

COUNCIL

SUMMONS

To the Mayor and Members of Carlisle City Council

You are summoned to attend the Special Meeting of Carlisle City Council which will be held on **Tuesday, 03 February 2015 at 18:45**, in the **Council Chamber, Civic Centre, Carlisle, CA3 8QG**



Director of Governance

AGENDA

1. The Mayor will invite the Chaplain to say prayers.
2. The Town Clerk and Chief Executive will open the meeting by calling the roll.

3. **Public and Press**

To determine whether any of the items of business within Part A of the Agenda should be dealt with when the public and press are excluded from the meeting.

To determine whether any of the items of business within Part B of the Agenda should be dealt with when the public and press are present.

4. Declarations of Interest

Members are invited to declare any disclosable pecuniary interests, other registrable interests and any interests, relating to any item on the agenda at this stage.

5. Announcements

- (i) To receive any announcements from the Mayor
- (ii) To receive any announcements from the Leader of the Council
- (iii) To receive any announcements from Members of the Executive
- (iv) To receive any announcements from the Town Clerk and Chief Executive

6. Questions from Members of the Council

Pursuant to Procedure Rule 11.2, the Town Clerk and Chief Executive to report that no questions have been submitted on Notice by Members of the City Council.

7. Notice of Motion

Pursuant to Procedure Rule 12, the Town Clerk and Chief Executive to report that no motions have been submitted on notice by Members of the Council.

8. Treasury Management Strategy Statement 2015/16

7 - 34

Pursuant to Minute EX.03/15, to consider a report of the Director of Resources regarding the Council's Treasury Management Strategy Statement, Investment Strategy and Minimum Revenue Provision Strategy for 2015/16.
(Copy Report RD.42/14 and Minute Extracts herewith)

9. City Council Budget 2015/16

The Meeting to consider the City Council's General Fund Revenue Budget and its Capital Budget for 2015/16 and the recommendations of the Executive thereon and to pass appropriate resolutions thereon.

(1) Background Reports

A number of reports which have been considered as background reports to the preparation of the Budget have previously been circulated to all Members under cover of a letter from the Director of Governance dated 31 October 2014. Members are requested to bring these to the meeting.

A copy of the following background reports were also considered by the meeting of the City Council on 9 September 2014. Members have previously had copies of these reports as part of the book of Budget Reports. If, however, you require a further copy please contact the Committee Services Section prior to the meeting.

- (i) Report RD.18/14 - Medium Term Financial Plan 2015/16 to 2019/20
- (ii) Report RD.19/14 - Capital Strategy 2015/16 to 2019/20
- (iii) Report GD.35/14 - Asset Management Plan 2014 - 2019

The Executive, at their meeting on 15 December 2014, also gave consideration to:

(iv) Report RD.41/14 - Budget Update Revenue and Capital 2015/16 - 2019/20 35 - 46

(v) An Amendment to Report LE.03.14 - Review of Charges 2015/16 - Local Environment Directorate 47 - 52

(Copies of Report RD.41/14 and the Amendment are enclosed for all Members of the City Council)

(2) Executive Report 53 - 58

In addition, the following report has been circulated to Members of the Executive with the Agenda for the meeting of the Executive on 14 January 2015 and a copy is now enclosed for all Members of the City Council:

- (i) Budget Update Revenue and Capital 2015/16 - 2019/20
(Copy Report RD.47/14 herewith)

(3) Budget Consultation Feedack

Copies of the Minutes of the following Consultation Meetings, and responses, detailing the feedback from the consultation on the Executive Draft Budget Proposals, have been circulated to Members of the Executive with the Agenda for the meeting of the Executive on 14 January 2015. Copies are now enclosed for all Members of the City Council.

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|--|------------------|
| (i) <u>Resources Overview and Scrutiny Panel - 5 January 2015</u> | 59 - 64 |
| <p>(Copy Minute Extract of item relating to consideration of the Executive Draft Budget Proposals herewith)</p> | |
| (ii) <u>Consultation Meeting with Representatives of Non-Domestic Ratepayers and Large Employers - 7 January 2015</u> | 65 - 68 |
| <p>(Copy Minutes herewith)</p> | |
| (iii) <u>Consultation Meeting with Trade Union Representatives - 7 January 2015</u> | 69 - 72 |
| <p>(Copy Minutes herewith)</p> | |
| (iv) <u>Consultation Feedback</u> | 73 - 86 |
| <p>(Copy consultation feedback from members of the public herewith)</p> | |
| (4) <u>Recommendations of the Executive</u> | 87 - 120 |
| <p>Copies of those Minutes of the meeting of the Executive held on 14 January 2015 which relate to the Council's Budget for 2015/16 and which set out the recommendations of the Executive in respect of its budget proposals are submitted.
(Copy Minute Extracts EX.01/15, EX.02/15 and EX.04/15; and Executive Budget Proposals 2015/16 herewith)</p> | |
| (5) <u>Procedure</u> | 121 - 126 |
| <p>The suggested procedure for dealing with the Executive's recommendations and the City Council's Budget is itemised in a Procedure Note for the convenience of Members.
(Copy Note herewith)</p> | |

10. Decisions Taken as a Matter of Urgency

**127 -
130**

Pursuant to Overview and Scrutiny Procedure Rule 15(i), the Director of Governance to report on decisions taken as urgent decisions and dealt with as a matter of urgency without the need for call-in.

It is a requirement under the above Procedure Rule 15(i) for decisions taken as a matter of urgency to be reported to the next available meeting of the City Council.
(Copy Report GD.13/15 herewith)

11. Communications

To receive and consider communications and to deal with such other business as may be brought forward by the Mayor as a matter of urgency, in accordance with Procedure Rule 2.1(xiv) to pass such resolution or resolutions thereon as may be considered expedient or desirable.

PART 'B'

To be considered in private

12. Proposal from the Executive in relation to the Council's Budget and Policy Framework

This report is not for publication by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972, as the report contains exempt information relating to the financial or business affairs of any particular person (including the authority holding that information)

Land and Property Transaction

- Information relating to the financial or business affairs of any particular person (including the authority holding that information);

Pursuant to Minute EX.10/15, to consider a recommendation from the Executive that Council approve the virement of £135,000 from the Asset Improvement Budget within the 2014/15 capital programme to fund the acquisition.
(Copy Report GD.12/15 and Minute Extract herewith)

Report to Council

Agenda
Item:

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Meeting Date: 3 February 2015
Portfolio: Finance, Governance and Resources
Key Decision: Yes: Recorded in the Notice Ref:KD25/14
Within Policy and Budget Framework YES
Public / Private Public

Title: TREASURY MANAGEMENT STRATEGY STATEMENT,
INVESTMENT STRATEGY AND MINIMUM REVENUE
PROVISION STRATEGY 2015/16
Report of: DIRECTOR OF RESOURCES
Report Number: RD42/14

Purpose / Summary:

This report sets out the Council's Treasury Management Strategy Statement for 2015/16, in accordance with the CIPFA Code of Practice on Treasury Management. The Investment Strategy and the Minimum Revenue Provision (MRP) Strategy for 2015/16 are also incorporated as part of the Statement. So too are the Prudential Indicators as required within the Prudential Code for Capital Finance in Local Authorities. The draft version of the Statement was considered by the Executive on 15 December 2014, prior to the consultation period on the draft budget for 2015/16.

The Council will be requested to adopt the revised Code and the revised Treasury Management Policy Statement within the Code.

This revised report was approved by the Executive on 14 January 2015, and was received by the Audit Committee on 13 January.

Recommendation:-

Council is asked to approve the Treasury Management Strategy Statement for 2015/16, which incorporates the Investment Strategy and the MRP Strategy, together with the Prudential Indicators for 2015/16 as set out in Appendix A.

Tracking

Executive:	14 January 2015
Overview and Scrutiny:	5 January 2015
Audit Committee	13 January 2015
Council:	3 February 2015

Report to Executive

Agenda
Item:

Meeting Date: 14 January 2015
Portfolio: Finance, Governance and Resources
Key Decision: Yes: Recorded in the Notice Ref: KD25/14
Within Policy and Budget Framework YES
Public / Private Public

Title: TREASURY MANAGEMENT STRATEGY STATEMENT,
INVESTMENT STRATEGY AND MINIMUM REVENUE
PROVISION STRATEGY 2015/16
Report of: DIRECTOR OF RESOURCES
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Purpose / Summary:

This report sets out the Council's Treasury Management Strategy Statement for 2015/16, in accordance with the CIPFA Code of Practice on Treasury Management. The Investment Strategy and the Minimum Revenue Provision (MRP) Strategy for 2015/16 are also incorporated as part of the Statement. So too are the Prudential Indicators as required within the Prudential Code for Capital Finance in Local Authorities.

Recommendations:

The Executive is asked to approve the Treasury Management Strategy Statement for 2015/16, which incorporates the Investment Strategy and the MRP Strategy, together with the Prudential Indicators for 2015/16 as set out in Appendix A and the Treasury Management Policy Statement as set out at Appendix D.

Tracking

Executive:	14 January 2015
Overview and Scrutiny:	5 January 2015
Audit Committee:	13 January 2015
Council:	3 February 2015

1. BACKGROUND

- 1.1 The CIPFA Code of Practice on Treasury Management in Local Authorities was first issued in 1992 and updated in 1996 and 2001. The City Council formally adopted this Code in March 2002 and adopted the 2011 revision in February 2012. The updates made are minor, and centre around the changes in housing finance, Localism Act and the introduction of General Powers of Competence.
- 1.2 Under the requirements of the revised Code, the Council will receive each year the following reports:-
- Annual strategy and plan in advance of the year
 - A mid year review
 - Annual report after its close.

2. TREASURY MANAGEMENT STRATEGY STATEMENT

- 2.1 As required under the Code, the Treasury Management Strategy Statement for 2015/16, which also incorporates both the Investment Strategy for that year and the Minimum Revenue Strategy, is set out in **Appendix A**. The Strategy Statement was issued as part of the consultation period on the draft budget for 2015/16. The schedule of approved investment vehicles is contained in **Appendix B**. **Appendix C** includes a summary of current economic forecasts on interest rates that have been utilised in preparing the Strategy.
- 2.2 Also included within Appendix A are the **Prudential Indicators** that must be determined under the requirements of the CIPFA Prudential Code for Capital Finance in Local Authorities. These requirements came into operation on 1 April 2004 under the provisions of the Local Government Act 2003. Part 1 of the Act allows a local authority to borrow money for any purpose that is within its control or for the purposes of the prudent management of its financial affairs. The main purpose for borrowing money is to fund capital expenditure although some short-term borrowing is permitted to cover temporary cash flow needs.
- 2.3 Since 1 April 2004 there has been no statutory limit to the amount that can be borrowed. There is, however, a requirement for full compliance with CIPFA's Prudential Code; the key objectives of which are to demonstrate that the proposed capital investment plans have been assessed by the Council as affordable, prudent and sustainable. Section 3(1) of the Act puts a duty on the Council to determine before the start of the financial year and keep under review the maximum amount that it can afford to borrow. This amount is called the **Authorised Limit** and is discussed in Appendix A.

2.4 The Prudential Indicators will be monitored via the quarterly Treasury Management monitoring reports.

3. CONSULTATION

3.1 The Council has appointed Capita Asset Services Treasury Services as its Treasury Advisers and they have been involved in the Strategy and proposals contained within this report.

4. CONCLUSION AND REASONS FOR RECOMMENDATIONS

4.1 The Executive is asked to approve the Draft Treasury Management Strategy Statement for 2015/16, which incorporates the Investment Strategy and the MRP Strategy, together with the Prudential Indicators for 2015/16 as set out in Appendix A and the Treasury Management Policy Statement as set out at Appendix D.

5. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

5.1 To ensure the Council's investments are in line with the appropriate policies including the Treasury Management Strategy Statement.

Contact Officer: Steven Tickner

Ext: 7280

Appendices attached to report:

- Appendix A – Treasury Management Strategy Statement**
- Appendix B – Approved Investment Instruments**
- Appendix C – Interest Rate Forecasts**
- Appendix D – Treasury Management Policy Statement**

Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers:

- None

CORPORATE IMPLICATIONS/RISKS:

Chief Executive's – not applicable

Economic Development – not applicable

Governance – The Council has a fiduciary duty to manage its resources effectively for the benefit of its area and the delivery of its services. Treasury Management is an important

part of this function and it is appropriate that the Council has a strategy and takes account of the available specialist internal and external advice. The Treasury Management Strategy forms part of the Budget and Policy framework and, therefore, ultimately requires approval by Council.

Local Environment – not applicable

Resources – contained within the report.

Treasury Management Strategy Statement

Minimum Revenue Provision Policy Statement and Annual Investment Statement

Carlisle City Council

2015/16

1. **INTRODUCTION**

- 1.1 The Local Government Act 2003 and supporting regulations requires the Council to 'have regard to' the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice to set Prudential and Treasury Indicators for the next 3 years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.
- 1.2 The Act therefore requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy (as required by Investment Guidance subsequent to the Act and included as paragraph 9 of this report); these set out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.
- 1.3 The Department of Communities and Local Government has issued revised investment guidance which came into effect from 1 April 2010. There were no major changes required over and above the changes already required by the revised CIPFA Treasury Management Code of Practice 2009 and 2011.
- 1.4 The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised November 2011) was adopted by this Council in February 2012. The updates made were minor, and centred around the changes in housing finance, Localism Act and the introduction of General Powers of Competence.
- 1.5 The suggested strategy for 2015/16 in respect of the following aspects of the treasury management function is based upon officers' views on interest rates, supplemented with leading market forecasts provided by the Council's treasury consultants. The strategy covers the following issues:
 - Treasury limits in force that will limit the treasury risk and activities of the Council;
 - Prudential and Treasury Indicators;
 - Current treasury position;
 - Borrowing requirement;
 - Prospects for interest rates;
 - Borrowing strategy considerations;
 - Debt rescheduling opportunities.

- Investment Strategy
- Minimum Revenue Provision Strategy

1.6 It is a statutory requirement under Section 33 of the Local Government Finance Act 1992, for the Council to produce a balanced budget. In particular, Section 32 requires a local authority to calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This, therefore, means that increases in capital expenditure must be limited to a level whereby increases in charges to revenue from: -

- increases in interest charges caused by increased borrowing to finance additional capital expenditure, and
- any increases in running costs from new capital projects are limited to a level which is affordable within the projected income of the Council for the foreseeable future

2. TREASURY LIMITS 2015/16 TO 2017/18

- 2.1 It is a statutory duty, under S.3 of the Local Government Act 2003 and supporting regulations, for the Council to determine and keep under review how much it can afford to borrow. The amount determined is termed the 'Affordable Borrowing Limit'.
- 2.2 The Council must have regard to the Prudential Code when setting its Affordable Borrowing Limit. This essentially requires it to ensure that total capital investment remains within sustainable limits and in particular, that the impact upon its future council tax levels is 'acceptable'. It is important to understand, however, that the Indicators themselves, which are set out in paragraph 5, do not have an inherently right or wrong answer. They are not intended as comparator information between different authorities but are designed to support and record local decision making.

3. USE OF TREASURY CONSULTANTS

- 3.1 The authority has, like most other authorities, employed treasury advisers for specialist advice and assistance for many years. In the case of this authority, this role has long been fulfilled by Capita Asset Services Treasury Services.
- 3.2 Capita Asset Services provide specialist advice on both borrowing and investment matters. They also supply other relevant information and hold regular client seminars which help provide up to date training in what is an important and continually changing field. That said, it is important to recognise that responsibility

for all treasury matters lies solely with the City Council and this responsibility is not delegated to Capita Asset Services or any other third party. The Council has regard to the advice and information supplied by Capita Asset Services along with advice and information from a variety of other sources. Such advice is valued and the authority is in frequent contact with Capita Asset Services but this does lessen the ultimate responsibility of the City Council in dealing with treasury matters and taking relevant decisions.

4. **CURRENT PORTFOLIO POSITION**

The Council's treasury portfolio position at 27 November 2014 comprised:

Table 1		Principal £m	£m	Ave Rate %
Fixed Rate Funding	PWLB Market	0 15.0	15.0	8.76
Variable Rate Funding	PWLB Market	0 0	0	0.00
Other Long Term Liabilities			0	0.00
Gross Debt			15.0	8.76
Total Investments			24.5	1.17

5. **PRUDENTIAL AND TREASURY INDICATORS 2015/16 - 2017/18**

- 5.1 The Prudential and Treasury Indicators have been based on current projections for capital spending and resources in 2015/16 to 2017/18. The Council has ensured that future years' capital programmes have been set in accordance with the principles contained within the City Council's Capital Strategy and Asset Management Plan.

PRUDENTIAL INDICATOR AFFORDABILITY INDICATORS	2013/14 actual £000	2014/15 revised estimate £000	2015/16 estimate £000	2016/17 estimate £000	2017/18 estimate £000
Capital Expenditure	4,736	7,926	4,912	2,334	2,226
Ratio of financing costs to net revenue stream	9.87%	10.79%	11.93%	10.88%	10.28%
Net borrowing requirement in year	0	0	0	0	0
Capital Financing Requirement as at 31 March	7,583	10,810	9,562	10,360	11,017
Annual change in Cap. Financing Requirement	N/A	3,227	(1,248)	798	657
Incremental impact of capital investment decisions					
Increase in council tax (band D) per annum (£)	N/A	4.16	(1.61)	1.02	0.84

- 5.2 The estimates of financing costs include both current capital commitments and the draft capital programme as presented elsewhere on the agenda. In the case of this authority, it is assumed that any support from central government towards the costs of capital expenditure programmes in the next three years will be by means of a capital grant.

PRUDENTIAL INDICATOR TREASURY MANAGEMENT INDICATORS	2013/14 actual £000	2014/15 revised estimate £000	2015/16 estimate £000	2016/17 estimate £000	2017/18 estimate £000
Authorised Limit for External Debt:					
- Borrowing	37,500	37,500	37,500	37,500	37,500
- Other Long Term Liabilities	100	100	100	100	100
TOTAL	37,600	37,600	37,600	37,600	37,600
Operational Boundary for external debt:					
- Borrowing*	32,500	32,500	32,500	32,500	32,500
- Other Long Term Liabilities	100	100	100	100	100
TOTAL	32,600	32,600	32,600	32,600	32,600
Upper Limit for fixed interest rate exposure:					
- Net principal re. Fixed rate borrowing/investments	100%	100%	100%	100%	100%
Upper Limit for variable rate exposure					
- Net principal re. Variable rate borrowing/investments	100%	100%	100%	100%	100%
Upper Limit for total principal sums invested for over 1 year	50%	50%	50%	50%	50%

Maturity structure of any fixed rate borrowing during 2014/15	Upper limit	Lower limit
Under 12 months	100%	0%
12 months and within 24 months	100%	0%
24 months and within 5 years	100%	0%
5 years and within 10 years	100%	0%
10 years and above	100%	0%

5.3 In respect of its external debt, it is recommended that the Council approves the above authorised limit for its total external debt, gross of investments, for the next three financial years. The limit separately identifies borrowing from other long term liabilities such as finance leases. The Council will be asked to approve these limits and to delegate authority to the Director of Resources, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long term liabilities in accordance with option appraisal and best value for money. Any such change would be reported to the next available Council meeting.

5.4 The authorised limit is consistent with the authority's current commitments, plans and proposals for capital expenditure and its financing. **However the overall authorised limit is not to be exceeded without prior Council approval.**

5.5 The operational boundary is based upon the same estimates as the authorised limit but without the headroom included within the authorised limit to allow for unusual cash movements. As with the authorised limit, the Council is asked to delegate authority to the Director of Resources to effect movement between the separately agreed limits for borrowing and other long-term liabilities. The operational boundary can be exceeded in exceptional circumstances without prior Council approval providing that it remains within the authorised limit.

5.6 The City Council's current limits for maximum levels of fixed and variable rate funding are both 100% and this is as recommended by the treasury advisers.

5.7 Prudence and Sustainability

The City Council has adopted the CIPFA Code of Practice on Treasury Management in the Public Services and adopted the 2011 version of the Code in February 2012.

The current minimum level of specified investments is set at 50%. It is recommended that this level be continued into 2015/16.

5.8 Monitoring of the Prudential Indicators will be incorporated into the quarterly Treasury Transaction reports presented to the Executive.

6. **PROSPECTS FOR INTEREST RATES**

6.1 The Council has appointed Capita Asset Services Treasury Services as a treasury adviser to the Council and part of their service is to assist the Council to formulate a view on interest rates. The following table gives the Capita Asset Services view although it should be noted that there are some very differing views among the various economic forecasters regarding the future pattern of these rates:

Year	%
2014/15	0.50%
2015/16	1.00%
2016/17	1.50%
2017/18	2.50%

6.2 Until 2013, the economic recovery in the UK since 2008 had been the worst and slowest recovery in recent history. However, growth has rebounded during 2013

and especially during 2014, to surpass all expectations, propelled by recovery in consumer spending and the housing market. Forward surveys are also currently very positive in indicating that growth prospects are strong for 2015, particularly in the services and construction sectors. However, growth in the manufacturing sector and in exports has weakened during 2014 due to poor growth in the Eurozone. There does need to be a significant rebalancing of the economy away from consumer spending to manufacturing, business investment and exporting in order for this initial stage in the recovery to become more firmly established. One drag on the economy is that wage inflation has been lower than CPI inflation so eroding disposable income and living standards, although income tax cuts have ameliorated this to some extent. This therefore means that labour productivity must improve significantly for this situation to be corrected by warranting increases in pay rates. In addition, the encouraging rate at which unemployment has been falling must eventually feed through into pressure for wage increases, though current views on the amount of hidden slack in the labour market probably means that this is unlikely to happen in the near future. The US, the main world economy, faces similar debt problems to the UK, but thanks to reasonable growth, cuts in government expenditure and tax rises, the annual government deficit has been halved from its peak without appearing to do too much damage to growth.

6.2 The current economic outlook and structure of market interest rates and government debt yields have several key treasury management implications:

- As for the Eurozone, concerns in respect of a major crisis subsided considerably in 2013. However, the downturn in growth and inflation during the second half of 2014, and worries over the Ukraine situation, Middle East and Ebola, have led to a resurgence of those concerns as risks increase that it could be heading into deflation and a triple dip recession since 2008. Sovereign debt difficulties have not gone away and major concerns could return in respect of individual countries that do not dynamically address fundamental issues of low growth, international uncompetitiveness and the need for overdue reforms of the economy (as Ireland has done). It is, therefore, possible over the next few years that levels of government debt to GDP ratios could continue to rise to levels that could result in a loss of investor confidence in the financial viability of such countries. Counterparty risks therefore remain elevated. This continues to suggest the use of higher quality counterparties for shorter time periods;
- Investment returns are likely to remain relatively low during 2015/16 and beyond;
- Borrowing interest rates have been volatile during 2014 as alternating bouts of good and bad news have promoted optimism, and then pessimism, in financial markets. During July to October 2014, a building accumulation of negative news has led to an overall trend of falling rates. The policy of

avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in later times, when authorities will not be able to avoid new borrowing to finance new capital expenditure and/or to refinance maturing debt;

- There will remain a cost of carry to any new borrowing which causes an increase in investments as this will incur a revenue loss between borrowing costs and investment returns.

