

CABINET

10.00 A.M.

11TH FEBRUARY 2014

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
Suzanne Lodge	Chief Officer (Health and Housing)
Anne Marie Harrison	Economic Development Manager
David Lawson	Regeneration Manager
Thomas Brown	Regeneration Officer
Liz Bateson	Principal Democratic Support Officer

80 MINUTES

The minutes of the meeting held on Tuesday 11 February 2014 were approved as a correct record.

81 ITEMS OF URGENT BUSINESS AUTHORISED BY THE LEADER

The Chairman advised that there was one item of urgent business. This related to appointing a Cabinet Member to the Lancaster Community Fund Grants Panel (Minute 83 refers)

82 DECLARATIONS OF INTEREST

Councillor Barry declared an interest with regard to the Storey G2 Arts Proposal report, having written a letter of support as Ward Councillor (Minute 85 refers).

83 ITEM OF URGENT BUSINESS - APPOINTMENT TO AN OUTSIDE BODY - LANCASTER COMMUNITY FUND GRANTS PANEL

Cabinet received a report from the Chief Officer (Governance) to enable Cabinet to appoint the appropriate Cabinet Member to the Lancaster Community Fund Grants Panel. The reason for the urgency of the decision was that the Panel was scheduled to meet for the first time prior to the next meeting of Cabinet on 11 March 2014.

Councillor Leytham proposed, seconded by Councillor David Smith:-

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

Members then voted as follows:-

Resolved unanimously:

That Councillor Jon Barry, as the portfolio holder for the Voluntary Sector, Older People and Markets, be appointed to the Community Fund Grants Panel.

Officer responsible for effecting the decision:

Chief Officer (Governance)

Reasons for making the decision:

The decision ensures that the Council will be fully represented at the first meeting of the Community Fund Grants Panel in mid February 2014.

84 PUBLIC SPEAKING

Members were advised that there had been a request to speak at the meeting from a member of the public in accordance with Cabinet's agreed procedure, as set out in Cabinet Procedure Rule 2.7, with regard to the Storey G2 Arts Proposal (Minute 85 refers).

The Chairman advised the meeting of a revision to the order of the agenda to take Item 8, Storey G2 Arts Proposal, before Item 7, Central Morecambe Regeneration.

85 STOREY G2 ARTS PROPOSAL

(Cabinet Members with Special Responsibility Councillors Hanson and Sands)

Mr John Angus, who had registered to speak on this item in accordance with the City Council's agreed procedure and Cabinet Procedure Rule 2.7, spoke in support of an arts project based in Freeman's Wood in the Castle Ward of Lancaster.

Cabinet received a report from the Chief Officer (Regeneration & Planning) to seek Members views on providing funding to Storey Gallery arts organisation, now named Storey G2.

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

	Option 1: The Council provides match funding to Storey G2 so that they can deliver this project	Option 2: The Council does not provide match funding to Storey G2.
Advantages	<p>The project will engage with the local community from the Castle ward area</p> <p>Attract £47,750 of external investment into the arts</p> <p>It would allow Storey G2 to continue to operate at least for a further year</p>	<p>Provides the opportunity to use the Council's funding for something else that supports Corporate Priorities or to be taken as a saving.</p>
Disadvantages	<p>Unclear how this project will support the Council's current</p>	<p>It is unlikely that Arts Council and County Council funding will be</p>

	<p>Corporate Priorities</p> <p>Economic impact is unclear</p> <p>Does not sustain Storey G2 in the long term as this is project funded for 1 year only</p> <p>Need for this project has not been established</p>	<p>agreed without City Council funding being in place</p> <p>Possible local community benefits may be lost</p>
Risks	<p>Any risk associated with the use of the land, which is separately owned, are not clear.</p> <p>Supporting a project that does not clearly link to the Council's Corporate Priorities could be confusing and make thing less clear in the future in terms of determining what the Council supports and doesn't and why.</p>	<p>Without City Council support the project is unlikely to proceed and the future of Storey G2 would be unclear</p> <p>Communications are required with the other Arts funders to ensure their investment in Arts in the district is maintained and the Council's overall contribution and objectives are clear.</p>

Option 2 is the officer preferred option. Monies provided to support the arts need to demonstrate that they make a positive impact to the local economy. The evidence supporting this project does not point to any demonstrable benefits to the local economy which would arise from the local taxpayers contributions.

Councillor Sands proposed, seconded by Councillor Hanson:-

"That £8K be awarded from the Council's Revenue Budget for 2013/14 to the arts project on the understanding that the applications for funding to the Arts Council and Lancashire County Council are successful."

