

CABINET

10.00 A.M.

3RD DECEMBER 2013

PRESENT:- Councillors Eileen Blamire (Chairman), Janice Hanson (Vice-Chairman), Jon Barry, Abbott Bryning, Tim Hamilton-Cox, Karen Leytham, Ron Sands and David Smith

Officers in attendance:-

Mark Cullinan	Chief Executive
Nadine Muschamp	Chief Officer (Resources) and Section 151 Officer
Mark Davies	Chief Officer (Environment)
Andrew Dobson	Chief Officer (Regeneration and Planning)
Liz Bateson	Principal Democratic Support Officer

61 MINUTES

The minutes of the meeting held on Tuesday 5 November 2013 were approved as a correct record.

62 ITEMS OF URGENT BUSINESS AUTHORISED BY THE LEADER

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

63 DECLARATIONS OF INTEREST

No declarations were made at this point.

64 PUBLIC SPEAKING

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

65 FESTIVAL MARKET - UPDATE

(Cabinet Member with Special Responsibility Councillor Barry)

Cabinet received a report from the Chief Officer (Environment) to provide and update on recent activity in the Festival Market and to seek Cabinet's view on options for future development. It was noted that the options had been discussed by the Overview and Scrutiny Committee meeting on 2 December 2013 although the Committee had not made any recommendations to Cabinet.

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

Option 1- If the Council takes the view that the current issues facing the market are symptomatic of wider issues facing Morecambe and the economy generally then the regeneration led approach that the Council is leading through the Morecambe Area Action Plan, combined with ongoing management of the market within existing budgets, provides the best way forward. However from a trader perspective in the short term it will

not address the concerns that traders raise and furthermore a regeneration led approach provides no certainty for the medium to long term future of the market, as it may reveal other better options for the Market. It is an approach though that is consistent with the Morecambe Area Action Plan and supporting policies, and based on the context described above is a very reasonable one.

Option 2- If the Council takes the view that the Festival Market is absolutely essential to Morecambe and pivotal in terms of economic wellbeing and the visitor attraction then it is clear that in order to remain viable major investment in the market is required, along with a fundamental overhaul of how it operates and trades. The market faces stiff competition from supermarkets, nearby shops selling similar products, nearby private indoor and outdoor markets and internet based retailers. Clearly users of the Festival Market value what it offers and the service it provides, but to be sustainable in the long term more shoppers and traders are needed. To attract new shoppers and traders will require major investment in the market in terms of appearance, layout, types of stall, heating, lighting etc. Additional investment will require significant increase in the charges currently made to traders which in turn will change the dynamic of the market, and significantly increase both the financial input and ongoing risk to the Council. In terms of the Morecambe Area Action Plan the area occupied by the market could well be crucial in the medium to long term for the regeneration of the area. Were a decision taken at this stage to effectively protect the market it would reduce the regeneration opportunities available for the site and Morecambe as a whole.

Option 3- In between the approaches described above there is also a view which recognises that until the regeneration led approach bears fruit there is a need to maintain the market as a going concern, so long as it continues to provide a contribution to the General Fund. This approach would require more ongoing investment in the market than is currently provided to do things like improve the internal / external appearance of the market, look at ways of attracting new traders through discounted rents, make links with colleges etc to encourage student traders, provide discounts to long serving traders through the winter months to encourage them to stay etc. This approach would require increased ongoing expenditure and therefore result in a reduced contribution to the General Fund, which in turn will require more savings to be made from other Council services, or a proportionate increase in rents.

The Council may also take the view that with **Option 3** there is a requirement to address the heating issue which would also then require capital investment. Based on the fact that the market with heating would then be moving towards more of an indoor market a fundamental review of rent and service charges would also be required.

Seeking to invest in the heating part of this approach (through the budget process) would effectively say that the need to maintain the Festival Market overrode any consideration of other regeneration opportunities that may come forward.

Based on the context of the Council's budget prospects there are actually no easy solutions.

The report is mainly for note. However, Cabinet are requested to consider what, based on the options above, their position with regards to the future development of the market is. Subject to this officers can then provide necessary costings and financial information

which can then be fed into the wider budget process.

Based on the context described the Officer preferred option is Option 1.

