

AGENDA

Executive

Monday, 05 August 2013 AT 16:00

In the Flensburg Room, Civic Centre, Carlisle, CA3 8QG

Apologies for Absence

To receive apologies for absence and notification of substitutions.

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.

Public and Press

To agree that the items of business within Part A of the agenda should be dealt with in public and that the items of business within Part B of the agenda should be dealt with in private.

Minutes of Previous Meetings

To confirm the Minutes of the meetings of the Executive held on 8 April; 7 and 31 May 2013.

[Copy Minutes in Minute Book Volume 40(1)]

PART A

To be considered when the Public and Press are present

A.1 PURPLE SACKS REVIEW

7 - 22

(Key Decision - KD.01/13)

The Director of Local Environment to submit a report concerning a change from the use of purple sacks to wheeled bins for certain residents. The matter was considered by the Environment and Economy Overview and Scrutiny Panel on 8 May 2013.

(Copy Report LE.22/13 and Minute Excerpt herewith)

A.2 DRAFT MEDIUM TERM FINANCIAL PLAN 2014/15 TO 2018/19

23 - 66

(Key Decision - KD.010/13)

The Director of Resources to submit a report seeking consideration of the draft Medium Term Financial Plan to guide the Council's forward financial planning process.

(Copy Report RD.32/13 herewith)

A.3 DRAFT CAPITAL STRATEGY 2014/15 TO 2018/19

67 - 82

(Key Decision - KD.010/13)

The Director of Resources to submit a report seeking consideration of the draft Capital Strategy 2014/15 to 2018/19.

(Copy Report RD.33/13 herewith)

A.4 DRAFT ASSET MANAGEMENT PLAN 2013 - 2018

83 - 130

(Key Decision - KD.012/13)

The Director of Resources to submit a report on the Draft Asset Management Plan for the forthcoming period, in tandem with the Council's Medium Term Financial Strategy.

(Copy Report RD.31/13 herewith)

A.5 ARTS CENTRE DEVELOPMENT 131 - 160

(Key Decision - KD.015/13)

Pursuant to Minute EX.69/13, the Director of Community Engagement to submit a report concerning the progression of key elements of the City Council's Arts and Cultural Strategy. The matter was considered by the Community Overview and Scrutiny Panel on 11 July 2013.

(Copy Report CD.37/13 and Addendum; and Minute Extracts herewith)

A.6 CARLISLE EVENTS PROGRAMME BUDGET 161 - 164

(Key Decision - KD.016/13)

The Director of Community Engagement to submit a report seeking the release of funding for use to deliver and/or enhance events and activities which will promote Carlisle.

(Copy Report CD.45/13 herewith)

**A.7 NOTICE OF EXECUTIVE KEY DECISIONS
(Non Key Decision)**

The Notice of Executive Key Decisions, published on 5 July 2013, is submitted for information.

The Asset Review Business Plan Property Reinvestment Acquisition item (KD.017/13) will be considered in private only.

A.8 SCHEDULE OF DECISIONS TAKEN BY OFFICERS 165 - 168

(Non Key Decision)

A Schedule of Decisions taken by Officers under delegated powers is attached for information.

(Copy Schedule herewith)

A.9	<u>JOINT MANAGEMENT TEAM</u>	169 -
		170

(Non Key Decision)

The Minutes of the meeting of the Joint Management Team held on 18 June 2013 are submitted for information.
(Copy Minutes herewith)

A.10	<u>JOINT MEETING BETWEEN THE EXECUTIVE AND THE PARISH</u>	171 -
	COUNCILS	174

(Non Key Decision)

The Minutes of the joint meeting between the Executive and representatives of the Parish Councils held on 10 June 2013 are submitted for information.
(Copy Minutes herewith)

A.11	<u>CAPITAL BUDGET OVERVIEW AND MONITORING REPORT -</u>	175 -
	APRIL TO JUNE 2013	188

(Non Key Decision)

The Director of Resources to submit the first quarter Capital Monitoring Report covering the period April to June 2013.
(Copy Report RD.28/13 herewith)

A.12	<u>REVENUE BUDGET OVERVIEW AND MONITORING REPORT -</u>	189 -
	APRIL TO JUNE 2013	208

(Non Key Decision)

The Director of Resources to submit the first quarter Revenue Monitoring Report covering the period April to June 2013.
(Copy Report RD.29/13 herewith)

A.13 TREASURY MANAGEMENT: APRIL TO JUNE 2013 **209 - 222**

(Non Key Decision)

The Director of Resources to submit the regular quarterly report on Treasury Transactions, including the requirements of the Prudential Code. (Copy Report RD.30/13 herewith)

A.14 REPRESENTATIVES ON OUTSIDE BODIES **223 - 228**

(Non Key Decision)

The Director of Governance to submit a report seeking the nomination of Members to serve on various outside bodies. (Copy Report GD.39/13 herewith)

Background Papers - Carlisle City Council's Constitution is available on the Council website

PART B

To be considered when the Public and Press are excluded from the meeting

B.1 ASSET REVIEW BUSINESS PLAN PROPERTY REINVESTMENT ACQUISITION

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

B.2 THE FUTURE OF ON STREET PARKING ENFORCEMENT

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

Members of the Executive:

Councillor C W Glover (Leader)

Councillor E B Martlew (Deputy Leader; and Environment and Transport Portfolio Holder)

Councillor Dr L Tickner (Finance, Governance and Resources Portfolio Holder)

Councillor A Quilter (Culture, Health, Leisure and Young People Portfolio Holder)

Councillor J Riddle (Communities and Housing Portfolio Holder)
Councillor H M Bradley (Economy and Enterprise Portfolio Holder)

Enquiries to:

Lead Committee Clerk - Morag Durham 817036

Note to Members:

Decisions made at this meeting, if not subject to call-in, will become live on 15
August 2013

Report to Executive

Agenda
Item:

A.1

Meeting Date: 5th August 2013
Portfolio: Environment and Transport
Key Decision: Yes: Recorded in the Notice Ref:KD 01/13
Within Policy and Budget Framework YES
Public / Private Public

Title: PURPLE SACKS REVIEW
Report of: The Director of Local Environment
Report Number: LE22/13

Purpose / Summary:

Improving the quality of the local environment is a corporate priority for the City Council and the Council adopted the "Clean up Carlisle" campaign in 2012. Significant efforts have been taken to improve the quality of street cleansing and keeping the streets clean through investment in new street cleaning machines, new programmes of work and in education and enforcement to prevent littering and dog fouling. Despite these improvements, complaints have continued to be received about litter from torn refuse sacks in areas without a wheeled bin collection and important resources are diverted to deal with the high levels of litter created by the sack collections.

This report sets out proposals to change the purple sack service and so minimise the litter currently created by the purple sack collection (often being split open by seagulls other animals, vermin and would be vandals/criminals) so supporting the 'Clean up Carlisle Campaign' and significantly improving the quality of the local environment.

It is proposed to move, where possible, most of the remaining 5,538 properties on a weekly purple sack refuse collection to wheeled bin fortnightly collection of refuse. Where it is impractical to move residents from a weekly collection, it is proposed to replace disposable purple sacks with reusable polypropylene sacks- '*Gull sacks*'. This is a more labour intensive means of collecting waste so it is preferable to move as many collections as possible to the wheeled bin collections to ensure that the service is as cost effective as possible.

A further benefit expected is that the improved service will increase the levels of recycling in these areas to meet the good performance in other wheeled bin areas, thus reducing the residual waste presented for collection.

Recommendations: That Executive approve the proposals in Option C to move properties currently provided with a weekly purple sack refuse collections to either fortnightly collections of refuse from a wheeled bin or where this method of collection is not possible a weekly collection of refuse contained within a reusable 'Gull Sack'.

That the Executive consider and recommend to Council to approve the Capital cost, £69,539, of the purchase of additional wheeled bins and gulls sacks required to make the changes detailed in Option C is added to the Capital Programme and to approve the use of salary turnover savings to fund this addition.

Tracking

Executive:	5th August 2013
Overview and Scrutiny:	8th May 2013
Council:	16th July 2013

1. BACKGROUND

- 1.1 Carlisle City Council operate a fortnightly kerbside refuse collection from wheeled bins however there are currently 5,538 properties in the district on weekly purple sack collections.

One of the Councils key priorities is to ensure that Carlisle is clean and tidy. There is a shared responsibility between the Council and the community to achieve this by being proactive rather than reactive. By providing residents with the means to minimise the litter that can be created by their residual waste it will help to increase pride and respect for neighbourhoods and so improve the quality of the local environment.

The initiative to move properties provided with a purple sack collection to wheeled bin collections will support the “Clean-up Carlisle” campaign also having a positive impact to the ‘Love Where you Live’ Campaign.

A report regarding the negative *impact of seagulls* on the local environment has already been considered by the Environment and Economy Overview and Scrutiny Panel. The proposal to change collections from a purple sack to wheeled bins will prevent damage by seagulls however it is not practical for all properties to have a wheeled bin due to storage or collection issues. Where a wheeled bin collection is impractical it is proposed to instead move to robust reusable ‘Gull Sacks’ which will reduce the opportunity for the gulls to rip the bags open in search of food hence creating the high levels of litter illustrated in the picture at **Appendix 1**.

Some of the negative impacts associated with the existing purple sack collections, are highlighted below;

- Sacks are susceptible to damage causing high level of litter complaints compared to wheeled bin areas creating an avoidable demand on street cleaning services and dissatisfaction with Council services (**Appendix 1**)
- Poorer recycling rates for purple sack properties (**Appendix 2**). Purple sack areas generate extra side-waste and the recycling tonnage, as illustrated, is low as there is less incentive to recycle with a weekly collection;
- High costs and inefficiencies associated with delivering the refuse sacks to properties, and collecting waste on a weekly basis and clearing the associated litter.

- As well as the other issues highlighted, purple sacks are single-use, and therefore not as environmentally sustainable as re-useable receptacles.

2.0 FINANCIAL INFORMATION

2.1 Current Costs Associated With The Purple Sack Delivery:

- Purchase of purple sacks (supplying 5538 properties purple sacks) is £34,380 per annum which is more than is available in the budget.
- Resources to deliver of purple sacks is 7 days, 6 times a year at a cost of £7,200 per annum
- Fuel costs of delivering the purple sacks 7 days, 6 times a year (30 litres x 42 days = 2940 litres) at a cost of £2664 per annum

TOTAL COSTS are £44,244

2.2 Annual Budget

Purple sacks	£28,100
Labour (delivery of sacks: 42 days)	£7,200
Fuel (delivery of sacks:42 days)	£2,664
TOTAL	£37,964

£29,000 of the savings are required to be retained in the budget to off-set budget pressures within waste services and £7,200 will be required for additional resource to empty the gull sacks. Therefore the proposal is not suitable as an invest to save project but is needed as a service improvement to address the high levels of litter and to release capacity in the team to improve the response to general equipment requests and provide additional refuse collections.

2.3 Costs of the proposed service changes

Cost of 240l wheeled bin	£17.90
Cost of Gull sack	£5.10

	Capital Costs	Option b) 3,900 bins	Option c) 2,629 bins
	Cost of wheeled bins	£70,848	£47,059
	Cost of Gull sacks	£8,354	£14,565
	Cost of 14 Euro bins	£2,857	£2,857
	Revenue Costs		
	Delivery costs	£2,200	£2,200
	Postage	£2,857	£2,857
	TOTAL Costs	£87,116	£69,539

2.4 Capital Funding

In order to purchase the additional wheeled bins, gull sacks and Euro bins detailed in the previous paragraph, it will be necessary to identify resources so that these can be added to the capital programme.

One option is to increase the capital programme and fund from existing capital resources. During 2012/13, the early termination of the green waste contract with Eden Council resulted in the sale of two collection vehicles that generated £103,500 in capital receipts. These receipts were added to general capital receipt balances and utilising them for this purpose would reduce the available balance of £522,000 at the end of the MTFP.

Alternatively, it is proposed to use savings currently being generated in the Local Environment section from vacant posts. These would ordinarily go towards the Council's salary turnover savings target. However, the salary turnover savings are forecast to significantly over achieve its target, so there is capacity within the savings being generated by Local Environment to utilise some of these resources for this review.

3. PROPOSALS

That Executive consider and approve the proposal to move the properties currently provided with a weekly purple sack refuse collections to either fortnightly collections of refuse from a wheeled bin or where this method of collection is not possible a weekly collection of refuse contained within a reusable 'Gull Sack'.

That the Capital cost of the purchase of additional wheeled bins and gulls sacks are met through the use of savings from vacant posts in Local Environment as set out in paragraph 2.4 and this item to be added to the Capital programme.

3.1 Three options have been considered in relation to purple sacks:

- a) Do nothing and leave the service as it is and continue to manage the high levels of litter associated with the collection
- b) Move the original proposal of the maximum possible number of properties, 3,900 properties onto a wheeled bin collection including properties with front street storage and collection of wheeled bins. Therefore 3,900 properties to move to wheeled bins and 1,638 properties to be provided with reusable Gull sacks

- c) Move 2,629 purple sack properties identified during the public consultation onto wheeled bins and supply the remaining properties including those that could have a wheeled bin with a front street storage and collection with re-useable polypropylene “gull sacks.” 2,629 properties to move to wheeled bin collection, 2,856 properties to be given reusable Gull sacks

Option a) would mean that the Authority continues to run a less efficient service that significantly contributes to the a high level of litter and customer dissatisfaction due to littering issues caused by the split bags.

Option b) will significantly reduce the littering issues currently caused by the split purple sacks and be consistent with “Clean-up Carlisle,” one of the Councils key initiatives. Some terraced properties proposed for the wheeled bin collection have very little garden space to the front and no side or rear access for a refuse collection vehicle. Those properties will store their wheeled refuse bins at the front of the street which may lead to practical issues for the customer and some visual dis-amenity. It would however provide the maximum number of properties with the incentive to recycle more and would minimise the number of properties on gull sacks so reducing the level of operational handling issues associated with the collection from gull sacks.

Option c) will significantly reduce the littering issues currently caused by the split purple sacks and be consistent with “Clean-up Carlisle,” one of the Councils key initiatives (**Appendix 3-** illustrates the effect of this option choice). This option does not include the properties with a front street storage and collection of wheeled bins and so is a good compromise in terms of visual amenity, however it does not minimise the number of properties on Gull sack collections so there will be increased levels of handling issues associated with the collection from the gull sacks.

4. CONSULTATION

- 4.1** The Economy and Environment Overview and Scrutiny panel were consulted on 8th May 2013 and made the following comment:-

“That the Panel believe Option C to be the preferred option”

- 4.2** Consultation proposed:

Properties affected by the changes proposals were consulted and a summary of the consultation responses is attached at Appendix 4. Investigation of the consultation

responses was carried out with more than 500 follow up site visits which resulted in a more modest proposal for wheeled bin collections detailed in Option C

5. CONCLUSION AND REASONS FOR RECOMMENDATIONS

- 5.1** Option c) is recommended as it is more acceptable to the customers who do not have enough room for the wheeled bin but would still contribute to significantly reducing the mess that can be caused by the current system of waste collection but will not achieve the full benefits operationally as set out in option b

It is recommended that the Executive choose Option C - Move 2,629 suitable purple sack properties onto wheeled bins and supply the remaining properties with re-useable polypropylene “gull sacks.”

- Would significantly reduce the littering issues currently caused by the split purple sacks and be consistent with “Clean-up Carlisle,” one of the Councils key initiatives;
- Increased levels of recycling in these areas;
- Better for the environment by supplying re-useable containers for waste (Gull Sacks and wheeled bins);
- It is safer to collect a wheeled bin than a purple sack, therefore the welfare and Health and safety of the crews will improve.
- Provision of wheeled bins should reduce instances of identity theft;
- More cost effective and efficient than the current system;

6. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

- 6.1** One of the Councils key priorities is to ensure that Carlisle is clean and tidy. There is a shared responsibility between the Council and the community to achieve this by being proactive rather than reactive. By providing residents with the means to minimise the litter that can be created by their residual waste it will help to increase pride and respect for neighbourhoods and so improve the quality of the local environment.

The initiative to move existing customers from purple sacks to wheeled bins are consistent with “Clean-up Carlisle,” one of the Councils key initiatives also having a major positive impact to the ‘Love Where you Live’ Campaign .

Contact Officer: **Angela Culleton**

Ext: **7325**

**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 -

Community Engagement –

Economic Development –

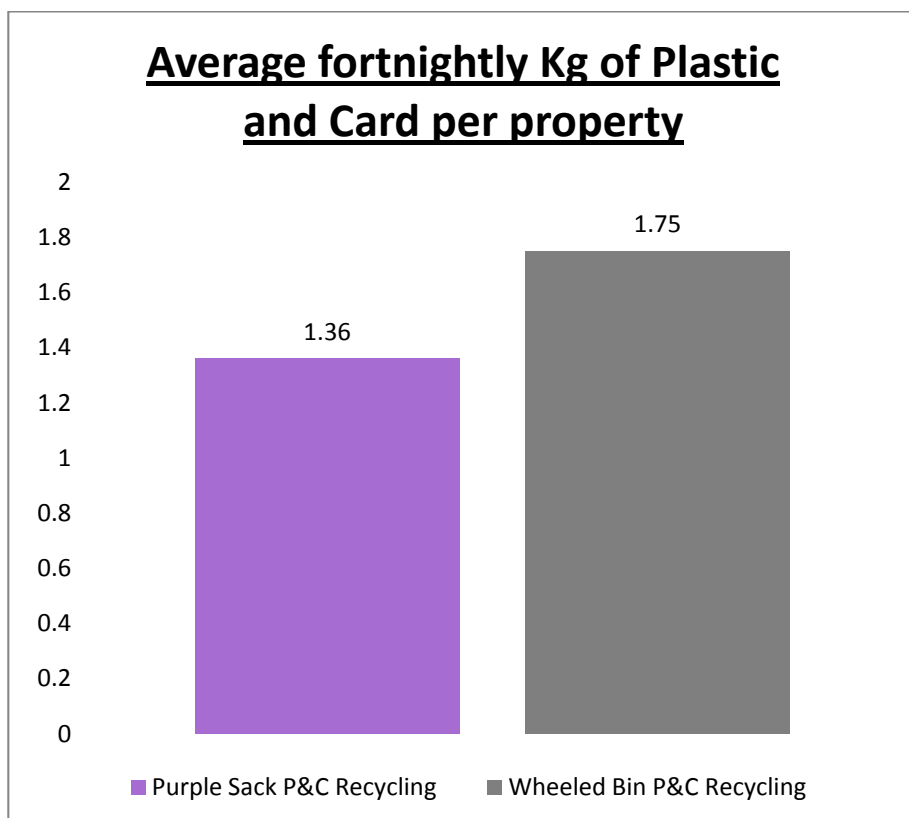
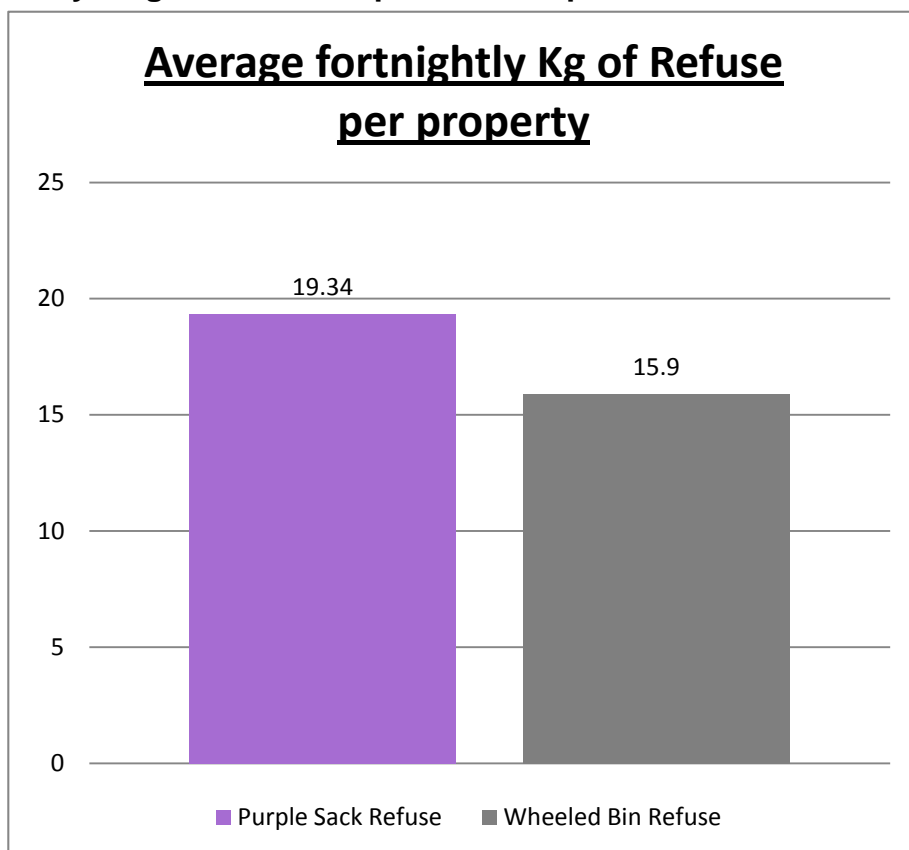
Governance – The Council has a legal obligation to collect refuse. The changes proposed in the report are simply a revised methodology of fulfilling that obligation. The alterations have been properly consulted upon and the responses considered and acted upon as appropriate in accordance with best practice.

Local Environment –

Resources - The review of Purple Sack collection outlined in this report requires an increase to the Council’s capital programme of £69,539 for new bins and gull sacks. The review of the service will generate a small amount of revenue savings, but pressures that already exist within waste services can be extinguished by these savings, so that no savings will be released though this review. The proposal to utilise salary turnover savings to fund the capital cost will mean that there is no reduction the Council’s overall capital resources, and currently, the amount of salary turnover savings being achieved is expected to far over achieve the budgetary target, meaning there is scope to release funding for this project. The Council has a framework agreement that it can use for the purchase of wheelie bins and due to the value being purchased, this would be the procurement route to be taken.

Littering Resulting from Purple Sack Collections



Recycling Rates for Purple Sack Properties

Example of Terraced Properties on Wheeled Bin Collections





Purple Sack Review – 2013 Consultation Results

Background:

We want to make our refuse collection service more efficient, reduce littering, improve the storage of waste and bring all collections in line with other provision within the city. Where possible, we would like to increase the number of wheeled bin collections.

This could result in some properties switching from purple sack collections to wheeled bin collections. Those that cannot be transferred will be offered seagull-proof bags. In other areas, seagull-proof bags have proven to be a secure and effective way to collect non-recyclable household refuse waste and have helped to reduce the amount of litter. These are foldable, reusable and easy to store after collection. Weekly collections will continue for those households with a seagull-proof bag.

We appreciate that some residents may be concerned about the switch from weekly to fortnightly collections; however our alternate weekly collection scheme, first introduced in 2007, has proved to be a popular and successful collection system.

Recent surveys have shown that the majority of our customers are now satisfied with the household waste collection and household recycling services we provide. These services are provided for as little as £52/Household/year.

We are always trying to improve the service and the increase the opportunities for household recycling collections, the majority of our customers are now enjoying a doorstep recycling collection.

Results from our ongoing residents' survey (Carlisle Focus), customers have commented on the need to encourage more residents to recycle their waste to help keep Carlisle clean and tidy and we need your help to make this happen. You and your household on your street can help us makes these improvements happen. With your support, we can make our waste and recycling services more efficient, effective and economic.

Consultation process:

A consultation process took place between Friday, 3 May and Tuesday, 28 May.

Letters were sent to 6,000 affected properties. Parish Councils and City Council Ward Members were also sent some consultation information.

Consultation responses were requested by Tuesday, 28 May 2013.

Results of consultation:

In total, 1,841 householders responded to the consultation. Resulting in a 30.58% response rate.

The responses we received showed that 590 households felt they were not able to support the proposal and some raised concerns, whereas 780 were supportive of the changes. 471 households did not raise any concerns.

When comments were provided within the responses, site visits were undertaken in the areas where issues were raised. The findings of the site visits helped determine what waste service was most appropriate to the needs of the householder.

What happens next?

Since the end of the consultation period we have been in the process of identifying the most appropriate waste collection service for each of the properties affected by the review. These will either be a fortnightly wheeled bin collection or a weekly seagull sack collection.

When these new collection services are put in place, we will provide affected householders with their own free wheeled bin or seagull sack. The provision of purple sacks will therefore no longer be provided.

Your collection date may also change, if it does, we'll let you know well in advance of the new dates coming into operation.

If you're affected by the new arrangements, you'll receive a letter from us in August. This will set out what new waste service you'll have. The new service will then start in around September this year.

Assisted collections are also in place for elderly or disabled residents who need help putting their wheeled bin or seagull-proof bag out for collection.

EXCERPT FROM THE MINUTES OF THE ENVIRONMENT AND ECONOMY OVERVIEW AND SCRUTINY PANEL HELD ON 8 MAY 2013

EEOSP.28/13 PURPLE SACKS REVIEW

The Director of Local Environment submitted report LE.13/13 that set out proposals to change the purple sack service and minimise the litter currently created by the purple sack collection. The Director gave a presentation that expanded on the issues raised within the report.

The Director explained that the purple sacks were often split open by seagulls and other animals and would-be vandals. The proposed changes would support the Clean Up Carlisle campaign and significantly improve the quality of the local environment.

