



Committee: CABINET
Date: TUESDAY, 11 FEBRUARY 2014
Venue: LANCASTER TOWN HALL
Time: 10.00 A.M.

A G E N D A

1. **Apologies**

2. **Minutes**

To receive as a correct record the minutes of Cabinet held on Tuesday, 21 January 2014 (previously circulated).

3. **Items of Urgent Business Authorised by the Leader**

To consider any such items authorised by the Leader and to consider where in the agenda the item(s) are to be considered.

4. **Declarations of Interest**

To receive declarations by Members of interests in respect of items on this Agenda.

Members are reminded that, in accordance with the Localism Act 2011, they are required to declare any disclosable pecuniary interests which have not already been declared in the Council's Register of Interests. (It is a criminal offence not to declare a disclosable pecuniary interest either in the Register or at the meeting).

Whilst not a legal requirement, in accordance with Council Procedure Rule 10 and in the interests of clarity and transparency, Members should declare any disclosable pecuniary interests which they have already declared in the Register, at this point in the meeting.

In accordance with Part B Section 2 of the Code Of Conduct, Members are required to declare the existence and nature of any other interests as defined in paragraphs 8(1) or 9(2) of the Code of Conduct.

5. **Public Speaking**

To consider any such requests received in accordance with the approved procedure.

Reports from Overview and Scrutiny

None

Reports

6. **Central Morecambe Regeneration – Delivering the Morecambe Area Action Plan (Pages 1 - 15)**

(Cabinet Member with Special Responsibility Councillor Hanson)

Report of the Chief Officer (Regeneration & Planning)

7. **Storey G2 Arts Proposal (Pages 16 - 20)**

(Cabinet Members with Special Responsibility Councillors Hanson and Sands)

Report of the Chief Officer (Regeneration & Planning)

8. **Budget and Policy Framework Update – Housing Revenue Account and Capital Programme (Pages 21 - 37)**

(Cabinet Member with Special Responsibility Councillor Leytham)

Joint Report of Chief Officer (Health and Housing) and Chief Officer (Resources)

9. **Exclusion of the Press and Public**

This is to give further notice in accordance with Part 2, paragraph 5 (4) and 5 (5) of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 of the intention to take the following item in private. It should be noted that the report for item 10 is a public report but may contain an exempt appendix and it will only be necessary to exclude members of the press and public if it is necessary to refer to the exempt appendix during consideration of this item.

Cabinet is recommended to pass the following recommendation in relation to the following item if it becomes necessary to refer to the exempt appendix:-

“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 are reminded that, whilst the following item will contain an exempt appendix, it is for Cabinet itself to decide whether or not to consider it in private or in public. In making the decision, Members should consider the relevant paragraph of Schedule 12A of the Local Government Act 1972, and also whether the public interest in maintaining the exemption outweighs the public interest in disclosing the information. In considering their discretion Members should also be mindful of the advice of Council Officers.

10. **Budget and Policy Framework Policy - General Fund and Treasury Management Strategy**

(Cabinet Member with Special Responsibility Councillor Bryning)

Report of Chief Officer (Resources) – (Report to follow)

ADMINISTRATIVE ARRANGEMENTS

(i) Membership

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

(ii) Queries regarding this Agenda

Please contact Liz Bateson, Democratic Services - telephone (01524) 582047 or email ebateson@lancaster.gov.uk.

(iii) Apologies

Please contact Members' Secretary, telephone 582170, or alternatively email memberservices@lancaster.gov.uk.

MARK CULLINAN,
CHIEF EXECUTIVE,
TOWN HALL,
DALTON SQUARE,
LANCASTER LA1 1PJ

Published on Thursday, 30 January 2014.

CABINET

**Central Morecambe Regeneration – Delivering the
Morecambe Area Action Plan
11 February 2014**

**Report of the Chief Officer (Regeneration and
Planning)**

PURPOSE OF REPORT			
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.			
Key Decision	X	Non-Key Decision	Referral from Cabinet Member
Date Included in Forthcoming Key Decision Notice ward Plan		4 November 2013	
This report is public.			

RECOMMENDATIONS OF COUNCILLOR JANICE HANSON

That Cabinet:

1. 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. 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. Approve 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.

1.0 Introduction

1.1 This report is the first in a series of reports being prepared for Cabinet to set out how the council and its partners (particularly Lancashire County Council) can best deliver its economic priorities in a time of great opportunity but with limited resources. Although it focuses on central Morecambe, many of the issues are shared with other priority areas/initiatives. It is useful therefore to:

- Briefly revisit where the council's priorities lie (as a precursor to possible future refinement); and
- Describe potential ways in which new economic development and regeneration can contribute towards meeting and shaping priorities.

2.0 Background

Strategic Policy Considerations

2.1 The District's overall vision and high level regeneration priorities were established a number of years ago in documents such as the LDF Core Strategy, the Community Strategy and the Lancaster and Morecambe Vision. These have been distilled into the council's own corporate priorities which state:

Lancaster district has exceptional opportunities to develop its economy relating to energy including nuclear and renewable energy; the knowledge sector developing around Lancaster's two universities; and the Visitor Economy, capitalising on the district's outstanding culture, heritage and entertainment offer, its beautiful coastline and stunning natural landscapes.

2.2 The diagram at Appendix 1 illustrates how this vision translates today into high level priorities and a strategic framework which, subject to future approval, could form the basis for an updated regeneration strategy. This could be shared with the County Council and other partners. It shows how geographic (e.g. Morecambe centre) and sectoral (e.g. knowledge economy) priorities combine with cross-cutting issues (such as skills and infrastructure) to make a coherent framework for action/delivery.

2.3 This report deals with central Morecambe. The other three strategic priorities (Knowledge Economy, M6 Growth Gateway and Lancaster centre) will be the subject of future reporting.

2.4 The Core Strategy (2008) identifies central Morecambe as a Regeneration Priority Area (author's own **bold** emphasis).

*CENTRAL MORECAMBE is identified as a Regeneration Priority Area of sub-regional importance. Through tourism, housing renewal and heritage-led regeneration, central Morecambe **will be re-invented** as a visitor destination drawing on its natural and built heritage, and as an office and service centre with restored historic townscape and a revived housing market*

2.5 In September 2013, Council approved the Publication Version of the Morecambe Area Action Plan (MAAP). This provides the framework to

facilitate and manage development and change in central Morecambe up to 2021. The Council's Corporate Plan also notes:

In Morecambe, this means a vital and vibrant seaside resort recognised for its tourism offer in an exceptional natural setting with a sustainable economy and a stable resident community.

- 2.6 The MAAP makes clear that to achieve this many actions are needed to help grow investment in central Morecambe. It identifies that these must be driven locally. It states:

"The local councils rightly have a large role but there is a responsibility also on other public, private and voluntary organisations and a crucial role too for local people. Regenerating Morecambe will take concerted, collective effort by all who care about the town"

- 2.7 The recent confirmation of the construction of the Heysham M6 Link road will improve investor confidence in Morecambe and provides further impetus to the task of implementing the MAAP.

The City Council's Role

- 2.8 The city council working with the County Council and other partners can assist in MAAP implementation by:

- Direct implementation, facilitating investment and responding to the opportunities and drivers presented by the council's service delivery reviews;
- Managing development proposals to fit to the plan; and
- Deploying its property assets and securing external funding to act as a catalyst to underpin private investment.