7. **BORROWING STRATEGY**

7.1 The Capita Asset Services forecast for the PWLB new borrowing rate is as follows:

	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Mar-17
Bank Rate	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.50%
5yr PWLB Rate	2.50%	2.70%	2.70%	2.80%	2.90%	3.00%	3.40%
25yr PWLB Rate	3.90%	4.00%	4.10%	4.30%	4.40%	4.50%	4.80%
50yr PWLB Rate	3.90%	4.00%	4.10%	4.30%	4.40%	4.50%	4.80%

7.2 The Council is, as stated above, not currently expecting to have any recourse to borrowing in 2015/16. It is anticipated that a combination of capital grants and internal resources will be used to meet most, if not all, capital commitments in the new financial year. Nevertheless, the use of external borrowing is planned for future years. This is particularly the case in respect of any future major capital projects which are planned to require an element of external borrowing as a part of the total funding package. The Director of Resources will therefore continue to monitor the interest rate market as regards borrowing opportunities as well as in respect of investment policy.

7.3 Policy on borrowing in advance of need

7.3.1 The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

7.4 External v. Internal Borrowing

7.4.1 This Council currently has a difference between gross debt and net debt (after deducting cash balances).

- 7.4.1 The general aim of this treasury management strategy is to reduce the difference between the two debt levels over the next three years in order to reduce the credit risk incurred by holding investments. However, measures taken in the last year have already reduced substantially the level of credit risk (see paragraph 9) so another factor which will be carefully considered is the difference between borrowing rates and investment rates to ensure the Council obtains value for money once an appropriate level of risk management has been attained to ensure the security of its investments.
- 7.4.2 The next financial year will continue to be one of historically abnormally low Bank Rate. This provides a continuation of the current window of opportunity for local authorities to fundamentally review their strategy of undertaking new external borrowing.
- 7.4.3 Over the next three years, investment rates are therefore expected to be below long term borrowing rates and so value for money considerations would indicate that value could best be obtained by avoiding new external borrowing and by using internal cash balances to finance new capital expenditure or to replace maturing external debt (this is referred to as internal borrowing). This would maximise short term savings.
- 7.4.4 However, short term savings by avoiding new long term external borrowing in 2015/16 will also be weighed against the potential for incurring additional long term extra costs by delaying unavoidable new external borrowing until later years when PWLB long term rates are forecast to be significantly higher.
- 7.3.6 Against this background caution will be adopted with the 2015/16 treasury operations. The Director of Resources will monitor the interest rate market and adopt a pragmatic approach to changing circumstances, reporting any decisions to the appropriate decision making body at the next available opportunity.

8. DEBT RESCHEDULING

- 8.1 There is unlikely to be much scope for debt rescheduling in either the current financial year or in 2015/16. Only one substantial sum of long term debt remains on the authority's books. This is the £15m stock issue which dates from 1995 and is not due to mature until 2020. The current view is that a premature repayment is not recommended because of the size of the premium payment that would be incurred. The position remains under review, however, if circumstances should change.

9. INVESTMENT STRATEGY

9.1 Principles

- 9.1.1 The City Council will have regard to CLG's Guidance on Local Government Investments and the 2011 revised CIPFA's Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("CIPFA TM Code").
- 9.1.2 The Council's investment priorities are:
- The security of capital
 - The liquidity of its investments
- 9.1.3 The Council will also endeavour to achieve the optimum return on its investments commensurate with proper levels of security and liquidity. Security of principal will always be the primary consideration. The risk appetite of this Council is low in order to give priority to security of its investments.
- 9.1.4 The borrowing of monies purely to invest or to on lend and make a return is unlawful and the Council will not engage in any such activity. Any borrowing in advance of need will only be undertaken after a full financial assessment of the costs and benefits of drawing down any such funding.
- 9.1.5 Investment instruments identified for use in the financial year are listed below under the 'Specified' and 'Non Specified' Investment categories. Individual counterparty limits will be set through the Council's Treasury Management Practices – Schedules which will be authorised by the Director of Resources.
- 9.1.6 Total investments with any one counterparty or group currently will not exceed £4m to ensure a reasonable spread of investments in terms of counterparties. Investments with HSBC shall not exceed £6m. However, Lloyds group and RBS Group will not exceed £8m as these establishments are currently funded by a majority shareholding by the UK Government.
- 9.1.7 This Annual Investment Strategy states which instruments the Council may use for the prudent management of its treasury balances during the financial year under the headings of **Specified Investments** and **Non Specified Investments**. These are listed in **Appendix B**. Essentially, specified investments are those with a maturity of up to one year which have a suitable credit rating or are otherwise guaranteed e.g. by HM Government. All other investments are non specified.

- 9.1.8 Credit ratings will be used as one means of assessing the credit quality of rated counterparties although it is recognised that reliance should not be placed on credit rating alone. The minimum short term rating for a bank will be either F1 (Fitch) or P1 (Moody's). For a rated UK building society, a similar rating would be anticipated although the proposed criteria do give authority to the Director of Resources to approve, if considered appropriate, the addition of other building societies with both a F2 (Fitch) and a P2 rating (Moody's). This is still a high quality credit rating but recognises the very strong record of the UK building society movement over many years in protecting the capital of all depositors. The Strategy already allows discretion to the Director to include as counterparties non credit rated building societies whose assets total at least £1bn. There are some six societies in this category. Any such investment would be subject to an assessment of such a society as a suitable counterparty. There are, for example, good reasons why many building societies do not have a credit rating but there are other means of making an appropriate financial judgment.
- 9.1.9 Following approval in 2014/15, the Council is now able to make use of the CCLA Property Fund for longer term investments, and at present has invested £3m into this fund. The anticipated yield from this investment is assumed to be 4% in the MTFP.
- 9.1.10 Any investments with institutions that do not have a credit rating e.g. many smaller building societies or investments for periods over one year would be classed as non specified investments. **However it is important to stress that both the specified and non specified investments in Appendix B are perfectly legal instruments in which the City Council may invest.** This includes for example many building societies as only the larger societies have an individual credit rating although there are other criteria by which a judgement can be made as to their credit quality.
- 9.1.10 The minimum percentage of its overall investments that the Council will hold in specified investments is 50%.

9.2 Investment Strategy

- 9.2.1 With bank base rate at 0.5% and not generally expected to increase from this level until at least the middle of 2015, investment conditions will continue to be difficult. The view of Capita Asset Services is that bank rate will be at the following levels at each year end:

Year	%
2014/15	0.50%
2015/16	1.00%
2016/17	1.50%
2017/18	2.50%

9.2.2 Clearly, these projections can only be best estimates at this stage and the risk is to the downside i.e. if the economic recovery is slower than expected, then interest rates are like to rise more slowly. At this stage, the budget has assumed an average yield of 0.86% on its investments in the next financial year. This allows for the fact that there are some higher value, longer term investments placed. This forecast will, however, be reviewed further during the budget cycle. Every 0.1% fall in average yield will cost the Council approximately £35,000. The anticipation of interest yielded from investing in the Property Fund is estimated at 4% in the MTFP.

9.2.3 In this situation, the authority will continue to try and seek value in its investments by placing them out for longer periods where possible e.g. six months to one year, to meet future cash flow needs, subject to retaining some sums for shorter periods to meet liquidity requirements and also to take advantage of any particular investment opportunities. Much of the basic framework of the authority's cash flows is already known for the next financial year and use will be made of this information in determining investment periods. The money market is monitored daily and use will be made of a plurality of sources of financial information in determining investment opportunities. All investments will be placed only with institutions that conform to the criteria set out in the Investment Strategy.

9.2.4 The investment income budget will, as ever, be carefully monitored in the coming financial year and reported to members via the regular Treasury Transactions reports.

9.3 End of Year Investment Report

In line with current practice, the Council will receive a report on its investment activity as part of the Annual Treasury Report at the end of the financial year. It should also be noted that best practice now requires a mid year report on the treasury function. This has long been the practice within the City Council where quarterly reports are presented to the Executive. In addition, the Audit Committee has taken on the role of the 'specialist committee' that oversees treasury matters.

10. THE MINIMUM REVENUE PROVISION STRATEGY

- 10.1 The Council implemented the new Minimum Revenue Provision (MRP) guidance in 2008/09, and will assess their MRP for 2015/16 in accordance with the main recommendations contained within the guidance issued by the Secretary of State under section 21(1A) of the Local Government Act 2003.
- 10.2 No requirement is currently anticipated to undertake any long term borrowing in either 2014/15 or 2015/16 although the authority will need at this stage to keep its options open. This is particularly so if any major capital project requires an element of long term borrowing as part of the overall funding package.
- 10.3 Notwithstanding this possibility, the City Council is still obliged to make proper provision for the repayment of its outstanding debt. Capital expenditure is generally expenditure on assets which have a life expectancy of more than one year e.g. land, buildings, vehicles etc. It would usually be impractical to charge the entirety of such expenditure, which is often funded by borrowing, to the revenue account in the year it was incurred. Instead, this is spread over a longer period to try and match the years over which these assets will benefit the community. The manner of spreading these costs is through the Minimum Revenue Provision (MRP). Until recently, the MRP was calculated according to detailed and complex regulations. It is now determined under Guidance.
- 10.4 The only statutory duty that a local authority has under the new MRP regime is *‘to determine for the current financial year an amount of minimum revenue provision that it considers to be prudent’*. The Guidance, which authorities must ‘have regard to’ provides four options for calculating the MRP as set out below. It is important to realise, however, that there is no obligation to follow any of these options and that it is up to each authority to decide upon the most appropriate method of making a prudent provision, having had regard to the Guidance.
- 10.4.1 Regulatory Method (Option 1)
This method is based upon the Regulations that were first promulgated in 2003 for the calculation of the MRP. It is based upon 4% of the authority’s capital financing requirement (CFR). The CFR is a measure of the authority’s level of outstanding debt. From this sum, the authority may subtract (if it is a negative figure) a technical adjustment known as ‘Adjustment A’

10.4.2 Capital Financing Requirement Method (Option 2)

This is very similar to the regulatory method but it does not take account of Adjustment A.

Option 2 is the method currently approved by the City Council for use in 2014/15. The City Council's Adjustment A was a positive figure and it is allowed in such circumstances to disregard Adjustment A. To use Option 1 would have incurred an increased MRP liability for the City Council.

Options 1 and 2 can be used for borrowing incurred before 1 April 2008, whether supported or unsupported, and for supported borrowing after that date. Supported borrowing is borrowing that is notionally funded within the revenue support grant allocation. The Council may therefore use either option 1 or option 2 but because of the 'Adjustment A' factor, option 2 has previously been recommended.

10.4.3 Asset Life Method (Option 3) and Depreciation Method (Option 4)

One of these methods may be used for new schemes that require the Council to undertake any unsupported borrowing after 1 April 2008. They are fairly similar except that option 3 is based upon the estimated life of an asset whilst option 4 assumes that an asset will still be worth something after its useful life has expired. They can, however, also be used for supported borrowing incurred either before or after that date. To date, this authority has not undertaken any unsupported borrowing.

10.5 The authority has no firm plans at present to undertake any borrowing which is either supported or unsupported. Options 3 and 4, moreover, are particularly appropriate where assets can be identified that match past borrowing decisions. This situation does not apply to the City Council.

10.6 The City Council implemented the new MRP guidance in 2008/09. In that year its MRP charge was Nil because its opening CFR was also Nil. In 2014/15, the opening CFR was £7.583million which will result in an MRP of £303,000 (4% of the CFR) in this financial year. In future years, the CFR will increase to the extent that capital expenditure is not met by capital grant or revenue contributions. This expenditure will, however, be met under current plans by the set aside capital receipts as the Council still possesses the cash represented by these receipts. It is less likely to be funded from borrowing.

APPROVED INVESTMENT INSTRUMENTS

Specified Investments

All such investments will be sterling denominated, with **maturities up to maximum of 1 year**, meeting the minimum 'high' rating criteria where applicable. **A maximum of £4m of the investment portfolio** will be placed with any one counterparty or banking group, or a maximum of **£8m of the investment portfolio for Lloyds Group banks and RBS Group Banks and £6m with HSBC Bank (with £2m being limited to investments less than 1 month in duration)** whether by way of specified or non-specified investments except for building societies without a credit rating where **the limit will be £2m**.

Fixed Term Deposits with fixed rates and maturities:-	Minimum 'High' Credit Criteria	Use
Debt Management Agency Deposit Facility	Government backed	In-house
Term deposits – local authorities	--High level of security	In-house
Term deposits – U K banks**	Short-term F1 (Fitch) or P1(Moodys)	In-house
Term Deposits – UK building societies**	Short Term F1 (Fitch) or P1 (Moodys) or as determined by the Director of Resources	In-house
Term Deposits – Non UK Banks	Sovereign Rating AAA Short Term F1 (Fitch) or P1 (Moodys) or as determined by the Director of Resources	In-house
Fixed term deposits with variable rate and variable maturities: -	Minimum 'High' Credit Criteria	Use
Callable deposits	Short-term F1 (Fitch) or P1 (Moodys)	In-house
Certificates of deposits issued by UK banks and building societies	Short-term F1 (Fitch) or P1 (Moodys)	In-house buy and hold
UK Government Gilts	Government backed	In-house buy and hold
Bonds issued by multilateral development banks	AAA	In-house on a 'buy-and-hold' basis.
Bonds issued by a financial institution which is guaranteed by the UK government	AAA	In-house on a 'buy-and-hold' basis.
Collective Investment Schemes structured as Open Ended Investment Companies (OEICs):	Minimum 'High' Credit Criteria	Use
-		
1. Money Market Funds	Short-term AAA	In-house
2. Enhanced Cash Funds	Short-term AAA	In-house
3. Government Liquidity Funds	Short-term AAA	In-house

** If forward deposits are to be made, the forward period plus the deal period should not exceed one year in aggregate.

Non-Specified Investments:

A maximum of 50% will be held in aggregate in non-specified investments

1. Maturities of ANY period.

	Minimum Credit Criteria	Use	Max % of total investments	Max. maturity period
Term deposits with non credit rated UK Building Societies	As approved by the Director of Resources. Minimum asset base of £1bn	In-house	50	364 days

2. Maturities in excess of 1 year

	Minimum Credit Criteria	Use	Max % of total investments	Max. maturity period
Term deposits – local authorities	Any authority	In-house	50	3 Years
Term deposits – UK banks and building societies	Long-term A (Fitch) or A2 (Moody's)	In-house	50	3 Years
Fixed term deposits with variable rate and variable maturities	Minimum Credit Criteria	Use	Max % of total investments	Max. maturity period
Certificates of deposits issued by UK banks and building societies	Long-term A (Fitch) or A2 (Moody's)	In house on a 'buy and hold basis'	50	3 Years
UK Government Gilts	Government backed	In house on a 'buy and hold basis'	50	3 Years
Bonds issued by multilateral development banks	AAA	In-house on a 'buy-and-hold' basis.	50	3 Years
Bonds issued by a financial institution which is guaranteed by the UK government	AAA	In-house on a 'buy-and-hold' basis.	50	3 Years
Collective Investment Schemes structured as Open Ended Investment Companies (OEICs)	Minimum Credit Criteria	Use	Max % of total investments	Max. maturity period
1. Bond Funds	Long-term AAA	In-house	50	3 Years
2. Gilt Funds	Long-term AAA	In-house	50	3 Years

3. Approved Property Funds

	Use	Max % of total investments	Max. maturity period
CCLA Property Fund	In-house as determined by the Director of Resources	50	No maximum

The Council uses Fitch (primarily) or Moody's ratings to derive its counterparty criteria. All credit ratings will be monitored monthly. The Council is alerted to changes in credit ratings through its use of the Sector creditworthiness service. If a downgrade results in the counterparty/investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.

INTEREST RATE FORECASTS

The data below shows a variety of forecasts published by a number of institutions. The first three are individual forecasts including those of UBS and Capital Economics (an independent forecasting consultancy). The final one represents summarised figures drawn from major City banks and academic institutions. The forecast within this strategy statement has been drawn from these diverse sources and officers' own views. Revised forecasts will be provided when they become available.

1. INDIVIDUAL FORECASTS**Capita Asset Services Interest Rate Forecast 1 November 2014**

	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Mar-17
Bank Rate	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%	1.50%
5yr PWLB Rate	2.50%	2.70%	2.70%	2.80%	2.90%	3.00%	3.40%
25yr PWLB Rate	3.90%	4.00%	4.10%	4.30%	4.40%	4.50%	4.80%
50yr PWLB Rate	3.90%	4.00%	4.10%	4.30%	4.40%	4.50%	4.80%

Capital Economics interest rate forecast – 1 November 2014

	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16
Bank Rate	0.50%	0.50%	0.75%	0.75%	1.00%	1.50%
5yr PWLB Rate	2.60%	3.00%	3.30%	3.40%	3.50%	3.60%
25yr PWLB Rate	3.85%	4.05%	4.15%	4.25%	4.35%	4.40%
50yr PWLB Rate	3.90%	4.10%	4.20%	4.30%	4.40%	4.50%

TREASURY MANAGEMENT POLICY STATEMENT

Carlisle City Council defines treasury management as:

“The management of the organisation’s cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

Carlisle City Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the authority.

Carlisle City Council acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving best value in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

EXCERPT FROM THE MINUTES OF THE EXECUTIVE HELD ON 14 JANUARY 2015

**EX.03/15 **TREASURY MANAGEMENT STRATEGY STATEMENT, INVESTMENT
STRATEGY AND MINIMUM REVENUE PROVISION STRATEGY
2015/16**

(Key Decision – KD.25/14)

(In accordance with Paragraph 15(i) of the Overview and Scrutiny
Procedure Rules, The Mayor had agreed that call-in procedures should
not be applied to this item)

Portfolio Finance, Governance and Resources

Relevant Overview and Scrutiny Panel Resources

Subject Matter

Pursuant to Minute EX.137/14, the Finance, Governance and Resources Portfolio Holder submitted report RD.42/14 setting out the Council's Treasury Management Strategy Statement for 2015/16 which had been prepared in accordance with the CIPFA Code of Practice on Treasury Management. He added that the Investment Strategy and Minimum Revenue Provision Strategy for 2015/16 were also incorporated as part of the Statement, as were the Prudential Indicators as required within the Prudential Code for Capital Finance in Local Authorities.

The Portfolio Holder explained that those requirements came into operation on 1 April 2004 under the provisions of the Local Government Act 2003. Part 1 of the Act allowed a local authority to borrow money for any purpose that was within its control or for the purposes of the prudent management of its financial affairs. The main purpose for borrowing money was to fund capital expenditure, although some short-term borrowing was permitted to cover temporary cash flow needs.

Since 1 April 2004 there had been no statutory limit to the amount that could be borrowed. There was, however, a requirement for full compliance with CIPFA's Prudential Code; the key objectives of which were to demonstrate that the proposed capital investment plans had been assessed by the Council as affordable, prudent and sustainable. Section 3(1) of the Act placed a duty on the Council to determine before the start of the financial year and keep under review the maximum amount that it could afford to borrow. That amount was called the Authorised Limit and was discussed at Appendix A to the report.

The Finance, Governance and Resources Portfolio Holder reminded Members that the draft Statement had been considered by the Executive on 15 December 2014 prior to the consultation period on the budget proposals for 2015/16. It had also been considered by the Resources Overview and Scrutiny Panel and the Audit Committee on 5 and 13 January 2015 respectively.

The Finance, Governance and Resources Portfolio Holder then moved the recommendation, which were agreed.

Summary of options rejected None

DECISION

That the Treasury Management Strategy Statement for 2015/16, which incorporated the Investment Strategy and Minimum Revenue Provision Strategy, together with the Prudential Indicators for 2015/16 as set out in Appendix A and the Treasury Management Policy Statement as set out in Appendix D, be approved for submission to the City Council on 3 February 2015.

Reasons for Decision

To recommend the Treasury Management Strategy Statement, Investment Strategy and Minimum Revenue Provision Strategy for 2015/16 to the City Council

**EXCERPT FROM THE MINUTES OF THE
AUDIT COMMITTEE
HELD ON 13 JANUARY 2015**

**AUC.14/15 TREASURY MANAGEMENT STRATEGY STATEMENT, INVESTMENT
STRATEGY AND MINIMUM REVENUE PROVISION STRATEGY
2015/16**

The Financial Services and HR Manager submitted report RD.42/14 setting out the Council's Treasury Management Strategy Statement for 2015/16 in accordance with the CIPFA Code of Practice on Treasury Management.

She informed Members that the Investment Strategy and the Minimum Revenue Provision Strategy for 2015/16 were incorporated as part of the Statement, as were the Prudential Indicators as required within the Prudential Code for Capital Finance in Local Authorities.

The Executive and the Resources Overview and Scrutiny Panel had considered the matter on 15 December 2014 and 5 January 2015 respectively, and Minute Excerpts from those meetings had been circulated

Members were asked to note and comment upon the proposed Treasury Management Strategy for 2015/16.

RESOLVED – That the Treasury Management Strategy Statement, Investment Strategy and Minimum Revenue Provision Strategy 2015/16 be noted.

Report to Executive

Agenda
Item:
9(1)
(iv)

Meeting Date: 15 December 2014
Portfolio: Finance, Governance and Resources
Key Decision: Yes: Recorded in the Notice Ref: KD25/14
Within Policy and Budget Framework YES
Public / Private Public

Title: BUDGET UPDATE REVENUE AND CAPITAL 2015/16 – 2019/20
Report of: DIRECTOR OF RESOURCES
Report Number: RD41/14

Purpose / Summary:

This report provides an update to the Director of Resources report of 10 November (RD37/14) and outlines changes made since that report. This report also highlights the outstanding issues that will still affect the budget and also provides information in relation to the Business Rate Retention Scheme Cumbria Pool and the Local Support for Council Tax Scheme for 2015/16.

Recommendations:

The Executive is requested to:

- (i) note the changes to the current revenue and capital budget projections for 2014/15 to 2019/20 and make recommendations, in the light of the budget pressures, bids and savings submitted to date, together with the potential use of balances and reserves, for budget consultation purposes;
- (ii) Approve, for recommendation to Council as part of the budget process, the 2015/16 Local Support for Council Tax scheme as set out in paragraph 5.1.
- (iii) Approve the continuation of involvement in the Cumbria Business Rate Pool arrangements for 2015/16 subject to the continuing involvement of the other partners which will be agreed on 9 January 2015 and that the final decision on participation is delegated to the Director of Resources.

Tracking

Executive:	15 December 2014
Overview and Scrutiny:	ROSP 05/01/15;

Council:	
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1. INTRODUCTION

- 1.1. This report provides an update to report RD37/14 which was considered by the Executive on 10 November. It provides details of changes since that report and the impact on the current budget projections.
- 1.2. Details of decisions required by Members in relation to the Cumbria Business Rate Pool and the Local Support for Council Tax (LSCT) scheme for 2015/16 are also outlined in this report.
- 1.3. There continues to be issues affecting the budget that are not yet known but assumptions have been made within the budget projections. These are considered further in the report.
- 1.4. The Executive will issue its budget for consultation purposes on 15 December 2014. Following this, it will consider the final consultation feedback, together with the final Government Grant figure (if available) on 14 January 2015 and will subsequently recommend a budget to Council on 3 February 2015.