Where it would be impractical to move a property onto wheeled bin collection it was proposed to provide “gull sacks”. The Director showed Members a sample of a Gull sack currently used by another authority.

It was anticipated that an increase in the number of wheeled bin collections would result in an increase in the levels of recycling in those areas thus reducing the residual waste presented for collection.

The Environment and Transport Portfolio Holder thanked the Director and her team for the work undertaken. The Portfolio Holder hoped that the consultation would encourage people to comment on the proposals. No decision had been made and the discussions at the Panel were the first to be undertaken. It was important to get the balance right as purple sacks being ripped was detrimental to an area but rows of wheelie bins at the front of properties could also cause visual disamenity and should therefore be stored off the street where possible and where that was not possible then gull sacks could be used. Those were the reasons for the consultation.

In considering the report Members raised the following comments and questions:

A Member offered to trial the gull sacks as he believed they would be a great improvement on the purple sacks.

A Member agreed with looking at the principle of bag collections and believed that part of the problem was that bags were put out for collection too early. With regard to recyclates the Member stated that some plastics were light and were blown out of the sacks; he did not believe gull sacks would address that problem. With regard to health and safety the Member informed that the fire service had advised that wheelie bins should not be placed at the front of properties as they could impede emergency vehicles accessing the property. The Member stated that care was needed by refuse vehicles accessing back lanes and reminded Members

of an incident some years ago when a resident was injured by a refuse vehicle reversing along a back lane.

The Director of Local Environment explained that crews were fully trained and if a vehicle had to reverse the crew assisted the driver. If it was not safe to access the back lane the bins would be wheeled to the end of the lane and replaced when emptied.

A Member advised that some authorities had carried out a small pilot to gain a response to the changes and queried whether that could be considered.

The Director explained that due to the small number of properties involved it would not be appropriate to carry out a pilot. Therefore, dependent upon the decision made by Executive, the scheme would be rolled out and monitored.

A Member queried what the consequences were if residents continued to put out purple sacks.

The Director explained that the Council had powers to specify how household waste should be presented and action could be taken by the waste team if not presented properly. Residents would be advised of the requirements by letter and if waste was presented incorrectly a Section 46 notice could be served on the resident.

In response to a comment by a Member the Director confirmed that the gull sacks would not prevent identity theft but would make it more difficult.

The Portfolio Holder advised that her property had been converted to wheelie bin collection and there had been no problem.

The Director confirmed that if a resident presented a purple sack the correct approach would be to provide support and advise. She believed that most householders would be supportive of the proposed changes and that was part of the purpose of the consultation. If the Executive agreed to the proposed changes residents would be advised how to present their refuse.

A Member believed it was right that the refuse rounds were reviewed but he did not wish to see bins on the front of streets. The Member suggested that Euro bins could be used in some areas where wheelie bins were not suitable.

The Director explained that Euro bins would also be considered and they would be classed as a wheelie bin.

A Member suggested that sponsorship on the gull sacks could be a way of reducing costs.

The Portfolio Holder agreed to look into the issue.

A Member queried what the handling implications would be of the gull sacks.

The Director advised that the cost may change in the final report to the Executive due to ongoing investigations into the proposal. The Director advised that Option c would have more impact on crews than Option b as with the gull sacks there were more handling issues and better gloves would be required due to the higher risk of stabs and cuts from sharp objects.

The Director explained that the sacks could be folded and stored by the resident and filled at the front door on the day of collection.

RESOLVED – (1) That Report LE.13/13 – Migration of Purple Sacks to Wheeled Bin Refuse Collection be noted.

(2) That the Panel agreed that change was required and agreed that Option a (to do nothing) was not an option. With regard to Options b and c the Panel agreed that their preferred option would be Option c as they did not want wheelie bins stored at the front of houses.

(3) That consultation should include Cumbria Fire Service for their advice on storage of waste receptacles at the front of houses so that the Executive were informed of this when they made their decision.

(4) That the recommendations from the Panel be submitted to the Executive for inclusion into the Executive Report “Migration of Purple Sacks to Wheeled Bin Refuse Collection”.

Report to Executive

Agenda
Item:

A.2

Meeting Date: 5 August 2013
Portfolio: Finance, Governance and Resources
Key Decision: Yes: Recorded in the Notice Ref:KD10/13
Within Policy and Budget Framework YES
Public / Private Public

Title: DRAFT MTFP 2014/15 TO 2018/19
Report of: DIRECTOR OF RESOURCES
Report Number: RD32/13

Purpose / Summary:

The Medium Term Financial Plan sets out the current framework for planning and managing the Council's financial resources, to develop its annual budget strategy and update its current five year financial plan. The Plan links the key aims and objectives of the Council, as contained in the Carlisle Plan, to the availability of resources, enabling the Council to prioritise the allocation of resources to best meet its overall aims and objectives. The MTFP will inform the budget process and will be updated for changes when known. Following consideration by the Executive and the Resources Overview and Scrutiny Panel, final recommendations will be made to Council on 10 September 2013.

Recommendations:

The Executive is asked to:

- (i) Comment on the draft MTFP for consideration by the Resources Overview and Scrutiny Panel on the 29 August.

Tracking

Executive:	5 August 2013
Overview and Scrutiny:	29 August 2013
Executive:	2 September 2013
Council:	10 September 2013

1. BACKGROUND

- 1.1 The Medium Term Financial Plan (MTFP) is the key policy document to guide the Council's forward financial planning process. The attached report details the current Plan for the period 2014/15 to 2018/19. The MTFP is reviewed annually starting with the assumptions made in the Budget Resolution approved by Council on 5 February 2013. The starting point for the MTFP is to show the impact of the Council Resolution and raise awareness of the issues that are on the horizon that will need to be considered as part of the detailed budget process.
- 1.2 The Corporate Charging Policy has also been reviewed and included within the MTFP. It provides a framework providing potential policy options for each Charging area. This recognises that different approaches may be required for different services and that there are a variety of influences that need to be acknowledged in charge setting.

2. KEY DATES

- 2.1 Following consideration of the current MTFP and other key Policy documents by the Executive and Resources Overview and Scrutiny Panel, these will be formally approved by Council on 10 September 2013.
- 2.2 A timetable for the budget process will be prepared and the overall budget position for revenue and capital, and individual reports on spending pressures, saving proposals, and charging reports will be considered by the Executive at its meeting on 18 November. These reports will be scrutinised by the three Overview and Scrutiny Panels at the end of November and beginning of December.

3. CONSULTATION

- 3.1 The draft MTFP has been considered by the Senior Management Team and the Joint Management Team.
- 3.2 The Resources Overview and Scrutiny Panel will consider the MTFP on 29 August, and recommendations made to full Council on 10 September.
- 3.3 The Budget Process and MTFP are also informed by consultation with wider stakeholders, including residents. Each year the Council consults with the Business Community and also carries out public consultations as appropriate

4. CONCLUSION AND REASONS FOR RECOMMENDATIONS

- 4.1 The Executive is asked to:
Comment on the draft MTFP for consideration by the Resources Overview and Scrutiny Panel on the 29 August.

5. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

- 5.1 The Medium Term Financial Plan outlines how the Council will prioritise its financial resources in the delivery of services

Contact Officer: Steven Tickner Ext: 7280

Appendices Appendix 1 – Medium Term Financial Plan 2014/15 – 2018/19 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 -

Community Engagement –

Economic Development –

Governance – The Council has a legal duty to put in place a balanced budget to the satisfaction of the Council's Section 151 Officer. The Medium Term Financial Plan is an important part of fulfilling this obligation.

Local Environment –

Resources – Contained within the MTFP



CARLISLE CITY COUNCIL

DRAFT MEDIUM TERM FINANCIAL PLAN 2014/15 to 2018/19

JULY 2013

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Appendices

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POLICY AND CONTEXT

1.1 Purpose

The Medium Term Financial Plan (MTFP) provides the corporate financial planning framework to provide strategic direction to the Council for the next five years and to ensure that the financial resources of the Council are directed to achieving the Council's key corporate priorities. The objectives of the MTFP are to:

- Guide the integration of financial planning with the priorities set out in the Carlisle Plan to ensure that spending decisions contribute to the achievement of the Council's priorities,
- Guide and be informed by Directorate and other relevant strategies and plans of the authority, which set out how resources will deliver the outcomes and priorities specified in the Carlisle Plan,
- Forecast a minimum five -year corporate and financial planning horizon, with longer periods developed where necessary,
- Manage performance management and decision making procedures to help achieve the best use of available resources,
- Consider the implications of the use of financial resources on the levels of Council Tax and other Council charges.
- Review the policy over the level of reserves held by the Council,
- Set out processes to monitor and evaluate proposed and actual spending to ensure that value for money is obtained.

The overarching policy guidelines of the MTFP are that resources will be redirected to Council priorities via the budget process within the overall caveats that: -

- Redirection of resources towards areas of high priority will be contained within existing budgets, unless increases can be justified and funded through the budget process.
- Council Tax increases will be limited to fair and reasonable levels, taking account of national guidance from Government
- External grants and income will be maximised wherever possible to mitigate the effects of budget increases.
- Partnership working and funding opportunities will be explored wherever feasible.
- The projected budget deficits in later years will be addressed by the approved Savings Strategy

1.2 Government Policies

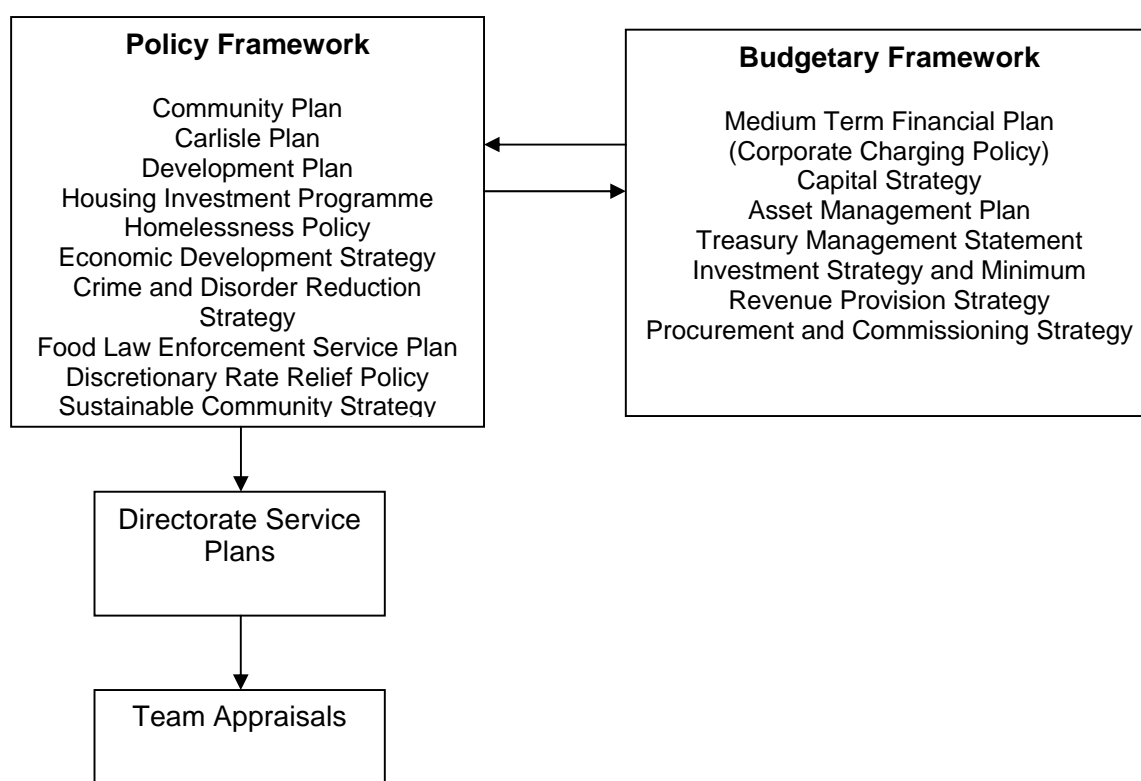
Nationally, the Government sets out policy which can result locally in the Council having to provide additional resources to meet nationally set targets, often without corresponding increases in grant assistance. Some initiatives do receive grant assistance, but for a limited period only, resulting in spending pressures for the Council when grant stops and the service needs to be maintained. This situation can only be resolved by the Council absorbing these new policy initiatives and meeting the cost from redirection of existing resources.

1.3 The Council's approach to corporate planning

The council has a corporate plan (Carlisle Plan) that is reviewed annually to take account of emerging issues. The plan is developed through consultation with stakeholders; it presents the key actions for the Council and likely outcomes for communities.

The Carlisle Plan forms part of the Policy and Budgetary Framework for the Council. These frameworks work together to create the strategic framework.

The following diagram illustrates the relationships between the Policy and Budgetary Frameworks.



Community Plan

The community plan is 'owned' by the Carlisle Partnership (our Local Strategic Partnership). It reflects and develops the aspirations of the communities of Carlisle and provides a strategic context for the partnership activities of all members of the LSP. For the City Council it is particularly important that the Corporate Plan enables delivery of the Community Plan; there must be congruence between the strategic objectives of both plans.

The communities of Carlisle are consulted and involved in the development of the Community Plan. This Community Plan helps to inform the strategic thinking of partner organisations.

The LSP's Community and Council's Corporate Planning process informs and supports the strategy of the Cumbria Strategic Partnership.

Directorate Service Plans

The primary purpose of a Service Plan is to provide a link between the resources used to deliver services and the delivery of agreed outputs. Service Plans are inextricably linked to each Directorate's budget.

Service Plans develop the key actions of the Carlisle Plan into detailed activities for Directorates and provide a framework for their financial, performance and risk management.

Other Council Strategies, Plans and Policies

The MTFP takes account of other Council Plans and Strategies of the Council, which have a potential impact on the use of resources by the Council. Particularly consideration is given to the following key strategies: -

- The Capital Strategy, which provides information on the proposed level of investment in capital projects and the consequent impact on the revenue budget.
- The Treasury Management Strategy Statement, Investment Strategy and Minimum Revenue Provision Strategy, which sets out the assumptions for financing requirements and interest rates and their effect on the revenue budget.
- The Asset Management Plan, which provides forecasts of necessary investment in the Council's land and property portfolio.
- The Procurement and Commissioning Strategy
- Local Plan/Local Development Framework.
- The Organisational Development Plan, which highlights the need for a thorough review of the Council's staffing needs and skill levels to ensure that the Council improves its performance to deliver excellent services to the local community in the future.
- There are also a number of strategies, which set out policy direction for key Council priority areas, and these include the Economic Strategy, and Housing Investment Programme.

1.4 Budget Priorities and Budget Allocations

Financial resources and performance are linked to the existing Council priorities; work has commenced on providing links to the revised priorities as set in paragraph 1.3 above, in terms of determining service objectives for each priority. The aim of this process is to see if the Council's budget is being used to best effect, and in accordance with priorities, and identify where additional resources may be required to improve performance and to achieve the Council's future aspirations in accordance with the transformation process. Conversely it may also be possible to reallocate resources from services which are not performing satisfactorily, and which may also be of a lower priority, to high priority areas which need greater support.

1.5 Performance Review

This process allows outturn expenditure and outcomes to be measured against budgeted expenditure and targets.

Currently, out-turn expenditure is measured against budgeted expenditure as part of the final accounts process and outcomes are measured against targets via the performance management framework. Financial data continues to be recorded on the Council's performance monitoring system, Covalent. The quarterly budget and performance monitoring reports are considered by Officers and Members to monitor progress throughout the year.

The integration of performance and financial information has been vital to the development of Value for Money profiles. These profiles are being used to challenge the current service delivery models as we interrogate the costs and outcomes associated with our services.

FORECASTING RESOURCES AND COMMITMENTS

Forecasting is the mechanism by which the Council obtains a firm indication of the level of funding available in future years and matches this to known and anticipated commitments.

2.1 Current Budget Forecast

The Council has well established mechanisms in place for forecasting resources and expenditure commitments over a five-year planning period. Projections will inevitably change over the period of the plan and will be kept under review. Factors affecting the assumptions made are set out in further detail in the MTFP.

The Council approved the current forecast for the period 2013/14 to 2017/18 on 5 February 2013 and this is shown in Appendices A to C as follows:

- Appendix A** – Summarises the net budget for the five years (£13.453million for 2013/14) approved for Council Tax Purposes by Council on 5 February and provides a forecast to financial year 2017/18. Indicative figures have also been included for 2018/19.
- Appendix B** – Provides an indicative forecast of how the projected gross budget (£59.949million in 2013/14) will be financed over the same period.
- Appendix C** – Analyses the Gross budget over main spending headings (only for 2013/14 as future years are not available).

2.2 Budget Surplus/Deficit Forecast

The current medium term financial projections indicate adequate Council reserves from 2013/14 due to the outcomes of the transformation process.

The amount approved by Council in February 2013 as part of the budget process, to be taken from/added to Council Reserves to support Council spending, updated by the outturn report approved in June and other adjustments approved to date, is set out in the Table below:

Year	Recurring Commitments (Surplus) £000	Non-Recurring Commitments £000	Carry Forwards £000	Total (Contribution From / (to) Reserves) £000
2013/14	(1,806)	1,560	677	431
2014/15	(602)	160	19	(423)
2015/16	(868)	0	0	(868)
2016/17	47	0	0	47
2017/18	840	0	0	840
2018/19	1,451	0	0	1,451

In order to address the forecast budget deficit position the Council has embarked upon a significant programme of service reviews, incorporated in the transformation agenda, to mitigate the impact on Council reserves.

There are remaining risks to the budget as set out in the budget resolution particularly in achieving the savings proposals approved. As in previous years, additional savings will need to be identified both to meet the projected shortfall and new budget pressures and also to continue support for initiatives and redirect resources to priority areas as well as increasing reserves to their minimum levels (£2.6million). The savings strategy is set out in more detail below and will ensure that in the medium term the Council complies with its policy of not meeting recurring expenditure from Council Reserves.

2.3 Efficiency and Savings Strategy

A strategy to identify recurring budget savings and service efficiencies was approved by Council on 5 February 2013 as part of the budget resolution. The strategy will deliver savings and efficiencies for the 2013/14 budget and will concentrate on the following areas:

Description	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000
Additional Savings to be found	1,534	0	839	0	0

The 2013/14 budget indicated that the additional savings to be found will concentrate on the following areas to deliver the savings required to produce a balanced longer term budget, however, the exact work programme will be dependent on progress with the Transformation Programme.

- Asset Review – this will focus 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 will be 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 be undertaken to ensure that services are properly aligned to what the Council wants to achieve.

2.4 Significant Budget Issues

A number of high impact pressures on the Council's budgets have been identified and these are shown below. The impact of these potential revisions (some positive) will be further analysed and reported throughout the budget process and revisions made to current budget deficit projections as required:

- Government Grant Reductions (Further 10% from 2015/16)
- Revised Transformation targets
- Capital Programme - longer term priorities and revenue implications especially Vehicle Replacements
- Shortfalls in income from Lanes and other Sources, e.g. Car Parking and Planning Fees
- New Homes Bonus grant
- Effect of Localisation of Council Tax Benefit Grant and Business Rates Retention
- Implementation of the Universal credit
- Public Sector Pay Freeze
- Council Tax Capping and Referendum
- Pension and National Insurance Changes

2.5 The Capital Strategy

At the same time as the revenue budget is approved in February each year, the Council also approves its capital programme. The proposals for capital investment, together with the level of resources available to support the programme, are contained within the **Capital Strategy**, which provides guidance on the Council's Capital Programme and use of capital resources.

There are links between the capital programme and the revenue budget, as capital projects very often result in revenue costs e.g. to provide running costs for new facilities. These costs are reflected in the existing budget of the Council.

2.6 Sensitivity Analysis

2.6.1 Financial Impact

The MTFP makes a series of forecasts about the future financial requirements of the Council. This is inherently a risky business and there will inevitably be some variations from these forecasts as time passes by. The following table assesses the potential cost or benefit of a variation of 1% in the major costs and income contained within the Plan.

Description	Base for Calculation £000	1% Variance £000
Pay Awards	18,145	181
Supplies & Services	4,576	46
Council Tax	(5,959)	(60)
General Inflation (currently 2.8%)	9,357	94
Income from Fees and Charges & Receipts	(11,948)	(119)
Investment Interest - Movement in Rates	(25,000)	(250)

2.6.2 Population Impact

The resources of the Council are also affected by the demands of its customers. Over the next few years the population of the Council area is expected to grow by 0.1% per annum. The Council will therefore be expected to provide additional services to meet the needs of its growing/ageing population.

In 2013/14 the cost of providing Council services equates to a cost per head of population of £124.39, based on a population forecast of 108,144. A 1% increase in the Council's population would broadly equate to a further £135,800 needed to be raised to provide Council services at existing levels, which would equate to an increase in Council Tax of £4.37.

EXTERNAL FACTORS INFLUENCING THE MTFP

3.1 Economic Factors

3.1.1 State of the Economy

The measures announced by the Government to reduce the amount of Public Spending and to reduce the Country's structural deficit will play a pivotal role in determining how much the economy grows over the coming years. Whilst economic growth remains flat, the Council may find it will be difficult to increase income levels e.g. Car Park income. Treasury Management income will also be limited whilst interest rates remain low, and the available institutions with which the Council can invest with diminishes due to reductions in banking credit ratings. The impact of increased costs is detailed in the sensitivity analysis section of the MTFP. The effects on the MTFP of any changes to the state of the Economy will need to be closely monitored in the short term in order to react effectively to changing situations. The MTFP currently assumes that the economy will show signs of recovery from 2014/15, with income projections increasing. However, if this does not occur as expected, further pressures may be placed on the revenue budget to meet any ongoing shortfalls.

3.1.2 Inflation

Inflation levels as at May 2013 were 2.7% for CPI (Consumer Price Index) and 3.1% for RPI (Retail Price Index).

As far as the City Council is concerned, inflation adds to the pressure on its finances if pay settlements and other costs exceed the estimates incorporated in the Council's budget. The Government has announced in the Budget and Spending Review that there will be a Public Sector pay freeze for two further years. It is anticipated that local government pay will mirror national public sector positions. The current MTFP includes pay award increases of 1.5% in 2013/14 and 2.5% in 2014/15 onwards. If any pay award is lower than these forecasts then the amount can be factored into the MTFP as potential savings, offsetting any additional cost pressures.

In terms of treasury management, the Council's borrowing costs are fixed until 2020 due to the long term fixed rate nature of its current external loans. Investment income is more related to movements in the base rate and other short term interest rates. Raising such rates is seen as one of the primary means of controlling inflation and the Monetary Policy Committee's primary remit is to control inflation. The base rate is at 0.5% and investment rates are now not far above this level meaning that investment income is significantly below that of previous years and is likely to remain so for some time to come. The Councils record over the past couple of years whilst interest rates have been so low has been good with average yields being around 1.51%. It will be very unlikely that this average yield can be continued however, as banks access to cash though the Bank of England has reduced their desire to offer generous investment returns. The Council takes a managed view of the exposure to risk associated with obtaining this level of return and seeks to ensure that its investments are in line with the policies set out in the Treasury Management Strategy Statement.

3.2 Government Policies and Initiatives

3.2.1 Government Spending Review and Local Government Finance Settlement

Spending Review

The overall amount available for distribution to Local Government is determined by the Government's Spending Review, in which the Government decides how much it can afford to spend, reviews its expenditure priorities and sets targets for improvement.

For 2013/14 onwards reductions in Formula Grant have been included that see the grant received by the Council reduce. The Spending Review in June 2013 indicated that Local Government funding in 2015/16 would reduce by a further 10%. Any further reductions to the levels currently included in the MTFP will be additional pressures that will need to be funded by the Council. Further reductions in formula grant funding are anticipated in future years.

	RSG £000
2013/14	4,147
2014/15	3,120
2015/16	2,667
2016/17	2,539
2017/18	2,345

The current assumptions for population and Council Taxbase are set out below. (The Taxbase relates to the equivalent number of Band D properties in the area)

	2014/15	2015/16	2016/17	2017/18	2018/19
Taxbase - For Grant Settlement (From RSG Settlement)	34,957.00	34,957.00	34,957.00	34,957.00	34,957.00
Taxbase - Council Calculation for Tax Setting (0.279% growth)	30,894.00	30,980.20	31,066.63	31,153.31	31,240.23
Population - RSG Settlement*	108,144	108,144	108,144	108,144	108,144

* Population figures are shown based on those used for the RSG settlement. Population growth figures highlighted at paragraph 2.6.2 may adjust these estimates once new RSG settlements are announced.

The Council taxbase (equivalent number of Band D properties) for tax setting purposes is different from the taxbase used in the Grant settlement as it takes into account growth in taxbase during the year, reduced second homes discount and losses on collection (1.5%). If the actual growth in the taxbase, or council tax collected during the year, is higher or lower than predicted, the resulting effect on the Council Tax income is adjusted as part of the Council Tax surplus/deficit calculation undertaken annually on January 15th, and adjusted in the following year's Council Tax.

3.2.2 Council Tax

Council Tax for 2013/14 continued to be maintained at 2010/11 levels through assistance received from Government and use of Council resources.

The Council's policy on taxation levels is that these should be set wherever possible at fair and reasonable levels and that the Council Taxpayer should not automatically bear the largest burden for any additional spending that may be required by the authority. This policy was set following the extensive budget consultation exercise undertaken as part of the 2004/05 budget process.