It was proposed by Councillor Barry, seconded by Councillor Blamire and accepted as a friendly amendment by the proposer and seconder of the original proposition:-

"That the artwork is disseminated at a local venue as part of the project."

Councillors then voted:-

Resolved:

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

- (1) That £8K be awarded from the Council's Revenue Budget for 2013/14 to the arts project on the understanding that the applications for funding to the Arts Council

and Lancashire County Council are successful and that the artwork is disseminated at a local venue as part of the project.

Officers responsible for effecting the decision:

Chief Officer (Regeneration & Planning)
Chief Officer (Resources)

Reasons for making the decision:

The project will engage with the local community from the Castle ward area and attract external investment into the arts, allowing Storey G2 to continue to operate at least for a further year.

86

CENTRAL MORECAMBE REGENERATION – DELIVERING THE MORECAMBE AREA ACTION PLAN

(Cabinet Member with Special Responsibility Councillor Hanson)

Cabinet received a report from the Chief Officer (Regeneration & Planning) to consider how the City Council could implement the Morecambe Area Action Plan as one element in delivering the Council's priorities for economic growth.

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

	Option 1: Do Nothing – progress with ad hoc reactive approach	Option 2: Undertake a new preferred developer competition	Option 3: Engage with Carillion (PREFERRED OPTION)
Advantages	<p>Minimum officer input “up-front”</p> <p>Maintains flexibility and ability to be opportunistic</p> <p>Allows market to dictate pace of development</p>	<p>Provides opportunity to promote comprehensive development and maximise the contribution of public assets</p> <p>Widest range ideas/proposals</p>	<p>Provides opportunity to promote comprehensive development and maximise the contribution of public assets</p> <p>Simpler process taking advantage of county procurement exercise</p> <p>Known developer with good track record and access to necessary resources</p> <p>Ability to undertake feasibility, demand work “up-front” at risk (although this</p>

			may need under-writing by the public sector
Disadvantages	<p>Reactive piecemeal approach less attractive to major developers</p> <p>Less opportunity to integrate and maximise benefits of public assets</p>	<p>Relatively complicated and time consuming process</p> <p>Requires more “up-front” council involvement</p>	<p>Still areas to address in terms of procurement and state aid</p> <p>Narrows field to one developer</p>
Risks	Competing sites come forward sooner and undermine viability of central sites	No guarantee that necessary quality of developer will be secured	Carillion decide that this is not a proposal they wish to pursue and council has to revert to one of the other options

There are 3 main options to how the City Council might respond to the commercial opportunities and interests currently expressed for central Morecambe:

Option 1 - Adopt an ad hoc reactive approach and treat with potential developers on a reactive and opportunist basis (subject to property disposal rules).

Option 2 - The City Council could seek engagement with a major developer partner to bring forward commercial ideas and partnership interest in a formal way. Given the extent of publicly owned assets in the central area there is potential to explore a range of delivery arrangements/approaches. Securing a developer partner to the stage where a proposal is on the table which covers all council objectives, requirements and legal/procurement issues points to the need for a ‘complex’ OJEU (European Union) compliant procurement process, such as Competitive Dialogue (CD). CD is a non-standard procurement approach to ensure that, to the best of its ability, the council ensures its objectives and statutory obligations can be met efficiently, effectively and legally. The procurement process would need to be highly structured, resource intensive and include for specialist advice to reduce the risk of legal challenge associated with undertaking complex procurements.

Option 3 (Preferred Option) - the County Council has already undertaken an OJEU compliant exercise to appoint Carillion as its strategic partner for the delivery of a range of regeneration and property services for East and North Lancashire. It is suggested that that the City Council engage with Carillion to review their potential and interest in delivering a comprehensive approach to regeneration on Morecambe’s key central sites. Carillion are interested in exploring this opportunity and have assisted the Council (on a without prejudice basis) to undertake the aforementioned development options exercise (described above). Although procured to full OJEU compliance standards, the City Council may still require independent specialist advice to resolve any potential legal issues, particularly in areas such as State Aid, which may have a bearing or impact on its ability to implement a development strategy with Carillion (refer to Financial

Implications).

Option 3 is preferred, but Member's should appreciate that Carillion's involvement is not certain. The county council's regeneration partner agreement covers 6 Lancashire districts and Carillion's own resources are limited to genuine commercial opportunities. An assessment protocol is in place where schemes/ideas are subject to a phased endorsement process and movement through the early stages is dependent on the outcome / attractiveness of the development options exercise.

