forecasts are much more manageable than has previously been the case. Nonetheless, other work has been done in analysing the drivers behind future years' budget increases. For 2011/12, the Council Tax forecast is influenced by:

- Funding assumptions for concessionary travel. As the future responsibilities for this function and any associated funding transfers have not been resolved, at present the draft net budgets for 2011/12 onwards assume that the £690K additional grant awarded for next year will remain as a one-off. The actual outcome could be better or worse for the Council.
- The cost of City Council elections, estimated at around £150K.

- 4.4 In addition, the current projections for 2011/12 and 2012/13 assume a 3% year on year cash reduction in Government support and unfortunately this has offset many of the savings approved earlier during the budget. Had this not changed, the Council's financial outlook would have been much better.
- 4.5 It is also recognised though that the Council is still facing other key challenges and issues and these should be progressed during the next year or so. These include:
- further review of the pay and grading structure
 - any changes to prospects for recovery of Icelandic investments
 - Luneside East, Chatsworth Gardens & other potential regeneration plans
 - pension costs
 - wider organisational review of Council services, and any accommodation plans.
- 4.6 Coupled with the above, future prospects for the UK economy as a whole will have a major bearing, as may Government priorities.
- 4.7 Notwithstanding the progress that has been made during this budget exercise, based on current forecasts there is still a way to go and many uncertainties to be resolved 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. There is a consistent message regarding the bleak outlook for public finances and Council is advised not to assume that financial prospects will improve without some difficult decisions being needed.
- 4.8 Given this context, at this time Council is recommended to approve a 3.75% target increase for Council Tax in years 2010/11 and 2011/12, and these have been incorporated into the updated Medium Term Financial Strategy (MTFS) set out at **Appendix E**, as well as the other appendices. In considering the Strategy for revenue planning, the following points are highlighted:
- The proposal represents a small reduction in the previous 4% year on year target increase. The resulting new net savings requirements (over and above current budget proposals) would be:

2011/12:	£385K
2012/13:	£881K
 - A number of actions to generate savings from 2011/12 onwards are included at the bottom of Appendix E. This includes decisions such as the termination of the Museums Partnership, which will be reflected within the savings and efficiency programme for 2011/12 onwards.
- 4.9 It can be seen from the attached MTFS that it now incorporates both revenue planning and capital investment for General Fund as the two are intrinsically linked. The Strategy also includes information on the key strategic and financial risks that Cabinet has considered in formulating its budget and planning proposals.
- 4.10 Once approved, the Strategy and associated projections 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.

5 GENERAL FUND CAPITAL PROGRAMME

- 5.1 With regard to the current year's programme, a review of all capital schemes has now been undertaken. After allowing for various changes and estimated slippage,

the exercise has resulted in a revised Gross Programme totalling £11.4M for 2009/10. Taking account of the capitalisation directive and slippage on other schemes, this year's programme assumes a £1.842M increase in the underlying need to borrow, also known as the Capital Financing Requirement (CFR).

- 5.2 The proposed programme for the current year is included at **Appendix F**. It is highlighted that the appendix includes two versions of the programme. The first 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. The second sheet shows the Net Capital Programme that focuses on only the City Council's own contributions to schemes. The first sheet also includes a small summary statement on capital receipts.
- 5.3 With regard to future years, previously Members have approved a number of principles to be followed in determining capital investment plans. In line with these, a balanced programme for the five-year period to 2014/15 is also set out at **Appendix F** for Council's consideration. The proposed programme stands at £29.4M and the key changes made since the last Council meeting include the following:
- Unfortunately the funding bid to the North West Development Agency (NWDA) regarding the Townscape Heritage Initiative 'A view for Eric' has been unsuccessful. The outline scheme and its financing assumptions have therefore been removed from the draft programme; alternative options are now being explored for consideration by Members in due course.
 - Whilst the Council has received its allocation of Regional Housing Pot (RHP) funding, it has still not yet received notification of the funding available for Disabled Facilities Grants. On the basis that the Council would wish to consider various options for allocating RHP monies, the draft programme does not now include any specific proposals. Cabinet will receive a separate report in due course on this matter to determine the detailed allocations.
 - The Lancaster Market proposal would involve a re-fit of the property in order to make it suitable for a single trader. The estimated costs of this have been included, together with the funding assumptions as outlined in the attached report. In effect this would be an invest to save scheme, with the financing costs more than offset by the estimated savings in future years.
 - The proposal to acquire a vehicle tracking system for the refuse collection service has been removed, together with its associated revenue financing.
 - Additional contributions totalling £180K have been taken from the Renewals Reserve, in order to balance the Programme.
- 5.4 In Council considering the proposals for next year onwards, the basic funding assumptions are now as follows:
- A £591K reduction in the underlying need to borrow (or CFR).
 - £9.590M of applied capital receipts over the period, with £1.7M required in 2010/11. None of this total has been received as yet. The risks attached have been well documented, in particular regarding land at South Lancaster.
 - £628K funding from reserves over the period.
 - £19.747M funding from grants and contributions.

- 5.5 In terms of managing the financing risks, the existing investment strategy makes provision for allowing *essential* works to progress before programmed financing is in place. Furthermore it is proposed that this arrangement be used to provide funding for any liabilities arising from the outcome of the Lands Tribunal for Luneside (see comments below).
- 5.6 There are 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, although only limited funds are still available within the Capital Support Reserve to help cover any additional liabilities arising. In the event that this proves insufficient, the Council would have no option other than to meet such liabilities from an increase in its underlying borrowing assumptions and this has been provided for within the Council's borrowing limits and prudential indicators. That said, very recent information indicates that a favourable outcome to the preliminary issues considered by the Lands Tribunal is likely, but this is still subject to detailed consideration and any appeals. The determination of these issues will introduce some clarity in assessing the final settlement of the compensation claims submitted to the Tribunal, and any resulting financing requirement. It is also reiterated that the draft programme still does not include any budget provision for resolving future development of the site. Options around this are still being assessed, centred around further external funding bids.
 - ii. The draft programme makes no provision for any new Access to Services developments, any Chatsworth Gardens scheme, nor does it have any general provision to facilitate other schemes, e.g. Square Routes. Other resources would need to be identified should there be any match funding requirements.
 - 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 and any developments associated with The Platform, as examples.
- 5.7 Overall the draft programme allows for some limited new investment in various facilities and regeneration continues to form a key part, although this relies heavily on external funding. The Council is still ambitious and this continues to reflect in its appetite for bidding for external funding, albeit that the availability for such sources has tightened recently with strong competition being demonstrated. Invest to save schemes are gaining prominence in the Council's spending plans; this fits with proposed priorities and the Council's financial prospects.
- 5.8 The capital investment elements of the MTFs have been updated to reflect all of the above and this is incorporated at **Appendix E** for consideration. In addition, the Council's Prudential Indicators have been updated to reflect the draft capital position and these are attached at **Appendix G**.

6 CONCLUSION

This report outlines the actions proposed to complete the budget setting process for 2010/11 and to set the financial planning framework for the medium term. The proposals fit with recent development of priorities and whilst they involve some difficult decisions, they would enable the Council to be better placed to face up to financial challenges expected in future years, in striving to achieve a sustainable budget position.

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 places 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 details of this advice, together with the risks and assumptions underpinning the budget process. A summary is provided below for information. In addition the legislation requires that the Council should have regard to the s151 officer’s report, hence the recommendation.

The s151 Officer is also responsible for ensuring that when setting and revising Prudential Indicators, which include borrowing limits and relate mainly to capital investment plans, all matters to be taken into account are reported to Council for consideration.

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.
- Unallocated balances of at least £1M for General Fund are reasonable levels to safeguard the Council’s overall financial position. £1M represents about 4% of the General Fund Net Revenue Budget. This advice regarding unallocated balances is dependent upon other provisions and reserves remaining broadly at proposed levels, unless a specific service policy change indicates otherwise.

Robustness of Estimates

A variety of exercises have been undertaken to establish a robust budget for the forthcoming year, as reported previously. These measures ensure that as far as is practical at this stage, the estimates and assumptions underpinning the revenue budget are robust.

Other key areas of risk are highlighted in the body of the report and specifically in Appendix F.

Affordability of Spending Plans

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, local 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 of £591K in the underlying need to borrow (or CFR) over the period from 2010/11 to 2014/15, but with an increase of £1.842M in the CFR for 2009/10. These projections take account of the capitalisation directive to help manage currently estimated losses in Icelandic investments and the invest to save proposal for Lancaster Market. As far as possible, measures have been taken to reduce other capital investment, in recognition of the pressures facing the Council. That said, it is acknowledged that some degree of supported borrowing may be unavoidable to address Municipal Building Works as an example. 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.

LEGAL IMPLICATIONS

Legal Services have been consulted and there are no legal implications arising directly from 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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SUMMARY BUDGET POSITION

APPENDIX B

INCLUDING PROPOSED SAVINGS & GROWTH

For Consideration by Council 03 March 2010

Original Revenue Budget Projection (Per Budget Council 04 March 2009)

BUDGET PROJECTIONS AS AT FEBRUARY 2010

Cabinet 16 February 2010 :

- Termination of Community Pools Agreement (reaffirmed - not subject to call-in)
- Morecambe Meteorological Station (subject to call-in)
- Revenues and Benefits Management Services (subject to call-in)

BASE BUDGET PROJECTIONS

TARGET REVENUE BUDGET (for a 3.75% year on year increase in basic Council Tax)

SAVINGS REQUIREMENT

- Proposed Savings (see schedule below)
- Proposed Growth (see schedule below)

Net Total

CONTRIBUTION TO GENERAL FUND BALANCES

REMAINING SAVINGS REQUIREMENT

2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000
23,999.0	25,765.0	26,685.0	0.0
23,999.0	24,905.9	26,165.7	26,563.6
-	-	-147.4	-150.5
-	-1.5	-1.5	-1.5
-	-61.5	-91.5	-91.3
23,999.0	24,842.9	25,925.3	26,320.3
	24,740.0	24,552.0	24,411.0
	-102.9	-1,373.3	-1,909.3
	-472.3	-1,027.2	-1,067.4
	+249.4	+38.9	+39.1
	-222.9	-988.3	-1,028.3
	+120.0	-	-
	0.0	385.0	881.0

BUDGET PROPOSALS:

PROPOSED SAVINGS, LINKED TO EFFICIENCY & SAVINGS PROGRAMME	SERVICE	NOTES	-472.3	-1,027.2	-1,067.4
Commissioning & Procurement					
Future Provision of Toilets (Subject to capital growth)	CC(D)S	Cabinet 10 Nov 09	-	-5.0	-21.0
Procurement savings - agency staffing	Corporate	Operational	-20.0	-20.4	-20.8
Procurement savings - printing and stationery	Corporate	Operational	-10.0	-10.2	-10.4
Customer Services - Customer Insight / Office Equipment	Community Engagement	Operational	-6.5	-6.6	-6.7
IT - Telephone / Printing and copying equipment	IS	Operational	-24.0	-34.0	-34.7
Software / Banking Savings	Financial Services	Operational	-30.5	-31.1	-31.7
Lancaster Market - net of contribution from Capital Support Reserve	Property Services	Cabinet 16 Feb 10	+0.0	-374.0	-374.1
Charging for Services					
Revenues Recovery of Legal Costs	Revenue Services	Operational	-127.7	-130.2	-132.8
Business Process Re-engineering					
Co-Mingling for recycling	CC(D)S	Operational	-245.1	-403.9	-423.1
Staffing savings from minor restructure	Financial Services	Operational	-2.5	-2.6	-2.7
Increased use of BACS (withdrawal of cheque payments)	Financial Services	Operational	-6.0	-9.2	-9.4

PROPOSED GROWTH, LINKED TO CORPORATE PRIORITIES	SERVICE	NOTES	+249.4	+38.9	+39.1
Economic Regeneration					
Countryside Projects	Regeneration & Policy	Cabinet 16 Feb 10	+3.2	+3.3	+3.4
Arnsdale / Silverdale AONB	Regeneration & Policy	Cabinet 16 Feb 10	+2.7	+2.8	+2.9
Forest of Bowland AONB	Regeneration & Policy	Cabinet 16 Feb 10	+0.8	+0.8	+0.8
Chatsworth Gardens	Regeneration & Policy	Cabinet 19 Jan 10	+60.0	-	-
Morecambe Area Action Plan	Regeneration & Policy	-	+155.0	-	-
Roman Bath House & Vicarage Field	Property Services	Cabinet 19 Jan 10	+17.7	+2.0	+2.0
Partnership Working					
Allotments	Community Engagement	Cabinet 06 Oct 09	+8.0	+8.0	+8.0
Fairfield Association Urban Nature Area	Property Services	Cabinet 08 Dec 09	+2.0	+2.0	+2.0
Statutory Services					
Climate Change Initiatives	Community Engagement	Cabinet 10 Nov 09	-	+20.0	+20.0

PROPOSALS TO BE TAKEN FORWARD DURING 2010/11 (for future years)

SAVINGS :	SERVICE				
Business Process Re-engineering / Procurement					
Senior Management Restructure : Net Savings	Corporate	Cabinet 16 Feb 10	-	?	?
Museums Service : Following termination of agreement	Community Engagement	Cabinet 19 Jan 10	-	-	?
Review of Payroll Administration following Fair Pay	Corporate	-	-	?	?
Review of Car Allowances	Corporate	-	-	?	?
Information Services Restructure	Information Services	-	-	?	?
GROWTH :					
Statutory Services					
Municipal Buildings Repairs / Facilities Management	Property Services	Cabinet 19 Jan 10	-	?	?



LANCASTER CITY COUNCIL
Promoting City, Coast & Countryside

Provisions and Reserves Policy

(Details of General Fund Items)

March 2010

Provisions & Reserves Policy

1. Legislative/Regulatory Framework

- 1.1 The requirement for financial reserves is acknowledged in statute. Sections 32 and 43 of the Local Government Finance Act 1992 require billing and precepting authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.
- 1.2 There is also a requirement reinforced by section 114 of the Local Government Finance Act 1988 which requires the chief financial officer to report to all the authority's councillors if there is or is likely to be unlawful expenditure or an unbalanced budget. This would include situations where reserves have become seriously depleted and it is forecast that the authority will not have the resources to meet its expenditure in a particular financial year.
- 1.3 Furthermore, sections 26 and 27 of the Local Government Act 2003 set out the requirements regarding the determination of minimum levels of controlled reserves (i.e. currently unallocated balances), and actions required should they fall below such minimum levels.
- 1.4 A key element contained within the Use of Resources assessment criteria is Financial Standing; the authority must be able to demonstrate that "The Council monitors and maintains its level of reserves and balances within the range determined by its agreed policy".

2. Role of the Chief Financial Officer

- 2.1 Within the existing statutory and regulatory framework, it is the responsibility of the Chief Financial Officer (at Lancaster this is the Head of Financial Services) to advise local authorities about the level of reserves that they should hold and to ensure that there are clear protocols for their establishment and use.
- 2.2 For clarity, within the legislation the minimum level of any reserve is not quantified, and it is not considered appropriate or practical for the Chartered Institute of Public Finance and Accountancy (CIPFA), or other external agencies, to give prescriptive guidance on the minimum, or maximum, level of reserves required either as an absolute amount or a percentage of the budget.

3. Purpose of Reserves and Balances

- 3.1 Reserves and balances can be held for three main purposes:
 - A working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing – this forms part of what is commonly referred to as 'general balances';
 - A contingency to cushion the impact of unexpected events or emergencies – this also forms part of 'general balances';
 - A means of building up funds, commonly referred to as earmarked reserves, to meet known or predicted liabilities.
 - 3.2 For each earmarked reserve held by a local authority there should be a clear protocol setting out:
 - The reason for/purpose of the reserve;
 - How and when the reserve can be used;
 - Procedures for the reserve's management and control; and
 - A process and timescale for review of the reserve to ensure continuing relevance and adequacy.
-

4. Principles to Assess Adequacy

- 4.1 Setting the level of reserves and balances is just one of several related decisions in the formulation of the medium term financial strategy and the budget for a particular year. Account should be taken of the key financial assumptions underpinning the budget alongside a consideration of the authority's financial management arrangements. In addition to the cash flow requirements of the authority the following factors should be considered:

Budget Assumptions

- The treatment of inflation and interest rates
- Estimates of the level and timing of capital receipts
- The treatment of demand led pressures
- The treatment of planned efficiency savings/gains
- The financial risks inherent in any significant new funding partnerships, major outsourcing arrangements or major capital developments
- The availability of other funds to deal with major contingencies and the adequacy of provisions

Financial Standing and Management

- The overall financial standing of the authority (level of borrowing, debt outstanding, council tax collection rates, etc.)
 - The authority's track record in budget and financial management including the robustness of the medium term financial plans
 - The authority's capacity to manage in-year budget pressures
 - The strength of the financial information and reporting arrangements
 - The authority's virement and end of year procedures in relation to budget under/over spends at authority and departmental level
 - The adequacy of the authority's insurance arrangements to cover major unforeseen risks.
- 4.2 The minimum level of general reserves which is considered appropriate for the Council is reviewed annually as part of the budget process and Medium Term Financial Strategy. At present, the minimum level of general reserves is set at £1 million for the General Fund and £350K for the Housing Revenue Account.
- 4.3 A review of the level of earmarked reserves is undertaken generally as part of the annual budget preparation and as part of the closure of accounts process.
- 4.4 The Council's external auditors recommend the use of a risk based approach when setting the level of reserves. As far as reasonably practical this approach is used, although for many reserves the balance is being held to meet a specific budgeted need, or alternatively future spending needs can be restricted to tie in with monies available. For others, whilst the risk of financial liabilities arising is acknowledged, it may be impossible to assess accurately (or quantify) the financial risks involved, and the balances of such reserves are determined initially based on informed judgement. Their future levels will be further reviewed as more information becomes available.

5. Reporting Framework

- 5.1 The level and utilisation of reserves will be determined formally by the Council, informed by the advice and judgement of the Head of Financial Services.
- 5.2 The Council's annual budget report includes a statement showing the estimated opening general fund balances for the year ahead, the addition to/withdrawal from balances, and the estimated end of year balance. A statement is also included commenting on the adequacy of general balances and provisions in respect of the forthcoming financial year and the authority's medium term financial strategy.
- 5.3 Similarly, a statement is also included, as part of the budget report, identifying earmarked reserves, the opening balances for the year, planned additions/withdrawals and the estimated closing balance.
-

6 Provisions & Reserves Protocol : General Fund

Reserve	Purpose	How and When Used	Procedures for management and control	Timescale for review
CAPITAL RESERVES				
Marsh Capital	The monies held in this reserve came from the proceeds of land sold at Willow Lane on the Marsh, as set out by the Lancaster Corporation Act 1900. The Act determines that the interest generated on this reserve be applied in perpetuity to the payment to the freemen of the City.	Investment interest generated on the reserve is used to make the annual payments to the freemen of the City.	Financial Services	Outturn
Capital Support	To support the financing of the capital programme and revenue elements of capital schemes, where applicable.	Between 2009/10 to 2010/11, to help fund the Capital Programme, in particular Luneside, and the revenue implications for the Lancaster Market single trader proposal.	Financial Services	Budget & Outturn, & mid-year MTFS review.
REVENUE RESERVES				
Access to Services	To finance smaller scale accommodation works (one-off costs), on the basis that the wider plans will not be taken forward at present.	Contributions to the reserve to be approved by Cabinet. Use of the reserve to be determined by Access to Services Board, in conjunction with the Head of Financial Services. There are no funds available after 31 March 2010 – reserve to close.	Financial Services	Budget & Outturn
Allotment Improvements	To improve allotments across the district.	To be applied as determined by the Head of Community Engagement and in accordance with budget proposals.	Community Engagement / Financial Services	Budget & Outturn
Building Regulations	This is a statutory reserve to which the annual surplus or deficit on the Building Control Account is transferred. In addition, the reserve may be used to finance expenditure which will make the Building Control function more efficient.	The surplus or deficit on the Building Control Account is appropriated to/from the reserve at the end of each financial year. In addition, it may be used to finance specific one-off Building Control expenditure, with Head of Financial Services approval (to reflect statutory usage), or with Cabinet approval for recurring items.	Regeneration & Policy / Financial Services	Budget & Outturn

Reserve	Purpose	How and When Used	Procedures for management and control	Timescale for review
Business Continuity	To provide funding to ensure Business Continuity Plans can be effectively actioned as and when required (one-off costs).	Any contributions to reserve to be approved by Cabinet. Use of the reserve to be determined by Board, in conjunction with the Head of Financial Services.	Health & Strategic Housing / Financial Services	Budget & Outturn
City Lab	Surpluses on the operation of the building to be used to support any future losses / economic development in the district.	Contributions to and from the reserve to be approved by Cabinet.	Regeneration & Policy / Financial Services	Budget & Outturn
Community Cohesion Reserve	Currently unallocated.	There are no funds available after 31 March 2010 – reserve to close.	Community Engagement / Financial Services	Budget & Outturn
Revenue Support	To cover potential additional costs arising regarding Concessionary Travel, Fairpay (including ongoing costs), and building works that cannot fall as capital.	Annual contributions to be made into the reserve from 2009/10 onwards. Use of reserve to be agreed with Head of Financial Services and reported through quarterly financial monitoring.	Financial Services	Budget & Outturn, & Quarterly monitoring
Customer First	To cover one-off costs associated with the approved roll out and integration of Customer Services.	There are no funds available after 31 March 2010 – reserve to close.	Community Engagement / Financial Services	Budget & Outturn
Every Child Matters	To support Council input and any responsibilities in connection with Every Child Matters (one-off costs).	Reserve supporting Play Schemes in 2009/10 and Diversionary Activities in 2010/11. There are no funds available after 31 March 2011 – reserve to close.	Community Engagement / Financial Services	Budget & Outturn
HMO Registration Fees	This is a mandatory scheme which is required to be self funding over a five year period.	Surpluses generated at the start of the scheme will be set aside in this reserve to off-set any future losses.	Health & Strategic Housing / Financial Services	Budget & Outturn
Housing Benefits Administration	The reserve has been established to ensure additional grant monies received can be applied to the relevant year in which the expenditure is planned, subject to service outturn.	Contributions to& from reserve to be agreed with Head of Financial Services.	Revenue Services / Financial Services	Budget & Outturn

Reserve	Purpose	How and When Used	Procedures for management and control	Timescale for review
Job Evaluation	To support development and modelling of pay structures.	Contributions to the reserve to be approved by Cabinet. Use of the reserve to be agreed by both the Head of Legal & Human Resources and Head of Financial Services, linked to adoption of new Pay & Grading structure.	Legal & Human Resources / Financial Services	Budget & Outturn
Planning Delivery Grant (PDG)	To enable grant monies committed against approved spend to be rolled forward between financial years.	Where specific approved budgets have not been spent, which are funded from PDG, the balance of unapplied grant will be transferred into the reserve and applied in the following financial year. Any other use to be approved by Cabinet.	Regeneration & Policy / Financial Services.	Budget & Outturn
Private Housing Rental Deposits	The reserve has been established as a rental deposit guarantee for private landlords, against tenants who are financially unable to provide such a deposit.	The money is to be applied to fund any necessary repairs upon the vacation of a tenant for whom a guarantee has been provided. Contributions to the reserve are to be approved by Cabinet.	Health & Strategic Housing / Financial Services	Budget & Outturn
Project Implementation	To meet one-off costs of project implementation that cannot be directly charged to other funding sources: e.g. training, site visits and providing temporary cover for secondments.	To be applied when no other source of funding can be used to cover such costs. Use of the reserve to be agreed by Head of Financial Services.	Financial Services	Budget & Outturn
Restructuring Reserve	To fund the cost of redundancies and early retirements as a result of Service restructures.	Use linked to large service restructurings requires Personnel Cttee approval. Any further contributions to the reserve to be approved by Cabinet.	Legal & HR / Financial Services	Quarterly PRT, Budget & Outturn

Reserve	Purpose	How and When Used	Procedures for management and control	Timescale for review
Risk Management	The reserve was established to finance any Risk Management initiatives.	Expenditure relating to risk management is charged to revenue and financed by an appropriation from the reserve. Its application must be in line with the Risk Management Policy. Contributions to the reserve are to be approved by Cabinet.	Financial Services	Budget & Outturn
MAINTENANCE / RENEWALS				
Open Spaces – Commuted Sums	This reserve receives all sums paid to the Council from third parties for the maintenance of open spaces adopted by the City Council. An amount is then transferred from the revenue on an annual basis to cover the additional maintenance costs associated with the open space.	Lump sums are credited to the reserve, and an annual contribution is made from the reserve to cover the additional grounds maintenance costs. The value of commuted sums due is to be agreed with Financial Services prior to the development agreement being completed. Budgets to be updated by Financial Services in consultation with CC(D)S as sums received.	City Council (Direct) Services / Financial Services	Budget & Outturn
Other Commuted Sums	This reserve receives all sums paid to the Council from third parties other than for Grounds Maintenance, e.g. affordable housing.	Lump sums are credited to the reserve and appropriated either to revenue or capital dependent upon the nature of the agreement – subject also to approved policy for use (November 2009).	Regeneration & Policy / Financial Services	Budget & Outturn
Graves Maintenance	This reserve holds monies donated to the City Council by individuals, specifically for the maintenance of graves.	The capital sum must be maintained at the original level of contribution, with interest earned being appropriated to revenue to offset maintenance costs.	Health & Strategic Housing / Financial Services	Outturn
Renewals (Including IT, AONB Vehicle, Car Park Equipment, Courier Vehicle, Parks vehicles & Salt Ayre Sports Centre renewals)	Contributions are made into the fund to provide for renewal of major assets such as vehicles, plant and equipment.	Contributions are made into the reserve on an annual basis, and transferred to revenue as and when renewals are undertaken. Contributions to the reserve are to be approved by Cabinet. Use of the reserve to be agreed by Head of Financial Services.	Financial Services	Quarterly PRT, Budget & Outturn

Reserve	Purpose	How and When Used	Procedures for management and control	Timescale for review
PROVISIONS				
Bad & Doubtful Debts	This provision is used to write off all General Fund bad debts that have been approved.	The provision is funded by an annual contribution based on assessment of the level of debt outstanding.	Financial Services	Budget, Outturn & Quarterly PRT
Equal Pay	To meet the cost of settling equal pay claims	The provision was established in 2008/09, to meet any liabilities arising and is expected to close at the end of 2009/10.	Legal & Human Resources / Financial Services	Budget & Outturn
Insurance	The cost of insurance claims, premiums and brokerage are charged to the provision.	Contributions are made to the provision from individual services at a level sufficient to cover the anticipated claims experience and premiums.	Financial Services	Budget, Outturn and Quarterly PRT
Provision for Write-Off / Obsolete Stock	The provision provides for obsolete stock or stock that has reduced in value.	The stock is valued as part of the closure of accounts process and adjustments made as appropriate.	City Council (Direct) Services / Financial Services	Outturn
Derelict Land Grant	This provision covers the cost of anticipated grant clawback in respect of land sales, previously financed from grant.	The provision will be fully utilised in 2009/10.	Financial Services	Budget & Outturn
Vehicles, Plant & Machinery	This provision has been established to cover future years costs associated with vehicle renewals, when budgets may be insufficient due to the timing of replacements and procurement method applied.	Provision now closed.	N/A	N/A
Williamson Park	As the company is wholly controlled by the City Council, provision must be made for any losses arising.	Provision established during 2008/09 following review of operations. Contributions to / from the provision to be approved by Cabinet. Provision will be applied in dissolving company.	Financial Services	Budget & Outturn

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

For Consideration by Council 03 March 2010

	2009/10 Budget £000	2010/11 Estimate £000	2011/12 Projection £000	2012/13 Projection £000
Original Revenue Budget Projection (Per Budget Council 04 March 2009)	23,999	25,765	26,685	0
Latest Projection February 2010	24,046	24,906	26,166	26,563
Base Budget Amendments : Cabinet 16 February 2010		-63	-240	-243
Current Net Revenue Budget	24,046	24,843	25,926	26,320
Proposed Savings & Growth :				
Savings		-472	-1,027	-1,067
Growth		+249	+39	+39
Contribution to(+)/ from (-) Balances	-47	+120		
Resulting Net Revenue Budget	23,999	24,740	24,938	25,292
Provisional Government Support	15,994	16,377	15,886	15,409
Collection Fund Deficit / (-) Surplus	+0	-19	+0	+0
Amount met by Council Tax	8,005	8,344	9,052	9,882
Latest Tax Base Estimates	43,200	43,400	43,450	43,500

COUNCIL TAX IMPLICATIONS :

A : Excluding Proposed Savings & Growth

Band D Basic Council Tax (across district)	£185.31	£194.62	£231.07	£250.82
Percentage Increase Year on Year	4.0%	5.0%	18.7%	8.6%

B : Including Proposed Savings & Growth

Band D Basic Council Tax (across district)	£185.31	£192.25	£208.32	£227.18
Percentage Increase Year on Year	4.0%	3.75%	8.4%	9.1%

As Compared with:

Original Projections	£217.06	£230.49
	17.1%	6.2%
MTFS Original Targets	£192.72	£200.43
	4.0%	4.0%

Target Year on Year Basic Council Tax Increase	In % terms	3.75%	3.75%	3.75%
	In £ terms (Band D)	£6.94	£7.21	£8.00
Target Basic City Council Tax Rate across the District		£192.25	£199.46	£206.94
Budget assumptions to achieve these targets:		£'000	£'000	£'000
Current Revenue Budget Projection ('B' from above table, after savings & growth)		24,740	24,938	25,292
Net Savings Requirement (-)		0	-385	-881
Target Revenue Budget Requirement		24,740	24,552	24,411



MEDIUM TERM FINANCIAL STRATEGY 2010/11 TO 2012/13



For Consideration by Council 03 March 2010

1 INTRODUCTION

Lancaster City Council operates in a dynamic environment. There is a continual need to respond to changes in service demand and new legislation, as well as expectations for new and improved services for the community.

These demands and aspirations must be balanced against the resource constraints that the organisation faces. Such constraints have become increasingly challenging and are likely to remain so.

The City Council manages its response to these challenges through a rolling process of policy review and financial planning. The Medium Term Financial Strategy (MTFS) is integral to this.

2 MEDIUM TERM FINANCE STRATEGY – OUTLINE

What is the Medium Term Finance Strategy?

Competing demands and limited resources mean that difficult choices must be made. The MTFS outlines the key financial principles and targets that the Council is seeking to achieve, subject to various constraints and conditions. The Strategy also sets out the policy / financial planning and budget setting processes that the Council will undertake in seeking to achieve these targets. These processes are designed to ensure that policy objectives and spending demands are balanced against available resources, having regard to risk considerations and the community's needs. Overall, this supports the achievement of best value in providing services for local taxpayers, whilst keeping Council Tax increases at reasonable levels.

Previously the Council's strategic financial planning was set out in two separate documents for revenue and capital. To streamline the framework, strengthen further co-ordination and understanding and to avoid some duplication, the MTFS now brings together both revenue and capital financial planning. Financial planning arrangements associated with the provision of council housing are tied in with the statutory need to have a thirty year business plan for that service. In future it is planned that the MTFS should cover council housing revenue finance, in line with future housing strategy, although it is likely that this change may take some time to complete fully. In particular, the outcome of consultation regarding the future funding arrangements for council housing is currently awaited, although any changes may not be implemented until 2012/13 or so. In any event, the Council needs to ensure that future housing provision is considered in context of its strategic objectives, as it is likely to have a bearing on General Fund as well as the Housing Revenue Account.

3 AIMS AND OBJECTIVES

The aims and objectives of the MTFS are to:

- avoid volatile fluctuations in the provision of Council services and related annual levels of Council Tax
- match resources both to demand and to Council priorities

- plan for and respond to any changes in Local Government funding
- provide a basis for informed decision-making across all Council policies and activities, underpinned by risk management
- support consultation with stakeholders on a broad range of associated issues, where appropriate
- support the achievement of efficiency, effectiveness and economy in the use of the Council's resources, including any associated targets. This includes:
 - maximising efficiency savings (see below) and, where acceptable, increasing income
 - protecting front-line services as far as possible, whilst minimising administration costs, and
 - challenging traditional methods of service provision.

Typically there is the need to address a funding gap between spending aspirations and the resources available and, consequently, how to achieve savings. However, there is also the need to accommodate growth in demand for services, legislative changes and the costs of financing and implementing major projects. This can require a significant realignment of resources so that expenditure can be contained within budget and Council Tax increases can be set at acceptable levels.

4 **LINKS WITH COUNCIL PRIORITIES**

The MTFS must take account of and reflect the strategic direction as set out in the Council's Corporate Plan, and one of the aims and objectives of the Strategy itself is to match resources both to demand and to Council priorities.

The Council's draft corporate priorities and key objectives for the period of this Strategy are as follows:

- (1) Economic Regeneration supporting our local economy:
 - Energy coast and environmental technology (advance manufacturing)
 - Heritage and cultural tourism for the district (city, coast and countryside) – to include creative industries and 'high end' employment too.
- (2) Climate Change – implementing the City Council's Climate Change Strategy. A focus on energy savings – so that we are not hit by rising fuel prices, we improve our environment and create cashable savings.
- (3) Statutory services – clean and green – achieving at least minimum statutory standards in, for example, housing, environmental health, street cleansing and refuse collection.
- (4) Partnership working and Community Leadership – shaping the district and working with others to deliver the Sustainable Community Strategy and provide services currently contributing to the quality of life in the district that are not the District Council's main function or priority.

The wording of these will be updated in Council approving the Corporate Plan and this section will be updated accordingly. The following table provides a provisional breakdown of the General Fund revenue budget and all capital budgets (including council housing) broadly analysed over the above priorities and key objectives; this too will be updated accordingly once the Corporate Plan has been finalised. Further work is also being undertaken to demonstrate the links to corporate priorities at service level.

PRIORITY / KEY OBJECTIVE	ANNUAL REVENUE BUDGET £000	5 YEAR CAPITAL PROGRAMME £000
Economic Regeneration	5,610	17,255
Climate Change	876	7,101
Statutory Services –clean and green (housing etc)	17,419	23,086
Partnership working & Community Leadership	835	170
TOTAL BUDGET	24,740	47,612

5 SAVINGS AND EFFICIENCY PROGRAMME

If the Council is to meet the financial targets set out in this Strategy then it must be clear and focused in how it will achieve these targets. It is recognised that these cannot all be agreed and delivered at the same time and that any Savings and Efficiency Programme (SEP) must be delivered in a phased approach over the period of this Strategy. The SEP therefore provides the framework within which the Council will work to identify a range of savings and efficiency options to meet these targets.

The strategy to generate savings and efficiencies pulls together a number of actions currently being pursued by the Council and previously agreed by Cabinet. These are:-

- Understanding what we spend our money on
- Performance management
- Improved partnership working and collaboration
 - Shared Services
 - Lancaster District Local Strategic Partnership (LDLSP)
- Commissioning and procurement
- Improving how we do things (Business Process Re-engineering)
 - Better use of technology/ICT
 - Access to Services / Self Help
 - Capacity and skills
 - Council Assets
- Charging for services, and other initiatives.

6 PARTNERSHIP WORKING

In terms of day to day service provision, the Council has already acknowledged that it cannot provide for all the needs of its communities itself. It must work with partners to remove duplication and make better use of economies of scale and the limited scarce resources and skills that are available. This will be pursued through the savings and efficiency programme.

With regards to capital activities, it is also acknowledged that direct financial support from the Government for capital investment and the Council's asset sales programme will not finance all the Council's capital investment aspirations. The Council has, therefore, formed partnerships, some of which bring specialist knowledge and skills and some of which also provide sources of funding for schemes.

The City Council has demonstrated its strong commitment to partnership working through its Corporate Plan and the Council believes that effective partnership working has a key role to play in the achievement of its objectives. With this in mind, the Council has undertaken an evaluation of eight key partnerships and is continuing to develop the framework for partnership performance monitoring and evaluation.