2. REVISIONS TO CURRENT BUDGET PROJECTIONS

- 2.1 The following changes have been made that affect the current revenue budget projections.

Detail		2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
Recurring						
Reprofiling of Transformation Savings	2.2	628	(623)	82	(397)	(397)
Small Scale Community Projects	2.3	52	52	52	52	52
Total Recurring Pressures		680	(571)	134	(345)	(345)
Treasury Management	2.4	(167)	(446)	(587)	(729)	(572)
Neighbourhood Forum Grant	2.5	(24)	(24)	(24)	(24)	(24)
Total Recurring Savings		(191)	(470)	(611)	(753)	(596)
Asset Management Plan	2.6	150	0	0	0	0
Total Non Recurring Pressures		150	0	0	0	0

2.2 Transformation Saving Re-profiling

The savings proposed within RD37/12 have been re-profiled. The savings from the Revenues and Benefits Shared Service have been delayed by a year to 2016/17 in order to allow time to implement the required changes.

The updated transformation savings expectations are now as follows:

	Cumulative Savings identified as part of 2014/15 Budget £000	Reprofiled savings £	Additional Cumulative Savings Required £000	Revised Cumulative Savings required £000	Revised in Year Savings Required £000
2015/16	(1,839)	628	0	(1,211)	(1,211)
2016/17	(1,839)	(623)	(350)	(2,812)	(1,601)
2017/18	(2,939)	82	(350)	(3,207)	(395)
2018/19	(3,939)	(397)	(350)	(4,686)	(1,479)
2019/20	(3,939)	(397)	(350)	(4,686)	0

2.3 Small Scale Community projects

A recurring budget is being established for Small Scale Community Projects that will give a £1,000 to each Councillor to spend on community projects in their ward.

2.4 Treasury Management Projections

In light of revised interest rate forecasts and the impact of revisions on the use of reserves, projections of Treasury Management budgets have been revised.

2.5 Neighbourhood Forum Grant

The grant to the neighbourhood forums is being replaced with a recurring revenue budget for small scale community projects for each Councillor.

2.6 Asset Management Plan

This relates to expenditure required to deliver the outcomes of the Asset Management Plan.

3. GENERAL FUND BUDGET PROJECTIONS 2014/15 REVISED TO 2019/20

- 3.1. The budget projections as outlined in RD37/14 have been amended to reflect the changes shown above:

Summarised Position	2014/15 Original £000	2014/15 Revised £000	2015/16 Original £000	2016/17 Proj £000	2017/18 Proj £000	2018/19 Proj £000	2019/20 Proj £000
Total Projected Expenditure	13,747	13,745	11,256	12,568	12,626	13,049	13,921
Total Projected Resources	(13,747)	(13,745)	(12,362)	(12,612)	(12,764)	(12,921)	(13,080)
Projected (Surplus) / Shortfall <u>excluding</u> savings and new spending	0	0	(1,106)	(44)	(138)	128	841
Less:							
New Saving Proposals							
- Recurring	0	0	(335)	(1,134)	(1,275)	(1,417)	(1,260)
- Non Recurring	0	0	0	0	0	0	0
Add:							
New Spending Pressures							
- Recurring	0	0	1,536	278	963	464	444
- Non Recurring	0	0	580	430	0	0	0
- Funding	0	0	54	54	54	54	54
Potential Budget Shortfall	0	0	729	(416)	(396)	(771)	79
Potential Shortfall Analysis:							
- Recurring			255	(846)	(396)	(771)	79
- Non Recurring			474	430	0	0	0

3.2 It should be noted that the potential shortfall projected above is the projected position that would occur only if all of the new Savings and Spending Pressures were accepted. The Executive are asked to consider the issues in this report and make proposals on the savings, new spending pressures and use of reserves as set out in this report in order to issue a draft budget for consultation purposes.

3.3 The resources projections assume:

- The MTFP assumes a reduction in Government Grant allocation from 2015/16 onwards. However indications are that there will be further reductions to these figures from 2016/17 onwards.
- No Council Tax increase for 2015/16 with an increase of 1.99% thereafter. A Council Tax freeze grant is on offer from the Government for 2015/16 and will be included in RSG settlements from 2016/17.
- A Council Tax Surplus for 2015/16 onwards of £35,000. The actual figure for 2015/16 will be available in January.

- Retained business rates are assumed at the Baseline level with an additional £500,000 to be achieved through growth and from the benefits of Pooling.
- An assumed taxbase of 31,100.82. The final taxbase for 2015/16 will not be available until January.
- Parish Precepts are currently being collated but the estimate for 2015/16 is for a total of £490,000 (including approximately £54,000 in Government Grant for Council Tax reduction scheme.) The actual Parish Precept requirement for each Parish will be reported to the Executive in January.

For information, broadly:

- Each 1% (£1.95) movement in Council Tax impacts on the Council by £67,000
- Each 1% movement in RSG will impact by £91,000.
- Each £35,000 increase or decrease in expenditure impacts on the Council Tax requirement by £1.

3.5 The Council's overall level of reserves are set out at **Appendix A** and have been adjusted assuming withdrawal to support all of the current budget proposals.

3.6 Under section 25 of the Local Government Act 2003 the Section 151 Officer is required to prepare a statutory report which considers the robustness of the estimates and the adequacy of reserves and which determines levels of borrowing. A full report will be prepared and included within the Executive's draft budget proposals for consultation purposes; however a draft is attached at **Appendix B**. At this stage it should be noted that the current projected revenue deficit requires further savings to be identified to meet the ongoing projected shortfall and that the impact on reserves is not sustainable.

4. BUSINESS RATE POOLING

4.1 The Cumbria Business Rate Pool was established at the start of 2014/15 to allow Cumbria to benefit from any growth in business rates. The participants of the pool are Cumbria County Council, Carlisle City Council, Eden District Council, Allerdale Borough Council, South Lakeland District Council and Barrow Borough Council. Close monitoring of the performance of each authority's business rate collection is necessary and as at 30 September, the combined benefit of the Pool stood at £2.705m. The City Council share of this benefit is £612,000. In its 2014/15 budget the Council anticipated the benefit from pooling would be approximately £500,000. However, as the Council brought forward a deficit on the collection fund from 2013/14 (£163,430), the overall benefit may be slightly lower than was originally anticipated but the final position will not be known until March. The monitoring of the

performance is highly volatile due to the potential for new appeals to be made to rateable values and as such close monitoring is undertaken.

- 4.2 The pool does not have to notify DCLG of its intention to continue operating for 2015/16, however, the deadline for letting DCLG know the Pool will not continue is 14 January. A meeting is arranged for 9th January at which time all participants of the Pool will be required to confirm their involvement. It is therefore recommended that the pooling arrangements continue for 2015/16 in order that any levies that would be payable to Central Government without participating in the pool are retained and Carlisle benefits from this income.

5. LOCAL SUPPORT FOR COUNCIL TAX

- 5.1 The Local Support for Council Tax Scheme ("The Council Tax Reduction Scheme" or CTRS) is required to be approved annually as part of the Budget Process. It is not proposed to make any changes to the reductions given to recipients of the discount scheme for 2015/16, proposed to make any revisions or replace the current scheme and as such the continuation of the current scheme is requested.
- 5.2 The estimated cost the Council absorbing the 10% reduction in CTRS is £93,000. This is funded from technical changes to discount rates for empty properties and Council Tax Base growth (i.e. number of Band D equivalent properties). The table below shows the performance through 2014/15 with the amounts applicable to the City Council.

	30.06.2014 £	31.08.2014 £	30.09.2014 £	31.10.2014 £	Forecast 31.03.2015 £
Total raised under technical reforms	94,953	95,667	95,375	95,247	93,059
Total cost of CTRS at 10%	90,236	87,941	87,251	86,787	87,130
Surplus(+) or deficit (-)	4,718	7,726	8,124	8,460	5,929

6. CAPITAL PROGRAMME 2015/16 TO 2019/20

- 6.1 There are no changes to report RD38/14 which the Executive considered in November with regard to the Provisional Capital Programme for 2015/16 to 2019/20.

7. CONSULTATION

- 7.1 The Resources Overview and Scrutiny Panel will consider this report on 5 January 2015, and their views fed back to the Executive on 14 January.

8. RECOMMENDATIONS

8.1 The Executive is requested to:

- (i) note the changes to the current budget projections for 2014/15 to 2019/20 and make recommendations, in the light of the budget pressures and savings submitted to date, together with the potential use of balances and reserves, in order to issue a draft budget for consultation purposes;
- (ii) Approve, for recommendation to Council as part of the budget process, the 2015/16 Local Support for Council Tax scheme as set out in paragraph 5.1.
- (iii) Approve the continuation of involvement in the Cumbria Business Rate Pool arrangements for 2015/16 subject to the continuing involvement of the other partners which will be agreed on 9 January 2015 and that the final decision on participation is delegated to the Director of Resources.

CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

To ensure that a balanced budget is set.

Contact Officer: Steven Tickner

Ext: 7280

Appendices

Appendix A – Council Reserves

attached to report:

Appendix B – Draft Statutory Report of Director of Resources

Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers:

- None

CORPORATE IMPLICATIONS/RISKS:

Chief Executive's – not applicable

Deputy Chief Executive's – not applicable

Economic Development – not applicable

Governance – The Council has a fiduciary duty to manage its resources properly and for the benefit of its community. In doing so it is required to take account of the advice it receives from its chief finance officer, the Director of Resources. The Council must have a

balanced budget to deliver its services and also achieve and sustain an appropriate level of reserves.

Local Environment – not applicable

Resources – contained within the body of the report

COUNCIL RESERVES

Analysis of Council Reserves	Outturn 31 March 2014 £000	Projected 31 March 2015 £000	Projected 31 March 2016 £000	Projected 31 March 2017 £000	Projected 31 March 2018 £000	Projected 31 March 2019 £000	Projected 31 March 2020 £000
Revenue Reserves							
General Fund Reserve	(3,945)	(2,559)	(1,230)	(1,646)	(2,042)	(2,600)	(2,600)
Projects Reserve	0	0	0	0	0	(213)	(134)
Conservation Reserve	(117)	(117)	(117)	(117)	(117)	(117)	(117)
Collection Fund (Carlisle Share only)	112						
Residents Parking Reserve	116						
Transformation Reserve	(436)	(438)	(1,038)	(1,038)	(1,038)	(1,038)	(1,038)
EEAC Reserve	(52)	0					
Building Control Reserve	(20)						
Cremator Reserve	(212)						
Welfare Reform Reserve	(200)	(200)	(200)	(200)	(200)	(200)	(200)
Total Revenue Reserves	(4,754)	(3,314)	(2,585)	(3,001)	(3,397)	(4,168)	(4,089)
Capital Reserves							
Usable Capital Receipts	(5,273)	(1,738)	(2,539)	(1,344)	(257)	(78)	275
Asset Disposal Reserve	(370)	(360)	(360)	(360)	(360)	0	0
Unapplied capital grant	(191)	(191)	(191)	(191)	(191)	(191)	(191)
Asset Investment Reserve	(48)	(48)	(48)	(48)	(48)	(48)	(48)
CLL Reserve (i)	(522)	(522)	(522)	(522)	(522)	(522)	(522)
Lanes Capital Reserve	(369)	(284)	(399)	(414)	(429)	(444)	(459)
Total Capital Reserves	(6,773)	(3,143)	(4,059)	(2,879)	(1,807)	(1,283)	(945)
Total Usable Reserves	(11,527)	(6,457)	(6,644)	(5,880)	(5,204)	(5,451)	(5,034)
Other Technical Reserves (ii)	(104,055)						
Total All Reserves	(115,582)						

(i) This reserve relates to CLL assets which may need to be replaced at the end of the contract.

(ii) These reserves are of a technical nature and are not cash backed (i.e. they are not available either to fund expenditure or to meet future commitments.)

DRAFT STATUTORY REPORT OF DIRECTOR OF RESOURCES

1. In setting its Budget Requirement, the Council is required under the Local Government Act 2003 (Section 25) to consider:
 - (i) The formal advice of the statutory responsible financial officer (Director of Resources) on the robustness of the estimates included in the budget and the adequacy of the reserves for which the budget provides;
 - (ii) The Council has to determine what levels of borrowing, if any, it wishes to make under the Prudential Code that governs local authority borrowing.

2. **Robustness of the Estimates**

Whilst relevant budget holders are responsible for individual budgets and their preparation, all estimates are scrutinised by Financial Services staff, the Senior Management Team and the Joint Management Team prior to submission to members.

The Council's revenue and capital budgets are integrated in that the financial impact of the proposed capital programme is reflected in the revenue estimates.

The Council has no history of overspending against budget, indeed, until recently there has tended to be a degree of underspending. However improved budget monitoring backed up by specific action where appropriate and base budget procedures have proven effective in addressing this issue.

There are risks however involved in projecting budgets particularly over the medium term and the year-end position will never exactly match the estimated position in any given year. Areas of specific risk in the current five-year period under consideration are:

- The Transformation programme is expected to achieve savings of £4.686million between 2015/16 and 2019/20, in order to meet the expected cuts in grants from central government and other budgetary pressures identified in this budget process. This will ensure that a balanced budget is produced and where Council reserves are replenished over the longer term.
- The level of interest receipts and return on Treasury Management activities are subject to market rates. Members are advised of this risk every year and it should be noted that in the current economic climate with low base rates, investment income returns in the medium term are very difficult to predict. The Council is also having to deal with a reduced number of counterparties it is able to place deposits with. Coupled with this is the increasing cost of Minimum Revenue Provision through the reduction in the amount of available capital receipts the Council has. Both of these factors place a significant pressure on the Revenue budget over the next 5 year period.

The main risks to the robustness of the estimates is the impact of the Transformation programme. The use of reserves will be necessary to fund this budget in the short term however it is not acceptable in the longer term and should only be seen as a short term fix. The proposals to be put in place need to bring reserve levels back to an acceptable level in the following 5 years. This is dependant upon the necessary steps being taken to resolve the ongoing projected deficit, as part of the Transformation programme. Specifically it will require the delivery of the savings proposals identified and continuing work to deliver further savings. Regular budget monitoring, particularly in the area of the Transformation programme is imperative during this period. The level of the

Council's future Capital Programme in taking account of a significant reduction in capital receipts is fully funded other than the 2018/19 leisure facilities which is an invest to save initiative. However, no capital reserves are available to fund new capital projects other than invest to save initiatives funded from revenue reserves.

- Central contingencies – there have been no contingency budgets built in to the existing estimates. This means that any unforeseen expenditure that cannot be contained within existing budgets will require a supplementary estimate to cover any costs. The budget proposals will significantly limit the capability to deal with any of these events and these may have to be found from within other budgets and reserves should the need arise.

2. Adequacy of Reserves

The level and usage of the Council's Reserves is undertaken annually as part of the Medium Term Financial Plan.

The appropriateness of the level of reserves can only be judged in the context of the Council's longer term plans and an exercise has been undertaken to review the level of reserves through the use of a risk assessment matrix. The findings of this exercise suggested that the minimum level should be set at £2.6m as a prudent level of General Fund Reserves which will be required as a general working capital/ contingency to cushion the Council against unexpected events and emergencies. However, given the short term commitments highlighted in the budget proposals, it is necessary that the current General Fund reserve be used to fund the short term deficits. Stringent plans will be required in order to replenish the level of reserves in the following years and the budget proposed must identify the steps necessary to do this.

The Council's policy on reserves is that wherever possible reserves should not be used to fund recurring expenditure, but that where it is, this should be made explicit and steps taken to address the situation in the following years. The deficit projections must therefore be addressed and the Executive must set out in its Budget Discipline and Saving Strategy how it expects Officers to address the situation in setting the 2015/16 budget and preparing for the 2016/17-budget cycle.

Based on current projections, Council Reserves will fall to below minimum recommended levels in the years 2014/15 to 2017/18. Necessary steps are being taken to resolve the ongoing projected deficit by the delivery of savings proposals currently identified and identification of further savings via the Transformation Programme. It is accepted that the level of reserves will need to reduce until the impact of the transformation is effective and that the £2.6m General Fund Reserve is breached in the short term but that this is replenished over the following 5 years through a stringent savings strategy.

3. Determination of Borrowing

The new Prudential Accounting regime enables the Council to borrow subject to meeting criteria of affordability. The draft Prudential Indicators have been established and these will be finalised for Council approval once decisions on the overall Capital Programme have been made.

For the period under review the need for borrowing will be kept under consideration and will be dependent on the level of capital receipts being generated and the potential of future capital projects. Due to projects currently under consideration, the capital programme for 2015/16 to 2019/20 may require the use of Prudential Borrowing (including internal borrowing) to sustain levels depending on the levels of

capital receipts that can be generated in the future. If borrowing is required, full option appraisals will be carried out.

REVIEW OF CHARGES 2015/16

The Director of Local Environment

Amendment to Report Number LE03/14

3.2 CAR PARKING

3.2.1 Introduction

In March 2012 a new charging structure was introduced to the City Council pay and display car parks to try and reverse the long term trend of falling car park usage and income. The car park charges introduced in 2012 have remained unchanged for 2 years apart from minor changes made last year to some of the charges for special events. The initial impact of the revised charging structure as reported in last years charges report was an indication that usage and income in some car parks was beginning to pick up, however overall car park usage and income is still continuing to fall. In order to establish the latest situation with car park usage and examine how car park usage can be increased a consultant has been engaged to report on options. The final report from the consultant is due shortly and a presentation will be made to JMT on the recommendations.

The consultant has prepared, in advance of his final report, a dynamic model of car park income and usage over the last 5 years which can be used to predict the likely impact of future changes to car park charges. City Council officers have used this model and their knowledge of the City to prepare this charges report and make initial proposals for future car park charges. When the final report from the consultant is available these proposals may need to be refined in line with the Consultants recommendations.

Amendment

The consultant mentioned in 3.2.1 of the Local Environment Review of Charges Report LE03/14 has submitted the final report and recommendations. Therefore the proposals on changes to current charging levels in City Council car parks need to be refined in line with the recommendations.

3.2.4 Amended Proposed Charging Structure

The following tables detail the proposed charging structure for 2015/16. The overall proposals are based on consultant final report and the use of the car park model which indicates that appropriate reductions in charges can potentially increase car park income and usage. Without on-street charging and it is not recommended to implement the evening charge, so the changes set out in the report could potentially increase income by £74,260 but much will depend on successful marketing, the economic climate and the reaction of

competitors in providing this service. However members should note that with effect from the 25/09/2014 the income from Cecil Street car park has now to be handed to the County Council as owners of this car park. The increased income will off set the resulting expenditure pressure of £75,400 in car park income arising as a result.

The MTFP budget for car parking income included in the Executive's draft budget consultation will remain unchanged.

3.2.5 Amended Pay and Display Charges

The existing car park charges for 2014/15 are shown in table (a) below. For 2015/16 it is proposed that car park charges be amended as set out in table (b) below. A number of reductions in charges are proposed together with the creation of a new charging category to be used in Devonshire Walk and Lower Viaduct car parks which are underused car parks. The changes proposed have been developed by use of the model which predicts that lower prices, together with appropriate marketing should increase usage and income. It should be noted that as well as the changes to charges it is proposed to create a new car park category and amend some of the existing car park categories. Details are given later in this report.

Pay and Display Charges 2015/16

a) **TABLE 3a - Existing Pay and Display Charges 2014/15**

Length of Stay	Category 1	Category 2	Category 3	Category 4
1 hour	£1.00	£1.00	£1.00	£1.00
1-2 hours	£2.00	£2.00	£1.80	£1.80
2-3 hours	£3.00	£3.00	£2.70	£2.70
3-4 hours	£4.00	£4.00	£3.30	£3.00
4-6 hours	£10.00	£6.00	£4.00	£3.80
6-9.5 hours	£10.00	£6.00	£4.70	£4.00

b) **Amended Table 3b - Proposed Pay and Display Charges 2015/16**

Length of Stay	Category 1	Category 2	Category 3	Category 4	Category 5
1 hour	£1.00	£1.00	£1.00	£1.00	£1.00
1-2 hours	£1.80	£1.80	£1.80	£1.60	£1.60
2-3 hours	£2.50	£2.40	£2.20	£2.10	£2.10
3-4 hours	£3.00	£3.00	£2.80	£2.50	£2.50
4-6 hours	£10.00	£5.00	£3.40	£3.00	£2.50
6-9.5 hours	£10.00	£5.00	£4.00	£3.50	£2.50

0.00 indicates reduction in charge from 2014/15

3.2.6 Contract Parking Charges (Saver Permits)

In March 2012 the concept of “Saver Permits” was introduced to promote the purchase of contract parking permits. The scheme offered savings to those who paid in advance for all day parking. The scheme unfortunately has not led to increased purchases of permits by individuals but recently we have had more success in marketing permits to groups of co-workers by offering a further discount when more than 10 permits are purchased. If the proposed changes to the Pay and Display charges set out in table (b) above are accepted then the charges for Saver Permits needs to be reviewed. The attached table below sets out a set of charges for 2015/16 for Saver Permits and gives a comparison with the existing charges. It should be noted that William Street car park is due to close on the 31/12/2014 and contract permits will not be available ,Cecil Street car park is now County Council owned and its future use is uncertain and therefore contract permits will not be sold for this car park.

Someone purchasing a saver permit would make an approximate saving of 40% compared to purchasing daily pay and display tickets. It is considered that these revised charges are competitive compared to the offer from private car parks.

TABLE 4 –Proposed Saver Permit Charges

	Category/Car Parks	Existing 2014/15 charges (Equivalent daily charge £)		Proposed 2015/16 charges (Equivalent daily charge £)	
		Annual	Monthly	Annual	Monthly
<u>Cat 1</u>	Civic Centre Town Dyke Orchard	No saver permits available		£2,600 (£10.00)	£210 (£10.00)
Cat 2	Bitts Park Lowther St Upper Viaduct* *Upper Viaduct to become Cat 3 from 2015/16	£900 (£3.46)	£75 (£3.57)	£650 (£2.50)	£63 (£3.00)
Cat 3	Paddy’s Market The Sands Swifts Bank (subject to availability for public use) Upper Viaduct* *Upper Viaduct to become Cat 3 from 2015/16	£720 (£2.76)	£60 (£2.85)	£520 (£2.00)	£50 (£2.40)
Cat 4	Cecil Street William Street (permits no longer available for William	£600	£50	£455	£44

	and Cecil street for 2015/16) Devonshire Walk Lower Viaduct	(£2.30)	(£2.38)	(£1.75)	(£2.10)
Cat 5	Lower Viaduct Devonshire Walk *These car parks to be Cat 5 from 2015/16	This category not available in 2014/15		£217 (£1.00)	£26 (£1.50)

Note : There are changes proposed to the car park categories, see 3.2.7 below.