Councillor Hanson proposed, seconded by Councillor Sands:-

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

Councillors then voted:-

Resolved unanimously:

- (1) That Cabinet supports the preferred approach of engaging with Lancashire County Council's regeneration partner, Carillion, to explore partnering opportunities to develop Morecambe's key central sites.
- (2) That Cabinet authorises the Chief Officer (Regeneration and Planning) in conjunction with other relevant Chief Officers to:
 - I. Further explore and clarify the staged assessment process and appetite for County Council/Carillion engagement.
 - II. Clarify the objectives, brief and geographic area for the engagement with Carillion.
 - III. Review the City Council's assets in the area and/or service delivery aspirations and integrate (if required) into the developer engagement/proposal.
 - IV. Seek specialist advice on the legal/state aid implications (if any) arising from the proposals.
- (3) That Cabinet approves a general fund revenue growth item totalling £175K for 2014/15 as referred to in Section 3.5 of the report for consideration by Council as part of Cabinet's budget proposals.

Officers responsible for effecting the decision:

Chief Officer (Regeneration & Planning)
Chief Officer (Resources)

Reasons for making the decision:

The Morecambe Area Action Plan is part of the Local Plan which is part of the policy framework. The decision is consistent with the economic growth priority within the Corporate Plan and raises the issues within the Morecambe Area Action Plan with the County Council at the highest level.

87 BUDGET AND POLICY FRAMEWORK UPDATE – HOUSING REVENUE ACCOUNT AND CAPITAL PROGRAMME

(Cabinet Member with Special Responsibility Councillor Leytham)

Cabinet received a joint report from the Chief Officer (Health & Housing) and the Chief Officer (Resources) which provided an update on the council housing budgetary position and sought Cabinet's decisions on council housing rent levels for 2014/15 together with targets for future years. It also sought approval of Cabinet's supporting revenue budget and capital programme proposals for referral on to Council, in order to complete the HRA budget setting process for 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 revenue budget generally, Cabinet could consider other proposals that may influence spending in current and future years, as long their financing is considered and addressed.

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 it could have implications for the Council's financial standing, as assessed by its external auditors.

The two main options available in respect of the 2014/15 rent increase are set out in section 6 of the report.

The options available in respect of the Capital Programme are:

- i) To approve the programme in full, with the financing as set out;
- 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 and its tenants. As such, a full options analysis could only be undertaken once any alternative proposals are known, and Officers may require more time in order to do this.

The Officer preferred options are to:

- Approve / refer on the provisions, reserves and balances position as set out in the report;
- set rent levels that would provide sufficient flexibility for future investment, as well as sufficient headroom to address any future accounting / regulatory / welfare reform changes. If future investment opportunity is to be maximised, then the Officer preferred option would be for a 1% increase in 2014/15 then 2% for 2015/16 and 3% thereafter;
- approve / refer on the revenue and capital budget proposals as set out in the report.

Councillor Leytham proposed, seconded by Councillor David Smith:-

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

Councillors then voted:-

Resolved unanimously:

- (1) That the Housing Revenue Account Revised Budget for 2013/14, as set out at Appendix A to the report, be referred on to Council for approval.
- (2) That the minimum level of HRA unallocated balances be retained at £350,000 from 01 April 2014, and that the full Statement on Reserves and Balances be endorsed and referred on to Council for approval.
- (3) That the current rent setting policy be reaffirmed for the medium term, in that:
 - an average rent of £69.91 for 2014/15 be approved, representing an increase of 1%, and the resulting Housing Revenue Account budget for 2014/15 be recommended to Council for approval; and
 - for years 2015/16 to 2016/17 target rent increases be set at 2% and 3% respectively, and the revenue budget forecasts be updated accordingly.
- (4) That the Capital Programme as set out at Appendix D to the report, be referred on to Council for approval.
- (5) That the above recommendations for the Housing Revenue Account be reflected within the Council's draft Medium Term Financial Strategy as appropriate.

Officers responsible for effecting the decision:

Chief Officer (Health & Housing)
Chief Officer (Resources)

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 covers the maintenance and management of the Council's housing stock. It is 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. The decision to set the increase for 2014/15 enables the deadline to be met, and enables Cabinet to recommend a balanced budget and fully financed capital programme for referral on to Council.