Councillor Barry proposed, seconded by Councillor Leytham:-

- (1) That more detailed consideration be given to the effect that the installation of automated doors would have on the temperature in the market and this be reported back to Cabinet as part of the budget process.
- (2) That, as part of the renewable energy strategy, consideration be given to insulation costs and methods together with whether technology such as biomass and solar panels could produce a cheaper solution."

Councillors then voted:-

Resolved:

(7 Members (Councillors Barry, Blamire, Hamilton-Cox, Hanson, Leytham, Sands and Smith) voted in favour, and 1 Member (Councillor Bryning) abstained.)

- (1) That more detailed consideration be given to the effect that the installation of automated doors would have on the temperature in the market and this be reported back to Cabinet as part of the budget process.
- (2) That, as part of the renewable energy strategy, consideration be given to insulation costs and methods together with whether technology such as biomass and solar panels could produce a cheaper solution.

Officer responsible for effecting the decision:

Chief Officer (Environment)

Reasons for making the decision:

The Corporate Plan contains the action 'Develop the Festival, Charter and Assembly Room markets to help support their sustainability and viability.' The decision will enable officers to develop proposals based on the recommendations and provide the necessary costings and financial information which can be fed into the wider budget process.

66 BUDGET & POLICY FRAMEWORK UPDATE 2014/15

(Cabinet Member with Special Responsibility Councillor Bryning)

Cabinet received a report from the Chief Officer (Resources) which provided an update on the Council's financial position to help inform development of Cabinet's budget proposals. Given that the Local Government Settlement had not yet been received, the report was primarily for information although decisions were sought on some matters.

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

Policy Framework Context: Corporate Priorities

The Council's Corporate Plan for 2013/14 retained four priorities:

- Economic Growth
- Health and Wellbeing
- Clean, Green and Safe Places, and
- Community Leadership

It was the intention to fundamentally review these as part of 2014/15 budget planning, in response to expected funding reductions. There are different ways of achieving this, now or later, once government funding prospects are more certain. The information in the report should assist Cabinet Members in forming a view on the preferred way forward.

General Fund Revenue Budget – Current Year

An in-depth update of the current year budget has resulted in a draft revised budget of £18.973M for the City Council, representing a projected total net underspending of £846K or 4.3% (2012/13 comparative: £981K, 4.8%). A more comprehensive budget summary is included at Appendix A and variance analysis is attached at Appendix B to the report. The underspending arises from proactive savings measures, as well as other budgetary changes. Making savings during the year is an important and accepted element of the Council's approved financial strategy.

2014/15 Draft Revenue Budget

The first draft of next year's budget has also been produced, in accordance with Financial Regulations and the Council's Medium Term Financial Strategy (MTFS). Currently it stands at £18.513M for 2014/15, as shown in Appendices A and B. Further information will be provided at the January meeting.

Local Government Finance Settlement

The provisional Local Government Finance Settlement is not expected to be announced until sometime after the Chancellor's autumn statement, which is scheduled for 5 December 2013. The outcome of the Settlement will have a direct bearing on the Council's short and medium term planning and the scope or nature of its future priorities. A briefing note will be produced for all members once the settlement has been received and its impact assessed. It will be reported formally into January's Cabinet meeting.

Local Taxation

Council Tax Rates and Targets

Alongside the Settlement announcement, Government is expected to confirm its proposals regarding future council tax freeze compensation schemes and council tax referendum thresholds. Drawing on Government's Spending Round back in June, a local referendum threshold of a 2% increase is expected. This fits with the Council's current MTFS targets. The offer of council tax freeze compensation grant equivalent to a 1% increase also seems likely, for those councils that freeze council tax in next year (and, separately, the year after). It would seem that such grant would not continue beyond 2015/16 but this, and other details of the scheme, should become clear once the Settlement is announced.

Council Tax Collection

Cabinet will be aware that in the current year, council tax charging policy was amended to reduce various discounts and exemptions for certain categories of empty or second homes. Property re-categorisations and other factors, such as new properties coming on line, make it very difficult to gain an in-depth picture of what impact the specific changes are having on council tax yield (the total amount collectable), but progress has been made in reporting on recent weeks. Collection is expected to hold up well for the full year, once the impact of the extended instalment arrangements has worked through. These points result in the current estimated surplus of around £1M on the Collection Fund, to be shared with other major precepting authorities. £130K would be due to the City Council and this is reflected in the 2014/15 draft budget. Figures will be finalised in January.

