

CABINET

6.00 P.M.

15TH JANUARY 2019

PRESENT:- Councillors Eileen Blamire (Chairman), Janice Hanson (Vice-Chairman), Nathan Burns, Darren Clifford, Margaret Pattison and Anne Whitehead

Apologies for Absence:-

Councillors Brendan Hughes and Andrew Warriner

Officers in attendance:-

Susan Parsonage	Chief Executive
Kieran Keane	Assistant Chief Executive
Daniel Bates	Interim Financial Services Manager/Section 151 Officer
David Brown	Interim Head of Legal and Democratic Services and Monitoring Officer
Mark Davies	Director for Communities and the Environment
Jason Syers	Director for Economic Growth and Regeneration
Richard Crompton	Interim Regeneration Manager
Paul Rogers	Senior Regeneration Officer
Liz Bateson	Principal Democratic Support Officer

70 MINUTES

The minutes of the meeting held on Tuesday 18 December 2018 were approved as a correct record.

71 ITEMS OF URGENT BUSINESS AUTHORISED BY THE LEADER

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

72 DECLARATIONS OF INTEREST

No declarations were made at this point.

73 PUBLIC SPEAKING

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

74 BUDGET & POLICY FRAMEWORK UPDATE 2019-23

(Cabinet Member with Special Responsibility Councillor Whitehead)

Cabinet received a report from the Interim Head of Financial Services, which provided an update on the Council's budget strategy for 2019/20, and financial outlook up to 2023/24. Specifically the report considered budget and council tax proposals for 2019/20.

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

were set out in the report as follows:

Regarding the budget strategy, Cabinet may approve the proposals as set out in the report, or require changes to be made to the suggested approach. The overriding aim of any budget setting process is to approve a balanced budget by statutory deadlines, allocating resources to help ensure delivery of the Council's corporate and service ambitions. The proposed approach is in line with that broad aim and any changes that Cabinet puts forward should also be framed in that context.

In term of the actual budget position, this report puts forward a balanced budget. If Cabinet agrees the budget then it will form their proposal to Budget Scrutiny Panel on 22 January 2019 and to Council on 30 January 2019. These meetings, in turn, will inform the final budget proposal to be considered by Council on 27 February 2019.

Councillor Whitehead proposed, seconded by Councillor Burns:-

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

Councillors then voted:-

Resolved unanimously:

- (1) That Cabinet recommends to Council a 2.99% increase in the Lancaster City Council element of the Council Tax as set out in paragraph 3.4 (option 1) of the report attached to the agenda.
- (2) That the initial budget proposals as set out in paragraph 4.3 and Appendix 1) of the report be recommended to Council.
- (3) That the recommendations and proposals in this report be referred to Council on 30 January for initial consideration as well as being presented for scrutiny by Budget and Performance Panel on 22 January, in order that any feedback can be provided to Cabinet at its 12 February meeting.

Officer responsible for effecting the decision:

Interim Head of Financial Services

Reasons for making the decision:

The budget represents in financial terms what the Council is seeking to achieve through its Framework. The decision enables Cabinet to make recommendations back to Council in order to complete the budget setting process for 2019/20.

75 PROPOSED GOVERNANCE ARRANGEMENTS FOR INVESTMENT STRATEGY

(Cabinet Members with Special Responsibility Councillors Blamire & Hanson)

Cabinet received a report from the Monitoring Officer, which provided a proposal for the governance of investment decisions for Cabinet to consider and refer to full Council, if appropriate.

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

	Option 1: Approve	Option 2: Not Approve
Advantages	Creates the opportunity for commercial investment decisions to be made	No change
Disadvantages	None	No change
Risks	New system of working which may increase risk	No effective commercial investment occurs

The officer preferred option is that the paper attached to the report be approved and referred to full Council.

Councillor Blamire proposed, seconded by Councillor Hanson:-

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

Councillors then voted:-

Resolved unanimously:

- (1) That the draft Council report in Annex A to the report be referred to full Council for approval.

Officer responsible for effecting the decision:

Interim Head of Legal & Democratic Services

Reasons for making the decision:

The City Council is proposing considering opportunities for commercial investments. The commercial timetable for investments is often competitive and fast moving. The proposals provide for much earlier engagement between Officers, Cabinet Members and Scrutiny and will allow for sufficient flexibility in respect of delegated authority to enable proper evidence led scrutinised decisions to be made in a timely manner.