7 REVENUE PLANNING

Timetable and Key Dates

Generally the budget process looks at a three to five year time span but as it develops through the year, attention will become more focussed on the detailed budget for the next financial year.

Although there is some flexibility within the process certain key dates are fixed by Government, particularly those regarding funding announcements and legislative requirements. Government funding directly influences the match between service provision and Council Tax levels, and so is a critical factor in the process. In previous years the timing of announcements has created uncertainty during the initial stages of each year's budget development and the lack of certainty regarding future years' funding levels has made financial forecasting difficult. The Government is now in a cycle of providing 3-year provisional Settlements, however. Whilst these run consecutively, in line with Government's 3-year Comprehensive Spending Reviews (CSRs), they will still assist the Council significantly in terms of financial planning. As usual, a budget timetable will also be drawn up to facilitate the planning process.

Who is Involved?

The MTFS process relies on:

- liaison between elected Members and officers of the Council; and
- consultation with stakeholders and key partners (including the public, the LSP, businesses, and trade unions).

In recent years the Council has widened its consultation with members of the public who pay Council Tax and with other stakeholders. It will consider further improvements as part of the overall Consultation Strategy, given the Council's increased commitment to support consultation, and taking account of any feedback as appropriate. Key messages regarding the MTFS will be communicated to major stakeholders, once it has been formally approved.

The Focus on Savings

Underpinning the Savings and Efficiency Programme is the principle that efficiency savings are regarded as a priority over other forms of making savings in Council expenditure. Efficiency savings are achieved through measures that:

- maintain the same level of service provision while reducing the resources needed or deploying fewer staff;
- result in additional outputs, such as enhanced quality or quantity of service, for the same resources; or
- remodel service provision to enable better outcomes.

Such measures can lead either to "cashable" savings, where there is a direct financial saving or benefit, or "non-cashable" savings, where there may not necessarily be a reduction in costs, but there is improved performance for the resources used. Emphasis is placed on achieving cashable savings and this is reflected in the latest Government targets, which now cover only cashable items.

Notwithstanding the drive for efficiency, it is also expected that savings will be needed through reducing the level or range of services provided, if future financial targets are to be met.

Key Financial Revenue Targets

The Strategy provides a framework for matching resources to spending priorities, translating this into realistic expectations for future Council Tax levels. Lancaster City Council believes that tax increases should allow for a balance between spending aspirations and best value for local taxpayers. In deciding on the level of Council Tax, the Council should also have regard to

- anticipated level of pay awards,
- the level and measure of inflation,
- the level of Government funding,
- Government's *targets* for the overall rise in Council Tax,
- Government's *targets* for efficiency savings,
- the ability to meet Statutory minimum requirements.

The Council will aim to set an upper limit of a 3.75% Council Tax increase for 2011/12 and 2012/13. Given the existing capping criteria, this limit applies to the basic City Council Tax Rate across the district, excluding parish precepts.

As a consequence, the table below sets out the key financial targets that the Council will strive to work within for the next three years.

	2010/11	2011/12	2012/13
Target Council Tax Increase	3.75%	3.75%	3.75%
Target Year on Year Net Savings Requirement (if recurring items)	-	£385,000	£496,000
Target Cumulative Net Savings Requirement	-	£385,000	£881,000

Headroom for known and approved policy driven growth is already provided for in the budget projections. The net savings targets would need to be increased for any additional headroom for any further policy driven growth that may be required in future, or for any further net increases arising to the base budget, given the financial risks facing the Council. Clearly savings targets are indicative and will continue to be monitored and reviewed as referred to later in this Strategy document.

The target tax increases set out in the table for 2011/12 and 2012/13 are lower than those forecasted during the budget exercise (i.e. 8.4% and 9.1% respectively). In order to achieve the targets, future reductions in spending or increases in other income will therefore be required, particularly for 2011/12. This need will be addressed by the Council as part of the Savings and Efficiency Programme, as referred to in section 5 of this document, and the Monitoring and Review process set out in section 9.

Use of Revenue Balances

The Council recognises that general balances are needed to provide:

- a working balance to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing, and
- a contingency to cushion the impact of significant unexpected events or emergencies.

The Council's Section 151 Officer has advised that the Council's balances should be maintained at £1M for General Fund and £350K for the Housing Revenue Account; the Council accepts this advice.

As at 31 March 2011 the Council's General Fund balances are estimated to be £120K over the minimum £1M level. Thereafter, there are no contributions from balances assumed within the General Fund budget projections.

Budget Cash Limits

The Council ultimately approves the budget forecasts for future years and any associated use of balances. Cabinet must work within this framework, unless any flexibility is agreed by Council.

The budget before the use of balances is known as the cash limit. The budget after the use of balances is known as either the Net Revenue Budget or the Budget Requirement.

For the next three years, the figures are as follows (excluding savings and growth proposals):

Year	Basic Cash Limit £'000	Forecast Use of Balances £'000	Forecast Net Revenue Budget £'000
2010/11	24,740	--	24,740
2011/12	24,938	--	24,938
2012/13	25,292	--	25,292

Cabinet has no flexibility to increase net spending over the amounts shown above (or to take on new spending commitments for subsequent years).

8 BUDGET SETTING

This is the annual process that integrates any agreed policy changes and priorities with inflation and other financial adjustments, to arrive at a set of detailed management budgets for the year ahead within the targets set for annual Council Tax increases.

Introduction

Through the review process, elected Members determine the allocation of resources across services and Corporate Plan priorities. In conjunction with the Head of Financial Services, Service Managers are responsible for the more detailed aspects of budget preparation including bringing forward project proposals and service provision options to assist elected Members' deliberations.

The approved annual budget therefore is a resource plan that, as far as possible, matches inputs (e.g. staff, premises, equipment) to planned outputs and objectives, and gives authority to spend. Therefore budgets are critical to ensuring that resources are directed in accordance

with agreed policies, strategies and priorities, and in providing a basis for monitoring and accountability.

Lancaster's Approach to Budget-Setting

The Council generally takes an incremental approach to budget-setting. Broadly speaking, this means that the current year's budget provides the starting point for next year's.

This "baseline" assessment of the cost of service provision is referred to as the base budget. In the course of the planning process, the base budget for each service area is updated to include the following:

- an allowance for the estimated level of inflation from one year to the next;
- adjustments, e.g. to reflect the transfer of functions in the Council, or changes in activity / demand levels for services where appropriate;
- any previously approved changes to policy or strategy, for example a reduction in budget to reflect withdrawal of services or an increase to fund a new initiative or the impact of new legislation.

Major Budget Assumptions and Risks

During the budget process, the main assumptions underpinning the process are identified, assessed and reported to Members, together with the main financial risks facing the Council. This is an important element of the Council's Risk Management arrangements, and major issues will influence the scope and timing of the monitoring and review processes outlined elsewhere in this Strategy. A summary of key risks and assumptions is attached at **Annex B**.

Publication of the Annual Budget

The Council's budget is approved in line with the agreed timetable and is published each year in three main documents:

- the budget / council tax leaflet, which is distributed to local tax payers along with the Council Tax bills each spring;
- the budget book, which is distributed to Council officers and elected members;
- the Corporate Plan, linking spending with the Council's priorities and objectives.

In addition, information is available from the Council's Website at www.lancaster.gov.uk

9 **MONITORING AND REVIEW**

In balancing policy objectives and spending demands against available resources, the Council needs to ensure that it takes adequate account of the many changes or issues that inevitably arise during the course of a year. This will be done in a variety of ways:

- The Council has in place a performance management framework; through this a quarterly review of services' performance and financial management is conducted. Performance Review Team (PRT) meetings involve Directors, Service Managers and elected Members. Members' involvement is also reflected in the democratic arrangements for both the executive and scrutiny functions, to ensure that there is sufficient liaison and constructive challenge for the process to be robust.

- The Council also has processes to facilitate further review of the budget. This review will be taken forward as part of the Savings and Efficiency Programme highlighted in section 5 of this Strategy.
- Any potential impact generally from the Council's corporate financial monitoring arrangements will be considered, together with the impact of the previous year's outturn. This will also include a review of the national economic outlook and other key assumptions and risks underpinning the budget. Corporate financial monitoring reports will be produced quarterly, and reported to the Leader's PRT and on to Budget and Performance Panel. They will also be reported into Cabinet.
- An impact assessment of any key decisions will be undertaken, including any proposed major policy changes. In particular, this covers Human Resources through workforce planning, and Property.
- The Council's arrangements for consultation on budget matters and its overall budget timetable will be reviewed, with any approved changes implemented in time for the 2011/12 budget process.

Major changes in policy or service delivery that are implemented over a number of years on a phased basis will have budgetary impact spread over a corresponding period. These will be incorporated into this strategy as appropriate, once they have been evaluated and approved.

The outcome of the monitoring and review arrangements will be brought together to avoid a piecemeal approach to reviewing the Strategy. This may necessitate changes to the MTFS framework and the key financial targets contained within it. Any changes will ultimately be reported twice yearly (once during autumn 2010 and once as part of the 2011/12 budget process) for referral on to Council for approval, together with the rationale behind such changes. This is on the basis that the MTFS forms part of the Council's overall Budget and Policy Framework.

10 CAPITAL INVESTMENT STRATEGY

This section of the Strategy sets out the Council's approach to capital investment over the next five years, taking account of its corporate priorities and objectives for the medium term and also affordability, given that resources are limited and the Council is faced with managing competing demands.

The Prudential Code for Capital Finance in Local Authorities was introduced to support councils in planning for capital investment at a local level. The key objectives of the Code are to ensure, within a clear framework, that:

- the capital investment plans of local authorities are affordable, prudent and sustainable;
- treasury management decisions are taken in accordance with sound professional practice; and
- local strategic planning, asset management planning and proper options appraisal are supported.

By setting out the framework through which capital resources will be allocated and managed, the ultimate aim is to help ensure value for money from capital investment, and to show how such investment will contribute to the achievement of the authority's objectives. Also, it reinforces openness and accountability in the decision-making and management surrounding capital spending.

Details of the Council's Prudential Indicators as required under the relevant Code are set out at **Annex A** (i.e. Appendix H of the Council agenda) and the Treasury Strategy for next year sets out the framework for managing the Council's associated debt.

It is imperative that the investment of capital resources contributes clearly to the achievement of the authority's objectives and supporting activities, and that such investment represents real value for money for people in the district. Therefore the Council's corporate priorities are used as the initial basis for prioritising capital investment.

11 CURRENT CAPITAL POSITION

The Council's Balance Sheet is summarised below. The balance sheet pulls together all the Council's assets (*including 'fixed' assets such as property holdings and 'current' assets such as cash holdings and monies owed by debtors*) and its liabilities (*including outstanding borrowing – both short and long term, as well as provisions and reserves, which may or may not be cash backed*).

In financial terms, therefore, the balance sheet shows the 'value' of the authority at that date, but based on accounting conventions and certain valuation principles; these are not necessarily the same as 'market' values. Furthermore, clearly much of the Council's worth is tied up in property holdings, the majority of which are integral to providing services and supporting delivery of the Council's objectives. This means that such assets cannot readily be sold.

A key task within the Council's Corporate Property Strategy is to keep the authority's property portfolio under regular review to ensure that its capital base remains fit for purpose and that any major associated risks or opportunities are identified and managed as appropriate.

Summary Consolidated Balance Sheet	31 March 2008 £'000	31 March 2009 £'000
Intangible Assets	678	474
Tangible Fixed Assets:		
Council Dwellings	153,065	160,152
Other Land and Buildings	49,363	47,994
Vehicles, Plant and Equipment	5,022	4,675
Infrastructure	32,503	33,808
Community Assets	7,182	8,055
Non Operational Assets	29,761	36,514
Other Long Term Assets	1,047	29
Current Assets	30,149	28,242
Current Liabilities	(15,250)	(20,070)
Other Liabilities (including capital related borrowing)	(139,134)	(134,984)
Total Assets less Liabilities	154,386	164,889
Capital Adjustment Account	176,161	170,294
Revaluation Reserve	3,923	21,527
Financial Instruments Reserve	(975)	(2,027)
Pensions Reserve	(41,517)	(40,910)
Other (Usable) Reserves & Balances	16,794	16,005
Total Equity	154,386	164,889

The Council's proposed gross Capital Programme and financing (combining General Fund and Council Housing) is also summarised overleaf, provisionally analysed over the Council's corporate priorities and other supporting investment. This will be updated once the Corporate Plan has been finalised:

	2010/11	2011/12	2012/13	2013/14	2014/15	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Priority Areas:						
Regeneration	10,036	7,219	--	--	--	17,255
Climate Change	1,732	1,571	1,446	1,426	926	7,101
Partnership Working	106	16	16	16	16	170
Statutory Services	4,415	2,645	2,773	2,773	2,773	15,379
Other Supporting Investment:						
Municipal Land & Buildings	3,075	2,188	801	--	--	6,064
ICT	507	80	70	335	70	1,062
Other	191	150	90	60	90	581
Total Gross Programme	20,062	13,869	5,196	4,610	3,875	47,612

12 FUNDING FORECASTS AND ASSUMPTIONS

To support affordable, sustainable and prudent capital investment, the Council's approach to planning and forecasting its future capital resources is outlined below. Whilst the Strategy covers all capital investment irrespective of how it is financed, many sources of external funding (mainly through grants and contributions) are tied in with delivering specific schemes; decisions on whether these should be progressed will be based on the options appraisal and prioritisation processes outlined later. With this in mind, at this stage this section focuses on the availability of the Council's resources through borrowing, revenue financing or capital receipts.

12.1 UNDERLYING BORROWING NEED TO SUPPORT CAPITAL INVESTMENT

There is no **supported** underlying need to borrow (or Capital Financing Requirement: CFR) forecast for the five-year period.

Assumptions underpinning the Council's **unsupported** underlying borrowing need are outlined below:

- i. Taking into account the latest revenue budget and council tax projections set out later in this Strategy, and the Council's likely investment needs arising from the condition of its asset base and from progressing its corporate and service priorities, the General Fund capital programme provides for a £591K reduction in the underlying requirement for unsupported borrowing from 2010/11 onwards.
- ii. As in previous years, the practice will continue by which the Head of Finance will, under delegated authority, assess the most appropriate means of financing for the purchase of new vehicles and equipment. Unsupported borrowing will be selected if this offers a more cost effective solution than leasing, with the Capital Programme being updated as necessary.
- iii. Further prudential unsupported borrowing may be considered, but only in context of either:
 - Providing funding to meet any additional costs arising in connection with Luneside East scheme. Cabinet approval would be required before this facility could be called on;
 - Providing cover for any losses associated with Icelandic investments, in accordance with any changes to capitalisation directives granted by Government;
 - Providing interim funding for any emergency building works, prior to other sources of funding (e.g. capital receipts) becoming available;
 - Robust, achievable revenue savings being identified or income being generated to at least offset the ongoing (whole life) costs associated with individual schemes, and / or borrowing

being required to support the cashflow position of major schemes spanning financial years. This would require further specific Cabinet / Council approval as required.

- No underlying borrowing requirement is assumed for council housing investment but this will need to be reviewed in light of the outcome of the housing funding review.
- Whether or not any of these underlying borrowing needs will give rise to actual additional long-term borrowing or, alternatively, be financed by utilising the Council's cash balances, is a decision that will be made within the framework of the Council's Treasury Management Strategy.

12.2 REVENUE FINANCING OF CAPITAL SCHEMES

Assumptions regarding direct revenue financing (DRF) are as follows:

- Substantial general budgetary provision for direct revenue financing will be made within the Housing Revenue Account (HRA) for council housing purposes, in line with existing budget forecasts. No such general provision will be built into the General Fund revenue budget, though revenue financing related to specific schemes may be considered in appropriate circumstances, e.g. invest to save schemes.
- Revenue financing from reserves will be based on existing earmarked reserve levels (or projections), as long as capital investment proposals match with the approved use of those reserves.

12.3 CAPITAL RECEIPTS FORECASTS

Over the next five years, from 01 April 2010, general capital receipts totalling £10.1M are anticipated, of which approximately £9.6M relates to General Fund property disposals with the remainder relating to Council housing. The assumptions regarding their use are set out below:

- Any council housing capital receipts will be used to support capital investment in council housing stock and supporting assets, and related environmental improvements.
- For General Fund, all of the £9.6M capital receipts will be used over the period to support capital investment generally. Capital receipts will not normally be ring-fenced into reinvestment into particular areas, as this can undermine the prioritisation of investment needs, but there are exceptions to this:
 - o Capital receipts arising from the West End Masterplan implementation will be ring-fenced to the further development of projects identified in the Masterplan itself, subject to appropriate Cabinet approval.
- The application of any additional General Fund capital receipts arising (i.e. apparently exceeding the target referred to above and not covered by the specific ring-fencing arrangements outlined) will be considered in context of the likelihood of meeting the overall target. They will not be used to support new spending or commitments. For Council Housing, any additional capital receipts may be used to support the 30-year business plan.

13 SUMMARY OF FORECAST CAPITAL RESOURCES

In line with the above assumptions, the forecast of capital resources is summarised as follows. Furthermore, the delegated authority granted to the Head of Financial Services still applies for arranging the most cost-effective means of financing equipment acquisitions, subject to various constraints and reporting requirements. This may result in some switching between funding sources (*Cabinet Feb. 2005 refers*).

	2010/11 £'000	2011/12 £'000	2012/13 £'000	2013/14 £'000	2014/15 £'000	Total £'000
General Fund:						
Capital Receipts	1,708	6,591	827	280	184	9,590
Revenue Financing (incl. reserves)	373	115	95	45	--	628
Underlying (-) Reduction / Increase in Unsupported Borrowing need	3,446	-4,234	93	104	--	-591
External Grants & Contributions	10,650	7,811	592	592	102	19,747
Funding Forecast	16,177	10,283	1,607	1,021	286	29,374
Council Housing:						
Supported / Unsupported Borrowing	--	--	--	--	--	--
External Grants	15	15	15	15	15	75
Capital Receipts	58	113	116	118	121	526
Direct Revenue Financing (General)	1,191	1,064	1,005	956	953	5,169
Reserves	314	30	33	--	--	377
Major Repairs Allowance	2,307	2,364	2,420	2,500	2,500	12,091
Funding Forecast	3,885	3,586	3,589	3,589	3,589	18,238

14 CAPITAL INVESTMENT PRIORITIES

In line with the Council's core values, priorities and associated targets, capital investment for the period to 2015 will be focused into delivering the Council's medium term priorities and objectives as set out earlier. 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, and the county wide Lancashire Local Area Agreement.
- 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.

15 PRIORITISATION OF SCHEMES

The authority's annual review of its budget, planning and policy framework underpins the development of a five year rolling programme. The prioritisation process ensures that the programme is informed by the outcome of all relevant reviews and improvement/development plans. Additionally, corporate property requirements are identified through the asset management arrangements in place. An outline of the prioritisation process is provided below.

- i. Each year services draw up their capital investment plans and outline project appraisals, in accordance with anticipated service needs and objectives (linked to service business and asset management plans) as well as this Strategy document. Services are required to liaise closely with the Corporate Property Officer, Financial and other Support Services as appropriate. Services' investment plans include a review of the schemes within the existing five year Capital Programme, as well as any potential new needs in line with any emerging priorities or changing circumstances.
- ii. In conjunction with relevant directors, Services prioritise their service requirements for consultation with relevant Cabinet Members and discussion at informal briefings such as Star Chamber sessions.
- iii. The authority requires all proposed capital projects to undergo a rigorous project appraisal, using a standard framework to ensure that all projects are appraised consistently and are deliverable.
- iv. Through consultation, Members, Committees and key partners may advise on the projects which they wish to put forward for inclusion.
- v. A corporate prioritisation exercise (programme appraisal) is undertaken initially by officers, to compile a corporate list of projects for Cabinet's initial formal consideration. This takes account of the outcome of any project appraisals and corporate property matters, as well as Members' and other Stakeholders' views regarding proposed priorities for the period. The outcome is then reported to Cabinet for formal consideration.

16 FUNDING LEVELS AND ALLOCATION OF RESOURCES

In Cabinet making its initial recommendations to Council regarding the Capital Programme, the principles of prudence, affordability and sustainability are considered fully against prioritised capital investment needs and aspirations. Given that resources are scarce, this process enables the authority to consider and appraise alternative financing levels or strategies and their impact on the Council's revenue budget and medium term financial planning, or the 30-year Business Plan for Council housing.

This is an iterative process (between Cabinet and Council), in line with the requirements of the Prudential Code. Ultimately the General Fund Capital Programme and its financing will be approved by Council at the Budget Meeting to be held in late February / early March, together with the Revenue Budget and resulting Council Tax. Generally the Council Housing Programme will be approved at the meeting earlier in February.

17 FRAMEWORK FOR THE MANAGEMENT AND MONITORING OF CAPITAL INVESTMENT

- i. Full Council is responsible for approving the MTFFS, as part of the Council's overall medium term financial planning arrangements. Cabinet is responsible for formulating proposals, linked with the annual budget and policy framework process. Individual Cabinet Members (as portfolio holders) are responsible for identifying priorities for capital investment and asset management planning that fit within the City Council's overall corporate objectives and its Corporate Plan priorities, and this Strategy.
- ii. The Cabinet (through the Performance Review Teams in part) and the Budget and Performance Panel play a key role in the planning and monitoring of the capital programme. This is to ensure that:
 - an affordable balance is achieved between the authority meeting local and service needs and responding to any other corporate priorities
 - the Capital Programme evolves to reflect changes in circumstances and corporate and service priorities
 - officers are held accountable as appropriate for delivering capital schemes on time and within budget.
- iii. As an additional safeguard and / or to test the robustness of the processes involved, the Overview and Scrutiny Committee may commission or undertake work or on related issues as part of its Work Programme or take other measures (such as the call-in of decisions) as set out the Constitution.
- iv. Detailed Officer responsibilities and the key controls are set out in the Council's Financial Regulations and Procedures, with additional supporting guidance provided on all aspects of contract management and control.

18 MONITORING AND EVALUATION OF PROGRESS

- i. All projects are reviewable. Documentation (e.g. the full project appraisal and monitoring reports) will be maintained for each capital project by the responsible service (through the named responsible officer) and will be sufficiently clear to enable a competent third party to review the project with minimum additional explanation. A central register of projects will also be maintained by Financial Services. Each project appraisal will include a delivery plan as necessary, covering the following:
 - The project's objectives and target outputs / outcomes
 - Key milestones of the project development
 - Management and monitoring arrangements
 - Financial details, both capital and revenue including financial details
 - Post completion review and evaluation arrangements
- ii. Services are required to provide comprehensive monitoring information to Financial Services on a monthly basis. Financial Services will also co-ordinate and produce summary monitoring information for Cabinet, Budget and Performance Panel and Officer Working Groups as necessary.
- iii. Financial Services will report on a quarterly basis through Corporate Financial Monitoring regarding the overall capital investment and funding position. The fourth quarter (provisional outturn) report will incorporate an annual review of the capital programme

- performance, covering key performance indicators such as no. of projects delivered on time / on budget, both to monitor and drive continuous improvement.
- iv. Services are responsible for developing, agreeing and implementing further scheme or service specific monitoring into their own performance management and reporting arrangements to relevant directors, individual Cabinet Members or other key Stakeholders, either formally or informally. This includes reporting to their quarterly PRT meetings on their capital projects.
 - v. Services are responsible for reporting the outcome of post completion reviews and evaluations as necessary. An update on this will be incorporated in summary into the annual review (as mentioned above).
 - vi. In addition to the ongoing monitoring and evaluation, the performance of Lancaster City Council's Capital Programme may be measured through the Local Area Agreement, if appropriate.
 - vii. Nothing in the above monitoring framework overrides the responsibilities or requirements placed on individuals or services as set out in the Financial Regulations. As examples (and not exhaustive):
 - Commencement of schemes is still subject to the approval of the Section 151 Officer to confirm availability of funding.
 - Separate reporting requirements are in place should schemes significantly overspend, when comparing with contract sums and/or budget provision.

Further details regarding property responsibilities can be found in the Council's draft Corporate Property Strategy.

ANNEX B

**2010/11 Budget and Planning
Key Strategic and Financial Risks**

In considering the way forward for the Council, it is essential that key strategic and financial risks are addressed. This is to ensure that the chosen priorities and non-priorities represent, as best as they can, the best way forward to meet the needs and wants of district, as well as key legal obligations.

The following sections set out key recognised strategic risks, and those financial risks which could significantly impact the council's ability to achieve its key objectives, plans and strategies.

A. Strategic risks:***Priority Setting***

Cabinet's consideration and effective management of key strategic risks is fundamental to ensuring that the chosen priorities and non-priorities represent the best way forward to meet the needs and wants of the district, as well as fulfilling the council's key legal obligations. *(Mitigation: robust consideration of risks by Cabinet; clear training, guidance and advice provided by officers, consultation)*

Financial Planning

Robust financial projections through the MTFs are necessary to support service delivery objectives and to meet Council Tax targets, resulting in inefficient use of resources, overspending, staffing and service cuts, and reputational damage. The main threats to the MTFs (and associated mitigation actions) are covered in section B, setting out the key financial risks.

Corporate Capacity

If the council is to deliver its priorities and fulfil its ambitions, it must seek to develop the skills and capacity of both its officers and elected members, ensuring that adequate resources are in place. *(Mitigation: continuation and development of the member training programme; workforce planning implementation of management and service restructuring; development and implementation of a robust workforce planning strategy).*

Service Delivery

Poor quality service delivery by both the council and its partners could damage the council's reputation and morale. It could also impact relationships with central government and the results of external assessments of the council's performance, e.g. CAA and Use of Resources. *(Mitigation: comprehensive and robust public consultation on priorities; ensuring performance management framework remains effective)*

Partnership Working

Ineffective partnering arrangements could result in failure to deliver planned outcomes, as well as abortive time and financial input. *(Mitigation: continuation of programme of partnership evaluation; introduction of a code of practice for working in partnership; robust pre-evaluation of any new/proposed partnering arrangements)*

Fair Pay

Failure to effectively implement the Fair Pay project could result in employee dissatisfaction, service disruption, increased costs, loss of key staff and compensation claims. Note that Fair Pay also features as a significant financial risk. *(Mitigation: continued management by Fair Pay Project Board; active liaison with trade unions and communication with staff)*

Equality Standard

Failure to achieve the Equality Standard could result in lost opportunities for the Council, particularly around community engagement and leadership. It could also adversely affect the council's standing through the CAA regime and its Use of Resources score. *(Mitigation: provision of awareness training for elected members; assistance from NWE0 in planning for the new Equality Standards Framework)*

Civil Contingencies and Business Continuity

The council must remain able to respond efficiently and effectively to threats, both to the local community and to the council's own operations. Such threats might include fuel shortages, flu pandemic or a major incident, e.g. gas explosion, terrorist incident or flooding. *(Mitigation: scheduled testing of emergency plans and business continuity plans)*

B. Financial risks:***Luneside East***

Keys risks relate to the outcome of the lands tribunal and associated legal costs, and potential clawback of funding should the project not progress to deliver its economic outputs. Should the project progress, however, there is the opportunity to receive a developer contribution on site transfer. *(Mitigation: defence at tribunal, seeking funding to advance project, limited use of earmarked reserve, other financing arrangements in place)*

Other Regeneration (including support etc)

Other regeneration projects have been affected by economic factors. Those still in various stages of development may have financial risks attached to their contractual position to date. As a wider issue, there are affordability risks attached to the Council's regeneration strategy. There are also risks attached to project and programme support, including those associated with abortive works and plans. *(Mitigation: covered through specific project & programme management arrangements regarding feasibility, seeking funding, establishing core staffing support, etc)*

Municipal Buildings

Essential works are being progressed to protect the Council's interests, but this may lead to additional financing costs. Price increases are being experienced on the municipal building works programme and there will be a need to increase the budgets over the coming years to reflect these. At present, the broad assumption is that most works will fall as capital but this has not been fully tested as yet. There is therefore the risk that budgets are inappropriate. *(Mitigation: capital investment strategy provisions, incorporating appraisal of revenue v capital, earmarked reserves)*

Funding of Capital Programme

Should the latest capital receipts schedule not be achievable, this would prevent some capital investment from happening, but ensuring that funding is in place for essential works would add more pressure on revenue and cause affordability and financial sustainability risks. *(Mitigation: capital investment strategy provisions, ongoing review and monitoring, options appraisal through budget process).*

Decision-making

There is the risk that the Council fails to reach agreement in order to deliver a balanced, robust and deliverable budget for future years. *(Mitigation: through budget process, learning from previous years, not being over-ambitious in terms of balancing service provision against Council Tax levels, and delivering change)*

Icelandic Investments (and investment losses generally)

The prospects for successful recovery action and affordability risks are influenced by creditor status for two of the investments made. Priority status has been accepted by one Winding Up Board and rejected by the other. Legal advice remains however that investment 'deposits' such as that made by the City Council should be treated as priority and as such the latter decision is being challenged. Risks remain throughout the banking sector generally. *(Mitigation: adverse decisions challenged through Icelandic courts, ongoing work through LGA, capitalisation directive, updated investment strategy & future review)*

Government Support (future years)

The level of support for assumed for future years could be better or worse than projected. Current projections assume a year on year reduction of 3% after 2010/11. *(Mitigation: scenario planning, future budget processes and monitoring / review.)*

Other Economic Factors and Prospects generally

As well as affecting future levels of government support, economic factors will affect the Council's finances through other funding streams, inflation, interest rates and pay settlements, as well as demand for services. *(Mitigation through monitoring and future budget processes)*

Council Tax Capping

In recent times the Government has demonstrated a firm commitment to capping, and whilst the forthcoming General Election makes future arrangements less certain, pressure to keep tax increases low is expected to remain. *(Mitigation: setting of targets for future years, review any national capping actions etc. for 2010/11)*

Concessionary Travel

Costs for current scheme are uncertain, as reimbursement rates to bus operators are not yet agreed with bus operators, usage of scheme can fluctuate. Responsibilities for the scheme from 2011/12 onwards are not yet clear; any transfer away from the Council could create new financial pressures (or could improve position, but this did not feature in modelling undertaken). County-wide pooling is also under review. *(Mitigation: countywide approach with consultancy support regarding reimbursement rates, countywide liaison and review regarding pooling, future arrangements, earmarked reserves)*

Fairpay & Equal pay

The financial implications of the proposed pay and grading structure have been recognised as unsustainable in the medium and longer term. Furthermore, the impact of elements such as market supplements and the outcome of stage 2 appeals is not yet determined. *(Mitigation: supporting HR policies, use of earmarked reserves and provision, commitment to review and amend the grading structure within 2 years of implementation)*

Change Management & Investing to Save (e.g. Restructuring Reserves)

There are a number of major restructures currently just implemented or being progressed that will incur one-off termination costs. As these restructures affect senior officer posts these costs will be significant. Whilst there are sufficient funds identified to facilitate current outline plans, further development is needed. There is the general risk that the Council could have insufficient funds available to enable other future change or to invest to save. There are also financial risks attached to the process of change, and maintaining sufficient capacity to ensure sound financial management and planning etc. *(Mitigation: though budget process, reserves, and change management arrangements)*

Pensions Costs

The current triennial review period comes to an end on 31 March 2011; thereafter at present it has been assumed that pension rates will increase by 2%. However, the impact of demographics and the current recession on pension fund investments is unknown at this stage. Also, it is expected that further national proposals regarding the Pension Scheme will come through at some point. *(Mitigation: liaison with Pensions authority, ongoing monitoring and review)*

HRA review (for General Fund)

The Government has recently consulted on plans to abolish the housing subsidy mechanism and replace it with a form of redistributed housing debt. Whilst the Housing Revenue Account would still remain, it is unclear how these proposals will impact on the General Fund, in particular in relation to Treasury Management and other cost allocations. The outcome of the consultation process is expected soon. *(Mitigation: monitoring, review and appraisal of future developments)*

VAT

The VAT recovery claim (estimated in the region of £400K) is still to be settled by HMRC. In addition, the Council's VAT exempt income is currently being reviewed and initial indications show that the level of exempt supplies is close to the 5% de minimis limit. Should the limit be breached then the council could face repaying £130K of VAT. No assumptions have been made within the current budget projections and the review is ongoing. *(Mitigation: monitoring and review)*

Changes in Accounting Requirements

Adoption of International Financial Reporting Standards (IFRS) could give rise to changes in accounting treatment of certain transactions, such as leases, and creates additional workload requirements on some services, which may add pressure to the revenue budget. The extent of risk is dependent on the dispensations applicable to local authorities, influenced by professional bodies and Government etc. *(Mitigation: project management arrangements and monitoring and review, linked to budget process)*

Other Risk Areas

As well as the above points, there are many other issues that may present financial risks or opportunities to the Council, that have been reported to Members and are under further consideration. Where significant these will be highlighted in future monitoring reports.