- 2.9 Key proposals include:

- Prepare and implement a joint transport plan for central Morecambe;
- Better management of the seafront and integration with the town centre;
- Regenerate the central Platform/Market/Car Park area and provide replacement/improved/new community and visitor facilities; and
- Consider an acceptable approach to development on the Central Promenade (former Urban Splash) site.

- 2.10 The council has now submitted the MAAP for independent examination and the council's planning position is now effectively 'fixed'. At the examination in public it will be necessary to demonstrate that key elements of the Plan have a reasonable prospect of being delivered. It is therefore an appropriate time to consider how best to do this. This report considers how public sector land, property and services can best be marshalled alongside private sector investment and expertise to help deliver key aspects of the plan.

3.0 Report

3.1 Implementing the MAAP will involve a range of approaches and levels of council involvement. The Appendix 2 schematic plan shows the main intervention areas. In summary these are:

- *Area DO3 Arndale/Poulton:* encouraging private investment by improving the physical appearance of the area to increase footfall. This involves some capital investment combined with partner funding to maximise benefits. Subject to an available budget, a small amount of revenue funding is required to enable officers to meet their role in this area (see Financial Implications);
- *Areas DO2 and DO5 Central Area:* is the main focus of this report and is covered in more detail later in this section;
- *Seafront (from the Battery to the Town Hall):* requires better management of leisure uses and improved linkages to the town centre. Over time (in conjunction with the county council) Marine Road will require remodelling and associated revenue funding (see Financial Implications). The opportunity presented by the planned renewal of coastal defences should be maximised;
- *Area Do6 Morrisons/Frontierland:* led by the private sector but there are opportunities to co-ordinate development and investment with improvement of the seafront through the coastal protection works and to improve links through to the West End.
- *West End:* outside the MAAP area but key Housing Regeneration projects (Chatsworth Gardens and Bold Street) should be complemented by measures such as enhanced licensing and enforcement regimes (to be the subject of separate Cabinet reporting).

The Central Area

3.2 A number of opportunities/considerations are currently in play in this area of Morecambe (see Areas DO2 and DO5 in Appendix 2):

- The MAAP suggests the former Urban Splash site benefits from a lower key more leisure oriented form of development, with more commercial uses directed to the land south of Marine Road. The emphasis on more leisure orientated uses on the seafront part of the area may result in the need for an element of cross subsidy from more commercial uses south of Marine Road;
- The city and county council and other public bodies have centrally placed assets (both land and property), various service delivery obligations (e.g. Festival Market, Platform, car parks) and potential to improve/introduce revamped elements as part of an overall strategic service/property review;
- There has been some recent speculative individual development / commercial interest for council land. Any future developer partner will view these interests as positive. However, other landowners in the vicinity are known to be preparing development proposals that could also accommodate such major commercial interest. More work is required to fully understand the total level of commercial interest in central

Morecambe. Until that work is completed, there remains the possibility that demand could be taken up elsewhere in the town on less central sites which is contrary to current MAAP principles;

- There are known expansion requirements (Midland Hotel), amenable major third party land interests and a tired commercial interest/offer (particularly around the Platform development and the margins of Morrisons) that could be improved/redeveloped.
 - The context for external public investment is changing towards support for major strategic economic projects. This is the direction of the Government's 'Growth Agenda' and Lancashire Enterprise Partnership's (LEP) Growth Deal/European Strategic Investment Framework. Tourism infrastructure is a key element of the LEP's investment strategy. The County Council is also examining the case for designating parts of Morecambe and Lancaster as an "Assisted Area". This would enable access to special grant streams and investment allowances. While public finances are clearly constrained the potential for substantive external public grant funding (or publicly underwritten investment finance), to support growth/development is a possibility.
 - The start of Heysham/M6 link construction is already facilitating a more positive view of Morecambe as a place for investment;
- 3.3 The two councils (and partners) have the opportunity to take a strategic lead role in delivering the Core Strategy/Corporate vision. This is best achieved alongside a major commercial development partner and this report outlines options to secure this interest and respond to emerging commercial opportunities. A quality, mixed retail/leisure/housing led development for central Morecambe is also only likely to be realised with major public intervention and the creative use of public assets and funding to underpin private investment. The right development partner who can work in innovative ways with the public sector is a pre-requisite.
- 3.4 To kick-start this process, architects have been engaged to provide high level development options for key MAAP sites. This will inform the council's engagement with the private sector. For example, if the preferred option of engaging with Carillion (the county council's strategic regeneration partner) is agreed, then the development options will form the basis for future contract discussions/negotiations. If another route is chosen (e.g. tendering on the open market) then the development options will provide a starting point.

Immediate Resource Issues

- 3.5 Alongside exploring the developer engagement route, a number of smaller measures need to be undertaken to support (and encourage) the private sector. These are set out in Appendix 3 and are linked directly to the "Action Sets" contained in the MAAP. In summary work required includes:
- Topographic surveys;
 - Traffic assessments;
 - Specialist highway design work;
 - Structural surveys and building assessments;

- Valuations and financial appraisals; and
- Publicity materials and communications.

The Regeneration and Planning Service with support from Resources Service (as currently established) can undertake some elements of this work. Others, particularly traffic assessment and specialist highway design work are not available in-house. Where possible officers will secure funds from other stakeholders (including the county council) and external grants but opportunities are limited. In addition to an existing unallocated MAAP budget (ending in 2013/14) provision of an additional £25K for plan implementation is therefore sought as part of the 2014/15 budget process.

3.6 Similarly, budget provision c£150K is sought to enable relatively small scale but beneficial changes in the public realm. There are opportunities to:

- Rationalise space at the seafront to increase parking space provision in well used locations and reduce the council's maintenance liabilities;
- Make changes to signage for improved pedestrian movement and to drive footfall;
- Make improvements and increase provision at car parks landward of the seafront to improve amenity and encourage more usage.

4.0 Details of Consultation

4.1 Preparing the MAAP has involved extensive stakeholder and public engagement over many years.

5.0 Options and Options Analysis (including risk assessment)

5.1 The options are detailed in the table at the end of Section 6.

6.0 Officer Preferred Option (and comments)

6.1 There are 3 main options to how the 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 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).

- 6.2 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.

	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 may need under-writing by the public sector)</p>
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	<p>Competing sites come forward sooner and undermine viability of central sites</p>	<p>No guarantee that necessary quality of developer will be secured</p>	<p>Carillion decide that this is not a proposal they wish to pursue and council has to revert to one of the other options</p>

7.0 Conclusion

7.1 Option 3 is considered to be a pragmatic and cost effective way of engaging a major developer partner to bring comprehensive change to a key part of central Morecambe. Should Carillion not wish to continue towards a formal engagement the ideas generated and work done will be useful in assessing future approaches to regeneration and, if required, moving forward with a structured and OJEU compliant developer partner procurement exercise.

RELATIONSHIP TO POLICY FRAMEWORK

The Morecambe Area Action Plan is part of the Local Plan which is part of the policy framework.

The links to the Corporate Plan are covered in Section 2.