DETAILED INVESTMENT STRATEGY PROPOSALS

(Cabinet Members with Special Responsibility Councillors Hanson & Whitehead)

Cabinet received a report from the Interim Financial Services Manager to consider the Property Investment Strategy and refer to full Council, if appropriate.

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

	Option 1: Approve	Option 2: Not Approve
Advantages	The prospect of long term financial resilience to help	None

	maintain the provision of good quality council services	
Disadvantages	New ways of working and adapting reasonably quickly to new approaches.	A series of hard and unpalatable decisions will need to be taken on cuts and service reductions.
Risks	Commercial property investment brings some risks and these are covered in some detail in this report.	Potential financial instability delivery of services being reduced.

Option 1 is the officer preferred option as the development of a robust Property Investment Strategy is the next logical step following the agreement by Cabinet to the principles of the *Funding the Future* Financial Resilience Strategy. Cabinet is asked to consider the paper attached to the report and refer to full Council for approval.

Councillor Whitehead proposed, seconded by Councillor Hanson:-

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

Councillors then voted:-

Resolved unanimously:

- (1) That the draft Council report as set out in Appendix 1 to the report be referred to full Council for approval.

Officer responsible for effecting the decision:

Interim Financial Services Manager

Reasons for making the decision:

Cabinet approved the principles of the Property Investment Strategy in December 2018. The Property Investment Strategy has been developed to reflect the aspiration in Funding the Future and Medium Term Financial Strategy to seek a return from commercial property investments in order to contribute to the revenue budget and protect service provision.

77 DISCRETIONARY RATE RELIEF POLICY UPDATE - RETAIL DISCOUNT (BUSINESS RATES)

(Cabinet Member with Special Responsibility Councillor Whitehead)

Cabinet received a report from the Interim Financial Services Manager, which sought approval of a draft Discretionary Retail Discount Scheme, designed in line with MHCLG guidance and financed by Government grant, to provide financial support to occupied ‘retail’ businesses for a two year period from April 2019, in recognition of changing consumer behaviour in the high street.

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

Option 1 – Agree to the proposal as recommended

This policy sets out a formal approach to distributing this new discretionary retail relief, providing guidance for officers and a consistent platform in dealing with applications. The approach adopted seeks to maximise use of the grant in an open and equitable way, drawing on Government guidance, and therefore risks associated with any challenge are considered small and manageable.

Option 2 – Suggest amendments to the proposed policy

Any such amendments would need to have regard to statutory requirements, and therefore should this option be chosen, extra time will be needed to consider the full implications prior to the re-consideration of an amended policy. There is some reputational risk associated with further delay as the Government are keen for billing authorities to have their scheme up and running in time for annual billing.

Option 3 – Do nothing and refuse all applications.

A blanket policy of refusal leaves the Council vulnerable to an appeal to the Local Government Ombudsman, which could result in a charge of maladministration.

The officer preferred option is that Option1 be approved. The policy enables a formal approach to decision making, with criteria in line with Government guidance, benefiting small to medium retail businesses on the high street.

Councillor Whitehead proposed, seconded by Councillor Pattison:-

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

Councillors then voted:-

Resolved unanimously:

- (1) That the Discretionary Retail discount Scheme as set out at Appendix A to the report (and as per option 1 in the report) be approved, effective from April 2019.

Officer responsible for effecting the decision:

Interim Financial Services Manager

Reasons for making the decision:

The decision is consistent with the Council Plan ambition of a thriving and prosperous economy, creating strong conditions for growth so that businesses thrive and jobs are created. The proposals are considered to be a fair and reasonable way to distribute available funds, drawing on Government guidance.

78 EXCLUSION OF THE PRESS AND PUBLIC

In order to enable Cabinet to refer to the exempt appendix if necessary, it was moved by Councillor Clifford and seconded by Councillor Pattison and resolved unanimously:-

Resolved unanimously:

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

79 LANCASTER CATON ROAD (PHASE 3) FLOOD RISK MANAGEMENT SCHEME**(Cabinet Member with Special Responsibility Councillor Hanson)**

Cabinet received a report from the Assistant Chief Executive to update Members on the design phase of the proposed River Lune flood defence scheme and to consider the current scheme costs and status of all secured and potential match-funding contributions from external sources. The report considers the council's funding position on the basis that there are currently insufficient external resources available to fund the estimated construction cost. On the information presented on scheme costs and funding, Members are asked whether to fund the projected balance of scheme costs and whether to proceed towards a construction contract and project implementation.