3.2.7 Car Park Categories

Following the review of car park usage which has just been undertaken it is apparent that some car parks are not attracting the customers they should be capable of doing. It is proposed that a number of car parks be re-allocated to new categories to better reflect their charging potential and current condition. The proposed changes are highlighted in the table below and are explained in the following notes:

TABLE 5 – Car Park Categories

Category	Existing	Proposed
Cat 1	Civic Centre Town Dyke Orchard	Civic Centre Town Dyke Orchard
Cat 2	Bitts Park Lowther Street Upper Viaduct	Bitts Park Lowther Street
Cat 3	Paddy's Market The Sands Swifts Bank	Paddy's Market The Sands Swifts Bank Upper Viaduct
Cat 4	Cecil Street William Street (due to close 31/12/14) Lower Viaduct Devonshire Walk	Cecil Street
Cat 5	This category does not exist at present	Lower Viaduct Devonshire Walk

3.2.8 Car Park Charges for Special Events

In 2014/15 the charges for special events were reviewed to bring them in line with the Pay and Display charges. The table below sets out existing charges and the proposed special event charges for 2015/16 which reflect the

proposed new Pay and Display charges. In addition to the charge for the spaces occupied it is proposed to levy a minimum administration charge of £100, additional administration charges would be levied at £35/hour where the time to deal with events exceeds 3 hours. All users will be required to ensure that the site is vacated as they find it. Any damage repairs or cleaning required will be charged to the applicant.

The table below details the existing and proposed charges for Special Events.

TABLE 6 – Amended Proposed charges for Special Events

<u>Car Parks Category</u>	<u>Existing Special Events Charge (£)</u>	<u>Proposed Special Events Charge (£)</u>
1	£10.00	£10.00
2	£6.00	£5.00
3	£4.70	£4.00
4	£4.00	£3.50
5	No category 5 at present.	£2.50
1) The above charge is the daily charge for each marked bay occupied. 2) A Minimum administration charge of £100 will be applied to each application. Additional administrative costs of £35/hour will be charged for the time spent over 3 hours.		

3.2.10 Car Park Tariff Setting

Monthly tracking and monitoring of transaction volumes by car park and by tariff band is to be introduced to help determine the impact of tariff changes on car park use. Historically car parking charges have been reviewed annually. In light of the potential advantages from tariff reductions, it is proposed that tariff levels are reviewed more frequently than annually in the future.

It is proposed therefore to introduce quarterly reviews of car park/ saver permit tariffs and consider more frequent changes to tariffs if transaction reporting indicates that tariffs could be modified further to help achieve the car parking objectives.

Report to Council

**Agenda
Item:**

9(2)(i)

Meeting Date: 3 February 2015
Portfolio: Finance, Governance and Resources
Key Decision: Yes: Recorded in the Notice Ref: KD25/14
Within Policy and Budget Framework YES
Public / Private Public

Title: BUDGET UPDATE REVENUE AND CAPITAL 2015/16 – 2019/20
Report of: DIRECTOR OF RESOURCES
Report Number: RD47/14

Purpose / Summary:

This report provides an update to the Director of Resources report of 15 December (RD41/14) and outlines the outstanding issues in relation to the budget and any known changes since the report of the 15 December.

Members should note that there is still some outstanding information on confirmation of Government Grant allocations. Depending upon the timing of any announcements the final figures may be revised in the Executive's budget proposals presented to Council on 3 February.

Recommendations:

The Council is asked to note the contents of the report, noting that the financial implications are reflected in the Executive's budget proposals considered elsewhere on the Council agenda.

Tracking

Executive:	14 January 2015
Overview and Scrutiny:	Not applicable
Council:	3 March 2015

Report to Executive

Agenda
Item:

Meeting Date: 14 January 2015
Portfolio: Finance, Governance and Resources
Key Decision: Yes: Recorded in the Notice Ref: KD25/14
Within Policy and Budget Framework YES
Public / Private Public

Title: BUDGET UPDATE REVENUE AND CAPITAL 2015/16 – 2019/20
Report of: DIRECTOR OF RESOURCES
Report Number: RD47/14

Purpose / Summary:

This report provides an update to the Director of Resources report of 15 December (RD41/14) and outlines the outstanding issues in relation to the budget and any known changes since the report of the 15 December

Recommendations:

The Executive is requested to:

- (i) note the changes and outstanding issues to the current revenue and capital budget projections for 2014/15 to 2019/20 and note that if these are known by the time of this meeting that any changes will be incorporated into the Executive's budget proposals and tabled at the meeting

Tracking

Executive:	14 January 2015
Overview and Scrutiny:	
Council:	

1. INTRODUCTION

- 1.1. This report provides an update to report RD41/14 which was considered by the Executive on 15 December. It provides details of changes since that report and any outstanding issues.

2. OUTSTANDING ISSUES AND KNOWN CHANGES

- 2.1 The following factors affecting the budget are still outstanding:

Revenue Support Grant Settlement/Retained Business Rates

Draft figures were received on 18 December and are broadly in line with expectations in the MTFP. Overall there is a £5,714 increase in grant funding/retained business rates as outlined in the table below:

	Expected Figures £000	Provisional Settlement £000	Difference £000
Revenue Support Grant	2,214,610	2,245,356	30,746
Retained Business Rates	3,052,299	3,027,074	(25,225)
LSCT Grant to Parishes	53,884	53,884	0
Homelessness Grant	65,573	65,343	(230)
Council Tax Freeze grant 2014/15	68,459	68,882	423
	5,454,825	5,460,539	5,714

New Homes Bonus

Draft figures were received on 16 December. This indicated that the Council would receive an additional £122,540 over and above what is already included in the MTFP. This will be offset by the 2013/14 allocation of £388,000 ceasing from 2019/20, meaning a net additional £224,700 added to reserves by 2019/20.

Council Tax Surplus

The Council Tax surplus/Deficit Calculation cannot be undertaken until 15 January. The current estimates include provision for a £35,000 surplus. This is not anticipated to change significantly.

Council Tax Base

The draft Council Tax Base calculation shows an increase in the number of properties from 31100.82 to 31321.50 (220.68 increase). This would yield approximately £47,000 per year so would increase reserves by £235,000 by 2019/20.

Disabled Facilities Grants

The allocation of funding for Disabled Facilities Grants will be known in January. It is not anticipated that this will change from the amount currently budgeted (£663,000).

Grant to Tullie House

An additional £50,000 non-recurring pressure has been included for a contribution to Tullie House for the 2020 project.

3. CONSULTATION

3.1 Resources Overview and Scrutiny Panel considered this report on 5 January 2015..

4. RECOMMENDATIONS

4.1 The Executive is requested to:

- (i) note the changes and outstanding issues to the current revenue and capital budget projections for 2014/15 to 2019/20 and note that if these are known by the time of this meeting that any changes will be incorporated into the Executive's budget proposals and tabled at the meeting

CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

To ensure that a balanced budget is set.

Contact Officer: Steven Tickner

Ext: 7280

Appendices

attached to report:

Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers:

- **None**

CORPORATE IMPLICATIONS/RISKS:

Chief Executive's – not applicable

Deputy Chief Executive's – not applicable

Economic Development – not applicable

Governance – The Council has a fiduciary duty to manage its resources properly and for the benefit of its community. In doing so it is required to take account of the advice it receives from its chief finance officer, the Director of Resources. The Council must have a balanced budget to deliver its services and also achieve and sustain an appropriate level of reserves.

Local Environment – not applicable

Resources – contained within the body of the report

EXCERPT FROM THE MINUTES OF THE RESOURCES OVERVIEW AND SCRUTINY PANEL HELD ON 5 JANUARY 2015

ROSP.07/15 BUDGET 2015/16

The Director of Resources gave a short presentation outlining the Medium Term Budget Considerations including the key assumptions in the Budget Projections Paper, Revenue Budget Pressures and Capital Budget. The presentation also covered transformational savings and the actions to mitigate the Revenue Budget Pressures.

(1) Executive's response to the first round of Budget Scrutiny

There was submitted Minute Excerpt EX.135/14 detailing the response of the Executive to the comments made by the Overview and Scrutiny Panels in response to the first round of Budget scrutiny, namely:

"That the Overview and Scrutiny Panels be thanked for their consideration of the draft Budget reports; and their comments, as detailed within the Minutes submitted, would be taken into account as part of the Executive's deliberations on the 2015/16 Budget."

RESOLVED – That the decision of the Executive, EX.135/14 be received.

(2) Executive Draft Budget Proposals 2015/16

There was submitted the Executive draft Budget proposals 2015/16 which had been issued for consultation purposes.

The draft Budget proposals comprised –

Section	Detail
A	Background and Executive Summary
B	Revenue Budget 2014/15 to 2019/20 <ul style="list-style-type: none"> • Schedule 1 - Existing Net Budgets • Schedule 2 - Proposed Budget Reductions • Schedule 3 - Recurring Budget Increases • Schedule 4 - Non-Recurring Budget Increases • Schedule 5 - Summary Net Budget Requirement • Schedule 6 - Total Funding and Provisional Council Tax
C	Capital Programme 2014/15 to 2019/20 <ul style="list-style-type: none"> • Schedule 7 - Estimated Capital Resources • Schedule 8 - Proposed Capital Programme • Schedule 9 - Summary Capital Resource Statement

D	Council Reserves Projections to 2019/20 • Schedule 10 - Usable Reserves Projections
E	Budget Discipline and Saving Strategy
F	Statutory Report of the Director of Resources
G	Glossary of Terms

The draft budget proposals were based on detailed proposals that had been considered by the Executive over the course of the last few months. In particular, reports of the Director of Resources considered at the Executive meeting on 15 December 2014.

The Director of Resources reported that the Budget proposals assumed that significant savings must be found within the next five year period: £4.686 million in total, with £1.211 million to be found by 2015/16 and £3.4 million in later years.

In the period since 2010/11 savings of approximately £6 million had been identified, as a result of which the deficit should have been reduced. However, the implications of the Chancellor's Autumn Statement would hit local authorities even harder. The Local Government Association had calculated that, by May 2015, the Council's funding would be reduced by approximately 40%. This was therefore an extremely difficult time for all local authorities, including the City Council.

Notwithstanding the above, Members of the Executive were keen to do what they could to assist the local community, in particular, the low paid, unemployed and homeless people. Accordingly the budget proposed:

- That car parking charges be frozen for the fourth year running and that long stay charges be reduced
- Maintenance of the Council's ambitious capital programme, including the Arts Centre
- The provision of additional funding for Council events in promoting Carlisle on a permanent basis
- Maintenance of the popular 'Clean Up Carlisle' initiative for a further two years
- Additional funding for Ward Councillors to support Small Scale Community Projects in their Wards.

The Executive was also recommending that there be no increase in Council Tax for 2015/16, the fifth year of maintaining a Council Tax freeze.

Referring to the Executive Budget Proposals 2015/16 (page 7 – note 6), the Director pointed out that the grant for the Neighbourhood Forums was being removed and replaced with an enhanced Small Scale Community Projects budget as outlined in Schedule 3. That was designed to help support local initiatives.

He added that the proposed reduction in funding to Community Centres had been included in the 2016/17 budget which would allow a full year to enable discussions to take place with Community Centres; and the position with regard to Tullie House grant reduction would be considered again in 2016/17.

(3) Background Information Reports

(a) Budget Update Revenue and Capital 2015/16 – 2019/20

The Director of Resources submitted report RD.41/14 summarising the Council's revised revenue base estimates for 2014/15, together with base estimates for 2015/16 and updated projections for 2019/20. The report also included the impact of the new savings and new spending pressures which were under consideration and the potential impact on the Council's overall revenue reserves.

The Director of Resources reminded Members of the arrangements for the Business Rate Pool. Close monitoring of the performance of each authority's business rate collection was necessary and, as at 30 September, the combined benefit of the Pool stood at £2.705m. The City Council share of that benefit was £612,000. In its 2014/15 budget the Council anticipated the benefit from pooling would be approximately £500,000. He added that, as the Council brought forward a deficit on the collection fund from 2013/14 (£163,430) the overall benefit may be slightly lower than was originally anticipated (the final position would not be known until March). The monitoring of the performance was highly volatile due to the potential for new appeals to be made to rateable values and as such close monitoring was undertaken.

The pool did not have to notify DCLG of its intention to continue operating for 2015/16, however, the deadline for letting DCLG know that the Pool would not continue was 14 January 2015. A meeting had been arranged for 9 January 2015 at which time all participants of the Pool would be required to confirm their involvement. It was therefore recommended that the pooling arrangements continue for 2015/16 in order that any levies that would be payable to Central Government without participating in the pool were retained and Carlisle benefitted from that income, and that the final decision on participation be delegated to the Director of Resources.

The Director further explained that the Local Support for Council Tax Scheme ("The Council Tax Reduction Scheme" or CTRS) required to be approved annually as part of the Budget Process. It was not proposed to make any changes to the reductions given to recipients of the discount scheme for 2015/16, proposed to make any revisions or replace the current scheme and as such the continuation of the current scheme was requested. That would help vulnerable people at this difficult economic time.

The estimated cost to the Council of absorbing the 10% reduction in CTRS was £93,000. That was funded from technical changes to discount rates for empty properties and Council Tax Base growth (i.e. number of Band D equivalent properties). Details of the performance through 2014/15 with the amounts applicable to the City Council were set out in the table at Section 5.2 of the report.

The Executive had considered the matter on 15 December 2014 (EX.136/14 refers) and decided:

“That the Executive:

1. Noted the changes to the current revenue and capital budget projections for 2014/15 to 2019/20 and made recommendations, in the light of the budget pressures, bids and savings submitted to date, together with the potential use of balances and reserves, for budget consultation purposes.
2. Approved, for recommendation to Council as part of the budget process, the 2015/16 Local Support for Council Tax Scheme as set out in paragraph 5.1 of Report RD.41/14.
3. Approved the continuation of involvement in the Cumbria Business Rate Pool arrangements for 2015/16, subject to the continuing involvement of the other partners which would be agreed on 9 January 2015, and that the final decision on participation be delegated to the Director of Resources.”

(b) Treasury Management Strategy Statement, Investment Strategy and Minimum Revenue Provision Strategy 2015/16

The Director of Resources submitted report RD.42/14 setting out the Council's Treasury Management Strategy Statement for 2015/16 in accordance with the CIPFA Code of Practice on Treasury Management.

He informed Members that the Investment Strategy and the Minimum Revenue Provision Strategy for 2015/16 were incorporated as part of the Statement, as were the Prudential Indicators as required within the Prudential Code for Capital Finance in Local Authorities.

The Executive had considered the matter on 15 December 2014 (EX.136/14 refers) and decided:

“That the Executive approved the draft Treasury Management Strategy Statement for 2015/16, which incorporated the Investment Strategy and Minimum Revenue Provision Strategy, together with the Prudential Indicators for 2015/16 for draft Budget consultation purposes as set out in Appendix A and the Treasury Management Policy Statement as set out at Appendix D to Report RD.42/14.”

In considering the Executive's draft Budget proposals and the background reports Member's raised the following comments and questions:

- *Had the Council been successful in securing any Events Sponsorship?*

The Finance, Governance and Resources Portfolio Holder confirmed that the target Events Sponsorship had been achieved for 2014/15.

- *Members understood that the Council were only allowed to recover their costs with regard to the administration of Disabled Facilities Grants. Would this impact the service provided?*

The Director of Resources responded that he would provide a written response to Members outlining the costs that could be recovered and how they would be recovered.

- *A Member asked for clarification with regard to the funding for the Funding Officer role.*

The Director of Resources confirmed that the role would be funded from the income that the Funding Officer sourced. If the Funding Officer was not successful the role would not continue.

- *The Neighbourhood Forum Grants had been removed from the Budget and had been replaced by the Small Scale Community Projects. Members asked for further details on this budget pressure.*

The Finance, Governance and Resources Portfolio Holder explained that the Neighbourhood Forum Grant had been a non recurring Grant that went to Cumbria County Council for distribution. The Small Scale Community Project gave each of the City Councillors a recurring £1,000 per annum to fund local projects. This gave City Councillors more money to help local projects directly and made an overall saving to the authority of £12,000 per annum.

Members of the Panel commented that they were in support of the move to Small Scale Community Projects.

- *How was the rate of inflation calculated?*

The Director of Resources commented that Local Authorities had different rates of inflation but for modelling purposes the Retail Price Index was used and this gave an inflation rate of 12.7%.

- *A Member asked for an explanation for the reduction in the refuse and recycling.*

The Finance, Governance and Resources Portfolio Holder responded that there were a lot of variables with regard to recycling. There had been a reduction in the price for recyclates, there were additional costs associated with collecting from new properties, and there had been advances in the technology, in particularly with plastic, which had reduced the weight of product.

- *Was there any consideration being given to alternative ways of funding the new leisure facilities?*

The Finance, Governance and Resources Portfolio Holder reminded the Panel that the delivery of new facilities had been part of the Labour Group pledge and it would have a robust business plan. One suggestion was to move all of the facilities to one area so that the revenue savings would pay for the loan which was required to build the facility. The details of funding had not been developed but it was also hoped that match funding could be secured. He added that the capital expenditure had been reprofiled from

2015/16 to 2018/19 to reflect the timeline in relation to the current leisure contract end dates.

- *The Budget showed a reduction in reserves, did this reflect the national situation for authorities?*

The Director of Resources reported that the minimum contingency reserve required would be £1m, the current reserve was £2.6m. He explained that every authority carried out their calculations differently and the City Council's reserve was quite low in comparison to other authorities. Although the Council were not building their reserves they were adequate.

- *Were the Council absorbing the 10% reduction in Council Tax through technical changes to discount rates for empty properties and Council Tax Base growth to avoid passing the costs on to claimants?*

The Director of Resources confirmed that one of the reasons for funding the reduction in this way was to avoid passing the costs on to those who were vulnerable, another reason was the difficulty and costs involved in collecting, and this had been reflected nationally as collection rates for Council Tax were reducing.

RESOLVED – 1) That the Director of Resources provide written details of the recovery of Disabled Facilities Grants administration costs.

2) That the comments and concerns of the Panel as set out above regarding the Executive draft Budget Proposal be forwarded to the Executive for their consideration.

3) That reports RD.41/14 and RD.42/14 be welcomed.

**NOTES OF BUDGET CONSULTATION MEETING WITH
REPRESENTATIVES OF NON-DOMESTIC RATEPAYERS AND LARGE EMPLOYERS
WEDNESDAY 7 JANUARY 2015 AT 1:00PM**

PRESENT: Councillor Mrs Bradley, Economy, Enterprise and Housing Portfolio Holder
Councillor Glover, Leader of the Council
Councillor Mrs Martlew, Environment and Transport Portfolio Holder
Councillor Tickner, Finance, Governance and Resources Portfolio Holder
Jason Gooding, Town Clerk and Chief Executive
Peter Mason, Director of Resources

ALSO

PRESENT Mr P Ashley – Clark Door
Mr P Connan
Mr D Jackson – The Lanes
Mr R Johnston – Cumbria Chamber of Commerce
Mr J Taylor
Mr M Ward

1. WELCOME

The Leader welcomed everyone to the meeting and stated that the Council were in challenging and exciting times and was looking with positivity to the future. The Leader acknowledged that there would be pressures for everyone including businesses and the Council. Input from businesses was helpful in determining the budget and the Leader thanked those present for their attendance at the meeting.

The various parties then introduced themselves.

2. BUDGET

The Director of Resources explained that the Council had to deliver a balanced budget over a 5 year period which would fund services and the Council's commitments and maintain adequate reserves in case of emergencies. The draft 2015/16 budget proposals took account of long term trending requirements.

The Director of Resources explained that questions in respect of the budget consultation would receive a written response which would be presented to the Executive as part of their consideration of the budget consultation.

The Director of Resources advised that calculations were made each year to determine funding for the following five year period. The current revenue projections assumed prudent levels of reserves of £2.6m as identified within the MTFP. Council Tax had been frozen for the past four years and a further freeze on Council Tax had been included for 2015/16 in the figures which presumed a 1.99% increase from 2016/17 onwards.

With regard to revenue budget pressures the Director of Resources explained that the Council had seen less income from treasury management due to low interest rates. Income from car parking had not reached levels seen in 2011 therefore the budget

projections for car parking had been re-set from 2015/16. Responsibility for on street parking had returned to the County Council which created an economy of scale cost. A reduction in the amount of packaging and an increase in the number of properties had led to an increase in pressures on refuse collection and recycling. Development Control Income was increasing as the property market improved but was not yet back to the levels of 2010/11.

With regard to events a pilot programme had been very successful and the Executive were keen to continue. It was hoped that income from events sponsorship would increase over the next few years.

The Executive and Senior Management Team had undertaken a lot of work on how the Council could make the required savings over the next five years.

The Director of Resources explained that the Environment and Transport Portfolio Holder and the Director of Local Environment had undertaken a review of car parking to encourage car park usage, particularly long term. It was proposed to reduce car parking charges for long stay which would increase car park usage. However Officers were cautious and would monitor trends over the next couple of years.

The Director of Resources advised that the Executive were keen to find external funding to allow the Council to employ a funding officer who could investigate and source external funding. In the meantime the budget indicated funds for a one year pilot and if the post was successful would be included in future budgets. In response to a query the Director of Resources advised that it had not yet been decided how the post would be resourced and all options would be considered.

The Director of Resources explained that when the budget was initially published the Council did not have the Government finance settlement. Those figures had since been announced and were now included. The Welfare Reform Act including Universal Credit, currently at the pilot stage, would have an impact on the City Council when implemented as many people would come to the City Council for information. Once implemented the Council would be able to start costing the changes created by Universal Credit but in the meantime Officers were monitoring the situation.

In order to mitigate pressures it was proposed to reduce provisions for inflation and pay awards.

As income was low from treasury management £3m had been put into a property bond which would see a 5% growth. The Director of Resources agreed to send a copy of the report on the property bond to Mr Taylor who queried the yield. Representatives were concerned about whether the issue had been sufficiently considered and how the bond was underwritten. The Director of Resources explained that the bond was underwritten by the value of the property assets and that he would circulate the report including the private sector report.

The Director of Resources advised that the building of a new pool had been put on hold until completion of the new leisure contract due in 2017. Funding from the new leisure facilities would be covered by a mortgage over 25 years and savings, the type of which would be decided with the Council's professional advisors at the time.

In response to a query the Director of Resources advised that the budget for the Arts Centre had been included in the budget for 2013/14.

As a result of the Government finance settlement and inflation the Director of Resources explained that there would be 30% less resources for the Council to spend.

In respect of capital the Director of Resources advised that whilst the Council had a lot of assets its free capital balances were reducing. The Council had halved the capital for the planned enhancements to the Council as a lot of work had already been undertaken in the Civic Centre. The ICT budget had also been halved and all capital programmes were fully funded.

The Finance, Governance and Resources Portfolio Holder acknowledged that things had been difficult since 2012 and there had been a reduction in core grants from Government. He believed that the MTFP was prudent but realistic. The Executive did not want the city to decline but were committed to boost commercial areas and increase revenue by building new homes, new businesses and better use of Council assets. That would bring new businesses and shoppers to the City and the Council would support businesses in their efforts.

The introduction of Welfare Reform, which was the responsibility of the DWP, would lead to an increase in the number of people coming to the Council as residents believed it was a Council responsibility. The Council were legally obliged to provide a balanced budget to cover the five year period and had looked at all details. Consultation would be open until 12 January 2015 and all comments would be considered. The Council would continue to support vulnerable residents and there would be a big push to put the Carlisle Plan into place which would encourage external investment for external companies and incubator businesses. The Portfolio Holder stated that he was optimistic that Carlisle was a growing city and that people would come to the City and want to stay.

There was prolonged discussion about how the budget consultation meetings were publicised. The Leader confirmed that the matter would be investigated for future budget consultation meetings.