The City Council has been successful in avoiding a Council tax increase for 2013/14. For planning purposes the figures included in the Medium term Financial Plan assumes an annual increase in Council Tax of 2.6% (or £4.99) in 2014/15 then 1.99% thereafter. This will however be subject to review during the annual budget process, and will be particularly dependent on annual Government funding levels and future spending pressures. A 1% change in the level of council tax will impact on the budget by £67,000. (i.e. £133,000 per annum based on 1.99% MTFP profile).

3.2.3 Local Government Finance

There have been significant changes in the allocation of Local Government funding for 2013/14 that could have significant implications in future years.

Council Tax Benefits Localisation

The localisation of Council Tax Benefit has seen reductions in the amounts awarded to individual authorities for the provision of Council Tax benefit to residents. The Council chose to absorb the reduction in funding as part of its 2013/14 budget process, however, any significant deviation in Council Tax Benefit claims from those initially estimated could increase the impact of this funding reduction on the Council

Localisation of Business Rates

The Council is now operating under the Localisation of Business Rates scheme whereby it has the opportunity to keep a proportion of growth in the Business Rate income generated in the area. The Government set a baseline figure as part of the 2013/14 formula funding settlement, and any growth over this level is shared 50/50 between central government and local government (City Council share is 40% and County Council share is 10%).

Opportunities therefore exist to increase the amount of funding the Council receives, but similarly any falls in Business Rates Income could pose funding problems although the system has floors in it to prevent significant losses in funding.

3.2.4 Specific Grants

Income from Specific Grants meets just over 50% of the Council's spending. The bulk of this is in respect of grants to meet rent allowances, which meets nearly 100% of the total cost of providing these benefits by the Council.

Maximising income from grants and external funding sources continues to be a key priority for the Council. The difficulty with some specific grants however is that they can be time-limited with the amount granted often difficult to predict and plan for. Often when grants are reduced, this results in either a bid for additional funding through the budget process to preserve services or the need for further savings being identified to cover the loss of grant.

For the purposes of the MTFP, where changes to grant regimes and external funding are known, these have been incorporated into the financial projections. The potential for further changes is recognised in the risk assessment attached to the Plan. Details on some of the major grant streams is shown below:

Welfare Bill including Housing Benefits

The Government has announced that there will be significant changes to the Welfare State as part of the current Parliament and this will involve radical changes to the way benefits are managed and distributed.

There will be significant changes to the way Carlisle City Council manages these benefits, with Council Tax benefit likely to be set under local parameters (as highlighted above) and housing benefit absorbed into DWP Universal Credit arrangements (staggered between 2013 and 2017).

Housing Benefit Admin Grant is likely to reduce over the life of the MTFP and reductions were built into the budget process for 2013/14 to try and mitigate the effect of this, however, further reductions will occur with the downsizing of housing benefit administration.

3.2.5 Other Government Initiatives

Housing

Grants for specific Housing related services have reduced significantly. Support for Disabled Facilities Grants is included at £663,000 from Central Government for 2013/14 onwards. However, the spend on Disabled Facilities Grants exceeds this, and the Council approved an additional £200,000 per annum included funded by Council resources to support DFG's.

New Homes Bonus

The Government announced as part of its Comprehensive Spending Review in 2010 that there would be additional funding provided based on the level of anticipated New Homes to be built or existing homes brought back into use within a Local Authority Area. The amount would be based on the amount of additional Council Tax that would be generated from the New Homes and would be available for a period of 6 years. The Council received £243,000 in 2011/12, £408,000 in 2012/13 and a further £388,000 for 2013/14. The 2014/15 allocations will not be known until December 2013. However the DCLG has advised that the overall pot will be reduced by £400million from 2015/16.

Pension and National Insurance Changes

As part of the Governments 2013 Budget, an announcement regarding the scrapping of the lower National Insurance rate for employees and employers who have opted out of the State Second Pension Scheme (SERPS). This will result in additional employee and employer National Insurance contributions being required and this could cost the Council approximately £250,000.

There is also potential additional pension costs arising out of the Auto-Enrolment initiative, where all employees are automatically enrolled in the pension scheme, and have the option to opt-out. At this stage it is unknown what the impact of this will be and how many employees, who are currently not enrolled, will choose to opt out once they have been automatically enrolled.

The actuarial revaluation of the pension fund will be effective from 1 April 2014 with potential revenue pressures on the Council's budget; however the cost could be mitigated by changes to the recovery period.

3.4 Minimum Revenue Provision (MRP)

The MRP represents a provision that the Council must make to fund the repayment of external debt. As capital cash is utilised in providing the Council's capital programme the MRP is rising each year. This factor is also incorporated within the MTFP forecasts within overall Treasury Management costs. The Council will continually review its MRP Strategy and choose the option for charging MRP that is most beneficial at that particular time.

Any future capital projects will need to be evaluated for their effects on potential MRP charges either through the continued use of capital receipts or through prudential borrowing.

INTERNALLY DETERMINED FACTORS INFLUENCING THE MTFP (Subject to review July – Nov 2013)

4.1 Inflation

Taking into account current economic forecasts the Council has to make assumptions on the level of inflation to be included in the forward projections within the MTFP. The measure to be used for inflation in the MTFP is CPI (i.e. excluding housing costs) and this is currently running at 2.7%.

There is an inevitable degree of uncertainty surrounding inflation projections. However, for the five-year period under review, a CPI inflation rate of 2.8% has currently been assumed. It is anticipated that as part of the budget process that the level of inflation built into the Medium Term Financial Plan can be reviewed to see if inflation is required to be applied to all items of expenditure and whether different rates can be used for different items.

Individual spending heads have also had different inflation projections attached and these are detailed further below.

4.1.1 Pay Costs

In 2013/14, the Council is expecting to spend £18.1million on employee related costs and this represents approximately 60% of the cost of running the Council, excluding the cost of housing benefits.

Changes to pay costs will have the single biggest impact on the Council's budget. To offset the natural increases in pay costs, the Council has approved a policy to include a saving in its budget to reflect staff turnover.

The forecasts in the MTFP for pay costs have been calculated using the following assumptions: -

- A provision for basic pay increase of 1.5% p.a. (since reduced to 1%) for 2013/14 then 2.5% p.a. thereafter.
- The cost of increments is now considered to be minimal due to low staff turnover levels and the majority of staff having now progressed to the top of their grade.
- Staff turnover will remain at around 3% of gross salaries. The budget provision for 2013/14 has been set at £242,500.

4.1.2 General Inflation

The Council applies a policy of applying a general inflation increase to all running costs in its budget. The inflationary increase for the 5 years of the MTFP is based on the annual Consumer Price Index, which is currently running at 2.7% per annum (May 2013), although the current MTFP still assumes an inflation rate of 2.8%. An exercise is carried out as part of the budget cycle to examine the level of inflation that needs to be applied to different types of expenditure. Inflation forecasts are expected to be above 2% over the period of the MTFP. A 1% movement in the inflation rate would currently equate to £94,000 if applied to all general supplies and services expenditure

4.1.4 Investment Income

Treasury management is a field that has its own dynamics many of which, most obviously the level of short-term interest rates, are outside the control of local authorities. Projections of interest rates and investment income yields accruing to the City Council must always be viewed in this context.

When the budget for investment income in 2013/14 was set last autumn, it was based upon achieving an estimated average yield of 1.5% which reflected the benefit of investments placed in Government backed banks. Bank base rates continue to be held at 0.5% while actual money market yields from new investments are currently running at 0.8-1.1%. The latest forecasts of interest rate movements provided by our treasury management consultants, Sector, indicate base rates will remain at this level throughout most of 2013/14 and only starting to climb into 2015 although such a forecast must be viewed with caution. These movements will affect the interest returns earned by the Council quite significantly. As in previous years, these projections are subject to regular review and amendment in the light of money market conditions.

The achievement of levels of investment income is dependent not only on interest rates but also on the authority's anticipated pattern of cash flow. Taking account of both these factors, the estimated investment income built into the current MTFP, are as follows:

	Average Rate Expected	Current MTFP
2013/14	1.73%	473,091
2014/15	2.23%	823,021
2015/16	2.85%	1,085,870
2016/17	3.35%	971,118
2017/18	3.85%	1,103,607
2018/19	4.35%	1,259,975

The availability of investment interest rates over 1% for 12 month investments is now very much a rarity and this will have a significant impact upon the investment returns currently included in the MTFP and could lead to significant budgetary pressures. The interest assumed to be achieved above includes interest from the investment of £15million of capital receipts from the sale of assets not reinvested in new assets but invested in the money market instead.

These projections are reviewed on a quarterly basis in the context of both money market conditions and anticipated cash flow.

As well as interest rates, the biggest contributing factor to Treasury Management costs is MRP, and as capital balances are diminished, MRP will continue to rise, unless new capital receipts can be generated.

4.2 Spending Pressures and Savings

As part of its budget process, service departments are required to identify high priority spending pressures and identify savings to meet those pressures. These proposals are then subjected to a detailed appraisal process and those approved are included in the forthcoming year's budget.

Details of all spending pressures and savings affecting services in 2013/14 are shown in detail in the budget resolution and are summarised below:

	2013/14 Original £000	2013/14 Revised £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000
Recurring Spending Pressures	589	589	545	923	1,015	1,123	1,123
Recurring Spending Reductions	(1,501)	(1,501)	(855)	(1,368)	(1,336)	(1,340)	(1,340)
Non-Recurring Spending/(Saving)	(912)	(912)	(310)	(445)	(321)	(217)	(217)
Non-Recurring Pressures							
- Existing	766	0	0	0	0	0	0
- New	1,091	293	0	0	0	0	0
Carry Forward Requests	0	677	19	0	0	0	0
Use of Reserves	0	0	0	0	0	0	0
Non Recurring Reductions	(297)	(297)	(133)	0	0	0	0
Net Non-Recurring Spending/(Saving)	1,560	673	(114)	0	0	0	0

These proposals form the basis of the 5-year projections contained within the MTFP. As can be seen from the table above, the Council has been successful in identifying recurring savings to redirect to priority spending areas.

4.3 Asset Management

The Council is required to draw up an Asset Management Plan (AMP) to ensure that the Council's property is maintained in a good condition, is suitable for purpose and that sufficient resources are available to meet maintenance costs. The AMP recognised a maintenance backlog of some £5.2 million. The level of repairs and maintenance in the Council's budget is subject to an annual repair and maintenance programme with bids for structural maintenance and disabled adaptations included within the capital programme.

4.4 Income

The City Council's revenue budget is heavily dependent on the income it generates, with 20% of the gross budget coming from this source. The main areas are:

4.4.1 Fees and Charges for Services

Fees and Charges for individual services generate in the region of £5m p.a. for the City Council. **Appendix D** sets out the Council's approach to the reviewing and setting of fees and charges on an annual basis. The overall aim is to increase the proportion of income raised from users of discretionary services to ensure that they meet the full cost of these services, rather than the costs falling on Council Taxpayers in general. In the past the income target has been set at 1% above the inflation rate, however the revised guidance strengthens the recognition that there will

be different priority objectives for each income area and that for some areas maximising income may not be the key priority. Each charges review undertaken as part of the budget process must clearly set out the overall policy objective. In the past two years, increases in charges have not always resulted in expected income yields and projections are monitored carefully. Nevertheless the current MTFP assumes an overall increase in income from fees and charges of 3.8% p.a.

- 4.4.2 Significant Income Streams – further actions will need to be taken to account for the areas where income continues to be generated at less than the budget. The 2013/14 Charges Review will further consider this issue.

	2010/11 Actual £	2011/12 Actual £	2012/13 Actual £	2013/14 Budget £
Cemeteries & Crematorium	1,043,516	1,067,541	1,145,021	1,125,100
Development Control	491,230	414,707	589,762	545,800
Building Control	369,631	259,469	278,615	331,800
Land Charges	159,531	153,730	156,025	165,700
Parking	1,265,708	1,236,682	1,107,563	1,299,200
Total	3,329,616	3,132,129	3,462,100	3,467,600

The income from **Parking** has been declining steadily over the past few years, and steps were taken to reduce the income targets.

4.4.3 Property Rentals

Income received from property rentals is in the region of £5 million per annum. The Council has established an Asset Disposal Reserve for its property portfolio to ensure that the quality of its industrial estates and other commercial properties is maintained, thereby preserving the level of income generated by these assets.

The forecast yield from property rentals over the period 2013/14 to 2017/18 and included in the MTFP is shown in the following table: -

Description	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000
The Lanes (See Paragraph below)	1,383	1,522	1,660	1,660	1,660
The Market	132	132	132	132	132
Industrial Estates (+2% p.a)	2,723	2,778	2,833	2,890	2,948
Miscellaneous Properties (+2% p.a.)	368	376	383	391	399
Total	4,607	4,807	5,009	5,073	5,139

The Council has an agreement with the managing agents of the Lanes development whereby the Council receives a proportion of the total rental income. The budgeted income is included in the MTFP at £1.383m. Receiving Equity rental now means that the rental income received is subject to fluctuations in the performance of the Lanes and in periods where there are a lot of voids, income may be lower than that forecast. The situation is monitored via Management Reports received from the Managing Agent. The budget was reduced for 2012/13 as the income had fallen from previous levels due to discounts being granted to fill vacant units. The MTFP assumes that this will only be short term and that income will return to normal levels after 2014/15. If this is not the case then there will be additional pressures required on the MTFP.

The Asset Management Plan provides advice on how the Council can use its land and property portfolio to ensure that it achieves best value and delivers cost-effective services.

4.4.4 Council Tax Income

Based on the Council Tax base projected for 2013/14 and an assumed annual growth of approximately 0.279% in the base over the next five years, a 0% increase in 2013/14 and 2.6% increase in 2014/15 and 1.99% thereafter in Council Tax per annum will provide additional resources over the period 2013/14 – 2018/19 as follows: -

Year	Council Tax Band D £	Tax Base Projections	Yield £	Annual Increase £
2013/14	193.43	30,808.05	5,959,201	
2014/15	198.42	30,894.00	6,129,987	170,786
2015/16	202.39	30,980.20	6,270,083	140,095
2016/17	206.44	31,066.63	6,413,395	143,312
2017/18	210.56	31,153.31	6,559,641	146,246
2018/19	217.93	31,240.23	6,808,183	248,542

4.5 The Capital Programme

The revenue implications of capital spending are identified in the project appraisal process to ensure that the full cost of any proposals for capital investment can be included in both the revenue and capital budgets of the Council. The budget projections therefore include an assessment of the revenue costs of existing capital projects.

The level of resources used to finance the capital programme, either from capital receipts, reserves or grants, has a direct bearing on the revenue budget as it reduces the amount of money the Council has to invest, thereby reducing its investment interest. The assumption made here is that the effect of the capital programme on investment levels will be broadly neutral, effectively meaning that the Council will only spend the capital resources it receives in any one year.

4.5.1 Prudential Borrowing

Nearly all formal controls on borrowing by local authorities have been relaxed since the introduction of the Prudential Code in April 2004. Furthermore, in 2013/14 the City Council received a capital grant of approximately £0.66m towards its capital programme. This system of providing support via a capital grant is expected to continue in the period covered by the MTFP.

Given the level of other resources available to the Council, particularly the balance of unapplied capital receipts, to fund the present programme, it has been assumed that there could be a potential shortfall in resources that would lead to a borrowing requirement in funding the Council's capital expenditure in the next five years. Any prudential (or unsupported) borrowing should be supported by a robust business case but for the time being other sources of capital finance are considered to be more economic and therefore more 'prudent'.

4.6 Reserves

It is the responsibility of the Director of Resources to advise the Council on policies and protocols in respect of the use and level of reserves that it should hold. This information is required to ensure that members are kept fully informed of the effects of their decisions on the reserves held by the Council. A revised set of policy guidelines and associated protocols is attached at **Appendix E**. One new reserve was approved to be established as at 31 March 2013 for Welfare Reform.

Minimum levels of reserves were reviewed as part of the 2013/14 budget process and the risk assessment identified that minimum levels could be maintained at £2.6million

The Council balances are set out in **Appendix F**. In order to maintain the financial stability of the Council, the fundamental principle on the use of Reserves and Balances is that they should not normally be used to fund recurring expenditure. Where they are, however, the usage should be explicitly stated, and steps taken to address the situation in following years.

BUDGET PROCESS

5.1 Budget Process

The Revenue Budget Process is the main mechanism in place for forecasting spending requirements and resources over a 5-year planning period.

The budget is drawn together from:

- a base budget requirement, which determines the cost of providing existing services,
- bids for additional resources, which are required to meet identified spending pressures that meet Council priorities,
- forecasts of income from fees and charges, linked to the Corporate Charging Policy,
- forecasts of grant income,
- to arrive at a level of Council Tax to be charged to residents.

This well-established mechanism results in the approval of the annual budget in February.

Within the process, there are a series of key tasks that must be carried out, as follows: -

- (a) The base budget must be established, taking account of factors such as
 - inflationary increases in pay and operating costs,
 - shortfalls or reductions in budgeted income levels,
 - the level of external funding through grants or contributions from the government or other bodies.
- (b) Bids for additional resources must be submitted by November each year and be accompanied by a full financial appraisal setting out the business case for the additional resources requested. The financial appraisal is a key document as it will provide information on: -
 - the Council priorities requiring the resources,
 - the consequences of not providing the resources,
 - options considered to meet the pressure from within existing resources before arriving at the decision to bid for additional resources,
 - the full cost of the bid over at least a five-year period to reflect any potential growth or reduction in costs over the period,
 - any income that could be potentially generated to offset the cost of the bid,Members will decide which bids will be supported following the outcome of the financial appraisal.
- (c) The revenue effects of any capital investment proposals must be identified and incorporated into the revenue budget.
- (d) Savings and efficiency proposals, which again must be accompanied by a full financial appraisal, must be submitted by November each year. Members will decide on the proposals to be taken forward following the outcome of the financial appraisal.
- (e) Changes to Council priorities which require the redistribution of resources must be identified,

- (f) The level of support provided by the Government through the Revenue Support Grant needs to be incorporated into the MTFP.

The potential financial impact of the new budget discipline is not currently wholly reflected in the MTFP, as in some cases it represents the first stage in assessing the options available to the Council to bridge the likely budget deficit over the next five years.

5.2 Consultation

The Executive approves its draft budget proposals in December each year. There then follows a formal consultation period (usually 4 weeks) when any interested person can submit their views on the proposals to the Council. This can be done by post, telephone or on-line through the Council's web-site.

In addition, formal consultation meetings are held with:

- The Large Employers Affinity Group (to include any Non Domestic Ratepayers)
- Trades Unions

The Council's Resources Overview and Scrutiny Panel also have a role in scrutinising the budget proposals.

The Executive considers feed back from the consultation process, before making its final recommendations to Council in February each year.

The Council has a Consultation Policy and is a member of Community Voice, a Cumbria wide collaboration of District Councils, Cumbria County Council, the police and PCT that consults local people regularly on their views with the intention of improving services. The results of the consultations inform policy development and feed into the Carlisle Plan, MTFP and other individual service plans.

5.3 Value for Money

The Council is committed to a continuous programme of service improvement. The new budget discipline being developed will challenge how services are delivered across the Council to improve efficiency and deliver improved value for money. The Council has adopted a series of mechanisms to assess how it is performing in this area and these are being developed to include:

- Improved financial and service planning over both the short and long term,
- Involving and consulting customers about the way services are provided to see if they meet customer aspirations,
- Supply and demand analysis,
- Customer satisfaction surveys, focus groups and user groups,
- Performance management, benchmarking and the adoption of best practice in service delivery,
- Service reviews, including developing efficiency targets,
- Financial appraisal of projects taking account of quality, price and lifetime costs,
- Improved budgetary control mechanisms,
- Full risk assessments of proposals to change service provision,
- Attracting as much external investment as possible so the Council's resources go further,
- Member involvement through the Audit Committee and Overview and Scrutiny Panels,
- The adoption of shared services, where this is proven to benefit the Council both financially and in the quality of service delivery.

RISK ASSESSMENT

There are a number of inherent risks in the strategy as proposed and these are identified in **Appendix G**. It is the responsibility of the Director of Resources in conjunction with other Directors to ensure that these risks are properly managed and risk mitigation measures taken where necessary.

Individual responsibilities are set out in the Financial Procedure Rules.

SUMMARY

The purpose of the MTFP is to provide members with forecasts of the likely financial position of the Council over the next five years to enable informed decisions on actions needed to achieve financial stability within agreed Council policies.

The MTFP presents a snapshot of the current financial position and will inevitably change over time. This will be monitored and reported throughout the year. The ultimate aim of the MTFP is to help members to make more informed financial decisions and therefore contribute to an improvement in its use of resources.

APPENDIX A

Carlisle City Council – Current Financial Projections for the period to 2018/19

2013/14 Budget £000	Summary Net Budget Requirement	2014/15 Proj'd £000	2015/16 Proj'd £000	2016/17 Proj'd £000	2017/18 Proj'd £000	2018/19 Proj'd £000
Projected Resources						
(5,959)	Council Tax Income	(6,130)	(6,270)	(6,413)	(6,560)	(6,808)
(4,147)	Revenue Support Grant	(3,120)	(2,667)	(2,539)	(2,444)	(2,345)
(2,913)	Redistributed NNDR	(3,003)	(3,093)	(3,186)	(3,281)	(3,380)
(35)	Estimated Council Tax Surplus	(35)	(35)	(35)	(35)	(35)
(399)	Parish precepts	(410)	(422)	(434)	(446)	(458)
(13,453)		(12,698)	(12,487)	(12,607)	(12,766)	(13,026)
Recurring Revenue Expenditure						
12,107	Existing Expenditure	11,942	11,588	12,487	13,323	14,182
589	New Spending Pressures	545	923	1,015	1,123	1,123
(1,501)	Budget Reductions	(855)	(1,368)	(1,336)	(1,340)	(1,340)
11,195	Total Recurring Expenditure	11,632	11,143	12,166	13,106	13,965
Non Recurring Revenue Expenditure						
766	Existing Commitments	0	0	0	0	0
1,091	Spending Pressures	293	0	0	0	0
(297)	Budget Reductions	(133)	0	0	0	0
0	Use of Earmarked Reserves	0	0	0	0	0
677	Carry Forward	19	0	0	0	0
13,432	Current Revenue Expenditure	11,811	11,143	12,166	13,106	13,965
452	Parish Precepts	464	476	488	500	511
13,884	Total Revenue Expenditure	12,275	11,619	12,654	13,606	14,476
(431)	Contribution to/(from) Reserves	423	868	(47)	(840)	(1,451)
13,453	Net Budget for Council Tax Purposes	12,698	12,487	12,607	12,766	13,025

APPENDIX B

Current Financing the Revenue Budget

Indicative forecasts of how the Council's projected gross budget will be financed for the period 2013/14 to 2018/19 are as follows: -

Source	2013/14		2014/15		2015/16		2016/17		2017/18		2018/19	
	£000	%	£000	%	£000	%	£000	%	£000	%	£000	%
Council Tax (incl. Parishes)	6,358	10.61	6,540	10.95	6,692	11.05	6,847	10.85	7,006	10.68	7,265	10.68
Formula Grant	7,060	11.78	6,123	10.25	5,760	9.51	5,725	9.08	5,725	8.73	5,725	8.41
Collection Fund Surplus	35	0.06	35	0.06	35	0.06	35	0.06	35	0.05	35	0.05
Net Budget for Council Tax Purposes	13,453	22.44	12,698	21.25	12,487	20.62	12,607	19.99	12,766	19.47	13,025	19.14
Grants and Contributions (assumed a 2.8% increase per annum)	34,117	56.91	35,072	58.70	36,054	59.55	37,064	58.76	38,102	58.10	39,168	57.57
Other Income (assumed a 3.8% increase per annum)	11,948	19.93	12,402	20.76	12,873	21.26	13,362	21.18	13,870	21.15	14,397	21.16
Reserves and Balances	431	0.72	(423)	(0.71)	(868)	(1.43)	47	0.07	840	1.28	1,451	2.13
Total Gross Budget	59,949	100.00	59,749	100.00	60,547	100.00	63,080	100.00	65,578	100.00	68,042	100.00

The use of Reserves and Balances varies from the Budget Resolution approved by Council in February 2013 as a result of the 2012/13 outturn position and the carry forward of £677,000 into 2013/14, and £19,000 to 2014/15

APPENDIX C

Subjective Analysis of the Forecast Gross Budget

The detailed subjective figures from 2013/14 will become available as part of the budget process.

Source	2013/14		2014/15		2015/16		2016/17		2017/18		2018/19	
	£000	%	£000	%	£000	%	£000	%	£000	%	£000	%
Employees	18,145	30.27										
Premises	3,414	5.69										
Transport	1,367	2.28										
Supplies & Services	4,576	7.63										
Third Party Payments	3,924	6.55										
Transfer Payments	27,807	46.38										
Support Services (Net)	(2,772)	(4.62)										
Capital Financing	2,359	3.94										
Precepts	452	0.75										
Supplementary Estimates	0	0.00										
Carry Forward Requests	677	1.13										
Total Gross Budget	59,949	100	68,561	0	69,294	0	70,675	0	73,362	0	76,042	0

CORPORATE CHARGING POLICY 2013

This appendix sets out the corporate approach to the setting of fees and charges.

