

## CABINET

6.00 P.M.

17TH JANUARY 2017

**PRESENT:-** Councillors Eileen Blamire (Chairman), Janice Hanson (Vice-Chairman), Darren Clifford, Brendan Hughes, James Leyshon, Margaret Pattison and Anne Whitehead

Apologies for Absence:-

Councillor Karen Leytham

Also present: Councillor Caroline Jackson (Minute 48)

Officers in attendance:-

Susan Parsonage	Chief Executive
Nadine Muschamp	Chief Officer (Resources) and Section 151 Officer
Mark Davies	Chief Officer (Environment)
Suzanne Lodge	Chief Officer (Health and Housing)
Liz Bateson	Principal Democratic Support Officer

#### 44 MINUTES

The minutes of the meeting held on 6<sup>th</sup> December 2016 were approved as a correct record.

#### 45 ITEMS OF URGENT BUSINESS AUTHORISED BY THE LEADER

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

#### 46 DECLARATIONS OF INTEREST

No declarations were made at this point.

#### 47 PUBLIC SPEAKING

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

#### 48 REPORTS FROM OVERVIEW AND SCRUTINY

**(Cabinet Member with Special Responsibility Councillor Hanson)**

Councillor Caroline Jackson presented a report from the Overview and Scrutiny Committee which advised Cabinet of the outcome of the call-in of the Cabinet decision in relation to the Heysham Gateway (Cabinet Minute 38) and requested Cabinet to consider the recommendations of the Overview and Scrutiny Committee, as follows:

- (1) Our belief that understanding of Cabinet's decisions in relation to property development and disposal will be enhanced and the need for calling-in decisions will be reduced if additional information is shared with Overview and Scrutiny Members.

Therefore, when Cabinet is asked to approve the disposal of each parcel of land on Heysham Gateway, such additional information should include presentation of the development appraisals for purchasers.

- (2) Our interpretation of the reference in resolution 3 to “the principles at section 4.11 of the report” is that this is equivalent to “a decision in principle” and that it is therefore not a mandatory decision to follow the section to the letter in every case.

This interpretation is based on information – not spelled out in the original report to Cabinet but - provided to Overview and Scrutiny Members during a site visit to the Heysham Gateway on 3<sup>rd</sup> January 2017.

- (i) That key larger plots will be sold on long leasehold (rather than as freeholds) to allow both local authorities to retain sufficient control over the site to maintain over a long period the environmental and other standards expected in a quality industrial park.
- (ii) That in line with option B3, smaller plots will be disposed of in ways that will accommodate the differing needs of smaller and start-up businesses that may require 25 year leases or licences to occupy developed sites for short periods subject to costs of remediation of the land not inhibiting such development.
- (iii) That Cabinet will receive an accurate acreage of its landholding in the area, both total and developable.
- (3) That opportunities may arise for sharing of heating or power supplies within an integrated business/industrial park and that nothing in Cabinet’s December 2016 decision would prevent the City Council from developing units within the Heysham Gateway for short term occupational lease should it decide to emphasise obtaining future revenue from the site, rather than using its landholdings to generate capital receipts as is the current focus of the County Council.

Councillor Hanson proposed, seconded by Councillor Leyshon:-

“That the report be noted.”

Councillors then voted:-

***Resolved unanimously:***

- (1) That the report be noted.

## **49 ST. LEONARD'S HOUSE**

**(Cabinet Member with Special Responsibility Councillor Leyshon)**

Cabinet received a report from the Chief Officer (Resources) which sought a decision on a proposed variation to the draft heads of terms for the disposal of St. Leonard’s House, as previously submitted to Cabinet in the report dated 29 March 2016.

The options, options analysis, including risk assessment and officer preferred option,

were set out in the report as follows:

	<b>Option 1: Do nothing</b>	<b>Option 2: Approve the deed of variation</b>
Advantages	Keeps the Council's buy-back provision in place and unchanged.	Removes a significant unforeseen financial liability from the redevelopment that would impact on its overall financial viability.
Disadvantages	Introduces a significant unforeseen financial liability to the redevelopment that would impact on its overall financial viability.	Some potential still remains for delay between the signing of the building contract and work starting on site. By approving this deed of variation the Council waives its right to buy back the freehold interest in the event of significant delay during that period.
Risks	<p>As outlined earlier.</p> <p>The impact of the additional Stamp Duty Land Tax could affect the scheme to the extent that it may not be financially viable to proceed and the ongoing costs, risks and liabilities for the building would remain with the Council, at least for a time.</p> <p>This risk is not worth taking, given the deed of variation now proposed.</p>	<p>As outlined earlier.</p> <p>Although a legally binding building contract would be in place prior to freehold transfer the Council would not be party to it and therefore would have no rights to enforce it beyond its existing planning powers from that point onwards.</p> <p>The risks involved are considered small and acceptable however, given progress being made and the commitment being demonstrated by Robertsons.</p>

With regards to the proposed deed of variation, the officer preferred option is to approve Option 2 i.e. approve the deed of variation. Officers consider that doing so will protect the financial viability of the redevelopment proposal and that the existence of a signed legally binding copy of the building contract for the development provides enough certainty to be comfortable that the building work will proceed, especially when combined with the significant time and financial investment Robertson has already put into the scheme.