General Fund Gross Capital Programme For Consideration by Council 03 March 2010

Service / Scheme	2009/10 Total £	2010/11 to 2014/15					5 year Total £
		2010/11 £	2011/12 £	2012/13 £	2013/14 £	2014/15 £	
City Council (Direct) Services							
Neighbourhood Quick Response Vehicles	73,000						0
District Playground Improvements	0	60,000	60,000				120,000
Other Toilet Works bid	0	100,000	90,000	90,000	60,000	90,000	430,000
Marketgate Toilet Refurbishment	45,000						0
Fairfield Allotments Extension	23,000						0
Allotment Improvements bid	0	16,000	16,000	16,000	16,000	16,000	80,000
Community Engagement							
Energy Efficiency Schemes bid	29,000	20,000	20,000	20,000			60,000
The Dome (Demolition)	20,000	120,000					120,000
The Platform Improvements (Subject to business case)	0	108,000					108,000
Happy Mount Park Natural Adventure	112,000						0
Williamson Park Developments	0	75,000					75,000
Salt Ayre Athletics Track Security Fencing	0	20,000					20,000
Salt Ayre Reception Refurbishment	0	40,000					40,000
Salt Ayre Synthetic pitch bid	0	25,000					25,000
Salt Ayre Reflexions changing rooms bid	0	30,000					30,000
Salt Ayre Replacement of pool filters bid	0	18,000					18,000
Lancaster Hub TIC Refurbishment	12,000						0
Storey Institute Centre for Industries	15,000						0
Lancaster Science Park (Subject to Cabinet report)	2,167,000	7,854,000	7,219,000				15,073,000
Port of Heysham Site 4 Access Improvements	5,000						0
Port of Heysham Sites 1&4 (Payment of Clawback)	0	328,000					328,000
Health and Strategic Housing							
YMCA Places of Change	1,496,000						0
Business Continuity Fall Back Facilities - Salt Ayre	25,000						0
Disabled Facilities Grants	1,089,000	1,482,000					0
RHP funded schemes (subject to final allocations and Member approval)	0						1,482,000
District Wide Home Assistance	49,000						0
Poulton Public Realm-Edward St, Union St, Church Walk	40,000						0
Bold Street Renovation Scheme	596,000						0
Clarendon Road Car Park	1,000						0
Clarendon/West End Rd Rear Yard Wall	25,000						0
Marlborough Road Demolition	17,000						0
Marlborough Road Redevelopment	95,000						0
West End Flats-Adactus Post Completion Payment	34,000						0
Primrose Street Group Repairs/Renovation	25,000						0
Euston Road Group Repairs	10,000						0
Information Services							
I.T. Infrastructure	0	26,000	10,000		35,000		71,000
I.T. Application Systems Renewal	34,000	416,000			230,000		646,000
I.T. Desktop Equipment	15,000	65,000	70,000	70,000	70,000	70,000	345,000
Regeneration & Policy							
Cycling England	701,000	423,000					423,000
Artle Beck Improvements (Flood Defences)	55,000	150,000					150,000
Christmas Lights Renewals	0	31,000					31,000
Strategic Monitoring (River & Sea Defences)	100,000	110,000	110,000	110,000	110,000	110,000	550,000
Denny Beck Bridge Improvements	0	139,000					139,000
Mill Head Warton (Flood Defences)	453,000						0
Wave Reflection Wall Refurbishment (Subj. to Env. Agency approval)	22,000	500,000	500,000	500,000	500,000		2,000,000
Stynedale Culvert project	47,000						0
Morecambe Promenade Frontage	0	40,000					40,000
Luneside East - Land Acquisition & Associated Fees	130,000	255,000					255,000
Luneside East Compensation Claims	487,000	272,000					272,000
Morecambe Townscape Heritage Initiative (THI)	292,000						0
Poulton Pedestrian Route	0	160,000					160,000
Public Realm Works	21,000						0
Property Services							
Car Park Improvement Programme	0		50,000				50,000
Lancaster Market (Cabinet report 16th Feb 2010)	0	605,000					605,000
Customer Service Centres	16,000						0
Fire Safety Works	76,000						0
Other Corporate and Municipal Building Works	543,000	2,639,000	2,138,000	801,000			5,578,000
Carnforth CCTV	0	50,000					50,000
St Leonards House Electrics	105,000						0
Festival Market Electrical Works	19,000						0
67-71 Market Street Works	130,000						0
Ashton Hall Ceiling Restoration	90,000						0
Old Fire Station Renovation Works	47,000						0
Financial Services							
Icelandic bank impairment capitalisation	2,047,000						0
GENERAL FUND CAPITAL PROGRAMME	11,433,000	16,177,000	10,283,000	1,607,000	1,021,000	286,000	29,374,000
Financing :							
Grants and Contributions	7,473,000	10,650,000	7,811,000	592,000	592,000	102,000	19,747,000
Usable Capital Receipts	1,765,000	1,708,000	6,591,000	827,000	280,000	184,000	9,590,000
Revenue Financing	353,000	373,000	115,000	95,000	45,000	0	628,000
Sub-total	9,591,000	12,731,000	14,517,000	1,514,000	917,000	286,000	29,965,000
Increase in CFR (Underlying Increase in Borrowing Need)	1,842,000	3,446,000	-4,234,000	93,000	104,000		-591,000
TOTAL FINANCING	11,433,000	16,177,000	10,283,000	1,607,000	1,021,000	286,000	29,374,000
Shortfall / Surplus (-)	0	0	0	0	0	0	0
Cumulative Shortfall / Surplus (-)	0	0	0	0	0	0	0
Capital Receipts Summary							
	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	Total
	£	£	£	£	£	£	£
Balance Brought Forwards:	809	32	136	1,099	336	120	32
Receipts Due In Year:	988	1,812	7,554	64	64	64	9,558
In Year Capital Programme Financing:	-1,765	-1,708	-6,591	-827	-280	-184	-9,590
Balance Carried Forwards :	32	136	1,099	336	120	0	0

General Fund Net Capital Programme For Consideration by Council 03 March 2010

Service / Scheme	2009/10	2009/10	2009/10						5 year Net Total	Grants & Contribs.	5 year Total	
	Total	Grants	Gross total	2010/11	2011/12	2012/13	2013/14	2014/15				
	£	£	£	£	£	£	£	£	£	£	£	
City Council (Direct) Services												
Neighbourhood Quick Response Vehicles	0	73,000	73,000						0	0	0	
District Playground Improvements	0	0	0	60,000	60,000				120,000	0	120,000	
Other Toilet Works bid	0	0	0	100,000	90,000	90,000	60,000	90,000	430,000	0	430,000	
Marketgate Toilet Refurbishment	45,000	0	45,000						0	0	0	
Fairfield Allotments Extension	0	23,000	23,000						0	0	0	
Allotment Improvements bid	0	0	0	16,000	16,000	16,000	16,000	16,000	80,000	0	80,000	
Community Engagement												
Energy Efficiency Schemes bid	29,000	0	29,000	20,000	20,000	20,000			60,000	0	60,000	
The Dome (Demolition)	20,000	0	20,000	120,000					120,000	0	120,000	
The Platform Improvements (Subject to business case)	0	0	0	108,000					108,000	0	108,000	
Happy Mount Park Natural Adventure	5,000	107,000	112,000						0	0	0	
Williamson Park Developments	0	0	0	75,000					75,000	0	75,000	
Salt Ayre Athletics Track Security Fencing	0	0	0	20,000					20,000	0	20,000	
Salt Ayre Reception Refurbishment	0	0	0	40,000					40,000	0	40,000	
Salt Ayre Synthetic pitch bid	0	0	0	25,000					25,000	0	25,000	
Salt Ayre Reflexions changing rooms bid	0	0	0	30,000					30,000	0	30,000	
Salt Ayre Replacement of pool filters bid	0	0	0	18,000					18,000	0	18,000	
Lancaster Hub TIC Refurbishment	12,000	0	12,000						0	0	0	
Storey Institute Centre for Industries	0	15,000	15,000						0	0	0	
Lancaster Science Park (Subject to Cabinet report)	0	2,167,000	2,167,000						0	15,073,000	15,073,000	
Port of Heysham Site 4 Access Improvements	5,000	0	5,000						0	0	0	
Port of Heysham Sites 1&4 (Payment of Clawback)	0	0	0	328,000					328,000	0	328,000	
Health and Strategic Housing												
YMCA Places of Change	0	1,496,000	1,496,000						0	0	0	
Business Continuity Fall Back Facilities - Salt Ayre	25,000	0	25,000						0	0	0	
Disabled Facilities Grants	0	1,089,000	1,089,000						0	0	0	
RHP funded schemes (subject to final allocations and Member approval)	0	0	0						0	1,482,000	1,482,000	
District Wide Home Assistance	41,000	8,000	49,000						0	0	0	
Poulton Public Realm-Edward St, Union St, Church Walk	0	40,000	40,000						0	0	0	
Bold Street Renovation Scheme	0	596,000	596,000						0	0	0	
Clarendon Road Car Park	0	1,000	1,000						0	0	0	
Clarendon/West End Rd Rear Yard Wall	0	25,000	25,000						0	0	0	
Marlborough Road Demolition	0	17,000	17,000						0	0	0	
Marlborough Road Redevelopment	0	95,000	95,000						0	0	0	
West End Flats-Adactus Post Completion Payment	0	34,000	34,000						0	0	0	
Primrose Street Group Repairs/Renovation	0	25,000	25,000						0	0	0	
Euston Road Group Repairs	0	10,000	10,000						0	0	0	
Information Services												
I.T. Infrastructure	0	0	0	26,000	10,000		35,000		71,000	0	71,000	
I.T. Application Systems Renewal	34,000	0	34,000	416,000			230,000		646,000	0	646,000	
I.T. Desktop Equipment	15,000	0	15,000	65,000	70,000	70,000	70,000	70,000	345,000	0	345,000	
Regeneration & Policy												
Cycling England	4,000	697,000	701,000						0	423,000	423,000	
Artle Beck Improvements (Flood Defences)	2,000	53,000	55,000	3,000					3,000	147,000	150,000	
Christmas Lights Renewals	0	0	0	31,000					31,000	0	31,000	
Strategic Monitoring (River & Sea Defences)	4,000	96,000	100,000	8,000	8,000	8,000	8,000	8,000	40,000	510,000	550,000	
Denny Beck Bridge Improvements	0	0	0	139,000					139,000	0	139,000	
Mill Head Warton (Flood Defences)	4,000	449,000	453,000						0	0	0	
Wave Reflection Wall Refurbishment (Subj. to Env. Agency approval)	2,000	20,000	22,000	10,000	10,000	10,000	10,000		40,000	1,960,000	2,000,000	
Slynedale Culvert project	2,000	45,000	47,000						0	0	0	
Morecambe Promenade Frontage	0	0	0	40,000					40,000	0	40,000	
Luneside East - Land Acquisition & Associated Fees	130,000	0	130,000	255,000					255,000	0	255,000	
Luneside East Compensation Claims	487,000	0	487,000	272,000					272,000	0	272,000	
Morecambe Townscape Heritage Initiative (THI)	0	292,000	292,000						0	0	0	
Poulton Pedestrian Route	0	0	0	33,000					33,000	127,000	160,000	
Public Realm Works	21,000	0	21,000						0	0	0	
Property Services												
Car Park Improvement Programme	0	0	0		50,000				50,000	0	50,000	
Lancaster Market (Cabinet report 16th Feb 2010)	0	0	0	605,000					605,000	0	605,000	
Customer Service Centres	16,000	0	16,000						0	0	0	
Fire Safety Works	76,000	0	76,000						0	0	0	
Other Corporate and Municipal Building Works	543,000	0	543,000	2,639,000	2,138,000	801,000			5,578,000	0	5,578,000	
Carnforth CCTV	0	0	0	25,000					25,000	25,000	50,000	
St Leonards House Electrics	105,000	0	105,000						0	0	0	
Festival Market Electrical Works	19,000	0	19,000						0	0	0	
67-71 Market Street Works	130,000	0	130,000						0	0	0	
Ashton Hall Ceiling Restoration	90,000	0	90,000						0	0	0	
Old Fire Station Renovation Works	47,000	0	47,000						0	0	0	
Financial Services												
Icelandic bank impairment capitalisation	2,047,000	0	2,047,000						0	0	0	
GENERAL FUND CAPITAL PROGRAMME												
	3,960,000	7,473,000	11,433,000	5,527,000	2,472,000	1,015,000	429,000	184,000	9,627,000	19,747,000	29,374,000	
Financing :												
Grants and contributions		7,473,000	7,473,000						0	19,747,000	19,747,000	
Usable Capital Receipts (see below)	1,765,000		1,765,000	1,708,000	6,591,000	827,000	280,000	184,000	9,590,000		9,590,000	
Direct Revenue Financing	353,000		353,000	373,000	115,000	95,000	45,000	0	628,000		628,000	
Sub-total	2,118,000	7,473,000	9,591,000	2,081,000	6,706,000	922,000	325,000	184,000	10,218,000	19,747,000	29,965,000	
Increase in CFR (Underlying Increase in Borrowing Need)	1,842,000		1,842,000	3,446,000	-4,234,000	93,000	104,000		-591,000		-591,000	
TOTAL FINANCING	3,960,000	0	11,433,000	5,527,000	2,472,000	1,015,000	429,000	184,000	9,627,000	19,747,000	29,374,000	
Shortfall / Surplus (-)			0	0	0	0	0	0	0	0	0	
Cumulative Shortfall / Surplus (-)			0	0	0	0	0	0	0	0	0	

PRUDENTIAL INDICATORS - LANCASTER CITY COUNCIL

For Consideration by Council 03 March 2010

		2010/11 £'000	2011/12 £'000	2012/13 £'000
AFFORDABILITY				
PI 1:	Estimates of ratio of financing costs to net revenue stream			
	Non - HRA	12.1%	11.6%	10.1%
	HRA	8.1%	8.1%	7.8%
	Overall	10.8%	10.4%	9.3%
PI 2:	Actual ratio of financing cost to net revenue stream	Reported after each financial year end		
PI 3:	Estimates of the incremental impact of new Capital Investment decisions on the Council Tax	3.17%	1.15%	-1.22%
	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	£6.10	£2.30	-£2.54
PI 3A:	Illustrative Impact of Additional Borrowing £1 million	Repayment Period		
		5 Years	10 Years	25 Years
	Increase in Council Tax (£)	£4.90	£2.73	£1.54
	Increase in Council Tax (%)	2.54%	1.41%	0.80%
PI 4:	Estimates of the incremental impact of Capital Investment on Housing Rents	Nil	Nil	Nil

CAPITAL EXPENDITURE

PI 5:	Estimates of capital expenditure			
	Non - HRA	16,177	10,283	1,607
	HRA	3,685	3,586	3,589
	Total	19,862	13,869	5,196
PI 6:	Actual capital expenditure	Reported after each financial year end		
PI 7:	Estimates of Capital Financing Requirement			
	Non - HRA	32,695	26,999	25,993
	HRA*	15,303	15,303	15,303
	Total	47,998	42,302	41,296

*This does not take into account the potential extra borrowing that may be incurred through reforms to the Housing Revenue Account Subsidy system.

PI 8:	Actual Capital Financing Requirement	Reported after each financial year end		
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EXTERNAL DEBT

PI 9:	Authorised Limit			
	Authorised Limit for Borrowing	53,420	49,120	49,230
	Authorised Limit for Other Long Term Liabilities	280	280	270
	Authorised Limit for External Debt	53,700	49,400	49,500
PI 10:	External Debt: Operational Boundary	48,700	44,400	44,500
PI 11:	Actual external debt	Reported after each financial year end		

PRUDENCE

PI 12:	Treasury Management: adoption of CIPFA code of Practice	The Council has adopted the updated Treasury Management code of practice (November 2009).		
PI 13:	Net borrowing and the capital financing requirement			
	Anticipated indebtedness (Authorised limit)	48,700	44,400	44,500
	Anticipated average investment	9,635	10,455	11,305
	CFR	47,998	42,302	41,296
	(Under)/over borrowed	-8,933	-8,357	-8,101

COUNCIL

Treasury Management Framework 2010/11 Council 03 March 2010

Report of Cabinet

PURPOSE OF REPORT

This report includes proposals for the Council's overall Treasury Management framework for 2010/11, setting out separately each of the component elements that the Council must either formally note or approve by 31 March 2010, in accordance with the relevant legislation and the Code of Practice for Treasury Management in Local Authorities (as updated in November 2009).

This report is public.

RECOMMENDATIONS

1. That Council adopts the updated Code of Practice as reflected in *Appendix B* and approves the Treasury Management Policy Statement as set out at *Appendix C*.
2. That Council approves the Treasury Management Strategy for the period 2010/11 to 2012/13 as set out in *Appendix D*, incorporating the Investment Strategy and Treasury Management Indicators.

1 INTRODUCTION

- 1.1 It is a requirement of the CIPFA Code of Practice on Treasury Management that a strategy outlining the expected treasury activity for the forthcoming 3 years is adopted, but that this be reviewed at least annually. The proposed Treasury Management Strategy for the period 2010/11 to 2012/13 needs to cover the following forecasts and activities:

- the current treasury position
- expected movement in interest rates
- the borrowing and debt strategy
- the investment strategy
- specific limits on treasury activities
- treasury management indicators (previously reported as prudential indicators).

- 1.2 Further to the difficulties experienced in the Icelandic banking collapse and the wider banking crisis generally, the Code was updated in November 2009. Also Government has recently consulted on changes to its investment guidance and these also need to be taken into account. That said, the Code and draft investment

guidance still remain flexible in order to cater for different public sector organisations and their differing operating arrangements, circumstances and risk appetites. Proposals regarding the various aspects of this Authority's Treasury Management Framework are set out below.

- 1.3 Responsibilities associated with the Code's requirements are set out at **Appendix A**. Further detail in respect of those documents that require either formal noting or approval by Council is set out in sections 2 to 5 below.

2 **ADOPTION OF THE UPDATED CODE**

- 2.1 The Code was originally adopted by Council in 2002. Whilst in essence much of the updated 2009 Code remains the same, there are some changes required to the key principles and supporting requirements and these are reflected in **Appendix B**; the wording is prescribed in the Code and in essence, the content underpins the rest of the framework proposals as set out in this report. It is therefore recommended that the updated Code be adopted by the Council. In due course, Audit Committee will be recommended to update the Financial Regulations accordingly.

3 **TREASURY MANAGEMENT POLICY STATEMENT**

- 3.1 The Treasury Management Code of Practice requires the Council to set out a Policy Statement outlining the policies and objectives of its treasury management activities. The Code requires a specific form of words for the Policy Statement, which is set out at **Appendix C** as updated to reflect the 2009 Code. As such, there is no discretion available to the Council.
- 3.2 Once approved, in future Council needs only to note the updated Policy Statement each year.

4 **TREASURY MANAGEMENT STRATEGY STATEMENT**

- 4.1 The Code also requires that an annual Treasury Management Strategy be approved by 31 March each year, for the forthcoming financial year. The 2010/11 strategy document also acts as the investment strategy as defined in the Government guidance and so the full Treasury Management Strategy document, attached at **Appendix D**, is to be approved by Council.

4.2 **Borrowing Aspects of the Strategy**

- 4.2.1 In terms of borrowing, the Strategy takes account of Cabinet's final budget proposals, in particular in respect of the General Fund Capital Programme. Based on the draft budget, the borrowing position of the Council is currently projected to remain constant over the next three years. This, however, assumes no impact from compensation claims for Luneside East regeneration and also assumes that the Council will benefit from capital receipts linked to the sale of land at South Lancaster. The position on Iceland is also far from certain; whilst assumptions have been made, as yet the Council's creditor status has yet to be finally determined through the courts.
- 4.2.2 The above points represent major assumptions and depending on their outcome, the borrowing strategy may vary greatly from that currently projected. In view of this, the proposed strategy needs to provide sufficient flexibility to manage the treasury function over the coming year and therefore a number of scenarios are covered.

4.2.3 The Strategy also includes the Authority's policy in relation to the prudent provision for repayment of debt. There is the potential for significant impact on revenue from any changes in the borrowing projections, through associated increased interest charges/lost investment income and making minimum revenue provisions (MRP) for any additional debt repayment.

4.3 Investment Strategy

4.3.1 The Council's investment activities are subject to the Local Government Act 2003, which introduced the Prudential Capital Finance system. Under this Act authorities may invest for any purpose relevant to their functions, or to support prudent management of their financial affairs.

4.3.2 The Act requires authorities to have regard to any guidance issued by the Secretary of State and the Treasury Management Strategy presented complies with the draft update issued by Government. It is not known when the investment guidance will be finalised, but it is not expected that there will be any substantive changes to the current draft.

4.3.3 As mentioned above, the Investment Strategy is integrated into the Treasury Management Strategy which is attached in full at **Appendix D**.

4.3.4 The investment strategy for the current year came in the aftermath of the Icelandic banking crisis. This had a direct impact on the Council in terms of frozen investment balances, as well as a broader influence on the treasury management function. Several changes were introduced a year ago to reduce counterparty risk in relation to investments, as follows:

- The maximum amount to be invested with any one institution (other than the UK Government) was reduced from £6M to £4M. This limit applied mainly where there is instant access (i.e. not fixed term investments), but with the exception of investments placed with other local authorities or the European Central Bank. Should any other fixed term deposits be considered, a lower limit of £2M is applied.
- The lowest common denominator approach to interpreting credit ratings from all 3 agencies was introduced.
- The Strategy included a separate limit of £10M specifically for the Government's Debt Management Accounts Deposit Facility (DMADF). This was included as a minimal return 'safe haven'.
- UK institutions were given precedence over other countries, and sovereign ratings (i.e. the credit ratings of countries) were applied. Aside from the UK, only other EU countries were to be used.
- No forward deals were to be entered into.
- No investments were to be made for any period longer than a year.

4.3.5 Although the financial sector has remained relatively stable over the last 12 months, the UK is only just out of recession and it is still facing an unprecedented public sector deficit. Uncertainty in the financial sector still remains. This means that there is no argument for relaxation of the measures taken for this year. The only real changes to investment limits for 2010/11 onwards are an increase to the proposed

limit with the DMADF (up to £20M) and a reduction on the time limits for fixed term deposits (down to 3 months on upper limit counterparties - see table 4, **Appendix D**). This reduction reflects the Authority's lack of appetite for the risk associated with longer term deposits; even though the limit was set at 1 year for 2009/10, no fixed term deposits were placed (except with the DMADF).

4.4 **Other Aspects**

4.4.1 In line with the updated Treasury Management Code and investment guidance though, there are additional elements to be introduced to help manage risk. These include:

- the explicit nomination of Budget and Performance Panel as the scrutiny committee for Treasury Management; and
- an increased frequency of reporting to Members, insofar as a formal mid-year review will be included.

4.4.2 Whilst in essence the requirements of the new Code and guidance do not materially change the Council's existing arrangements, they do seek to clarify responsibilities. In particular, it is crucial that training is provided to help ensure that both Members and Officers have the necessary skills to fulfil their respective responsibilities. This area will continue to feature in the Member Development Plan as well as Officer related training programmes. It will be considered by the Council's Business Committee in due course.

4.4.3 Overall, the strategy put forward follows on from 2009/10 in that it is based on the Council having a low risk appetite, with a focus on highly liquid, high quality deposits. Going forward, the development of benchmarking should help Members in future to set the strategic framework for Treasury Management, allowing for a degree of risk that is judged to be acceptable. At present, given very low interest rates, the opportunity cost attached to a low risk strategy is considered to be low also – but this would change should interest rates start to increase.

4.4.4 It is stressed in terms of treasury activity, there is no risk free option. It is felt, however, that the measures set out above provide a sound framework within which to work over the coming year.

5 **PRUDENTIAL AND TREASURY MANAGEMENT INDICATORS**

5.1 In developing its budget proposals, Cabinet has reviewed various associated Prudential Indicators, the majority of which are required by statute, and these are set out elsewhere in the budget report for Council's approval. The Treasury Management strategy does however include the Treasury Management Indicators, which also need approval by Council. All indicators will continue to be reviewed during the course of the year, such reviews being linked to the quarterly reporting of treasury management performance.

6 **CONSULTATION**

6.1 Officers have liaised with Butlers, the Council's Treasury Advisors, in developing the proposed Strategies and they have also consulted KPMG LLP as the Council's

external auditors. Following the Icelandic difficulties, additional audit work was undertaken regarding the Council's treasury management arrangements. This led to a number of recommendations and Officers have given these due consideration and responded accordingly.

- 6.2 The proposals are also to be considered by Budget and Performance Panel at its meeting on 23 February 2010 and any recommendations arising will be fed directly into this meeting.

<p>RELATIONSHIP TO POLICY FRAMEWORK</p> <p>This report is in accordance with the Council's Treasury Management Policy, and fits with the development of the Medium Term Financial Strategy.</p>	
<p>CONCLUSION OF IMPACT ASSESSMENT (including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)</p> <p>None directly arising.</p>	
<p>FINANCIAL IMPLICATIONS</p> <p>None directly arising. The Framework will support the achievement of the estimates for borrowing costs and investment interest included within the proposed budget.</p>	
<p>SECTION 151 OFFICER'S COMMENTS</p> <p>The Section 151 Officer has been involved in the formulation of the Treasury Management Framework and has no further comments to add.</p>	
<p>LEGAL IMPLICATIONS</p> <p>Legal Services have no observations to make on this report.</p>	
<p>DEPUTY MONITORING OFFICER'S COMMENTS</p> <p>The Monitoring Officer has been consulted and has no further comments.</p>	
<p>BACKGROUND PAPERS CIPFA Treasury Management Code of Practice (November 2009) CIPFA Prudential Code for Capital Finance in Local Authorities (2nd Edition, 2009) DCLG Guidance on Local Authority Investments (Draft update to Guidance)</p>	<p>Contact Officer: Nadine Muschamp Telephone: 01524 582117 E-mail: nmuschamp@lancaster.gov.uk Ref:</p>

TREASURY MANAGEMENT FRAMEWORK DOCUMENTS AND RESPONSIBILITIES
For Consideration by Council 03 March 2010

DOCUMENT	RESPONSIBILITY																
CODE of PRACTICE	To be adopted by Council (originally adopted in 2002 - now updated November 2009).																
POLICY STATEMENT	The Code of Practice recommends a specific form of words to be used, to set out the Council's objectives within the Policy Statement for its Treasury Management activities. It is the responsibility of Council to approve this document, and then note it each year thereafter if unchanged. This has been updated in line with the revised code November 2009.																
TREASURY MANAGEMENT STRATEGY	The Strategy document breaks down the Policy Statement into detailed activities and sets out the objectives and expected market forecasts for the coming year. This also contains all the elements of an Investment Strategy as set out in the DCLG guidance; it is the responsibility of Council to approve this document, following referral from Cabinet.																
TREASURY MANAGEMENT INDICATORS	These are included within the Strategy Statement as part of the framework within which treasury activities will be undertaken. It is the responsibility of Council to approve these limits.																
INVESTMENT STRATEGY	The Investment Strategy is included within the Treasury Management Strategy. It states which types of investments the Council may use for the prudent management of its treasury balances during the financial year. Under existing guidance the Secretary of State recommends that the Strategy should be approved by Council.																
TREASURY MANAGEMENT PRACTICES	<p>These are documents that set out the procedures that are in place for the Treasury Management function within the Council. The main principles were approved by Cabinet following the adoption of the Code of Practice; they include:</p> <table border="0" data-bbox="451 1205 1490 1433"> <tr> <td><i>TMP 1:</i> Risk management</td> <td><i>TMP 7:</i> Budgeting, accounting & audit</td> </tr> <tr> <td><i>TMP 2:</i> Performance measurement</td> <td><i>TMP 8:</i> Cash & cash flow management</td> </tr> <tr> <td><i>TMP 3:</i> Decision-making and analysis</td> <td><i>TMP 9:</i> Money laundering</td> </tr> <tr> <td><i>TMP 4:</i> Approved instruments, methods & techniques</td> <td><i>TMP 10:</i> Staff training & qualifications</td> </tr> <tr> <td>Organisation, clarity and segregation of</td> <td></td> </tr> <tr> <td><i>TMP 5:</i> responsibilities, and dealing arrangements.</td> <td><i>TMP 11:</i> Use of external service providers</td> </tr> <tr> <td>Reporting requirements & management</td> <td></td> </tr> <tr> <td><i>TMP 6:</i> information requirements</td> <td><i>TMP 12:</i> Corporate governance</td> </tr> </table> <p>Any changes to the above principles will require Cabinet approval. It is the Head of Financial Service's responsibility to maintain detailed working documents and to ensure their compliance with the main principles. It is highlighted that for 2010/11, quarterly treasury management reports will continue to be included within Corporate Financial Monitoring and in turn, these will be reported into Cabinet and Budget and Performance Panel.</p>	<i>TMP 1:</i> Risk management	<i>TMP 7:</i> Budgeting, accounting & audit	<i>TMP 2:</i> Performance measurement	<i>TMP 8:</i> Cash & cash flow management	<i>TMP 3:</i> Decision-making and analysis	<i>TMP 9:</i> Money laundering	<i>TMP 4:</i> Approved instruments, methods & techniques	<i>TMP 10:</i> Staff training & qualifications	Organisation, clarity and segregation of		<i>TMP 5:</i> responsibilities, and dealing arrangements.	<i>TMP 11:</i> Use of external service providers	Reporting requirements & management		<i>TMP 6:</i> information requirements	<i>TMP 12:</i> Corporate governance
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Organisation, clarity and segregation of																	
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Reporting requirements & management																	
<i>TMP 6:</i> information requirements	<i>TMP 12:</i> Corporate governance																

For adoption by Council 03 March 2010

**Adoption of the 2009 Code of Practice on Treasury Management:
Treasury Management Clauses to form part of Financial Regulations**

Changes are in *italics*:

- C1 The authority has adopted the key recommendations of CIPFA's Treasury Management in Public Services: ***Code of Practice 2009 (the Code)*** as detailed below:

Key Principle 1

Public service organisations should put in place formal and comprehensive objectives, policies and practices, strategies and reporting arrangements for the effective management and control of their treasury management activities.

Key Principle 2

Their policies and practices should make clear the effective management and control of risk and prime objectives of their treasury management activities ***and that responsibility for these lies clearly within their organisations. Their appetite for risk should form part of their annual strategy and should ensure that priority is given to security and liquidity when investing funds.***

Key Principle 3

They should acknowledge that the pursuit of ***value for money*** in treasury management, and the use of suitable performance measures, are valid and important tools for responsible organisations to employ in support of their business and service objectives; and that within the context of effective risk management, their treasury management policies and practices should reflect this.

- C2 Accordingly, the Authority will create and maintain, as cornerstones for effective treasury management:
- a treasury management policy statement, stating the policies and objectives ***and approach to risk management*** of its treasury management activities;
 - suitable treasury management practices (TMPs), setting out the manner in which the organisation will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.
- C3 Full Council will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, ***a mid-year review*** and an annual report after its close, in the form prescribed in its TMPs.
- C4 The Authority delegates responsibility for the implementation and monitoring of its treasury management policies and practices to the Cabinet (through the Council's Performance Management Framework), and for the execution and administration of treasury management decisions to the Section 151 Officer, who will act in accordance with the Council's policy statement and TMPs and, if they are a CIPFA member, CIPFA's Standard of Professional Practice on Treasury Management.
- C5 *The Authority designates Budget and Performance Panel to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.***

LANCASTER CITY COUNCIL
TREASURY MANAGEMENT POLICY STATEMENT

For approval by Council 03 March 2010

This has been updated to reflect the revised CIPFA Treasury Management Code of Practice (November 2009). Changes are in *italics*.

1. This organisation defines its treasury management activities as:

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

2. This organisation regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation.
3. This organisation acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving ***value for money*** in treasury management, and to employing suitable ***comprehensive*** performance measurement techniques, within the context of effective risk management.

Note: The current policy reads “... achieving ***best value*** in treasury management, and to employing suitable performance measurement ...”.

Treasury Management Strategy 2010/11 to 2012/13

For approval by Council 03 March 2010

Introduction

1. The treasury management function is an important part of the overall financial management of the Council's affairs. Its importance has increased as a result of the freedoms provided by the Prudential Code. Whilst the prudential indicators consider the affordability and impact of capital expenditure decisions, the treasury function covers the effective funding of these decisions. There are also specific treasury indicators included in this strategy that need approval.
2. The Council's activities are strictly regulated by statutory requirements and a professional code of practice (i.e. the CIPFA Code of Practice on Treasury Management, revised November 2009: the "Code"). This Council originally adopted the Code on 13 February 2002, and will now adopt the revised Code. In doing so, it will also adopt an updated treasury management policy statement.
3. The Code requires an annual strategy to be reported to Council outlining the expected treasury activity for the forthcoming 3 years. A further report is produced after the year-end to report on actual activity for the year. As a consequence of the revised Code, a mid year monitoring report will now also be produced for Council.
4. A key requirement of this report is to explain both the risks, and the management of the risks, associated with the treasury function.
5. This strategy therefore covers:
 - the current treasury position;
 - expected movement in interest rates;
 - the Council's borrowing and debt strategy (including its policy on making provision for the repayment of debt);
 - the Council's Investment Strategy;
 - specific limits on treasury activities;
 - treasury management indicators; and
 - specific sections on training and the use of consultants.

This strategy document contains the relevant information to comply with both the Code and the draft updated Investment Guidance issued by Government. The sections that specifically satisfy requirements of the Investment Guidance are: specified and non specified investments (33-42), credit risk assessment (34-39), use of investment consultants (52-53), training (54), borrowing in advance of need (10) and length of deposits (40-44).

Treasury Position

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

Table 1: Gross external debt and investment forecast

	2010/11 Estimated	2011/12 Estimated	2012/13 Estimated
	£'000	£'000	£'000
EXTERNAL DEBT			
Borrowing	39,200	39,200	39,200
Other long term liabilities	260	255	250
Total Debt at 31 March	39,460	39,455	39,450
INVESTMENTS			
Total Investments at 31 March	8,800	8,800	8,800
Total investment adjusted for Iceland 31 March*	3,640	4,810	5,730
Projected average investment balances*	9,635	10,455	11,305

*cash balances projected assuming non priority creditor status for Glitnir

7. The forecast position on external borrowing remains static across the three years, despite the fact that by the end of 2009/10 the Council's Capital Financing Requirement (CFR: i.e. the underlying need to borrow) is projected to be well in excess of net long term borrowings (see Prudential Indicator PI13) although debt boundaries (see Prudential Indicators PI 9 and 10) have been set above this level to allow for additional borrowing should it be required, for example, if assumptions about capital receipts are not realised. The twin issues of the amounts set aside for the future repayment of debt, and a cashflow position which is forecast to remain relatively stable, mean that there is no immediate need to take out new loans.
8. The revenue consequences of these balances, namely investment income and borrowing costs (and the relevant recharges between the HRA), are included within the overall revenue budget.
9. The projected average investment balances indicate the difference between the gross and the net borrowing position. This is projected to be lower than in prior years due to the repayment of PWLB loans in January 2009 (£5.6M) and the potential loss of principal from Icelandic banks.
10. Although the Council holds both investment balances and long terms borrowings, this is not a result of borrowing in advance of need or to on-lend. The Council's external borrowings provide the cash to help pay for a proportion of the Council's ongoing and accumulated capital spend (the CFR). Separate to this the Council is required to hold a certain amount of balances, provisions and other items to ensure that resources are available when needed; these are generally cash backed. Flexibility is allowed on utilising these cash funds in lieu of borrowing, which the Council is doing in part.

Scenario Review

11. The position above assumes that there will be no pressure to physically borrow to support the capital programme over the next three years, although it does assume that cash balances will be reduced due to Icelandic impairments (including having no priority creditor status for Glitnir) and the proposed Lancaster Market scheme. This is equivalent to scenario 2 below. However, there are two large elements that could lead to a change in this position. These are the potential impact of Luneside East compensation claims and the potential failure to achieve capital receipts for sale of land at South Lancaster. The potential incremental effect of these over the period 2009/10 to 2012/13 on the Council's borrowing requirement and its need to make provision for repayment in its revenue budget (MRP: Minimum Revenue Provision) can be seen overleaf:

Table 2. Debt scenarios for the period to 2012/13

	Borrowing requirement over Period £'000	Total MRP over a four year period £'000	Movement in CFR over period £'000
Scenario 1, "Best case", capitalisation not needed for Icelandic Impairment	-900	5,462	-6,362
Scenario 2, Capitalisation of Icelandic impairment in 2009/10 (i.e. reflects proposed Programme)	1,147	5,708	-4,561
Scenario 3, Icelandic impairment and illustrative Luneside East costs	5,647	6,068	-421
Scenario 4, "Worst case", Icelandic impairment, Luneside East and South Lancaster land not sold	13,147	6,368	6,779

12. From the table above is it clear that the effect of Luneside East and capital receipts from sale of land at South Lancaster could have a large impact on the Council's CFR and its potential debt position, as well as the annual revenue provision that will have to be set aside, irrespective of whether physical borrowing is taken out or not.
13. It is important to note that any increase in CFR does not necessarily lead to an increase in physical borrowing. Should physical borrowings not be required, this would be due to internal cash being applied instead, as outlined in paragraph 10. In the current climate, where investment returns are well below the cost of borrowing, this would be the preferred option. Where there is an increase in CFR however, there would be either be a real interest charge arising should new borrowing be taken out, or a loss of investment income should existing cash balances be used to support the capital expenditure.

Expected Movement in Interest Rates

Table 3: Medium-Term Rate Estimates (averages)

Annual Average %	Bank Rate	Money Rates		PWLB Rates*		
		3 month	1 year	5 year	20 year	50 year
2008/09	3.9	5.0	5.3	4.2	4.8	4.5
2009/10	0.5	0.8	1.4	3.2	4.4	4.6
2010/11	1.0	1.5	2.3	4.0	5.0	5.2
2011/12	2.0	2.5	3.3	4.3	5.3	5.3
2012/13	4.5	4.8	5.3	5.3	5.5	5.3

* Borrowing Rates

Information provided by Butlers Consultants January 2010:

14. Short-term rates are expected to remain on hold for a considerable time. The recovery in the economy has commenced but it will remain insipid and there is a danger that early reversal of monetary ease, (rate cuts and Quantative Easing (QE)), could trigger a dip back to negative growth and a W-shaped Gross Domestic Product (GDP) path.
15. Credit extension to the corporate and personal sectors has improved modestly but banks remain nervous about the viability of counterparties. This is likely to remain a drag upon activity prospects, as will the lacklustre growth of broad money supply.
16. The main drag upon the economy is expected to be weak consumers' expenditure growth. The combination of the desire to reduce the level of personal debt and job uncertainty is likely to weigh heavily upon spending. This will be amplified by the prospective increases

in taxation already scheduled for 2010 – VAT and National Insurance. Without a rebound in this key element of UK GDP growth, any recovery in the economy is set to be weak and protracted.