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

The MAAP has been the subject of a thorough and on-going sustainability appraisal which covers environmental, economic and social implications.

LEGAL IMPLICATIONS

Legal Services will assist in consideration of any legal/ State Aid issues regarding developer procurement and generally in terms of implementation of these development proposals.

FINANCIAL IMPLICATIONS

As set out in the report, there is no specific city council budget currently available to facilitate MAAP plan delivery beyond 2013/14.

Additional budget provision for plan implementation and small scale public realm projects is sought therefore as part of the 2014/15 budget process.

If members approve the proposal, it is recommended that a specific Reserve be set up in 2013/14 for the purpose of MAAP implementation, into which any projected underspend from existing revenue MAAP budget currently estimated at £13K is transferred at year end plus an additional allocation totalling £175K in 2014/15 for future revenue and capital costs as referred to in Appendix 3. The future use of this Reserve would be subject to Cabinet's approval. The financing of the growth item is dealt with in the Budget and Policy Framework report elsewhere on this agenda.

OTHER RESOURCE IMPLICATIONS

Human Resources: The immediate work requirements can be resourced utilising existing staff primarily in the Regeneration and Planning Service. The involvement of a private developer partner will bring the necessary resources to progress with the wider central area redevelopment. There will inevitably be a need to involve other staff when considering the future of Council services and facilities in the central area.

Information Services: No direct implications.

Property: Resources (property team) are directly involved through the joint property/regeneration partnership with the county council.

Open Spaces: No direct implications at this stage although the master planning exercise will consider the future of council owned open space and the central seafront both in terms of uses and management.

SECTION 151 OFFICER'S COMMENTS

The Section 151 Officer has been consulted and has no comments to add, given that the growth bid is also covered in the budget report elsewhere on the agenda.

MONITORING OFFICER'S COMMENTS

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

BACKGROUND PAPERS

none

Contact Officer: David Lawson/Paul Rogers

Telephone: 01524 582331/4

E-mail: progers@lancaster.gov.uk

Ref:

National Planning Policy Framework
Lancashire Enterprise Partnership
Priorities – Growth Deal / EuSIF Plan
Lancashire County Council Economic
Strategy and Priorities
Lancashire County Council Waste and
Minerals Local Plan
Lancashire County Council Local
Transport Plan
Homes and Communities Agency
Investment Plans
Lancaster Arts Partnership
Morecambe Bay Partnership
Marketing Lancashire Framework
Arnside and Silverdale AONB
Management Plan
Forest of Bowland AONB Management
Plan
Lancaster Business Improvement
District Delivery Plan
Bio Local Community Plan

**LANCASHIRE COUNTY COUNCIL'S
ECONOMIC
REGENERATION VISION**

**GROW THE DISTRICT'S
ECONOMY**

**IMPROVE THE NATURAL
AND BUILT ENVIRONMENT**

**ENSURE OUR ASSETS AND
OPPORTUNITIES ARE
ACCESSIBLE AND WELL
PROMOTED**

**PLAY TO THE STRENGTHS
OF OUR URBAN AND
RURAL CENTRES**

**HELP MAKE OUR
COMMUNITIES RESILIENT
AND SUSTAINABLE**

Development Plan Documents
(including Morecambe Area
Action Plan)
Medium Term Financial
Strategy
City Council Corporate Plan
Lancaster District Cultural
Heritage Strategy
Housing Strategy
Sustainability (LA21) / Climate
Change Strategy
Community Safety Plan /
Partnership Strategy
Capital Investment Strategy and
Asset Review
Service Improvement Plans
Destination Branding / Inward
Investment Strategy
West End Masterplan

STRATEGIC PRIORITIES

**A KNOWLEDGE
ECONOMY**

**THE M6 LINK: GATEWAY
TO GROWTH**

**MORECAMBE:
HEART OF THE BAY**

**LANCASTER CITY &
LUNE VALLEY**

**CROSS
CUTTING
THEMES**

STRATEGIC FRAMEWORK

**BUSINESS
SUPPORT**

Develop, attract & retain High GVA firms: Innovation, Creative & Env. Tech / Energy clusters; links to national / sub-regional support, finance and advice. Develop & improve resilience of local supply chain.

Bring forward an area strategy based around sites and premises to grow Environmental Tech / Energy cluster, Port / Transport uses; make links to national / sub-regional industrial strategies.

Secure major investment in leisure & retail under MAAP; improve trading conditions / business support to capitalise on new markets / opportunities. Support rural diversification & Carnforth as AONB gateway.

Shape major 'anchor' plans (Castle / Canal Corridor) & cityscape improvements for higher retail / visitor / heritage / cultural investment & spend. Support diversification of rural hinterland.

**JOBS,
SKILLS &
COMMUNITY
CAPACITY**

Retaining high level skills and graduate retention; creating the conditions for student/graduate engagement with local high value firms and business with growth potential.

Retain and increase jobs under Port expansion and land reclamation strategy. Support higher level skills development to support employability and skills needs within key sectors.

Maximise improvements in visitor economy for local employment; take advantage of physical investment for local skills development. Encourage sustainable alternatives to agricultural jobs in rural areas.

Utilise major investment for local skills/employment spin offs. Support key business led initiatives to improve skills base & capacity/involvement. Support employment /skills diversification in rural areas.

**IMAGE
& ACCESS**

Raise Lancaster's profile as an Innovation and Creative cluster: promote our education / skills base, location / links & infrastructure. Encourage HEIs & business collaboration / IP generation/knowledge transfer.

Accessible jobs for communities in need; Raise profile of the Heysham Peninsula as a hub for energy, renewables & recycling. Intensify links to the "Energy Coast".

Position M'cambe as the Bay's hub. Major investment backed by visitor/investor marketing & events; improve prom-town & strategic links / access / arrival. Promote Carnforth as Gateway to Arnside & Silverdale AONB.

Promote an eclectic heritage/cultural city with rounded visitor programme / events; 'Canal to Quay routes, strategic traffic issues & opps managed. Link city with countryside & FoB AONB.

**INFRA-
STRUCTURE
& ASSETS**

Transport/Housing/ICT plans support priority sectors. Universities growth supported; Lancaster Uni Innovation Campus, Storey Creative Industries Centre & Citylab developed as cluster hubs.

Public land asset/value used to enable remediation for delivery of sites & premises under Port expansion & reclamation strategy. Define basis of public intervention and secure funds if appropriate.

Public assets, presence, funds and statutory tools used to generate investment & public facing uses to reinvent central Morecambe as a destination. Support Carnforth TDG site Masterplan.

Major public land used to enable new sustainable city retail offer; reform public facing assets (incl. museums); help reinforce cultural assets. Support superfast rural broadband proposals.

**QUALITY OF
LIFE &
ENVIRON -
MENT**

Creating and promoting a cultural environment & quality of life appealing to skilled people and high value firms: Help form and deliver a high quality and sustainable retail, arts / culture and leisure offer.

Dereliction remediated & sites brought forward in a planned way; commensurate upgrade sought for the area's natural, open space & community assets.

Deliver West End regeneration & priority housing sites; improve central Morecambe public realm & visitor/resident experience; draw on natural setting; assist key community / business led initiatives

Investing in public space / parks / buildings from 'Canal to Quay'; better organisation of key city centre services; working towards a 'managed city centre'. Help ensure rural access to services & facilities.