The report provided a solution to a technical Stamp Duty Land Tax implication of the buy-back clause introduced during the drafting of the heads of terms that has only become apparent through process as the project has developed. The acceptance of the deed of variation would give the redevelopment of St. Leonard's House and all the advantages associated with it the best chance of success by simply adjusting the point at which the Council waives its right to buy-back the freehold interest in the building.

Councillor Leyshon proposed, seconded by Councillor Hanson:-

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

Councillors then voted:-

***Resolved unanimously:***

- (1) That Officers be authorised to incorporate the proposed deed of variation, as set out in section 2 of the report, into the conditional purchase contract for Robertsons to acquire St. Leonard’s House.

**Officer responsible for effecting the decision:**

Chief Officer (Resources)

**Reasons for making the decision:**

Robertsons have already committed significant resources into this project, both in time and financial terms and are currently targeting a start date of April 2017 with a view to the building opening in time for the start of the University year in 2018. With any new student accommodation development it is essential that they are open for business at the start of a new University year and therefore any significant delays at this point could potentially push the opening back to the start of the following University year in 2019 – and have implications for the scheme’s viability.

**50 BUDGET & POLICY FRAMEWORK UPDATE 2017-21 - GENERAL FUND REVENUE BUDGET AND CAPITAL PROGRAMME**

**(Cabinet Member with Special Responsibility Councillor Whitehead)**

Cabinet received a report from the Chief Officer (Resources) which provided information on the latest budget position for current and future years, to inform Cabinet’s budget and policy framework proposals and to allow it to make final recommendations to Council regarding council tax levels for 2017/18.

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

Options are dependent very much on Members’ views on spending priorities balanced against council tax levels. As such, a full options analysis could only be undertaken once any alternative proposals are known and it should be noted that Officers may require more time to do this. Outline options are highlighted below, however.

- Regarding council tax, two basic options are set out at section 6 of the report. Other alternative options can be modelled at Cabinet’s request.
- With regard to including savings and growth options to produce a budget in line with preferred council tax levels, any proposals put forward by Cabinet should be considered affordable, alongside the development of priorities. Emphasis should be very much on the medium to longer-term position.

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

The two-phased budget strategy adopted by Cabinet is considered to be an effective way of managing the main risks of budget affordability and financial sustainability, by allowing more time for prioritisation and planning.

Generally Officer preferred options are reflected in the recommendations, with the exception of council tax.

In view of the level of savings still needed in future years, the ongoing impact that council tax freezes have, the Council's current financial strategy and the fact that the Council is not yet clear about how and when it will achieve a financially sustainable budget, the Officer preferred option for council tax is to retain the existing £5 year on year increase, subject to confirmation of local referendum thresholds. Although a budget surplus is currently forecast in next year, one-off spending pressures could easily swallow that up.

The Officer preferred option would change only if the Council fundamentally reduces its ambitions regarding service delivery, evidenced through the adoption of a clear statement and strategy for doing so.

The Council's financial challenges continue and in order to protect its future viability, it has no real choice other than to focus on balancing its budget for the medium term. The two-phased budget strategy adopted is in support of this aim, as is the Council's wider financial strategy. The approach also allows the Council to respond to new information and developments and this is crucial, given the forthcoming fundamental finance reforms underway and the huge inherent uncertainties that currently exist.

Councillor Whitehead proposed, seconded by Councillor Pattison:-

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

Councillors then voted:-

***Resolved unanimously:***

- (1) That the 2016/17 Revised Budget be referred on to Budget Council for approval, with the net overspending of £39K being met by reducing the in-year contribution to Balances from £56K to £17K.
- (2) That Council be recommended to approve a City Council tax increase of £5 for 2017/18, together with a year on year target of £5 for future years, subject to local referendum thresholds.
- (3) That Cabinet approves its initial budget proposals as set out in the following Appendices to the supplementary information report:

***Appendix 1:*** Savings and growth for implementation following approval at Budget Council.

**Appendix 2:** Savings and growth options to be developed and considered during 2017/18, to inform corporate planning, prioritisation and budget setting for 2018 to 2022.

- (4) That the above proposals and the resulting Revenue Budget position and Capital Programme for 2017/18 onwards, as set out at Appendices 3 and 4 of the supplementary information report respectively, be referred on to Council for initial consideration as well as being presented for scrutiny at the open meeting of Budget and Performance Panel, in order that feedback can be provided to Cabinet at its February meeting.
- (5) That drawing on the above, it be noted that:
- regard to the advice of the section 151 Officer. currently the revenue budget proposals for 2017/18 are balanced, allowing for a net contribution to earmarked reserves in next year, but some key figures (such as the provisional Settlement) are still subject to change;
  - there is still a need to make estimated savings of £414K in 2018/19, rising to £2.117M by 2020/21,
  - the planned local government finance reforms scheduled for 2020 create huge uncertainties, and it is essential that the Council develops its understanding and monitors the potential implications in order that it can respond positively and appropriately, as Government’s plans become clearer.
- (6) That at its February meeting Cabinet considers the use of available Reserves and Balances in support of finalising its Budget and Medium Term Financial Strategy (MTFS) proposals to 2021, having regard to the advice of the section 151 officer.