17. The Monetary Policy Committee (MPC) will continue to promote easy credit conditions via quantitative monetary measures. QE has been extended to a total of £200BN. Whether this has much impact in the near term remains a moot point given the personal sector's reluctance to take on more debt and add to its already unhealthy balance sheet.
18. With inflation set to remain subdued in the next few years (though a sharp blip is forecast for the next few months), the pressure upon the MPC to hike rates will remain moderate. But some increase will be seen as necessary in 2010 to counter the effects of external cost pressures (as commodity price strength filters through) and to avoid damage that sterling could endure if the UK is seen to defy an international move to commence policy exit strategies.
19. The outlook for long-term fixed interest rates is a lot less favourable. Whilst the UK's fiscal burden should ease in the future, this will be a lengthy process and deficits over the next two to three financial years will require a very heavy programme of gilt issuance. The market will no longer be able to rely upon Quantitative Easing to alleviate this enormous burden.
20. The programme was not extended in February. With growth back on the agenda and inflation challenging the upper limit of the Government's target range, going forward, the majority of MPC members may feel enough assistance has been given to ensure lack of credit is no longer a fundamental threat to the welfare of the economy.
21. The absence of the Bank of England as the largest buyer of gilts will shift the balance between supply and demand in the gilt-edged market. Other investors will almost certainly require some incentive to continue buying government paper.
22. This incentive will take the form of higher interest rates. The longer fixed interest rates will suffer from the lack of support from the major savings institutions – pension funds and insurance companies - who will continue to favour other investment instruments as a source of value and performance. The shorter fixed interest rates will be pressured higher by the impact of rising money market rates. While bank purchases in this part of the market will continue to feature as these institutions meet regulatory obligations, this process will be insufficiently strong to resist the upward trend in yields.

Borrowing and Debt Strategy 2010/11 to 2012/13

23. The uncertainty over future interest rates increases the risks associated with treasury activity. As a result the Council will take a cautious approach to its treasury strategy. As outlined in the scenarios section above, there are also a number of other factors outside of the Council's direct control, which could have a significant impact on its need to borrow. As these issues are clarified, the options around borrowing will be considered in relation to the longer term prospects of rate rises.
24. Long-term fixed interest rates are at risk of being higher over the medium term, and short term rates are expected to rise, although more modestly. The Head of Financial Services, under delegated powers, will take the most appropriate form of borrowing depending on the prevailing interest rates at the time, if need be, taking into account the risks shown in the forecast above. It is likely that shorter term fixed rates may provide lower cost opportunities in the short to medium term.
25. With the likelihood of long term rates increasing, debt restructuring is likely to focus on switching from longer term fixed rates to cheaper shorter term debt, although the Head of Financial Services and treasury consultants will monitor prevailing rates for any opportunities during the year.
26. The option of postponing borrowing and running down investment balances will also be considered, this would have the added benefit of further reducing counterparty risk.

Provision for the Repayment of Debt 2010/11 to 2012/13

27. Up until 2007/08 the Council calculated the basic amount of provision, which it sets aside each year from revenue for the repayment of debt, in accordance with a prescribed formula based on the CFR. To this was added a further provision in respect of the financing of assets with relatively short lives, as considered prudent.
28. The new arrangements were introduced from 1 April 2008. In summary:
- the prescribed formula has been abolished and replaced by a simple requirement for Councils to make 'prudent' provision;
 - the old calculation may still be used for relevant capital expenditure before 31 March 2008, but
 - provision relating to relevant capital expenditure after this date must either be based on the estimated life of the asset, or equal to the depreciation on the asset.
29. The new arrangements also included reference to 'supported' or unsupported' capital expenditure:
- 'Supported' is the amount of capital expenditure for which the authority has received revenue support from Government to help meet the financing costs. (i.e. for credit / borrowing – it excludes grant financing).
 - 'Unsupported' is where the authority receives no such revenue assistance (often also referred to as prudential borrowing).
30. Financially, the new arrangements for calculating the Minimum Revenue Provision (MRP) has no real impact on the Council because the changes effectively codify the full 'prudent' provision which the Council was already making. Nonetheless, as an element of discretion has been introduced the Council's approach must be formalised within the borrowing strategy.
31. Therefore, for 2010/11, the Council's policy for the making of provision for the repayment of debt will be as follows:
- For all relevant capital expenditure prior to 1 April 2008, with the exception of that in respect of motor vehicles (i.e. less than 15 years life), by the application of the former prescribed formula (*i.e. for General Fund, 4% of the non-housing related Capital Financing Requirement at the start of the year*).
 - For capital expenditure on motor vehicles prior to 01 April 2008, and for all supported or unsupported capital expenditure on or after that date, equal annual amounts based on the estimated life of each individual asset so financed, as is consistent with the revised Minimum Revenue Provision guidance (February 2008, method 3).

Investment Strategy 2010/11 to 2012/13

32. The primary objective of the Council's investment strategy is to safeguard the re-payment of the principal and interest of its investments, with ensuring adequate liquidity being the second objective, and achieving investment returns being the third.
33. The types of investment allowable are categorised as either Specified and Non Specified investments. Details of these are set out in **Appendix D1**.
34. Following the economic background described above, the current investment climate has one over-riding risk consideration, that of counterparty security risk. As a result of these underlying concerns, Officers are currently implementing an operational investment strategy which tightens the controls already in place. The Head of Financial Services will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary. The use of these criteria

provides an overall pool of counterparties that are considered as high quality and that may be chosen for investment, subject to other considerations.

35. The rating criteria use the lowest common denominator method of selecting counterparties and applying limits. This means that the application of the Council's minimum criteria will apply to the lowest available rating for any institution. For instance, if an institution is rated by two agencies, one meets the Council's criteria, the other does not, the institution will fall outside of the lending criteria. This complies with a CIPFA Treasury Management Panel recommendation in March 2009 and the actual Code.
36. Credit rating information is supplied by the Council's treasury consultants (Butlers) on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating watches (notification of a likely change), rating outlooks (notification of a possible longer term change) are provided to officers almost immediately after they occur and this information is considered before dealing. More information on credit ratings is included in **Appendix D2**.
37. The criteria for providing a pool of high credit quality investment counterparties (for both specified and non-specified investments) are:

- **Banks 1 - Good Credit Quality**

The Council will only use banks that:

- a) are UK banks; or
- b) are non-UK but are domiciled in an EU country with a long term sovereignty rating of AAA,

and have, as a minimum, the following Fitch, Moody's and Standard and Poors credit ratings (where rated, as is consistent with the middle limit as per table 4):

- i. **Short Term:** F1/P-1/A-1
- ii. **Long Term:** A/A2/A
- iii. **Individual / Financial Strength:** C (Fitch / Moody's only)
- iv. **Support:** 3 (Fitch only)

- **Banks 2 – Guaranteed Banks with suitable Sovereign Support**

In addition, the Council will use EU banks whose ratings fall below the criteria specified above if all of the following conditions are met:

- a) wholesale deposits in the bank are covered by a government guarantee;
- b) the government providing the guarantee is rated "AAA" by all three major rating agencies (Fitch, Moody's and Standard & Poors); and
- c) the Council's investments with the bank are limited to amounts and maturities within the terms of the stipulated guarantee.

- **Banks 3 – Eligible Institutions**

The organisation is an Eligible Institution for the HM Treasury Credit Guarantee Scheme initially announced on 13 October 2008, with the necessary short and long term ratings required in *Banks 1* above. These institutions have been subject to suitability checks before inclusion, and have access to HM Treasury liquidity if needed.

- **Banks 4 – The Council's own Banker**

The bank may be used for transactional purposes if the bank falls below the above criteria, although in this case balances will be minimised in both monetary size and time.

- **Building Societies** – all Societies that meet the ratings for banks outlined above.

- **Money Market Funds** – AAA-rated sterling funds with constant unit value.
 - **UK Government** – Debt Management Account Deposit Facility (DMADF)
 - **Local Authorities (including Police and Fire Authorities), Parish Councils**
 - **Supranational institutions** (e.g. European Central Bank)
38. Due care will be taken to consider the country, group and sector exposure of the Council's investments. In part the country selection will be chosen by the credit rating of the Sovereign state in *Banks 1* above. In addition:
- no more than 25% will be placed with any one non-UK country at any time;
 - limits in place above will apply to Group companies;
 - Sector limits will be monitored.
39. The updated Code of Practice and draft Investment Guidance now require the Council to supplement credit rating information. Whilst the Council's strategy relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (e.g. credit default swaps, negative rating watches/outlooks) will be applied to compare the relative security of differing investment counterparties.
40. For the above categories of Specified and Non Specified Investments, and in accordance with the Code, the Council has developed additional criteria to set the maximum amounts that may be invested in these bodies. The criteria, using the lowest common denominator approach are set out below.

Table 4: Counterparty Criteria and Investment Limits

	Minimum across all three ratings			Money Limit ⁷	Time Limit ⁸
	Fitch	Moody's	Standard & Poors		
Upper Limit ¹	F1+/AA-	P-1/AA3	A-1+/AA-	£4M	Instant access only
				£2M	3 months
Middle Limit ²	F1/A	P-1/A2	A-1/A	£2M	Instant access only
Other Institutions ³	N/A	N/A	N/A	£4M	1 Year
Money Market Funds ⁴	AAA	AAA	AAA	£4M	Instant Access Only
DMADF deposit ⁵	N/A	N/A	N/A	£20M	1 Year
Sovereign rating to apply to all non UK counterparties ⁶	AAA	AAA	AAA	N/A	N/A

Notes:

- 1 & 2: The Upper and Middle Limits apply to appropriately rated banks and building societies.
- 3: The Other Institutions limit applies to other local authorities and supranational institutions (i.e. ECB).
- 4: Sterling, constant net asset value funds only.
- 5: The DMADF facility is direct with the UK government, it is extremely low risk and hence the higher limit.
- 6: UK investments are defined as those listed under UK banks or building societies in the Butler's counterparty listing.
- 7: Money limits apply to principal invested and do not include accrued interest.
- 8: Time Limits start on the trade date for the investment.

41. In the normal course of the Authority's cash flow operations it is expected that both specified and non-specified Investments will be utilised for the control of liquidity as both categories allow for short term investments. The Council will maintain a minimum £2M of investments in Specified Investments provided that the cashflow allows for this. In addition, although the Council will consider using non specified investments (as described in **Appendix D1**), these should not exceed 50% of the portfolio at any one time. The limits applied will be consistent with the short and long term ratings in table 4 above.
42. The use of longer term instruments (greater than one year from trade date to maturity) and forward deals will not be used.
43. Expectations on shorter-term interest rates, on which investment decisions are based, show a likelihood of the current 0.5% Bank Rate remaining flat but with the possibility of a rise in mid-2010. The Council's investment decisions are based on comparisons between the rises priced into market rates against the Council's and advisers own forecasts.
44. There is some operational difficulty arising from the current banking crisis, albeit that there is currently little value investing longer term and credit risk remains uncertain. Whilst some selective options do provide additional yield, uncertainty over counterparty creditworthiness indicates that shorter dated investments provide better security. As such, the time limit for upper limit investments has been further reduced to 3 months with middle limit institutions only being used for instant access.
45. The criteria for choosing counterparties set out above provide a sound approach to investment in "normal" market circumstances. Whilst Members are asked to approve the base criteria above, under the exceptional current market conditions the Head of Financial Services may temporarily restrict further investment activity to those counterparties considered of higher credit quality than the minimum criteria set out for approval. These restrictions will remain in place until the banking system returns to "normal" conditions. Similarly the time periods for investments will be restricted.
46. Examples of these restrictions include greater use of the Debt Management Deposit Account Facility (DMADF – a Government body which accepts local authority deposits), guaranteed deposit facilities and strongly rated institutions offered support by the UK Government as appropriate. The credit criteria reflect these facilities.

Risk benchmarking

47. A development in the revised Code and in Government consultation is the consideration and approval of security and liquidity benchmarks. Yield benchmarks are currently widely used to assess investment performance. Discrete security and liquidity benchmarks are new requirements for Member reporting, although the application of these is more subjective in nature. The purposes of the benchmarks are to aid Officer monitoring of the current and trend positions and to inform any amendments to the operational strategy and actions required, depending on any changes.
48. At present, the criteria set down in table 4 above and through the treasury management indicators below, limit activity in terms of length of deposit (liquidity) and in terms of strength of the counterparty (security). The current strategy follows on from the 2009/10 strategy in being low risk through, for example, restricting the amount and length of deposit in any one counterparty as well as mandating high liquidity on larger deposits. The use of benchmarking should allow the Council to set strategic parameters on investments that allow for an 'acceptable' level of risk in the portfolio, as set down by Members. The Council's treasury consultants, Butlers, have provided a method for quantifying the security and liquidity of the portfolio and this is currently under review. Detailed proposals will be included in subsequent reports to Members.

Treasury Management Indicators and Limits on Activity

49. There are four mandatory treasury management Indicators. The purpose of these indicators is to contain the activity of the treasury function within certain limits, thereby

managing risk and reducing the impact of an adverse movement in interest rates. The full list of Prudential Indicators is included elsewhere on the agenda, but the treasury management indicators are as follows:

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

50. Council will also be requested to approve the treasury management indicators, as updated in line with final budget proposals, at its meeting on 03 March 2010.

Table 5: Treasury Management Indicators

	2010/11		2011/12		2012/13	
Interest Rate Exposures						
	Upper		Upper		Upper	
Limits on exposure to fixed interest rates	100%		100%		100%	
Limits on exposure to variable interest rates	30%		30%		30%	
Maturity Structure of fixed interest rate borrowing						
	Lower	Upper	Lower	Upper	Lower	Upper
Under 12 months	0%	35%	0%	35%	0%	35%
12 months to 2 years	0%	20%	0%	20%	0%	20%
2 years to 5 years	0%	20%	0%	20%	0%	20%
5 years to 10 years	0%	20%	0%	20%	0%	20%
10 years to 15 years	0%	50%	0%	100%	0%	100%
15 years to 25 years	0%	100%	0%	100%	0%	100%
25 years to 50 years	50%	100%	50%	100%	50%	100%
Actual current position						
Under 12 months	0%		0%		0%	
12 months to 2 years	0%		0%		0%	
2 years to 5 years	0%		0%		0%	
5 years to 10 years	0%		0%		0%	
10 years to 15 years	0%		0%		0%	
15 years to 25 years	0%		0%		0%	
25 years to 50 years	100%		100%		100%	
Maximum principal sums invested > 364 days						
Principal sums invested, in 2010/11, for periods of greater than 364 days, to mature after the end of each financial year	Nil		Nil		Nil	

Performance Indicators

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

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

The results of these indicators will be reported in the Treasury Annual Report and the mid-year report as required under the new Code.

Treasury Management Advisers

52. The Council currently uses Butlers as its treasury management consultants. The company provides a range of services that include:

- technical support on treasury matters, capital finance issues and the drafting of Member reports;
- economic and interest rate analysis;
- debt services which includes advice on the timing of borrowing;
- debt rescheduling advice surrounding the existing portfolio;
- generic investment advice on interest rates, timing and investment instruments;
- credit ratings/market information service comprising the three main credit rating agencies;

53. Whilst the advisers provide support to the internal treasury function, under current market rules and the CIPFA Code of Practice the final decision on treasury matters remains with the Council. This service is subject to regular review.

Member and Officer Training

54. The increased Member consideration of treasury management matters and the need to ensure officers dealing with treasury management are trained and kept up to date requires a suitable training process for Members and officers. This Council addresses this important issue by providing Member training in liaison with its treasury advisors and through ongoing training and supervision of officers involved the day to day operation of the treasury function.

Definitions of Specified and Non Specified Investments

See the detailed Investment Strategy included in Appendix D, for the limits to be applied.

1. Specified Investments are defined as follows.

SPECIFIED INVESTMENTS	
<p>These are to be sterling investments of a maturity period of not more than 364 days, or those which could be for a longer period but where the Council has the right to be repaid within 364 days if it wishes. These are low risk assets where the possibility of loss of principal or investment income is considered negligible. These include investments with:</p>	
<p>(i) The UK Government (such as the Debt Management Office, UK Treasury Bills or a Gilt with less than one year to maturity).</p>	
<p>(ii) Supranational bonds of less than one year's duration.</p>	
<p>(iii) A local authority, parish council or community council.</p>	
<p>(iv) An investment scheme that has been awarded a high credit rating by a credit rating agency (although this definition is changing in the draft CLG Investment Guidance to "High Credit Quality").</p>	
<p>(v) A body that has been awarded a high credit rating by a credit rating agency (such as a bank or building society).</p>	
<p>For category (iv) this covers a money market fund rated by Standard and Poor's, Moody's or Fitch rating agencies.</p>	

2. Non-specified Investments are defined as follows:

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

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

Background information on credit ratings

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

What is a Credit Rating ?

A credit rating is:

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

Who Provides / Uses Credit Ratings?

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

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

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

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

Rating Criteria

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

- 'Short Term' ratings for time horizons of 12 months or less. These may be considered as the most important for local authorities.
- 'Long Term' ratings for time horizons of over 12 months. These may be considered as less important in the current climate.

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

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

The table below shows how some of the higher graded short and long term ratings compare across the agencies; the top line represents the highest grade possible. (There are other ratings that go much lower than those shown below, and ratings for other elements.)

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

COUNCIL**Council Tax 2010/11
03 March 2010****Report of the Head of Financial Services****PURPOSE OF REPORT**

To approve 2010/11 Council Tax levels for the district, in accordance with the budget proposals approved by Council. On the basis that Council sets a revenue budget of £24.740M in line with its previous resolutions regarding a 3.75% Council Tax increase in next year, there are no alternatives to the recommendations as set out below.

This report is public.

RECOMMENDATIONS

- (1) That the total General Fund Revenue Budget Requirement for the financial year 2010/11 be set at £25,268,053.00. (City Council £24,740,000 plus Parish Precepts £528,053).
- (2) That it be noted that, under delegated powers in accordance with the Local Government Act 2003 Section 84, the City Council calculated the following amounts for the year 2010/11 in accordance with the Local Authorities (Calculation of Council Tax Base) Regulations 1992 (as amended) made under Section 33(5) of the Local Government Finance Act 1992:
 - (a) 43,400.00 being the amount of its Council Tax Base for the whole District;
 - (b) 17,565.99 being the amount of its Council Tax Base for the non-parished part of the District; and

(c)	Parish	Tax Base	Parish	Tax Base
	Arkholme-with-Cawood	159.95	Over Kellet	349.23
	Bolton-le-Sands	1,657.82	Over Wyresdale	119.86
	Borwick	91.05	Overton	382.13
	Burrow-with-Burrow	87.54	Priest Hutton	93.35
	Cantsfield	56.01	Quernmore	231.48
	Carnforth	1,760.63	Roeburndale	23.13
	Caton-with-Littledale	1,067.62	Scotforth	135.43
	Cloughton	56.80	Silverdale	797.06
	Cockerham	248.03	Slyne-with-Hest	1,338.36
	Ellel	940.39	Tatham	208.08
	Gressingham	82.48	Thurnham	246.54
	Halton-with-Aughton	890.09	Tunstall	63.35
	Heaton-with-Oxcliffe	764.72	Warton	900.14
	Hornby-with-Farleton	344.10	Wennington	59.85
	Ireby and Leck	111.77	Whittington	166.48
	Melling-with-Wrayton	150.85	Wray-with-Botton	217.94
	Middleton	217.56	Yealand Conyers	108.52
	Morecambe Town Council	11,271.25	Yealand Redmayne	154.93
	Nether Kellet	279.49		

being the amounts of the Council Tax Base for each Parish within the District.

- (3) That in accordance with the resolutions of Council on 03 February 2010 (minute numbers 93 and 95 refer) and Section 35 of the Local Government Finance Act 1992, it be noted that there are no expenses to be treated as the Council's special expenses.
- (4) That the following amounts be now calculated by the City Council for the year 2010/11 in accordance with Sections 32 to 36 of the Local Government Finance Act 1992:
- £98,914,653 being the aggregate of the amounts which the City Council estimates for the items set out in Section 32(2)(a) to (e) of the Act.
 - £73,646,600 being the aggregate of the amounts which the City Council estimates for the items set out in Section 32(3)(a) to (c) of the Act.
 - £25,268,053 being the amount by which the aggregate at 4(a) above exceeds the aggregate at 4(b) above, calculated by the City Council, in accordance with Section 32(4) of the Act, as its budget requirement for the year.
 - £16,396,265 being the aggregate of the sums which the City Council estimates will be payable for the year into its General Fund in respect of redistributed Non-Domestic Rates, Revenue Support Grant and Collection Fund balances.
 - £204.42 being the amount at 4(c) above less the amount at 4(d) above, all divided by the amount at 2(a) above, calculated by the City Council, in accordance with Section 33(1) of the Act, as the basic amount of its Council Tax for the year.
 - £528,053 being the aggregate amount of special items referred to in Section 34(1) of the Act.
 - £192.25 being the amount at 4(e) above less the result given by dividing the amount at 4(f) above by the relevant amount at 2(a) above, calculated by the City

Council, in accordance with Section 34(2) of the Act, as the basic amount of its Council Tax for the year without special items.

- (h) £192.25 being the amount given by adding to the amount at 4(g) above the amount of the special item or items relating to dwellings in the non-Parished part of the District, divided by the amount at 2(b) above, calculated by the City Council, in accordance with Section 34(3) of the Act, as the basic amount of its Council Tax for the year for dwellings in the non-Parished part of the District to which one or more special items relate.

(i)

Parish	Tax Rate £	Parish	Tax Rate £
Arkholme-with-Cawood	213.53	Over Kellet	215.87
Bolton-le-Sands	212.06	Over Wyresdale	204.76
Borwick	203.23	Overton	219.34
Burrow-with-Burrow	203.67	Priest Hutton	213.67
Cantsfield	192.25	Quernmore	205.21
Carnforth	210.43	Roeburndale	192.25
Caton-with-Littledale	212.25	Scotforth	203.77
Cloughton	216.02	Silverdale	217.88
Cockerham	226.52	Slyne-with-Hest	214.31
Ellel	212.45	Tatham	212.67
Gressingham	203.77	Thurnham	210.91
Halton-with-Aughton	221.31	Tunstall	222.24
Heaton-with-Oxcliffe	203.37	Warton	210.27
Hornby-with-Farleton	217.53	Wennington	243.46
Ireby and Leck	215.41	Whittington	212.07
Melling-with-Wrayton	247.27	Wray-with-Botton	224.37
Middleton	210.64	Yealand Conyers	201.46
Morecambe Town Council	211.81	Yealand Redmayne	216.45
Nether Kellet	215.51		

being the amounts given by adding to the amount at 4(g) above the amounts of the special item or items relating to dwellings in those parts of the District mentioned above, divided in each case by the relevant amount at 2(c) above, calculated by the City Council, in accordance with Section 34(3) of the Act, as the basic amounts of its Council Tax for the year for dwellings in those parts of the District to which one or more special items relate.

(j) VALUATION BANDS

Area	Band A £	Band B £	Band C £	Band D £	Band E £	Band F £	Band G £	Band H £
Non Parished Area	128.17	149.53	170.89	192.25	234.97	277.69	320.42	384.50
Arkholme-with-Cawood	142.35	166.08	189.80	213.53	260.98	308.43	355.88	427.06
Bolton-le-Sands	141.37	164.94	188.50	212.06	259.18	306.31	353.43	424.12
Borwick	135.49	158.07	180.65	203.23	248.39	293.55	338.72	406.46
Burrow-with-Burrow	135.78	158.41	181.04	203.67	248.93	294.19	339.45	407.34
Cantsfield	128.17	149.53	170.89	192.25	234.97	277.69	320.42	384.50
Carnforth	140.29	163.67	187.05	210.43	257.19	303.95	350.72	420.86
Caton-with-Littledale	141.50	165.08	188.67	212.25	259.42	306.58	353.75	424.50
Cloughton	144.01	168.02	192.02	216.02	264.02	312.03	360.03	432.04
Cockerham	151.01	176.18	201.35	226.52	276.86	327.20	377.53	453.04
Ellel	141.63	165.24	188.84	212.45	259.66	306.87	354.08	424.90
Gressingham	135.85	158.49	181.13	203.77	249.05	294.33	339.62	407.54
Halton-with-Aughton	147.54	172.13	196.72	221.31	270.49	319.67	368.85	442.62
Heaton-with-Oxcliffe	135.58	158.18	180.77	203.37	248.56	293.76	338.95	406.74
Hornby-with-Farleton	145.02	169.19	193.36	217.53	265.87	314.21	362.55	435.06
Ireby and Leck	143.61	167.54	191.48	215.41	263.28	311.15	359.02	430.82
Melling-with-Wrayton	164.85	192.32	219.80	247.27	302.22	357.17	412.12	494.54
Middleton	140.43	163.83	187.24	210.64	257.45	304.26	351.07	421.28
Morecambe Town Council	141.21	164.74	188.28	211.81	258.88	305.95	353.02	423.62
Nether Kellet	143.67	167.62	191.56	215.51	263.40	311.29	359.18	431.02
Over Kellet	143.91	167.90	191.88	215.87	263.84	311.81	359.78	431.74
Over Wyresdale	136.51	159.26	182.01	204.76	250.26	295.76	341.27	409.52
Overton	146.23	170.60	194.97	219.34	268.08	316.82	365.57	438.68
Priest Hutton	142.45	166.19	189.93	213.67	261.15	308.63	356.12	427.34
Quernmore	136.81	159.61	182.41	205.21	250.81	296.41	342.02	410.42
Roeburndale	128.17	149.53	170.89	192.25	234.97	277.69	320.42	384.50
Scotforth	135.85	158.49	181.13	203.77	249.05	294.33	339.62	407.54
Silverdale	145.25	169.46	193.67	217.88	266.30	314.72	363.13	435.76
Slyne-with-Hest	142.87	166.69	190.50	214.31	261.93	309.56	357.18	428.62
Tatham	141.78	165.41	189.04	212.67	259.93	307.19	354.45	425.34
Thurnham	140.61	164.04	187.48	210.91	257.78	304.65	351.52	421.82
Tunstall	148.16	172.85	197.55	222.24	271.63	321.01	370.40	444.48
Warton	140.18	163.54	186.91	210.27	257.00	303.72	350.45	420.54
Wennington	162.31	189.36	216.41	243.46	297.56	351.66	405.77	486.92
Whittington	141.38	164.94	188.51	212.07	259.20	306.32	353.45	424.14
Wray-with-Botton	149.58	174.51	199.44	224.37	274.23	324.09	373.95	448.74
Yealand Conyers	134.31	156.69	179.08	201.46	246.23	291.00	335.77	402.92
Yealand Redmayne	144.30	168.35	192.40	216.45	264.55	312.65	360.75	432.90

being the amounts given by multiplying the relevant amount at 4(h) or 4(i) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation Band D, calculated by the City Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

- (5) That it be noted that for the year 2010/11 the Lancashire County Council, the Lancashire Police Authority and the Lancashire Fire Authority have stated the following amounts in precepts issued to the Council in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of the dwellings shown below:

Valuation Band	Lancashire County Council £	Lancashire Police Authority £	Lancashire Fire Authority £
A	738.87	97.51	42.43
B	862.01	113.77	49.51
C	985.16	130.02	56.58
D	1,108.30	146.27	63.65
E	1,354.59	178.77	77.79
F	1,600.88	211.28	91.94
G	1,847.17	243.78	106.08
H	2,216.60	292.54	127.30

- (6) That, having calculated the aggregate in each case of the amounts at 4(j) and 5 above the City Council, in accordance with Section 30(2) of the Local Government Finance Act 1992 hereby sets the following amounts as the amounts of Council Tax for the year 2010/11 for each of the categories of dwellings below:

Area	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
	£	£	£	£	£	£	£	£
Non Parished Area	1,006.98	1,174.82	1,342.65	1,510.47	1,846.12	2,181.79	2,517.45	3,020.94
Arkholme-with-Cawood	1,021.16	1,191.37	1,361.56	1,531.75	1,872.13	2,212.53	2,552.91	3,063.50
Bolton-le-Sands	1,020.18	1,190.23	1,360.26	1,530.28	1,870.33	2,210.41	2,550.46	3,060.56
Borwick	1,014.30	1,183.36	1,352.41	1,521.45	1,859.54	2,197.65	2,535.75	3,042.90
Burrow-with-Burrow	1,014.59	1,183.70	1,352.80	1,521.89	1,860.08	2,198.29	2,536.48	3,043.78
Cantsfield	1,006.98	1,174.82	1,342.65	1,510.47	1,846.12	2,181.79	2,517.45	3,020.94
Carnforth	1,019.10	1,188.96	1,358.81	1,528.65	1,868.34	2,208.05	2,547.75	3,057.30
Caton-with-Littledale	1,020.31	1,190.37	1,360.43	1,530.47	1,870.57	2,210.68	2,550.78	3,060.94
Claughton	1,022.82	1,193.31	1,363.78	1,534.24	1,875.17	2,216.13	2,557.06	3,068.48
Cockerham	1,029.82	1,201.47	1,373.11	1,544.74	1,888.01	2,231.30	2,574.56	3,089.48
Ellel	1,020.44	1,190.53	1,360.60	1,530.67	1,870.81	2,210.97	2,551.11	3,061.34
Gressingham	1,014.66	1,183.78	1,352.89	1,521.99	1,860.20	2,198.43	2,536.65	3,043.98
Halton-with-Aughton	1,026.35	1,197.42	1,368.48	1,539.53	1,881.64	2,223.77	2,565.88	3,079.06
Heaton-with-Oxcliffe	1,014.39	1,183.47	1,352.53	1,521.59	1,859.71	2,197.86	2,535.98	3,043.18
Hornby-with-Farleton	1,023.83	1,194.48	1,365.12	1,535.75	1,877.02	2,218.31	2,559.58	3,071.50
Ireby and Leck	1,022.42	1,192.83	1,363.24	1,533.63	1,874.43	2,215.25	2,556.05	3,067.26
Melling-with-Wrayton	1,043.66	1,217.61	1,391.56	1,565.49	1,913.37	2,261.27	2,609.15	3,130.98
Middleton	1,019.24	1,189.12	1,359.00	1,528.86	1,868.60	2,208.36	2,548.10	3,057.72
Morecambe Town Council	1,020.02	1,190.03	1,360.04	1,530.03	1,870.03	2,210.05	2,550.05	3,060.06
Nether Kellet	1,022.48	1,192.91	1,363.32	1,533.73	1,874.55	2,215.39	2,556.21	3,067.46
Over Kellet	1,022.72	1,193.19	1,363.64	1,534.09	1,874.99	2,215.91	2,556.81	3,068.18
Over Wyresdale	1,015.32	1,184.55	1,353.77	1,522.98	1,861.41	2,199.86	2,538.30	3,045.96
Overton	1,025.04	1,195.89	1,366.73	1,537.56	1,879.23	2,220.92	2,562.60	3,075.12
Priest Hutton	1,021.26	1,191.48	1,361.69	1,531.89	1,872.30	2,212.73	2,553.15	3,063.78
Quernmore	1,015.62	1,184.90	1,354.17	1,523.43	1,861.96	2,200.51	2,539.05	3,046.86
Roeburndale	1,006.98	1,174.82	1,342.65	1,510.47	1,846.12	2,181.79	2,517.45	3,020.94
Scotforth	1,014.66	1,183.78	1,352.89	1,521.99	1,860.20	2,198.43	2,536.65	3,043.98
Silverdale	1,024.06	1,194.75	1,365.43	1,536.10	1,877.45	2,218.82	2,560.16	3,072.20
Slyne-with-Hest	1,021.68	1,191.98	1,362.26	1,532.53	1,873.08	2,213.66	2,554.21	3,065.06
Tatham	1,020.59	1,190.70	1,360.80	1,530.89	1,871.08	2,211.29	2,551.48	3,061.78
Thurnham	1,019.42	1,189.33	1,359.24	1,529.13	1,868.93	2,208.75	2,548.55	3,058.26
Tunstall	1,026.97	1,198.14	1,369.31	1,540.46	1,882.78	2,225.11	2,567.43	3,080.92
Warton	1,018.99	1,188.83	1,358.67	1,528.49	1,868.15	2,207.82	2,547.48	3,056.98
Wennington	1,041.12	1,214.65	1,388.17	1,561.68	1,908.71	2,255.76	2,602.80	3,123.36
Whittington	1,020.19	1,190.23	1,360.27	1,530.29	1,870.35	2,210.42	2,550.48	3,060.58
Wray-with-Botton	1,028.39	1,199.80	1,371.20	1,542.59	1,885.38	2,228.19	2,570.98	3,085.18
Yealand Conyers	1,013.12	1,181.98	1,350.84	1,519.68	1,857.38	2,195.10	2,532.80	3,039.36
Yealand Redmayne	1,023.11	1,193.64	1,364.16	1,534.67	1,875.70	2,216.75	2,557.78	3,069.34

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

No new issues directly arising.

FINANCIAL IMPLICATIONS

The report is in accordance with the 2010/11 tax base and budget requirements.

The Council Tax increases for each element of the basic Band D Council Tax, together with their respective annual increases, are show below :

	2009/10	2010/11	Increase	
	£	£	£	%
Lancashire County Council	1,108.30	1,108.30	0.00	0.00
Lancashire Police Authority	142.08	146.27	4.19	2.95
Lancashire Fire Authority	62.41	63.65	1.24	1.99
Lancaster City Council	185.31	192.25	6.94	3.75
	1,498.10	1,510.47	12.37	0.83

Note that for comparative purposes, the Lancaster City Council increase shown relates to the basic City Council Tax rate excluding local precepts. This is the rate that the Secretary of State is expected to consider when considering capping.

DEPUTY SECTION 151 OFFICER'S COMMENTS

The deputy S151 Officer has been consulted and has no comments to add.

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

Precept notices 2010/11

Contact Officer: Nadine Muschamp

Telephone: 01524 582117

E-mail: nmuschamp@lancaster.gov.uk

Ref:

CABINET

10.00 A.M.

8TH DECEMBER 2009

PRESENT:- Councillors Stuart Langhorn (Chairman), June Ashworth, Jon Barry, Abbott Bryning, Jane Fletcher, David Kerr, Roger Mace and Malcolm Thomas

Apologies for Absence:-

Councillors Evelyn Archer and Eileen Blamire

Officers in attendance:-

Mark Cullinan	Chief Executive
Peter Loker	Corporate Director (Community Services)
Heather McManus	Corporate Director (Regeneration)
Roger Muckle	Corporate Director (Finance and Performance)
Nadine Muschamp	Head of Financial Services and Section 151 Officer
Julian Inman	Senior Planning Officer (part)
Kate Smith	Project Development Officer (part)
Debbie Chambers	Principal Democratic Support Officer

85 MINUTES

The minutes of the meeting held on Tuesday 10 November 2009 were approved as a correct record.

86 ITEMS OF URGENT BUSINESS AUTHORISED BY THE LEADER

The Chairman advised that there was one item of urgent business. This was a referral report from Overview and Scrutiny regarding a call-in. (Minute 90 refers).

87 DECLARATIONS OF INTEREST

Councillors Ashworth, Kerr and Langhorn each declared a personal and prejudicial interest with regard to the referral report from Overview and Scrutiny in view of their roles on Parish and Town Councils, Councillors Ashworth and Kerr as Members of Morecambe Town Council and Councillor Langhorn as Chairman of Caton-with-Littledale Parish Council (Minute 90 refers).

Councillor Barry declared a personal interest with regard to the report about the Fairfield Association Urban Nature Area, Lancaster (Minute 89 refers).

88 PUBLIC SPEAKING

Members were advised that there had been one request to speak from a member of the public at the meeting in accordance with Cabinet's agreed procedure as set out in Cabinet Procedure Rule 2.7. This was in respect of the Fairfield Association Urban Nature Area, Lancaster. (Minute 89 refers).