Localised Council Tax Support (LCTS)

A report will be presented to December Council on the first year review of the LCTS scheme, in line with decisions taken back in January. The report will include the outcome of recent public and key stakeholder consultation - Cabinet will be aware that the County, Police and Fire Authorities all help finance the scheme, with the County Council funding the biggest share. For simplicity the budget projections do not make provision for any changes to the existing scheme, although in January Council noted the expectation that reductions in council tax support would be implemented from April next year, given the funding outlook.

Business Rates Yield

In terms of business rates, during January estimates will need to be made on whether income is expected to be higher or lower than budgeted, and for the first time this will have a direct impact on the Council's revenue position, as well as the County Council and Fire Authority. Views will need to be taken regarding the likely impact of ratings appeals. Business Rates income is another area that may well be affected directly by the settlement and so a full assessment is not yet possible.

Savings Requirements: Scenarios

Given that the Settlement announcement is imminent, there is little point in modelling new scenarios. The position in the report shows what progress has been made in balancing 2014/15 and 2015/16 budgets, based on Government funding prospects outlined in their recent consultation. As a broad measure, every 1% change in government funding amounts to around £108K in 2014/15, or around 1.4% in City Council tax. A 1% change in council tax amounts to around £74K. Although good early progress has been made, the cumulative impact of expected funding reductions means that there is still an enormous challenge in balancing the 2015/16 budget and beyond.

Balancing the Budget: Options and Priority / Policy Implications

A fuller picture of budget options will be presented in January, but a brief summary is set out below, using the themes outlined in the MTFs.

Savings / Budget Reductions**Efficiencies**

Good progress is being made against the provisional £1M savings target for efficiency related savings and 'trimming' of services.

Invest to Save Schemes

Details of the Lancaster Market leasehold surrender will be reported to Council in due course. Following the surrender of the Market lease, it is assumed that the Invest to Save Reserve will be earmarked initially in support of the Council's developing Renewable Energy Strategy, unless Members indicate otherwise.

Income Generation

The fees and charging policy has been deferred until January, to allow time to consider the outcome of the Settlement. In terms of Highways, income generation is increased substantially because of the nature of the work being commissioned by the County Council.

Service Reductions

The bulk of service reductions are expected to be identified through the various reviews being planned or underway, most of which have been commissioned by Cabinet:

- Parks, Open Spaces and Public Realm
- Leisure Services, including Salt Ayre Sports Centre
- Regeneration & Planning (Visitor Economy, Venues and Events etc)
- Property Review

These will provide a basis for reviewing the relative contributions of council services mainly to the current priorities of Health, Wellbeing, Clean, Green and Safe Places, if such priorities are retained. In terms of Community Leadership, the Council will need to balance this role against its role as a service provider.

Growth / Redirection of Resources

Although there is no prospect of net growth in revenue budgetary terms for the foreseeable future, nonetheless there are areas where the Council currently has apparent mismatches between its intended policy objectives or regulatory requirements, and its current budgetary provisions.

Two such areas are highlighted below. Others may arise during the remainder of the budget process.

Regeneration Strategy / Action Plan

As highlighted back in September, there is a need to establish how best the Council (and its partners) can support and resource the delivery of regeneration priorities, in an affordable manner. Last month Cabinet indicated that it wishes to narrow down the priority for Economic Growth, to focus on maximising external investment opportunities for Economic Regeneration and Housing Regeneration, reflecting the Council's ability to engage with the Lancashire Enterprise Partnership (LEP).

Working with partners such as the County Council and the LEP may allow some slimming down of the Council's direct involvement and delivery in regeneration and efficiency measures will be sought as in all other service areas. However, there are a number of ongoing and emerging regeneration schemes that are as yet unresolved in strategic, operational and/or financial terms.

Information Governance and Data Security

Although not as high profile as direct services to the public, the Council is in urgent

need of improving how it manages and controls information and associated systems. This is so that in future, the Council can continue to exchange information with Government and other public service providers. Without this facility, the Council would not be able to run elections, administer benefits, and provide many other essential services to the public. The need to make improvements was highlighted in the Council's Annual Governance Statement, published in September. Whilst some improvements have been made and some resources have been allocated in the draft budget, it is expected that more will be needed. A report is being prepared for January Cabinet.