In response to a query regarding a large outstanding loan the Director of Resources explained that the loan was due to be paid from the 2020/21 budget and the current budget was up to 2019/20. If the loan was paid early there would be a substantial premium which made early repayment financially unviable.

The Director of Resources confirmed that the total indebtedness of the Council was looked at as part of the year end routine. As the Council was capital poor it would not be able to undertake major programmes at the present time without external funding. The Director of Resources confirmed the total value of the Council's assets.

The Finance, Governance and Resources Portfolio Holder advised that it was important to ensure that the balance was right. The Council was committed to developing the City and businesses need to be involved in the Council's priorities. Mr Johnston queried whether the Council were happy that their assets were in the right place. The Director of Resources advised that the Asset Management Business Case would deal with the assets.

Mr Ashley queried whether Officers had looked at charging rates for Development Control. The Economy, Enterprise and Housing Portfolio Holder advised that much of Development Control Income was governed by planning applications and size of developments. The Council had little control over those other than Officers providing pre-application advice. Planning Officers worked closely with those dealing with asset management and a register of available land was kept. Changes in legislation had meant that the Council would no longer automatically have income from Building Control. The Portfolio Holder confirmed that, in theory, those services could be contracted out but that would be part of larger discussions. Planning Officers were currently at capacity dealing with applications.

Mr Ashley queried whether the Council were receiving a proportional share from developments. The Finance, Governance and Resources Portfolio Holder advised that a charging review was undertaken each year and charges were maximised where possible. However the Council continued to support vulnerable groups.

The Economy, Enterprise and Housing Portfolio Holder acknowledged that income was not at the level of 2011 and advised that could be due to some applications being approved but not started. Work was now starting on a number of developments.

Mr Johnston suggested the Council could look at different ways of working to make the service more efficient such as providing a fast-track service for applications. The Economy, Enterprise and Housing Portfolio Holder explained that the Planning Officers worked to statutory deadlines and a developer could appeal on non-determination if an application was delayed. However, issues outwith the Council's control, such as assessments, could cause delays.

The Environment and Transport Portfolio Holder explained that a review of waste services was being undertaken across the district and the potential impact on Carlisle. One of the main issues was that the Council was reliant on recycling credits which were determined by the County Council. Any changes to waste services across the district would be done by agreement. The Director of Resources explained that the review started before the start of the budget consultation. Potential impacts of the County Council budget had not been factored into the City Council budget as the figures were not accessible when the budget was prepared.

There was extensive discussion about the Arts Centre, pension funds, leasehold of Council land and tourism and the Director of Resources confirmed that he would provide a written response in respect of issues raised.

There was further discussion around problems in respect of car parking and it was agreed that better signage and good quality car parks with good lighting could improve the situation.

The Leader thanked those attending for their input into the meeting and stated that Members would like dialogue with businesses to continue and were happy to discuss any issues looked forward to meeting more frequently in the future.

(The meeting closed at 2.20pm)

**BUDGET CONSULTATION – TRADE UNION REPRESENTATIVES
WEDNESDAY 7 JANUARY 2015 AT 3.00PM**

PRESENT: Councillor C Glover (Leader)
Councillor Dr L Tickner (Finance, Governance and Resources Portfolio Holder)
Councillor Mrs E B Martlew (Deputy Leader; and Environment and Transport Portfolio Holder)
Councillor Mrs H Bradley (Economy and Enterprise Portfolio Holder)

Mr C Lexa (UNISON)
Mr D Armstrong (UNISON)
Mr D Gow (GMB)

OFFICERS Town Clerk and Chief Executive
Director of Resources

1. APOLOGY FOR ABSENCE

An apology for absence was submitted on behalf of Mr Malcolm Carruthers, Regional Officers, UNITE.

2. WELCOME

The Finance, Governance and Resources Portfolio Holder welcomed the Trade Union representatives and thanked them for taking the time to attend the meeting and respond to the Executive's draft Budget Proposals 2015/16 issued for consultation.

3. CITY COUNCIL BUDGET 2015/16

The Director of Resources gave a brief presentation highlighting main issues set out in Executive Budget Proposals.

He outlined the background to and context of the 2015/16 budget, emphasising that the Council was facing many financial challenges over the next five-year planning period , and forecast resources were not anticipated to cover the expenditure commitments without major 'transformational' savings being identified in accordance with the Council's Savings Strategy.

The Director of Resources gave a further explanation of the following main issues:

- Government Finance Settlement – RSG and NNDR
- Welfare Reform Act

- Transformation
- Reduced Capital Resources

As part of next year's budget, the Executive was proposing not to increase the Council Tax for the City Council for 2015/16 (Parish Precepts would be an additional charge in the parished rural areas).

Details of the main changes to the budget for 2015/16 (as set out within the consultation document) reflected the need to make savings of £4.686 million over the next five years. Those would require the Senior Management Team and the Executive to review the services provided by Council and look at where those savings could be found.

The Finance, Governance and Resources Portfolio Holder reported that the Budget proposals assumed that significant savings must be found within the next five year period: £4.686 million in total, with £1.211 million to be found by 2015/16 and £3.4 million in later years.

In the period since 2010/11 savings of approximately £6 million had been identified, as a result of which the deficit should have been reduced. However, the implications of the Chancellor's Autumn Statement would hit local authorities even harder. The Local Government Association had calculated that, by May 2015, the Council's funding would be reduced by approximately 40%. This was therefore an extremely difficult time for all local authorities, including the City Council.

Notwithstanding the above, Members of the Executive were keen to do what they could to assist the local community, in particular, the low paid, unemployed and homeless people. Accordingly the budget proposed:

- That car parking charges be frozen for the fourth year running and that long stay charges be reduced
- Maintenance of the Council's ambitious capital programme, including the Arts Centre
- The provision of additional funding for Council events in promoting Carlisle on a permanent basis
- Maintenance of the popular 'Clean Up Carlisle' initiative for a further two years
- Additional funding for Ward Councillors to support Small Scale Community Projects in their Wards.

The Finance, Governance and Resources Portfolio Holder added that the Executive wanted to manage growth and maintain front line services and were keen to protect staff. He agreed that the next few years would be difficult but the Executive were optimistic that there was opportunity to generate income, better manage Council assets and protect services and the most vulnerable in the community.

Discussion arose, during which the following questions and issues were raised:

Mr Lexa noted the projected increase in the reserves to £2.6m by 2019/20; he asked the reason for the quick increase to the reserves.

The Director of Resources explained that the General Fund Reserve would rise and fall during the period of the Medium Term Financial Plan (MTFP) and it was projected that the Reserve would be £2.6m in 2019/20. There would be no quick increase in the Reserves but the figures did afford the Council some leeway. In response to a further question the Director confirmed that the repayment of the Council's loan was outwith the current MTFP period.

Mr Lexa asked for further information on the Funding Officer. The Leader reported that the Funding Officer would be a one year pilot which would be financially resourced from any funding sourced by the Officer. If the Officer was not successful the post would not continue. Various departments within the authority accessed grants and funding streams, it was hoped that the Funding Officer would have the necessary skills and expertise to complete the applications and statements to access previously unknown grants and funding. The Director of Resources added that the focus of the Funding Officer's role would be the Carlisle Plan.

In response to a question from Mr Lexa the Finance, Governance and Resources Portfolio Holder confirmed that the Executive was not looking to make any detrimental changes to Terms and Conditions, he reiterated that staff were the key resource within the Council. The Leader concurred and reminded attendees that the Council had introduced the Living Wage and was it was committed to 'growing their own' staff to secure the future workforce. The Environment and Transport Portfolio Holder added that the Council had a proactive training programme but also ran a comprehensive wellbeing programme for staff.

The Director of Resources added that the Revenues and Benefits staff would be transferred back to the three separate authorities and the Carlisle staff would return to the Carlisle Terms and Conditions.

Mr Lexa asked how the vacancy redundancy/management targets would be met when the first round of voluntary redundancies had not achieved the required target.

The Finance, Governance and Resources Portfolio Holder responded that a number of the requests for voluntary redundancies had been for posts that could not be deleted, the future of the workforce needed to be addressed in a different way. The Council needed a flexible strategy to allow and encourage training and movement of staff within the authority.

The Environment and Transport Portfolio Holder confirmed that a number of the applications for voluntary redundancy had come from front line services and the loss of the posts would not only effect the staff left but also the quality of the service.

Mr Lexa asked for further information on the Rethinking Waste Project.

The Environment and Transport Portfolio Holder explained that the Project was a comprehensive review of all waste services in a positive way to make the service more effective. There were a number of issues that needed to be investigated including the capacity of the service to collect from new developments, the cost of recyclates and the way in which recyclates were collected.

In response Mr Lexa enquired if properties in new developments were being purchased. The Leader confirmed that properties were being sold although there had been issues with affordable housing. The Carlisle District Local Plan set out the number of new homes required in Carlisle each year; for Carlisle to stay the same size it would require 450 new homes per year, for it to grow it would require 550 new homes. Carlisle had the land capacity to accommodate the new developments. The Director of Resources added that the tax base for Carlisle had grown by 500 which resulted in nearly £100,000 of income stream but also stretched the capacity of services such as waste services.

In concluding the meeting the Finance, Governance and Resources Portfolio Holder thank the Trade Union representatives for their input into the meeting.

(The meeting ended at 3.55pm)

EXECUTIVE – 14 JANUARY 2015

RESPONSES TO 2015/16 BUDGET CONSULTATION

1. "I have read your budget proposals with interest and I have identified one particular area where the Woodland Trust may be able to be of assistance to you.

The Woodland Trust has produced a report entitled "Trees or Turf", which looks at the costs of maintaining various types of urban green space. The report shows clearly that conversion of selected areas of short mown grass to woodland can deliver a range of social, environmental and economic benefits but can also lead to significant reduction in landscape management costs.

I noted that your draft budget contains a saving of £10,000 for landscape maintenance which presumably involves reduced grass cutting. You may wish to consider how this figure could be increased by creating woodland in selected areas.

Our Trees or Turf report can be found on our website at

<http://www.woodlandtrust.org.uk/publications/search/?query=trees+or+turf>

I would be happy to discuss the report with your officers if you would find that helpful."

The Woodland Trust

2. Feedback – copy letter attached
3. The Director of Resources' response to questions raised – copy response attached
4. Feedback – copy letter attached

Dr Jason Gooding
C. E Carlisle City Council
Civic Centre
Carlisle CA3 8G

Connit Savings.

5/1/15

Dear Dr Gooding, Thank you for sending the total costs of the Connit Fireshow before Christmas.

As the figure given was some £60,000 + Police Costs (unknown); the Carlisle Fireshow should be strongly considered as a fringe activity which should be axed before next November.

Not only is the Fireshow an expensive luxury which cannot be justified; you will appreciate that Fites and Fireworks are responsible for some 14% of the Annual Pollution levels in Britain. Even China is banning such events to reduce Pollution levels, Carlisle should set an example and follow suit. Yours sincerely

Morag Durham

From: Dorothy Anderson
Sent: 06 January 2015 11:46
To:
Cc: Cllr Les Tickner
Subject: FW: Budget consultation 2015/16- consultation with non domestic ratepayers
Importance: High

MESSAGE SENT ON BEHALF OF PETER MASON, DIRECTOR OF RESOURCES

Good Morning

I refer to your recent e-mail addressed to Mrs Morag Durham in relation to your queries around the above.

I have now taken the opportunity to respond to these (highlighted in red below).

Thank you.

Peter Mason

Dorothy Anderson
 Executive Assistant to Jane Meek, Director of Economic Development
 Mark Lambert, Director of Governance
 Peter Mason, Director of Resources
Chief Executive's Office
 Carlisle City Council
 Direct Dial: (01228) 817003
 Email: dorothy.anderson@carlisle.gov.uk

From: ...
Sent: 29 December 2014 10:36
To: Morag Durham
Subject: Budget consultation 2015/16- consultation with non domestic ratepayers

Morag

Further to Mark Lambert's letter dated 17th December 2014 (received by me on the 23rd December) I have the following questions re the executive Budget Proposals which I would be grateful if you could reply to soonest given the proposed meeting on Wednesday 7th January.

I have endeavoured to only ask the most pertinent queries

Questions on Executive Budget Proposals 2015/2106 dated 15th December 2014

- 1) Page 3 sets out the Council's priorities. Please can you confirm what KPI's the council has adopted to measure/assess itself against these priorities. Please can you also confirm how often the KPI's are reviewed and by whom.

We will continue to monitor the performance of our services through the Service Standards, you can view the most recent report by following the link below. The performance against the priorities is reviewed through the management and decision-making structures of the Council,

the summary report is prepared to inform the Executive. This summary of performance is produced on a quarterly cycle.

<http://cmis.carlisle.gov.uk/cmisis/Document.ashx?czJKcaeAi5tUFL1DTL2UE4zNRBcoShgo=VS CZ3QKzDZs6DRFtCIPI3aRw5bqCqOebGp6CyEosHYkV76uWyz4ug%3d%3d&rUzwRPF%2b Z3zd4E7lkn8Lyw%3d%3d=pwRE6AGJFLDNlh225F5QMaQWCtPHwdhUfCZ%2fLUQzgA2u L5jNRG4jdQ%3d%3d&mCTIbCubSFfXsDGW9IXnl%3d%3d=hFflUdN3100%3d&kCx1AnS 9%2fpWZQ40DXFvdEw%3d%3d=hFflUdN3100%3d&uJovDxwdjMPoYv%2bAJvYtyA%3d% 3d=ctNJff55vVA%3d&FgPIIEJYlotS%2bYGoBi5oIA%3d%3d=B03MzdTRKII%3d&d9Qjj0ag 1Pd993jsyOJqFvmyB7X0CSQK=ctNJff55vVA%3d&WGewmoAfeNR9xqBux0r1Q8Za60lavY mz=ctNJff55vVA%3d&WGewmoAfeNQ16B2MHuCpMRKZMwaG1PaO=ctNJff55vVA%3d>

Currently, performance against the priorities is monitored through a range of measures including risk management, project management and performance indicators. We will begin action planning around the new priorities over the next couple of months and new measures will be developed alongside the new key actions.

- 2) Can you confirm whether the budget is modelled/flexed at all for any unexpected contingencies so that the council/Executive have an all round view of the finances if the projected income streams decline/expected costs increase (as they are likely to so given my review/assessment of the budget proposals)

The budget is monitored closely on a monthly basis and high risk budgets are monitored in depth to ensure any variation from expectation is modelled for potential over/under spend at year end. These are taken into account against all other budgets and the position these are in on a monthly basis to gauge the likely year end position and whether any additional call on reserves will be required or whether there will be an additional contribution to reserves. Action is then taken to deal with this position, e.g. by limiting potential carry forwards.

- 3) Summary Budget Proposals- table page 4). Please can you confirm why it has been considered that (as further detailed in Schedule 4) that no further non recurring budget increases will arise post 2016/17 given that for the two years prior to this the excess is £580k and £430k. Also for completeness what were the equivalent figures for 2013/14 and 2014/15 so we can further assess the probability of an overspend arising.

Non-Recurring budget increases reflect those items of expenditure that are one-off in nature, e.g. for a specific project or which are expected to be for a limited time period. It is not possible to quantify these items beyond a specific time frame to estimate specific one-off projects in the future. Non Recurring expenditure pressures are therefore dealt with when they arise.

The equivalent figures for 2013/14 and 2014/15 were as follows:

	2013/14	2014/15	2015/16	2016/17
2013/14	£1.091m	£0.293m		
2014/15		£1.016m	£0.122m	
2015/16			£0.580m	£0.430m

- 4) Revised Revenue Budget 2014/15. Please can you explain why give we are effectively at 1st Jan 2015 (and nearly at the beginning of the 2015/16 year end) the Executive are asking the Council to approve the net budget for 2014/15???

The original budget was approved in February 2014, however, this budget provides an update on the current position of the 2014/15 budget given known changes in use of reserves and approved carry forwards. This is reflected in the quarterly budget monitoring reports and is provided here for completeness in order to set the 2015/16 budget based on updated reserves position.

- 5) In relation to this table please provide an analysis of the £766k of work that has been carried over and why it was considered essential and who has effectively pre authorised this (presumably it must all have been spent now given we are nearing the end of the 2014/14 year end- but presumably has not been authorised? Is this normal practice???)
The £0.768m carried forward from 2013/14 was approved as part of the final outturn of the 2013/14 accounts. These items were approved to be carried forward by the Director of Resources and Full Council in July 2014. These are items where expenditure was planned in 2013/14 but which were not completed and required to continue to 2014/15. A corresponding under spend occurred in 2013/14, and these budgets are then carried forward and added to 2014/15. Please see attached for details.
- 6) Further to 4) above please can you confirm what the final outturn for 2013/14 was – given that £766k has been pushed into the following year.....
Final Outturn was £82,582 after carry forwards
- 7) Re Schedule 2) on page 7 can you explain how the interest on the new £5m of external borrowing (Schedule 7) has been factored into the Treasury Management Savings including the arrangement fee and interest rate assumed ??Also please can you set out how such a reduction can be achievable as most loans when being renewed now are at a HIGHER interest rate with significant day one arrangement fees (and where are these accounted for?)
The £5m borrowing scheduled for 2018/19 is based upon Public Works Loan Board rates of 5% for a 25 year Principal and Interest Loan based on market estimates of interest rates at that time. This will be a new loan and not a renewal of existing borrowing. The reduction in the treasury management budget also reflects changes in interest rates forecasts for investments, changes to average balance projections based on cash flow, and reductions to the Council's Capital Financing Requirement due to rescheduling of the £5m borrowing from 2015/16 to 2018/19. The cost of borrowing is also offset by a saving in the leisure contract fee (which was included in the 2013/14 budget).
- 8) Re the pay awards- can you confirm the current staff turnover rate at the Council. Also (note 2) it states that the pay award is limited to 2%.Please confirm that this applies to all staff and that anyone passing through a banding (say manager to senior manager) will be restricted to 2% and will not get around the 2% banding by effectively being regarded to a higher level due to their promotion.
The 2% increase applies to all staff but will be subject to final pay negotiations on a national level. The majority of staff and Senior Managers are all at top of scale and therefore there is minimal provision for incremental increases.
- 9) Can you confirm why it has not been considered that the inflation saving and pay award saving can not be introduced in 2014/15- surely an easy way to save money???
Inflation savings and pay award savings of £423,000 were included in the 2014/15 budget proposals approved in February 2014, rising to £654,000 from 2015/16. The figures included in the 2015/16 budget proposals are on top of these figures already taken.
- 10) There is a lack of detail in these budget proposals as to the £350k annual transformation savings. Given their significance/quantum please can you provide extra detail as to how they

are achieved. (note 7 on page 9 states that they have been drawn up so presumably can be supplied).

Proposals have been drawn up for the £3.939million savings required as part of the 2014/15 budget proposals approved in February 2014/15. The draft budget indicates that a further £350,000 will be required in order to achieve a balanced Medium Term Financial Plan. Proposals on how to achieve this amount will be drawn up once the final budget is approved.

- 11) Schedule 3- recurring budget increase. In relation to Cecil Street and William Street car parks- please can you confirm what amount, and in what form, the County Council paid for these car parks.

The County Council was already the owner of William St Car park and the City Council provided an enforcement service with the net proceeds being payable to the County Council. The City Council disposed of Cecil Street Car Park to the County Council as part of an asset exchange, with the City Council receiving the Old Fire Station building and Herbert Atkinson House on Abbey Street.

- 12) Following on from 10) can you set out what additional income has been generated per annum from the consideration received from the County Council as this must be included as a form of income in these proposals???

The Old Fire Station is being refurbished into an Arts Centre and Herbert Atkinson House is leased on a peppercorn rent to Tullie House in order to facilitate their service delivery. The net cost of running the Old Fire Station facility once opened was included in the 2013/14 budget proposals.

- 13) Schedule 4 non recurring budget increases. Given there is £530k and £430k of non recurring increases in 2015/16 and 2016/17 respectively- it is surely sensible to include some contingency for 2017/18 and later periods (why for example does the Lanes Income decrease of £138k stop in 2016/17- does it not continue to decline???)

The nature of non-recurring pressures are that they are difficult to forecast and as such no contingency is made. The expectation is that income pressures will cease beyond 2016/17 and income will recover.

- 14) Schedule 5- This schedule effectively shows that the nettle has not been grasped by the council- the third last line clearly sets out that the budget requirement is increasing from 11,818 to 12,485 over the next 5 years- this is before some of the unknown/un budgeted increases come through. This needs to be re thought/re modelled.

The increase reflects the inflationary pressures built into the Medium Term Financial Plan, pay and inflation. This is countered by the measures taken in the draft budget to make savings to meet known pressures and maintain a prudent level of reserves.

- 15) Schedule 7-estimated capital resources- please can you confirm what leisure facilities are envisaged to be funded in 2018/19. For such a large level of expenditure there must be some documentation/initial costings even if high level??

The Council has identified that the swimming pool on James St is outdated and in need of major works. The Sports and Physical activity strategy attached above outlines the requirements and indicative costs. The £5m reflects the Council's maximum affordable contribution to the scheme with external funding applications being made for additional costs.

- 16) Schedule 8-proposed capital programme- given the level of budget pressure we are under-why is there a need to budget for £1,800k of asset review spend in 2015/16-surely this can be phased??

The aim of the asset review is to sell underperforming assets and re-invest in revenue generating assets . This reflects the capability of undertaking this plan and the expenditure is for one-off costs

- 17) Note 5 says that the old town hall should be complete after the £390k is spent on it- please can you confirm the total costs of this refurbishment.

The total budget is £798,000

- 18) Council's owned assets- page 17- please can you send through a copy of the current asset review strategy.

As attached

Summary executive Budget Proposals 2015/16 document dated 15th December 2014

- 19) Page 4 sets out various savings that are envisaged to be achieved (i.e. a reduction in the Tullie House grant by £250k in 2015/16) over various years. Given we are nearly in 2015/16 can you confirm where we are at with the 20 other 'savings' which have not been achieved yet?

All savings required for 1 April 2015 are on target to be achieved and budgets will be reduced for the start of 2015/16

- 20) The 2018/19 saving is principally achieved by a £1,000,000 assumed income from assets. Please confirm which assets these are (they must have been identified to be included in this document?)

This is primarily though the Council's land asset at Morton but also includes other assets such as Industrial Estates.

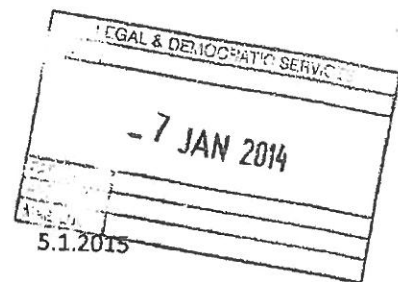
- 21) Re these various savings-can you confirm the process they were identified and quantified and by whom.

Savings were put forward by Directors and the Executive at a series of workshop days to critically evaluate the proposals in line with the Council's priorities. The savings were then checked by Finance to determine whether they were achievable given previous budgetary performance and likelihood of success in managing a reduced budget.

Finally please can you confirm receipt of this e-mail and that you will reply to me prior to the meeting of the 7th January 2015.