MAAP Schematic Proposals Plan



- Area Action Plan Boundary
- Key Pedestrian Routes and Spaces SP1
- ★ Public Space
- Morecambe Main Seafront SP3
- Proposed Town Centre Boundary SP4
- Existing Town Centre Boundary

- Primary Shopping Area
- Development Opportunity Sites
 - D01** - The Battery
 - D02** - Seafront Headland, Central Promenade
 - D03** - The Arndale and Area
 - D04** - West View Car Park
 - D05** - Festival Market Area
 - D06** - Former Frontierland Site

Appendix 3 MAAP Action Sets Implementation Table

The table below identifies actions profiled over the three years from April 2014 with new / additional expenditures as appropriate estimated by year. This excludes for activities and expenditures either sourced by the council from other partners or direct via these.

MAA P Ref	Activity/item	2014/15	2015/16	2016/17
AS1	Managing and maintaining streets and spaces			
	Maintenance adjustments - changes to be revenue neutral or cost saving	0	0	0
	And see for AS5 and AS11	0	0	0
AS2	Improve the condition of buildings and beneficial occupancy			
	S215 initiative (already budgeted for)	0	0	0
	THI2 (already budgeted for)	0	0	0
AS3	Improve key routes and spaces for pedestrians and cyclists			
	Predominantly for Lancashire County Council but see also AS5	0	0	0
AS4	Further encourage business investment and development			
	Discrete initiatives e.g. to support making a Local Development Order and bespoke marketing support	0	5	5
AS5	Central seafront and main beach			
	Management changes to streamline and co-ordinate existing activities to increase efficiency	0	0	0
	As part of the joint transport plan, design spatial changes to off street vehicle parking, greenspace bus and coach drop off and pedestrian routes and accesses (including topographic surveys)	7.5	0	0
	Works to implement off highway spatial changes	0	50	50

	at the seafront as per above starting with car park number 2 followed by improved bus and coach facilities			
AS6	Western seafront and main beach			
	Designed improvements	0	0	0
AS7	Seafront headland, central prom			
	Masterplanning and delivery – some work underway funded from existing budgets but future costs to be borne by developer partner. However possible need for specialist legal advice requires funding	0	5	0
AS8	The Town Centre			
	New masterplanned development mainly funded by the private sector within framework set by MAAP	0	0	0
	Priority public realm improvements – initially taking in improved linkages to Morecambe Library and New Town Square uplift	20	0	0
AS9	Edge of centre retail park			
	Facilitate a range of private improvements	0	0	0
AS11	Transport, parking provision and management			
	With county council, prepare Joint Transport Plan (JTP) for central Morecambe (consultancy support required in traffic and movement analysis and highways re-design)	7.5	2.5	0
	Specific implementation costs for JTP implementation (on street otherwise largely for Lancashire county council) – fees for traffic orders, specialist pedestrian focused design etc	0	7.5	10.0
AS12 and 13	Bus services and rail services	0	0	0
AS14	Investor marketing – see AS4	0	0	0
	TOTAL	35	70	65



**Storey G2 Arts Proposal
Update
11 February 2014**

Report of Chief Officer (Regeneration and Planning)

PURPOSE OF REPORT			
To seek members views on providing funding to Storey Gallery arts organisation, now named Storey G2			
Key Decision	<input type="checkbox"/>	Non-Key Decision	<input type="checkbox"/>
Referral from Cabinet			X
Date of notice of forthcoming key decision			n/a
This report is public.			

RECOMMENDATIONS OF COUNCILLORS JANICE HANSON & RON SANDS:

- (1) **That Cabinet considers funding for an arts project based in Freeman’s Wood in the Castle ward of Lancaster, to be delivered by Storey G2 arts organisation, should its Arts Council funding bid be successful.**

1 Introduction

- 1.1 Lancaster City Council historically entered into an annual Service Level Agreement with the Storey Gallery which also leased the gallery at the Storey and used the Council’s funding to draw down match funding to commission art exhibitions. More recently the Storey Gallery organisation has moved out of the Storey and is focusing on commissioning arts projects in the public realm. They have also changed the name of the company to Storey G2.
- 1.2 At a meeting on 9th October 2012, Cabinet agreed that the £10,800 grant to the Storey Gallery (renamed Storey G2) be held back until detailed proposals regarding any specific project are brought forward by the company for consideration by Cabinet and that any proposals should indicate the likely financial support of the Arts Council, Lancashire County Council and/or other funding bodies.
- 1.3 Officers are aware that the Storey G2 submitted a funding application to the Arts Council’s ‘Grant for the Arts’ funding and that that funding application was unsuccessful. However, this application for £42,750 was re-submitted and the Arts Council decision is expected during February. In addition, £5,000 match funding from Lancashire County Council has been provisionally secured. Both Arts Council and County Council funds are conditional on other funds, including a Lancaster City Council contribution, being approved.

2 Storey Project Proposal

- 2.1 The project is described by the Storey G2 as “about land ownership, and its effects on places and on people’s lives. It is based in Castle Ward, Lancaster, the electoral area in which Storey Gallery has had its home for 22 years. It is focused on a plot of land known as Freeman’s Wood on the edge of Lancaster, which has recently become a site of collision between interests of a local community and those of global capital”.

The project aims to:

- explore the global issue of land-ownership and place-making through a focus on a particular site in Lancaster
- raise awareness and discussion of land-ownership and its social effects, locally, nationally, and internationally
- commission world-class artists
- engage the participation of, and work with, local people in a shared creative process
- engage people who would not normally experience contemporary art
- inspire people
- stimulate critical thought and reflection
- produce new artworks
- disseminate these art works widely
- promote and develop art which is socially engaged, critical, and useful
- imagine alternatives
- create a platform for ideas
- use the internet as a distribution vector
- produce a field of connection and activism

- 2.2 Storey G2 continued to say “Storey G2 aims to commission world-class artists to work with local people to explore unique features of the Lancaster area in order to illuminate global social issues, and use art’s potential to stimulate thought, and imagine the world differently. The resulting artworks will be disseminated widely, primarily via the internet”.

- 2.3 Officers have reviewed the arts project that Storey G2 is proposing and on the basis of the information provided, have noted the following;
- It is unclear how the project will support the Council’s current Corporate Priorities but links partially to the 20/20 Arts Strategy Framework
 - The economic impact that the Council expects as an outcome of its investment in the arts is unclear
 - the project appears to be deliverable. However, it is not clear if there is any potential risk relating to the land on which the project will take place as this is not owned by Storey G2
 - Value for money, in respect of ratio of match funding is good, assuming all match funding is achieved. However, value for money in terms of the deliverables for the project is less clear
 - There are planning issues which relate to this land as part of the forthcoming local plan process and the payment of grant to this project has the potential to be viewed as a conflict of interest on the council’s part.

3 Details of Consultation

- 3.1 Officers have briefly discussed this project with Storey G2 and have sought the views of Lancashire County Council's Arts Team as the County Council is one of the funders highlighted in the funding application. The County Council are keen to support Storey G2 now that they have moved away from running a gallery and are focussing on commissioning art projects in the public realm that potentially widening access. However, this funding is subject to Storey G2 securing match funding and will not remain available if the funding application to the Arts Council is unsuccessful for a second time.