Each service is required to consider how and to what extent each of the following applies to the fees and charges it proposes to set:

1. Objectives of Charge - Set out the principal objective(s) of setting the charge:

- Recover cost of service provision
- Generate Surplus Income (where permitted)
- Maintain existing service provision
- Fund service improvements or introduction of new service(s);
- Manage demand for service(s)
- Promote access to services for low-income households;
- Promote equity or fairness;
- Achieve wider strategic policy objectives (eg encouraging green policies);

2. Other factors influencing decisions on whether and how much to charge:

- The Council's historic approach to charging
- The views of local politicians, service users and taxpayers
- Other councils' and service providers approach to charging
- Levels of central government funding and policy objectives
- The Council's overall financial position
- Changes in demand for services
- Policy on Concessions
- Availability of powers to charge for discretionary services (eg pre application planning advice)
- Central government policy objectives

3. Targeting Concessions - The following target groups should be considered:

- Persons over the age of 65
- Unemployed
- Young persons under the age of 18
- Students in full time higher education
- Community Groups
- Those in receipt of supplementary benefits, tax credits, attendance allowance, disability living allowance and other appropriate groups

4. Trading

The Council is empowered to sell goods or services to other public bodies or trade commercially through a company with non-public bodies. The objectives should be considered for relevant services (including Building Cleaning and Maintenance, Vehicle Maintenance, Grounds maintenance, Legal Services, Human Resources, IT, Payroll, Planning and Development Services) as follows to:

- Deliver services more strategically on an area-wide basis
- Achieving greater efficiency
- Capitalise on expertise within the council
- Utilise spare capacity
- Generate income
- Support service improvement

5 Value For Money

- Has charging been used as a tool for achieving strategic policy objectives?
- Has the optimum use of the power to charge been used?
- Has the impact of charging on user groups been monitored?
- Has charging secured improvements in value for money?
- Has charging been used as a tool to reduce increases in Council Tax?

Council Policy on the Level and Use of Reserves

1. General

- 1.1. Reserves generally will not be used to fund recurring items of expenditure, but where it does steps will be taken to address the situation.
- 1.2 Reserves will not become overcommitted.
- 1.3 The Council benefits from its level of reserves as it is able to: -
 - Meet its capital programme obligations, without recourse to borrowing,
 - Fund exceptional increases in its net budget requirement without affecting the Council Tax charged to its taxpayers,
 - Ensure that surplus resources are retained for the general benefit of the Council to protect against large increases in Council Tax.
 - Benefit from significant income received from the investment of its reserves to contribute to the budget requirement of the Council, which is a key part of the Council's Treasury Management Strategy.

2. The General Fund Reserve

- 2.1 The balance on the General Fund shall broadly equal £2.6m. This figure is assessed taking into account the risks and working balances required, including investment income generated, it is considered prudent to leave the reserve at this level. A risk based assessment of the appropriate level of this reserve was carried out for the 2013/14 budget process and this is attached overleaf.
- 2.2 If the balance in the short-term falls below £2.6million, the Council will top-up the balance to this level from the General Fund Income and Expenditure Account.
- 2.3 If the balance in the short-term exceeds £2.6million then the surplus will be transferred to the Council's Project Reserve.

3. Earmarked Reserves

- 3.1 Earmarked reserves will not be used for recurring items of expenditure, nor become over-committed.
- 3.2 For each earmarked reserve there will be a clear protocol in place setting out: -
 - The purpose of the reserve.
 - How and when the reserve can be used.
 - Procedures for the management and control of the reserve.
 - Processes for the review of the use of the reserve to ensure that it continues to have an adequate level of funds and remains relevant to the business of the Council.

4 Provisions

The Council holds a number of provision balances for items where future commitments are likely and use of these are delegated to the relevant Director in consultation with the Director of Resources.

5 Charitable and Other Bequests

The Council holds a number of bequests for use by the Council. These funds can only be released with the full approval of the Council under the terms set out when the bequest was given. In the first instance it will be the responsibility of the Executive to consider a report outlining proposals for the use of the bequest prior to submission of the request to Council.

6 The Responsibilities of the Director of Resources

- 5.1 The Director of Resources will review each reserve and its protocol annually and produce a report for the Executive as part of the annual accounts process detailing: -
- Compliance with the use of reserves and associated protocols,
 - Movements in the level of reserves, including the purposes for which reserves were used during the previous financial year,
 - The adequacy of the level of reserves and the effects on the Council's budget requirement,
 - Any reserves which are no longer required,
 - Proposals to set up new reserves, including purposes, protocols, funding sources and potential impact on the Council's Medium-Term Financial Plan.
- 5.2 The Director of Resources will review this policy at least annually and will obtain the approval of the Council for any change required to either the policy or protocols associated with specific reserves.

RISK ASSESSMENT OF LEVEL OF RESERVES - 2014/15

Potential Risk	Risk Score	Weighting	Financial Exposure (£000)	Balance Required (£000)	Comment (Basis of Financial Exposure)
Base Budget Contingency for inflation or other unanticipated rise.	4	50%	118	59	Assumed at 1% of Net Revenue Budget
Underachievement of Charges Income targets and spending exceeds budgets	4	50%	214	107	Estimate of 5% Charges Income forecasts for 2013/14
Underachievement of Investment Income	4	50%	250	125	1% of exposure of average balance of £25m
Civil Emergencies	6	75%	170	128	Bellwin scheme cuts in at 0.2% of Net Budget (£28,800) and provides for up to 85% of eligible costs (assume £1m cost - not covered by insurance)
Insurance Excesses	2	25%	25	6	Based on 5% of insurance premia payments
Fall in Rental Income from Property	6	75%	225	169	5% of Rental Income (assumed at £4.5m for 2013/14)
Transformation not met	1	25%	1,354	339	
Changes to existing government funding regimes	6	75%	218	164	Safety Net Threshold for Business Rates Retention Scheme
Additional Redundancy Costs	4	50%	200	100	Not met from Transformation Reserve
Dependence on reserves and general balances	3	50%	718	359	General Fund Reserve Balance - Audit Commission Guidance states prudent level is 5% of Net Revenue Expenditure
Emergency Contingency		100%	1,000	1,000	Emergency contingency fund - Council practice to allocate £1m for any unforeseen emergencies
TOTALS			4,492	2,555	
Maximum Risk Based Reserve Balances					4,492
Minimum Risk Based Reserve Balances					1,123
Current Level of Reserves (Projected as at 31/03/13) (General Fund)				2,542	
Projected Shortfall/(Excess) of Current Reserve Balance over Risk Based				-13	

PROTOCOLS FOR THE USE OF COUNCIL RESERVES

Reserve	Estimated Balance 31/3/13	Purpose	Conditions of Use
Capital Reserves	£000		
Usable Capital Receipts	6,679	To provide funds to support the capital programme	Capital receipts can only be used to support capital spending or the repayment of debt. Management of the use of the receipts rests with the Director of Resources but approval of their use must be given by Council.
Asset Disposal Reserve	785	To provide resources to purchase properties and fund associated revenue costs (e.g. marketing) required as part of the Carlisle Renaissance project. To provide resources for investment in the Council's industrial estates to ensure rent yields are maintained / increased	Management of the reserve rests with the Director of Resources who will be responsible for developing proposals requiring funding from the reserve. Approval to release funds from the reserve can only be given by the Council.
CLL Reserve	522	To provide funds to purchase equipment from CLL Ltd, should the leisure management contract either not be renewed or be terminated due to breach of contract on the part of CLL Ltd.	Management of the reserve rests with the Director of Community Engagement but can only be used with the agreement of the Council. Use of the reserve should be accompanied by a report to Council providing details of the circumstances giving rise to the need for support to be provided by the Reserve.
Lanes Capital Reserve	354	To provide funds to meet potential exceptional capital works under the terms of the lease agreement.	Management of the reserve rests with the Director of Resources who will be responsible for developing proposals requiring funding from the reserve. Approval to release funds from the reserve can only be given by the Council.

Reserve	Estimated Balance 31/3/13	Purpose	Conditions of Use
Revenue Reserves	£000		
General Fund Reserve	2,542	To be a general working capital / contingency to cushion the Council against unexpected events and emergencies	<p>Management of the reserve rests with the Director of Resources. The use of the reserve is dependent on judgements taken when setting the Council's revenue budget on: -</p> <ul style="list-style-type: none"> – Cash flow requirements, – Inflation and interest rates, – Demand led budget pressures, – Efficiency and productivity savings, – The availability of funds to deal with major unexpected events or emergencies, – Risks arising from significant new funding partnerships, major outsourcing arrangements or major capital developments. <p>Approval to release funds from the reserve can only be given by the Council as part of the budget process, or through consideration of supplementary estimates on an ad-hoc basis.</p>
Projects Reserve	0	The balance at 31 st March 2012 shall be earmarked to support potential revenue budget shortfalls identified by the 2012/13 Medium Term Financial Plan. Additions to the balances thereafter can be used either to support revenue budget shortfalls or projects within the Council's capital programme	<p>Management of the reserve rests with the Director of Resources. Funding for the Reserve will be provided by windfall gains over and above those required to maintain the General Fund at its approved level, balances on reserves that are no longer needed and proceeds from the Local Authority Business Growth Incentive Scheme.</p> <p>Approval to release funds from the reserve can only be given by the Council either as part of the budget process, or through consideration of supplementary estimates on an ad-hoc basis.</p>
Collection Fund (Carlisle Share)	65	To be the collection account for sums due from local taxpayers.	<p>Management of the fund rests with the Director of Resources. The use of the Fund is determined by statute. The main use is to adjust the level of Council Tax required in any one year to reflect surpluses or deficits on collection targets in prior periods.</p>

Reserve	Estimated Balance 31/3/13	Purpose	Conditions of Use
Revenue Reserves (contd.)	£'000		
Residents Parking Reserve	0	To provide funds for small projects consistent with the Local Transport Plan.	Management of the reserve rests with the Director of Local Environment but can only be used with the agreement of Cumbria County Council. Use of the reserve should be accompanied by a report to Council providing details of the projects supported by the Reserve. Funding is provided from the balance generated by the Residents Parking Initiative and must be reported to Cumbria County Council annually.
Building Control Reserve	(17)	To provide funds for improvements to the delivery of the Building Control function.	Management of the reserve rests with the Director of Economic Development The balance is ring-fenced by statute to support improvements to the Building Control Service and is not available for general use by the Council. Funding is provided from surpluses generated by the service annually. Approval to release funds from the reserve can only be given by the Council either as part of the budget process, or through consideration of supplementary estimates on an ad-hoc basis.
Conservation Reserve	116	To purchase historic buildings at risk or fund repairs and / or improvements to historic buildings	Management of the reserve rests with the Director of Economic Development. Funding is provided from the sale of property. Approval to release funds from the reserve can only be given by the Executive of the Council.
LSVT Warranties	488	To provide funds to meet claims arising in years 13 –25 following transfer of the housing stock in 2002 under environmental warranties given at the time of the transfer, when insurance has expired	Management of the reserve rests with the Director of Resources. The reserve is only able to be used to meet defined costs and is not available for general use by the Council. Approval to release funds from the reserve can only be given by the Council.
Licensing Reserve	14	This is a ringfenced surplus carried forward to fund future year's expenditure.	Management of the reserve rests with the Director of Resources. Approval to release funds from the reserve can only be given by the Executive of the Council.
Transformation Reserve	495	To fund any one off costs associated with transformation project	Management of the reserve rests with the Chief Executive. Approval to release funds from the reserve can only be given by the Executive of the Council.
EEAC Reserve	56	To hold the residual funds of the service	Management of the reserve rests with the Director of

Reserve	Estimated Balance 31/3/13	Purpose	Conditions of Use
		pending future decisions with regard to the service	Community Engagement. Approval to release funds from the reserve can only be given by the Executive of the Council.
Cremator Reserve	143	To build up resources to replace cremators when required	Management of the reserve rests with the Director of Local Environment. Approval to release funds from the reserve can only be given by the Executive of the Council.
Welfare Reform Reserve	200	To meet one off costs associated with the Welfare Reform bill and introduction of Universal Credit	Management of the reserve rests with the Director of Community Engagement. Approval to release funds from the reserve can only be given by the Executive of the Council.

APPENDIX F

City Council Reserves Projections

Members should note that these financial projections now reflect the 2012/13 outturn position.

Analysis of Council Reserves	Outturn 31 March 2013 £000	Projected 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
Revenue Reserves							
General Fund Reserve	(2,542)	(2,111)	(2,534)	(2,600)	(2,600)	(2,515)	(1,064)
Projects Reserve	0	0	0	(802)	(755)	0	0
LSVT Warranties Reserve	(488)	(488)	(488)	(488)	(488)	(488)	(488)
Conservation Reserve	(116)	(116)	(116)	(116)	(116)	(116)	(116)
Sheepmount Reserve	0						
Collection Fund (Carlisle Share c	(65)						
Residents Parking Reserve	0						
Transformation Reserve	(495)						
EEAC Reserve	(56)	(16)					
Building Control Reserve	17						
JE Reserve	0						
Cremator Reserve	(143)						
Welfare Reform Reserve	(200)						
Licensing Reserve	(14)						
Total Revenue Reserves	(4,102)	(2,731)	(3,138)	(4,006)	(3,959)	(3,119)	(1,668)
Capital Reserves							
Usable Capital Receipts	(6,679)	(3,339)	(2,541)	(162)	(162)	(162)	(162)
Set Aside Capital receipts	0	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)
Unapplied capital grant	0	0	0	0	0	0	0
Asset Disposal Reserve	(785)	(360)	(360)	(360)	(360)	(360)	(360)
CLL Reserve	(522)	(522)	(522)	(522)	(522)	(522)	(522)
Lanes Capital Reserve	(354)	(369)	(384)	(399)	(414)	(429)	(444)
Total Capital Reserves	(8,340)	(19,590)	(18,807)	(16,443)	(16,458)	(16,473)	(16,488)
Total Usable Reserves	(12,442)	(22,321)	(21,945)	(20,449)	(20,417)	(19,592)	(18,156)
Other Technical Reserves*	(103,381)						
Total All Reserves	(115,823)						

* Other Reserves are of a technical nature and are not cash backed. They are not therefore available either to fund expenditure or to meet future commitments.

RISK ASSESSMENT

Risk	Likelihood	Impact	Mitigation
The assumptions contributing to the Financial Plan prove to be incorrect.	Remote	Marginal	Review budget forecasts regularly and continually adjust for known and likely variations that impact on the forecast.
Spending exceeds budget or assumed income levels not achieved	Reasonably probable	High	Regular budgetary monitoring reports. Updates to medium term financial strategy.
Unforeseen spending	Remote	Marginal	Budget Monitoring. Adequate contingency reserve. Updates to medium term financial strategy.
New Schemes / Initiatives (including VAT)	Reasonably Probable	Marginal	Review priorities. Assess effects on budget. Updates to medium term financial strategy.
Dependence on reserves and general balances	Reasonably Probable	High	Compliance with CIPFA / Audit Commission recommendations on level of balances and reserves.
Transformation Savings not achieved	Remote	High	Review budget forecasts regularly and continually adjust for known and likely variations that impact on the forecast.
Changes to existing Government funding regimes e.g. RSG, Housing Benefits	Probable	High	Review service priorities, assess other funding opportunities, update medium term financial strategy.

Report to Executive

Agenda
Item:

A.3

Meeting Date: 5 August 2013
Portfolio: Finance, Governance and Resources
Key Decision: Yes: Recorded in the Notice Ref:KD10/13
Within Policy and Budget Framework YES
Public / Private Public

Title: DRAFT CAPITAL STRATEGY 2014/15 TO 2018/19
Report of: DIRECTOR OF RESOURCES
Report Number: RD33/13

Purpose / Summary:

The Council's draft Capital Strategy is intended to direct the Council's Capital Programme and the allocation of resources for the five-year period 2014/15 to 2018/19. The guidance in this strategy complements and supplements the Medium Term Financial Plan.

Following consideration by the Executive, the Resources Overview and Scrutiny Panel will consider the draft on 29 August, with final recommendations to Council on 10 September 2013.

Recommendations:

The Executive is asked to:

- (i) Comment on the draft Capital Strategy for consideration by the Resources Overview and Scrutiny Panel on the 29 August 2013.

Tracking

Executive:	5 August 2013
Overview and Scrutiny:	29 August 2013
Executive	2 September 2013
Council:	10 September 2013

1. BACKGROUND

- 1.1 The Capital Strategy is a key policy document, providing guidance on the Council's Capital Programme and the use of capital resources. The Strategy supplements guidance contained in the Medium Term Financial Plan (MTFP).
- 1.2 The Capital Strategy is reviewed annually alongside the MTFP, starting with the assumptions made in the Budget Resolution approved by Council on 5 February 2013. This position has been updated to reflect any known changes since that date.

2. CONSULTATION

- 2.1 The draft Capital Strategy has been considered by the Senior Management Team and the Joint Management Team.
- 2.2 The Resources Overview and Scrutiny Panel will consider the report on 29 August and recommendations made to full Council on 10 September.

3. CONCLUSION AND REASONS FOR RECOMMENDATIONS

- 3.1 The Executive is asked to:
Comment on the draft Capital Strategy for consideration by the Resources Overview and Scrutiny Panel on the 29 August 2013.

5. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

- 5.1 The Capital Strategy contains the current capital programme and how this aims to enhance the Carlisle area through the development of new infrastructure to both improve service delivery and provide additional facilities in the area.

Contact Officer: Steven Tickner

Ext: 7280

**Appendices
attached to report:**

Appendix 1 – Capital Strategy 2013/14 to 2018/19

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 -

Community Engagement –

Economic Development –

Governance – The Council has a fiduciary duty to manage its resources correctly. The Capital Strategy is an important part of the budgetary process and seeks to ensure a planned and coordinated approach to the delivery of projects within the parameters of our financial resources.

Local Environment –

Resources – Contained within the Capital Strategy



CARLISLE CITY COUNCIL

DRAFT CAPITAL STRATEGY 2014/15 TO 2018/19

July 2013

CARLISLE CITY COUNCIL

CAPITAL STRATEGY 2014/15 to 2018/19

1. Policy and Context

The Capital Strategy is a key policy document for the Council and provides guidance on the Capital Programme and the use of capital resources. The strategy reflects the links to other Council plans and is based on the guidance in the Medium Term Financial Plan (MTFP).

The objectives of the Capital Strategy are to: -

- Ensure that capital investment decisions and capital resources contribute to the achievement of the Council's corporate priorities.
- Co-ordinate the strategic priorities emerging from service planning and ensure that investment opportunities are maximised.
- Manage performance and decision-making processes to help achieve the best use of available capital resources.
- Set out processes to monitor and evaluate proposed and actual capital spending on projects to ensure that value for money is obtained.

Capital spending is strictly defined and is principally incurred in buying, constructing or improving physical assets such as buildings, land and vehicles, plant and machinery. It also includes grants and advances to be used for capital purposes.

2. Overall Strategy Guidelines

The strategy has been developed using the following overarching guidelines: -

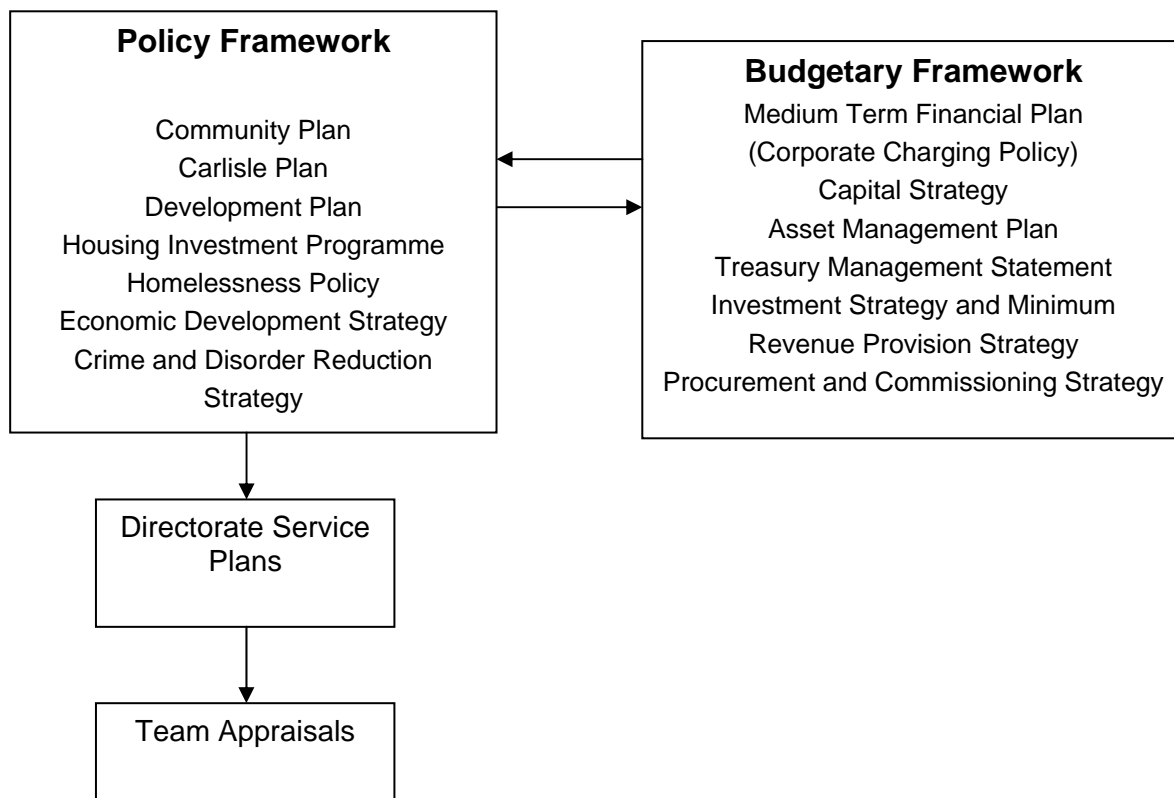
- Capital resources are held corporately and are allocated according to the priorities set out in the Carlisle Plan (i.e. there is no automatic ring-fencing of resources for specific purposes with the exception of the repayment of Renovation grants).
- Capital receipts, including Preserved Right to Buy (PRTB) receipts, will be allocated in accordance with Council priorities and in particular to support sustainable communities and the Housing Strategy.
- Specific repayments of Renovation Grants will be reinvested in the programme and be used to support Private Sector Renewal Grants.
- Income generated from the sale of vehicles, plant and equipment will be reinvested in the programme and be used initially to fund future replacements.
- The Council will seek to maximise the use of grants and external funding.
- The Council is committed to deliver capital investment with partners to maximise benefits where this fits with Council priorities.
- Redirection of capital resources from one project to another will be contained within existing budgets, unless increases can be justified through the budget process.
- Capital budgets are generally cash-limited i.e. no provision is made for inflation which effectively means that over time there is a real reduction in the value of resources allocated to specific capital projects.
- Council Tax increases will be limited to fair and reasonable levels. This requires a full assessment of the revenue consequences of capital projects and their respective methods of finance.

3. The Council's approach to corporate planning

The council has a corporate plan (Carlisle Plan) that is reviewed annually to take account of emerging issues. The plan is developed through consultation with stakeholders; it presents the key actions for the Council and likely outcomes for communities.

The Carlisle Plan forms part of the Policy and Budgetary Framework for the Council. These frameworks work together to create the strategic framework.

The following diagram illustrates the relationships between the Policy and Budgetary Frameworks.



Community Plan

The community plan is 'owned' by the Carlisle Partnership (our Local Strategic Partnership). It reflects and develops the aspirations of the communities of Carlisle and provides a strategic context for the partnership activities of all members of the LSP. For the City Council it is particularly important that the Corporate Plan enables delivery of the Community Plan; there must be congruence between the strategic objectives of both plans.

The communities of Carlisle are consulted and involved in the development of the Community Plan. This Community Plan helps to inform the strategic thinking of partner organisations.

The LSP's Community and Council's Corporate Planning process informs and supports the strategy of the Cumbria Strategic Partnership.

Directorate Service Plans

The primary purpose of a Service Plan is to provide a link between the resources used to deliver services and the delivery of agreed outputs. Service Plans are inextricably linked to each Directorate's budget.

Service Plans develop the key actions of the Carlisle Plan into detailed activities for Directorates and provide a framework for their financial, performance and risk management.

Other Council Strategies, Plans and Policies

The MTFP takes account of other Council Plans and Strategies of the Council, which have a potential impact on the use of resources by the Council. Particularly consideration is given to the following key strategies: -

- The Capital Strategy, which provides information on the proposed level of investment in capital projects and the consequent impact on the revenue budget.
- The Treasury Management Strategy Statement, Investment Strategy and Minimum Revenue Provision Strategy, which sets out the assumptions for financing requirements and interest rates and their effect on the revenue budget.
- The Asset Management Plan, which provides forecasts of necessary investment in the Council's land and property portfolio.
- The Procurement and Commissioning Strategy
- Local Plan/Local Development Framework.
- The Organisational Development Plan, which highlights the need for a thorough review of the Council's staffing needs and skill levels to ensure that the Council improves its performance to deliver excellent services to the local community in the future.
- There are also a number of strategies, (some of which are currently under development) which set out policy direction for key Council priority areas, and these include the Economic Strategy, and Housing Strategy.

4. Capital Programme Forecasts

4.1 Current Forecasts

The Council has previously considered detailed proposals for capital spending and associated financing implications for the period 2013/14 to 2017/18. These are summarised in the Council Budget Resolution approved on 5 February 2013.

This report updates the projections to cover a further year. This aims to provide more effective planning in the longer term. The aim may be to increase this period to 10 years.