My address/contact details are

4



M D LAMBERT, ESQ DIRECTOR OF GOVERNANCE
CIVIC CENTRE CARLISLE CA3 8QG

BUDGET PROPOSALS 2015/16 CONSULTATIONS WITH NON-DOMESTIC RATEPAYERS
MY QUESTIONS, IN PREPARATION FOR THE 7.1.2015 MEETING, ARE AS FOLLOWS:

1. IF ALL STAFF AND COUNCILLORS PAID THE MARKET RATE FOR VEHICLE PARKING, IN LIEU OF FREE PARKING, WHAT WOULD BE THE AMOUNT OF EXTRA REVENUE TO CARLISLE CITY COUNCIL
2. (a) WHAT HAS BEEN THE MAXIMUM No. OF SQ. FT. OF SPACE, IN THE CIVIC CENTRE, AVAILABLE FOR LETTING IN THE 12 MONTHS OF 2014
(b) WHAT HAS BEEN THE AMOUNT OF RATES PAID BY CARLISLE CITY COUNCIL FOR VACANT SPACE IN THE CIVIC CENTRE FOR THE YEAR OF 2014
3. (a) FOR HOW MANY YEARS HAS THE NUMBER OF COUNCILLORS BEEN 52
(b) IF THE NUMBER OF CITY COUNCILLORS WAS REDUCED FROM 52 TO 39 WHAT WOULD BE AN ESTIMATE OF THE ANNUAL DIRECT AND INDIRECT SAVING IN COSTS
(b) OVER PAST DECADES WHAT AREA/EXTENT OF SERVICES (FUNCTIONS) HAVE BEEN REMOVED FROM CARLISLE CITY COUNCIL E.G. HOUSING, EDUCATION, LEISURE, TULLIE HOUSE, WASTE, ROADS ETC. ETC. ...AND IN WHICH YEAR
4. IF THE REVISED NET BUDGET OF 2014/15 WAS £13,267,000 WHAT WAS THE EQUIVALENT FIGURE FOR EACH OF THE PREVIOUS 9 YEARS
5. IN RESPECT OF "THE LANES" FOR EACH OF THE LAST 10 YEARS PLEASE SHOW:
 - a. THE ANNUAL RENT WHICH WOULD HAVE BEEN RECEIVED IF ALL SPACE HAD BEEN LET EACH YEAR. PLEASE SPLIT TH INCOME INFORMATION BETWEEN RENT AND SERVICE CHARGES
 - b. THE ACTUAL AMOUNT RECEIVED SPLIT BETWEEN RENT AND SERVICE CHARGES
 - c. THE AVERAGE LENGTH OF LEASES
 - d. THE AVERAGE PERIOD BEFORE THE FIRST BREAK CLAUSE APPLIED
 - e. THE AGGREGATE AMOUNT OF/ COST OF INCENTIVES (IN ANY FORMAT) GRANTED EACH YEAR
 - f. THE AMOUNT OF OVERDUE RENT/SERVICE CHARGES AT THE END OF EACH YEAR
 - g. THE AMOUNT OF BAD DEBT OF EACH YEAR
6. IN TO-DAY'S DAILY TELEGRAPH THE LEAD BUSINESS ARTICLE STATES: "BRITAIN'S SUPERMARKETS ARE BUILDING ON JUST 6% OF THE LAND THEY CONTROL, UNDERLINING THE PROBLEMS THEY FACE WITH UNDEVELOPED SITES AS THE INDUSTRY BATTLES TUMBLING SALES. THE PIPELINE OF NEW GROCERY STORES IS 46.61M SQ. FT. ...HOWEVER JUST 2.8M SQ. FT. OF THESE NEW STORES IS BEING BUILT. THIS MEANS THAT 43.81M SQ. FT. IS LYING EMPTY. IF THESE RETAILERS CONCLUDE THEY NO LONGER WANT TO BUILD ON THESE SITES THEY WILL BE FORCED TO BOOK BILLIONS OF POUNDS IN WRITE DOWNS."

IN THE LIGHT OF 6. ABOVE PLEASE ADVISE:

- (a) DO ANY OF THE YEARLY BUDGETS ASSUME THE MORTON TESCO DEVELOPMENT WILL PROCEED
- (b) IF THE ANSWER IS "YES" PLEASE STATE CLEARLY:
ALL THE ASSUMPTIONS MADE WITH RELEVANT FIGURES
FULL DETAILS OF PLAN "B" IF THE TESCO DEVELOPMENT DOES NOT PROCEED OR PROCEEDS IN ANOTHER DEFINED RESTRICTED FORM.

7. IS IT CORRECT THAT IN ONE OR MORE BUDGETS THE COUNCIL HAS ASSUMED
 (A) THE "TESCO" MONEY WILL BE RECEIVED?
 (B) THE MONEY, ONCE RECEIVED, WILL BE USED TO REPAY IN WHOLE OR PART CERTAIN
 LOANS WITH RESULTING SAVING IN INTEREST PAYMENTS?

8. THE RICKERGATE "ARTS" DEVELOPMENT

ON A

- (A) WORST COST SCENARIO BASIS
 (B) BUDGET BASIS

WHAT IS THE AGGREGATE EVENTUAL COST OF:

- (a) THE DEVELOPMENT FOR THE BUILDING AND ALL CONTENTS
 (b) THE PROFESSIONAL FEES
 (c) VAT
 (d) FOR EACH OF THE FIRST FIVE YEARS THE YEARLY
 1. INCOME? PLEASE STATE THE AMOUNT OF VAT TO BE DEDUCTED
 2. OPERATING COSTS? PLEASE STATE THE EXTRA AMOUNT OF VAT

REFERENCE 8. ABOVE MY FURTHER QUERIES ARE:

- A. CLEARLY THE AMOUNTS INVOLVED, WITH RESULTING COSTS TO THE COUNCIL, UNDER (a) (b) (c) AND (d) ARE ENORMOUS.

IN MY VIEW THE "DOORS" FIRST SHOULD HAVE BEEN OPENED TO OTHER POTENTIAL PROJECTS, WHY WAS THAT NOT ACHIEVED IN LIEU OF A SIMPLE SLIDE INTO AN "ARTS" CENTRE? IF OTHER "DOORS" WERE CONSIDERED DETAILS PLEASE

OPEN CONSIDERATIONS SHOULD BE THE BEDROCK OF SUCH A SITUATION

- B. CARLISLE COLLEGE ARE COMPLETING A STRAND RD. "ARTS CENTRE" PROJECT AT A COST OF £4M OR SO.

TO WHAT EXTENT WAS THAT ASPECT AND FACILITIES TAKEN INTO ACCOUNT PRIOR TO THE PLUNGE TO PROCEED WITH THE HUGE EXPENDITURE FOR THE COUNCIL'S RICKERGATE "ART" PROJECT WITH ITS MEGA UNAVOIDABLE CAPITAL EXPENDITURE PLUS PERMANENT ANNUAL MEGA OPERATING LOSS?

9. DEFINED BENEFIT PENSION FUND

PLEASE ADVISE:

- A. THE NUMBER OF PENSIONERS CURRENTLY DRAWING BENEFITS
 THE NUMBER OF DEPENDENTS DRAWING BENEFITS
 B. THE NUMBER OF FUND MEMBERS, OTHER THAN A. ABOVE, WHO ARE NO LONGER EMPLOYEES OF THE COUNCIL. THIS NUMBER SHOULD NOT INCLUDE THOSE WHO HAVE TRANSFERRED BENEFITS ELSEWHERE AND SO ARE NO LONGER MEMBERS OF THE CARLISLE CITY COUNCIL'S FUND
 C. THE NUMBER OF MEMBERS, OTHER THAN A. AND B.
 D. THE GROSS AMOUNT PAID OUT TO MEMBERS OVER THE LAST YEAR BETWEEN:
 (a) PENSION BENEFITS ..TO (A) MEMBERS? (B) DEPENDENTS?
 (b) DEATH BENEFITS?
 E. THE % CONTRIBUTED OF SALARY BY (A) THE COUNCIL? (B) THE MEMBER?
 F. THE NORMAL RETIREMENT AGE
 G. THE DATE OF THE LAST TRIENNIAL VALUATION
 1. **FOR BOTH THAT DATE AND THE TWO PREVIOUS VALUATION DATES PLEASE SHOW THE VALUE OF THE FUND AND THE AMOUNT OF THE LIABILITIES**
 2. REFERENCE THE VALUE OF THE FUND AT THOSE DATES PLEASE SHOW THE AMOUNT OF THE VALUES IN EACH CLASS OF INVESTMENT

3. ALSO SHOW AN UPDATE OF FUND CLASS/VALUES AT THE PRESENT TIME.....OR AS NEAR TIME WISE AS PRACTICABLE

4. IN EACH OF THE LAST FIVE YEARS PLEASE SHOW FOR EACH YEAR:

- (a) THE PROFESSIONAL FEES PAID
- (b) THE AGGREGATE AMOUNT OF ALL OTHER EXPENSES

H. FOR EACH OF THE LAST TWO VALUATION OCCASIONS PLEASE SHOW:

- a. DISCOUNT RATE
- b. RETAIL PRICE INFLATION
- c. CONSUMER PRICE INFLATION
- d. PENSION % INCREASES ..AND ANY MAXIMUM WHICH CAN APPLY
- e. DEFERRED PENSION REVALUATION
- f. FULL DETAILS OF THE MORTALITY ASSUMPTIONS
- g. ANY FURTHER INFORMATION RECOGNIZED IN ANY STATEMENT OF CONSOLIDATED OF COMPREHENSIVE INCOME WITH YEARLY INCOME (ACTUAL/RESTATED) WITH IDENTIFICATION OF ACTUARIAL LOSSES AND GAINS

N.B. (A) FOR EACH OF MY REQUESTS YOUR CAN TAKE "YEAR" AS ANY CONVENIENT 12 MONTH PERIOD
(B) IF YOU SHOULD ARGUE THAT ANY ITEM OF MY REQUESTS DOES NOT FALL WITHIN YOUR "BUDGET CONSIDERATIONS" PROPOSAL THEN SUCH ITEM/S SHOULD BE TREATED UNDER THE FREEDOM OF INFORMATION ACT.

**EXCERPT FROM THE MINUTES OF THE
EXECUTIVE
HELD ON 14 JANUARY 2015**

**EX.01/15 BUDGET 2015/16 – CONSIDERATION OF CONSULTATION
FEEDBACK**

(Key Decision – KD.25/14)

Portfolio Finance, Governance and Resources

Relevant Overview and Scrutiny Panel Resources

Subject Matter

The Finance, Governance and Resources Portfolio Holder reported the submission of the following documents in response to consultation on the Executive's draft Budget proposals:

- (a) Minutes of the budget consultation meeting with representatives of Non-Domestic Ratepayers and the Large Employers - 7 January 2015
- (b) Minutes of the budget consultation meeting with Trade Union representatives - 7 January 2015
- (c) Minutes of the Resources Overview and Scrutiny Panel - 5 January 2015

In response, the Finance, Governance and Resources Portfolio Holder commented upon each in turn:

- (a) The meeting with representatives of the Non-Domestic Ratepayers and Large Employers had been extremely constructive in nature. The City Council and the representatives shared a common agenda, particularly in terms of tourism and the problems in relation to car parking. The Executive was keen to continue to work with businesses throughout the year to develop priorities for the City and the Portfolio Holder thanked the representatives for their time and very useful contributions at the meeting.
- (b) The meeting with Trade Unions representatives was also very productive. Despite the need to make significant savings, the aim of the Labour Administration was to achieve those savings via non-staffing cuts, with compulsory redundancies being considered as a last resort.

Members of staff were the key resource within the authority. In recognition thereof the Council had introduced the living wage, and would encourage other authorities and businesses to do likewise. The Trade Union representatives were happy to work with the Executive and that would continue throughout the year.

- (c) The Resources Overview and Scrutiny Panel had been consulted as part of the consultation process and had scrutinised the Executive's draft Budget Proposals for 2015/16 as evidenced by the quite detailed Minutes submitted. Although no specific changes were proposed as a result of that exercise, the comments of Overview and Scrutiny were extremely useful in the formation of the Executive's Budget.

The Portfolio Holder stressed that, as well as seeking to achieve savings, the Executive was looking at areas of revenue income to achieve a balanced budgetary position as far as possible.

Copies of the following documentation received in response to the budget consultation process had also been circulated to the Executive prior to the meeting:

- 1. Response from Mr Nick Sandford, Government Affairs Officer, The Woodland Trust
- 2. Feedback from Mr Geoff Brazendale
- 3. The Director of Resources' written response to questions raised by Mr David Ward
- 4. Feedback from Mr Malcolm P Ward

The Finance, Governance and Resources Portfolio Holder then commented upon each response in turn:

- 1. The draft Budget proposals included a saving of £10,000 for landscape maintenance. The Woodland Trust had suggested that the figure could be increased by creating woodland in selected areas. Reference was also made to their report entitled "Trees or Turf" which looked at the costs of maintaining various types of urban green space and clearly showed that conversion of selected areas of short mown grass to woodland could deliver a range of social, environmental and economic benefits, but could also lead to significant reduction in landscape management costs.

The Portfolio Holder recommended that the "Trees or Turf" report be passed to the Director of Local Environment for consideration, with the request that she submit a report on the viability of the proposal (as an alternative to the £10,000 saving) to a future meeting of the Executive.

- 2. The 2015/16 draft Budget Proposals included a recurring budget for Council Events designed to promote Carlisle. There was a balance between hosting a highly organised public Fireshow and the dangers associated with people arranging their own firework displays in their gardens. The Fireshow was very much appreciated by both the local and wider community.

In the light of the concerns raised, the Executive would investigate potential sponsorship for the Fireshow and all other Council events.

3. Due to the complexity of the questions raised by Mr David Ward, the Director of Resources had provided a written response.
4. A written response would also be provided to Mr Malcolm Ward in due course.

Summary of options rejected None

DECISION

1. That the Minutes of the consultation meetings with representatives of Non-Domestic Ratepayers and the Large Employers; and Trade Unions, attached as Appendices A and B; and the Extract from the Minutes of the Resources Overview and Scrutiny Panel be received.
2. That the consultation feedback be received, it being noted that the comments had been taken into account by the Executive when formulating its final recommendations for the City Council's 2015/16 Budget to be submitted later in the meeting.
3. That the Director of Local Environment be requested to consider the Woodland Trust's "Trees or Turf" report, and submit her conclusions to a future meeting of the Executive.

Reasons for Decision

To take into account consultation feedback when formulating recommendations on the 2015/16 Budget

EXCERPT FROM THE MINUTES OF THE EXECUTIVE HELD ON 14 JANUARY 2015

EX.02/15 **BUDGET UPDATE REVENUE AND CAPITAL 2015/16 – 2019/20
(Key Decision – KD.25/14)

(In accordance with Paragraph 15(i) of the Overview and Scrutiny Procedure Rules, The Mayor had agreed that call-in procedures should not be applied to this item)

Portfolio Finance, Governance and Resources

Relevant Overview and Scrutiny Panel Resources

Subject Matter

Pursuant to Minute EX.136/14, the Finance, Governance and Resources Portfolio Holder submitted report RD.47/14 providing an update to the Director of Resources' report (RD.41/14) considered by the Executive on 15 December 2014.

The Portfolio Holder then outlined the outstanding issues and known changes affecting the budget as follows:

Revenue Support Grant Settlement/Retained Business Rates

Draft figures were received on 18 December 2014 and were broadly in line with expectations in the Medium Term Financial Plan (MTFP). Overall there was a £5,714 increase in grant funding/retained business rates as outlined in the table at 2.1 to the report.

New Homes Bonus

Draft figures were received on 16 December 2014 which indicated that the Council would receive an additional £122,540 over and above what was already included in the MTFP. That would be offset by the 2013/14 allocation of £388,000 ceasing from 2019/20, meaning a net additional £224,700 added to reserves by 2019/20.

Council Tax Surplus

The Council Tax surplus/Deficit Calculation could not be undertaken until 15 January 2015. The current estimates included provision for a £35,000 surplus. That was not anticipated to change significantly.

Council Tax Base

The draft Council Tax Base calculation showed an increase in the number of properties from 31100.82 to 31321.50 (220.68 increase). That would yield approximately £47,000 per year and so would increase reserves by £235,000 by 2019/20.

Disabled Facilities Grants

The allocation of funding for Disabled Facilities Grants would be known in January 2015. It was not anticipated that would change from the amount currently budgeted (£663,000).

The Finance, Governance and Resources Portfolio Holder then moved the recommendations, which were agreed.

Summary of options rejected None

DECISION

That the Executive noted the changes and outstanding issues to the current revenue and capital budget projections for 2014/15 to 2019/20.

Reasons for Decision

To prepare a draft budget proposal for 2015/16 for recommendation to the City Council

EXCERPT FROM THE MINUTES OF THE EXECUTIVE HELD ON 14 JANUARY 2015

**EX.04/15 **EXECUTIVE RESPONSE TO THE BUDGET CONSULTATION AND
RECOMMENDATIONS FOR THE 2015/16 BUDGET
(Key Decision – KD.25/14)**

(In accordance with Paragraph 15(i) of the Overview and Scrutiny Procedure Rules, The Mayor had agreed that call-in procedures should not be applied to this item)

Portfolio Finance, Governance and Resources

Relevant Overview and Scrutiny Panel Resources

Subject Matter

The Leader made reference to the Executive's Budget proposals for 2015/16, copies of which were tabled at the meeting.

The Leader began by expressing a very big thank you to Officers of the City Council who had spent many hours preparing briefing papers and undertaken much hard work in order that the Budget proposals could progress to this point.

He also thanked Members of the Community; Environment and Economy; and Resources Overview and Scrutiny Panels for their input which had informed the Budget before Members today.

The Leader further echoed the Finance, Governance and Resources Portfolio Holder's comments in thanking all those who had taken the time to respond to the consultation, whether that be via the submission of feedback or attendance at consultation meetings.

The comments received had been very helpful and had provided focus for the 2015/16 budget and for years to come.

There was no doubting the difficult times faced by all local authorities as a result of reduced Government grant. Significant savings had to be found within the next five year period amounting to £4.686 million in total, with £1.211 million to be found by 2015/16 and £3.4 million in later years.

The Executive's aim was to protect front line services, build in the necessary savings, and ultimately to set a budget which would deliver new homes, jobs, increased leisure and tourism thus contributing towards a vibrant City with a future.

The Council's assets would also be used wisely and the Executive was committed to service delivery and to attracting new business to the City.

The Leader also thanked all those who had stepped up to the mark and had worked in partnership with the Council.

He added that:

- The Executive was recommending a Council Tax freeze for 2015/16, the fifth year of maintaining such a freeze.
- In a very short space of time attention would be given to delivery of the Carlisle District Local Plan which would guide development, and provision had been included within the Budget for that process.
- The Arts Centre was scheduled to open in May 2015 (the necessary funding having formed part of the 2013/14 Budget) and the Executive looked forward to it delivering growth for the City. Funding was also included to replace the Pools by 2018/19.
- A clear priority was to deliver a clean city, one which all could be proud of. To that end, it was now proposed that funding be provided for the rapid response teams for a further two year period.
- Work had commenced on the Phase II development of the Old Town Hall and the Executive looked forward to delivery of the Visitor Centre there.
- Funding was included for the Harraby Campus, a significant capital project being delivered in conjunction with Cumbria County Council.
- Currently victims of sexual assault had to travel to Preston for assessment. That was unacceptable, and a request had been received from the Police Commissioner for funding to support the Sexual Assault referral service across Cumbria in association with the Police and other Cumbrian Authorities.

It was proposed that the City Council make a contribution of £20,000 per annum for three years, which had been built into the Budget. The views of the other Cumbrian Councils were not yet known and therefore a further report would come back to the Executive in due course to seek the release of that funding.

In conclusion, the Leader moved the Executive Budget Proposals 2015/16.

The Finance, Governance and Resources Portfolio Holder formally seconded the Budget, commenting that this was the third year in which he had been involved in the Budget process.

Sadly the Executive's Budget Proposals came on the back of a continued and sustained attack on local authority finance by the Coalition Government, meaning that additional savings had to be made.

The budget proposals assumed that significant savings must be found within the next five year period; £4.686million in total, with £1.211million to be found by 2015/16 with £3.4million in later years. Therefore there were very difficult times ahead,

The Executive had a history of achieving savings, having identified and achieved approximately £6 million since 2010/11, whilst minimising the need for compulsory redundancies.

Despite having to make those savings, which included an approximate 38% reduction in Government grant, due to prudent financial management, the Council had a sound financial base upon which to set its 2015/16 Budget.

The Portfolio Holder then outlined the positive messages contained within Executive's Budget proposal:

- Car parking charges would be frozen for the fourth year running and long stay charges reduced which it was hoped would attract people into the City
- The Council's ambitious Capital Programme was maintained, including the Arts Centre, which it was anticipated would be delivered on time and within budget
- Additional funding would be provided for Council events in promoting Carlisle on a permanent basis, together with the investigation of potential sponsorship of events
- The popular 'Clean Up Carlisle' initiative would be maintained for a further two years
- There would be additional funding for Ward Councillors to support Small Scale Community Projects in their Wards
- Funding would be provided in support of Sexual Assault referral service across Cumbria in association with the Police and other Cumbrian Authorities

As stated earlier, the Executive was also recommending not increasing Council Tax for 2015/16, the fifth year of maintaining a Council Tax freeze.

In conclusion, the Finance, Governance and Resources Portfolio Holder emphasised that the Executive was ambitious in their aim to grow the City; did not wish to make cuts and was looking to increase revenue on assets wherever possible.

Summary of options rejected A number of options which had been considered as part of the Council's 2015/16 budget deliberations as identified in various reports

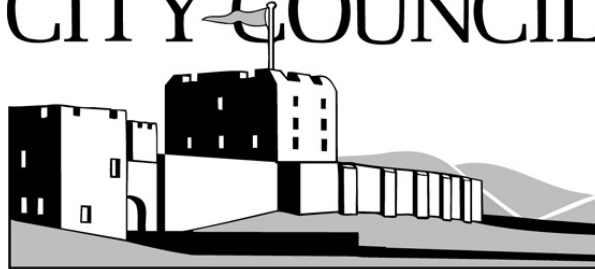
DECISION

That the Executive Budget Proposals for 2015/16, attached as Appendix C, be forwarded to the City Council for approval on 3 February 2015.

Reasons for Decision

To produce the Executive's budget proposals for 2015/16 for recommendation to the City Council

CARLISLE CITY COUNCIL



www.carlisle.gov.uk

Executive Budget Proposals 2015/16 **14th January 2015**

Councillor C Glover
Leader of the Council

Councillor Dr L Tickner
Portfolio Holder Finance, Governance & Resources

Jason Gooding
Chief Executive

Peter Mason CPFA
Director of Resources

EXECUTIVE BUDGET PROPOSALS 2014/15 to 2019/20

This document contains the budget proposals of the City Council's Executive set out as follows.