4 Options and Options Analysis (including risk assessment)

This report seeks Cabinet approval to provide £8,000 of funding to support the project outlined by Storey G2.

	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 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>It is unlikely that Arts Council and County Council funding will be 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</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</p>

	<p>thing less clear in the future in terms of determining what the Council supports and doesn't and why.</p>	<p>Council's overall contribution and objectives are clear.</p>
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5 Officer Preferred Option (and comments)

5.1 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.

6 Conclusion

6.1 This report provides Cabinet with the opportunity to decide if the Council wishes to provide funding to Storey G2.

<p>RELATIONSHIP TO POLICY FRAMEWORK Unclear how this project will support the Council's current Corporate Priorities</p>
<p>CONCLUSION OF IMPACT ASSESSMENT (including Health & Safety, Equality & Diversity, Human Rights, Community Safety, HR, Sustainability and Rural Proofing) No impact on the above</p>
<p>LEGAL IMPLICATIONS No direct legal implications for the council as this is an external project however Storey G2 would need to ascertain use of the land at Freeman's wood which is separately owned</p>
<p>FINANCIAL IMPLICATIONS</p> <p>£10,800 is currently included in the Council's Revenue Budget for 2013/14. Against this, the Storey G2 organisation has requested a grant of £8,000 and should Cabinet support this request and Storey G2's Arts Council bid be successful, arrangements would need be put in place to ensure the grant can be accounted for in the current financial year.</p> <p>Alternatively, If Cabinet decide not to support the proposal at this time (in line with the Officer preferred option), then unless Cabinet indicates otherwise the whole £10,800 budget would remain unspent, falling into balances at year end (assuming no overspending arises corporately). Any such additional balances could then be used to help future years' budgets.</p>
<p>OTHER RESOURCE IMPLICATIONS Human Resources / Information Services / Property / Open Spaces: Regeneration & Planning</p> <p>The agreement would require monitoring throughout the year</p>

Resources

Input would be required in terms of dealing with financial accounting

SECTION 151 OFFICER'S COMMENTS

The s151 Officer has been consulted and advises Cabinet to consider the value for money implications very carefully.

MONITORING OFFICER COMMENTS

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

BACKGROUND PAPERS

none

Contact Officer: Richard Hammond

Telephone: 01524 582638

E-mail: rhammond@lancaster.gov.uk

CABINET

**Budget and Policy Framework Update –
Housing Revenue Account and Capital Programme
11 February 2014**

**Joint Report of Chief Officer (Health and Housing)
and Chief Officer (Resources)**

PURPOSE OF REPORT				
This report provides an update on the council housing budgetary position and seeks Cabinet's decisions on council housing rent levels for 2014/15 together with targets for future years. It also seeks 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.				
Key Decision	X	Non-Key Decision		Referral from Cabinet Member
Date Included in Forthcoming Key Decision Notice			13 January 2014	
This report is public.				

RECOMMENDATIONS OF COUNCILLOR LEYTHAM:

- 1 That the Housing Revenue Account Revised Budget for 2013/14, as set out at Appendix A, 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 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.

1 INTRODUCTION

- 1.1 The Council is required under statutory provisions to maintain a separate ring-fenced account for 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.
- 1.2 At its meeting in February 2013, Cabinet approved the key principles and broad financial targets for managing the HRA over the medium term, to give a strategic financial context for council housing.
- 1.3 In line with that context, Cabinet is now required to make recommendations to Budget Council regarding the HRA 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. Effectively, this means that the whole 2014/15 budget and rent setting exercise must be complete by that date.
- 1.4 The draft MTFs will also be updated to reflect Cabinet's HRA budget proposals, for consideration at Budget Council.

2 2013/14 REVISED BUDGET

- 2.1 A review of the current HRA budget has been undertaken and during the year, a net deficit of £63K is forecast. A summary statement is set out at **Appendix A** and the main variations are shown below. This focuses on the 'cash' or bottom-line variances, excluding any notional charges:

SUMMARY OF MAIN 'CASH' VARIANCES ON HRA	£'000
Operational Variances: (+)Adverse / (-)Favourable	
Reduction in Rental and Other Income	+35
Additional spend on Repairs and Maintenance	+9
Reduction in Bad Debt Provision	-16
Net Increase in Revenue Financing of Capital Programme (either directly or from Reserves)	+35
Other minor variances (net)	-24
Sub-total	+39
Review of Reserves (see section 3)	
Net Increase in transfer to Major Repairs Reserve	+24
Net Overspending Forecast for Year	+63

- 2.2 Taking account of the overall revised budget outlined above, HRA Balances at the end of this year are expected to be around £364K higher than originally forecast, as shown in the following table:

	2013/14 Original Budget £'000	2013/14 Revised Budget £'000
Original Estimated Balances as at 31 March 2014	350	350
Add: Underspending in 2012/13, at outturn	--	427
Less: Forecast overspending in current year	--	-63
Forecast Balances as at 31 March 2014	350	714
Of which:		
Surplus Balances (above minimum £350K)		364

- 2.3 Cabinet is recommended to refer the HRA Revised Budget for 2013/14 to Council for approval.

3 PROVISIONS, RESERVES AND BALANCES

- 3.1 The Section 151 Officer is required to undertake a formal review of general reserve levels. In assessing the adequacy of such balances, the Chief Officer (Resources) takes account of the strategic, operational and financial risks facing the authority. The effectiveness of internal financial and other controls are also taken into account; assurance on these can be taken from the respective formal Statements and external assessments. Consideration has also been given to the specific risks and assumptions underlying the HRA as set out in **Appendix B**.
- 3.2 After reviewing the Housing Revenue Account and General Fund in comparative terms and considering the key issues, assumptions and risks underlying the budget projections, the Section 151 Officer advises retaining the minimum level of HRA Balances at £350K to support the budget forecasts, as part of the overall medium term financial planning for the HRA. This level has presented no difficulties in previous years and furthermore, the HRA has other substantial reserves available, to support the condition of the housing stock and manage other current service risks.
- 3.3 The Business Support Reserve, which was established last year, has a current balance of £8.1M. Until future plans for increasing the stock of one bedroom accommodation are developed no further contributions are being made into this reserve. Cabinet still have authority to allocate this reserve, but any future contributions would be approved by Council as part of the overall budget process. This still gives Cabinet the flexibility to develop and refine its plans.
- 3.4 In terms of provisions, the annual contribution to the bad debts provision has decreased slightly from those planned a year ago. This is despite the introduction of the new welfare reforms, although the position will continue to be closely monitored.
- 3.5 A draft statement on all reserves is attached at **Appendix C (i)** and **Appendix C (ii)**. The latter details the purpose and application of each reserve together with relevant recommendations on current use. These reserves are viewed as adequate for the period covered, but will need to be reviewed regularly as shown. Cabinet is asked to endorse this information, with the Statement being referred on to Council as part of the HRA budget proposals.

4 **2014/15 BASE BUDGET AND FUTURE YEARS' PROJECTIONS**

4.1 The draft budget has now been prepared for 2014/15 together with projections for 2015/16 and 2016/17. The budgets are set out in line with Accounting Requirements and they take account of the usual pay and price inflation assumptions. Specific aspects of the budget are outlined in more detail below.