The key assumptions in the projections are as follows:

- The Capital Programme considered by Council in February assumed a programme of £9.280m for 2013/14 and £4.641m for 2014/15. The impact of the 2012/13 outturn and the carrying forward of budgets into 2013/14 and other adjustments has reduced the programme to £4.655m in 2013/14.

The current full 5 year programme (before being reviewed) is attached at **Appendix A** with a summary below at **Table 1**. Work is continuing to allocate resources to the new Council priorities.

Table 1 – Current Proposed Programme

	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000
Current Proposed Programme	4,655	4,457	8,564	1,363	1,163	1,163

The proposed capital programme includes the revised scheme which is being developed for the Arts Centre which requires approval by Council to increase the capital programme by £478,500 and reprofile the expenditure to £50,000 in 2013/14 and £1,014,500 in 2014/15.

4.2 Future Forecasts

The current capital programme forecasts spending on capital projects of around £1-£2m p.a. for years 2016/17 to 2018/19. Past experience has indicated that actual spending will be far higher and this is due mainly to the fact that a number of initiatives are still at an early stage of development and so are not yet included in the projections.

- (i) Asset Review Programme – The capital programme currently does not include any capital purchases from the receipts generated by asset sales as it is difficult to predict when asset purchases will be made and are dependent upon market conditions. It is planned that £12.076million is available for reinvestment in asset purchases over the next 3 years that will generate a revenue return for the Council.
- (ii) Vehicle Replacement Programme - The current capital programme includes a minimal budget for vehicle replacements (recurring £200,000 per annum). The refuse fleet and other street cleansing vehicles are due for replacement from 2015 and options need to be considered as to how these will be funded and whether existing vehicles can be replaced later. Given current capital resources it will be unlikely they will be able to be bought from existing capital receipts, so other options such as borrowing and leasing will have to be considered should the vehicles still need replacing.
- (iii) Disabled Facilities Grants – There is a significant pressure on the capital programme from the demand for Disabled Facilities Grants into the future. Government support allocates the Council £663,000 in 2013/14 and an additional contribution from the Council of £200,000 was agreed as part of the 2013/14 budget process.

The position on the above schemes will need to be updated during the budget process when an indication of capital schemes coming to fruition and their timing can be made more accurately. The inclusion of any of these projects in the capital programme will be subject to the appraisal of a full business case, which will include an assessment of fit with corporate priorities, prior to formal approval for inclusion in the programme by Council.

5. **Capital Resource Forecasts**

The Council's capital programme can be financed, (or paid for), through a number of sources and the Director of Resources will make recommendations on the most effective way of financing the Capital Programme to optimise the overall use of resources. The availability of staff resources to deliver the approved programme will need to be considered during the budget process. **Table 2** shows the estimated level of capital resources, which will be generated over the next five years.

Table 2 – Estimated Capital Resources (Based on current programme)

Resources Available	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000
Capital Grants	(1,414)	(663)	(663)	(663)	(663)	(663)
Capital Receipts (General & Preserved Right to Buy)	(810)	(410)	(410)	(410)	(410)	(260)
Capital Receipts (Asset Business Plan)	(21,218)	(3,255)	(1,340)	0	0	0
Total Capital Resources	(23,442)	(4,328)	(2,413)	(1,073)	(1,073)	(923)
Borrowing Requirement (Revised)	(98)	(317)	(6,939)	(273)	(73)	(237)
Direct Revenue Financing	(165)	(52)	(52)	(17)	(17)	(3)
Total	(23,705)	(4,697)	(9,404)	(1,363)	(1,163)	(1,163)

* see note at paragraph (ii)

The current assumptions included in this strategy for each of the available financing sources are as follows:

(i) Borrowing

Rules on borrowing have been relaxed since the introduction of the Prudential Code in April 2004. As a consequence, any new borrowing taken out is now known as unsupported borrowing. This effectively means that the Council can borrow as much as it wishes to pay for its capital programme, providing that repayments are affordable and can be met from the Council's revenue budget.

(ii) Capital Receipts

Capital Receipts arise principally from the sale of Council capital assets. In the past the bulk of the receipts were received from a Preserved Right to Buy (PRTB) sharing agreement with Riverside Group, following the transfer of the housing stock in December 2002. Capital receipts are forecast to remain fairly constant at £0.40million p.a. for the period under review. However, for 2013/14 there are specific additional items that increase this figure to £0.81million. These figures comprise: -

- £150,000 to be received from PRTB sales under the sharing agreement with Riverside in 2013/14. Updated projections will be requested from Riverside Group which will be included in the final version of the report once received but early indications show that there will be a significant reduction in the level of receipts generated from PRTB sales which has not yet been taken into account. For information £266,000 was received in 2012/13).
- £10,000 p.a. from receipts arising from the Raffles development, which it is forecast will continue to be generated for the next 11 years.
- An assumption that the Council will generate £250,000 p.a. over the life of the plan from the sale of other Council surplus assets (to be refined during the budget process).
- £400,000 from the sale of London Road Hostel once the new Womens and Families Hostel is completed (although this is likely to now be around £250,000)

Capital receipts, including PRTB receipts, will be allocated in accordance with Council priorities and in particular to support sustainable communities and the Housing Strategy. 'Sustainable communities' has a wide-ranging definition, which is included at **Appendix B** for

information. There has previously been an expectation from the Government that the PRTB receipts will be used to benefit the delivery of the sustainable community.

The Asset Business Plan assumes that a further £26.8million of capital receipts will be generated from 2013/14. This has now been reduced down to £25.8million on the expectation of lower values being received for some assets. The £1million reduction will require the capital programme/asset management business case purchases to be reviewed from 1 April 2014. The expectation is that £15million will be set aside to enable the future repayment of debt and the balance being available for reinvestment into new assets that will generate a revenue return.

The Council also receives a small amount from repayments of improvement grants arising as a result of property sales. The Council has approved a change in policy whereby receipts of this nature are now to be used specifically to support Housing Private Sector Renewal initiatives. However given the scale of the potential receipts, for the purpose of this report, they are not separately identified and are included within general capital receipts. As a result of revised Capital Financing Regulations, the Council prepares an annual Minimum Revenue Provision (MRP) Strategy, which was approved by Council in February 2013. During 2008/09, the Council took advantage of an accounting amendment, which generated substantial short-term savings to the authority's revenue budget. This involves the voluntary set aside of unapplied capital receipts. As these capital receipts are spent there will be an adverse impact on the revenue account both in terms of the amount of investment interest received and the level of MRP charged in the year. The Council continues to use this strategy of setting aside any surplus receipts each year in order to minimise its MRP requirement. The cash from these receipts is still available to support capital expenditure.

(iii) Reserves and Balances

The Council currently maintains a reserve to support capital spending - the Asset Investment Reserve. Further information on all of the Council reserves is set out in more detail in the Council's Policy on the Use of Reserves contained within the MTFP.

- **Asset Investment Reserve**

The Asset Investment Reserve currently stands at £0.4m, the use of which is subject to Council approval. Part of the Reserve has been set aside to purchase strategic properties and is included in the Asset Review Business Plan. The reserve also includes £1m built up from contributions from the Industrial Estates capital programme. The capital programme agreed by Council in February 2013 agreed the use of part of this £1m to fund improvements to Industrial Estates.

(iv) Government and Other Capital Grants and External Funding

The Government announced changes to capital grants and capital funding, for example removing ring fencing from certain grants etc. Although these announcements have yet to impact on the Council's funding (?), further developments and announcements may impact on the amount of capital grants and funding available to the Council.

The Council currently receives capital grants to support its Disabled Facilities Grants (DFG) programme. From 2013/14, the level of grant provided to the Council is £663,000 and the requirement for the Council to fund 40% of the cost has been withdrawn.

(v) Revenue Contributions

The Council is free to make contributions from revenue to finance capital spending. In practice however, and given the severe restrictions on the level of revenue spending needed

to keep Council Tax at acceptable levels, it is not anticipated that any revenue contributions will be made over the period 2013/14 – 2018/19 to provide resources for capital spending. Where there have been specific 'invest-to-save' projects that have utilised capital resources, these are being 'repaid' to capital through the revenue savings that have been generated. Due to the pressure on the Council's Revenue budget and reserve projections, the opportunity will be taken wherever possible to maximise the use of capital resources rather than revenue resources. This is because capital resources can only be used to finance capital schemes, whereas revenue reserves and balances can be used to support both revenue and capital schemes and therefore gives more flexibility.

6. Summary Capital Spending and Financing

As set out in the Table below, there is currently approximately £7.4m uncommitted estimated capital resources available to support any future capital programme as at the end of 2018/19.

Table 3 – Summary Programme

Summary Programme	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000
Estimates Resources 31 March 2013	(7,468)	0	0	0	0	0
In Year Impact:						
Estimated Resources available (Table 2)	(23,705)	(4,697)	(9,404)	(1,363)	(1,163)	(1,163)
Current Proposed Programme (Table 1)	4,655	4,457	8,564	1,363	1,163	1,163
In year projected (surplus)/Deficit in Resources	(19,050)	(240)	(840)	0	0	0
Total	(26,518)	(26,758)	(27,598)	(27,598)	(27,598)	(27,598)
Proposed Asset Review Purchases	7,819	1,038	3,219	0	0	0
Capital Receipts Set aside	15,000	15,000	15,000	15,000	15,000	15,000
Net Year end position	(3,699)	(2,901)	(522)	(522)	(522)	(522)

7. Council Budget Process

- 7.1 The Council operates on a five-year budget cycle, which starts in July with consideration of the MTFP including this Capital Strategy. As the year progresses, services submit capital and revenue bids for service development or to address pressures identified in their respective service plans in accordance with Council priorities. Capital bids have a role to play in developing the Council's revenue budget as in very many cases, a capital project will result in the Council having to budget for ongoing revenue costs in future years.
- 7.2 The Council has set up a formal appraisal system to assess individual capital projects before they are included in the capital programme, and therefore before committing revenue resources. The Corporate Programme Board (CPB) undertakes this to determine: -
- Whether the project meets corporate and service priorities,
 - Whether all costs are reasonable and affordable,
 - Whether all options to deliver the project have been considered.
 - Impact on Revenue budget.
 - Any VAT issues

Capital bids are only put forward to members as recommended schemes when this appraisal process is completed satisfactorily.

8. Evaluation and Monitoring of Capital Projects

8.1 The evaluation and monitoring of capital projects is important to enable the Council to determine: -

- If projects have met their individual objectives for service provision,
- If projects have been delivered on time and to budget, or whether lessons need to be learned to improve processes in the future,
- If projects have contributed to the overall aims and objectives of the Council.

8.2 To assist with these processes, the Council has a series of procedures in place as a capital project develops. These consist of: -

- Consideration of all aspects of a capital project by the Corporate Programme Board, comprising senior officers of the Council, whose purpose is to lead on the prioritisation of capital investment through the consideration of business cases and the ongoing monitoring and evaluation of individual capital projects. All proposals for investment will be submitted to members for consideration as part of the normal budget process.
- The development of a risk-assessed project plan for every project, which is subject to regular monitoring against key milestones by a nominated project officer.
- Changes to capital budgets, scheme costs, the inclusion or removal of individual schemes and information on remedial action needed to bring projects back on track are reported to Council as required.
- The Senior Management Team and the Executive receive quarterly monitoring reports on the Capital Programme to review progress on the delivery of projects. This process also includes the evaluation of completed capital projects to assess if their individual aims and objectives have been met, and makes recommendations where necessary to improve the delivery of similar projects in the future.
- The Council's Resources Overview and Scrutiny Panel also critically examines the performance in delivering capital projects on a quarterly basis.

9. Risk Assessment

Although the Council has adequate resources to pay for its existing capital programme in the foreseeable future, the past performance of the capital programme flags up some key risks that need to be addressed to ensure best use is made of the Council's capital resources. The risk assessment for the capital programme is attached at **Appendix C**.

10. Summary

This strategy is designed to outline the processes and risks the Council needs to consider when developing a capital programme that meets corporate and service objectives. It also provides information on the likely level of capital investment that the Council will be able to support over the next five years and gives an indication of the level of resources that will be required, and that are available, to deliver this investment through the capital programme.

Current Capital Programme

Capital Schemes	2013/14 £000	Projected 2014/15 £000	Projected 2015/16 £000	Projected 2016/17 £000	Projected 2017/18 £000	Projected 2018/19 £000
Disabled Facilities Grants	863	863	863	863	663	663
Planned Enhancements to Council Property	300	300	300	300	300	300
Vehicles & Plant	570	279	1,901	200	200	200
ICT Shared Service	225	0	0	0	0	0
Asset Business Plan	0	0	0	0	0	0
Public Realm S. 106 works	370	0	0	0	0	0
Clean Up Carlisle	20	0	0	0	0	0
Arts Centre	50	1,015	0	0	0	0
Public Realm Work	100	0	0	0	0	0
Harraby School Community Campus Contr	600	500	500	0	0	0
Old Town Hall / Greenmarket	0	1,500	0	0	0	0
Leisure Facilities	0	0	5,000	0	0	0
Paternoster Row	100	0	0	0	0	0
Customer Contact Centre	25	0	0	0	0	0
Employee Payment System	70	0	0	0	0	0
Castle Way Cycle Ramp	347	0	0	0	0	0
Document Image Processing	14	0	0	0	0	0
PCIDSS	31	0	0	0	0	0
Families Accommodation	609	0	0	0	0	0
Old Town Hall	298	0	0	0	0	0
Kingstown Industrial Estate	33	0	0	0	0	0
Connect 2 Cycleway	12	0	0	0	0	0
Trinity MUGA	2	0	0	0	0	0
Play Area Improvements	6	0	0	0	0	0
Castle Street Public Realm	10	0	0	0	0	0
Total Capital Programme	4,655	4,457	8,564	1,363	1,163	1,163
Proposed Asset Review Purchases	7,819	1,038	3,219	0	0	0
Total Potential Capital Programme	12,474	5,495	11,783	1,363	1,163	1,163

Sustainable Communities

In February 2003 the ODPM produced a document called 'Sustainable Communities: building for the future' which provided a summary of the key requirements of a sustainable community as shown below.

1. A flourishing local economy to provide jobs and wealth;
2. Strong leadership to respond positively to change;
3. Effective engagement and participation by local people, groups and businesses, especially in the planning, design and long-term stewardship of their community, and an active voluntary and community sector;
4. A safe and healthy local environment with well-designed public and green space;
5. Sufficient size, scale and density, and the right layout to support basic amenities in the neighbourhood and minimise use of resources (including land);
6. Good public transport and the transport infrastructure both within the community and linking it to urban, rural and regional centres;
7. Buildings – both individually and collectively – that can meet different needs over time, and that minimise the use of resources;
8. A well-integrated mix of decent homes of different types and tenures to support a range of household sizes, ages and incomes;
9. Good quality local public services, including education and training opportunities, health care and community facilities, especially for leisure;
10. A diverse, vibrant and creative local culture, encouraging pride in the community and cohesion within it;
11. A 'sense of place';
12. The right links with the wider regional, national and international community.

Capital Programme – Risk Assessment

Risk	Likelihood	Impact	Mitigation
Capital projects are approved without a full appraisal of the project and associated business case.	Reasonably Probable	Marginal	Strengthen the role of Corporate Programme Board when considering capital project appraisals, to include consideration of business cases
Full capital and revenue costs of a project not identified.	Reasonably Probable	Marginal	Capital spending must meet statutory definitions. Financial Services to regularly review spending charged to capital. Appraisals to identify revenue costs, including whole life costs to improve financial planning. This may need to be reviewed if major schemes progress, e.g. Sands
VAT partial exemption rules are not considered.	Reasonably Probable	Marginal	Reduced impact following the decision to elect to tax land and property. To be considered as part of Project Appraisals and assessed by Financial Services.
Capital projects are not delivered to time	Reasonably Probable	High	Significant slippage in the current capital programme. Better project management skills to be introduced through PRINCE 2. Project managers to take more ownership and responsibility for the delivery of projects. The review of the capital programme currently underway will address some of these issues.
Capital projects are not delivered to budget. Major variations in spending impact on the resources of the Council.	Reasonably Probable	Marginal	Improved capital programme monitoring through PRINCE 2 and monthly financial monitoring. Corrective action to be put in place where necessary.
Assumptions on external funding for capital projects are unrealistic	Probable	High	Potential shortfalls arising from changes to external funding have to be met from other Council resources, so assumptions need to be backed by firm offers of funding before projects are submitted for appraisal. Risk increased due to uncertainty around funding, e.g. NWDA grants
Spending subject to specific grant approvals e.g. housing improvement grants, disabled persons adaptations varies from budget	Remote	Marginal	Specific grants are generally cash limited so variations in projects supported by funding of this nature will be monitored closely to ensure target spend is achieved to avoid loss of grant or restrictions on subsequent years grant funding.
Shortfall in level of capital resources generated from PRTB/Capital Receipts	Probable	High	Economic downturn will impact - early warning so as not to over commit capital resources.

Report to Executive

Agenda
Item:

A.4

Meeting Date: 5th August 2013
Portfolio: Finance, Governance and Resources
Key Decision: YES: Recorded in the Notice Ref: KD. 012/13
Within Policy and Budget Framework YES
Public / Private Public

Title: **DRAFT ASSET MANAGEMENT PLAN 2013 TO 2018**
Report of: **Director of Resources**
Report Number: **RD 31/13**

Purpose / Summary:

The Asset Management Plan is being updated to reflect the key issues and changes affecting the management and use of the City's property resources, and the impact of the Asset Review Business Plan approved by Council in January 2011. The Plan will also report on the current position and performance of the Portfolio, and the Asset Disposal Programme.

Recommendations:

The Executive notes the position and approves the update to the Draft Asset Management Plan in order for it to proceed for consideration by the Resources Overview & Scrutiny Panel, back to the Executive and then full Council

Tracking

Executive:	5 August 2013
Overview and Scrutiny:	29 August 2013
Executive:	2 September 2013
Council:	10 September 2013

1. BACKGROUND

- 1.1. The Council's land holdings are one of the essential resources used to carry out our day to day business, generate income to support services, and deliver economic development goals and housing opportunities.
- 1.2. The Asset Management Plan (AMP) outlines how the Council's strategies and policies for its property portfolio are used to support corporate priorities and directorate service plans.
- 1.3. The AMP also gives guidance on the overall performance of the asset base, what it is costing and producing, how it is being used, maintained and reviewed. It also takes account of, and links into, the Council's Medium Term Financial Plan (MTFP) and the Capital Strategy (CS), which provides guidance on the Capital Programme and use of resources.
- 1.4. The AMP is reviewed annually and updated, along with the MTFP and CS, and aims to set out:-
 - The Council's aims and objectives for the use and management of its property, in order to further the delivery of corporate plans and priorities.
 - The organisational framework within the Council which provides the strategic, operational and investment advice needed to run the Portfolio.
 - The principles, policy and strategy for holding operational and non-operational property, releasing and disposing of surplus assets, and making investment in new acquisitions.
 - The makeup of the Council's asset base, its financial worth and revenue returns, operational performance, condition and maintenance position.
 - The Governmental position and economic climate within which the Portfolio operates and the constraints and influences which bear on the way property is held and managed.
 - How the Council challenges and reviews the Portfolio in order to better use and manage its assets to deliver public services.
- 1.5. Recognising the need to more effectively manage and utilise its property assets the Council has considered various options to improve the running of the Portfolio in order to better meet the operational, investment and economic development goals of the Authority. This re-assessment resulted in the Asset Review Business Plan, approved by Council in January 2011, which reclassified the Portfolio into three

distinct categories, (Operational, Investment and Economic Development portfolios), each with a clear focus and differing business objectives.

Along with the redefining of the Portfolio, the Business Plan proposed that staffing and management structures should be realigned to provide the appropriate resources, skills and experience to run each category of asset.

- 1.6. As part of the Asset Review there has been an appraisal of the non-operational properties that the Council own, to determine if they are fit for purpose and meet the Council's overall investment objectives. This identified a requirement to rationalise and consolidate these assets and a programme of disposals is in hand, over a four year period, to re-engineer the investment portfolio. This will release latent value and generate capital receipts which will be reinvested in new assets or other funding opportunities in order to yield a better revenue return for the Council. The Disposal Programme is into its third year and the Management Plan reports and updates on the position and the delivery performance.
- 1.7. The Council has also been looking at its operational assets, in conjunction with the business changes which have come about through the Transformation process. The Accommodation Review aims to more efficiently and cost effectively meet future service delivery, identifying savings and opportunities to generate additional income from this part of the portfolio. The AMP reports on progress and the position with this and identifies future areas for review.

2. PROPOSALS

- 2.1. The AMP has been revised this year to reflect changes covering:-

- The Asset Review Business Plan & Disposal Programme – progress on the implementation of the Plan, the impact on the Portfolio and its future management.
- Structural changes in the portfolio – the makeup of the operational and non-operational assets, current capital values and rental levels.
- Performance of the assets – an update to the National and Local Performance Indicators used to gauge how the Portfolio is doing.
- Condition of the Portfolio – the standard of our properties, current maintenance backlog and where this sits, its suitability and sustainability for future use, and the steps which are being taken to improve energy efficiency.

- Accommodation Review – the outcomes, achievements and next steps to improve the use and efficiency of our operational property used for back office or front line service delivery.
- Capital Schemes and Maintenance Budget – where the expenditure is going to sustain, maintain and improve the Portfolio.
- Market conditions and the economy – how this will impact on the Portfolio and the delivery of the Disposal Plan.
- Property acquisitions – what has been done to implement the Business Plan proposal and requirement to reinvest in assets which will produce income to maintain service delivery, support economic development initiatives and operational needs.

3. CONSULTATION

- 3.1. Internally via the Council's corporate structures and processes. The Draft Plan will go to Resources Overview & Scrutiny Panel on the 29th August for consideration, comment and feedback.

4. CONCLUSION AND REASONS FOR RECOMMENDATIONS

- 4.1. To update the Council's Asset Management Plan and the position of the property portfolio in the light of the Asset Review Business Plan and Disposal Programme.

5. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

- 5.1. The proper management of the Council's property resources make an essential contribution the achievement of the Council's plans and priorities.

Contact Officer: **Raymond Simmons** **Ext: 7421**

Appendices **Draft Asset Management Plan 2013 to 2018**
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 –The Council has a fiduciary duty to properly manage its assets and the Asset Management Plan is a vital part of this process. It is also a designated budget document in accordance with the Council's Budget & Policy framework and, as such, as the report indicates, it is required to follow the usual route of consideration by Scrutiny and, thereafter, recommendation by the Executive to the Council.

Local Environment – None

Resources - The Asset Management Plan provides details on the Council's asset portfolio and the issues around the management of these assets. This will be used to inform the Medium Term Financial Plan and budget setting process for 2014/15 to 2018/19.



Managing property as a resource for the City

ASSET MANAGEMENT PLAN

2013 - 2018

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1. The Council

Carlisle City Council delivers services to just over 100,000 people and for the year 2013/14 has a net revenue budget of £13.454 million and capital expenditure of £4.655 million. The Council uses its property resources to deliver services, either directly or through the rental income it earns, and improve the quality of life for local people.

The Council's asset base is one of its key financial resources, with a rental income of around £4.5 million per annum, from its non operational property, and a net asset value, taking account of depreciation, of circa £120 million. The income is comparable to that of Council Tax. Over 20% (12,500 people) of Carlisle's workforce are based on the Council's assets.

2. The Asset Management Plan and Council Priorities

The Carlisle Plan 2013/2016 sets out the Council's vision for the City *"to promote Carlisle as a prosperous City, one in which we can all be proud"*. The Plan identifies the actions and timetabling for delivering the key priorities for the Council to:-

- Support the growth of more, high quality and sustainable, business and employment opportunities.
- Develop vibrant sports, arts and cultural facilities, showcasing the City of Carlisle.
- Work more effectively through partnerships to achieve the Council's priorities.
- Work with partners to develop a skilled and prosperous workforce, fit for the future.
- Make Carlisle clean and tidy.
- Address Carlisle's current and future housing needs

The Council has been undergoing a radical transformation of its organisational structure and service delivery to achieve substantial savings in costs, to reduce the base budget over a 5 year period by £5.4 million.