89 FAIRFIELD ASSOCIATION URBAN NATURE AREA, LANCASTER

(Cabinet Members with Special Responsibility Councillors Barry and Thomas)

(It was noted that Councillor Barry had previously declared a personal interest in the following report. Mr A Brennand, who had registered to speak on this item in accordance with the City Council's agreed procedure and Cabinet Procedure Rule 2.7, spoke on behalf of the Fairfield Association.)

The Corporate Director (Regeneration) submitted a report to update Members on the current position with the Fairfield Association's plans for an Urban Nature Reserve and seek direction on how they wished officers to proceed with the scheme.

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

Option 1 – Support FAUNA in terms of officer time and finance. This will include dealing with the issues of releasing the land required for the nature reserve from the agricultural tenancy and possibly using other expertise within the Council to assist in the progress of the scheme. In addition to considering supporting the FAUNA scheme financially in the form of a lease at a peppercorn rent (or equivalent grant), there is a need for the council to compensate the current tenant for the loss of the use of the land over which he has security of tenure under the Agricultural Holdings Act and deal with the terms and conditions for either the sale or letting of the Farmhouse on a long leasehold basis.

The lease at a peppercorn is currently not in line with the initial council resolution that there should be no detrimental affect to the council's revenue income from the land. In addition as indicated in paragraph 2.4 of the report, Council policy is not to grant leases at less than market value. Indeed, where a lease is for more than seven years, Section 123 of the Local Government Act 1972 requires that it must be for the best consideration that can reasonably be obtained, although the Secretary of State has given a general consent for the disposal of land at less than best consideration in certain circumstances where the well-being powers contained in Section 2 of the Local Government Act 2000 apply. The options would be to grant the lease at market value with the opportunity to provide grant aid to FAUNA, or to consider the use of the well-being powers. In addition the need to pay compensation to the agricultural tenant would not be covered by the Council's existing budgets, although the potential income from the sale of the farmhouse would balance this out. The disposal would also reduce the Council's future maintenance liability for the Farmhouse. If Cabinet resolve to support the FAUNA scheme then the issues of rent and compensation will have to be taken forward as part of the Council's budget process.

The scheme is a unique opportunity to provide community benefits in terms of nature conservation on the edge of the City, amenity access to the western edge of the City, educational and local links as well as promoting community involvement.

Option 2 – Not to support FAUNA at the moment both in terms of officer time and financially. This could cause the loss of a unique opportunity to develop this project further and help the community. The Association have spent considerable time and energy bringing the scheme forward.

The City Council would continue to lease the land under the agricultural tenancy,

although expenditure would have to be identified in the repair and maintenance budget to make Edenbreck Farmhouse watertight as well as structurally sound for future years.

The Officer preferred option was option 1 for the reasons outlined in the options analysis.

It was moved by Councillor Barry and seconded by Councillor Thomas:-

“(1) That Cabinet gives ‘in principle’ approval for Option 1, for the City Council to work in partnership with the Fairfield Association to take the proposal forward and that the financial implications of this be included within Cabinet’s draft budget proposals for further consideration.”

Members then voted:-

Resolved unanimously:

(1) That Cabinet gives ‘in principle’ approval for Option 1, for the City Council to work in partnership with the Fairfield Association to take the proposal forward and that the financial implications of this be included within Cabinet’s draft budget proposals for further consideration.

Officers responsible for effecting the decision:

Corporate Director (Regeneration)
Head of Property Services
Head of Financial Services

Reasons for making the decision:

The scheme meets the corporate priority of ‘Clean and Green’ and is a unique opportunity to provide community benefits in terms of nature conservation on the edge of the City, amenity access to the western edge of the City, educational and local links as well as promoting community involvement.

90 ITEM OF URGENT BUSINESS - REFERRAL FROM OVERVIEW AND SCRUTINY

In accordance with Section 100B(4) of the Local Government Act 1972, the Chairman agreed to consider the report as an item of urgent business to allow Cabinet to consider the view of the Overview and Scrutiny Committee after calling-in the Cabinet decision regarding options for public toilet provision in the district from 2010/11.

(Cabinet Member with Special Responsibility Councillor Barry)

(It was noted that Councillors Ashworth, Kerr and Langhorn had previously declared a personal and prejudicial interest and they left the meeting prior to consideration of this item.)

The Chief Executive called for nominations to Chair the meeting for the item. Councillor Thomas nominated Councillor Mace, seconded by Councillor Fletcher. There were no further nominations and Councillor Mace took the Chair.

The Head of Democratic Services submitted a referral report from the Overview and Scrutiny Committee requesting Cabinet to consider a recommendation from the Committee in relation to the call-in on Public Toilet Provision.

It was moved by Councillor Mace and seconded by Councillor Thomas:-

“That Cabinet recommends to Council that no change be made in 2010-11 to the current provision of toilets in the District by the City Council because the service addresses the needs of the tourist industry and of local people, wherever they may live in the district.”

By way of amendment, Councillor Barry proposed and Councillor Fletcher seconded:

- “(1) That the plan for future provision of toilets as outlined in Appendix B of the report presented to Cabinet on 11 November 2009, be approved.
- (2) That the elements of the plan that do not require capital funding be implemented from April 2010.
- (3) That the capital growth required be considered as part of the budget process. Subject to value for money considerations and availability of capital funding, the elements of the plan that require capital funding, for example demolition on the grounds of safety, be implemented as soon as capital funding is available and the plan be subsequently updated accordingly.
- (4) That authority to negotiate with Parish and Town Councils and other partners (e.g. Adshel) on possible transfer of toilets and management of toilets be delegated to the Head of City Council (Direct) Services in consultation with the Cabinet Member with special responsibility for CCDS and that the City Council be prepared to contribute up to 50% of current revenue costs.
- (5) That revenue and capital budgets be updated accordingly.”

Upon being put to the vote, three Members voted in favour (Councillors Barry, Bryning and Fletcher) and two Members voted against (Councillors Mace and Thomas) whereupon the Chairman declared the amendment to be carried.

By way of an addendum to the substantive motion, Councillor Mace proposed and Councillor Thomas seconded:-

- “(6) That no change be made in 2010/11 to the current provision of toilets in the District by the City Council, unless before the start of budget Council in March 2010 there is an agreement reached and signed between the City Council and one or more of the Parish Councils for a service level agreement which is wholly or partly grant-funded by the City Council relating to the operation of public toilets in a parished area.”

Members then voted on the addendum to the substantive motion. Two Members (Councillors Mace and Thomas) voted in favour and three Members (Councillors Barry, Bryning and Fletcher) voted against, whereupon the Chairman declared the addendum lost.

Members then voted on the substantive motion:-

Resolved:

(3 Members (Councillors Barry, Bryning and Fletcher) voted in favour and 2 Members (Councillors Mace and Thomas) voted against.)

- (1) That the plan for future provision of toilets as outlined in Appendix B of the report presented to Cabinet on 11 November 2009, be approved.
- (2) That the elements of the plan that do not require capital funding be implemented from April 2010.
- (3) That the capital growth required be considered as part of the budget process. Subject to value for money considerations and availability of capital funding, the elements of the plan that require capital funding, for example demolition on the grounds of safety, be implemented as soon as capital funding is available and the plan be subsequently updated accordingly.
- (4) That authority to negotiate with Parish and Town Councils and other partners (e.g. Adshel) on possible transfer of toilets and management of toilets be delegated to the Head of City Council (Direct) Services in consultation with the Cabinet Member with special responsibility for CCDS and that the City Council be prepared to contribute up to 50% of current revenue costs.
- (5) That revenue and capital budgets be updated accordingly.

Officers responsible for effecting the decision:

Corporate Director (Community Services)
 Head of City Council (Direct) Services
 Head of Financial Services

Reasons for making the decision:

The decision re-affirms the decision taken by Cabinet on 10 November 2009.

(Councillors Ashworth, Kerr and Langhorn returned to the meeting and Councillor Langhorn took the Chair.)

91 2009/10 2ND QUARTER CORPORATE PERFORMANCE REVIEW**(Cabinet Member with Special Responsibility Councillor Langhorn)**

The Leader of the Council submitted a highlight report for Members' consideration in respect of the second quarter of Performance Review Team meetings for 2009/10 recently undertaken by individual cabinet members.

It was moved by Councillor Langhorn and seconded by Councillor Ashworth:-

"That the report and agreed actions be noted."

Members then voted:-

Resolved unanimously:

- (1) That the report and agreed actions be noted.

Officers responsible for effecting the decision:

Corporate Director (Finance and Performance)
 Head of Corporate Strategy
 Head of Financial Services

Reasons for making the decision:

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

92 GENERAL FUND REVENUE BUDGET & CAPITAL PROGRAMME UPDATE**(Cabinet Member with Special Responsibility Councillor Thomas)**

The Corporate Director (Finance and Performance) and Head of Financial Services submitted a joint report providing an update on the draft Revenue Budget and Capital Programme for General Fund, to inform Members' future proposals and the basis for consultation.

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

Given the timing of this supplementary report and the work ongoing, at this stage Cabinet is requested only to note the position and use the information as the basis for the public consultation exercise. More detailed reports will be submitted in January, in order that Cabinet can formulate its budget proposals for consideration by Council. No other options are therefore put forward. The main financial risks are as previously reported, with any changes highlighted in the body of this report. The Officer preferred option is reflected in the recommendations in this report.

It was moved by Councillor Thomas and seconded by Councillor Langhorn:-

- “(1) That the draft budgetary position for current and future years be noted.”

It was moved by Councillor Langhorn and seconded by Councillor Kerr:-

- “(2) That the information be used to inform Cabinet's budget proposals for public consultation and that the Chief Executive be given delegated authority to finalise the consultation documents after seeking comments from the Leader and the appropriate portfolio holders on the questionnaire's content.”

By way of amendment to (2), Councillor Mace proposed and Councillor Thomas seconded replacing the words “the appropriate portfolio holders” with “other Cabinet Members”. Councillors Langhorn and Kerr, with the agreement of Councillors Mace and Thomas, agreed to accept a friendly amendment with wording as follows:-

- “(2) That the information be used to inform Cabinet’s budget proposals for public consultation and that the Chief Executive be given delegated authority to finalise the consultation documents after seeking comments from the Leader, the appropriate portfolio holders and other Cabinet Members on the questionnaire’s content.”

A draft budget consultation document had recently been supplied to Members by email and paper copies were distributed at the meeting.

An addendum was then proposed by Councillor Mace, seconded by Councillor Thomas:-

- “(3) Cabinet agrees that in view of the nearness of the general election and the potential candidacy in that election of the Leader of the Council, the consultation document needs to be politically neutral – i.e. introduction from Chief Executive, not from Leader. It should also be made clear that the alternatives offered in the consultation may have been favoured or already provisionally rejected by one or more political groups of the five political groups in the Cabinet. The document is therefore a consultation by the Cabinet as a whole and is not the consultation favoured by any one group. The topics introduced are “in no particular order”.”

Members voted as follows:-

Resolved unanimously:

- (1) That the draft budgetary position for current and future years be noted.
- (2) That the information be used to inform Cabinet’s budget proposals for public consultation and that the Chief Executive be given delegated authority to finalise the consultation documents after seeking comments from the Leader and the appropriate portfolio holders and other Cabinet Members on the questionnaire’s content.

Resolved:

(5 Members (Councillors Barry, Bryning, Fletcher, Mace and Thomas) voted in favour, 2 Members (Councillors Ashworth and Kerr) voted against and 1 Member (Councillor Langhorn) abstained)

- (3) Cabinet agrees that in view of the nearness of the general election and the potential candidacy in that election of the Leader of the Council, the consultation document needs to be politically neutral – i.e. introduction from Chief Executive, not from Leader. It should also be made clear that the alternatives offered in the consultation may have been favoured or already provisionally rejected by one or more political groups of the five political groups in the Cabinet. The document is therefore a consultation by the Cabinet as a whole and is not the consultation favoured by any one group. The topics introduced are “in no particular order”.

Officers responsible for effecting the decision:

Corporate Director (Finance and Performance)
Head of Financial Services

Reasons for making the decision:

The information noted in the report will be used to inform Cabinet's budget proposals for public consultation.

93 HOUSING REVENUE BUDGET & CAPITAL PROGRAMME UPDATE

Members had previously been advised that the update report on Housing Revenue and Capital Programme would be deferred to a future meeting as the Council had still not received provisional information on the housing subsidy determination for 2010/11.

94 CCTV**(Cabinet Member with Special Responsibility Councillor Thomas)**

The Corporate Director (Regeneration) submitted a report asking Members to consider future funding arrangements for the operation of the CCTV system.

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

Option 1 – Undertake tender process to let new contracts. This would require budget levels to be set at the existing levels subject to undertaking a tendering process in accordance with the Council's procurement regime. This may result in some savings or additional costs according to the level of the market for such services at the time of the tendering process. In addition the tendering process may result in a change of staffing arrangements which may have some significant short term effects on the effectiveness of operating the system. In terms of a contract period, a single year would give the greater flexibility to the Council to continually appraise whether it wished to continue to operate the system. However, this would significantly increase resource requirements each year to report on the process and undertake contract renewals whilst it is considered unlikely that such an arrangement would provide best value for money. Whilst a 5 year contract has previously proved to be successful allowing certainty for budgetary purposes, it is considered that a 3 year arrangement would currently be a suitable compromise.

Option 2 – Consider including operation of the system as part of a BID process where local businesses identify those elements of "work" that are undertaken in a defined area that they wish to see maintained or improved. If a BID is approved by a majority of local businesses, then an additional local rate is then levied to cover the costs. CCTV could be included as one of those costs. However, depending on the geographical area agreed for the BID, this would not necessarily cover all of the costs but could prove to be a significant assistance in funding the system. If such a process was to fail, then the system would continue to operate as in option 1. In addition contractual arrangements would be as set out in option 1.

Option 3 – Not to operate the system. This would enable cost savings to be achieved. However, such savings would have to reflect one-off associated decommissioning costs of the system. Should the system be closed down, the benefits of the system as identified in section 4 of the report would be lost.

The preferred option is option 2 which explores the opportunity to make future savings

yet continue to operate the system and continue with the benefits. It is also important to identify the preferred term of new contractual arrangements so that these can be put in place in accordance with the council's procurement regulations.

It was moved by Councillor Thomas and seconded by Councillor Langhorn:-

"That the recommendations, as set out in the report, be approved."

Members then voted:-

Resolved:

(5 Members (Councillors Barry, Kerr, Langhorn, Mace and Thomas) voted in favour, 2 Members (Councillors Barry and Fletcher) voted against and 1 Member (Councillor Ashworth) abstained)

- (1) That the continued operation of the CCTV system to help achieve the council's priority of safe and healthy communities be approved, subject to obtaining the views of the Community Safety Partnership.
- (2) That new contracts for hire of equipment, contracted services and equipment maintenance be entered into for a period of 3 years.
- (3) That discussions be continued with the Lancaster Business Forum for a Business Improvement District with a view to the inclusion within it of the operation of the relevant parts of the CCTV system.
- (4) That Lancashire Constabulary and the County Council be asked to contribute towards the funding.

Officers responsible for effecting the decision:

Corporate Director (Regeneration)
Head of Property Services

Reasons for making the decision:

The decision allows the opportunity to make future savings to be explored yet continue to operate the CCTV system and continue with the benefits.

95 LANCASTER SQUARE ROUTES

(Cabinet Member with Special Responsibility Councillor Archer)

The Corporate Director (Regeneration) submitted a report advising on options for design schemes to improve public places in the city centre and asking that Cabinet consider the results of consultations on these and decide on the designs to be detailed up so that projects might be readied for delivery, subject to funding.

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

Market Square

- 1: Do nothing i.e do not detail up any re-design of the Square
- 2: Detail up Gillespies' concept design for a classically designed, multi-purpose space in full except for but relatively minor adjustments to accommodate certain issues noted in Appendix 1 of the report, in particular with regards to access.
- 3: Detail up Gillespies' concept design but modified to retain certain existing elements - in particular as many trees as possible – and integral with this introducing much more active management of the Square. This option is fully detailed in Appendix 1 of the report.

The public consultation found overwhelming support for a re-design of the Square and very few people wanted no change. Option 2 is to take forward Gillespies' classical design proposal almost in full with a view to creating a space that is stimulating, acknowledges and responds to the surrounding architecture, is well illuminated in the evenings and might accommodate the level of activity consistent with a key civic square. This would be a transformative approach holding best prospects to attract external funding. This option won strong support during the consultation, particularly at a stakeholder level, however, there was substantial public concern that the option would involve the loss of all existing trees in the Square with replacement only by three new ones.

Option 3 incorporates and retains the key principles of the Gillespies' approach (as per option 2) but with modifications reflect the community's wishes as reasonably and practicably as possible. This option would retain the majority of the existing trees and in this regard is intended as a compromise, without being compromising. Officers advise however that the retention of existing trees must be accompanied by a better management / maintenance regime for the trees to ensure that the size and form of the trees can be controlled to better fit the setting.

This design option does bring a risk of lowered activity in the very centre of the Square on non market days. This should be addressed by efforts to make more inventive use of the area, perhaps for example for events, performance and with outdoor café seating on non market days. In this way sufficient activity might be placed in the City Museum's 'carpet', to assure the vibrancy sought for this space. This therefore requires that the council and its partners be more active in management of the Square throughout the day and into the evenings.

Officer recommendation: **Option 3.**

Sun Square

- 1: Do nothing i.e do not detail up any re-design of the Square
- 2: Detail up Gillespies' concept design
- 3: Detail up Gillespies' concept design but with modifications.

Option 1 would be a missed opportunity, a failure in terms of providing an appropriate setting for the grade II listed Music Room and improving access. In addition, officers note the very poor condition of the floorscape and remind members of the City Council's obligation to maintain the square following the handover of the site from the Landmark Trust in 1976. Option 2 affords an opportunity to enhance the setting of the Music Room with a modern take on its history as a sensory garden, lifting the level of interest and

appeal in order to encourage a gentle level of cultural and economic activity. In this way it complements officer recommendations for Market Square in the provision of a public square with a differentiated offer. It also represents an opportunity to help design out anti-social behaviour through making the Square more open and readily accessible to all. Members are reminded, however, that the terms of the handover of the site from the Landmark Trust stipulates that access to and the provision of one car parking space must be provided for users of the accommodation in the Music Room and the proposal for the Music Box would conflict with this. Although the Landmark Trust are not wedded to the location of its parking this is a consideration which must be resolved in the further design work. Members should consider whether they would want the Council to create a programme for cultural activity in this area and if so, whether the Music Box would be part of this.

Option 3 is fully presented in Appendix 1 of the report. It makes practical and pragmatic adjustments to Option 2 whilst still achieving all of the anticipated benefits that the Gillespies' design should give. The retention of at least one (managed) tree, combined with a "green wall" should provide sufficient softness and contrast to the built up square. The one tree retained should grow on as a fine specimen tree with optimised potential for future growth and development. The advantage of this approach is that the current parking provisions for the Landmark Trust would not be affected.

Officer recommendation: **Option 3.**

Castle Precinct

- 1: Do nothing i.e do not detail up any design
2. Detail up Gillespies' concept design but with minor alterations

Option 1 represents another missed opportunity. Within the Castle precincts there is a dearth of public information and interpretation relating to the history of the Castle and the Priory and the whole area currently suffers from poor connections and legibility in relation to the city centre and the Quay. The Shire Hall is very difficult to find. The fifteenth century John O' Gaunt Gatehouse with its twin semi-octagonal towers is considered to be the best gatehouse of its date and type in England yet it is heavily obscured. Option 2 is detailed in Appendix 1 of the report and makes for a simple, yet potentially high impact intervention to make much more of one of Lancaster's greatest assets. As a minor alteration to the Gillespies' approach, officers suggest that the removal of just one tree will be sufficient to reasonably reveal the Gatehouse to public view. Officers also strongly recommend much more active management of trees generally within the precinct.

Officer recommendation: **Option 2.**

Horseshoe Corner

- 1: Do nothing i.e do not detail up any design
2. Detail up Gillespies' concept design
- 3: Detail up Gillespies' concept design but with modifications.

Option 1 represents a failure to highlight and interpret an important place in Lancaster's history and the most important pedestrian intersection in the city centre. Option 2 would give a design both simplicity and visual appeal, improved legibility and access.

Gillespies' focus on the history of the location was met with enthusiasm by the community and all stakeholders. The consultation response to the 'Horseshoe Canopy' was limited, but there was significant stakeholder concern, both internal and external, as to the technical feasibility of such a proposal.

Option 3 as detailed in Appendix 1 of the report is a variation of Option 2 and is put forward in recognition of the benefits of Gillespies' proposal to de-clutter and simplify the streetscene. It also recognises that an aerial installation or feature of some description would provide the visual cue and thematic interpretation required in this space, but officers consider that the idea of a 'canopy' does not quite fit and poses too many technical risks.

Officer recommendation: **Option 3.**

Gage Street and Frances Passage

- 1: Do nothing i.e do not detail up any design
2. Detail up Gillespies' concept design but with minor alterations

Option 1 would achieve nothing for what is an important pedestrian link into the core retail space but which is of low quality for pedestrians and where there is incidence of anti-social behaviour. Option 2 is identified in Appendix 1 of the report and would make for a design that enhances legibility to encourage and entice pedestrians through and into city centre and links to it and conversely to direct people back out toward historic Dalton Square. This option includes for a minor alteration to the Gillespies' concept to design in a raised table which would help ensure pedestrian flows along and across both sides of the street.

Officer recommendation: **Option 2.**

Castle and quay Green Space (Vicarage Meadow / Quay Meadow)

- 1: Do nothing i.e do not progress ideas for detail up any re-design of the Square
2. Undertake further focused consultation and then to try to facilitate a third party to progress proposals

Option 1: Greenspace in the castle/ quay area is a massively underutilised asset and option 1 would not assist in developing this. Gillespies put forward a number of very outline ideas for this space, including a city farm, allotments and an eco hub café. These ideas point to potentially exciting and significant opportunities to better link the historic quay, castle precinct and city centre together and add to the sum of the city's attraction. Gillespies themselves do however state that their ideas for this area are only tentative and officers consider that matters will best be progressed via further rounds of focused consultation to fully establish community views and ambitions. Subject to this, officers consider that the council should seek to facilitate delivery of any proposals for this area by a third party. Such a third party - whether a local community or stakeholder grouping or another as might be determined - might be better placed than is the council to access funding and might have the capacity to progress quite innovative proposals.

Officer recommendation: **Option 2.**

Upper and Lower Church Street

- 1: Do nothing i.e do not detail up any design
2. Detail up Gillespies' concept design but with minor alterations to address highway matters.

Option 1 will not address existing problems and will miss opportunities. As well as being one of the oldest streets in Lancaster, Church Street is one of the main routes through the city centre. Upper Church Street is a key western gateway from the castle precinct into the city core. However the street is underused and lacks vitality. Lower Church Street provides a key eastern gateway / entrance into the retail core of the city centre but the current legibility and amenity of this area does not enhance this key connectivity route on the east-west axis. Option 2 gives the opportunity to make improvements, but taking into account the current and proposed improvements for cyclists and other highway needs.

Officer recommendation: **Option 2.**

Officer Preferred Option (and comments)

Officer recommendations as put forward in Section 14 of the report are summarised below:

Market Square: Option 3. To detail up Gillespies' concept design but modified to retain certain existing elements - in particular as many trees as possible – and integral with this introducing much more active management of the Square.

Sun Square: Option 3. To detail up Gillespies' concept design but with modifications.

Castle precincts: Option 2. to detail up Gillespies' concept design but with minor alterations

Horseshoe Corner: Option 3. To detail up Gillespies' concept design but with modifications.

Gage St / Frances passage: Option 2. To detail up Gillespies' concept design but with minor alterations

Castle and quay Green Space (Vicarage Meadow / Quay Meadow): Option 2. To undertake further focused consultation and then to try to facilitate a third party to progress proposals

Upper and Lower Church Street: Option 2. To detail up Gillespies' concept design but with minor alterations to address highway matters.

It was moved by Councillor Langhorn and seconded by Councillor Kerr:-

“That recommendations (1)-(3), as set out in the report, be approved.”

By way of addendum, which was accepted as a friendly addendum by the mover and seconder of the proposition, Councillor Fletcher proposed:-

“(4) That officers be requested to bring forward a plan to manage the existing tree stock across the City Council.”

By way of amendment to (1), which was accepted as a friendly amendment by the mover and seconder of the proposition, Councillor Barry proposed a change to the wording of bullet point “Horseshoe Corner: Option 3” to read “Horseshoe Corner: Option 3 but removing one tree rather than two.”

By way of a further addendum, which was accepted as a friendly addendum by the mover and seconder of the proposition, Councillor Mace proposed, seconded by Councillor Thomas:-

“(5) That for every tree removed at least two be planted by the City Council.”

Councillor Barry, seconded by Councillor Fletcher proposed a further amendment to the wording of (1), bullet point “Market Square” to read “Market Square: Option 3 but with all eight trees kept.” This was not accepted by Councillor Langhorn as a friendly amendment. Members then voted on Councillor Barry’s further amendment. Five Members (Councillors Barry, Bryning, Fletcher, Mace and Thomas) voted in favour and three Members (Councillors Ashworth, Kerr and Langhorn) voted against, whereupon the Chairman declared the amendment carried.

Members then voted as follows on the substantive motion:-

Resolved unanimously:

- (1) That Cabinet direct that the following options should be taken as the basis for further design work under the Lancaster Square Routes initiative:
 - Market Square: Option 3 but with all eight trees kept.
 - Sun Square: Option 3.
 - Castle precincts: Option 2.
 - Horseshoe Corner: Option 3 but removing one tree rather than two.
 - Gage St / Frances passage: Option 2.
 - Castle and quay Green Space (Vicarage Meadow / Quay Meadow): Option 2. Upper and Lower Church Street: Option 2.
- (2) That Cabinet notes the issues raised in public and stakeholder consultation with regard to the management of the centre and ask that the Head of Planning Services brings forward proposals to address these as appropriate to assure that any projects that are delivered give best value and that project benefits are sustainable.
- (3) That Cabinet endorses in principle the priorities for project delivery as set out in the report and notes the need for the Head of Planning Services to then seek to assemble full project funding.
- (4) That officers be requested to bring forward a plan to manage the existing tree stock across the City Council.
- (5) That for every tree removed at least two be planted by the City Council.

Officers responsible for effecting the decision:

Corporate Director (Regeneration)
Head of Planning Services

Reasons for making the decision:

The decision allows officers to instruct Gillespies to move on to the second stage and

final stage of the commission and design up schemes in detail so that these will be ready for implementation just as soon as funding can subsequently be secured.

96 CORPORATE AND MUNICIPAL BUILDING WORKS

(Cabinet Member with Special Responsibility Councillor Thomas)

The Corporate Director (Regeneration) submitted a report updating Cabinet on the extent of the backlog building works still outstanding to the Council's Corporate and Municipal Building stock, and to agree to the amendments to the planned programme of outstanding backlog building works and legislative requirements.

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

Option 1 - Do nothing. The Council has acknowledged that the "do nothing" option has been followed in the past and as a result the backlog of municipal building works has increased to the levels outlined in the report. Doing nothing will eventually result in major failures of either the building structures or services. This will in turn result in the council being unable to undertake many of its core activities, and closure of buildings is a reality. Legal action as in the case at Barrow would also be a real possibility. For these reasons this option, whilst outlined for information, is not considered viable.

Option 2 – Continue to undertake all works of failure or potential failure identified within the original 5 year programme and provide additional investment for those elements which have worsened or failed since the 2006 condition survey. This option would be in line with the approved Medium Term Corporate Property Strategy and would ensure that all buildings meet basic health and safety standards. In addition there are items where the fabric and services of the building are reaching a condition where to leave them any longer is likely to result in failure. However, it is recognised that existing funding arrangements are such that the council should concentrate on those works which are categorised as having failed or are likely to fail. In addition, due to the delays in undertaking works identified in 2006, it is possible that there are further unidentified works that will be needed (the ceiling failures are a prime example of this) and funding a further condition survey as part of the facilities Management Review is recommended. Details of the further condition survey will be reported to members when the work is concluded.

Option 3 - Consider an alternative programme of works that is a compromise between options 1 and 2 based on the availability of funding. This would leave the Council open to criticism or action should there be failure of any of the items where works have been identified. In addition those works not undertaken are likely to increase in cost over the period of time until funding is made available.

The preferred option would be option 2 as described in paragraph 6.2 of the report. This ensures that the Council meets all its obligations in respect of works to buildings so that they meet the relevant health and safety standards and that the items that are falling into the greatest state of disrepair can be repaired, ultimately reducing the future costs of such repair. This option would also prevent the Council being in a similar position to Barrow Borough Council where failure to maintain its assets adequately were met with tragic circumstances and subsequent legal actions and costs. It must be emphasised that, If building assets are allowed to deteriorate at this rate, the Council will suffer

significant financial losses in the future. It is crucial therefore that the Council provides adequate funds to complete all backlog repairs and commits itself to the long-term view of making corporate buildings fit for purpose.

It was moved by Councillor Thomas and seconded by Councillor Mace:-

“That the recommendations, as set out in the report, be approved.”

Members then voted:-

Resolved unanimously:

- (1) That Cabinet reaffirms the need to invest in the condition of its buildings and that the draft budgets be updated to include additional works to the value of £1,026K as identified in the report, but that this be further reviewed and updated as part of the current budget process.
- (2) That the classification of building works (between revenue and capital) be reviewed as part of the current budget process, for reporting back to Cabinet in January.
- (3) That the financial investment required for future years, over and above that identified in (1) above, be identified in an updated condition survey to be undertaken as part of the Facilities Management Review, and that the outcome of this be reported back to Cabinet in due course.
- (4) That any costs of undertaking the survey in (3) above be considered as part of the budget process, linked to the outcome of the Facilities Management Review.
- (5) That Cabinet approves the proposal to approach RICS to seek the possibility of including the City Council's programme within the Ska rating process.

Officers responsible for effecting the decision:

Corporate Director (Regeneration)
Head of Property Services
Head of Financial Services

Reasons for making the decision:

The decision ensures that the Council will meet all its obligations in respect of works to buildings so that they meet the relevant health and safety standards. The items that are falling into the greatest state of disrepair can be repaired, ultimately reducing the future costs of such repair.

97 LANCASTER AND MORECAMBE CABINET LIAISON GROUPS - LIAISON ARRANGEMENTS

(Cabinet Member with Special Responsibility Councillor Archer)

The Head of Democratic Services submitted a report informing members of the results of consultation with the external members of the Lancaster and District Chamber Liaison

Group and the Morecambe Retail, Commercial and Tourism Cabinet Liaison Group on the possibility of merging the two groups.

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

Option 1: To pursue further consultation and negotiations with both groups about the timings and venues of meetings should the two groups wish to pursue merging.

Option 2: Not to pursue any further consultations or negotiations regarding merging the two groups.

Option 3: To reconsider other possible options for liaison between the two groups.

For Options 1 and 3 above, Members are also asked to consider the consultation comment which raises the issue of widening the membership to other organisations.

The report did not put forward an officer preferred option.

Since the report had been drafted, and shortly after publication of the agenda, consultation responses were received from the Lancaster and District Chamber of Commerce and the Morecambe and District Chamber of Trade and Commerce. Both letters had been published and circulated to Members. The Chairman reported that a further comment had since been received from the Morecambe and District Chamber of Trade and Commerce, pointing out that a start time of 6.30pm would be required for Morecambe Chamber members to attend any meetings held in Lancaster.

It was moved by Councillor Langhorn and seconded by Councillor Ashworth:-

“(1) That Cabinet recommends the merger of the two Cabinet Liaison Groups, subject to the agreement of mutually convenient meeting times.”

Members then voted:-

Resolved unanimously:

(1) That Cabinet recommends the merger of the two Cabinet Liaison Groups, subject to the agreement of mutually convenient meeting times.

Officers responsible for effecting the decision:

Chief Executive
Head of Democratic Services

Reasons for making the decision:

The decision takes into account the views of the external members of both Cabinet Liaison Groups.

98 URGENT BUSINESS REPORT

The Head of Democratic Services submitted a report informing Members of actions

taken by the Chief Executive in consultation with the relevant Cabinet Members and the Chairman of the Overview and Scrutiny Committee in accordance with the scheme of delegation.

It was moved by Councillor Langhorn and seconded by Councillor Ashworth:-

“That the recommendation, as set out in the report, be approved.”

Members then voted:-

Resolved unanimously:

- (1) That the actions taken by the Chief Executive, in consultation with the relevant Cabinet Members and the Chairman of the Overview and Scrutiny Committee in accordance with the Scheme of Delegation, in respect of the following, be noted:

Land at Scotforth Road, Lancaster

- (a) That approval be given to amending the contract of sale by extending from three months to four months the time within which the submission of a planning application is required.
- (b) That the Overview & Scrutiny Chairman be consulted with a view to waiving call in, in accordance with Overview & Scrutiny Procedure Rule 17, to enable the Chief Executive’s decision to be implemented immediately.
- (c) That the Overview & Scrutiny Chairman be requested to waive the requirement to include advance notice of the decision in the Forward Plan, in accordance with Access to Information Procedure Rule 16, in order that the decision can be taken without delay.

Officers responsible for effecting the decision:

Chief Executive

Reasons for making the decision:

The decision fulfils the requirements of the City Council’s Constitution in advising Cabinet of urgent decisions taken by the Chief Executive in accordance with the City Council’s Scheme of Delegation.

99 EXCLUSION OF THE PRESS AND PUBLIC

The Chairman asked for any further declarations of interest from Cabinet Members regarding the exempt reports.

It was moved by Councillor Langhorn and seconded by Councillor Kerr:-

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

Members then voted as follows:-

Resolved unanimously:

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

100 LUNESIDE EAST REGENERATION PROJECT (Pages 1 - 2)

(Cabinet Member with Special Responsibility Councillor Archer)

The Corporate Director (Regeneration) submitted a report which was exempt from publication by virtue of paragraphs 3 and 5 of Schedule 12A of the Local Government Act 1972.

The options, options analysis, including risk assessment, officer preferred option and comments, were all set out in the exempt report.

It was moved by Councillor Langhorn and seconded by Councillor Kerr:-

“That the recommendations, as set out in the exempt report, be approved.”

Members then voted:-

Resolved:

(7 Members (Councillors Ashworth, Barry, Bryning, Fletcher, Kerr, Langhorn and Thomas) voted in favour and 1 Member (Councillor Mace) abstained)

- (1) The resolution is set out in a minute exempt from publication by virtue of paragraphs 3 and 5 of Schedule 12A of the Local Government Act 1972.

Officers responsible for effecting the decision:

Corporate Director (Regeneration)
Head of Planning Services
Head of Financial Services

Reasons for making the decision:

The reasons for making the decision are set out in a minute exempt from publication by virtue of paragraphs 3 and 5 of Schedule 21A of the Local Government Act 1972.

(The meeting adjourned at 12.45pm for lunch and re-convened at 1pm.)

101 SENIOR MANAGEMENT RESTRUCTURE**(Cabinet Member with Special Responsibility Councillors Mace and Thomas)**

The Chief Executive submitted a report which was exempt from publication by virtue of paragraphs 2 and 4 of Schedule 12A of the Local Government Act 1972.

The options, options analysis, including risk assessment, officer preferred option and comments, were all set out in the exempt report.

It was moved by Councillor Barry and seconded by Councillor Kerr:-

“(1) That officers be requested to carry on with the consultation and the implementation of Phase 1 as the elements of Phase 1 had previously been approved by Cabinet and submit a progress report to Cabinet in January 2010.”

Resolved unanimously:

(1) That officers be requested to carry on with the consultation and the implementation of Phase 1 as the elements of Phase 1 had previously been approved by Cabinet and submit a progress report to Cabinet in January 2010.

Officers responsible for effecting the decision:

Chief Executive
Head of Legal and Human Resources

Reasons for making the decision:

The resolution allows the Cabinet decision regarding Senior Management Restructuring, made on 10 November 2009, to be taken forward by officers whilst keeping Cabinet informed of progress.

Chairman

(The meeting ended at 1.30 p.m.)