Provisions, Reserves and Balances

In terms of earmarked reserves and provisions, a full review has not yet been completed. This will be undertaken in time to report to January's Cabinet meeting. Assuming that good progress continues to be made on identifying savings for future years, for any surplus reserves and balances it would be reasonable for Members to consider:

- Setting a target year (e.g. by the start of 2016/17) by which the Council should aim to have a fully balanced budget.
- Putting aside sufficient reserves to balance the budget over the intervening period, to cover the lead-in times for reducing and reshaping council services.
- Providing a cushion or room for manoeuvre, should government and local funding expectations prove worse than assumed.
- Using any remaining balances to support priority services or currently unfunded initiatives, linked to developing budget or policy options mentioned in section 8 of the report.

This approach will be developed further for consideration and the January and February Cabinet meetings.

General Fund Capital Programme

The capital programme has been updated for known changes to date as well as being rolled on a year into 2018/19. Gross capital investment of £27.6M is forecast over the period, resulting in an increase in the Capital Financing Requirement (underlying need to borrow) of £7.2M. A full summary is included at Appendix D to the report. All of the Council's capital investment plans need to be affordable, sustainable and prudent; capital investment is intrinsically linked to the revenue budget. As such, the draft programme will continue to be updated during January and February as Cabinet's budget proposals develop.

Council Housing (Housing Revenue Account – HRA)

As reflected in the MTFS, during last year Cabinet adopted a rent policy based on:

- an average rent of £69.22 for 2013/14, representing a freeze on the previous year.
- target average rent increases of 1%, 2%, and 3% respectively over the years 2014/15 to 2016/17.

The aim of this policy was to strike a balance between keeping rents affordable,

managing financial risks, and increasing and improving council housing provision. As part of the current budget process, both revenue and capital estimates have been updated, reflecting the above rent policy. The HRA capital programme has been updated as normal to reflect business plan needs and price changes, but these are fairly minor. Fundamental changes to the Programme will come forward as progress is made on delivering new council housing within the district, in line with the resolutions from November Cabinet (min refers). These are not expected to be presented before February Council, and so the next MTFS update will need to provide sufficient flexibility.

Full budget proposals for the HRA will be presented to Cabinet in January.

In terms of the budget generally, at this stage Cabinet is requested to approve the position as an interim update. With regard to the specific budget item regarding Regeneration and Planning, options are included within Appendix C of the report.

Cabinet is also requested to identify its preferred approach for reviewing corporate priority proposals as outlined in section 2 of the report. In particular, if Cabinet is minded to propose or consider developing a completely different approach and a different direction, the sooner that this is known, the better.

With regard to the budget, the Officer preferred option is for Cabinet to approve the draft budgetary position for current and future years as set out in the report, noting that this an interim update, but that it allows the changes in Regeneration and Planning Service as set out in Appendix C to the report.

With regard to corporate priorities, the approach is a matter for Cabinet and so there is no Officer preferred option.

Councillor Bryning proposed, seconded by Councillor Smith:-

“That the recommendations, as set out in the report, be approved and the report and resolutions be referred on to Council for information.”

Councillors then voted:-

Resolved unanimously:

- (1) That Cabinet approves the draft budgetary position for current and future years as set out in the report, noting that this an interim update, but that it allows the changes in the Regeneration and Planning Service to be implemented as proposed in Appendix C to the report.
- (2) That in terms of corporate planning, Cabinet considers retaining the existing four priorities in some form but that the outcomes be redefined and the actions be reduced as the budget process develops, to:
 - give a narrower focus, and to
 - reflect that the Council’s contribution to each will be significantly affected by reductions in Government funding.
- (3) That the report and the resolutions of Cabinet be referred on to Council for information.

Officer responsible for effecting the decision:

Chief Officer (Resources)

Reasons for making the decision:

To note the latest position. Good progress has been made to date on helping to balance the General Fund budget for the medium term. The announcement of the Settlement should give greater certainty in terms of the Council's financial outlook but nonetheless, the challenges for 2015/16 and beyond are still expected to be huge, even allowing for the Council's healthy levels of reserves and balances.

Chairman

(The meeting ended at 10.55 a.m.)

**Any queries regarding these Minutes, please contact
Liz Bateson, Democratic Services - telephone (01524) 582047 or email
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MINUTES PUBLISHED ON THURSDAY 5 DECEMBER, 2013.

**EFFECTIVE DATE FOR IMPLEMENTING THE DECISIONS CONTAINED IN THESE MINUTES:
FRIDAY 13 DECEMBER, 2013.**