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

	Option 1: Members accept there is insufficient funding to enable the project to proceed.	Option 2: Members agree: a) a contribution of £847K towards the capital costs of the scheme; b) to accept an offer of ERDF funding and for officers to formally secure the anticipated business contributions; c) Officers complete the design/target cost package and agree a contract for Stage 2 capital works with VBA Joint Venture Limited (subject to the approval of enough funding to meet scheme costs).	Option 3: Members agree: a) A lower council contribution and ask officers to secure additional private contributions and/or cost savings to meet the balance of scheme costs. b) Officers report to February Cabinet on the cost / funding position.
Advanta	No further direct capital cost / project delivery risk to the council.	Provides a comprehensive solution to fluvial / pluvial flood risk on the Caton Road industrial estates.	Potential to deliver same advantages as Option 2. Sets out a level of financial commitment the

	<p>Gives certainty on the council's position.</p> <p>Scheme design completed to take advantage of any future funding opportunities.</p>	<p>Provides a range of economic, investment and environmental benefits.</p> <p>Sets out a clear council commitment to businesses/asset holders in the area and incentive for private contributions to be secured.</p> <p>Demonstrates delivery to Government and EA boosting chances for future scheme funding.</p> <p>Potential indirect future benefit to Council's "bottom line" budget in increased rate retention.</p>	<p>council is willing to make to businesses / asset holders in the area.</p> <p>Ensures a focussed negotiation.</p> <p>Lower additional growth to be absorbed by the council's budget.</p>
Disadvantages	<p>Business, investment, economic and environmental benefits may not be realised for some time, if at all.</p> <p>Area continues to be vulnerable to severe flooding impacts with implications for commercial interests and the public.</p> <p>Loss of current funding opportunities.</p>	<p>Involves the council taking the delivery/funding risks on a major project.</p> <p>Additional cost to the General Fund revenue budget of £17K per annum for 50 years.</p> <p>Completion of construction contract details and funding package must be undertaken to meet ERDF and Government deadlines as well as meeting practical "tree felling" window. (refer to para 3.7)</p> <p>Maintenance of the proposed flood defence will be with the council as Risk Management Authority (Refer to Financial Implications)</p> <p>Disruption in the area during construction – particularly to amenity of Lune cycle path.</p>	<p>Disadvantages are as Option 2 and:</p> <p>Makes securing a funding package to meet ERDF / Government deadlines more difficult.</p> <p>While at a lower amount a certain level of growth will still need to be absorbed in the budget.</p> <p>The project will not be contracted in time to meet the "tree-felling" window delaying a practical start to construction and increasing costs (refer to para 3.7)</p>
Risks	Reputational risks of being unable to	In terms of delivering a construction contract all	Risks are as Option 2 and:

	<p>proceed with a scheme.</p> <p>Construction cost increases over time.</p> <p>Leaves an unacceptably high level of flood risk leading to the likelihood of businesses closing or moving away and impacts on the city in terms of accessibility during flood events.</p>	<p>additional resource requirements have been costed into the scheme and the council is experienced in managing major flood defence scheme with complex funding packages.</p> <p>Construction risks minimised through costed risk register.</p> <p>Private sector funding needs to be formally secured via contract.</p>	<p>On current information the private sector contributions outlined in the report represent the maximum officers believe can be secured.</p>
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Officer Preferred Option (and comments)

In Option 1 Members accept there is insufficient funding to enable the project to proceed, it should be noted that major businesses have for some time been encouraged to consider the major benefits of investing in the scheme and Members have previously noted that there may be insufficient funding to enable the project to proceed. However, the private sector response means the funding gap cannot be bridged. Even with additional business contributions there would still be a shortfall, and, if the scheme is to proceed the only realistic option is for the city council to provide funding.

If Members wish to proceed the critical question is the affordability and scale of the council's contribution. The preferred option is Option 2: Members agree: a contribution of £847K towards the capital costs of the scheme; to accept an offer of ERDF funding and for officers to formally secure the anticipated business contributions; officers complete the design/target cost package and agree a contract for Stage 2 capital works with VBA Joint Venture Limited (subject to the approval of enough funding to meet scheme costs).

Option 2 will result in an additional cost of £17K per annum to the council's challenging budget profile but allows officers to progress the construction contract details, bring more certainty to funders/deliverability and ensures the challenging contracting deadlines have the best prospect of being achieved. It provides an incentive to secure private sector contributions – which are still “at risk” and challenging to secure - and savings can be driven through the construction period. There is also a “back-stop” of February Cabinet should any issues arise prior to contract that require Member input.