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

MINUTES PUBLISHED ON FRIDAY, 11 DECEMBER 2009.

**EFFECTIVE DATE FOR IMPLEMENTING THE DECISIONS CONTAINED IN THESE MINUTES:
MONDAY 21 DECEMBER 2009.**

By virtue of paragraph(s) 3, 5 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

CABINET

10.00 A.M.

19TH JANUARY 2010

PRESENT:- Councillors Stuart Langhorn (Chairman), Evelyn Archer (part), June Ashworth, Jon Barry, Eileen Blamire (part), Abbott Bryning, Jane Fletcher, David Kerr, Roger Mace and Malcolm Thomas

Officers in attendance:-

Mark Cullinan	Chief Executive
Peter Loker	Corporate Director (Community Services)
Heather McManus	Corporate Director (Regeneration)
Nadine Muschamp	Head of Financial Services and Section 151 Officer
Graham Cox	Head of Property Services
Debbie Chambers	Principal Democratic Support Officer

102 MINUTES

The minutes of the meeting held on Tuesday 8 December 2009 were approved as a correct record.

103 ITEMS OF URGENT BUSINESS AUTHORISED BY THE LEADER

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

104 DECLARATIONS OF INTEREST

Councillors Archer, Ashworth and Kerr each declared a personal and prejudicial interest with regard to the report on Room Hire Review as Members of Morecambe Town Council. (Minute 111 refers).

Councillor Mace declared a personal interest with regard to the report on the Museums Service, as a member of the Friends of Lancaster City Museums. (Minute 113 refers).

Councillor Blamire declared a personal and prejudicial interest with regard to the report on Williamson Park in view of her role as Chairman of the Williamson Park Board. (Minute 115 refers).

Councillor Langhorn declared a personal interest with regard to the report on the Roman Bath House and Vicarage Field, Lancaster, in view of his son's membership of the Young Archaeologist's Club. (Minute 116 refers).

105 PUBLIC SPEAKING

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

106 2010/11 BUDGET AND POLICY FRAMEWORK UPDATE: GENERAL FUND REVENUE BUDGET AND CAPITAL PROGRAMME**(Cabinet Member with Special Responsibility Councillor Thomas)**

The Corporate Director (Finance and Performance) and Head of Financial Services submitted a joint report providing Members with information on the latest budget position for current and future years, to allow Cabinet to make recommendations to Council on Council Tax levels for 2010/11.

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

Options are dependent very much on Members' views on spending priorities balanced against Council Tax levels. 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. Outline options are highlighted below, however.

- With regard to the Revised Budget and resulting overspending, Cabinet could consider other proposals that may influence the Revised Budget for the year.
- In terms of surplus Balances generally, it could consider retaining balances at a higher level than the minimum.
- Regarding Council Tax increases, various options are set out at section 8 of the report. In considering these, Members should have regard to the impact on service delivery, the need to make savings or provide for growth, the impact on future years and the likelihood of capping.
- With regard to items for noting, no options are presented.
- With regard to developing savings and growth options to produce a budget in line with preferred Council Tax levels, any proposals put forward by Cabinet should be considered alongside the development of priorities and in light of the public consultation. 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.

Under the Constitution, Cabinet is required to put forward budget proposals for Council's consideration, in time for them to be referred back as appropriate. This is why recommendations are required to feed into the Council meeting in February, prior to the actual Budget Council in March.

The Officer Preferred options are as reflected in the report's recommendations.

There is no specific officer preferred option with regard to Council Tax levels. That said, both the Chief Executive and the s151 Officer would advise against planning for a Council Tax increase much lower than 4% at this time, at least for 2010/11, if Members aim to continue to provide a wide range of services to the public and wish to avoid more potential for major service cuts in future years. Conversely, they would advise against aiming for an increase of around 5% or above at this time.

Members asked if the comments from the public, rather than just the statistics shown at Appendix G of the report, could be circulated and were informed that this information would be made available to Cabinet Members shortly.

It was moved by Councillor Thomas and seconded by Councillor Langhorn:-

“That recommendations (1)-(5), as set out in the report, be approved.”

It was proposed by Councillor Langhorn and seconded by Councillor Kerr:

- (6) “That Cabinet recommends a 4% increase in council tax for 2010/2011 to Council and that Cabinet refers the draft budget information and proposals on for Council’s initial consideration.”

Members then voted:-

Resolved unanimously:

- (1) That Cabinet notes the draft 2009/10 Revised Budget of £24.046M with the assumption that the overspending of £47K be funded from Balances, but that this position is dependent upon receiving an appropriate capitalisation directive from Government in connection with Icelandic investments.
- (2) That Cabinet approves the reassessment of other earmarked reserves and provisions as set out in section 3 of the report.
- (3) That Cabinet notes the position regarding the Local Government Finance Settlement and capping, together with prospects for future years.
- (4) That subject to all the above, Cabinet notes the resulting draft 2010/11 General Fund Revenue Budget of £24.921M, and the indicative spending projections of £26.197M for 2011/12 and £26.597M for 2012/13.
- (5) That Cabinet notes the draft capital investment position from 2009/10 onwards.

Resolved:

(7 Members (Councillors Archer, Ashworth, Blamire, Bryning, Fletcher, Kerr and Langhorn) voted in favour, 1 Member (Councillor Mace) voted against and 2 Members (Councillors Barry and Thomas) abstained)

- (6) That Cabinet recommends a 4% increase in council tax for 2010/2011 to Council and that Cabinet refers the draft budget information and proposals on for Council's initial consideration.

Officers responsible for effecting the decision:

Corporate Director (Finance and Performance)
Head of Financial Services

Reasons for making the decision:

Whilst good progress has been made in addressing the 2010/11 budget, the current year remains very uncertain and this could have major implications. Also, prospects from 2011/12 are uncertain, but bleak. The decision was made in light of this uncertainty and the Council's wish to continue providing a range of services.

107 2010/11 BUDGET AND POLICY FRAMEWORK UPDATE: HOUSING REVENUE ACCOUNT**(Cabinet Member with Special Responsibility Councillor Kerr)**

The Corporate Director (Community Services) and Head of Financial Services submitted a joint report updating the Housing Revenue Account (HRA) revised budget position for the current year and setting out the recommended budget for 2010/11 and future years. The report also set out the updated Capital Programme for 2009/10 and a proposed programme to 2014/15.

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

With regard to the Revised Budget, Cabinet could consider other proposals that may influence the Revised Budget for the year and the call on revenue balances.

The most obvious options available in respect of the 2010/11 rent increase are to:

- i) Set the average housing rent at £60.06, ie an increase of 2.75% as proposed in paragraph 3.3.1 of the report;
- ii) Set the rent increase at a higher level of 3.1% in line with the Government's Guideline Rent increase. This would result in an actual average rent of £60.26. This would further increase rental income available to the Housing Revenue Account by £40K in 2010, but even though this increase is within the Limit Rent, there would be a £ for £ reduction in the caps and limits adjustment, resulting in a net nil impact on the HRA.
- iii) Set the rent increase in line with the Council's existing policy of 5%, making the actual average rent £61.37. This is also within the Limit Rent and would generate further rental income of £257K, but the same adjustment in caps and limits would apply and would result in a net nil impact on the HRA. The benefit of this option (and option (ii) above) would be that the Authority would enhance the rate at which it would achieve convergence, with no negative financial implications to the HRA but at the expense of housing tenants.

The options available in respect of the minimum level of HRA balances are to set the level at £350,000 in line with the advice of the Section 151 Officer, or to adopt a different level. Should Members choose not to accept the advice on the level of balances, then this should be recorded formally in the minutes of the meeting, and could have implications for the Council's financial standing, as assessed by its external auditors.

The options available in respect of the revenue budgets for 2010/11 to 2012/13 are to recommend the budget as set out to Council for approval, or to consider other proposals for incorporation.

The options available in respect of the Capital Programme are:

- i) To approve the programme in full, with the financing as set out in the report;
- ii) To incorporate other increases or reductions to the programme, with appropriate sources of funding being identified.

Any risks attached to the above would depend very much on what measures Members proposed, and their impact on the council housing service. As such, a full options analysis could only be undertaken once any alternative proposals are known. It should be noted that Officers may require more time in order to do this. The risks attached to the provisional nature of current subsidy determinations will be managed through future reporting arrangements, as set out in the report.

The Officer Preferred options are to:

- approve the 2009/10 revised Revenue Budget as set out in the report;
- approve the provisions, reserves and balances positions as set out in the report;
- set a 2.75% increase in average rents, and to approve the draft revenue and capital budgets as set out in the appendices to the report, as amended for any revenue growth supported by Cabinet, for referral on to Council as appropriate.

It was moved by Councillor Kerr and seconded by Councillor Bryning:-

“That the recommendations, as set out in the report, be approved.”

Members then voted:-

Resolved unanimously:

- (1) That the Housing Revenue Account Revised Budget for 2009/10, as set out at Appendix A of the report, be recommended to Council for approval.
- (2) That the revenue growth bids, as set out at Appendix B of the report, be supported, to be funded by reductions in the contributions into the Major Repairs Reserve.
- (3) That the Housing Revenue Account Budget for 2010/11 as set out at Appendix A of the report, as amended for growth above, be recommended to Council for approval, subject to there being no major changes arising from the final housing subsidy determination.
- (4) That Cabinet recommends to Council that the minimum level of HRA unallocated balances be retained at £350,000 from 01 April 2010, and that the Statement on

Reserves and Balances be noted and referred to Council for information.

- (5) That average council housing rents for the year commencing 01 April 2010 be set at £60.06, representing an increase of 2.75%.
- (6) That at present future year budget projections continue to assume a 5% year on year increase in average rents, with this being reviewed once the final outcome of Government's reform of council housing finance is known.
- (7) That the Capital Programme, as set out at Appendix E of the report, be referred on to Council for approval.
- (8) That Cabinet notes that the proposed revenue budgets and capital programme will be referred to the District Wide Tenants Forum and that any issues arising are planned to be fed directly into Council.

Officers responsible for effecting the decision:

Corporate Director (Community Services)
Head of Financial Services

Reasons for making the decision:

The Council is required under statutory provisions to maintain a separate ring-fenced account for all transactions relating to the provision of local authority housing, known as the Housing Revenue Account (HRA). This account includes all transactions relating to the maintenance and management of the Council's housing stock.

It is therefore necessary to prepare separate revenue and capital budgets for the HRA each year, and to set the level of housing rents in sufficient time for the statutory notice of rent variations to be issued to tenants by 01 March. In order to meet this deadline, Cabinet set the rent increase for 2010/11 at this meeting, to recommend a balanced budget and fully financed Capital Programme for referral on to Council.

108 HEALTH AND STRATEGIC HOUSING FEES & CHARGES 2010/11

(Cabinet Member with Special Responsibility Councillor Kerr)

The Corporate Director (Community Services) submitted a report prepared as part of the 2010/11 estimate procedure, setting out options for increasing the level of fees and charges.

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

Options to Members include:

- a) To approve either the 0.75%, 2% or 4% increase in fees for Health & Strategic Housing's fees and charges.
- b) To approve a different % increase.

- c) To retain the fees for rats and mice at £25.00 (with a reduction to £12.50 for customers in receipt of Council Tax and/or Housing Benefit).
- d) To increase the fees for rats and mice in line with the other increases or a different amount.
- e) To increase the fees for fleas and wasps to bring them in line with other insects (but retaining the 50% discount for flea treatments for those in receipt of Council Tax and/or Housing Benefit).
- f) Not to increase the fees for fleas and wasps by this amount and to increase them in line with the other increases or a different amount.
- g) To delegate authority to set contract prices for pest control contracts to the Head of Health & Strategic Housing to enable current market conditions to be taken into account and allow for negotiation of contract prices. (Subject to financial services agreement to the methodology for setting contract prices).
- h) Not to approve the delegation.
- i) To approve the suggested charges for registered charities.
- j) Not to approve the suggested charges for registered charities.
- k) To approve the introduction of a fee for the return of stray dogs from the dog warden service prior to dogs being taken to kennels.
- l) Not to approve the introduction of a fee for the return of stray dogs from the dog warden service prior to dogs being taken to kennels.
- m) To approve an increase in the Exclusive Right of Burial only for the Neptune Baby & Young Child Memorial Garden.
- n) To approve an increase in fees as well as the Exclusive Right of Burial for the Neptune Baby & Young Child Memorial Garden.
- o) To approve no increase for the fees for cremated remains memorial vaults.
- p) To approve a % increase for fees for cremated remains memorial vaults.
- q) To increase the charges for walled bricked vaults as suggested or by a different amount.

The officer preferred options are:

a) 0.75% increase to keep the increase in charges to a minimum to support residents at a time of recession and also, c), e), g), i), k), m), o) and q) for the reasons set out in the report. The suggested increases and new fees would enable a slight increase in income for the council, whilst retaining fair and reasonable fees for the services offered.

It was moved by Councillor Kerr and seconded by Councillor Langhorn:-

- (1) That the Health & Strategic Housing fees in Appendix 1 of the report be increased by 0.75%, with the exception of the fees for rats, mice and fleas.
- (2) That the fees for rats and mice be retained at £25.00 with a reduction to £12.50 for customers in receipt of Council Tax and/or Housing Benefit.
- (3) That the fee for fleas and wasps be increased to bring them in line with fees for other insects, but retaining the 50% discount for flea treatments for those in receipt of Council Tax and/or Housing Benefit.
- (4) That the authority to set contract prices for pest control contracts be delegated to the Head of Health & Strategic Housing to enable current market conditions to be taken into account and allow for negotiation of contract prices. (Subject to financial services agreement to the methodology for setting contract prices).
- (5) That registered charities be charged the domestic rate fee for treatment visits up to 1 hour and then charged the commercial hourly rate thereafter (per visit).
- (6) That a fee be introduced for the return of stray dogs to owners from the dog warden service prior to dogs being taken to kennels.
- (7) That the cemeteries fees and charges for the Neptune Baby and Young Child Memorial Garden not be increased except for the Exclusive Right of Burial fee which is 50% of the adult fee.
- (8) That the cemetery fees and charges for the cremated remains memorial vaults not be increased in order to encourage demand.
- (9) That the suggested increases for walled brick vaults be approved to more accurately reflect the actual cost to the council of providing this service."

Members then voted:-

Resolved unanimously:

- (1) That the Health & Strategic Housing fees in Appendix 1 of the report be increased by 0.75%, with the exception of the fees for rats, mice and fleas.
- (2) That the fees for rats and mice be retained at £25.00 with a reduction to £12.50 for customers in receipt of Council Tax and/or Housing Benefit.
- (3) That the fee for fleas and wasps be increased to bring them in line with fees for other insects, but retaining the 50% discount for flea treatments for those in receipt of Council Tax and/or Housing Benefit.
- (4) That the authority to set contract prices for pest control contracts be delegated to the Head of Health & Strategic Housing to enable current market conditions to be taken into account and allow for negotiation of contract prices. (Subject to financial services agreement to the methodology for setting contract prices).
- (5) That registered charities be charged the domestic rate fee for treatment visits up to 1 hour and then charged the commercial hourly rate thereafter (per visit).

- (6) That a fee be introduced for the return of stray dogs to owners from the dog warden service prior to dogs being taken to kennels.
- (7) That the cemeteries fees and charges for the Neptune Baby and Young Child Memorial Garden not be increased except for the Exclusive Right of Burial fee which is 50% of the adult fee.
- (8) That the cemetery fees and charges for the cremated remains memorial vaults not be increased in order to encourage demand.
- (9) That the suggested increases for walled brick vaults be approved to more accurately reflect the actual cost to the council of providing this service.

Officers responsible for effecting the decision:

Corporate Director (Community Services)
Head of Health and Strategic Housing

Reasons for making the decision:

The decision retains fair and reasonable fees for the services offered.

109 VACANT SHOPS FUNDING

(Cabinet Member with Special Responsibility Councillor Archer)

The Corporate Director (Regeneration) submitted a report seeking approval for the use of additional funding provided by central government to support high streets and town centres during the recession.

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

Option	Advantages	Disadvantages	Risk
1) Do nothing option: do not use the additional grant allocation for retail support initiatives	Would support the revenue budget	Likely to attract criticism from local retail businesses, press, and DCLG	Could contribute to adverse judgment in future CAA assessments
2) Allocate funding to the two initiatives identified in consultation with the Chamber of Commerce	Allows the benefits to be spread across the retail centres of Lancaster, Morecambe, and Carnforth Provides a "quick win" for the newly merged Chambers Liaison Group and should help build its capacity Allows time for well planned promotional	A danger that the impact of the funding is dissipated across the three centres – targeted use of the funding on one specific initiative (eg development of a Business Improvement District) could have greater long term impact	A risk of poor take-up of the vacant shops grant scheme, in which case the funding might need to be reallocated

	events to be worked up		
3) Support one of the other options identified in section 2 of the report	Depends on the nature of the option selected	Disregards the consultation with the Chamber of Commerce	That the option selected is ineffective because it does not reflect the knowledge of the private sector

Option 2 is the preferred option, because it reflects the outcome of the consultation meeting with the Chamber of Commerce and also retains flexibility in the use of the funds.

Councillor Archer informed Members that she had consulted with the representatives of both the Morecambe and District Chamber of Trade and Commerce and the Lancaster and District Chamber of Commerce at the Cabinet Liaison Group meeting held on 11 January 2010 and had also heard subsequently from both organisations. Members also noted the additional information which had been provided in a letter from the president of the Morecambe and District Chamber of Trade and Commerce. The letter had been circulated prior to the Cabinet meeting.

It was moved by Councillor Archer and seconded by Councillor Kerr:-

- “(1) That Cabinet approves the use of the additional grant allocation of £52,631 for initiatives to support temporary re-use of vacant shops and other retail support measures in Lancaster, Morecambe, and Carnforth, to be split approximately as £22,000 each for Lancaster and Morecambe and £8,000 for Carnforth.
- (2) That Cabinet supports option 2 as set out in the report for use of the funds, comprising a grant scheme to support re-use of vacant shop premises in Lancaster, Morecambe, and Carnforth, plus a second scheme to provide funding for promotional festivals/events in the retail centres of Lancaster & Morecambe.
- (3) That approval of the details of the two schemes be delegated to Councillor Archer as the Cabinet member with responsibility for the economy, in consultation with the Chambers of Commerce Cabinet Liaison Group.
- (4) That in principle any underspend of the grant allocation in the financial year in which it is received be held in an earmarked reserve and this be built into the Council's Provisions and Reserves Policy for subsequent approval by Council.”

Members then voted:-

Resolved unanimously:

- (1) That Cabinet approves the use of the additional grant allocation of £52,631 for initiatives to support temporary re-use of vacant shops and other retail support measures in Lancaster, Morecambe, and Carnforth, to be split approximately as £22,000 each for Lancaster and Morecambe and £8,000 for Carnforth.
- (2) That Cabinet supports option 2 as set out in the report for use of the funds, comprising a grant scheme to support re-use of vacant shop premises in

Lancaster, Morecambe, and Carnforth, plus a second scheme to provide funding for promotional festivals/events in the retail centres of Lancaster & Morecambe.

- (3) That approval of the details of the two schemes be delegated to Councillor Archer as the Cabinet member with responsibility for the economy, in consultation with the Chambers of Commerce Cabinet Liaison Group.
- (4) That in principle any underspend of the grant allocation in the financial year in which it is received be held in an earmarked reserve and this be built into the Council's Provisions and Reserves Policy for subsequent approval by Council.

Officers responsible for effecting the decision:

Corporate Director (Regeneration)
Head of Economic Development and Tourism
Head of Financial Services

Reasons for making the decision:

The decision reflects the outcome of the consultation meeting with the Chamber of Commerce and also retains flexibility and allows for future consultation in the use of the funds.

110 TARGETED INTERVENTION PROJECT

(Cabinet Members with Special Responsibility Councillors Bryning and Fletcher)

The Corporate Director (Regeneration) submitted a report informing Members about the progress towards securing Supporting People Programme Funding for the Targeted Intervention Project and seeking approval to accept £49,800 external funding for the project and to proceed with project implementation.

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

Option 1 – Accept the external funding offer of £49,800 from the Supporting People Programme and seek to implement the project, from within existing staff resources, where possible.

Accepting the funding will create new employment opportunities and could enable the transfer of an existing project officer over to one of the new posts, if funding is not secured into 2010/11 for the Vulnerable Households Project. It will also add value to the Worklessness Project working along side to support the offer made to target the adult working population claiming out of work benefits in our most deprived wards within the district.

Option 2 – Reject the funding offer. This would result in a lost opportunity to deliver the project and the associated benefits as identified within the report.

The officer preferred option is Option 1 – Accept the external funding offer of £49,800 from the Supporting People Programme and seek to implement the project, from within existing staff resources, where possible. This will allow the recruitment of 2 temporary,

full time posts creating new employment opportunities to deliver support to 30 households with a view to engaging households with the Worklessness Project if appropriate over the 12 month funding period.

It was moved by Councillor Fletcher and seconded by Councillor Bryning:-

“That the recommendations, as set out in the report, be approved.”

Members then voted:-

Resolved unanimously:

- (1) That the offer of £49,800 Supporting People Programme Funding for the Targeted Intervention Project be accepted and that the General Fund Revenue Budget be updated accordingly to reflect the additional expenditure and grant funding.
- (2) That officers be authorised to implement the Project.

Officers responsible for effecting the decision:

Corporate Director (Regeneration)
Head of Economic Development and Tourism
Head of Financial Services

Reasons for making the decision:

The decision will provide an opportunity to extend the support services offered by the Integrated Support Team, and build on previous successful engagement within the community.

111 ROOM HIRE REVIEW

(Cabinet Member with Special Responsibility Councillor Thomas)

(It was noted that Councillors Archer, Ashworth and Kerr had previously declared personal and prejudicial interests in the following item in view of their membership of Morecambe Town Council. They all left the meeting prior to consideration of the item.)

The Head of Property Services submitted a report reviewing the process and charges for the hire of rooms and facilities in the Municipal buildings for the next financial year.

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

Room hire charges

Option 1

That the hire charges be raised to the proposed level as detailed in the body of the report. This will ensure that the majority of fee paying events make a surplus and may potentially raise income by £6,500 (giving an overall surplus of £9,500 based on 2008/09

bookings), noting that this is separate from inflationary increases already applied during the 2010/11 Draft Budget Process, therefore the additional surplus over and above that already included in the 2010/11 Budget is actually £3,900.

The majority of hirers will only incur small increases in hire charges which it is hoped will not affect their choice of venue. Although any increase in charges will inevitably be unpopular and may result in some hirers seeking alternative venues which could reduce income.

Option 2

No change. This will be popular with hirers but will leave 13.5% of bookings where a hire charge is making a loss. It is envisaged that room hire would continue to make a small surplus.

Registered charitable organisations and local non profit making organisations

Option 1

Remove the 50% discount for registered local charitable organisations and local non profit making organisations and the 25% discount for non local registered charities. This would be extremely unpopular with these organisations and combined with the proposed increase in hire charges would have a detrimental effect on their events. This is likely to result in the cancellation of such events, adverse publicity and a loss of income.

Option 2

Introduce a single discount rate of 25%. This would increase the Council's income by £2,600 but is likely to be unpopular with hirers who have previously enjoyed a 50% reduction. It may result in adverse publicity and some seeking an alternative venue or not holding their event at all.

Option 3

Extend the 50% discount to include all registered charities. This would have little impact on income, would simplify the charging format, and may attract other hirers which would ultimately increase income.

Option 4

No change. Retain the 50% discount for registered local charitable organisations and local non profit making organisations and the 25% discount for non local registered charities.

Performing Rights Society (PRS) Fees

Option 1

Recharge the hirers incurring fees under the PRS music licence the actual cost of those fees. This would be a saving for the Council and only the hirers incurring the charges would be affected.

Option 2

No change. Lancaster City Council continues to pay the fees incurred by hirers due under the PRS music licence. These fees are specifically for music performed and are incurred by only a few hirers. Continuing to pay the fees would be popular with these hirers but at a cost to the Council.

Repeat bookings

Option 1

Introduce a 5% discount on room hire charges to anyone booking rooms on 5 or more occasions or for 3 or more consecutive days in a 12 month period. This may encourage repeat bookings from hirers and will encourage existing hirers who use our rooms regularly to continue to do so.

Option 2

No change. This may result in the loss of one or both of our most profitable hirers if the proposed charges are approved. Whilst the increase on each booking is relatively small it becomes a significant amount when multiplied over many bookings.

Equipment hire

Option 1

Introduce the suggested charge for hire of glassware, cutlery and tablecloths. The City Council owns these items and they are currently used only for in house events. It would seem sensible to make them available for hire and raise some additional income from their use.

Option 2

No change – the items would be retained for council use only.

Officer preferred option for room hire charges

The preferred option is option 1, to raise the room hire charges to the proposed level set out in appendix A of the report. This will increase income from room hire whilst not imposing big increases in charges on our hirers.

Officer preferred option for registered charitable organisations and local non profit making organisations

The preferred option is option 3, to extend the 50% discount to include all registered charities. This would have little impact on income, would benefit charities, would simplify the charging format, and may attract other hirers which would ultimately increase income.

Officer preferred option for Performing Rights Society (PRS) Fees

The preferred option is Option 1, to recharge the hirers incurring fees under the PRS music licence the actual cost of those fees. This would be a saving for the Council and only the hirers incurring the charges would be affected.

Officer preferred option for repeat bookings

The preferred option is option 1, to introduce a 5% discount on room hire charges to anyone booking rooms on 5 or more occasions or for 3 or more consecutive days in a 12 month period. This may encourage repeat bookings from hirers and will encourage existing hirers who use our rooms regularly to continue to do so.

Not doing this may result in the loss of one or both of our most profitable hirers if the proposed charges are approved. Whilst the increase on each booking is relatively small it becomes a significant amount when multiplied over many bookings.

The loss of either of these hirers would have a significant impact on the room hire income which could potentially decrease by up to 45%.

Officer preferred option for equipment hire

The preferred option is option 1, to introduce a hire charge for glassware, cutlery and table cloths. Currently these items are used only for City Council functions and meetings. It would seem sensible to make them available for hire and raise income from their use.

It was moved by Councillor Thomas and seconded by Councillor Mace:-

- “(1) That the revised charging format and room hire charges as set out in appendix A to the report be adopted.
- (2) That the 50% reduction in room hire charges for registered local charitable organisations (whose proceeds go to local charities) and local non profit making organisations be retained and extended to all registered charities.
- (3) That option 1, as set out in the report, for PRS fees, repeat bookings and equipment hire, be approved in each case.”

Members then voted:-

Resolved unanimously:

- (1) That the revised charging format and room hire charges as set out in appendix A to the report be adopted.
- (3) That the 50% reduction in room hire charges for registered local charitable organisations (whose proceeds go to local charities) and local non profit making organisations be retained and extended to all registered charities.
- (3) That option 1, as set out in the report, for PRS fees, repeat bookings and equipment hire, be approved in each case.

Officers responsible for effecting the decision:

Corporate Director (Regeneration)
Head of Property Services

Reasons for making the decision:

The decision will benefit the City Council by increasing income whilst having a relatively minor impact on the majority of hirers.

(Councillors Archer, Ashworth and Kerr returned to the meeting at this point and

the meeting adjourned for lunch at 11.55am. The meeting reconvened at 12.15pm.)

112 CHATSWORTH GARDENS, MORECAMBE

(Cabinet Members with Special Responsibility Councillors Archer and Kerr)

The Corporate Director (Regeneration) submitted a report to provide members with details of the current position following the selected developer no longer being able to deliver the Chatsworth Gardens Housing Exemplar Project and in particular the contingency development as contracted in the funding agreement with the Homes and Communities Agency (HCA), together with associated proposals.

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

Option 1 – Progress Refurbishment Scheme

Firm costs are required to establish the viability of this option, or the extent to which it could be implemented. Previously as part of the Green Book Appraisal this option was discounted as being not financially viable. It may only be possible to undertake a selective refurbishment of target blocks with some properties sold off with restrictive covenants to provide funding to invest in the selective acquisition of outstanding properties in target blocks. It may also include some demolition to create either new public open space or private external space. Demolition may also be undertaken to enable a new development to come forward on part of the site from small developers. In summary the refurbishment option will review all possibilities to obtain the best possible scheme.

For the properties that can be refurbished this option would include the removal of rear outriggers and for the four storey properties the removal of a storey to make the houses of a size more suitable for single family occupation. To enable Level 4 Code for Sustainable Homes to be obtained the refurbished properties would require external wall insulation as well as party wall, floor and roof insulation internally. The properties would also require the extensive use of high efficiency heating and plumbing.

Renewable energy technologies such as solar hot water and photovoltaic panels would also be needed. Demolition may also be undertaken to enable a new development to come forward on part of the site from small developers. Any proposal made under this scheme would be subject to HCA funding and approval.

Option 2 – Disposal of properties already acquired for the scheme

The 2005 Funding Agreement does make provision that, if no alternative scheme is considered acceptable to the HCA and the Council, then all of the properties should be placed back on the market and sold in order to recoup public investment. It should be noted that this option is not favoured by HCA who are keen to see the Council put forward alternative options.

Non-statutory guidance issued under the Crichel Down Rules will need to be considered in the event of this option.

Officers have updated the previous options analysis undertaken for the Green Book appraisal and discounted a new build option due to the PFP outcome. If no viable option

can be found or agreed Option 2 provides a mechanism to dispose of the acquired properties and close the project. As noted this latter case is a last resort and not currently favoured.

Further work is required to develop a detailed cost model to be able to evaluate the feasibility of Option 1, and this would need to be considered as a growth item. Previously a full site refurbishment has been discounted by the private sector on the grounds of high cost. However, the council could itself lead site acquisition, undertake phased refurbishment and remodelling. By using council internal staff resources as much as possible it is clear costs could be reduced significantly. The public sector also has no requirement for profit and exemption from VAT.

Tendered costs for the remodelling of large villa terraced properties on Bold Street are due to be received on 20 January 2010. This will provide some up to date cost information for estimates and enable officers to better understand the potential extent of a refurbishment scheme.

Officers will also need to develop a specification for the refurbishment of the properties that will meet Code for Sustainable Homes Level 4 and the other quality and price standards set out by the HCA. However, it is more than likely funds will still not be sufficient to pursue a full refurbishment and this should be regarded as 'aspirational' for the moment.

The preferred option is Option 1 with officers being given a mandate to explore the full extent of what can be achieved with the potential funding available and to seek agreement with HCA.

In addition to the tender price data received for Bold Street it will be necessary to appoint a Quantity Surveyor to develop robust cost estimates. Architectural services will also be required to assist in layouts, design and providing the most cost effective solutions to turning what are extremely inefficient homes into some of the most environmentally efficient homes in the district.

Any refurbishment scheme would need to meet the Code for Sustainable Homes Level 4 and the other quality and price standards for an HCA housing scheme. A considerable advantage of refurbishing the existing properties is that it would act as an exemplar for what can be achieved with these large properties in the West End.

Contingency development costs will be incurred. Up to £60k should be allowed for investigations which cannot be undertaken 'in house' by the council e.g. architects and quantity surveyors, although officers will try wherever possible to use 'in house staff'. HCA could agree that these costs be funded from capital receipts but the mechanism has still to be agreed and in line with accounting practice, this would be dependent upon it being reasonably certain that a capital scheme would progress. As such, it would be prudent (and advised by the s151 Officer) to allow for this in the council's revenue budget proposals at this stage.

The council is incurring property 'holding' costs which are forecast to be met for this year, but future costs are not covered by any current funding agreement as the current funding agreement has been drawn down in totality. HCA will not fund these directly. However, HCA have agreed that capital receipt/disposal of "non-project properties" could be re-utilised towards holding costs – though again this may present accounting

difficulties. Two non-project properties are going to auction in early February 2010 and if sold would more than cover the contingency development costs – though this links with the issues raised in paragraph 5.4 of the report.

It was moved by Councillor Archer and seconded by Councillor Kerr:-

“That the recommendations, as set out in the report, be approved.”

Members then voted:-

Resolved:

(8 Members (Councillors Archer, Ashworth, Barry, Blamire, Bryning, Fletcher, Kerr and Langhorn) voted in favour and 2 Members (Councillors Mace and Thomas) voted against.)

- (1) That Cabinet notes the position of the project following Places for Peoples' retraction of their bid and the legal position of the Council as stipulated in the contract.
- (2) That Cabinet supports Option 1, as set out in the report, for officers to develop and appraise a contingency proposal that will provide members with a detailed cost/risk appraisal of a selected refurbishment scheme, and that the £60K funding needed be considered as a revenue growth bid, for referral on to Council.

Officers responsible for effecting the decision:

Corporate Director (Regeneration)
Head of Financial Services

Reasons for making the decision:

The decision is in line with the existing contract between the Council and HCA and will allow officers to develop and appraise a contingency proposal that will provide members with a detailed cost/risk appraisal of a selected refurbishment scheme. It will enable members to make an informed decision on whether to progress this important regeneration project with HCA.

113 MUSEUMS SERVICE

(Cabinet Member with Special Responsibility Councillor Ashworth)

(It was noted that Councillor Mace had previously declared a personal interest in this item in view of his membership of the Friends of Lancaster City Museums.)

The Corporate Director (Regeneration) submitted a report asking Members to consider savings options in respect of the Museums Service.

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

Option A: That Cabinet instruct officers to enter into formal negotiations with Lancashire County Council to review and revise the Museums Partnership agreement, with a view to the City Council securing on-going revenue reductions.

Notwithstanding the Agreement referred to above, the City Council's Head of Cultural Services has already been involved in informal discussion with the County Council Museum Service to determine and examine potential saving options for the Museums Service in Lancaster. As previously stated, the County Council's preliminary response has been that there are no grounds for amending or terminating the Partnership Agreement within the terms of the originally agreed timescale i.e. 10 years from 2003.

Based on the above, it is unlikely that cost savings would accrue in 2010/11 or 2011/12.

Option B: To retain the current level of Museums Services within the District, via the existing Partnership Agreement with Lancashire County Council.

There would be no financial savings to the City Council.

Option C: To issue Lancashire County Council with twenty-four months notice from 1st April 2010, of Lancaster City Council termination of the Partnership Agreement (i.e. to be implemented after 31st March 2012), and for officers of the City Council over the ensuing period to examine options for bringing the Museums Service back into City Council operation, whilst also examining savings options.

Based on the above, no cost savings would accrue in 2010/11 or 2011/12, but based on indicative savings options, as set out below, there may be budget reductions with effect from 2012/13.

Option	Estimated saving
Charge, non-residents, admission to the City Museum	£32,000
Close the Maritime Museum on Sundays	£13,500
Reduce museums to 5 day per week opening	£12,000
Operate Cottage Museum with "volunteers"	£4,800
Remove "acquisitions" budget	£3,000
Reduce administration establishment by 1 post	£23,600
Reduce central design establishment by 1 part-time post	£12,500

The projected savings (for illustration), if all were implemented would be in the region of £100,000 per annum. However, it must be noted that the options require more detailed appraisal and consideration of potential consequential issues, such as fewer admission numbers (therefore, failure to achieve income levels), and HR implications (TUPE transfer, redundancy), etc. It also has to be acknowledged that within the remaining period of the Museums Service Partnership Agreement, would require a negotiated agreement between the City and County Council on any or all of the above.

It may also be that there are other more radical options, including rationalising the number of museum buildings that the City Council operate/offer. Such options would also be considered further within the period of termination of the Partnership Agreement (i.e., 2010/11 and 2011/12).

Depending on Cabinet's view on the type of options put forward it is likely that the City Council would need to engage specialist advisors, in particular where there are ramifications in terms of Disposal and Curatorial issues, etc.

Option C is the preferred officer option in that it both retains service provision whilst also offering potential savings.

It was moved by Councillor Ashworth and seconded by Councillor Kerr:-

"That the recommendation, as set out in the report, be approved."