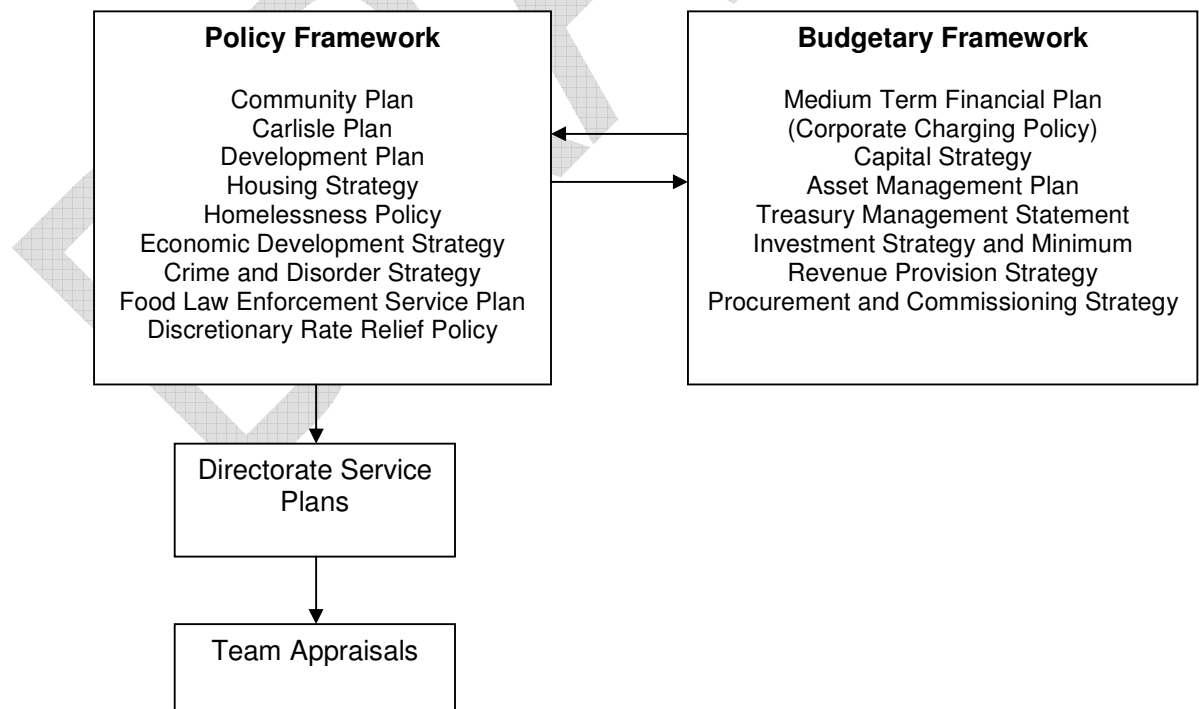
This Asset Management Plan describes how the Council's strategies and policies for its property portfolio will support these priorities and Directorate Service Plans. The Plan aims to provide information about the overall performance of the asset base, and how it is being used and reviewed. It also takes account of, and links into, the Council's Medium Term Financial Plan (MTFP) and the Capital Strategy (CS), which provides guidance on the Capital Programme and use of resources.

3. The Council's Approach to Corporate Planning

The Council has a corporate plan that is reviewed annually to take account of emerging issues. The plan is developed through consultation with stakeholders; it is a statement of the key actions for the Council and likely outcomes for communities.

The Carlisle Plan forms part of the Policy and Budgetary Framework for the Council. These frameworks work together to create the strategic framework.

The following diagram illustrates the relationships between the Policy and Budgetary Frameworks.



Community Plan

The community plan is 'owned' by the Carlisle Partnership (our Local Strategic Partnership (LSP)). It reflects and develops the aspirations of the communities of Carlisle and provides a strategic context for the partnership activities of all members of the LSP. For the City Council it is particularly important that the Corporate Plan enables delivery of the Community Plan; there must be similarity between the strategic objectives of both plans.

The communities of Carlisle are consulted and involved in the development of the Community Plan. This Community Plan helps to inform the strategic thinking of partner organisations.

The LSP's Community and Council's Corporate Planning process informs and supports the strategy of the Cumbria Strategic Partnership.

Directorate Service Plans

The primary purpose of a Service Plan is to provide a link between the resources used to deliver services and the delivery of agreed outputs. Service Plans are inextricably linked to each Directorate's budget.

Service Plans develop the key actions of the Carlisle Plan into detailed activities for Directorates and provide a framework for their financial, performance and risk management.

Other Council Strategies, Plans and Policies

The Medium Term Financial Plan (MTFP) takes account of other Plans and Strategies of the Council, which have a potential impact on the use of resources by the Council. In particular consideration is given to the following key strategies: -

- The Capital Strategy (CS), which provides information on the proposed level of investment in capital projects and the consequent impact on the revenue budget.
- The Treasury Management Strategy Statement, Investment Strategy and Minimum Revenue Provision Strategy, which set out the assumptions for financing requirements and interest rates and their effect on the revenue budget.

- The Asset Management Plan, which provides forecasts of necessary investment in the Council's land and property portfolio.
- The Procurement and Commissioning Strategy.
- The Local Plan which is in the process of review.
- The Organisational Development Plan, which highlights the need for a thorough review of the Council's staffing needs and skill levels to ensure that the Council improves its performance to deliver excellent services to the local community in the future.
- There are also a number of strategies, (some of which are currently under development) which set out policy direction for key Council priority areas, and these include the Economic Strategy, and Housing Strategy.

4. Organisational Framework

The organisational framework for the delivery of property functions has changed in tandem with the Council's Transformation Programme and Asset Review Business Plan which was adopted by Council in 2011. The Business Plan Working Group now provides strategic direction, oversees the corporate management of the Council's property assets, and gives direction to the work programme.

The framework which has been put in place as part of the recommendations of the Asset Review Business Plan is evolving, as a first step in the transformational review of Directorates the Property Services and Building Services teams have come together within the Resources Directorate. Collectively these teams now assume responsibility for providing estate and asset management advice, facility management and running capital projects across the portfolio.

Strategic property advice, in terms of economic development activity, will be delivered through the Economic Development Directorate. Both Directorates report through the Senior Management Team (SMT) and then on through the normal Council channels.

The terms of reference for SMT are:-

- ◆ To develop and implement corporate policy and best practise in relation to the Council's property assets.
- ◆ To give strategic direction to other corporate officer groups dealing with operational property matters.

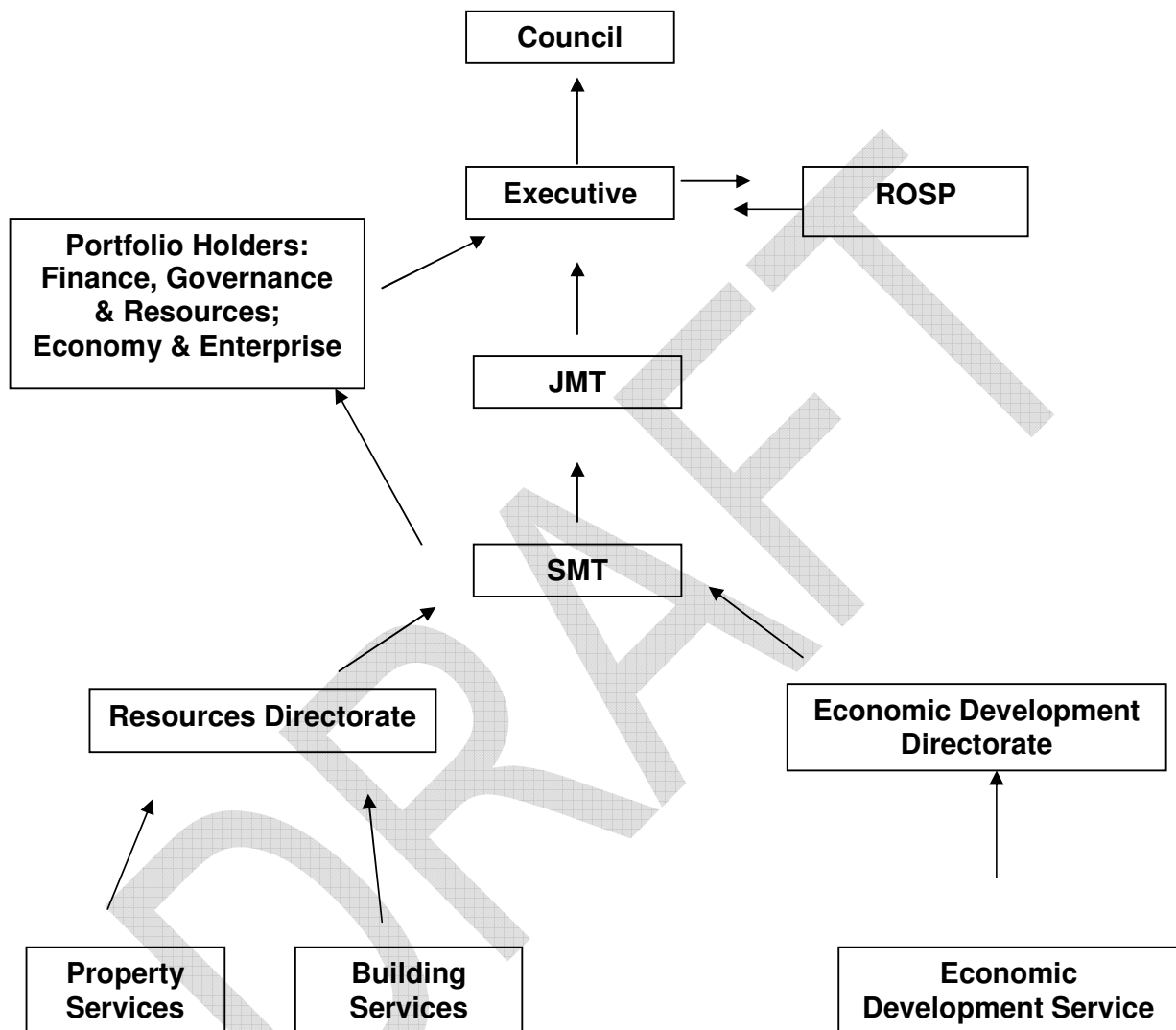
- ◆ To ensure co-ordination of reporting and decision making on strategic matters relating to property.

SMT meets bi-weekly and membership comprises the Town Clerk & Chief Executive, the Deputy Chief Executive, and the Directors of Resources, Governance, Economic Development, Community Engagement and Local Environment.

The work of SMT reports through the Council's formal channels to Joint Management Team (JMT), the two Portfolio Holders for Finance, Governance & Resources, and Economy and Enterprise, the Executive, Resources Overview and Scrutiny Panel (ROSP), and finally Full Council.

DRAFT

ORGANISATIONAL & REPORTING STRUCTURE



5. Corporate Asset Objectives

Aim

- To set out the Council's policy on the use of assets in order to have a flexible approach to asset ownership and secure a portfolio of the right size, quality, cost and location and one which is suitable and sustainable for service delivery now and into the future.
- To develop a planned approach to the management of the Council's assets linked to corporate priorities.

Objectives

1. To identify all property which the Council owns or uses, compile accurate records, establish its value and the function it performs. Maintain and continually update this information to enable decision making and support to the Council.
2. To make services aware of the costs of occupying property, maximising the use of the asset base to enable efficiency savings, and increasing rental income.
3. To effectively respond to the changing property requirements of service delivery improvements.
4. To provide a transparent basis for property investment decisions, through the Capital Programme, and to have a planned approach to the management of the Council's assets, aligned to corporate objectives.
5. To ensure a healthy and safe environment for property users, promoting improved standards, sufficiency and suitability across the portfolio.
6. To apply "Green Design" principles to construction, refurbishment and maintenance projects and encourage environmentally sustainable management of operational properties.
7. To support the Council's Climate Change Strategy, approved in January 2009, to reduce carbon emissions from our property estate in accordance with the policies and actions set out in the Carbon Management Plan (CMP).

8. To promote community and partnership use of assets.
9. To link into and contribute to the Council's Medium Term Financial Plan and Capital Strategy.
10. To provide sustainable planned maintenance programmes for a 5-year period.

Delivery

- To develop a planned approach through:-
 - Links to corporate priorities.
 - Carrying out condition surveys
 - Meeting Disabled Discrimination Act requirements.
 - Health and Safety risk assessments.
 - Benchmarking & performance measurement.
- Improving asset management to:-
 - Identify “expensive “and “obsolete” assets.
 - Identify surplus assets.
 - Identify changes to asset requirements, e.g. shared services and home working.
 - Improve energy efficiency, use renewable sources and set targets for carbon reduction.
 - Identify improvements to assets or the asset base to enhance service delivery.
 - Ensure assets are “fit for purposes” and “sustainable”.
 - Identify investment opportunities to improve income yields.

6. Performance Monitoring and Measurement

The Council will manage and monitor the use of its property resources to ensure the portfolio meets the objectives set and delivers performance improvements linked to corporate and service objectives. The Council, using the ‘Covalent system’ overseen by Policy and Communications, manages and monitors performance indicators.

The Council will aim to own assets which are suitable, fit for purpose and sustainable, to enable services to be delivered effectively and with equality of access.

The Council's performance framework continues to review performance and seek the development of SMART indicators which will effectively measure the contribution property makes to the achievement of corporate objectives set out in the priority actions in the Carlisle Plan.

New data capture procedures have been established and an annual exercise is now undertaken to collect property information in order to measure performance and these are contained in the suite of Performance Indicators (PI's) set out in Appendices I and II of this Plan. The use of PI's has allowed the Authority to improve the monitoring of asset performance, illustrate improvements, and identify shortcomings.

The Government's Operational Efficiency Programme (OEP) recommends that Local Authorities and other agencies use the CIPFA Property Asset Management Planning Network to share best practice. The OEP Report also strongly recommends the use of benchmarking to help drive efficiencies.

The Authority is a member of the CIPFA IPF Asset Management Plan Network. Current best practice is to use the National Property Performance Indicators (NAPPMI) which is set out in Appendix I. These indices measure property condition, maintenance backlog and expenditure, the cost of energy, water and CO₂ emissions, accessibility and space utilisation. Suitability surveys and assessments on the operational portfolio haven't yet been undertaken, work on establishing a framework and protocol for implementing these will get underway as soon as resources allow.

The Authority also produces a suite of local indicators; these are shown in Appendix II, which additionally measure occupancy rates for the let estate and disability access to our buildings.

7. Policy and Strategy

Operational Property Strategy

- The Council will own a highly rationalised portfolio of property to deliver services which provides users with a good standard of suitable, sufficient, accessible and energy efficient accommodation and facilities, in the right location and at the right cost.
- All service property will be efficient and effective in supporting delivery of the Council's priorities.
- The Council will occupy freehold property where appropriate.
- The Council will hold leasehold property only when necessary to deliver accommodation required on a flexible basis, or when freehold is not available.
- The Council will develop partnership working with other local authorities, public sector bodies, the community and voluntary sector to co-locate and share services.
- Investment in property will only be made following the consideration of a detailed business case and options appraisal which includes the revenue implications over its useful life (ie whole life costing).
- The following policy principles are to be applied to enable delivery of the service property strategy:

Investment Principles

Investment should be made only through a 5 year programme where:

- The property is required for the medium or long term use of the Council, and
- The investment:
 - enhances service delivery
 - improves environmental sustainability
 - improves utilisation
 - increases efficiency
 - adds value
- It addresses statutory obligations

Non-Operational Property Strategy

- The Council will own property that helps to deliver the corporate priorities of Environment and Economy.
- The Council will investigate new medium and long-term development opportunities that will support the growth of Carlisle and the Economic Development Strategy.
- The Council will own property that provides a regular and sustainable income stream, as a key component of the Medium Term Financial Plan.
- The Council will strive to improve the performance of the income stream and reduce liability through partnership working and grant assistance where appropriate.

The following policy principles are to be applied to enable delivery of the non-operational property strategy:

Investment Principles

Commercial property will only be held where:

- It provides an acceptable financial return
- There is potential for Council involvement to deliver economic development objectives
- It contributes effectively to the delivery of other Council priorities
- It improves future sustainability of income
- It addresses legal or contractual liabilities and obligations

Surplus Property Strategy

- The Council will normally dispose of assets that it does not require on the open market on a freehold and leasehold basis at best consideration.

The following policy principles are to be applied to enable delivery of the surplus property strategy and the generation of annual capital receipts of £660,000 in 2013/14, and £260,000 from 2014/15 onwards, in line with the Capital Strategy and Medium Term Financial Plan. Note additional receipts from the Asset Review Business Plan Disposal Programme are considered separately in this document and the MTFP.

Surplus Property

All operational and non-operational property will be sold unless one of the following applies:

- It is occupied efficiently and effectively for services in the right location, at the right price.
- It can be used to deliver social, housing, economic or environmental benefits to meet the Council's agreed priorities, in which case the Council may take a flexible approach to a disposal at less than market value, subject to compliance with any statutory consents and full Council approval.
- It is a long-term strategic investment.

Property Acquisition Strategy

- The Council will only acquire assets if there is a business case to support the improvement in service delivery in the Capital Strategy.
- The Council will acquire assets that assist with the delivery of Economic Development policy if there is a business case.
- The Council will develop opportunities, in partnership, to assemble sites to deliver Council objectives, particularly its priorities of Environment and Economy.
- The Council will invest in assets to improve the financial returns and yields from the portfolio and deliver the Asset Review Business Plan.

The following policy principles should be applied to enable delivery of the property acquisition strategy:

Property Acquisition

Property will only be acquired in the following circumstances:

- Where the service cannot be efficiently delivered without it.
- Where it is required to deliver Economic Development policy.
- Where it is required to support the delivery of other Council services and priorities, either directly or through income generation.
- Whole life costing and option appraisal exercises are undertaken.
- Portfolio investments and opportunity purchases meet set target criteria around risk, income returns and yields.

8. Government Policy and Statutory Responsibilities

The overall amount available for distribution to Local Government is determined by the Government's Spending Review. The last review in 2010 (CSR10) is committed to: -

"Delivering a steep change in the management of the public sector asset base".

More specifically, the spending review focuses on the condition and management of the public asset stock as a basis for looking at investment decisions. The aim is to maximise value from assets through:

- Disposing of assets no longer required for service delivery.
- Improving the management and utilisation of retained assets.
- Basing future investment decisions on a more complete assessment of the condition and performance of the existing asset base.

The Government's regional policy aims to improve the economic performance of the English regions and to reduce the gap in performance between the regions. The Review of Sub National Economic Development and Regeneration (SNR) sets out a comprehensive package of reform to improve performance. The CSR10 takes forward the conclusions of the SNR.

The Housing and Regeneration Bill aims to deliver the commitments set out in the Housing Green Paper to provide more and greener homes, in mixed and sustainable communities. The Council has been designated as a Growth Point and is seeking ways to encourage increased levels of affordable housing within the district, working with partners to bring Council owned sites into development for the provision of social and affordable housing.

Although the recent structural changes to local government in England have not brought about a change in governance in local areas in Cumbria, there remains an impetus to increase levels of joint working, to improve the efficiency of service delivery and share accommodation.

The Government is also promoting the community management and ownership of public sector assets, acting on the recommendations of the Quirk Review. It believes that community asset transfer can form part of a strategic approach to the use of local authority assets and that it is an important factor in enabling community organisations to be sustainable. The Council has established a Community Asset Register to monitor and manage this initiative.

The Government recently passed the Climate Change Bill setting ambitious targets for carbon reduction. In line with its Climate Change Strategy and the Nottingham Declaration, the Council has committed itself to tackling environmental improvement and responding to climate change.

A 5-year Carbon Management Plan has been developed with support from the Carbon Trust. Along with other Cumbrian Authorities the Council has set a target to reduce carbon emissions by 25% from its buildings, street lighting and transport related functions by April 2013, against a 2007/08 baseline of 6,306 tonnes of carbon. Buildings account for 74% of the carbon baseline. The data received up to the end of March 2012 indicates that significant progress has been made towards this target. Figures for this year have worsened for the first time (but clearly not in comparison to the baseline year which still shows vast improvement) just on last year's comparisons, due to the harsh and longer winter.

9. The Resource Context: Value for Money

The Audit Commission used to measure how well an organisation managed its resources and delivered value for money and better and sustainable outcomes for local people through an annual Use of Resources assessment. This considered:-

“how well the organisation manages its assets effectively to help deliver its strategic priorities and service needs”.

With the changes in national Government which arose in 2010 this framework for measuring the use of resources was discontinued. However, despite this the Asset Management Plan must still demonstrate a Council-wide approach to managing assets as a corporate resource, with the focus on using its assets to help to deliver social, environmental and economic outcomes for local communities. Asset management planning should be fully integrated with corporate and service planning with clear alignment between asset plans and other corporate service plans.

Collaborating with partner organisations on strategic asset management planning remains an important requirement. The Council will continue to develop its strategic approach to working with other bodies to identify opportunities for shared use and alternative options for the management and ownership of its assets.

10. Changes in the External Environment and Implications for Property

The underlying economic factors affecting the national economy apply to Carlisle subject to its relatively isolated and remote location. The City is held back from realising its full potential because generally it has not been considered a prime location for investment by property market decision-makers. In overall terms, its property economy is relatively self-contained on a needs must basis.

It is mainly sub-regional and local developers and investors who serve the Carlisle property market, with the possible exception of the retail sector. When the UK market shows an upward trend, stability or decline, the Carlisle market follows proportionately – subject to a time delay because of its location.

The City's peaks have been historically, neither high enough nor long enough to attract much national interest – or more importantly, the magnet of institutional funds which finances property development.

It is the major financial institutions who ultimately control capital flow and investment. It is such institutions that make decisions in the UK property market. These funders prefer rapid rental growth in return for their capital investment in order to secure large rewards quickly and offset risk.

Unless funders are looking for long-term sustainable investment, with a local geographic commitment, developers will prefer more profitable southern locations where rental growth increases more rapidly, and over longer periods.

This risk adverse attitude by the private sector has meant that to date, the public sector has had to be proactive in order to attract development to Carlisle in order to improve economic development opportunities for the community. This is why Carlisle City Council owns the legacy of a considerable property portfolio, and needs to be involved in public/private partnership working.

The changing economic climate, both at a national and local level, arising from the “credit crunch” of a few years ago, restricted borrowing regimes and the continued economic recession, is impacting on the local property market. The Government’s Comprehensive Spending Review, cutting public spending by 25%, to redress the budget deficit, has fuelled further uncertainty in the economy and property markets.

Demand has fallen in all sectors, capital and rental values have decreased. The residential and commercial investment markets, although showing signs of stabilising, still face difficult and uncertain times ahead. These downward trends in the market have undoubtedly affected the Council’s portfolio, and will influence what we can do, and the way we do it, in the forthcoming years. Apart from the effect of some structural changes to the way certain assets are held, the overall capital value of the portfolio has remained at a static level. There has been some upward and downward movement in market values for particular assets but, overall this has balanced out to leave the position year on year unchanged. The makeup of the investment portfolio is quite resilient but, rental income has fallen by roughly £250,000 (5%) since the peak of the market. This mainly arises from the retail part of the portfolio and the influence of the Disposal Programme, although recently the retail market has shown faint signs it may have bottomed out and stabilised but, undoubtedly it will be several years before any real growth materialises and, when this does arise, it will be slight.

The generation of capital receipts may be more problematic in the future the longer the downturn in the market, particularly the residential sector, persists.

11. The Existing Portfolio and Current Performance

Gross Asset Value as at 31 March 2013.

	Operational assets		Non operational assets		Total
	Community Assets	Land & Buildings	Investment	Surplus	
No of assets	71	79	60	2	212
Total income	£26,000	£1,107,000	£4,616,000	Nil	£5,749,000
Capital value	£3,832,000	£27,664,000	£95,016,000	£82,000	£127,094,000
Capital Expenditure	£62,182	£946,882	£442,206	-	£1,451,270
Asset Reserve		-	£392,000		£392,000
Maintenance backlog		£2,970,625	£2,000,000	-	£4,970,625

NB The total capital spend in 2012/13 was £4.5 million. However this did not all relate to property assets, £1.2 million was Revenue Expenditure Funded from Capital Under Statute which included capital works on assets which are not owned by the Council.

The figure for the maintenance backlog on the operational buildings in the portfolio is based on a costed 5 year plan derived from a rolling programme of Condition Surveys. The figure has decreased by around £340,000 or 10% since last year. This is partially a result of the disposal of assets, and partly due to the consequences of remedial work carried out under the capital works programme.

The figure for the non-operational backlog relates to historical infrastructure costs associated with our industrial estate ground rented portfolio and has not been reviewed for a number of years. There is a suspicion this figure has come down, due to the disposal programme and the capital expenditure which has gone into infrastructure improvements on the Kingstown, Durranhill and Willowholme Industrial Estates over the last few years but, as there is no recent survey data available, this notion can't be substantiated with evidence.

12. Maintenance Backlog

	12/13	13/14	14/15	15/16	16/17
Total Revenue Budget	£700,000	£646,500	£646,500	£646,500	£646,500
Capital Schemes Special Projects	£577,357	£300,000	£300,000	£300,000	£300,000
Ratio Planned: Reactive Maintenance	76 : 24	76 : 24	76 : 24	76 : 24	76 : 24

Based upon property condition surveys, an annual planned maintenance programme has been established for all the operational assets. There is a maintenance backlog; currently £2,970,625 for the portfolio of operational and non-operational buildings, the delivery programme to reduce this incorporates a degree of flexibility and balance in order to respond to the demands and aspirations for service delivery, asset review, and other changing circumstances which may arise during the course of the programme. Members approved a 3 year programme of planned and reactive maintenance on 19 November 2012 (report reference RD53/12). In condition category terms the split is as follows:-

Condition Category (as a % of Gross Internal Area Operational Property)	Sustainable Criteria
A. (Excellent) 51%	Yes
B. (Good) 31%	Yes
C. (Mediocre) 13%	Review
D. (Poor) 5%	No

Improvements in the operational portfolio are mainly due to the new Shaddongate Resource Centre..

Energy Efficiency

Reflecting the Council's Environmental Policy and Carbon Management Plan a programme of energy efficiency and renewable energy projects has been carried out. Significant investment in Tullie House in the year 2011/12 has resulted in the target of 20% reduction in energy consumption being achieved. The merits and feasibility of a Hydro scheme is still being investigated on the Caldew at Denton Holme. New boilers have been installed in Morton Community Centre.

There has been little investment in new energy efficiency schemes in the last year. The cold winter and spring has resulted in increased costs for gas in particular. The new solar photovoltaic arrays at the Civic Centre and Sands Centre have been successful in terms of electricity generation and income received from the feed in tariff.