- Provision continues to be made for repayment of the self-financing debt over the next 29 year period. No provision has been made as yet in respect of the £15.3M HRA share of earlier years' debt, but this is the same approach that applied under the former subsidy system. The regulatory and accounting framework is still awaiting completion, therefore the HRA debt management strategy has not yet been reviewed and updated.
- With regard to financing investment needs for the existing housing stock, the budget has been prepared on the basis that if there is a shortfall in the funding required to support the capital programme, then a top up should be charged to the revenue account (through increasing the contribution to the MRR).
- In terms of revenue savings and growth no proposals have been put forward at this time.

5 **CAPITAL PROGRAMME 2013/14 TO 2017/18**

5.1 The City Council has a statutory duty to ensure that all of its council housing stock meets the Decent Homes Standard. In addition, the Council has set its own higher standard for improvement works known as the "Lancaster Standard", and this has been agreed with the District Wide Tenants' Forum.

5.2 The Council has a long-term investment programme, which identifies the indicative resources needed to maintain a viable 30-year Business Plan taking account of the agreed housing standards. This has been incorporated in the Council's self-financing business plan.

5.3 **Appendix D** sets out the overall capital programme for consideration by Cabinet and referral on to Council. More details are provided in the sections below.

5.4 **2013/14 Revised Capital Programme**

5.4.1 The 2013/14 Council Housing Capital Programme was set at £4.827M by Council on 27 February 2013. This programme has since been updated for the addition of slippage from last year and other minor adjustments to give a revised programme of £4.865M.

5.5 **2014/15 to 2018/19 Capital Programme**

5.5.1 One of the outcomes from the Stock Options Appraisal was that future years' programmes should be set in line with the HRA Business Plan wherever possible. Drawing on information from the 2008 Stock Condition Survey and allowing for revenue funded maintenance, the draft programme included at Appendix D would enable the housing stock to continue to meet both the Decent Homes Standard and the Lancaster Standard.

5.5.2 In terms of future investment, options are still being formulated and will be presented to Members in due course. As such, no assumptions on future new build have been included in the current programme.

5.5.3 The total draft five year programme for 2014/15 onwards now stands at £24.118M, the majority of which will be financed from revenue sources. There is no prudential borrowing requirement. The HRA is therefore still in a very strong position financially, with flexibility to consider options for rent levels and further investment – but it still must ensure that long-term financial sustainability is not compromised.

6 RENT SETTING POLICY

6.1 In September 2012, Cabinet adopted a HRA medium term financial strategy and rent policy that supported the future needs of the HRA housing stock, whilst enabling the Council to consider using HRA funding in a wider regeneration context.

6.2 Subsequent to that at its meeting on 12 February 2013, Cabinet approved a rent setting policy for the medium term for years 2014/15 to 2016/17 of 1%, 2% and 3% respectively.

6.3 The table below shows that the current rent setting policy (Option 1) is still in line with the 30 year business plan projections presented to Cabinet last February. Therefore, the current rent setting policy will still provide future investment opportunities whilst maintaining the current stock to the required standards.

6.4 The table also shows the impact of delaying the increase in rent by another year, i.e. 0% for 2014/15 then 1%, 2% and 3% thereafter for subsequent years (Option 2). This still seeks to phase in the increase, in line with the rent setting policy, but delays the implementation. The overall impact is to reduce the cumulative 30 year balance by £20M, and it will mean balances will have to be drawn upon in the next two years in order to maintain a balanced budget. That being said, it would still be sustainable in the longer term, in line with Option 1.

30 Year Business Plan – Business Support Reserve & Unallocated Balances	2013/14	2014/15	2015/16	2016/17	30 Year Cumulative Total
Projections as at February 2012	£8.257M	£8.728M	£9.433M	£9.794M	£96.544M
Option 1 – 1%, 2% then 3% thereafter	£8.962M	£9.036M	£9.060M	£9.541M	£94.749M
Option 2 - Re-phasing of increases, 0%, 1%, 2% then 3% thereafter	£8.962M	£8.902M	£8.655M	£8.724M	£74.634M

6.5 Any rent increases above those set out above would also clearly be sustainable and would generate further investment opportunity. However, any proposals less than the above options would need to be modelled to determine their impact on the overall business plan and assessed against the current rent setting policy.

6.6 For information, 2014/15 will be a 52 week rent year, which will be collected over the standard 48 weeks with 4 non-collection weeks.

7 DETAILS OF CONSULTATION

- 7.1 The draft Revenue Budget and Capital Programme was presented to the District Wide Tenants' Forum on 15 January 2014, and relevant minutes from the meeting are attached at **Appendix E**. These show overwhelming support for a 1% increase in rents for 2014/15.

8 OPTIONS AND OPTIONS ANALYSIS (INCLUDING RISK ASSESSMENT)

- 8.1 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.
- 8.2 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.
- 8.3 The two main options available in respect of the 2014/15 rent increase are set out in section 6 of the report.
- 8.4 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.
- 8.5 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.

9 OFFICER PREFERRED OPTION AND COMMENTS

- 9.1 The Officer preferred options are to:
- Approve / refer on the provisions, reserves and balances position as set out;
 - 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.

RELATIONSHIP TO POLICY FRAMEWORK

The budget represents, in financial terms, what the Council is seeking to achieve through its approved Housing Strategy in relation to council housing.

CONCLUSION OF IMPACT ASSESSMENT

(including Diversity, Human Rights, Community Safety, Sustainability etc)
No significant implications directly arising.

FINANCIAL IMPLICATIONS

As set out in the report.

SECTION 151 OFFICER'S COMMENTS

The Section 151 Officer (Chief Officer (Resources)) has contributed to this report.

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 to add.