Section	Detail
A	Background and Executive Summary
B	Revenue Budget 2014/15 to 2019/20 <ul style="list-style-type: none">• Schedule 1 - Existing Net Budgets• Schedule 2 - Proposed Budget Reductions• Schedule 3 - Recurring Budget Increases• Schedule 4 - Non-Recurring Budget Increases• Schedule 5 - Summary Net Budget Requirement• Schedule 6 - Total Funding and Provisional Council Tax
C	Capital Programme 2014/15 to 2019/20 <ul style="list-style-type: none">• Schedule 7 - Estimated Capital Resources• Schedule 8 - Proposed Capital Programme• Schedule 9 - Summary Capital Resource Statement
D	Council Reserves Projections to 2019/20 <ul style="list-style-type: none">• Schedule 10 - Usable Reserves Projections
E	Budget Discipline and Saving Strategy
F	Statutory Report of the Director of Resources
G	Glossary of Terms

These budget proposals are based on detailed proposals that have been considered by the Executive over the course of the last few months. In particular the following reports of the Director of Resources were considered at the Executive meeting of 15th December 2014. All of the detailed reports are available on the Council's website.

1. RD41/14 – Budget Update 2014/15 to 2019/20
2. RD42/14 - Draft Treasury Management Strategy Statement and Investment Strategy and Minimum Revenue Provision Strategy 2015/16

SECTION A – BACKGROUND AND EXECUTIVE SUMMARY

Council Priorities

The Council's priorities are now encompassed in the Carlisle Plan. This aims to deliver a vision of "In everything we do, we aim to promote Carlisle as a prosperous City, one in which we can all be proud." This will be delivered through priorities which are outlined below and which all have specific actions in order to enable their delivery:

- Support business growth to improve opportunities and economic prospects for the people of Carlisle
- Develop sports, arts and cultural facilities to support the health and wellbeing of our residents
- Work effectively with partners, being prepared to lead or follow as necessary to drive positive change for Carlisle
- Continue to improve the built environment and green spaces so that everyone can enjoy living, working in and visiting Carlisle
- Address current and future housing needs to protect and improve residents' health and wellbeing
- Promote Carlisle regionally, nationally and abroad as a place with much to offer - full opportunities and potential
- Balance the books – prepared to make the difficult decisions to focus on our priorities

Budget Policy Framework

The preparation of the budget proposals is an ongoing process, which starts in the summer with the agreement by Council to the Medium Term Financial Plan, Corporate Charging Policy, Capital Strategy and Asset Management Plan. These strategy documents set out the Council's policies in guiding the budget process and in particular set out the five year financial projections that the Council is faced with prior to starting the new budget process.

Approving a Balanced Budget

The Council is obliged to ensure proper financial administration of its affairs in accordance with Section 151 of the Local Government Act 1972. For Carlisle City Council, this is the responsibility of the Director of Resources and the Council must consider the advice of the Director in setting the budget. One of the responsibilities is to ensure that the Council approves a balanced budget meaning that the planned expenditure must not exceed the resources available. Base budgets must be robust and sustainable and any savings identified must be achievable and the level of Council reserves must be adequate. The Council must determine what levels of borrowing, if any, it wishes to make under the Prudential Code that now governs local authority borrowing.

Council Tax Reduction Scheme

The Local Support for Council Tax Scheme ("The Council Tax Reduction Scheme" or CTRS) is required to be approved annually as part of the Budget Process. There are no intentions to make any changes to the reductions given to recipients of the discount scheme for 2015/16, proposals to make any revisions or replace the current scheme and as such the continuation of the current scheme is recommended.

Major Financial Challenges facing the Council

The Council is facing many financial challenges over the next five-year planning period and forecast resources are not anticipated to cover the expenditure commitments without major 'transformational' savings being identified in accordance with the Council's Savings Strategy (section E).

Some of the main issues are:

- Government Finance Settlement - RSG and NNDR
- Welfare Reform Act
- Transformation
- Reduced capital resources

Summary Budget Proposals

The key issues in this budget document, which is expanded on further in the proposals, are as follows:

- The budget proposes no increase in Council Tax for the City Council for 2015/16 (Parishes Precepts will be an additional charge in the parished rural areas).
- Based on current projections, the budget proposed will result in the following requirement to be taken **to/(from)** Council reserves to support Council expenditure over the period as follows:

Additional contribution to / (from) reserves	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
Original MTFP recurring surplus/(deficit)	1,000	44	138	(128)	(841)
Changes to Funding - Decrease in RSG Settlement	(24)	(54)	(54)	(54)	(54)
Changes to Funding - Decrease in Business Rates Baseline	(25)	0	0	0	0
Changes to Funding - Increase in Taxbase	94	95	99	100	103
Recurring budget reductions (Schedule 2)	459	1,258	1,399	1,541	1,384
Recurring Budget Increases (Schedule 3)	(1,536)	(278)	(963)	(464)	(832)
Reserves (required) to fund Net Recurring Expenditure	(32)	1,065	619	995	(240)
Original MTFP non-recurring surplus/(deficit)	106	0	0	0	0
Non-Recurring budget reductions (Schedule 2)	9	0	0	0	0
Non-Recurring budget increases (Schedule 4)	(600)	(450)	(20)	0	0
Reserves required to fund Non-Recurring Expenditure	(485)	(450)	(20)	0	0
Total contribution (required) from Reserves	(517)	615	599	995	(240)

- The above table shows a requirement to fund expenditure from Reserves in 2015/16 but there will be net contributions to reserves in 2016/17 onwards. If all new pressures and savings proposed were approved, there will be difficulties in containing pressures within existing Council resources. A strategy (detailed in Section E) for identifying recurring savings within the

revenue budget has been proposed and this strategy will continue to be developed.

- (iv) Given the increasing financial pressure the Council is facing, the scope to support new recurring spending and initiatives in future years will be very challenging.

Consultation Responses:

Formal consultation meetings have been held and views sought from council tax payers. The Executive, at their meeting on 14th January, considered the consultation responses, culminating in their final budget proposal to Council on **3rd February 2015**.

Although provisional estimates have been included, it should be noted that at this point in time there are a number of issues which have not yet been finalised and which may impact on the final budget proposals to Council on 3rd February 2015. Any minor changes will be funded from appropriations to/from revenue reserves and details provided for the Council meeting in February.

A glossary of terms is included at the end of this document to aid understanding of the proposals. Further details on these proposals including detailed reports are available on the Council's website or by contacting the Director of Resources at the Civic Centre, Carlisle, CA3 8QG.

SECTION B - REVENUE BUDGET 2014/15 to 2019/20

1. REVISED REVENUE BUDGET 2014/15

- 1.1 The Executive recommends that the Council's revised net budget for 2014/15 be approved totalling £13.267m compared to the original budget of £12.501m. The increase of £0.766million can be summarised as follows:

Detail:	£000	£000
Original Net Budget		12,501
Non-Recurring Expenditure:		
Use of Transformation Reserve	(2)	
Carry Forward Requests from 2013/14(See 1.2)	768	
Total Changes		766
Revised Net Budget		13,267

- 1.2 The increased budget for 2014/15 is principally as a result of the carry forward of budgets from previous years for work not completed at the financial year-end. Although the 2014/15 budget is increased, there is a corresponding decrease for the previous financial year and so there is no impact on the Council's overall financial position.

2. REVENUE BUDGET 2015/16 to 2019/20

2.1 Existing Net Budgets

The Executive recommends that the net budgets for 2015/16 to 2019/20 submitted in respect of existing services and including existing non-recurring commitment and estimated Parish Precepts are as shown in **Schedule 1** below:

Schedule 1 – Existing Net Budgets

Existing Net Budgets	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
City Council					
- Recurring (schedule 5)	10,872	12,066	12,111	12,521	13,380
- Non-Recurring (Sch. 5 note 2)	(106)	0	0	0	0
Parish Precepts	490	502	515	528	541
Total	11,256	12,568	12,626	13,049	13,921

2.2 **Proposed Savings and Budget Reductions**

The Executive further recommends that the existing budgets set out in **Schedule 1** be reduced by proposals for budget reductions as detailed in **Schedule 2**. Full details of all of the proposals are contained within various reports considered by the Executive at various stages during the budget process to date.

Schedule 2 – Proposed Budget Reductions

Proposed Budget Reductions	Note	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
Expenditure Reductions/Increased Income:						
Inflation Savings	1	0	(100)	(100)	(100)	(100)
Pay Award Savings	2	0	(70)	(70)	(70)	(70)
Treasury Management	3	(167)	(446)	(587)	(729)	(572)
Income	4	(144)	(144)	(144)	(144)	(144)
New Transformation Savings Required (Cumulative)	5	0	(350)	(350)	(350)	(350)
Neighbourhood Forum Grant	6	(24)	(24)	(24)	(24)	(24)
New Homes Bonus 2015/16	7	(124)	(124)	(124)	(124)	(124)
Specific Grants included in RSG	8	(9)	0	0	0	0
Total Expenditure Reductions/Increased Income		(468)	(1,258)	(1,399)	(1,541)	(1,384)
TOTAL BUDGET REDUCTION PROPOSALS		(468)	(1,258)	(1,399)	(1,541)	(1,384)
Split:						
Recurring		(459)	(1,258)	(1,399)	(1,541)	(1,384)
Non-Recurring		(9)	0	0	0	0

Note 1: Inflation is currently included in the MTFP based on higher levels of Net Expenditure. Due to savings being made, this base level can be reduced and therefore the amounts set aside for inflation can also be reduced.

Note 2: The Medium Term Financial Plan includes provision for pay awards at 2.5% for 2016/17 onwards. The savings above reflect reducing this to 2% in line with other inflationary pressures.

Note 3: Treasury Management projections have been updated to reflect changes in interest rate forecasts and changes to the Capital Programme.

Note 4: Additional income is anticipated in Hostels, £116,000, Land Charges £23,700 and Sports Pitches, Dogs and Allotments £3,600.

Note 5: Additional Transformation Savings will be required in order to bring reserves up to minimum levels. The revised profiling of transformation savings is shown below.

Note 6: The grant for the neighbourhood forums is being removed and replaced with an enhanced Small Scale Community Projects budget as outlined in Schedule 3.

Note 7: Additional New Homes Bonus awarded for 2015/16 onwards above what was included in the 2014/15 budget process.

Note 8: This includes Council Tax Support New Burdens Funding of £25,000 and a reduction in the New Homes Bonus Returned Funding of £16,000 (from the £26,000 shown in Schedule 9).

	Cumulative Savings identified as 2014/15 Budget £000	Additional Cumulative Savings Required £000	Reprofiled Savings £000	Revised Cumulative Savings required £000	Revised in Year Savings Required £000
2015/16	(1,839)	0	628	(1,211)	(1,211)
2016/17	(1,839)	(350)	(623)	(2,812)	(1,601)
2017/18	(2,939)	(350)	82	(3,207)	(395)
2018/19	(3,939)	(350)	(397)	(4,686)	(1,479)
2019/20	(3,939)	(350)	(397)	(4,686)	0

2.3 **Proposed Budget Increases**

The Executive further recommends that the existing budgets set out in **Schedule 1** be increased by new budget pressures detailed in **Schedules 3 and 4**. Full details of all of the proposals are contained within various reports considered by the Executive at various stages during the budget process to date.

Schedule 3 – Recurring Budget Increases

Recurring Budget Pressures	Note	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
Car Parking income	1	314	314	314	314	314
On Street Parking	1	83	83	83	83	83
Refuse and Recycling	2	173	173	173	173	173
Development Control Income	3	100	100	100	100	100
Events	4	130	130	130	130	130
Events Sponsorship Income	4	(13)	(20)	(40)	(60)	(80)
DFG Fee Income	5	60	60	60	60	60
Licensing	6	8	8	8	8	8
Local Plans	6	1	1	1	1	1
Reprofiling of Transformation Savings	7	628	(623)	82	(397)	(397)
Small Scale Community Projects	8	52	52	52	52	52
New Homes Bonus Ceasing	9	0	0	0	0	388
Total Recurring Budget Pressures		1,536	278	963	464	832

Note 1: The continued decline in parking income and the loss of Cecil Street and William Street car parks to the County Council and the County Council taking control of on-street parking enforcement.

Note 2: This represents the pressure from falling income from recyclates and the additional costs of servicing new homes.

Note 3: The charges report highlights the fact that Development Control Income will not meet the MTFP target.

Note 4: This represents the funding to continue with a City Events programme. This is to be offset by the raising of sponsorship Income.

Note 5: The amount of fees that is chargeable to the DFG Capital budget has reduced.

Note 6: The charges reports highlight that income from Licensing and Local Plans will not meet the MTFP target

Note 7: Proposals to meet the £3.939million transformation requirement have been drawn up, however some savings will not be achievable to the original timescales.

Note 8: A recurring budget equivalent to £1,000 per Member for use for Small Scale Community Projects. This replaces the previous non-recurring nature and also allows for the reduction to the Neighbourhood Forum Grant being removed.

Note 9: The 2013/14 New Homes Bonus Grant ceases from 2019/20.

Schedule 4 – Non-Recurring Budget Increases

Non-Recurring Budget Pressures/Savings	Note	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
Car Parking Income	1	100	100	0	0	0
Rapid Response Team	2	114	114	0	0	0
Enterprise Centre Income	3	40	40	0	0	0
Temporary Posts in Economic Devt	4	38	38	0	0	0
Lanes Income	5	138	138	0	0	0
External Funding Support	6	30	0	0	0	0
External Funding Support - Income	6	(30)	0	0	0	0
Asset Management Plan	7	150	0	0	0	0
Sexual Assault Referral Service Grant	8a	20	20	20	0	0
Total Non-Recurring Budget Pressures		600	450	20	0	0

(a): Subject to further reports to the Executive prior to the release and expenditure of these budgets.

Note 1: Car Parking Income is forecast to reduce in 2015/16 and 2016/17. (See Recurring budget pressure in Schedule 3).

Note 2: This pressure relates to the continuation of the rapid response team for cleaning up Carlisle

Note 3: The income achieved from the Enterprise Centre is falling short of the MTFP target.

Note 4: This relates to planning officer post within Economic Development where there is no funding beyond 2014/15.

Note 5: Income from the Lanes is not expected to increase back to MTFP levels for 2015/16 and 2016/17.

Note 6: To utilise a resource to identify sources of grant funding the Council can utilise. To be funded from top-slicing any grant identified.

Note 7: This relates to expenditure on delivering the Asset Management Plan.

Note 8: Provision of a grant to match fund sexual assault referral services projects by Cumbria Police subject to matching contributions from the other Cumbrian Councils.

2.4 **Revised Net Budget Requirement**

As a consequence of the above, the Executive recommends that the Net Budget Requirement for Council Tax Purposes for 2015/16, with projections to 2019/20, be approved as set out in **Schedule 5** below:

Schedule 5 – Summary Net Budget Requirement for Council Tax Purposes

2014/15 Revised £000	Summary Net Budget Requirement	2015/16 Budget £000	2016/17 Proj £000	2017/18 Proj £000	2018/19 Proj £000	2019/20 Proj £000
	Recurring Revenue Expenditure					
	Existing Expenditure (Schedule 1)	10,872	12,066	12,111	12,521	13,380
	Budget Reductions (Schedule 2)	(459)	(1,258)	(1,399)	(1,541)	(1,384)
	New Spending Pressures (Schedule 3)	1,536	278	963	464	832
12,698	Total Recurring Expenditure	11,949	11,086	11,675	11,444	12,828
	Non Recurring Revenue Expenditure					
158	Existing Commitments (Schedule 1)	(106)	0	0	0	0
(1,392)	Budget Reductions (Schedule 2)	(9)	0	0	0	0
1,016	Spending Pressures (Schedule 4)	600	450	20	0	0
787	Carry Forward	0	0	0	0	0
13,267	Total Revenue Expenditure	12,434	11,536	11,695	11,444	12,828
	Less Contributions (from)/to Reserves:					
290	Recurring Commitments (Note 1) Sub Total	(32)	1,065	619	995	(240)
	Non Recurring Commitments					
(158)	- Existing Commitments (Note 2)	106	0	0	0	0
(787)	- New Commitments	(591)	(450)	(20)	0	0
(945)	Sub Total	(485)	(450)	(20)	0	0
12,612	Total City Council Budget requirement	11,917	12,151	12,294	12,439	12,588
478	Parish Precepts	490	502	515	528	541
13,090	Projected Net Budget Requirement for Council Tax purposes	12,407	12,653	12,809	12,967	13,129

Note 1: This is the projected contribution to reserves in relation to recurring expenditure.

Note 2: Non - recurring Revenue commitments arising from existing approved commitments from earlier years are as follows:

Existing Non Recurring Commitment Approvals	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
Apprentice Scheme	56	0	0	0	0
Homelessness	66	0	0	0	0
New Homes Bonus Returned Funding	(26)	0	0	0	0
Homelessness Grant	(66)	0	0	0	0
Council Tax freeze Grant 2014/15	(68)	0	0	0	0
Council Tax freeze Grant 2015/16	(68)	0	0	0	0
Total	(106)	0	0	0	0

2.5 **Funding and Provisional Council Tax Projections**

As a consequence of the above and having made the appropriate calculations required under Section 32 of the Local Government Finance Act 1992, the Executive is putting forward a proposal for no increase in Council Tax for 2015/16. The detail of this is set out in **Schedule 6** below.

Schedule 6 – Total Funding and Provisional Council Tax Projections

2014/15	Total Funding and Council Tax Impact	2015/16	2016/17	2017/18	2018/19	2019/20
31,014.29 £000	Estimated TaxBase	31,585.86 £000	31,673.98 £000	31,762.35 £000	31,850.97 £000	31,939.84 £000
12,612	Projected Net Budget Requirement for Council Tax Purposes (Schedule 5)					
478	- City	11,917	12,151	12,294	12,439	12,588
	- Parishes	490	502	515	528	541
13,090	Total	12,407	12,653	12,809	12,967	13,129
(5,999)	Funded by:					
(3,108)	- Council Tax Income	(6,110)	(6,248)	(6,391)	(6,536)	(6,685)
(2,970)	- Revenue Support Grant	(2,245)	(2,223)	(2,128)	(2,029)	(2,029)
	- Retained Business Rates	(3,027)	(3,145)	(3,240)	(3,339)	(3,339)
	- Business Rate					
(500)	Growth/Pooling	(500)	(500)	(500)	(500)	(500)
	- Estimated Council Tax					
(35)	Surplus	(35)	(35)	(35)	(35)	(35)
(54)	- Parish CTRS Grant	(54)	(54)	(54)	(54)	(54)
(424)	- Parish Precepts	(436)	(448)	(461)	(474)	(487)
(13,090)	TOTAL	(12,407)	(12,653)	(12,809)	(12,967)	(13,129)
£ 193.43	City Council Tax					
	Band D Council Tax	£ 193.43	£ 197.27	£ 201.20	£ 205.20	£ 209.29
£0.00	Increase over Previous year:					
0.0%	£	£ -	£ 3.84	£ 3.93	£ 4.00	£ 4.09
	%	0.00%	1.99%	1.99%	1.99%	1.99%

2.6 It should be noted that the funding projections in **Schedule 6** are based upon:

- Final confirmation of the 2015/16 year settlement figures will be received in January 2015.
- The Council Tax Surplus and Taxbase are currently estimated and final figures will be available in the January 2015.
- The Council is continuing to participate in the Cumbria Business Rates Pool with the other Councils within Cumbria in order to manage Business Rates. It is expected that this will give greater potential to benefit from any growth in income collected from Business Rates and as such, an estimated additional £500,000 growth is included in this budget process.
- The projections of Council Tax for 2015/16 onwards are indicative only and exclude parish precepts.

SECTION C - CAPITAL PROGRAMME 2014/15 TO 2019/20

1. REVISED CAPITAL BUDGET 2014/15

- 1.1 The Executive recommends that the revised 2014/15 Capital Programme be approved at £7.926m compared to the original budget of £9.716m as set out in the report of the Director of Resources. The decrease of £1.790m is due to schemes being re-profiled to future years or schemes being removed from the programme.

2. CAPITAL BUDGET 2015/16 TO 2019/20

- 2.1 The Executive recommends that the estimated Capital Resources available and proposed Capital Programme for 2015/16 to 2019/20 be approved to be financed and allocated as detailed in **Schedule 7 and 8** below:

Schedule 7 – Estimated Capital Resources

Estimated Resources	Note	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
Capital Grants:						
- DFG	1	(663)	(663)	(663)	(663)	(663)
- External Borrowing	2	0	0	0	(5,000)	0
Capital Receipts						
- Generated in Year (General)	3	(260)	(260)	(260)	(260)	(260)
- Generated in year (Asset Business Plan)	4	(4,539)	0	0	0	0
- Generated in Year (PRTB)	5	(150)	(150)	(150)	0	0
Direct Revenue Financing	6	(101)	(66)	(66)	(34)	(2)
TOTAL		(5,713)	(1,139)	(1,139)	(5,957)	(925)

Note 1: Disabled facilities grant (DFG) allocation will be received in the new year, and it has been indicated that this grant will be protected at the 2014/15 levels

Note 2: External borrowing to fund Leisure Facilities.

Note 4: Capital receipts from the sale of fixed assets, including the sale of the Council's interest in land on the Raffles estate and other specific asset disposals.

Note 5: Capital receipts from the sale of Assets as part of the Asset Management Plan have been reprofiled between years to reflect sales and purchase activity to date.

Note 6: The Preserved Right to Buy (PRTB) sharing arrangement with Riverside Group is for a fifteen year period with the Council being entitled to a pre-agreed reducing percentage of the receipts. Right to Buy sales are predicted to be in line with the original projections.

Note 7: Direct revenue financing in relation to invest to save schemes and Clean Up Carlisle.

Schedule 8 – Proposed Capital Programme

Capital Scheme	App/ Para	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
Current Commitments:						
Disabled Facilities Grants		863	863	863	863	863
Planned Enhancements to Council Property		150	150	150	150	150
Vehicles & Plant	1/2	1,109	1,221	1,113	383	265
Asset Review	1/3	1,800	0	0	0	0
Harraby School Community Campus Contribution	4	500	0	0	0	0
Old Town Hall / Greenmarket	1/5	390	0	0	0	0
Leisure Facilities (invest to save)	1/6	0	0	0	5,000	0
ICT	1/7	100	100	100	100	0
Total Existing Commitments		4,912	2,334	2,226	6,496	1,278
TOTAL POTENTIAL PROGRAMME		4,912	2,334	2,226	6,496	1,278

Note 1: Subject to further reports to the Executive, including a full Business Plan, prior to the release of any earmarked reserve and any expenditure being incurred.

Note 2: The anticipated additional budgets for replacement of the Council's vehicle fleet are included in the table above and have been amended to reflect revised requirements within service areas.

Note 3: Provision for expenditure in accordance with the Asset Management Plan reprofiled from 2014/15.

Note 4: The final contribution to the Harraby Community Campus is scheduled for 2015/16

Note 5: The work to complete the phase two project at the Old Town Hall is scheduled to be completed in 2015/16

Note 6: Capital expenditure for enhancement work to Leisure facilities has been profiled from 2015/16 to 2018/19 to reflect the timeline in relation to contract end dates.

Note 7: The provision for ICT replacement programme.

A summary of the estimated resources compared to the proposed programme is set out in **Schedule 9** below:

Schedule 9 – Summary Capital Resource Statement

Summary Programme	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
Estimated Resources 31 March 2015	(2,098)				
In Year Impact:					
- Estimated resources available in year (Schedule 7)	(5,713)	(1,139)	(1,139)	(5,957)	(925)
- Proposed Programme (Schedule 8)	4,912	2,334	2,226	6,496	1,278
Year End Position					
- Capital Resources	(2,899)	(1,704)	(617)	(78)	275

SECTION D – USABLE RESERVES PROJECTIONS

1. The Executive recommends, as a consequence of Sections A, B and C detailing the Council's Revenue and Capital budgets, the overall use of the Councils usable Reserves as set out in **Schedule 10** below.