**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 2017/18.

**51 BUDGET & POLICY FRAMEWORK UPDATE 2017-21 - HOUSING REVENUE ACCOUNT AND CAPITAL PROGRAMME**

**(Cabinet Member with Special Responsibility Councillor Leytham)**

Cabinet received a joint report from the Chief Officer (Health and Housing) and Chief Officer (Resources) which provided an update on the council housing budgetary position and sought Cabinet’s decisions on council housing rent levels for 2017/18 and targets for future years. It also sought approval of Cabinet’s supporting revenue budget and capital programme proposals for referral on to Budget Council, in order to complete the HRA budget setting process for 2017/18.

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

There is currently no other alternative available in respect of 2017/18 housing rent setting, given legislative requirements.

In terms of garage rents, options are presented in order to be comparable with other providers whilst remaining competitive, as set out in section 2 of the report. Cabinet may either choose to support the Officer preferred option for a phased increase to help smooth the impact, or retain existing rents, or introduce increases sooner, although the latter may generate more customer resistance.

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 £500,000 in line with the advice of the Section 151 Officer, retain at £350,000 or 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 auditor.

With regards to the growth proposals as set out in section 6 of the report, Cabinet should consider the costs and benefits of the proposals and whether they are affordable, in particular over the medium to longer term.

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:

- Set housing rent levels in line with Government legislation.
- Approve the changes to garage rents as proposed in the report.
- Approve / refer on the provisions, reserves and balances position as set out.
- Use balances to help fund the ASB growth item, subject to the associated General Fund proposal being approved.
- Approve / refer on other revenue and capital budget proposals as set out.

Councillor Whitehead proposed, seconded by Councillor Clifford:-

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

Councillors then voted:-

***Resolved unanimously:***

- (1) That the Housing Revenue Account Revised Budget for 2016/17, as set out at Appendix A to the report, be referred on to Council for approval, with the net overspending of £143K being met from Balances.
- (2) That the minimum level of HRA unallocated balances be increased from £350,000 to £500,000 from 01 April 2017, and that the full Statement on Reserves and Balances as set out at Appendix C to the report (as updated to reflect Cabinet's final budget proposals) be endorsed and referred on to Budget Council for approval.
- (3) That council housing rents be set in accordance with statutory requirements as follows:
  - for general properties let as at 01 April 2017, average rent be set at £71.69 for 2017/18, representing a reduction of 1% from the previous year;
  - for sheltered and supported housing properties let as at 01 April 2017, average rent be set at £66.97 for 2017/18, representing a reduction of 1% from the previous year,
  - for 2018/19 to 2019/20 further average rent reductions be set at 1% year on year; and
  - for any relevant property becoming void the following policy be re-affirmed, in that they continue to be re-let at 'formula rent' less the relevant cumulative year on year % reduction applicable (i.e. generally 2% for 2017/18 rising to 4% in 2019/20).
- (4) That beyond 2019/20, it be noted that the HRA Business Plan forecasts assume that council housing rents revert to increasing by 2% year on year, but this is subject to annual review and any future determinations that may be issued by Government from time to time.
- (5) That for 2017/18, all garage rents be increased by the Consumer Price Index (CPI) plus £1, with an additional CPI + £1 increase in each subsequent year until 2019/20, with CPI increases thereafter.
- (6) That subject to approval of a fixed term growth item for tackling anti-social behaviour, the associated HRA contribution be met from Balances.
- (7) That the resulting Housing Revenue Account budget for 2017/18 onwards as currently set out in Appendix A to the report, but subject to any changes arising from the above, be referred on to Budget Council for approval.
- (8) That the Capital Programme as set out at Appendix D to the report be referred on to Budget Council for approval.
- (9) That the above recommendations for the Housing Revenue Account be reflected within the Council's draft Medium Term Financial Strategy (MTFS) as



appropriate.

**Officers responsible for effecting the decision:**

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

**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. The decision ensures there are sufficient resources to maintain and manage the Council's Housing Revenue Account (HRA) assets.

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Chairman

(The meeting ended at 6.50 p.m.)

**Any queries regarding these Minutes, please contact  
Liz Bateson, Democratic Services - telephone (01524) 582047 or email  
ebateson@lancaster.gov.uk**

**MINUTES PUBLISHED ON THURSDAY 19 JANUARY, 2017.**

**EFFECTIVE DATE FOR IMPLEMENTING THE DECISIONS CONTAINED IN THESE MINUTES:  
FRIDAY 27 JANUARY, 2017.**

**MINUTE 48 – CALLED-IN CABINET MINUTE 38 IS NOT SUBJECT TO CALL-IN AND MAY BE  
IMPLEMENTED WITH IMMEDIATE EFFECT.**