Should Members consider a contribution of this scale unaffordable Option 3 Members agree: a lower council contribution and ask officers to secure additional private contributions and/or cost savings to meet the balance of scheme costs can be considered. However, this imposes additional pressure on timescales and would also mean that the “tree-felling” window was missed increasing costs as no substantive work

could be done over summer. Officers would report back to February Cabinet.

Under Stage 1 officers, with EA approval, have to date spent £550K (comprising £200K FDGiA and £350K North West Regional Flood and Coastal Committee (RFCC)) on design development. A further £133K FDGiA funds will be required to take the scheme to the full details for Stage 2 construction contract. These funds have been approved (refer to Financial Implications).

Councillor Hanson proposed, seconded by Councillor Clifford:-

“That the revised recommendations, as set out below, be approved:-

- (1) That Members note that spend to date on Stage 1 is £550K (comprising £200K FDGiA and £350K North West Regional Flood and Coastal Committee funds) and that a further £133K FDGiA funds will be expended to develop the detail required for the Stage 2 construction contract.
- (2) That Cabinet agree a contribution of up to £847K towards the capital costs of the scheme, and growth of £17K per annum revenue costs of this capital investment should the scheme proceed to contract;
- (3) That in order to ensure major construction work can proceed over the spring/summer period and avoid the need for contractual stand-still to account for nesting birds, a sum of £92K of the council's approved capital funding is used to undertake tree felling, site-clearance and other preparatory works in anticipation of the main contract being agreed.
- (4) That on receipt of a formal letter the council accepts an offer of up to £3.85M ERDF funds for the scheme, formal acceptance of the offer being delegated to the Section 151 Officer.
- (5) That Officers move to formally secure the anticipated business contributions via contract deed;
- (6) That Officers complete the design/target cost package and a contract is agreed for Stage 2 capital works with VBA Joint Venture Limited (subject to securing the funding to meet scheme costs as set out in the table in paragraph 2.17 of this report and acceptance of this by Section 151 Officer)
- (7) That delegated authority be given to the Section 151 Officer to update the General Fund Revenue Budget and Capital Programme to reflect the decisions as set out in the above recommendations.”

Councillors then voted:-

Resolved unanimously:

- (1) That Members note that spend to date on Stage 1 is £550K (comprising £200K FDGiA and £350K North West Regional Flood and Coastal Committee funds) and that a further £133K FDGiA funds will be expended to develop the detail required for the Stage 2 construction contract.

- (2) That Cabinet agree a contribution of up to £847K towards the capital costs of the scheme, and growth of £17K per annum revenue costs of this capital investment should the scheme proceed to contract;
- (3) That in order to ensure major construction work can proceed over the spring/summer period and avoid the need for contractual stand-still to account for nesting birds, a sum of £92K of the council's approved capital funding is used to undertake tree felling, site-clearance and other preparatory works in anticipation of the main contract being agreed.
- (4) That on receipt of a formal letter the council accepts an offer of up to £3.85M ERDF funds for the scheme, formal acceptance of the offer being delegated to the Section 151 Officer.
- (5) That Officers move to formally secure the anticipated business contributions via contract deed;
- (6) That Officers complete the design/target cost package and a contract is agreed for Stage 2 capital works with VBA Joint Venture Limited (subject to securing the funding to meet scheme costs as set out in the table in paragraph 2.17 of this report and acceptance of this by Section 151 Officer)
- (7) That delegated authority be given to the Section 151 Officer to update the General Fund Revenue Budget and Capital Programme to reflect the decisions as set out in the above recommendations.

Officers responsible for effecting the decision:

Assistant Chief Executive
Interim Financial Services Manager

Reasons for making the decision:

The proposals provide a comprehensive solution to fluvial/pluvial flood risk and will provide a range of economic, investment and environmental benefits, setting out a clear council commitment to businesses/asset holders in the area and incentive for private contributions to be secured. There remains an acute need to promote this scheme to help secure its delivery and the proposed course of action represents the most appropriate route towards achieving a positive outcome, both meeting the council's regeneration objectives and having wider social, economic and environmental impacts.

Chairman

(The meeting ended at 6.20 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 MONDAY 21 JANUARY 2019.

**EFFECTIVE DATE FOR IMPLEMENTING THE DECISIONS CONTAINED IN THESE MINUTES:
TUESDAY 29 JANUARY, 2019.**