Capital Works and Repairs

The programme of works identified in the Capital Major Repairs Programme is initially shaped by a 5 year maintenance plan produced from condition surveys and adjusted each year to keep abreast with new legislation. The Council has a legal duty to maintain its properties. This programme is required to meet those duties. Report (RD 01/13) was presented to the Executive on the 8th April 2013 with proposals for capital investment for planned major repairs. The business case identified 7 separate projects required to meet the Council's legal obligations and priorities for building maintenance.

The capital schemes special project fund for the programme 2013/14 has been allocated as follows:-

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PROJECT	COST	PRIORITY
Civic Centre - Rewiring and refurbishment of programme	£90,000	Health and Safety / Energy Conservation
Tullie House – Re-covering of flat roof area over Paintings store	£80,000	Business Case/ Conservation/Asset protection
Civic Centre – Re pave the flagged areas to the frontal approach and entrance	£25,000	Health and Safety
Enterprise Centre – Re- cover the main flat roof	£50,000	Business case
West Walls – Stone repairs and re-pointing of historic City Wall	£20,000	Heritage Conservation
Talkin Tarn – Underpin the Tea Room wall foundation	£25,000	Health and Safety
Various Properties – Asbestos removal	£10,000	Health and Safety
TOTAL	£300,000	

13. Continuous Review and Challenge

1. The City Council holds a significant, but numerous and diverse, portfolio of assets across Carlisle. This portfolio generates considerable income for the City and has an important impact on the local economy.
2. It has a highly rationalised operational (service occupied) portfolio, with a manageable maintenance backlog, but with scope for further consolidation.
3. It has a diverse and mixed non-operational (predominantly commercial and industrial) portfolio which has considerable further potential.
4. The Council possesses a good portfolio and has a record of using property well to meet its aims; it is planning for future investment and development to allow it to continue to do this.

5. The opportunity has been grasped to take a more dynamic and commercial approach to the management of the portfolio in order to strategically balance the need for operational assets, income generation and economic development, in support of the local economy, the protection of public services and other priority objectives.
6. The Transformation Programme has identified the need for further rationalisation and consolidation of the operational property to improve access to public services and efficiency.

Accommodation Review

An Accommodation Review is underway as an integral part of the Transformation Programme to review corporate accommodation, both back office and front public facing service delivery properties. This will comprise a comprehensive analysis of accommodation needs and the existing provision, explore future solutions and implement the most beneficial models for the Authority. It seeks to deliver effective and efficient accommodation that suits the needs of each service, establish a more corporate approach to accommodation, make more effective use of space, improve the working environment and make the accommodation as productive as possible. The project will be on going over several years, and will be undertaken in phases. It will cover all the City's operational buildings with an initial focus on the Civic Centre, Boustead's Grassing and the Depots. The project's outcomes must deliver:-

- Corporate standards for accommodation;
- Efficient and effective accommodation for all Council staff & operations;
- Consolidate office staff and functions into the Civic Centre;
- Maximise usage of occupied accommodation and deliver efficiencies;
- Maximise potential revenue streams;
- Identify and meet target capital receipt savings and income.

To date the review has achieved the following improvements to the portfolio:-

- Centralisation of back office delivery with the closure and demolition of part of Boustead's Grassing and transfer of staff to the Civic Centre;
- Improved space utilisation in the Civic Centre;

- Continued development of the Customer Contact Centre as a public service centre hub;
- The letting and sharing of office space with other public sector providers
- An interim rationalisation of the Councils Depots, Willowholme Depot has been declared surplus to requirements and is on the market for sale;
- Provision of a new Women's and Family Hostel in Water Street to replace the existing facility.

The challenges going forward are to further examine space utilisation in the Civic Centre; the continued reduction in staff during 2012/13 has led to deterioration in the occupancy rate and increased costs per full time employee (FTE), and to find new occupiers to share the surplus accommodation, reduce overall costs in use, and compliment the Council's ambitions to improve public access to a wider range of customer services through the Contact Centre. Also, with the recent transfer of retained Highway Rights back to the County Council there is a need, in the light of future service requirements, to further examine the utilisation and retention of Boustead's Grassing as sustainable Depot and the possible requirement for alternative provision.

Asset Review Business Plan

An asset review and investigation into the options for the development of a new approach to the management and use of the portfolio has been concluded with the adoption by Council in January of an Asset Review Business Plan (Report Ref. CE 39/10 refers).

The strategic objectives of the Plan are broadly to have:-

- Clear and separately focused management of the operational, investment and economic development assets.
- Fewer higher value assets which will give a better yield and are cheaper and easier to manage
- The latent value and development opportunities embedded in the portfolio unlocked and released for reinvestment.
- Well maintained assets which will continue to be attractive to tenants and occupiers.
- Increased returns through higher income and lower outgoings.

To provide clear segregation between the objectives and priorities for each asset the portfolio has been divided into 3 distinct categories established as follows:-

1. Operational Assets – properties that are needed in order to carry out the Council's day to day business and deliver services or are required and retained for public benefit. The task here is to create through rationalisation an efficient and sustainable portfolio which is fit for purpose.
2. Economic Development Assets – properties that are identified or acquired for strategic purposes to stimulate and deliver economic development activity leading to growth and regeneration of the City and District.
3. Investment Assets – properties where the sole function is to deliver the maximum financial return for the Authority through revenue receipts and capital growth which meets set targets and criteria.

The next step in the implementation of the Business Plan is to put in place the management structures and resource capacity to deliver the 3 portfolio areas and the overarching strategic asset management. These changes will take place within the context of the Transformation Programme.

Disposal Programme

The Business Plan recognises that the current Investment portfolio needs re-engineering through a process of rationalisation to consolidate the asset base and improve overall financial returns through reinvestment or acquisitions. The Plan aims at realising £24m through the disposal over a 4 year period of 51 assets which are underperforming or have embedded value which can be realised. The proceeds will be used to generate additional income of £1m to support budget and efficiency savings and help protect and secure service delivery into the future.

Outcomes:

In line with expectations individual asset receipts have produced results on, below and above target figures. To date 25 assets have been sold realising total gross receipts of circa £5.5 million. Overall the returns show an increase of approximately 18% (Morton excluded) above the business plan estimates. The market appears to be hardening for certain types of asset; at this juncture in the programme there is no reason to suspect the current trends and levels of return will not continue however, we have adopted a conservative approach and these increases have not been built into future sale projections. Note the Morton Site, anticipating a receipt following the grant of outline planning consent in excess of the Business Plan estimate, has been included in the 2012/13 budget at a figure of £15m.

Reinvestment Options:

The Business Plan envisages capital receipts will be used to generate £1 million additional revenue and support purchases in the economic development and operational property portfolios.

Opportunity purchases into the Economic Development portfolio have recently been completed to consolidate the Council's existing ownership and land holdings in Rickergate with the acquisition of further properties in the Warwick St area.

The Morton disposals, paramount to the disposal programme, are progressing. The Executive's 2012/13 budget resolved that a £15 million Treasury Management investment is transacted whilst the longer term options for the proceeds of sale are determined, including option appraisals for paying off a £15 million stock issue in 2020.

Purchases into the investment portfolio are being investigated and under consideration, and the Council is examining the options and feasibility for alternative

approaches to the asset and estate management of its investment land holdings at Kingstown and Parkhouse.

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14. Summary


1. The Council has the Governance & Resources Portfolio Holder responsible for asset management.
2. Members are aware and have approved a plan to address backlog maintenance.
3. Performance measures, which are being improved upon, are in place to evaluate asset use in relation to corporate objectives.
4. The Council has a highly rationalised and suitable service occupied portfolio with a manageable maintenance backlog which it will seek to improve through the Accommodation Review; it has a considerable commercial portfolio, which is generating substantial rental income.
5. The Council's asset base has considerable latent value, which if unlocked through the new Asset Review Business Plan and Disposal Programme, will help provide more robust support to economic development initiatives, generate additional income and provide a portfolio which is cheaper and easier to manage.
6. The Council is looking at opportunities for rationalising the portfolio and sharing accommodation with other public bodies and partner organisations.

APPENDIX I

NATIONAL PROPERTY PERFORMANCE INDICATORS

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APPENDIX I

 CARLISLE CITY COUNCIL www.carlisle.gov.uk	Asset Management Plan		
	Appendix : Property Performance Indicators		
COPROP Property Management Initiative Property Performance Indicators (PMI's)			
<u>PMI 1A: % gross internal floor-space in condition categories A- D</u>			
	Mar-11	Mar-12	Mar-13
(a) Schools: Good condition (category A) Satisfactory condition (category B) Poor condition (category C) Bad condition (category D)	n/a n/a n/a n/a	n/a n/a n/a n/a	n/a n/a n/a n/a
(b) Other Land & Buildings: Good condition (category A) Satisfactory condition (category B) Poor condition (category C) Bad condition (category D)	46.1 31.8 17.2 4.9	49.1 32.6 12.8 5.5	50.8 31.4 12.5 5.3
(c) Community Assets: Good condition (category A) Satisfactory condition (category B) Poor condition (category C) Bad condition (category D)	n/a n/a n/a n/a	n/a n/a n/a n/a	n/a n/a n/a n/a
(d) Non-operational assets: Good condition (category A) Satisfactory condition (category B) Poor condition (category C) Bad condition (category D)	0 19 6 75	0 38.3 0 61.7	0 30.7 0.8 68.5
Objective:- To measure the condition of the asset for its current use			
Definitions:- A: Good – Performing as intended and operating efficiently B: Satisfactory – Performing as intended but showing minor deterioration C: Poor – Showing major defects and/or not operating as intended D: Bad – Life expired and/or serious risk of imminent failure			

Comments:-

We do not currently hold the required level of information on our Community assets and this information will be collated in due course. Non-operational assets include our investment portfolio of individual shops and offices, workshops and the Enterprise Centre. It does not include our ground lease portfolio. The marginal overall shift in improvement on the operational properties is due to the new buildings coming into the portfolio such as the Resource Centre and the new Crematorium offices. The decline in performance of the non-operational portfolio is largely due to the relatively high proportion of poor quality assets left on the books as a consequence of the disposal programme. For example, the Enterprise Centre now accounts for 69% of non operational floor space.

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PMI 1B: required maintenance by cost expressed (i) as total cost in priority levels 1-3; (ii) as a % in priority levels 1-3; and (iii) overall cost per m² GIA						
	Mar-11		Mar-12		Mar-13	
	£	%	£	%	£	%
(a) Schools						
Urgent repairs (priority 1)						
Essential repairs (priority 2)						
Desirable repairs (priority 3)						
Total						
<i>Overall Cost per m² GIA</i>						
(b) Other Land & Buildings						
Urgent repairs (priority 1)	295,840	12.5	397,800	16	325,600	15
Essential repairs (priority 2)	1,667,350	70.2	1,684,900	68	1,460,425	68
Desirable repairs (priority 3)	411,375	17.3	385,725	16	353,600	17
Total	2,374,565		2,468,425		2,139,625	100
<i>Overall Cost per m² GIA</i>	45.47		49.94		41.59	
(c) Community Assets:						
Urgent repairs (priority 1)	n/a		n/a		n/a	
Essential repairs (priority 2)	n/a		n/a		n/a	
Desirable repairs (priority 3)	n/a		n/a		n/a	
Total	n/a		n/a		n/a	
<i>Overall Cost per m² GIA</i>	n/a		n/a		n/a	
(d) Non-operational Assets:						
Urgent repairs (priority 1)	5850	1.2	0			
Essential repairs (priority 2)	463,150	98.6	841,000	100	561,000	68
Desirable repairs (priority 3)	900	0.2	0		270,000	32
Total	469,900		841,000		831,000	100
<i>Overall Cost per m² GIA</i>	70.29		138.82		124.03	
Objective:- Measure required maintenance.						
Definitions:- <p>Urgent works that will prevent immediate closure of premises and/or address an immediate high risk to the health and safety of the occupants and/or remedy a serious breach of legislation.</p> <p>Essential work required within two years that will prevent serious deterioration of the fabric of the services and/or address a medium risk to the health and safety of the occupants and/or remedy a minor breach of the legislation.</p>						


Desirable work required within 3 to 5 years that will prevent deterioration of the fabric or services and/or address a low risk to the health and safety of the occupants and/or a minor breach of the legislation.

Comments:-


Non-operational assets include our investment portfolio of individual shops and offices, workshops and the Enterprise Centre. It does not include our ground lease portfolio. Slightly improving overall picture to the operational portfolio as capital expenditure has been targeted at urgent work. The changes noted to the Non-operational assets are primarily due to a review of the categorisation of repairs to reflect consultant advice on achieving energy performance ratings.

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PMI 1C: Annual Percentage change to total required maintenance figure over previous year		Mar-13	
Total Required Maintenance		£2,970,625	
Annual % Change in total required maintenance from previous year		-10	
Objective:- Measure changes in spend on maintenance.			
Definitions:- Required maintenance is defined as “The cost to bring the property from its present state up to the state reasonably required by the authority to deliver the service and/or meet statutory or contract obligations and maintain it at the standard”. Spend on maintenance covers the total repair and maintenance programme (reactive and planned) including any associated fees for the work. It should also include any capital spending on repair and maintenance.			
Comments:- The total backlog maintenance liability figure shows a reduction from last year. This is attributable to the ongoing process of rationalisation across the portfolio and the disposal/replacement of high maintenance and costly properties.			
PMI 1D: Maintenance Spend		2011/12	2012/13
(i)	Total spend on maintenance	1,200,514	962,654
(ii)	Total spend on maintenance per m ² GIA	£20.54	£16.55
(iii)	Planned/reactive maintenance split	76% / 24%	76%:24%
Objective:- Show split in type of maintenance			
Definition of Planned and Reactive Repairs:- Planned – If the work is part of a regular routine e.g. removing leaves from gutters, re-decorations, replacing worn out items, routine servicing of plant etc. Reactive – If the work is unexpected e.g. leaking roof, broken toilet seat etc. This would include urgent/critical work identified during routine servicing. To be classified as planned, you do not necessarily need to have known in advance that you would be arranging the work at a specific point in time but you were aware that work would be needed.			
Comments:- Reduced annual spend reflecting the budgetary constraints on resources available to look after the portfolio.			

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	Appendix: Property Performance Indicators


PMI 2 A, B & C Environmental Property Issues				
		<u>2010/11</u>	<u>2011/12</u>	<u>2012/13</u>
A	Energy Cost – total spend (£)			
	Energy Total Consumption (kwh)	12,863,493	11,008,581	10,934,582
	Energy Cost per m ² (£/m ²)			
	Energy Consumption per m ²	329.60	282.08	280.59
B	Water Cost – total spend (£)			
	Water Total Consumption (m ³)	12593	12003	9417
	Water Cost per m ² (£/m ²)			
	Water Consumption per m ² (m ³ /m ²)	0.58	0.55	0.48
C	CO2 Total Emissions (tonnes CO ²)	3820.62	3321.52	3326.26
	CO2 total Emissions/m ² (Tonnes CO ² /m ²)	0.0979	0.0851	0.0854
To encourage efficient use of assets over time and year-on-year improvements in energy efficiency.				
Definitions:- To reduce environmental impacts of operational property. To highlight areas of poor or mediocre energy and water efficiency/performance and act as a catalyst for improvement. To compliment the process for 'Energy Certificates'. To support the assessment of property performance together with condition and suitability within the framework of Asset Management Planning.				
Comments:- Although generally recognised that energy costs are increasing the effect of this has been offset by a reduction in consumption. This is attributable to energy saving conservation projects which have been adopted but also due to shrinking operations arising from the Transformation process. The dramatic change in the consumption of water is much more than could be reasonably anticipated, the fall is excessive and is probably due to a billing anomaly.				

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	Appendix: Property Performance Indicators

PMI 3 A & B: Suitability Surveys (Local Indicator)			
	Mar-11	Mar-12	Mar-13
% of Portfolio by GIA m ² for which a Suitability Survey has been undertaken in the last 5 years	Not available	Not available	Not available
Number of properties, for which a Suitability Survey has been undertaken over the last 5 years	Not available	Not available	Not available
Objective:- For Local Authorities to carry out Suitability Surveys enabling them to identify how assets support and contribute to the effectiveness of frontline service deliveries i.e. are they fit for purpose.			
Definitions:- To be reported for all operational buildings (excluding Schools) occupied by the Local Authority. To ensure that the property meets the needs of the user. To enable key decisions to be made.			
Comments:- Suitability surveys will be undertaken on a phased basis as and when resources allow.			

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	Appendix: Property Performance Indicators

PMI 4 A, B, C & D: Provision of access to buildings for people with disabilities		Mar-12	Mar-13
A	% of Portfolio by GIA sq.m for which an Access Audit has been undertaken by a competent person	73.72%	76.11%
B	Number of properties for which an Access Audit has been undertaken by a competent person	33	36
C	% of Portfolio by GIA sq.m for which there is an Accessibility Plan in place	73.72%	76.11%
D	Number of properties for which there is an Accessibility Plan in place	33	36
BV 156	% Percentage of authority buildings open to the public in which all public areas are suitable for and accessible to disabled people	83.9%	84.4%
Objective:- To monitor progress in providing access to buildings for people with disabilities.			
Definitions:- To monitor the progress at which Local Authorities carry out access audits. To enable key decisions to be made.			
Comments:- Further audit inspections have been undertaken. Year on year PI remains relatively static. The slight improvement is due to a higher proportion of non-compliant properties being disposed. A level of accessibility has now been attained such that further progress with these indices will be difficult to achieve without considerable capital expenditure.			

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PMI 5 A & B: Sufficiency (Capacity and Utilisation) Office Portfolio

		Mar-12	Mar-13
A1a	Operational office property as a percentage (% GIA m ²) of the total portfolio	20.9%	20.6%
A1b	Office space per head of population	0.11 sq m	0.11 sq m
A2	Office space as a % of total floor space in operational office buildings using NOS to NIA	78%	78%
A3a	The number of office or operational buildings shared with other public agencies	1	1
A3b	The % of office or operational buildings shared with public agencies	50%	50%
B1	Average office floor space per number of staff in office based teams (NIA per FTE)	15.67 sq m	17.33 sq m
B2	Average floor space per workstation (not FTE)	10.87 sq m	10.87 sq m
B3	Annual property cost per workstation (not FTE)	£1028.21	£1112.51

Objective:-

To measure the capacity and utilisation of the office portfolio. There is an implicit assumption that services should be delivered in the minimum amount of space as space is costly to own and use. For a similar reason an authority should occupy a minimum of administrative accommodation.

Definitions:-

To identify the intensity of use of space.

To assist councils to identify and minimise assets which are surplus or not in use.

To minimise costs of assets (or avoidance of costs from acquiring more space) through intensification of use.

To measure the level of usage.



Net Internal Area (NIA): The usable area within a building measured to the internal face of the perimeter walls at each floor level.

Net Office Space (NOS): NIA less primary circulation space, civic areas, reception areas, canteen facilities and basement store.


Full Time Equivalent (FTE): No of staff based in the building expressed in full time equivalent terms.

Comments:-

Recent improvements in occupancy rates, achieved through the Accommodation Review, have deteriorated within the Civic Centre. The lower utilisation rate has arisen from staff reductions; there are now more empty desks throughout the building, highlighting a need for further review to redress the shortfalls .

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	Appendix : Property Performance Indicators

PMI 6: Spend		
	Mar-12	Mar-13
Gross Property Costs of the operational estate as a % of the Gross Revenue Budget	2.5%	2.26%
Gross Property Costs per m ² GIA by CIPFA Categories/Types:	£/m2	£/m2
Schools		
Operational Buildings	35.10	29.26
Community Assets	N/A	N/A
Non-operational Assets	16.78	18.06
Objective:- To measure the overall property costs and changes over time. This will be backed up by a number of local indicators relating to the various elements of buildings.		
Comments:- Total running costs show a slight overall improvement on last year's figures as a proportion of the total gross revenue budget. Breaking down the figures, non operational costs reflect a slight increase; this is mainly associated with the Enterprise Centre.		

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	Appendix : Property Performance Indicators

PMI 7 A, B, C & D: Time & Cost Predictability		Mar-12	Mar-13
A	The % of projects where the actual time between Commit to Design & Commit to Construct is within, or not more than 5% above, the time predicted at Commit to Design	90%	100%
B	The % of projects where the actual time between Commit to Construct & Available for Use is within, or not more than 5% above, the time predicted at Commit to Construct	100%	100%
C	The % of projects where the actual cost at Commit to Construct is within +/- 5% of the cost predicted at Commit to Design	100%	100%
D	The % of projects where the actual cost at Available for Use is within +/- 5% of the cost predicted at Commit to Construct	100%	90%
Objective:- To measure time and cost predictability pre and post-contract. To identify variability through the design and construction phases of the project, with the added flexibility of optional "local" indicators to start the measures at an earlier stage.			
Comments:- A cautious approach is taken to target setting for project timescales. Costs limits are strictly enforced and projects are amended to meet the budget if unforeseeable events result in increases beyond the contingency sum. This is reflected in the indicator result. In respect of (D) the 90% outturn figure reflects the position on the Community Resource & Training Centre at Shaddongate where costs exceeded budget. The City QS consultant continually informed us that costs would be within budget until the final account stage.			

APPENDIX II

LOCAL PERFORMANCE INDICATORS

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APPENDIX II**Local Performance Indicators**

Indicator	08/09 Actual	09/10 Actual	10/11 Actual	11/12 Actual	12/13 Target	12/13 Actual	Comments
BV 156 Percentage of buildings open to the public suitable for and accessible to disabled people	81.81%	82%	83.8%	83.9%	85%	84.4%	The slight improvement is due to a higher proportion of non-compliant buildings being disposed of. Improved performance on the remaining buildings will be increasingly difficult to achieve due to capital costs and the nature of the portfolio i.e. Listed Buildings.
MI 931 C1 Maximise the occupancy of Council's commercially let business units	90.53%	87.96%	88.03%	87.87%	90%	85.92%	The target going forward remains the same reflecting the unchanged market conditions. The disposal of a significant proportion of our workshop portfolio, relatively well let, has impacted negatively on this indicator.

Report to Executive

Agenda
Item:

A.5

Meeting Date: 1st July 2013
Portfolio: Culture, Health, Leisure and Young People
Key Decision: YES
Within Policy and Budget Framework NO
Public / Private Public

Title: ARTS CENTRE DEVELOPMENT
Report of: The Director of Community Engagement
Report Number: CD37/13

Purpose / Summary:

The purpose of this report is to allow consideration of the use of the redundant Warwick Street Fire Station in Rickergate as a venue for an Arts Centre for Carlisle and, on the basis of a decision to progress, make available funds to allow this development.

Recommendations:

It is recommended that Executive:

1. Approve the Warwick Street Fire Station for development as an Arts Centre for Carlisle
2. To approve the increase in the capital programme from £586,000 to £1,064,500, for recommendation to Council, noting that the increase will be funded from additional capital receipts generated from the Asset Review Programme;
3. To approve the release of the current budget and re-profiling of the overall scheme, subject to Council approval above, with £50,000 being incorporated within the 2013/14 Capital Programme and £1,014,500 in the 2014/15 Capital Programme;
4. Delegate authority to the Portfolio Holder for Culture, Health, Leisure and Young People in consultation with the Director of Community Engagement to produce and progress the plans to deliver the Arts Centre as detailed in this report
5. Make this report available for consideration by the Community Overview and Scrutiny Panel

Tracking

Executive:	1 July and 5 August
Overview and Scrutiny:	11 July
Council:	10 September

1. BACKGROUND

- 1.1** There has been a long history of exploring the idea of a mid-scale arts centre and performance venue in Carlisle. The Carlisle Plan (ref PC 08/13) provides a pledge for the development of an arts centre within the city.

The Plan's overarching Vision is to *'promote Carlisle as a prosperous City, one in which we can be proud'*. To help achieve this, it commits to *'develop vibrant sports, arts and cultural facilities, showcasing the City of Carlisle'*.

2. PROPOSAL

2.1 Outputs

It is proposed that a venue be identified for an Arts Centre which can:

- bring a new performing arts and entertainment focus into the Carlisle, delivering an offer to the city and its wider hinterland.
- deliver exciting and developing programmes of quality arts and entertainments, aimed at building and broadening audiences.
- offer a varied range of opportunities for Carlisle residents as participants, creators and performers.
- stimulate local talent and build the profile of Carlisle and Cumbria's creative and digital industries sector. This will include supporting emerging, Carlisle based, commercial artists and designers and potential collaboration with Carlisle College and the University of Cumbria.
- contribute distinctively to Carlisle's visitor offer, linking into, and being a resource for, festivals, events, projects and cultural providers.
- provide the foundation for future developments in arts and entertainment.

Having considered potential venues in Carlisle, the former Fire Station in Rickergate is proposed as the preferred option. It is a substantial building with a straightforward structure on a prominent corner site on the edge of the historic quarter.

- 2.2** The proposed format is to use the Warwick Street fire engine range as the main auditorium with the public entrance facing Peter Street. This would provide a larger flexible foyer space and open up the west end as a strong and attractive public face. At first floor level across the west end would be two substantial performance and multi-use studios,, making it a useful function space. Ground floor audience capacity is estimated to be 266 seated and 400 standing. At first floor level the two multi-use studios would each have space for around 110 seated and 200 standing.
- 2.3** New build within the enclosed courtyard, along the rear of the Warwick Street wing, would be required to enable independent access to all main spaces, back of house, dressing rooms and administration spaces.
- 2.4** The Fire Station also includes other usable spaces which could further broaden its offer. On the North side of the yard entrance it includes:

- the former maintenance bay which would accommodate, for example, gallery space, visual arts projects and/or set and street performance building opportunities
- a large meeting room, with potential for managed and incubator workshop space for emerging commercial artists and/or sub-letting

It also has a large loft space over the Warwick Street frontage which may offer substantial visual arts or other studio opportunities

Developed effectively and with a strong design concept, the Fire Station could deliver the Arts Centre concept well.