Schedule 10 – Usable Reserve Projections

Council Reserves	Actual 31/03/2014 £000	Revised 31/03/2015 £000	Projected 31/03/2016 £000	Projected 31/03/2017 £000	Projected 31/03/2018 £000	Projected 31/03/2019 £000	Projected 31/03/2020 £000
Revenue Reserves							
General Fund Reserve	(3,945)	(2,559)	(1,442)	(2,057)	(2,600)	(2,600)	(2,600)
Project Reserve	0	0	0	0	(56)	(1,051)	(811)
Collection Fund	112						
EEAC Reserve	(52)						
Transformation Reserve	(436)	(438)	(1,038)	(1,038)	(1,038)	(1,038)	(1,038)
Building Control	(20)						
Cremator Reserve	(212)						
Welfare Reform Reserve	(200)	(200)	(200)	(200)	(200)	(200)	(200)
Conservation Fund	(117)	(117)	(117)	(117)	(117)	(117)	(117)
Residents Parking	116						
Total Revenue Reserves	(4,754)	(3,314)	(2,797)	(3,412)	(4,011)	(5,006)	(4,766)
Capital Reserves							
Usable Capital Receipts	(5,273)	(1,738)	(2,539)	(1,344)	(257)	(78)	275
Asset Disposal Reserve	(370)	(360)	(360)	(360)	(360)	0	0
Unapplied Capital Grant	(191)	(191)	(191)	(191)	(191)	(191)	(191)
CLL Reserve	(522)	(522)	(522)	(522)	(522)	(522)	(522)
Asset Investment Reserve	(48)	(48)	(48)	(48)	(48)	(48)	(48)
Lanes Capital Reserve	(369)	(384)	(399)	(414)	(429)	(444)	(459)
Total Capital Reserves	(6,773)	(3,243)	(4,059)	(2,879)	(1,807)	(1,283)	(945)
Total Available Council Balances	(11,527)	(6,557)	(6,856)	(6,291)	(5,818)	(6,289)	(5,711)
Other Reserves (i)	(104,055)						
Total Reserves	(115,582)						

- (i) These reserves are of a technical nature and are not cash backed. They are not available either to fund expenditure or to meet future commitments.

SECTION E - PROPOSED BUDGET DISCIPLINE AND SAVING STRATEGY

1. The Council has adopted a 5-year financial strategy as set out in its Medium Term Financial Plan to assist in the integration of financial planning with the priorities set out in the Carlisle Plan. The current medium term financial projections point to a shortfall in the Council's budgets, which will require additional savings to be identified. In addition, the scope for the Council to continue support for initiatives in future years and to redirect resources to priority areas will be dependent on the extent to which the Council is successful in realising savings and redirecting resources. The requirement to identify savings or raise additional income in future years is a continuing and increasing pressure facing the Council.
2. The savings outlined in this document are necessary to ensure that the Council continues to meet the challenges of an approximate 38% reduction in RSG (and significant reductions in other revenue and capital grants) over the five years commencing 2011/12. However due to its success to date in identifying transformational savings, the Council now has a solid financial base in order to set its 2015/16 budget. In the circumstances the Council can adopt a more measured approach in spreading the further savings required over the next 5 years whilst maintaining a safe and healthy financial future for the Council.
3. The savings strategy will continue to concentrate on the following areas to deliver the savings required to produce a balanced longer term budget, however the exact work programme will be dependant on progress with the Transformation programme.
 - Asset Review – this focuses on producing a Development and Investment Plan for the City Council's property portfolio with the aim of delivering additional income or reduced costs on a recurring basis.
 - Service delivery models – As part of the transformation programme, alternative options for service delivery are being considered in order to make significant financial savings whilst still delivering good standards of service. The options under consideration will include shared services and commissioning of services.
 - As part of the transformation programme a review of those services which do not fall within the Council's core priorities or which are not statutory will continue to be undertaken to ensure that services are properly aligned to what the Council wants to achieve.

Additionally the Council will look at:

- (i) Major review of Waste Services;
 - (ii) Discretionary funding to major partners, e.g. Tullie House
 - (iii) Vacancy Management / One off expressions of interest in voluntary redundancy limited to strict business case criteria
 - (iv) Digital by default – Council wide exercise to encourage residents to interact with the Council electronically, e.g. savings in postage, printing, stationery.
 - (v) Channel Shift and utilising single customer record and moving customer contacts to front office.
4. Members and Officers are reminded that it is essential to maintain a disciplined approach to budgetary matters and as such:

- Supplementary estimates will only be granted in exceptional circumstances.
 - Proposals seeking virement should only be approved where the expenditure to be incurred is consistent with policies and priorities agreed by the Council.
5. In order to continue the improvements in the links between financial and strategic planning, the Joint Management Team will continue to meet regularly to progress forward planning on these issues.

STATUTORY REPORT OF DIRECTOR OF RESOURCES

1. In setting its Budget Requirement, the Council is required under the Local Government Act 2003 (Section 25) to consider:
 - (i) The formal advice of the statutory responsible financial officer (Director of Resources) on the robustness of the estimates included in the budget and the adequacy of the reserves for which the budget provides;
 - (ii) The Council has to determine what levels of borrowing, if any, it wishes to make under the Prudential Code that governs local authority borrowing.

2. Robustness of the Estimates

Whilst relevant budget holders are responsible for individual budgets and their preparation, all estimates are scrutinised by Financial Services staff, the Senior Management Team and the Joint Management Team prior to submission to members.

The Council's revenue and capital budgets are integrated in that the financial impact of the proposed capital programme is reflected in the revenue estimates.

The Council has no history of overspending against budget, indeed, until recently there has tended to be a degree of underspending. However improved budget monitoring backed up by specific action where appropriate and base budget procedures have proven effective in addressing this issue.

There are risks however involved in projecting budgets particularly over the medium term and the year-end position will never exactly match the estimated position in any given year. Areas of specific risk in the current five-year period under consideration are:

- The Transformation programme is expected to achieve savings of £4.686million between 2015/16 and 2019/20, in order to meet the expected cuts in grants from central government and other budgetary pressures identified in this budget process. This will ensure that a balanced budget is produced and where Council reserves are replenished over the longer term.
- The level of interest receipts and return on Treasury Management activities are subject to market rates. Members are advised of this risk every year and it should be noted that in the current economic climate with low base rates, investment income returns in the medium term are very difficult to predict. The Council is also having to deal with a reduced number of counterparties it is able to place deposits with. Coupled with this is the increasing cost of Minimum Revenue Provision through the reduction in the amount of available capital receipts the Council has. Both of these factors place a significant pressure on the Revenue budget over the next 5 year period.

The main risks to the robustness of the estimates is the impact of the Transformation programme. The use of reserves will be necessary to fund this budget in the short term however it is not acceptable in the longer term and should only be seen as a short term fix. The proposals to be put in place need to bring reserve levels back to an acceptable level in the following 5 years. This is dependant upon the necessary steps being taken to resolve the ongoing projected deficit, as part of the Transformation programme. Specifically it will require the delivery of the

savings proposals identified and continuing work to deliver further savings. Regular budget monitoring, particularly in the area of the Transformation programme is imperative during this period. The level of the Council's future Capital Programme in taking account of a significant reduction in capital receipts is fully funded other than the 2018/19 leisure facilities which is an invest to save initiative. However, no capital reserves are available to fund new capital projects other than invest to save initiatives funded from revenue reserves.

- Central contingencies – there have been no contingency budgets built in to the existing estimates. This means that any unforeseen expenditure that cannot be contained within existing budgets will require a supplementary estimate to cover any costs. The budget proposals will significantly limit the capability to deal with any of these events and these may have to be found from within other budgets and reserves should the need arise.

3. Adequacy of Reserves

The level and usage of the Council's Reserves is undertaken annually as part of the Medium Term Financial Plan.

The appropriateness of the level of reserves can only be judged in the context of the Council's longer term plans and an exercise has been undertaken to review the level of reserves through the use of a risk assessment matrix. The findings of this exercise suggested that the minimum level should be set at £2.6m as a prudent level of General Fund Reserves which will be required as a general working capital/ contingency to cushion the Council against unexpected events and emergencies. However, given the short term commitments highlighted in the budget proposals, it is necessary that the current General Fund reserve be used to fund the short term deficits. Stringent plans will be required in order to replenish the level of reserves in the following years and the budget proposed must identify the steps necessary to do this.

The Council's policy on reserves is that wherever possible reserves should not be used to fund recurring expenditure, but that where it is, this should be made explicit and steps taken to address the situation in the following years. The deficit projections must therefore be addressed and the Executive must set out in its Budget Discipline and Saving Strategy how it expects Officers to address the situation in setting the 2015/16 budget and preparing for the 2016/17-budget cycle.

Based on current projections, Council Reserves will fall to below minimum recommended levels in the years 2014/15 to 2017/18. Necessary steps are being taken to resolve the ongoing projected deficit by the delivery of savings proposals currently identified and identification of further savings via the Transformation Programme. It is accepted that the level of reserves will need to reduce until the impact of the transformation is effective and that the £2.6m General Fund Reserve is breached in the short term but that this is replenished over the following 5 years through a stringent savings strategy.

4. Determination of Borrowing

The new Prudential Accounting regime enables the Council to borrow subject to meeting criteria of affordability. The draft Prudential Indicators have been established and these will be finalised for Council approval once decisions on the overall Capital Programme have been made.

For the period under review the need for borrowing will be kept under consideration and will be dependent on the level of capital receipts being

generated and the potential of future capital projects. Due to projects currently under consideration, the capital programme for 2015/16 to 2019/20 may require the use of Prudential Borrowing (including internal borrowing) to sustain levels depending on the levels of capital receipts that can be generated in the future. If borrowing is required, full option appraisals will be carried out.

SECTION G – GLOSSARY OF TERMS

BUDGET

- **GROSS** – the total cost of providing the council's services before taking into account income from service related government grants and fees and charges for services.
- **NET** – the Council's gross budget less specific government grants and fees and charges, but before deduction of RSG and other funding from reserves.
- **ORIGINAL BUDGET** – the budget for a financial year approved by the council before the start of the financial year.
- **REVISED BUDGET** – an updated revision of the budget for a financial year.
- **NET BUDGET REQUIREMENT FOR COUNCIL TAX PURPOSES** – the estimated revenue expenditure on general fund services that needs to be financed from the Council Tax after deducting income from fees and charges, certain specific grants and any funding from reserves.

CAPITAL EXPENDITURE - Expenditure on the acquisition of a fixed asset or expenditure, which adds to and not merely maintains the value of an existing fixed asset.

CAPITAL RECEIPTS – the proceeds from the disposal of land or other assets. Capital receipts can be used to finance new capital expenditure within rules set down by the government, but they cannot be used to finance revenue expenditure.

COMPREHENSIVE SPENDING REVIEW (CSR) - announcements made by the Government to inform the budget process for future years.

CONTINGENCY – money set aside in the budget to meet the cost of unforeseen items of expenditure, or shortfalls in income, and to provide for inflation where this is not included in individual budgets.

COUNCIL TAX – the main source of local taxation to local authorities. Council tax is levied on households within its area by the billing authority and the proceeds are paid into its Collection Fund for distribution to precepting authorities and for use by its own General Fund.

DISABLED FACILITIES GRANT (DFG) – individual government grants towards capital spending on providing disabled adaptations to housing.

EXECUTIVE- consists of elected Members appointed by the Leader of the Council to carry out all of the local authority functions which are not the responsibility of any other part of the local authority.

FEES AND CHARGES – income raised by charging users of services for the facilities.

INTEREST RECEIPTS – the money earned from the investment of surplus cash.

NATIONAL NON-DOMESTIC RATE (NNDR) - this is a levy on businesses, based on a national rate in the pound set by the government multiplied by the 'rateable value' of the premises they occupy. Also known as 'business rates', the 'uniform business rate' and the 'non-domestic rate'.

NON-RECURRING EXPENDITURE – items which are in a budget for a set period of time.

PRECEPT – the levy made by precepting authorities on billing authorities, requiring the latter to collect income from council taxpayers on their behalf.

- **PRECEPTING AUTHORITIES** – those authorities which are not billing authorities, ie do not collect the council tax and non-domestic rate. County councils, police authorities and joint authorities are 'major precepting authorities' and parish, community and town councils are 'local precepting authorities'.

RESERVES – amounts set aside in one year to cover expenditure in the future, which all Authorities must maintain as a matter of prudence. Reserves can either earmarked for specific purposes or general.

RETAINED BUSINESS RATES - collected by billing authorities on behalf of central government and the precepting authorities (Central Government, County Councils and Billing Authority) and redistributed in accordance with a prescribed formula set by the DCLG taking into account top up and tariffs.

REVENUE EXPENDITURE – day to day running costs of the Authority, including employee costs, premises costs and supplies and services.

REVENUE SUPPORT GRANT (RSG) – a grant paid by central government to aid local authority services in general, as opposed to specific grants, which may only be used for a specific purpose.

SENIOR MANAGEMENT TEAM (SMT) – a group of senior officers consisting of the Chief Executive, Deputy Chief Executive and Directors.

SUPPLEMENTARY ESTIMATE – an amount, which has been approved by the authority, to allow spending to be increased above the level of provision in the original or revised budget.

TAXBASE – the number of Band D equivalent properties within each Local Authority area used to determine the RSG by the DCLG and to calculate the Council Tax yield by each authority.

VALUE FOR MONEY – a much-used term that describes a service or product that demonstrates a good balance between its cost, quality and usefulness to the customer. A VFM audit takes into account the economy, efficiency and effectiveness of a local authority service, function or activity.

VIREMENT – the permission to spend more on one budget head when this is matched by a corresponding reduction on some other budget head i.e. a switch of resources between budget heads. Virement must be properly authorised by the appropriate committee or by officers under delegated powers.

SUGGESTED PROCEDURE FOR SETTING THE BUDGET AT COUNCIL

1. Background

- 1.1 This note is to advise Members of the procedure which will be adopted for setting the Council's budget at the Special Council Meeting fixed for 3 February next.
- 1.2 The Executive are presenting their budget proposals to Council to consider prior to 8 February, therefore there is a statutory dispute resolution procedure built into the Council's Budget Procedure Rules which the Council must go through if it wishes to make any amendments to the Executive's budget proposals.
- 1.3 Put simply, any amendments (or "objections" as the Procedure Rules call them) to the Executive's proposals which the Council might approve at its meeting on 3 February will not come into effect on that day but will operate as a reference back to the Executive. The Executive will then be required to reconsider its proposals in the light of the Council's objections and report back to a subsequent Council meeting. The Council will then consider the Executive's response and decide whether to agree with what the Executive are proposing or insist on its amendments being made to the budget. Either way, the Council has the final say on the budget resolution.

2. What the Budget Procedure Rules say

- 2.1 The Rules set out the following procedure for dealing with the matter where the Executive submit their budget to Council before 8 February:
 - The Executive refer their budget proposals to the Council for consideration.

- If the Council accepts them and has no objections to the Executive proposals i.e. if no proposed amendments to the Executive's budget are agreed by Council, then the decision to accept the Executive's budget will have immediate effect on the night.
- If, however, the Council raises objections to the Executive's budget proposals i.e. if it approves proposed amendments which it wishes to make to those proposals, then it must proceed as set out below:
 - it must inform the Leader of its objections and proposed amendments and instruct him to require the Executive to reconsider its budget proposals in the light of the Council's objections and proposed amendments;
 - it must fix a date for a subsequent Council meeting at least 5 working days afterwards, at which the Executive may submit revised budget proposals to reflect the Council's requirements and explain the reasons for any amendments it may make. Alternatively, the Executive may at that subsequent meeting inform the Council that it disagrees with the Council's objections and proposed amendments and the reasons why.
 - When the matter comes back before the Council, it must take into account the Executive's response before reaching a decision. In practice, it can accept any revised proposals which come back from the Executive and which pick up the changes which the Council has said it wishes to see. Alternatively, if the Executive is not prepared to agree to any changes and the Council still wishes the amendments to be made, then it can vote through the budget but with the proposed amendments and so effectively force them on the Executive. Either way, a final decision on the format of the budget will be made at the reconvened Council meeting and the full Council will have the final say.

2.2 The Local Authorities (Standing Orders) (England) (Amendment) Regulations 2014, which came into force on 25 February 2014, require that any vote taken at a Council's budget decision meeting is a recorded vote.

3. Proposed Procedure on 3 February and any subsequent Council Meeting

3.1 In the light of the above Rules, it is suggested that the meeting on the 3 February should proceed as follows:

3.2 The Executive's budget will be moved by the Leader and seconded in the usual way as follows:

- The Mayor will invite a motion that, in accordance with the provisions of Council Procedure Rule 25.1, Procedure Rule 14.4 be suspended insofar as it relates to the length of speeches by the proposers of any motions or amendments which are seconded for the duration of the budget debate, to enable such speeches to exceed 10 minutes.
- The Leader will move the receipt of the Minutes of the Executive held on 14 January 2015 which relate to the setting of the City Council budget for 2015/16, and ask the Council to accept that those Minutes and the Reports etc as outlined on the Council Summons under the item City Council Budget be dealt with as one item of business as part of setting the General Fund Revenue Budget for 2015/16 and the Council's Capital Budget for 2015/16.
- The Leader will then propose a motion or motions moving the recommendations of the Executive in respect of the General Fund Revenue Budget and the Council's Capital Budget for 2015/16 i.e. the Executive's budget proposals.

- 3.3 If any Group wishes to raise “objections” i.e. to propose any amendments to the Executive’s budget as moved by the Leader then they should be moved and tabled in the usual way as follows:
- The Mayor will invite amendments to the Leader’s motion and will instruct that any amendments which are duly seconded are circulated to all Members of the Council (without speaking thereto).
- 3.4 It would be advisable to have the usual short adjournment to consider the Groups’ amendments (if any) and so:
- The Mayor will invite a motion under Procedure Rule 14.10(g) to allow the meeting to adjourn for a short period, to allow time for consideration of any motions and amendments before the Council.
- 3.5 Following the adjournment, the Mayor will ask if there are any further amendments to the motions already moved and, in accordance with Procedure Rule 14.2, the Mayor may require that any amendment is put in writing and handed to him.
- 3.6 The Mayor will then invite the Leader to speak in support of his motion, followed by the seconder of the motion, who may in accordance with Procedure Rule 14.3 reserve his/her speech until a later period of the debate.
- 3.7 The Mayor will then invite the proposer and seconder of each amendment relating to the motion of the Leader to speak. The seconder of any amendment may, in accordance with Procedure Rule 14.3, reserve his/her speech until a later period of that debate, and debate will continue on each amendment in turn until voting takes place on the amendment, following which any further amendments will be similarly dealt with.

- 3.8 The Leader, as mover of the original motion, has a right to reply at the close of the debate on each amendment, subject to not having previously spoken on the amendment. The mover of the amendment has no such right of reply.
- 3.9 Any amendments or “objections” should be put and voted on in the usual way (recorded vote). If any are carried, then they will operate as a reference back to the Executive to reconsider but will not be binding on the night. If no amendments or “objections” are carried then the Executive’s proposals can, once all the amendments have been disposed of, be formally put to the vote and approved on the night as the Council’s budget.
- 3.10 If any amendments are carried, it will then be necessary for the Council to set a date for the subsequent Council meeting at which the Executive’s response to the proposed amendments will be considered. The Executive will need to meet between the two Council meetings to formulate a response to any proposed amendments and so sufficient time needs to be allowed for this.
- 3.11 At any subsequent Council meeting, the Leader will move the Executive’s budget again, either with the amendments incorporated or without them. If the Executive have accepted the amendments and built them into their revised budget, then it should be that the Council are able to agree the budget as presented. If the Executive have not been able to accept them, then the amendments will need to be voted on in turn (if there is more than one) and dealt with in the usual way. If they are carried, they will be incorporated into the budget; if they are not carried, then they will fall. Either way, the budget must be approved at the reconvened Council meeting.

NOTE

Before any amendment is voted on, the Council will give the Director of Resources an opportunity to address the meeting to explain, if necessary, the affect of the proposed amendment before the vote is taken and may agree to an adjournment to enable Members to consider the Director of Resources’ advice prior to the vote on any amendment.

Mark Lambert
Director of Governance

January 2015

Report to Council

Agenda
Item:

10

Meeting Date: 3 February 2015
Portfolio: Cross Cutting
Key Decision: Not Applicable
Within Policy and Budget Framework: Not Applicable
Public / Private: Public

Title: OPERATION OF THE PROVISIONS RELATING TO CALL-IN AND URGENCY
Report of: Director of Governance
Report Number: GD.13/15

Purpose / Summary:

To report on the operation of call-in and urgency since the previous report to Council on 6 January 2015.

Recommendations:

That the position be noted.

Tracking

Executive:	N/A
Overview and Scrutiny:	N/A
Council:	3 February 2015

1. BACKGROUND

This report has been prepared in accordance with Rule 15(i) of the Overview and Scrutiny Procedure Rules which deals with the procedure in respect of occasions where decisions taken by the Executive are urgent, and where the call-in procedure should not apply. In such instances the Chairman of the Council (i.e. the Mayor) must agree that the decision proposed is reasonable in the circumstances and should be treated as a matter of urgency.

The record of the decision and the Decision Notice need to state that the decision is urgent and not subject to call-in. Decisions, which have been taken under the urgency provisions, must be reported to the next available meeting of the Council together with the reasons for urgency.

2. OPERATION OF THE PROVISIONS RELATING TO CALL IN AND URGENCY

The Executive, at their meeting on 14 January 2015, considered a number of reports and minutes relating to the Council's 2015/16 Budget as follows:

BUDGET 2015/16

- (a) Budget Update Revenue and Capital 2015/16 – 2019/20
- (b) Treasury Management Strategy Statement, Investment Strategy and Minimum Revenue Provision Strategy 2015/16
- (c) Executive Response to the Budget Consultation and Recommendations for the 2015/16 Budget

The Executive also gave consideration to a private report concerning a Land and Property Transaction.

These items are all to be considered by the Council at its Special Meeting on 3 February 2015. If a call-in were to be received on any of these items, the call-in procedure would overlap the City Council meeting.

The Executive's draft Budget recommendations have been considered by the Resources Overview and Scrutiny Panel. All Members will have received copies of the above Minutes and reports with the Summons for the Special Council Meeting and will have the opportunity to debate the Executive's Budget recommendations at the Council meeting on 3 February 2015. It was considered that any delay caused by a call-in on any of these items would seriously prejudice the Council's interest in progressing the budget.

For the above reasons, the Mayor has agreed that the above decisions were urgent and the call-in process should not be applied.

4. CONCLUSION AND REASONS FOR RECOMMENDATIONS

4.1 That the position be noted.

Contact Officer: Morag Durham

Ext: 7036

Appendices None
attached to report:

Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers:

- None

CORPORATE IMPLICATIONS/RISKS:

Chief Executive's – None

Community Engagement – None

Economic Development – None

Governance – Compliance with Procedure Rule 15(i) is important in terms of the Council's governance arrangements.

Local Environment – None

Resources - None