Members then voted:-

Resolved:

(8 Members (Councillors Archer, Ashworth, Barry, Blamire, Byrning, Fletcher, Kerr and Langhorn) voted in favour and 2 Members (Councillors Mace and Thomas) voted against.)

- (1) That Lancashire County Council be issued with 24 months notice to terminate the Museums Partnership Agreement from 1st April 2010 (i.e. to be implemented after 31 March 2012), and that officers of the City Council, over the ensuing period, examine options of future service provision, whilst examining cost savings.

Officers responsible for effecting the decision:

Corporate Director (Regeneration)
Head of Cultural Services

Reasons for making the decision:

The decision will allow service provision to be retained, whilst also offering potential savings.

114 REVIEW OF PARKING FEES AND CHARGES 2010/11

(Cabinet Member with Special Responsibility Councillor Thomas)

(Councillor Archer left the meeting during consideration of this item and before the vote.)

The Corporate Director (Regeneration) submitted a report asking Members to consider the Annual Review of Parking Fees and Charges for 2010/11.

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

Option 1

This option is not to implement any parking fees and charge increases in 2010/11.

The annual review of parking fees and charges is an opportunity for the City Council to review parking charges in line with budgetary commitments and the aims and objectives of the Parking Strategy. The revenue from parking is an important source of revenue for the Council and it assists with maintaining and continuing to improve the parking service that is provided. Although parking usage and pay and display income has been fairly positive in the present economic climate there is no evidence to suggest that usage and income would increase as a result of not increasing parking fees and charges. This option therefore does not meet the budgetary commitment included in the 2010/11 Draft Budget.

In terms of the budgetary position within the off-street parking service, reductions in excess of £60k have already been included in the 2010/11 draft budget through a combination of efficiency savings and the new CPE arrangements previously approved by Cabinet. Funding the shortfall from the remaining off-street parking budgets is likely to result in no reactive or planned maintenance or minor improvements being carried out during 2010/11 on the 2,900 spaces that are provided on 43 car parks throughout the district, for which there is currently a combined budget totalling £61.4K. This is contrary to the parking strategy that includes an objective to provide a high quality service through a number of objectives that can only be delivered through the proactive management of maintenance budgets. This will also have health and safety implications and increase the risk of accidents and personal injury claims arising from not being able to respond to reported faults and the twice yearly condition assessments that are undertaken. It is not possible to quantify the cost of any additional claims but these could have the potential for exceeding the required budget shortfall/maintenance savings.

It is therefore likely that this option would result in the revenue shortfall having to be met from another Service or function of the Council. As it falls outside of the current budget framework, if taken forward this option would need to form part of Cabinet's budget proposals, for subsequent consideration and approval by Council.

Option 2

This option is aimed primarily at achieving the budgetary target that has been included in the 2010/11 Draft Budget whilst being consistent with the aims of the Parking Strategy.

Short Stay Car Parks	Current Tariff	Proposed Tariff	Additional Income
Increase Up to 2 hour tariff	£1.60	£1.80	£60,000

This option achieves the budgetary commitment with estimated additional income of £60,000. This option only increases one pay and display tariff and minimises the increases to local parking charges and reduces the risk of adverse customer resistance. The Short Stay up to 2 hour tariff has not been increased since 2006/07 although it was increased briefly to £1.70 in April and May 2008. This supports the Parking Strategy's hierarchy of firstly residents closely followed by visitors, shoppers and local businesses. This increase is not considered to be detrimental to the strategy's aim of maintaining 85% occupancy at busy times in short stay car parks.

Option 3

This option is aimed at exceeding the budgetary target that has been included in the 2010/11 Draft Budget whilst still being consistent with the aims of the Parking Strategy.

Short Stay Car Parks	Current Tariff	Proposed Tariff	Additional Income
Increase Up to 2 hour tariff	£1.60	£1.80	£60,000
Increase Up to 3 hour tariff	£2.40	£2.50	£9,500

This option exceeds the budgetary commitment with estimated additional income of £9,500. This option limits the proposed increases to two pay and display tariffs with the additional Short Stay Up to 3 hour tariff that has not been increased since 2006/07, some 4 years ago. This option has a slightly increased risk of customer resistance but this has already been taken into account in the potential income table highlighted in paragraph 3.1 of the report.

Again this option is not considered to be detrimental to achieving the Parking Strategy's aim of maintaining 85% occupancy at busy times in short stay car parks. It is logical that short stay tariffs will have to be increased periodically but increasing two tariffs once in 4 years recognises the importance of the parking hierarchy that gives priority to residents closely followed by shoppers, visitors and local businesses.

The officer preferred option is Option 3 as this exceeds the budgetary commitment, limits the number of pay and display price increases and inherent risks whilst also still being consistent with the aims and objectives of the Parking Strategy.

Members discussed the possibility of a further review in the summer and the portfolio holder with special responsibility, Councillor Thomas, agreed that this could be enabled.

It was moved by Councillor Thomas and seconded by Councillor Mace:-

Members then voted:-

Resolved unanimously:

- (1) To approve Option 3, as set on in the report, for increased Pay and Display charges for 2010/11.
- (2) That further representations be made to Lancashire County Council regarding increasing on-street pay and display charges for 2010/11 to maintain differential charges as outlined in paragraph 3.4 of the report.

Officers responsible for effecting the decision:

Corporate Director (Regeneration)
Head of Property Services

Reasons for making the decision:

The decision made exceeds the budgetary commitment and limits the number of pay and display price increases and inherent risks, yet is still consistent with the aims and

objectives of the Parking Strategy.

115 WILLIAMSON PARK

(Cabinet Member with Special Responsibility Councillor Ashworth)

(It was noted that Councillor Blamire had previously declared a personal and prejudicial interest in the following item in view of her role as Chairman of the Williamson Park Board. Councillor Blamire left the meeting prior to consideration of the item.)

The Corporate Director (Regeneration) submitted a report presenting the latest position with regard to the current and future operation of Williamson Park.

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

Option	Advantages	Disadvantages	Risks
1. Transfer the operation of the Park to complete control of the City Council including dissolution of the company. Continue to review the operation and explore potential of providing an improved visitor attraction destination by seeking funding from other agencies / providers in partnership.	<p>Officers will be able to utilise the Council systems with regards to financial management (use of general ledger / authority financials) and 'fit' with budget monitoring as currently undertaken by the Council.</p> <p>Clear guidance from the Council's decision making process regards future operation of the Park with continued close integration with Council Services – effective use of resources.</p> <p>Officers will have full access to support in respect of HR issues to ensure legal compliance.</p> <p>Possibility of a revisit to the previously withdrawn heritage</p>	<p>Council may need to consider need for capital support funding to address building condition issues.</p>	<p>The decision to transfer the company back to City Council management reduces considerably the possibility of continued under performance and enables improved performance management to be implemented.</p> <p>Due to the potential extra costs of pensions/TUPE, there may be a risk that the net cost of the overall operation is not contained within set budgets particularly in the first year of operation, i.e. during 2010/11, or that the increased need to make savings has an adverse impact on park operations or its ability to improve its visitor offer.</p>

<p>2. Transfer the operation of the park to complete control of the City Council and consider reduction of operation.</p> <p>This may mean closure of facilities such as Butterfly House, Zoo, Café and/or reduction in standard of grounds maintenance.</p> <p>3. Transfer the operation of the park to complete control of the City Council, consider reduction of operation and include option to invite companies to tender for various aspects of the current offer.</p>	<p>Lottery Fund (HLF) bid – based on clearer understanding of the business providing opportunities to address some of the capital funding issues (café roof, condition of butterfly house etc).</p> <p>Opportunity to integrate the park to a Parks Strategy for the district including stronger links to venues such as Happy Mount Park, Regent Park etc</p> <p>Reduction in annual grant by the City Council – precise figures would need clarification subject to redundancy costs and maintenance costs associated with closure of buildings and basic health and safety management.</p> <p>Council could reduce annual grant by receiving income from a third party for operation of part of the Park.</p> <p>Opportunity to meet with other 'providers' and change the current offer of visitor attractions.</p>	<p>Loss of significant revenue income from visitor attractions (cost centres of café, zoo and butterfly house are each profitable).</p> <p>Reduction in levels of maintenance may effect the Dukes summer seasonal production – relatively high profile event locally and regionally.</p> <p>In order for current visitor attractions to continue to operate effectively there needs to remain an understanding and cooperative approach from third party 'concessionaires' – flexibility may come at a price if not covered within documentation at the</p>	<p>Use of park may reduce and vandalism increase</p> <p>Poor publicity for the Council in what is considered by many locally as a park with positive recreational purpose.</p>
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	Potential for third party to cover building maintenance costs – long term, particularly for café area.	outset. Tendering exercise was undertaken by previous management with few responses and at no financial benefit for the company.	Relevant Council policies and procedures (tendering, financial evaluation or companies etc) should help minimise risk to Council. Third party income (rent/management fee) would need to cover costs of current profit on operation and include all costs associated with engaging a third party.
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The preferred option for officers is option 1, 'Transfer the operation of the Park to complete control of the City Council including dissolution of the company. Continue to review the operation and explore potential of providing an improved visitor attraction destination by seeking funding from other agencies / providers in partnership'. The Council would strive to continue to improve the operation of the Park whilst remaining open minded on the potential for partnership opportunities which could be explored at no additional cost. There is some doubt by Cultural Services as to the mix of the visitor attraction offer and following the recent period of consolidation and improvement, officers would continue to push forward with the current change ethos.

It was moved by Councillor Ashworth and seconded by Councillor Kerr:-

"That the recommendations, as set out in the report, be approved."

By way of addendum, which was accepted as a friendly addendum by the mover and seconder of the original proposition, Councillor Langhorn proposed:

"(3) That officers draft a report, scoping a Williamson Park Cabinet Liaison Group, for consideration at the next Cabinet meeting."

Members then voted:-

Resolved:

(6 Members (Councillors Ashworth, Barry, Bryning, Kerr, Langhorn and Thomas) voted in favour and 1 Member (Councillor Mace) abstained.)

Note: Councillor Fletcher was absent for the vote.

- (1) That the operation of Williamson Park transfer back to the complete control of the City Council and the company be dissolved.
- (2) That the City Council continues to review the operation and explore the potential of providing an improved visitor attraction/destination and seek to maximise this through external funding and partnership working. It is anticipated that this will be within approved set budgets. However there may be some slippage to this due to the potential additional £40,000 per annum required for pension costs as a result of the TUPE regulations.
- (3) That officers draft a report, scoping a Williamson Park Cabinet Liaison Group, for consideration at the next Cabinet meeting.

Officers responsible for effecting the decision:

Corporate Director (Regeneration)
Head of Cultural Services

Reasons for making the decision:

The decision allows the Council to strive to continue to improve the operation of the Park whilst remaining open minded on the potential for partnership opportunities which could be explored at no additional cost.

(Councillor Blamire returned to the meeting at this point.)

116 ROMAN BATH HOUSE & VICARAGE FIELD, LANCASTER

(Cabinet Member with Special Responsibility Councillor Thomas)

(It was noted that Councillor Langhorn had previously declared a personal interest in this item in view of his son's membership of the Young Archaeologists' Club.)

The Corporate Director (Regeneration) submitted a report to advise Cabinet on the condition of the Roman Bath House and surrounding land and to seek future funding to improve and maintain that condition.

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

Option 1 – That increased maintenance regimes to the Bath House and surrounding land are undertaken to ensure that the property would be of an appropriate standard to feature as one of the city's main historic attractions. This would require increased funding being made available and is a reversal of the council's previous views on the maintenance of the area. Despite increased funding for maintenance there remains a risk that because of the remote location of the site, there could still be some vandalism in the vicinity.

Option 2 – do nothing. This would result in the continued deterioration the site with council failing to meet the requirements that English Heritage place on the owners of monuments such as this. If the council is to improve promotion of the cultural heritage of

the district, the current poor condition of one of the main attractions would detract from that and lead to public criticism. In addition there would be continued growth of species such as Japanese knotweed over areas of the site.

Option 1 is preferred as this would lead to the consolidation and improvement of a major historic attraction in the district.

It was moved by Councillor Thomas and seconded by Councillor Langhorn:-

- “(1) That increased maintenance regimes to the Bath House and the surrounding land are undertaken to ensure that the property would be of an appropriate standard to feature as one of the city’s main historic attractions.
- (2) That a general fund revenue growth bid for funding be included in the current budget process for an amount of £17,700 in 2010/11 and £2,000 per annum in subsequent years.”

Members then voted:-

Resolved unanimously:

- (1) That increased maintenance regimes to the Bath House and the surrounding land are undertaken to ensure that the property would be of an appropriate standard to feature as one of the city’s main historic attractions.
- (2) That a general fund revenue growth bid for funding be included in the current budget process for an amount of £17,700 in 2010/11 and £2,000 per annum in subsequent years.

Officers responsible for effecting the decision:

Corporate Director (Regeneration)
Head of Property Services
Head of Financial Services

Reasons for making the decision:

The decision will lead to the consolidation and improvement of a major historic attraction in the district.

117 CABINET APPOINTMENTS TO OUTSIDE BODIES

The Chief Executive submitted a report asking Members to consider the Cabinet appointment to the Local Government Association Coastal Issues Special Interest Group.

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

Option 1: To note existing arrangements and make no amendment to the representative on the LGA Coastal Issues Special Interests Group.

Option 2: To replace the Cabinet Member with responsibility for the Economy with the Cabinet Member with responsibility for the Environment to serve on the LGA Coastal Issues Special Interests Group.

Option 3: Another option as proposed by Cabinet.

There is no officer preferred option, however, it is recommended that appointments to outside bodies be aligned as closely as possible to individual Cabinet Members' portfolios.

It was moved by Councillor Ashworth and seconded by Councillor Fletcher:-

"That Councillor Barry be appointed to the Local Government Association Coastal Issues Special Interest Group."

Members then voted:-

Resolved:

(8 Members (Councillors Ashworth, Blamire, Bryning, Fletcher, Kerr, Langhorn, Mace and Thomas) voted in favour and 1 Member (Councillor Barry) abstained)

- (1) That Councillor Barry be appointed to the Local Government Association Coastal Issues Special Interest Group.

Officers responsible for effecting the decision:

Chief Executive
Head of Democratic Services

Reasons for making the decision:

The decision is in line with the recommendation that appointments to outside bodies be aligned as closely as possible to individual Cabinet Members' portfolios.

118 COMMUNITY SWIMMING POOLS

(Cabinet Member with Special Responsibility Councillor Ashworth)

The Corporate Director (Regeneration) submitted a report to enable Members to consider savings options in respect of the 3 Community Swimming Pools in Carnforth, Heysham and Hornby.

It was noted that additional information had also been published and circulated after publication of the agenda. This related to the pools opening hours and admissions figures.

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

Option A: As to-date, no significant progress, in terms of cost savings, has been made from attempting a renegotiation of the Partnership Agreement between Lancashire

County Council and Lancaster City Council, Cabinet is asked whether it wishes to give consideration to issuing twelve months notice from 1st April 2010, of Lancaster City Council termination of the Partnership Agreement (i.e., to be implemented after 31st March 2011) i.e., to refer the operation of the 3 Community Swimming Pools, back to Lancashire County Council.

No cost savings have been assumed so far for 2010/11. However, on the basis of Lancaster City Council referring the operation of the 3 Community Swimming Pools, back to Lancashire County Council, there would, with effect from 1st April 2011, be potential annual savings to Lancaster City Council of:-

Carnforth	£68,900	}	
or/and		}	
Heysham	£44,900	}	Total £147,700
or/and		}	
Hornby	£33,900	}	

There will also be HR implications (costs as yet undetermined)

Option B: Investigate whether an alternative operator can be found for the Community Swimming Pools at Carnforth, Heysham and Hornby.

As part of the 2009/10 budget deliberations, this option was pursued, but the outcome was that the alternative (private) sector operator was seeking an operating/management fee (not much less than the current revenue expenditure), and a guarantee that community and schools usage would remain at current levels, for the duration of any operating agreement. As neither the City Council nor County Council could offer such guarantees, discussions regarding alternative (private) sector management to operate one or more of the three community swimming pools terminated.

Option C: To retain the Partnership Agreement with Lancashire County Council, for the operation of the 3 Community Swimming Pools at Carnforth, Heysham and Hornby, but to review and reduce the swimming programme.

Typically, usage at public swimming pools is a mixture of:- casual swimming, club swimming (including private/commercial lettings), swimming lessons, and schools swimming programme. Based on the above, the % usage and cost profile at the three community swimming pools (based on 08/09 throughput), are:-

	casual usage	%	club usage	%	lessons usage	%	schools usage	%
Carnforth	29%		28%		12%		31%	
Heysham	49.5%		25%		8.5%		17%	
Hornby	42%		26%		14%		18%	

	casual net cost/ (surplus)	club net cost/ (surplus)	lessons net cost/ (surplus)	schools net cost/ (surplus)	Total Net Draft Budget 2010/11
	£	£	£	£	£
Carnforth	68,600	(4,600)	(5,600)	8,200	66,600
Heysham	52,700	(8,800)	(2,600)	(4,200)	37,100
Hornby	28,800	(2,000)	(2,200)	5,200	29,800
Total	150,100	(15,400)	(10,400)	9,200	133,500

Estimated net costs, based only on an extrapolation of % usage, shows that for the majority of swimming programmes, the least efficient and least economic provision is casual swimming. The reason for the above is that for club swimming (including private/commercial lettings), swimming lessons, and schools swimming programme, pool operators can offset expenditure against known income, but that is more difficult for casual swimming, where the fixed cost and related operational costs (in particular lifeguard/staffing costs) remain whatever the actual throughput. An option would be for Lancaster City Council only to provide casual swimming as part of the programme in Salt Ayre Sports Centre (i.e. casual swimming, club swimming - including private/commercial lettings, swimming lessons, and schools swimming programme), and to operate only club swimming (including private/commercial lettings), swimming lessons, and schools swimming programme, in the three community swimming pools. The review of pools provision within the District (highlighted in paragraph 3.3 of the report) gives an indication of where there is capacity for casual swimming, although this is limited as the majority are either private/member only facilities as opposed to being open to the general public.

In theory, based on the table above, the estimated draft 2010/11 annual revenue 'saving' to Lancaster City Council in not providing casual swimming, but still offering club swimming (including private/commercial lettings), swimming lessons, and schools swimming programme, at the three community swimming could be up to £150,100, but in reality any savings would be significantly less (if at all), for the reasons highlighted above. If this option was to be pursued, there would need to be greater consideration of the implications before a final decision could be taken.

This option also retains the provision of club swimming (including private/commercial lettings), swimming lessons, and schools swimming programme at the three community swimming pools.

Option D: To retain the current level of swimming provision within the district, including Carnforth, Heysham and Hornby via the existing Partnership Agreement with Lancashire County Council.

There would be no financial savings to the City Council.

Officer preferred option - the City Council's position is that, providing school swimming facilities are not a statutory requirement nor are they within discretionary priorities, the above identifies that, with regards community swimming, there are alternatives available. In light of this, officers recommend that the partnership with Lancashire County Council is terminated and the pools are handed back to the County Council, i.e. option A.

It was moved by Councillor Ashworth and seconded by Councillor Kerr:-

“That the recommendations, as set out in the report, be approved.”

By way of amendment, Councillor Mace proposed and Councillor Thomas seconded:-

“That the City Council negotiate intensively with Lancashire County Council in respect of the future management of the swimming pools, that it refers the proposal to terminate the partnership agreement with Lancashire County Council to the March Council meeting and, in the meantime, includes Carnforth Town Council, Heysham Neighbourhood Council, Hornby-with-Farleton Parish Council and Melling-with-Wrayton Parish Council as observers of the negotiations.”

3 Members (Councillors Barry, Mace and Thomas) voted in favour of the amendment, 5 Members (Councillors Ashworth, Blamire, Bryning, Kerr and Langhorn) voted against and 1 Member (Councillor Fletcher) abstained from voting, whereupon the Chairman declared the amendment to be lost.

By way of addendum to the original proposition, it was then moved by Councillor Mace and seconded by Councillor Thomas:-

“That Carnforth Town Council, Heysham Neighbourhood Council, Hornby-with-Farleton Parish Council and Melling-with-Wrayton Parish Council be invited to observe the negotiations when they are carried out.”

2 Members (Councillors Mace and Thomas) voted in favour of the addendum, 6 Members (Councillors Ashworth, Barry Blamire, Bryning, Kerr and Langhorn) voted against and 1 Member (Councillor Fletcher) abstained from voting, whereupon the Chairman declared the addendum to be lost.

Members then voted as follows on the original proposition:

Resolved:

(5 Members (Councillors Ashworth, Blamire, Bryning, Kerr and Langhorn) voted in favour, 2 Members (Councillors Mace and Thomas) voted against and 2 Members (Councillors Barry and Fletcher) abstained)

- (1) That the City Council issues the necessary 12 month notice to terminate the partnership agreement with the County Council, from 1 April 2010.
- (2) That community swimming is redirected to the pools identified in paragraph 3.3 of the report.
- (3) That the school and club swimming be handed back along with the facilities to Lancashire County Council.

Officers responsible for effecting the decision:

Corporate Director (Regeneration)
Head of Cultural Services

Reasons for making the decision:

The decision has been made in light of the fact there are alternatives available for community swimming.

(The meeting adjourned for a comfort break at 2.20pm and reconvened at 2.30pm.)

119 REORGANISATION OF THE FACILITIES MANAGEMENT FUNCTION

(Cabinet Member with Special Responsibility Councillor Thomas)

(Councillor Blamire left the meeting during consideration of this item and before the vote.)

The Corporate Director (Regeneration) submitted a report seeking approval from Cabinet for a new corporate approach to Facilities Management across the Council and Members received a presentation from independent consultants, Cyril Sweett, to assist them in considering the way forward.

Members noted that, whilst the report for this item was a public report, the appendix to the report contained information exempt from publication by virtue of paragraphs 1 and 2 of Part 1 of Schedule 12A of the Local Government Act 1972.

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

Option 1 – do nothing. This would result in the existing level of service provision being maintained. This will leave the Council at risk of failing to provide the most effective and efficient maintenance service and not achieving any progress in implementing its carbon management policies.

Option 2 – to retain the hard (reactive maintenance) facilities management function in an efficient way would require some clarification of roles and reporting lines within the existing service and would allow the council to concentrate on those areas of work that it does best. This includes retaining the strategic/"client" function, soft (caretaking) facilities management functions, reactive maintenance and data management whilst it would also benefit from a wider review of the service to ensure that the most efficient use is made of available resources. All major works and planned maintenance would be outsourced as would any specialist and statutory roles including energy management, health and safety roles etc. It is suggested that the outsourcing arrangements should be in the form of a partnering arrangement with the County Council and that discussions should be held with the County Council to this effect and a further report be brought back to Cabinet on the outcome of these discussions.

Option 3 – to outsource a fully managed service with the transfer of staff into an external managed service. This would result in retaining the strategy function and the soft facilities management services only. All major works, planned and reactive maintenance, data management and specialist and statutory roles would be outsourced.

The officer preferred option is option 2.

In order to fully consider the information in the appendix to the report, and in view of the fact that the last item on the agenda was also exempt from publication by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, it was moved by Councillor Langhorn and seconded by Councillor Thomas:-

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

It was moved by Councillor Thomas and seconded by Councillor Fletcher:-

- “(2) That approval be given to the principles of a reorganisation of the facilities management function.
- (3) That a further report be presented to Cabinet on the full implications of the proposals following discussions with the County Council regarding shared services.”

By way of addendum, which was accepted as a friendly addendum by the proposer and seconder of the original proposal, Councillor Barry proposed:

- “(4) That the Council looks at other service providers with expertise in each of the bundles to seek the most appropriate service provider for bundles 1 – 4 detailed in the report, bundle 1 being Mechanical and Electrical/Maintenance Services, bundle 2 being Surveying, Architectural Services and Strategy, bundle 3 being Statutory Compliance and bundle 4 being Sustainability.”

Members then voted:-

Resolved unanimously:

- (1) That, in accordance with Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business, on the grounds that they could involve the possible disclosure of exempt information as defined in paragraphs 1, 2 and 3 of Schedule 12A of that Act.
- (2) That approval be given to the principles of a reorganisation of the facilities management function.
- (3) That a further report be presented to Cabinet on the full implications of the proposals following discussions with the County Council regarding shared services.
- (4) That the Council looks at other service providers with expertise in each of the bundles to seek the most appropriate service provider for bundles 1 – 4 detailed in the report, bundle 1 being Mechanical and Electrical/Maintenance Services, bundle 2 being Surveying, Architectural Services and Strategy, bundle 3 being Statutory Compliance and bundle 4 being Sustainability.

Officers responsible for effecting the decision:

Corporate Director (Regeneration)
Head of Property Services

Reasons for making the decision:

The decision will allow the council to concentrate on those areas of facilities management work that it does best.

120 LAND AT KELLET ROAD, CARNFORTH (Pages 1 - 2)**(Cabinet Member with Special Responsibility Councillor Thomas)**

The Corporate Director (Regeneration) submitted a report which was exempt from publication by virtue of paragraph 3, of Schedule 12a of the Local Government Act 1972

The options, options analysis, including risk assessment and officer preferred option, were all set out in the exempt report.

It was moved by Councillor Thomas and seconded by Councillor Mace:-

“That the recommendations, as set out in the exempt report, be approved.”

Members then voted:-

Resolved unanimously:

- (1) The resolution is set out in a minute exempt from publication by virtue of paragraphs 3 and 5 of Schedule 12A of the Local Government Act 1972.

Chairman

(The meeting ended at 3.15 p.m.)

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

MINUTES PUBLISHED ON MONDAY, 25th JANUARY 2010.

**EFFECTIVE DATE FOR IMPLEMENTING THE DECISIONS CONTAINED IN THESE MINUTES;
TUESDAY, 2nd FEBRUARY 2010.**

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

Document is Restricted

CABINET**10.00 A.M.****16TH FEBRUARY 2010**

PRESENT:- Councillors Stuart Langhorn (Chairman), Evelyn Archer, June Ashworth, Jon Barry, Eileen Blamire, Jane Fletcher, David Kerr, Roger Mace and Malcolm Thomas

Apologies for Absence:-

Councillor Abbott Bryning

Officers in attendance:-

Mark Cullinan	Chief Executive
Peter Loker	Corporate Director (Community Services) (part)
Roger Muckle	Corporate Director (Finance and Performance) (part)
Nadine Muschamp	Head of Financial Services and Section 151 Officer (part)
Graham Cox	Head of Property Services (part)
David Owen	Head of Cultural Services (part)
David Lawson	Forward Planning Manager (part)
Debbie Chambers	Principal Democratic Support Officer

121 ITEMS OF URGENT BUSINESS AUTHORISED BY THE LEADER

The Chairman advised that there were two items of urgent business. The first was a referral from the Overview and Scrutiny Committee (Minute 124 refers) and the second was a report regarding Lancaster Market (Minute 133 refers).

122 DECLARATIONS OF INTEREST

Councillors Archer, Ashworth and Kerr declared personal interests with regard to the Morecambe Meteorological Station report, as Members of Morecambe Town Council.

123 PUBLIC SPEAKING

Members were advised that there had been one request to speak by a member of the public at the meeting in accordance with Cabinet's agreed procedure, set out in Cabinet Procedure Rule 2.7. This was with regard to the Budget and Policy Framework 2010/2011 (Minute 134 refers). The member of the public was Mr T Hamilton-Cox, who spoke at this point in the meeting.

124 ITEM OF URGENT BUSINESS - REFERRAL FROM OVERVIEW AND SCRUTINY COMMITTEE**(Cabinet Member with Special Responsibility Councillor Ashworth)**

In accordance with Section 100B(4) of the Local Government Act 1972, the Chairman agreed to consider the following report as an item of urgent business to allow Cabinet to

consider the view of the Overview and Scrutiny Committee after calling-in the Cabinet decision taken on 19 January 2010 regarding the Community Swimming Pools.

A referral report from Overview and Scrutiny was considered by Cabinet. The report presented the Overview and Scrutiny Committee's recommendation following the call-in meeting held on 8 February 2010 in relation to the Community Swimming Pools.

The recommendation set out in the report was "that the Overview and Scrutiny Committee recommend that Cabinet should not give notice to terminate the contract until a suitable agreement is obtained from Lancashire County Council to take over community swimming. If no agreement can be reached within 12 months then Cabinet should review the funding. Parish and Town Councils should be involved in the talks."

It was moved by Councillor Ashworth and seconded by Councillor Langhorn:-

- "(1) That Cabinet notes the desire of the Overview and Scrutiny Committee that 'a suitable agreement is obtained from Lancashire County Council to take over community swimming.' Cabinet believes that its original decision is the best way to achieve this aim and notes the progress already made in discussions with the County Council. Therefore, in order to achieve its objective of the maintenance of the community swimming pool service within the district, Cabinet reaffirms its original decision:
- (2) That the City Council issues the necessary 12 months notice to terminate the partnership agreement with the County Council, from 1 April 2010.
- (3) That community swimming is redirected to the pools identified in 3.3 of the report considered by Cabinet on 19 January 2010.
- (4) That the school and club swimming be handed back along with the facilities to Lancashire County Council."

By way of addendum, which was accepted as a friendly addendum by the mover and seconder of the original proposition, Councillor Barry proposed and Councillor Fletcher seconded:

- "(5) That the City Council negotiates with the County Council to achieve a significant revenue reduction for the City Council and reports back to Cabinet on the results of these negotiations with the County Council."

Councillor Mace proposed an amendment, seconded by Councillor Thomas:-

"That the recommendation of the Overview and Scrutiny Committee be approved."

2 Members (Councillors Mace and Thomas) voted in favour of the amendment, 7 Members (Councillors Archer, Ashworth, Barry, Blamire, Fletcher, Kerr and Langhorn) voted against, whereupon the Chairman declared the amendment to be lost.

Members then voted on the original proposal with the friendly addendum:-

Resolved:

(7 Members (Councillors Archer, Ashworth, Barry, Blamire, Fletcher, Kerr and Langhorn) voted in favour and 2 Members (Councillors Mace and Thomas) voted against.)

- (1) That Cabinet notes the desire of the Overview and Scrutiny Committee that 'a suitable agreement is obtained from Lancashire County Council to take over community swimming.' Cabinet believes that its original decision is the best way to achieve this aim and notes the progress already made in discussions with the County Council. Therefore, in order to achieve its objective of the maintenance of the community swimming pool service within the district, Cabinet reaffirms its original decision:
- (2) That the City Council issues the necessary 12 months notice to terminate the partnership agreement with the County Council, from 1 April 2010.
- (3) That community swimming is redirected to the pools identified in 3.3 of this report.
- (4) That the school and club swimming be handed back along with the facilities to Lancashire County Council.
- (5) That the City Council negotiates with the County Council to achieve a significant revenue reduction for the City Council and reports back to Cabinet on the results of these negotiations with the County Council.

Officers responsible for effecting the decision:

Corporate Director (Regeneration)
Head of Cultural Services

Reasons for making the decision:

The decision allows the City Council to negotiate with the County Council in an effort to reduce the City Council contribution to swimming, particularly in terms of school swimming.

125 MORECAMBE METEOROLOGICAL STATION

(Cabinet Member with Special Responsibility Councillor Thomas)

(It was noted that Councillors Archer, Ashworth and Kerr had previously declared a personal interest in the following item.)

The Corporate Director (Regeneration) submitted a report regarding the future of Morecambe's Meteorological Station.

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

Option 1 - Maintain the Existing Service

Maintaining the existing service will allow the continued collection of data from the morning readings taken throughout the year. Information could still be supplied to the Met Office and The Visitor. Information could also be supplied to internal services and members of the public on request.

This option would provide a further opportunity in the future for the Met Office's roll-out of automated stations. This would potentially automate the carrying out of the morning readings and might also allow the automation of the afternoon readings to reintroduce the 'weather slot' but this would all be subject to detailed discussions with the Met Office.

This would require the ongoing budget of £1,500 p.a. in Planning Services and ongoing access to the staffing resources required to undertake the manual readings. The City Council would have to finance the provision of an electrical supply for the automated equipment at a cost of approximately £800 p.a. although automation might reduce some of the ongoing staffing costs required for manual readings. It is possible therefore, that the cost for electrical supply will be contained within the existing budget.

Option 2 – Extend the Existing Service

This option is to extend the service to reintroduce the afternoon readings in order to try to secure the 'weather slot' through Meteogroup. As previously mentioned there is no guarantee that the information supplied to Meteogroup would be used by any national newspapers. There is also the view that the value of the 'weather slot' is limited and that destination choices are based on more up to date information about local weather conditions.

This would require an additional budget of £1,500 p.a. (over and above the existing provision) and assumes that additional staffing resources would be available to carry out the afternoon readings every day of the year. The staff providing the extended service would find this very onerous as this would require them to undertake readings twice per day including weekends and bank holidays. A review would be required of the number of staff needed to deliver this service and the indications are that volunteers would be very difficult to recruit.

Option 3 – Discontinue the Existing Service

This option is to implement the decision previously approved by Cabinet and terminate the provision of the whole meteorological service. This would result in information no longer being provided to the Met Office, The Visitor, other services and members of the public.

Information is currently available from the following web sites that provide information on local weather conditions: -

<http://www.morecambe-weather.info/index.asp>

<http://www.wunderground.com/weatherstation/WXDailyHistory.asp?ID=ILANCASH5>

There is also a link on the tourism website www.citycoastcountryside.co.uk to the BBC weather forecast for the district.

The provision of data for the maintenance of sea and river defences is no longer

essential as this is available from other data sources and improvements to the environmental monitoring station are planned that will include the facility to display information on the web for remote monitoring. As previously mentioned the weather parameters of interest to the coastal team are not recorded in real time by the in house weather service discussed in this report. The data supplied for shellfish and bathing water samples is available from the Environment Agency as previously mentioned.

The removal of the weather station from the front of Morecambe Town Hall would require discussions with United Utilities over their automated rain gauge that is also located within the weather station enclosure.

This option would save approximately £1,500 per annum in the 2010/11 Draft Budget and future years.

Discontinue the Existing Service and Install Web Cams

This option is to again terminate the provision of the whole meteorological service but to introduce the use of web cams as another alternative source of providing weather information.

Some resorts are already using webcams linked to local authority or local tourism web sites to show weather conditions in real time. Tourism officers believe this is a more appropriate method of promoting Morecambe and the surrounding district and some preparatory work has already been undertaken to determine the associated costs.

As previously mentioned there is no budgetary provision for the one-off purchase and installation of web cams and this would require a growth item in the 2010/11 Draft Budget. However, the £1,500 per annum revenue saving in 2010/11 from discontinuing the existing service could be re-allocated leaving a one-off shortfall in the region of £1,500. It is expected that there will be an annual revenue saving from 2011/12 onwards, however it is not possible to quantify what this will be until the ongoing annual running and ad-hoc maintenance costs associated with the web cams have been determined.

The officer preferred option is Option 3 to discontinue the existing service.

The main beneficiary of the existing service is the Met Office due to the weather data that is supplied to them. The internal services who are supplied with information can obtain this from other sources and the coastal team are planning improvements to their environmental monitoring station for the weather parameters used for coastal monitoring. The methodology for collecting the manual data under the current arrangements is time consuming and is very onerous on the limited number of staff who provide the service.

The tourism benefits from the introduction of the afternoon readings and the 'weather slot' are not quantifiable as there is no evidence that visitors will visit a destination because of the previous day's weather. The decision to re-allocate the existing budget and to request a one-off growth item for 2010/11 for the installation of web cams is a matter for Cabinet to consider.

Members considered responses to the consultation on the future of the Meteorological Station which had been received since the publication of the report. These included a

response from the Met Office, appended to these minutes, which set out plans for the Morecambe weather station to be automated, confirming that funding was already in place to automate the station between 1 Apr 2010 and 31 Mar 2011 with all the costs of the installation of automatic equipment and provision of electrical supply being met by the Met Office.