BACKGROUND PAPERS

None

Contact Officer: Nadine

Muschamp/Suzanne Lodge

Telephone: 01524 582117 / 582701

E-mail: nmuschamp@lancaster.gov.uk

HOUSING REVENUE ACCOUNT DRAFT BUDGET

For Consideration by Cabinet 11 February 2014

	2013/14 Budget £	2013/14 Revised £	2014/15 Budget £	2015/16 Forecast £	2016/17 Forecast £
INCOME					
Rental Income - Council Housing (Gross)	-13,458,000	-13,429,500	-13,545,600	-13,798,000	-14,192,800
Rental Income - Other (Gross)	-217,300	-206,500	-208,700	-212,000	-216,800
Charges for Services & Facilities	-1,758,000	-1,798,900	-1,823,600	-1,860,500	-1,897,000
Grant Income	-7,700	-7,700	-7,700	-7,700	-7,700
Contributions from General Fund	-127,000	-90,600	-87,400	-89,400	-91,200
Total Income	-15,568,000	-15,533,200	-15,673,000	-15,967,600	-16,405,500
EXPENDITURE					
Repairs & Maintenance	3,944,000	3,952,900	4,189,600	4,265,100	4,372,500
Supervision & Management	3,204,500	3,193,100	3,313,900	3,376,100	3,454,300
Rents, Rates, Taxes & Other Charges	139,300	132,100	144,700	169,600	194,700
Increase in Provision for Bad and Doubtful Debts	197,000	180,900	175,000	184,800	195,100
Depreciation & Impairment of Fixed Assets	1,810,800	1,719,900	1,715,900	1,711,200	1,701,900
Debt Management Costs	1,100	1,100	1,100	1,100	1,100
Total Expenditure	9,296,700	9,180,000	9,540,200	9,707,900	9,919,600
NET COST OF HRA SERVICES	-6,271,300	-6,353,200	-6,132,800	-6,259,700	-6,485,900
Interest Payable & Similar Charges	2,080,000	2,080,000	2,041,300	2,006,500	1,967,000
Amortisation of Premiums & Discounts	49,100	49,100	-600	-600	-600
Interest & Investment Income	-27,400	-27,000	-27,400	-26,200	-33,500
Self Financing Debt Repayment	1,041,400	1,041,400	1,041,400	1,041,400	1,041,400
(SURPLUS) OR DEFICIT FOR THE YEAR	-3,128,200	-3,209,700	-3,078,100	-3,238,600	-3,511,600
Adjustments to reverse out Notional Charges included above	-32,100	-36,700	-32,700	-28,000	-18,700
Transfer to/(from) Business Support Reserve	147,900	147,900	0	0	0
Transfer to/(from) Major Repairs Reserve	2,875,300	2,990,600	2,850,100	3,092,400	2,820,400
Transfer to/(from) Earmarked Reserves	27,100	25,700	-22,400	40,100	118,400
Capital Expenditure funded from Revenue	110,000	145,000	210,000	110,000	110,000
TOTAL (SURPLUS) / DEFICIT FOR THE YEAR	0	62,800	-73,100	-24,100	-481,500
Housing Revenue Account Balance brought forward	-350,000	-776,401	-713,601	-786,701	-810,801
HRA BALANCE CARRIED FORWARD	-350,000	-713,601	-786,701	-810,801	-1,292,301



2014/15 BUDGET
HOUSING REVENUE ACCOUNT – RISK & ASSUMPTIONS
FOR CONSIDERATION BY CABINET 11 FEBRUARY 2014



RISK AREA	NOTES/DETAILS
Self financing	<p>Sufficient funds need to be set aside within the Revenue Budget / Major Repairs Reserve in order to ensure that the 30 Year HRA Capital Programme can continue to be financed.</p> <p>Sufficient funds need to be set aside within the Business Support Reserve in order to ensure that the Council's programme for new build council housing and scheme of acquisition of ex-council housing can be fulfilled.</p> <p>Any significant reduction in available capital financing (e.g. through revenue growth) could have an adverse impact on the position.</p> <p>Robust business planning arrangements will need to be maintained that take into account debt financing, stock condition, service budgetary needs, and ongoing Government policy, around rents and inflation.</p>
Rent policy	<p>The council has adopted a medium term financial strategy and has agreed to set a rent policy that supports the future investment needs of its HRA housing stock, and will enable the council to consider council housing in a wider regeneration context. The council is committed to maintaining decent homes, and to building and acquiring new homes.</p> <p>The Government assumed, in its calculation of the debt settlement for self financing, the council will increase its rents in accordance with Government guidelines.</p> <p>The Government is also assuming that from 2015/14 rents in the social rented housing sector would increase by CPI (at September of the previous year) + 1 percentage point annually, for ten years. Under the Government policy they see the majority of existing rented properties in the social housing sector being let at social rents.</p> <p>Setting levels of rent below Government guidelines will reduce the amount of money available for future investment. If rent levels are set significantly below the guideline levels the council would not be able to maintain the reserves to properly fund the future investment needs of the stock, or any new build programme.</p>
Income recovery	<p>The Government welfare reforms still present a higher risk to levels of rent collection and the council may need to increase the contribution to the Bad Debts Provision to reflect future arrears trends. There is a negative effect on future years' budgets if income recovery deteriorates and a positive effect if it improves.</p> <p>The income management team has been strengthened. Adequate Bad Debt Provision will be provided for within the HRA. This will be kept under review.</p>
Void levels	<p>Rent loss through void properties in previous years has been maintained at a low level. Stock turnover has increased over the last twelve months. If this level of turnover is maintained greater allowance may need to be made within the budget for loss of rental income due to voids.</p>

Reduced demand	Overall demand for council housing remains high, and is particularly high for one and two bedroom properties. This demand has informed the council's decision to give priority to building one bedroom accommodation in any new build programme or acquisition scheme. Demand across the council housing stock is monitored and informs the asset management plans.
Stock reductions	<p>The rate of sales in 2013/14 remains low. It is anticipated that this trend is likely to continue in the short to medium term leading to rental income levels being maintained and not impacted by sales. Low sales levels leads to lower levels of capital receipts. Sales impact on the revenue position as income is reduced but many costs are fixed.</p> <p>The Government's objective is to increase the number of sales through the Right to Buy, and is proposing further variations to the discounts available to tenants. At this stage it is difficult to assess the impact but it is anticipated that given the current economic climate sales will not increase. Significant increase in RTB sales would reduce rental streams that would lead to deterioration in the HRA budgetary position unless measures could be taken to reduce costs within the HRA.</p>
Additional capital requirements	Legislation, changes in health and safety standards or the discovery of previously unknown defects may require additional capital expenditure. This is exemplified by the need to increase expenditure on fire precaution works which has been reflected in the capital programme. The council is carrying out a further stock condition survey and maintains a detailed asset register to ensure that the investment needs are regularly reviewed and reflected in the 30 year HRA Business Plan.
Major disasters	Major disasters are generally covered by insurance. The Government also provides support for uninsurable losses incurred by local authorities through the Bellwin scheme.
Effect of Legislation /Regulation	<p>Risks; implications of new legislation / regulation or changes to existing are not identified; funding is not identified to meet the costs associated with changes in statutory requirements; HRA Debt Settlement could be re-opened by Government.</p> <p>Mitigation; effective processes are in place to ensure that implications are identified and raised; The council has processes in place to manage the demands of local and national housing agendas, including the Corporate Plan, MTS and HRA Business Plan</p>
Other events	Lancashire County Council continues to provide an annual grant of approximately £240,000 for 3 contracts providing support services in sheltered housing and community alarm support. County are continuing to reconfigure their commissioning strategy for these services The County Council has not yet identified how future contracts will be awarded.