**88 BUDGET AND POLICY FRAMEWORK UPDATE - GENERAL FUND REVENUE
BUDGET AND CAPITAL PROGRAMME**

(Cabinet Member with Special Responsibility Councillor Bryning)

Cabinet received a report from the Chief Officer (Resources) to inform Cabinet of the

latest position following Council's initial consideration of the Budget and Policy Framework, and to make recommendations back to Council in order to complete the budget setting process for 2014/15.

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

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

Revenue Budget

As Council has now determined the City Council tax rate for 2014/15, there are no options to change the total net revenue budget for next year but Cabinet now needs to put forward detailed budget proposals that add back to that amount. The Chief Officer (Resources) (as s151 Officer) continues to advise that wherever possible, emphasis should be on reducing future years' net spending.

Capital Programme

Cabinet may adjust its capital investment and financing proposals to reflect spending commitments and priorities but overall its proposals for 2013/14 and 2014/15 must balance. Whilst there is no legal requirement to have a programme balanced over the full 5-year period, it is considered good practice to do so – or at least have clear plans in place to manage the financing position over that time.

In deciding its final proposals, 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.*

Budget Framework (Reserves and Provisions / MTFS)

Taking into account the previous resolutions of Cabinet and Council, Cabinet was requested to indicate whether it wishes to allocate £1M from balances to help offset the savings target for 2015/16. Given known commitments, risks and approved council tax targets there is little flexibility in financial terms, but Cabinet could consider different arrangements for approving the use of various reserves, or consider different approaches for addressing the medium term budget deficit.

Officer preferred option - For General Fund, proposals to be 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.

Councillor Bryning proposed, seconded by Councillor David Smith:-

"That the recommendations, as set out in the report be approved, allowing for £1M of balances being allocated to help offset the savings target for 2015/16."

Councillors then voted:-

Resolved unanimously:

- (1) That subject to confirmation of the Local Government Finance Settlement (including associated matters) and any budget amendments arising in the Cabinet meeting, Council be recommended to approve:
 - a General Fund Revenue Budget of £19.585M for 2014/15, resulting in a Council Tax Requirement of £7.600M excluding parish precepts;
 - the budget proposals as summarised at Appendix B to the report, allowing for £1M of balances being allocated to help offset the savings target for 2015/16.
 - the resulting policy on provisions and reserves as included at Appendix D to the report; and
 - the resulting Capital Programme as set out at Appendix E to the report.
- (2) That should any minor changes arise as part of Government approving the Settlement, the Leader and Finance Portfolio Holder be given delegated authority to update the budget proposals accordingly.
- (3) That the Leader and Finance Portfolio Holder be given delegated authority to update the Medium Term Financial Strategy as outlined in section 8 of the report, for referral on to Budget Council.

Officer responsible for effecting the decision:

Chief Officer (Resources)

Reasons for making the decision:

The decision enables Cabinet to make recommendations back to Council in order to complete the budget setting process for 2014/15.

89 BUDGET AND POLICY FRAMEWORK 2014/15 - TREASURY MANAGEMENT**(Cabinet Member with Special Responsibility Councillor Bryning)**

Cabinet received a report from the Chief Officer (Resources) which set out the 2014/15 Treasury Management Framework for Cabinet's approval and referral on to Council.

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

Cabinet may put forward alternative proposals or amendments to the proposed Strategy in Appendix B to the report, 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 Strategy 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.

The officer preferred option was to approve the framework as attached to the report, allowing for any amendments being made under delegated authority prior to referral to Council. This is based on the Council continuing to have a low risk appetite regarding investments. It is stressed in terms of treasury activity, there is no risk free approach. It is felt though that the measures set out in the report provide a sound framework within which to work over the coming year.

Councillor Barry proposed, seconded by Councillor Leytham:-

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

Councillors then voted:-

Resolved unanimously:

- (1) That the Finance Portfolio Holder be given delegated authority to finalise the Treasury Management Framework, as updated for Cabinet's final budget proposals, for referral on to Council.

Officer responsible for effecting the decision:

Chief Officer (Resources)

Reasons for making the decision:

As part of the adoption of the CIPFA Code of Practice on Treasury Management it is a statutory requirement that the authority had a Treasury Management Strategy Statement and Investment Strategy. The decision, based on the Council continuing to have a low risk appetite regarding investments, takes into account the requirements of the Code.

Chairman

(The meeting ended at 11.20 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 FRIDAY 14 FEBRUARY, 2014.

**EFFECTIVE DATE FOR IMPLEMENTING THE DECISIONS CONTAINED IN THESE MINUTES:
MONDAY 24 FEBRUARY, 2014.**