Councillor Thomas proposed, seconded by Councillor Blamire:-

“(1) That Cabinet accepts the offer from the Met Office and works with the Met Office on the automation of the Morecambe Weather Station, which will enable the City Council to cease funding the Morecambe Weather Station when the new automated Station is installed.”

Members then voted: -

Resolved unanimously:

(1) That Cabinet accepts the offer from the Met Office and works with the Met Office on the automation of the Morecambe Weather Station, which will enable the City Council to cease funding the Morecambe Weather Station when the new automated Station is installed.

Officers responsible for effecting the decision:

Corporate Director (Regeneration).
Head of Property Services.

Reasons for making the decision:

The decision takes account of the information received from the Met Office. It will ensure that the Weather Station remains in Morecambe and that the City Council's funding of the Station will cease when the new automated arrangements are installed during the financial year 2010/11.

126 MERGER OF THE LANCASTER AND MORECAMBE CABINET LIAISON GROUP

(Cabinet Member with Special Responsibility Councillor Archer)

The Head of Democratic Services submitted a report that informed Members of progress with the merger of the Lancaster and District Chamber Liaison Group and the Morecambe Retail, Commercial and Tourism Cabinet Liaison Group. The report requested the approval of terms of reference for the newly merged Group, which would be known as the Business Cabinet Liaison Group.

Councillor Archer proposed, seconded by Councillor Kerr:-

“That the recommendations, as set out in the report, be approved.”

Members then voted: -

Resolved unanimously:

- (1) That the merger of the Lancaster and District Chamber Liaison Group and the Morecambe Retail, Commercial and Tourism Cabinet Liaison Group, to become the Business Cabinet Liaison Group, be noted.
- (2) That it be noted that Morecambe Hotel and Tourism Association, the Bay Tourism Association, Carnforth and District Chamber of Trade and the Lancaster District Federation of Small Businesses have all been invited to participate in the Business Cabinet Liaison Group by the Cabinet Member for the Economy.
- (3) That the terms of reference for the Business Cabinet Liaison Group be approved as:-

“To enable the City Council and representatives from business organisations in the District to liaise and consider items affecting the local economy.”

Officer responsible for effecting the decision:

Head of Democratic Services.

Reasons for making the decision:

The decision is in accordance with the Council's Constitution, particularly paragraph 2.9 (e), Cabinet Procedure Rules, which require each Cabinet Liaison Group to have its terms of reference and expected outputs approved by Cabinet before it meets.

127 1 DALTON SQUARE, LANCASTER**(Cabinet Member with Special Responsibility Councillor Thomas)**

The Corporate Director (Regeneration) submitted a report that requested consideration of the terms for the disposal of 1 Dalton Square, Lancaster. The report also advised Members that the freehold interest in the property had been marketed with informal tenders to be received by noon on Monday 15 February 2010 with a guide price of £170,000.

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

Option 1 - To sell 1 Dalton Square, Lancaster by tender, with a guide price of £170,000 agreed with the property agent and to agree to the payment of the property agent's fees and to authorise the relevant officers to complete the sale. This would be in accordance with the Council's approval to dispose of surplus properties. The sale of the property would result in an empty property being brought back into use and the council receiving a capital receipt. This would also prevent the property deteriorating further whilst avoiding further expenditure in retaining the building.

Option 2 - Not to sell the property. This would not be in accordance with the Council's approval to dispose of surplus premises, as the premises are listed in the General Fund Disposal schedule. The City Council would be left with recurring management liabilities and costs as the condition of the property deteriorates further.

Option 1 was the preferred for the reasons outlined above and that Cabinet approves the disposal by informal tender and to authorise the relevant officers to complete the sale.

The Head of Property Services advised Members that, since the publication of the report, the deadline for informal tenders had closed. To enable discussion of the result of the informal tender process, Councillor Langhorn moved:-

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

With the consent of the meeting, it was:-

Resolved unanimously:

- (1) That, in accordance with Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following item of business, on the grounds that it could involve the possible disclosure of exempt information as defined in paragraph 3 of Schedule 12A of that Act.

Members were informed by the Head of Property Services that an acceptable offer had been received on the property.

It was then proposed by Councillor Thomas and seconded by Councillor Archer:-

- “(1) That the property be declared surplus to council requirements and that the acceptable offer received through the informal tender process on 1 Dalton Square, Lancaster, be accepted.”

Members then voted:-

Resolved unanimously:

- (1) That the property be declared surplus to council requirements and that the acceptable offer received through the informal tender process on 1 Dalton Square, Lancaster, be accepted.

Officers responsible for effecting the decision:

Corporate Director (Regeneration).
Head of Property Services.

Reasons for making the decision:

The decision is in accordance with the Council's Corporate Property Strategy to dispose of surplus properties that do not contribute to delivering the Council's corporate priorities. The sale of the property will result in an empty property being brought back into use and the council receiving a capital receipt. This will also prevent the property deteriorating further and the Council incurring further expenditure maintaining the

building.

(At the close of this item, the exclusion was lifted and members of the press and public were re-admitted to the meeting.)

128 AUCTION MART CAR PARK, THURNHAM STREET, LANCASTER

(Cabinet Member with Special Responsibility Councillor Thomas)

The Corporate Director (Regeneration) submitted a report that sought Members approval for officers to work up a scheme with University Hospitals of Morecambe Bay NHS Trust for the development of an interceptor car park on NHS land and report back to Members on the outcome of this work.

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

Option 1 – Officers work with the University Hospitals of Morecambe Bay NHS Trust to work up a scheme on NHS land which would serve the needs of both the hospital and act as an interceptor car park to meet the need highlighted through the Faber Maunsell report. The outcome of this work will be reported back to Members and into the decision making process of the NHS Trust. Further consultation will be required on this proposal with the parties mentioned earlier in the report. An interceptor car park close to the Pointer roundabout would in turn negate the need to provide a similar facility on City Council land and remove a larger number of vehicles from the gyratory system. This scheme would be an opportunity to work in partnership with the Health Authority and potentially reduce costs for both parties. If an interceptor car park on NHS land is a possibility and after a review of long stay car parking in the City is complete, then the result may be that the Auction Mart car park could be declared surplus and a redevelopment proposal is sought which would fit with the local development plan whilst producing best value.

Option 2 – Officers do not work with the Health Authority and each party works in isolation. This would be a missed opportunity to develop an alternative interceptor car park at the southern end of the City. Building a multi storey car park requires a large capital input. An estimated build cost of £15,000 per car parking space has previously been obtained which would require capital input of around £11,250,000 on a 750 space car park or £6,000,000 on a 400 space car park. As outlined in previous reports the City Council would have to use prudential borrowing to finance an interceptor car park, which would have revenue impact on the City Council budgets, but there are real concerns regarding the affordability, sustainability and prudence of the Council considering such an option, given current and expected financial pressures.

The Officer preferred option was Option 1 for the reasons outlined above. Working with the NHS Trust to explore ideas may bring benefits to both parties and develop a scheme which will benefit the City. In addition it may produce new options for the Auction Mart site.

Councillor Thomas moved, seconded by Councillor Blamire:-

“That the recommendations in the report be approved.”

Members then voted: -

Resolved unanimously:

- (1) That the information outlined in the report be noted.
- (2) That officers be instructed to work with the NHS to develop a scheme for an interceptor car park on their own land on the basis that if a suitable scheme can be prepared, then the council's Auction Mart car park could be sold for future development.

Officers responsible for effecting the decision:

Corporate Director (Regeneration).
Head of Property Services.

Reasons for making the decision:

The decision to work with the NHS Trust to develop a scheme may bring benefits to both parties as well as benefits to the City. In addition, it may produce new options for the Auction Mart site. This is consistent with the Council's corporate priority to progress partnership working to support delivering the Sustainable Community Strategy.

129 2009/10 3RD QUARTER CORPORATE PERFORMANCE REVIEW

(Cabinet Member with Special Responsibility Councillor Langhorn)

Cabinet considered a report of the Leader to consider the highlight report in respect of the third quarter of Performance Review Team meetings for 2009/10 recently undertaken by individual cabinet members.

It was reported that the third quarter of individual Cabinet member Performance Review Team (PRT) meetings for 2009/10 had taken place between 25th January and 5th February 2010. Each meeting monitored progress against the action sheets drawn up for the previous round of meetings.

The Corporate PRT highlight report would be considered by the Leader on 12th February 2010, and by the Budget & Performance Panel on 23rd February 2010.

Councillor Langhorn proposed, and Councillor Kerr seconded:-

"That the report be noted."

Members then voted: -

Resolved unanimously:

- (1) That the report be noted.

Officer responsible for effecting the decision:

Corporate Director (Finance and Performance).

Reasons for making the decision:

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

130 GROWTH BID FOR REINSTATEMENT OF FUNDING LEVELS FOR ARNSIDE/SILVERDALE AND FOREST OF BOWLAND AONBS AND WARTON CRAG AND TROWBARROW LOCAL NATURE RESERVES**(Cabinet Member with Special Responsibility Councillor Barry)**

The Corporate Director (Regeneration) submitted a report requested by the Cabinet Member to seek agreement to reinstate the planned contributions to the running of the Arnside/Silverdale AONB, and Forest of Bowland AONB Units, and the Countryside Projects budget for wardening services at the Council's Local Nature Reserves.

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

Option 1: Not to make any changes to the reduced budgets. This would result in a subsequent reduction in funding from Natural England for core activities and hence a need to reduce progress in implementing the two AONB Management Plans. This would conflict with the Councils vision and stated aims to manage the environment in the district to the highest standards. It would also create a considerable risk for the authority in corporate management terms by increasing the risk of an adverse Health and Safety incident on either of the Local Nature Reserves.

Option 2: To reinstate the planned contributions to the AONB operations and the Countryside Projects budget, for consideration as growth as part of the 2010/11 budget. This would avoid a cut in future contributions from Natural England, and enable the AONB Units to continue implementing the local authorities management plans for the AONB's to current timescale. It would also reduce the risk of Health and Safety incidents at the Local Nature Reserves to a mitigated level.

The Officer preferred option is Option 2.

Councillor Barry proposed, seconded by Councillor Blamire:-

"That the recommendations in the report be approved."

Members then voted: -

Resolved unanimously:

- (1) That the contribution to the operation of the Arnside/Silverdale AONB Unit be reinstated to £14,300 in 2010/11 with normal increases for inflation in subsequent financial years, and the resulting growth be included in Cabinet's budget proposals.
- (2) That the contribution to the operation of the Forest of Bowland AONB Unit be reinstated to £6,900 in 2010/11 with normal increases for inflation in subsequent

financial years, and the resulting growth be included in Cabinet's budget proposals.

- (3) That the Countryside Projects budget for wardening at Warton Crag and Trowbarrow Local Nature Reserves be increased to £9,900 for 2010/11 with normal increases for inflation in subsequent financial years, and the resulting growth be included in Cabinet's budget proposals.

Officers responsible for effecting the decision:

Corporate Director (Regeneration)
Head of Planning Service
Head of Financial Services.

Reasons for making the decision:

The decision will avoid a cut in future contributions from Natural England, and enable the AONB Units to continue implementing the local authorities management plans for the AONB's to current timescale. It would also reduce the risk of Health and Safety incidents at the Local Nature Reserves to a mitigated level.

131 SHARED SERVICES PROGRAMME

(Cabinet Member with Special Responsibility Councillor Langhorn)

The Corporate Director (Finance and Performance) submitted a report on progress made to date in developing a shared services programme for the Council and to seek agreement to proposals regarding the management for Revenues and Benefits.

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

In respect of the proposed shared Revenues and Benefits arrangements:-

Option 1

To endorse the framework agreed by the joint officer Project Board to develop shared services arrangements as set out in the report. Whilst there are risks attached that could impact on the performance of the service, it is felt that these can be managed and the proposal overall represents a way of achieving greater value for money in this service area.

Option 2

Not to endorse the framework. This would lose a potential opportunity and other options would need to be explored.

Option 3

To recommend to the Project Board an alternative framework. Again, any alternatives would need further consideration.

The preferred option is option 1. This would provide a mutually acceptable framework for

progressing and implementing the shared Revenues and Benefits service project. This would deliver efficiencies and savings for both council's to the extent already provided in the draft revenue budget and offer opportunities for further savings and improvement

In respect of Options for other shared services/joint working with local authorities and other partners:-

Option 1

Option 1 is to note the progress being made as outlined in section 3 above and request officers to continue to develop shared service /joint working opportunities

Option 2

Option 2 is note progress made to date but request officers to continue developing an amended or revised schedule of opportunities

The preferred option is option 1. This would allow officers to continue developing efficiency opportunities within the service activities already identified with a view to bringing forward further options for meeting the council's medium term financial strategy's targets

Councillor Langhorn moved, seconded by Councillor Mace:-

"That the recommendations in the report be approved."

Members then voted: -

Resolved unanimously:

- (1) That Cabinet notes the progress made to date in developing a Shared Services Programme for the Council.
- (2) That Cabinet approves the arrangements for the provision of management services from Preston City Council for Revenues and Benefits, as outlined in the report.
- (3) That officers continue developing partnership opportunities for achieving service improvements and efficiencies as set out in section 3 of the report with a view to reporting back to a future meeting of Cabinet as appropriate.

Officer responsible for effecting the decision:

Corporate Director (Finance and Performance).

Reasons for making the decision:

Much work has been undertaken in identifying and developing opportunities that would see the Lancaster District benefit from shared services/joint working with partner organisations. Proceeding with the programme of opportunities so far identified is likely to offer realistic choices for the Cabinet to achieve further improvements and efficiencies to help the council meet the challenges and financial targets that it will face in the

immediate future and beyond.

132 TREASURY MANAGEMENT STRATEGY 2010/2011

(Cabinet Member with Special Responsibility Councillor Thomas)

The Head of Financial Services submitted a report setting out the position regarding the 2010/11 to 2012/13 Treasury Management Strategy for Cabinet's approval. The report also informed Members that, further to the difficulties experienced in the Icelandic banking collapse and the wider banking crisis generally, the CIPFA Code of Practice on Treasury Management was updated in November 2009 and, as a result, several specific changes had been made. The report therefore recommended that the updated Code be adopted by the Council and that the Treasury Management Policy Statement, attached to the report as Appendix B, and the Treasury Management Strategy for the period 2010/11 to 2012/13, attached to the report as Appendix C, be approved.

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

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

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

The Officer preferred options are as reflected in the recommendations to the report. This is based on the Council having a low risk appetite regarding investments, and it takes into account the requirements of the new Code.

Councillor Thomas proposed, and Councillor Langhorn seconded:-

"That the recommendations in the report be approved."

Members then voted: -

Resolved unanimously:

- (1) That Council be recommended to adopt the updated Code of Practice as reflected in Appendix A of the report.
- (2) That Council be recommended to approve the Treasury Management Policy Statement as set out at Appendix B of the report.
- (3) That Council be recommended to approve the Treasury Management Strategy

for the period 2010/11 to 2012/13 as set out in Appendix C of the report, incorporating the Investment Strategy and Treasury Management Indicators, and as updated for Cabinet's final budget proposals.

Officers responsible for effecting the decisions:

Corporate Director (Finance and Performance).
Head of Financial Services.

Reasons for making the decision:

The CIPFA Code of Practice on Treasury Management was adopted by Council in 2002 and has now been updated. It is a requirement of the CIPFA Code of Practice on Treasury Management that a strategy outlining the expected treasury activity for the forthcoming 3 years is adopted and that this be reviewed at least annually. The strategy is based on the Council having a low risk appetite regarding investments, and it takes into account the requirements of the new Code of Practice on Treasury Management.

133 ITEM OF URGENT BUSINESS - LANCASTER MARKET

(Cabinet Member with Special Responsibility Councillor Thomas)

In accordance with Section 100B(4) of the Local Government Act 1972, the Chairman agreed to consider the following report, which was exempt from publication by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972, as an item of urgent business. The reason for urgency was that a decision needed to be taken at the earliest possible stage to resolve uncertainty over the Market's future.

It was noted that the Chairman of Overview and Scrutiny had given his agreement, under Rule 16 of the Council's Access to Information Rules, for Cabinet to consider this key decision, which was not in the Council's Forward Plan, as the taking of the decision could not reasonably be deferred.

The report had been drafted immediately prior to the meeting and Members required time to read the papers that had been put before them. The Chairman therefore proposed, with the agreement of the meeting, that the meeting be adjourned for lunch and to allow time to read the report.

(The meeting adjourned at 12pm and re-convened at 12.35pm.)

It was moved by Councillor Langhorn and seconded by Councillor Kerr:-

"That, in accordance with Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following item of business, on the grounds that it could involve the possible disclosure of exempt information as defined in paragraph 3 of Schedule 12A of that Act."

Members then voted:-

Resolved unanimously:

(1) That, in accordance with Section 100A(4) of the Local Government Act 1972, the

press and public be excluded from the meeting for the following item of business, on the grounds that it could involve the possible disclosure of exempt information as defined in paragraph 3 of Schedule 12A of that Act.

Members considered the options, options analysis including risk assessment and officer preferred option, which were all set out in the exempt report.

After questions from Members, the Chairman proposed a further short adjournment, with the agreement of the meeting.

(The meeting adjourned at 1.50pm and re-convened at 2.05pm.)

It was proposed by Councillor Thomas and seconded by Councillor Langhorn:-

- “(1) That approval be given to a letting of the Market Hall, Lancaster to a single retailer on the basis set out in the report, subject to the revenue and capital implications identified within the report being approved by Full Council as part of the 2010/11 budget process. Such report (to Full Council) to include a cashflow forecast.
- (2) That, subject to that approval by Full Council, in order to facilitate the letting to a single retailer, whether in accordance with the proposal in recommendation (1) or to any alternative single trader should that proposal fail to materialise, approval be given to serve notices to terminate the leases/licences to existing market traders.
- (3) That subject to recommendation (1) being approved, further reports be made on the staffing implications of operating the markets.
- (4) That the opportunity to increase the number of days on which the Charter Market operates be investigated.
- (5) That subject to recommendation (1) being approved, in accordance with the council's Financial Regulations, approval be given to an exception to the Contract Procedure Regulations to enable the appointment of Cushman Wakefield to undertake the design/project management work on the Market Hall building.”

Members then voted:-

Resolved:

(6 Members (Councillors Ashworth, Blamire, Kerr, Langhorn, Mace and Thomas) voted in favour, 2 Members voted against (Councillors Barry and Fletcher) and 1 Member (Councillor Archer) abstained)

- (1) That approval be given to a letting of the Market Hall, Lancaster to a single retailer on the basis set out in the report, subject to the revenue and capital implications identified within the report being approved by Full Council as part of the 2010/11 budget process. Such report (to Full Council) to include a cashflow forecast.

- (2) That, subject to that approval by Full Council, in order to facilitate the letting to a single retailer, whether in accordance with the proposal in recommendation (1) or to any alternative single trader should that proposal fail to materialise, approval be given to serve notices to terminate the leases/licences to existing market traders.
- (3) That subject to recommendation (1) being approved, further reports be made on the staffing implications of operating the markets.
- (4) That the opportunity to increase the number of days on which the Charter Market operates be investigated.
- (5) That subject to recommendation (1) being approved, in accordance with the council's Financial Regulations, approval be given to an exception to the Contract Procedure Regulations to enable the appointment of Cushman Wakefield to undertake the design/project management work on the Market Hall building.

Officers responsible for effecting the decision:

Corporate Director (Regeneration)
Head of Property Services

Reasons for making the decision:

The decision taken is in line with the previous decision of Cabinet to try to procure a single retailer for Lancaster Market Hall in an effort to reduce the budgetary deficit.

(At the close of this item, the exclusion was lifted and members of the press and public were re-admitted to the meeting.)

134 BUDGET & POLICY FRAMEWORK 2010/2011

(Cabinet Member with Special Responsibility Councillor Thomas)

(It was noted that Mr T Hamilton-Cox, had spoken to this item at the start of the meeting in accordance with the City Council's agreed procedure for public speaking at Cabinet.)

The Corporate Director (Finance and Performance) and Head of Financial Services submitted a joint report to inform Cabinet of the latest position following Council's consideration of the Budget and Policy Framework at its meeting held on 3 February, and to make recommendations back to Council in order to complete the budget setting process for 2010/11.

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

Corporate Plan and Priorities

Cabinet has the option of updating the proposed priorities to take account of the consultation and other information. In doing so, the impact and scope for any redirection

of resources must be considered, particularly should any major changes be proposed.

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 or allocation additional capital resources (e.g. receipts, direct revenue financing, use of reserves 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 2014/15.

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 has now determined the City Council Tax Rate for 2010/11, there are no options to change the total net revenue budget for next year (recommended at £24.740M) 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 any surplus balances (such as the £9K currently identified), Cabinet could put forward alternative arrangements for their use, bearing in mind that these are one-off resources.

Future Years' Council Tax Targets

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 targets much above the 3.75% approved for next year. Current and prospective Governments have made it very clear regarding their future expectations for low increases and this should be taken into account. 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 – as well as the implications for tax payers.

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

It was moved by Councillor Langhorn and seconded by Councillor Kerr:-

- “(1) That Cabinet notes the information and feedback from consultees and other sources regarding its draft corporate priorities and approves the 4 priorities included in Appendix A of the report, as the basis for drafting the 2010/11 Corporate Plan.
- (2) That the 2010/11 draft Corporate Plan be considered further at Cabinet's March meeting prior to referral on to Council in April.”

Councillor Langhorn then moved, seconded by Cllr Kerr:-

- “(3) That the 2009/10 revised budget of £24.046M be referred on to Council for approval, with the net overspending of £47K being met from balances.
- (4) That Cabinet approves the policy on provisions and reserves as included at Appendix B of the report, as updated for Cabinet's final budget proposals.
- (5) That Cabinet notes the position regarding estimated Collection Fund surpluses.
- (6) That Council be recommended to approve the General Fund Revenue Budget at £24.740M for 2010/11, excluding parish precepts.
- (7) That Cabinet approves the budget proposals summarised at Appendix E of the report, to ensure a balanced revenue budget for 2010/11, and for referral on to Council for approval.
- (8) That Cabinet agrees an annual increase in Council Tax of 3.75% for years 2011/12 and 2012/13 for inclusion in the medium term financial strategy.
- (9) That Cabinet approves the Capital Investment Priorities for 2010/11 onwards, included at Appendix G (Section 3) of the report.
- (10) That the Renewals Reserve be used to finance any shortfall in funding over the period of the capital programme subject to no new significant commitments being added to the draft programme.

- (11) That in line with recommendation (9) above, Cabinet approves the Capital Programme, as set out in Appendix H of the report and that this be referred on to Council for approval.
- (12) That the associated Prudential Indicators in Appendix I of the report be updated accordingly and be referred on to Council for approval.
- (13) That the Medium Term Financial Strategy, covering both revenue and capital investment, be updated in line with Cabinet's budget proposals and be referred on to Council for approval."

By way of amendment to (7), Councillor Barry proposed and Councillor Fletcher seconded:

"That the refuse vehicle tracking system £111,000 be removed from next years budget, spending £20,000 on reversing funding cuts to the Dukes in 2010/11 and putting the remaining £91,000 into reserves for future years funding and that the £12,000 revenue cost for the refuse vehicle tracking system in 2011/2012 and the £12,000 revenue cost in 2012/13 be used to fund the Dukes in those two years."

(At this point in the meeting, Councillors Ashworth and Blamire declared personal and prejudicial interests as Members of the Board of the Dukes and left the meeting prior to consideration of the rest of this item. Councillor Langhorn declared a personal interest in DT3 in view of his son's attendance at DT3.)

Members then requested a separate vote on the two proposals contained within the amendment. To allow this, Councillor Barry, with the consent of his seconder and of the meeting, revised his amendment accordingly:-

- "(1) That the costs for the refuse vehicle tracking system be removed from the budget and funds put back into balances 2010/11.
- (2) That £20,000 be granted to the Dukes for 2010/11 and £12,000 granted each year for 2011/12 and 2012/13."

Members then voted on part (1) of the amendment:-

Resolved:

(5 Members (Councillors Archer, Barry, Fletcher, Mace and Thomas) voted in favour, 1 Member (Councillor Langhorn) voted against and 1 Member (Councillor Kerr) abstained)

- (1) That the costs for the refuse vehicle tracking system be removed from the budget and funds put back into balances in 2010/11.

Upon a vote being taken on part (2) of the amendment, 3 Members voted for the proposal (Councillors Barry, Fletcher and Thomas) and 4 Members voted against (Councillor Archer, Kerr, Langhorn and Mace) whereupon the Chairman declared the proposal in part (2) of the amendment lost.

(Councillors Ashworth and Blamire rejoined the meeting at this point.)

Members voted on the substantive motion, as amended, as follows:-

Resolved:

(8 Members (Councillors Archer, Ashworth, Barry, Blamire, Fletcher, Kerr, Langhorn and Thomas) voted in favour and 1 Member (Councillor Mace) abstained)

- (1) That Cabinet notes the information and feedback from consultees and other sources regarding its draft corporate priorities and approves the 4 priorities included in Appendix A of the report, as the basis for drafting the 2010/11 Corporate Plan.
- (2) That the 2010/11 draft Corporate Plan be considered further at Cabinet's March meeting prior to referral on to Council in April."

Resolved:

(5 Members (Councillors Archer, Ashworth, Kerr, Langhorn and Thomas) voted in favour and 4 Members (Councillors Barry, Blamire, Fletcher and Mace) abstained)

- (3) That the 2009/10 revised budget of £24.046M be referred on to Council for approval, with the net overspending of £47K being met from balances.
- (4) That Cabinet approves the policy on provisions and reserves as included at Appendix B of the report, as updated for Cabinet's final budget proposals.
- (5) That Cabinet notes the position regarding estimated Collection Fund surpluses.
- (6) That Council be recommended to approve the General Fund Revenue Budget at £24.740M for 2010/11, excluding parish precepts.
- (7) That Cabinet approves the budget proposals summarised at Appendix E of the report, as amended, to ensure a balanced revenue budget for 2010/11, and for referral on to Council for approval.
- (8) That Cabinet agrees an annual increase in Council Tax of 3.75% for years 2011/12 and 2012/13 for inclusion in the medium term financial strategy.
- (9) That Cabinet approves the Capital Investment Priorities for 2010/11 onwards, included at Appendix G (Section 3) of the report.
- (10) That the Renewals Reserve be used to finance any shortfall in funding over the period of the capital programme subject to no new significant commitments being added to the draft programme.
- (11) That in line with recommendation (9) above, Cabinet approves the Capital Programme, as set out in Appendix H of the report and that this be referred on to Council for approval.

- (12) That the associated Prudential Indicators in Appendix I of the report be updated accordingly and be referred on to Council for approval.
- (13) That the Medium Term Financial Strategy, covering both revenue and capital investment, be updated in line with Cabinet's budget proposals and be referred on to Council for approval.

Officers responsible for effecting the decision:

Corporate Director (Finance and Performance)
Head of Financial Services

Reasons for making the decision:

The decisions taken by Cabinet are necessary at this stage to take forward the budget setting process for 2010/11 to full Council and set the financial planning framework for future years. The budget proposals are consistent with delivering the Council's corporate priorities.

135 EXCLUSION OF THE PRESS AND PUBLIC

(The Corporate Director (Finance and Performance), Corporate Director (Community Services) and Head of Financial Services left the meeting in view of their personal and prejudicial interest in the following item.)

The Chairman asked for any further declarations of interest from Cabinet Members regarding the exempt report.

It was moved by Councillor and seconded by Councillor:-

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

Members then voted as follows:-

Resolved unanimously:

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

136 SENIOR MANAGEMENT RESTRUCTURE

(Cabinet Members with Special Responsibility Councillors Blamire and Thomas)

The Chief Executive submitted a report which was exempt from publication by virtue of paragraphs 1 and 2 of Part 1 of Schedule 12A of the local Government Act 1972.

The options, options analysis, including risk assessment and officer preferred option,

were all set out in the exempt report.

It was moved by Councillor Langhorn and seconded by Councillor Thomas:-

- (1) That the changes to the structure of the Council Housing and Health and Strategic Housing Services take place in a timely manner to assist the development of a Choice Based Lettings and introduction of a Housing Options Service.
- (2) That the re-designation of City Council (Direct) Services takes place from 1 April 2010.
- (3) That the responsibility for Revenues is merged with other Financial Services from 1 April 2010.
- (4) That further consideration be given to the capacity issues and organisation of the other resources functions of Information Services, Property Services and Human Resources, in the context of the issues surrounding capacity and the appointment of Statutory Officers and also the capacity issues at Corporate Director level.
- (5) That the first phase in the changes to the Corporate Director posts be considered in relation to the above proposals and phased in by April 2011.
- (6) That officers explore the potential for in-house consultancy and/or reduced-hours working as part of the senior management restructure.
- (7) That a further report be presented to Members setting out the results of recommendations 4, 5 and 6 above, together with the relevant financial implications."

Members then voted:-

Resolved unanimously:

- (1) That the changes to the structure of the Council Housing and Health and Strategic Housing Services take place in a timely manner to assist the development of a Choice Based Lettings and introduction of a Housing Options Service.
- (2) That the re-designation of City Council (Direct) Services takes place from 1 April 2010.
- (3) That the responsibility for Revenues is merged with other Financial Services from 1 April 2010.
- (4) That further consideration be given to the capacity issues and organisation of the other resources functions of Information Services, Property Services and Human Resources, in the context of the issues surrounding capacity and the appointment of Statutory Officers and also the capacity issues at Corporate Director level.

- (5) That the first phase in the changes to the Corporate Director posts be considered in relation to the above proposals and phased in by April 2011.
- (6) That officers explore the potential for in-house consultancy and/or reduced-hours working as part of the senior management restructure.
- (7) That a further report be presented to Members setting out the results of recommendations 4, 5 and 6 above, together with the relevant financial implications.

Officers responsible for effecting the decision:

Chief Executive

Reasons for making the decision:

The report updated Cabinet on progress with the Senior Management Restructure, as requested by Cabinet Members, and provided an opportunity for input from Cabinet on issues arising from the consultation exercise with Chief Officers in advance of consideration by the Personnel Committee.

Chairman

(The meeting ended at 3.30 p.m.)

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

MINUTES PUBLISHED ON FRIDAY 19 FEBRUARY 2010.

**EFFECTIVE DATE FOR IMPLEMENTING THE DECISIONS CONTAINED IN THESE MINUTES:
MONDAY 1 MARCH 2010.**



11 February 2010

Future of Morecambe's weather station: Met Office case for maintaining the existing service (Option 1)

The Met Office submits the information below in response to the Cabinet Report concerning the future of Morecambe's weather station.

Climatological value of the weather data

The site at Morecambe has excellent exposure and a long history back to 1915. As such the site is recognised by the Met Office as having significant climatological value.

The Council's continued cooperation provides data that is extremely useful in supporting the Met Office's ongoing monitoring and studies of climate change. As the UK's foremost climate research centre, the Met Office Hadley Centre plays a key role in the Intergovernmental Panel on Climate Change (IPCC). Indeed, within the Fourth IPCC Assessment Report we were the single most influential scientific contributor to the Working Group I report on The Physical Science Basis of Climate Change; a significant contributor to the Working Group II report on impacts, adaptation and vulnerability; and our scientists were lead authors on the summary report.

By supporting the work of the Met Office, the Council is itself contributing to this important Intergovernmental research on Climate Change.

Planned automation of the weather station

The Met Office can confirm that funding is already in place to automate the station at Morecambe between 1 Apr 2010 and 31 Mar 2011.

All the costs of the installation of automatic equipment and provision of electrical supply would be met by the Met Office. The automatic weather station in front of the town hall would be powered using a solar panel; only the sunshine sensor on the roof would require a low voltage electricity supply. Data would most likely be transmitted to the Met Office using a GSM mobile phone antenna. The Met Office would meet the ongoing costs of the electrical supply (estimated at less than £100 per annum) and the cost of phone calls to transmit the data. An example of a similar installation is shown in Annex A.

Once automated, there would be no requirement for the Council to take any weather readings. The Council would only need to ensure that the grass inside the enclosure continues to be cut regularly during the growing season.

How the data is used to improve Met Office weather forecasts

Currently, the data from Morecambe's weather station is routinely used to verify our weather forecasts. Once automated, data would be used in real time to aid our forecasters in times of severe weather and readings would be mentioned in Met Office press releases and TV broadcasts.

How data will be made available to the Council

Once the station is automated, the collected data would be sent automatically to the Council using a standard e-mail message. Messages could be sent to the Council twice per day at around 09:30 and 16:30 with hourly data from the previous 24 hours including maximum/minimum temperatures and rainfall/sunshine totals for the period. It would be straightforward for the Council to set up an auto-



forward of the e-mails to a third-party, e.g. newspaper, subject to a written agreement between the Council and the Met Office.

Wider benefits to Morecambe of maintaining an official weather station

The Met Office Public Weather Service (PWS) has just begun a programme to make more of its weather data available on its website and other mobile platforms e.g. Apple's iPhone. The Met Office website has considerable reach and regularly gets over 10 million hits per month. It's new iPhone application (<http://www.metoffice.gov.uk/media/iphone.html>) was downloaded 54,000 times in the first week of it's launch. In the near future, latest observations and five-day forecasts from many more Met Office weather stations (like Morecambe) will be made available on all the various platforms.

An early success has been our "Weather Widgets", a freely available tool showing 5-day weather forecasts for 390 locations that webmasters can download onto their website (including the Council's website). This has had considerable interest, an example of it's use is shown in Annex B.

Continuing cooperation with the Met Office to collect weather data would ensure that official data and forecasts for Morecambe are made widely available to the public as more applications and tools (like the Weather Widget) are developed.

Tim Allott
Climate and Rainfall Networks Manager
Met Office



Annex A. A recently upgraded automatic weather station in Preston.

The thermometers and storage raingauge are replaced with sensors of a similar size. A pole with a solar panel, small GSM antenna and cabinet for a data logger are added to the enclosure.

Met Office weather stations use the highest quality instruments available and are inspected regularly to ensure standards are maintained. All the data is archived and rigorously quality controlled by specialist staff in our Edinburgh office. Only data from official Met Office weather stations meets agreed national and international standards.



Annex B. An official Met Office 5-day weather forecast for Bakewell displayed on a third party website.

Weather Widgets, like this example for Bakewell, are available now, for free, from <http://www.metoffice.gov.uk/public/pws/components/>. Before the end of the 2010, more towns and cities will be added to the list of available locations, and could include Morecambe.



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Weather in the Peak District & Derbyshire

The British love to talk about the weather – and there's plenty of it to talk about in the Peak District & Derbyshire!

The weather throughout the region can be extremely localised, particularly in the Peaks themselves, with glorious sunshine at one end of a valley and a torrential downpour at the other not uncommon!



So whether you're on a short cycling or walking break, planning a photography trip or simply looking forward to a relaxing stroll around the villages and towns, it's always worth checking out the local weather conditions in advance.

The BBC's [weather pages](#) are an excellent source of information, with detailed local forecasts and regular updates available for [Glossop](#), [Buxton](#), [Leek](#), [Bakewell](#), [Chesterfield](#), [Ashbourne](#) and [Derby](#).

The [Met Office](#) website provides comprehensive information on all weather-related issues, including UK five-day location forecasts, daily weather reports and much more – the Peak District & Derbyshire regional weather is largely covered by The Midlands, which can be accessed through their main UK map. You can also access the Met Office's site by using their summary panel on the right.

In addition, the [Met Office's mountain weather forecast site](#) now covers the Peak District and includes synoptic charts, together with details such as wind strength, rain and snow forecasts.

And if you're already enjoying your break in the Peak District & Derbyshire, you could do worse than to take heed of some local Derbyshire weather wisdom: if you want to know what the weather's doing... look

Met Office UK Weather Warnings Issued

Bakewell

Wed 10 Feb 10 • Wind in mph

Today		3°C	15
Thu		3°C	7
Fri		4°C	8
Sat		4°C	12
Sun		4°C	10

[More details](#)
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