HOUSING REVENUE ACCOUNT - RESERVES AND PROVISIONS STATEMENT (INCLUDING BALANCES)

For consideration by Cabinet 11 February 2014

	31/03/13		31/03/14		31/03/15		31/03/16		31/03/17	
	£	£	£	£	£	£	£	£	£	£
HRA General Balances	776,402	-62,800	713,602	73,100	786,702	24,100	0	810,802	481,500	1,292,302
Earmarked Reserves:										
Business Support Reserve	8,101,219	0	8,101,219	0	8,101,219	0	0	8,101,219	0	8,101,219
Major Repairs Reserve	0	-4,692,300	0	4,551,800	0	4,794,100	-4,794,100	0	4,522,100	0
Flats - Planned Maintenance	1,095,989	-85,000	1,108,989	133,000	1,061,989	133,000	-50,000	1,094,989	133,000	1,177,989
Central Control Equipment / Telecare	133,089	-93,089	40,000	5,000	40,000	10,000	-19,000	40,000	10,000	40,000
Non-Sheltered Scheme Equipment	46,638	-19,000	32,638	57,000	18,638	57,000	-19,000	9,638	57,000	638
IT Replacement	401,106	-40,000	591,206	3,000	648,206	3,000	49,921	705,206	3,000	762,206
Office Equipment Reserve	80,921	-40,000	43,921	26,600	46,921	25,700	-14,500	49,921	24,700	52,921
Sheltered - Equipment	290,501	-41,300	277,601	28,400	292,701	27,400	-40,000	303,901	26,400	308,101
Sheltered - Planned Maintenance	310,155	-10,000	270,455	18,100	215,855	17,500	-60,000	143,255	16,800	106,655
Sheltered Support Grant Maintenance	197,185	-238,389	216,485	4,822,900	234,585	5,067,700	-4,904,100	252,085	4,793,000	268,885
Total Earmarked Reserves	10,656,803	-4,837,300	10,682,514	4,822,900	10,660,114	5,067,700	-4,904,100	10,700,214	4,793,000	10,818,614

	31/03/14		31/03/15		31/03/16		31/03/17		
	Contribution in Write-offs	Repayments	Contribution in Write-offs	Repayments	Contribution in Write-offs	Repayments	Contribution in Write-offs	Repayments	
Provisions	180,900	3,100	545,023	3,100	581,623	184,800	3,100	620,923	195,100
Bad Debt	-115,800	3,100	-141,500	3,100	-148,600	-155,900	3,100	-155,900	3,100

RESERVES AND PROVISIONS - For Consideration by Cabinet 11 February 2014

	Reason for/purpose	How & when used	Management & control	Reviewed	Recommendations
Capital Reserves					
Major Repairs Reserve (MRR)	Set up following the introduction of Resource Accounting in the HRA. Credited with the amount of depreciation charged to the HRA and topped up with additional funds required to finance the capital programme in-year.	Applied in full to capital improvements to HRA housing stock (specifically excluding demolition).	Health & Housing /Resources	Budget & Outturn	Retain as budgeted.
Business Support Reserve	Established to provide support to additional business plan commitments and planned investment opportunities.	Use of the reserve to be approved by Cabinet. Contributions to the reserve to be approved annually as part of the budget.	Health & Housing /Resources	Budget & Outturn	Retain as budgeted.

Revenue Reserves	Reason for/purpose	How & when used	Management & control	Reviewed	Recommendations
Flats – Planned Maintenance Reserve	Established to smooth the costs of major revenue and capital works to flats funded from Service Charges.	Contributions from Service Charges made to this reserve, together with additional appropriations in lieu of interest. Reserve to be applied to major works to communal facilities in flats.	Health & Housing /Resources	Budget & Outturn	Retain as budgeted.
Central Control Equipment Reserve / Telecare	Established to smooth the costs of major renewal or replacement of Central Control Equipment and systems	Reserve is to be applied to renewal or replacement of major items of equipment and systems. Also used for chargeable enhancements throughout the life of the system.	Health & Housing /Resources	Budget & Outturn	Retain as budgeted, but to be reviewed once County Council's commissioning strategy and future contracting arrangements are clear.
Non-sheltered scheme equipment	Established to fund purchases of equipment for non-sheltered schemes funded from Service Charges.	Contributions from Service Charges made to this reserve, together with additional appropriations in lieu of interest. Reserve to be applied to purchases of equipment for non-sheltered schemes.	Health & Housing /Resources	Budget & Outturn	Retain as budgeted.

	Reason for/purpose	How & when used	Management & control	Reviewed	Recommendations
IT Replacement	Established to fund future major IT systems replacement.	To be applied to future replacements.	Health & Housing /Resources	Budget & Outturn	Retain as budgeted.
Office Equipment Reserve	Established to fund purchases of minor IT and other office equipment.	Used to fund ad-hoc purchases of major office furnishings resultant from health & safety legislation and risk assessments (desk, chairs, cabinets etc) and minor office equipment items e.g. pc upgrades.	Health & Housing /Resources	Budget & Outturn	Retain as budgeted.
Sheltered Equipment Reserve	Established to fund purchases of equipment for Sheltered schemes funded from Service Charges.	Contributions from Service Charges made to this reserve, together with additional appropriations in lieu of interest. Reserve to be applied to purchases of equipment for common area services for Sheltered schemes.	Health & Housing /Resources	Budget & Outturn	Retain as budgeted.
Sheltered – Planned Maintenance	Established to smooth the costs of major revenue and capital works to flats funded from Service Charges	Contributions from Service Charges made to this reserve, together with additional appropriations in lieu of interest. Reserve to be applied to major works to communal facilities in Sheltered schemes.	Health & Housing /Resources	Budget & Outturn	Retain as budgeted.

	Reason for/purpose	How & when used	Management & control	Reviewed	Recommendations
Sheltered – Support Grant Maintenance	Established to fund purchases of equipment for Sheltered schemes funded from Service Charges, but classed as Support Costs under County Guidelines.	Contributions from Service Charges made to this reserve, together with additional appropriations in lieu of interest. Reserve to be applied to major works to communal facilities in Sheltered schemes.	Health & Housing /Resources	Budget & Outturn	Retain as budgeted.

	Reason for/purpose	How & when used	Management & control	Reviewed	Recommendations
Provisions Bad Debts	This provision is used to write off all Housing Revenue Account bad debts that have been approved.	The provision is funded by an annual contribution based on assessment of the level of debt outstanding.	Resources	Budget & Outturn	As budgeted.

APPENDIX E

District-wide Tenants' Forum: Wednesday 15th January 2014

Item 5. Housing Revenue Account – delivering the business plan

a) **Proposed capital and planned maintenance programme 2014 / 2015**

“The Principal Housing Manager updated the Forum on the revisions that had taken place to the 2013/2014 capital programme, and outlined the proposed capital and planned maintenance programme for 2014/15 to 2017/2018. The Forum was taken through the detail of the 2014/2015 programme. Particular attention was brought to the investment in energy efficiency and renewable technologies measures, the spending of fire precaution works , the remodelling of the category 2 sheltered housing schemes bed sits and the programme that had been established to upgrade the communal areas of the general needs flats.

The Forum welcomed the proposals, and supported the programme. The Forum was advised that a stock condition survey was being undertaken and that this would advise on future investment needs.

b) **Rent increase 2014 / 15**

The Forum considered the proposed rent increase for 2014/2015 and were advised that the recommendation of Councillor Leytham was that rents should increase by 1% in 2014/2015 in-line with the Cabinet resolution made in February 2013.

The Forum were advised that the Consumer Price Index (CPI) in September grew by 2.7% and in December 2013 the CPI was 2%. There was still an expectation by Government the rents in the social rented sector should increase by CPI plus 1% in future years and this would form the basis of the Government's rent setting policy from April 2015. The Forum was reminded that the council had the freedom to set its rent levels, and that the proposed 1% increase for 2014/2015 would still ensure that the current 5 year capital programme was funded.

The views of the Forum were sought and the overwhelming view was that the proposed 1% increase in rent should be supported. A tenant representative commented that council housing rents represented excellent value compared with other housing providers.”