3. THE MARKET POTENTIAL

- 3.1** In terms of the Carlisle market, there is clearly independent promotion going on, such as The Brickyard, College and University are active in their own ways, the West Walls Theatre is home to non-professional theatre, and the Sands has a significant offer of mainstream large-scale touring entertainment, and is the venue for the Arts Council England funded subscription concert series. None of these are considered to diminish the potential, in a significant regional city, of a well-planned and operated mid-scale mixed programme arts and entertainments venue.

Operational revenue issues are significant. To ensure long term stability and success it is envisaged that some revenue support will be required from external sources and/or City Council in the first years of operation. Important issues to note are that building and strengthening a sustainable audience base which is complementary to and not in competition with other local venues is likely take a number of years to develop. Similarly capacity building through partnerships and joint programming with local commercial promoters, venues and third sector organisations, while an immediate priority for work will be properly judged over a three to five year timeframe. This is recognised in the industry and by the Arts Council for England, which will take this into account in considering applications for funding. A separate report will be brought forward to consider revenue requirements.

4. MANAGEMENT

- 4.1** The long-term success of the enterprise will be determined primarily by the skills, knowledge, commitment and vision of the team which manages and operates it. The Carlisle development will require a genuinely dynamic team operating in a light-footed way, with real entrepreneurial flair, in a culture of innovation. It will require a genuine ability to work effectively, and with mutual respect, with a wide range of partners.

It is not proposed to make a final decision on management and governance arrangements at this stage, with the City Council retaining a central leadership role as the project is progressed. It is likely that to achieve the best balance of accountability, sustainability and entrepreneurial acumen, operational management will, in the medium term will be passed to an independent not for profit organisation. A separate report will be brought forward to consider this.

5. PROGRAMME

- 5.1 Carlisle has a recognised weakness in ‘mid-scale’ arts and entertainments programmes compared to other regional cities and large towns. The programme will need to take full account of Carlisle’s existing offer, including key venues Tullie House, the Brickyard, West Walls Theatre, Stanwix Theatre and the Sands, as well as events such as the long-standing Blues Festival, and newer initiatives like Carlisle Music City. As an audience base is developed, the programme offer will include a broad range of content across and within the core genres of touring and available product – theatre, music theatre, dance, comedy and music, aimed at different audience segments. It will mix popular commercially reliable activities with innovative opportunities. This will be based on the development of active performance and programme partnerships and strong relationships with performance companies in the north of England and southern Scotland.

6. DESIGN CONCEPT AND CAPITAL COSTS

Day Cummins Ltd (Architects) was commissioned to assess the viability of the Fire Station, alongside two other venues. The Fire Station was subsequently considered as the preferred choice., on the grounds of innovation, value and accessibility The building is situated close to a number of car park facilities and its rear yard provides off street access for event vehicles to unload. The building currently has an Energy Performance Certificate (EPC) rating of C. Option design and preliminary costings are shown in Appendix 2

The proposed scheme includes a new main stair access and lift which will provide disabled access to the upper floors. At the same time it will form the transition between the main uses of the building along with vertical circulation and interesting designed views of the tower feature.

The sectional existing garage doors can be replaced with infill pod panels using acoustic materials and sensitive feature lighting to form a striking appearance along the prime Warwick Street frontage.

The total capital cost of the project is estimated at £1,064,500

<u>Capital Activity</u>	<u>Costs</u>
New build Extension, Refurbishment / conversion of existing	£700,000.00
Specialist Equipment	£314,500.00
Other design, acquisition, survey, legal & planning fees & investigation costs	£50,000.00
Total Capital	£1,064,500.00

It is anticipated that design and planning costs being incurred in 2013/14 and expenditure on new buildings, refurbishments and equipment will take place in 2014/15.

The anticipated timetable for the scheme is as follows:

a) Preparation of Tender Documentation	12/8/13
b) Tenders out for Design & Build Package	12/8/13
c) Tenders back	6/09/13
d) Review returns & Inform successful Design Team	20/09/13
e) Cool off period	02/10/13
f) Award to D&B team	03/10/13
g) Planning Application Submission	15 /11/13
h) Consideration of Planning Application	31/01/14
i) Contractor mobilisation up to	3/03/14
j) Start on site	3/03/14
k) Estimated completion by	31/10/14

7. CONSULTATION

Consultation has taken place throughout the appraisal process to date including through:

- Engagement with key stakeholders involved in the cultural sector to understand the current offer and conduct a gap analysis;
- Discussions with similar providers such as: Queens Arts Centre Hexham, Kendal Arts Centre,
- Dialogue with promoters and providers of cultural offer and community arts activities to understand the current market offer and any opportunities.
- The further and higher education sector - Carlisle College, particularly linked to joint working around its arts and digital programme (including facility development and curriculum support) and the University of Cumbria linked to undergraduate/postgraduate programmes, galley provision and workshop space

Ongoing dialogue through the City Council's overview and scrutiny process and with local residents, community groups and the education, private and third sector is being scheduled over the coming weeks.

8. CONCLUSION AND REASONS FOR RECOMMENDATIONS

- 8.1** Carlisle has a recognised weakness in 'mid-scale' arts and entertainments programmes and in line with the Aim of the Carlisle Plan now seeks to develop a sustainable facility which will act as a focal point for creative arts complementing and supporting the existing offer in and around the City. This is in line with the vision and actions in the Carlisle plan.

In order to progress this it is proposed that Executive:

1. Approve the Warwick Street Fire Station for development as an Arts Centre for Carlisle
2. To approve the release of the funding (£586,000) approved as part of the 2013/14 budget for the building development (as Section 6);
3. Make recommendations to Council to increase the capital programme for the scheme to £1,064,500 from £586,000 with the increase to be funded from additional capital receipts generated as part of the asset review programme and that the expenditure be re-profile in line with revised expenditure requirements at Section 6.
4. Provide delegated authority for the Portfolio Holder for Culture, Health, Leisure and Young People to produce and progress the plans to deliver work as outlined in this report
5. Make this report available for consideration by the Community Overview and Scrutiny Panel

9. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

- 9.1** This project will deliver Action 1 'to deliver a city centre Arts Centre and therefore contribute to meeting one of the Council's key corporate objectives **'We will develop vibrant sports, arts and cultural facilities, showcasing the City of Carlisle'**

Contact Officer:	Keith Gerrard	Ext: 7350
Appendices	Appendix 1: Indicative Income & Expenditure	
attached to report:	Appendix 2: Architects Concept Designs & Cost	

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 -

Economic Development – The proposal will be subject to planning permission, however, in view of the buildings former use that in principle the use is acceptable subject to conditions relating to noise and opening times.

Governance – The Local Government Act 2000 (Section 2) provides that the Council has the power to do anything which it considers likely to achieve the promotion or improvement of the economic, social or environmental well-being of its area. The power may be used in relation or for the benefit of the whole or any part of the community or all or any persons present or resident in the Council's area. The Council is able to incur expenditure in relation to the Fire Station as it owns the said property. In exercising the power, the Council must have regard to its Community Strategy.

The future use of the premises as an Arts and entertainment venue is subject to the planning and licensing regulatory regimes and it is important that these are accounted for prior to significant commitment and expenditure. Goods, services and works must be properly procured and contracts should be subject to appropriate terms and conditions.

Local Environment – None

Resources – The capital programme approved by Council in February as part of the 2013/14 budget process, provides capital funding for this scheme of £586,000 (2013/14 - £250,000, 2014/15 - £161,000, 2015/16 - £175,000). If the scheme outlined above is approved, the capital programme would need to be increased by £478,500. This could be funded from additional capital receipts generated from the asset review (£813,686). There are also surplus general capital receipts available within the MTFP of £360,333. The capital programme would also need to be re-profiled in order to meet the anticipated spend on the project, with £50,000 being incurred in 2013/14 and £1,014,500 being incurred in 2014/15. The use of additional asset review receipts will forego the possibility of generating additional rental income for the Council in line with the Asset Business Plan.

As part of the 2013/14 revenue budget approved by Council in February 2013, recurring revenue funding for the Arts Centre scheme was approved with £129,000 approved for 2013/14, £104,000 approved for 2014/15 and £159,000 approved for 2015/16 and beyond. A further report will need to be prepared for a future Executive detailing the on-going revenue costs.

There may be possibilities to apply for external funding to support the capital or revenue costs of the project and these will need to be investigated further.

Due to the value of the capital works anticipated, a competitive procurement process will need to be undertaken in order to appoint a contractor to undertake the developments.

APPENDIX

ARCHITECTS CONCEPT DESIGN AND CAPITAL COSTS

ARCHITECTS CONCEPT DESIGN & COST

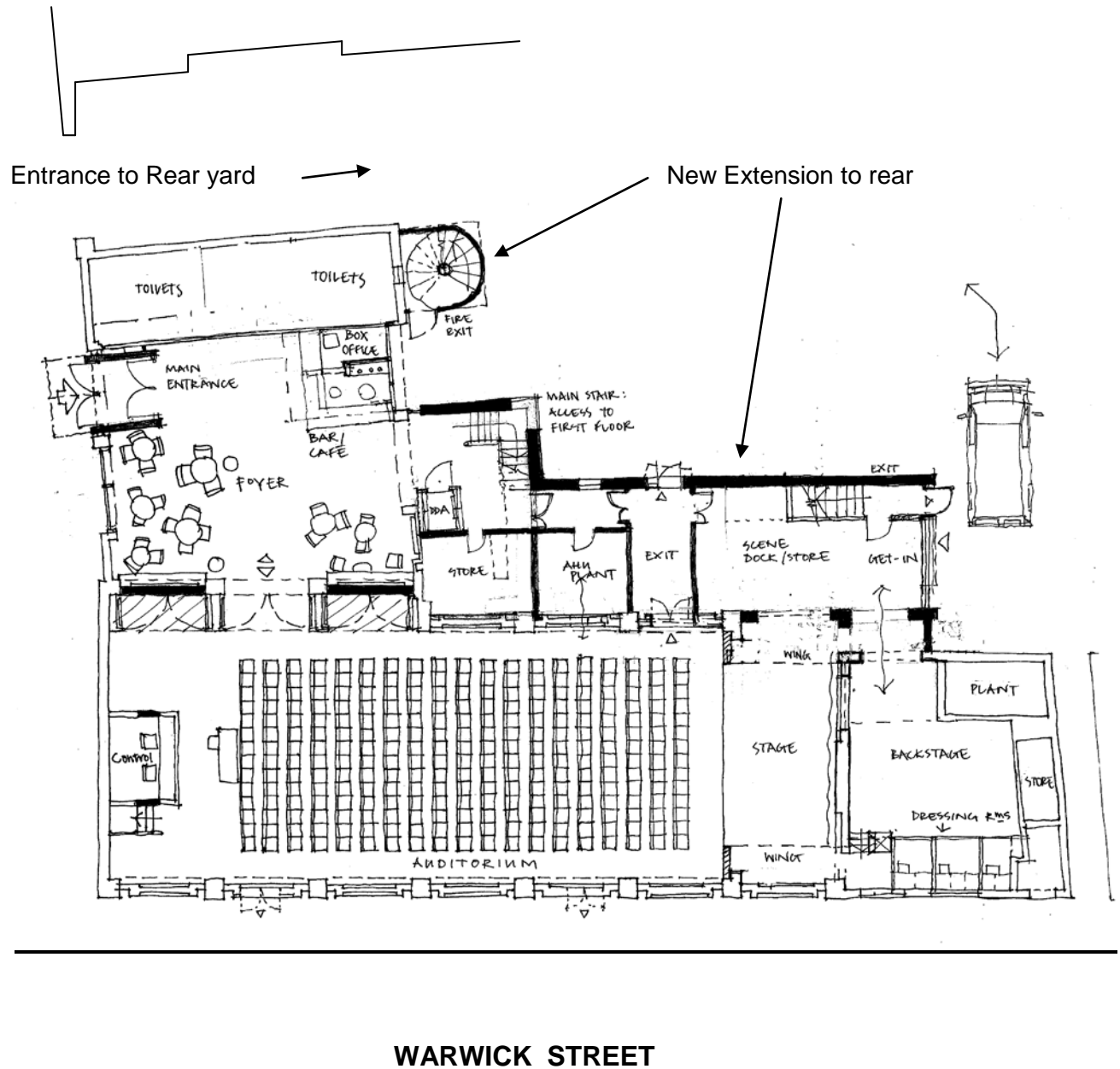
FORMER FIRE STATION, RICKERGATE



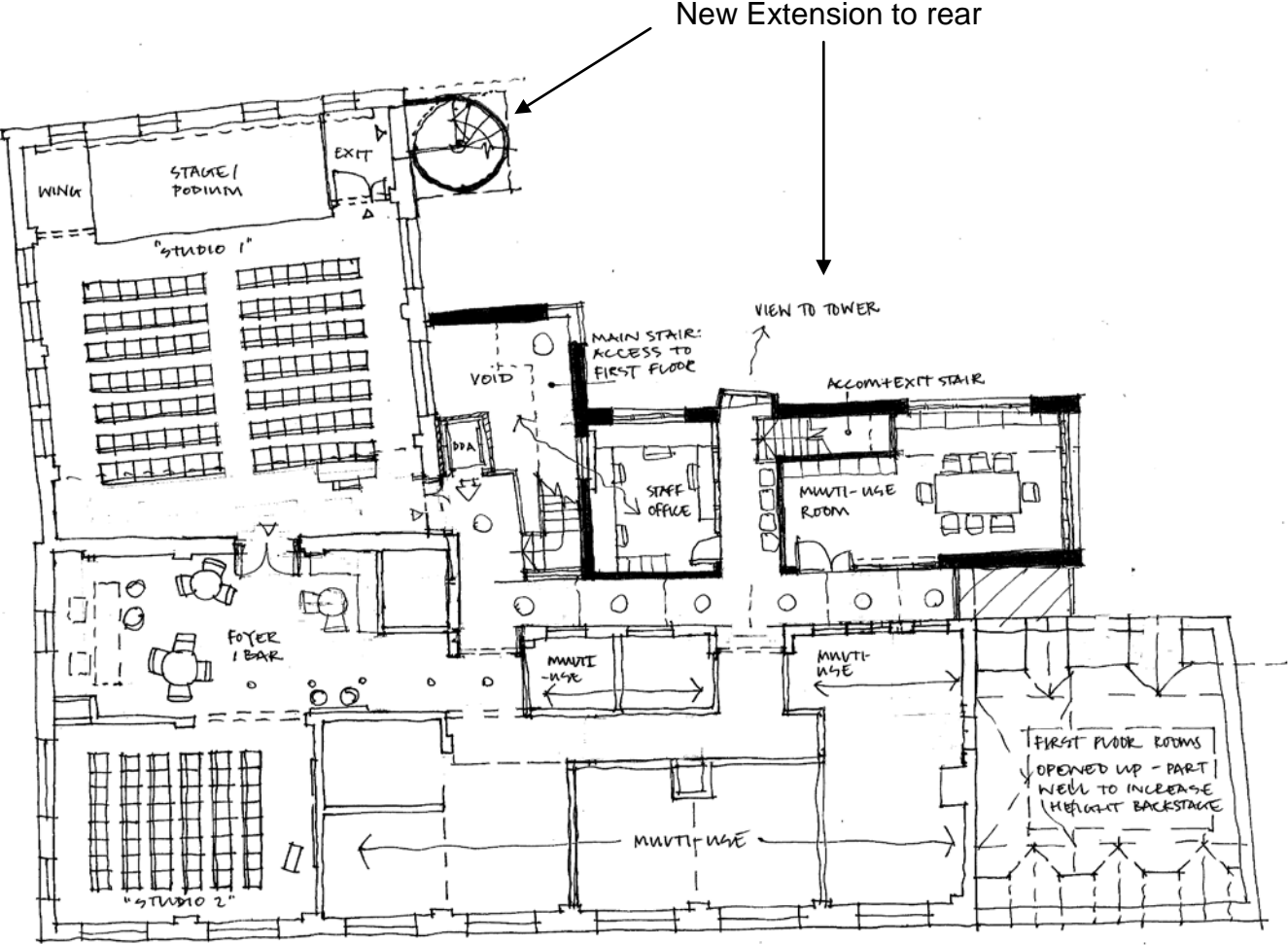
DESIGN & CAPITAL COSTS

<u>Capital Activity</u>	<u>Costs</u>
New build Extension, Refurbishment / conversion of existing	£700,000.00
Specialist Equipment	£314,500.00
Other design, acquisition, survey, legal & planning fees & investigation costs	£50,000.00
<u>Total Capital</u>	<u>£1,064,500.00</u>

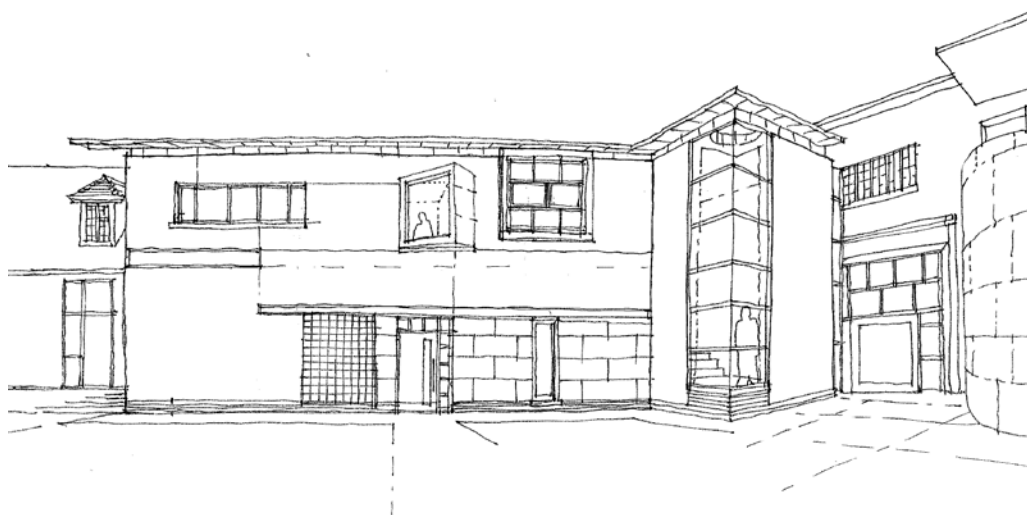
Ground Floor Proposals Plan



First Floor Proposals Plan



View of Rear new Extension from within yard



Specialist Capital expenditure (Included in design & Capital costs above.)

	COST
BACKSTAGE	
Mirrors	£1,000
Lighting	£5,000
Tables and Chairs	£1,500
Toilets Showers	£20,000
FRONT OF HOUSE	
Sofa Cinema – Screen, projector, sound system, sofas	£25,000
Soundproofing	£5,000
Catering equipment	£10,000
Café bar tables chairs and equipment	£7,500
Bar	£20,000
Repairs to cracks	£2000
Box office	£12,500
Cloakroom	£12,500
Chairs	£18,000
F/A, emergency lighting and signage	£22,000
Electrics & lighting	£10,000
Mechanical/heating improvements	£12,000
Stage Lighting	£15,000
Gallery lighting	N/A
Air conditioning	£8,000
Sound system and microphones	£25,000
Sound desk	£5,000
Decoration	£12,000
Stage appropriate for venue	£25,000
Stage curtains	£2,500
Storage area for stage scenery	£2,500

Carpets / flooring	£7,500
Conditional survey requirements	£6,000
Asbestos signage	£500
Conference / meeting room facilities	£5,000
Tables and Chairs	£2,500
Projectors	£1,000
Whiteboards	£500
Screens	£500
PA system	£2,500
IT and telephone system	£10,000
	£314,500

ADDENDUM REPORT TO CD 37/13



Report to Executive

Agenda
Item:

A.5
refers

Meeting Date: 5 August 2013
Portfolio: Culture, Health, Leisure and Young People
Key Decision: NO (However the original report CD37/13 is a key decision)
Within Policy and
Budget Framework YES
Public / Private Public

Title: ARTS CENTRE DEVELOPMENT
Report of: The Director of Community Engagement
Report Number: CD 37/13

Purpose / Summary:

This addendum outlines the revenue profile for the arts centre over a three year period including the revised profile for the 2013/14 financial year as requested by the Community Overview and Scrutiny Panel of the 11th July 2013.

Recommendations:

It is recommended that Executive:

1. Note the re profiling of the existing budgets to future years.
2. Note the use of the 2013/14 budget provision to fund current arts activity and for the development of a pilot arts programme.

Tracking

Executive:	5th August 2013
Overview and Scrutiny:	
Council:	

1. BACKGROUND

- 1.1** The Chairman of the Community Overview and Scrutiny Panel reported that Executive Decision EX.69/13 from the Executive on 1 July 2013 concerning Arts Centre Development had been called-in by Community Overview and Scrutiny Panel as members were unclear about how the arts centre would be funded. This addendum provides the latest Art Centre “revenue” profiles as requested by COSP.

2. REVENUE PROFILE

- 2.1** To ensure long term stability and success of the Arts Centre it is envisaged that some revenue support will be required from external sources and the City Council. According to Arts Council England, it has been the experience of similar facilities in other parts of the country that sustainable use and ticket sales take a number of years to develop and to be properly established. As part of the 2013/14 revenue budget approved by Council in February 2013, recurring revenue funding for the Arts Centre scheme was approved with £129,000 for 2013/14, £104,000 for 2014/15 and £159,000 for 2015/16 and beyond. In due course a further report will be prepared for the Executive detailing the estimated on-going revenue costs.
- 2.2** Estimated revenue cost at this stage are based on a cautious approach. Income from ticket sales and hires and the year on year increase in years two and three are relatively modest.
- 2.3** Similarly building heating, lighting and maintenance costs have been modelled on a building of similar size and age. It is likely however, on the completion of capital refurbishment, that heat, light and maintenance costs may be less.
- 2.4** Likewise other operational costs, such as staffing, are modelled on a building of similar size. On completion of refurbishment it is envisaged that the interior design and layout will lend itself to be run more efficiently by a small core staff team.
- 2.5** As part of a commitment to support local skills and training through the arts, and specifically at the Arts Centre, it is proposed that an apprenticeship will be offered to complement the operational and management team.
- 2.6** Although no final decision has been made about governance at this stage, trustee expenses are indicative.

- 2.7 Appendix one profiles the revenue costs of the arts centre over a three year period and shows the net cost to the City Council in each year. Costs associated with the use of the building, licensing, insurance and event delivery are included as are allowances for marketing, programme investment and specialist art consultancy. Management costs of £50,000 are cost neutral, as they are offset by income from seconded staff in kind.
- 2.8 The figures in year one (2013/14) have been updated to reflect 2013/14 activity in setting up the Arts Centre and pilot arts programme during this period. These changes reflect deleting the income from ticket sales, hire of performance space etc during 2013/14 being matched by a reduction in expenditure on planned maintenance, repairs, etc.
- 2.9 Within the pre build 2013/14 year, £58,000 programme investment will support the delivery of a pilot programme that promotes the space, assesses audience/ market reaction and tests what works. It includes meeting the costs associated with commissioning artists, materials, infrastructure, e.g. staging and lighting and room hire.
- 2.10 A key element of the pilot programme process will be local involvement by residents and community/voluntary sector groups and the establishment of a network of supporters and committed volunteers.
- 2.11 This approach is designed to support the future sustainability of the arts centre, including income from hire of performance space.
- 2.12 Building on the back of established relationships developed to support the delivery of the pageant, the pilot programme will operate from the engine shed and gym; with outreach work taking place in Carlisle's urban and rural communities to ensure that the cultural offer is accessible and open to all.

3. CONCLUSION AND REASONS FOR RECOMMENDATIONS

- 3.1 The three year revenue profile is provided to satisfy the requirements of COSP by giving details of how the Arts Centre will be funded and the net revenue contribution that is required from the City Council to pump prime the development of a vibrant, arts and cultural facility that showcases the City of Carlisle

- 3.2** In order to progress this it is proposed that Executive:
1. Note the re profiling of the existing budgets to future years.
 2. Note the use of the 2013/14 budget provision to fund current arts activity and for the development of a pilot arts programme

4. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

- 4.1** This project will deliver Action 1 ‘to deliver a city centre Arts Centre and therefore contribute to meeting one of the Council’s key corporate objectives **‘We will develop vibrant sports, arts and cultural facilities, showcasing the City of Carlisle’**

Contact Officer: Keith Gerrard Ext: 7350

Appendices Appendix 1: Indicative “Revenue” Income & Expenditure 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 -

Economic Development –

Governance – The Local Government Act 2000 (Section 2) provides that the Council has the power to do anything which it considers likely to achieve the promotion or improvement of the economic, social or environmental well-being of its area. The power may be used in relation or for the benefit of the whole or any part of the community or all or any persons present or resident in the Council’s area. The Council is able to incur expenditure in relation to the Fire Station as it owns the said property. In exercising the power, the Council must have regard to its Community Strategy.

The future use of the premises as an Arts and entertainment venue is subject to the planning and licensing regulatory regimes and it is important that these are accounted for prior to significant commitment and expenditure. Goods, services and works must be properly procured and contracts should be subject to appropriate terms and conditions.

Local Environment – None

Resources – As set out in paragraph 2.1 of the report, revenue funding has been approved for the development of a City Arts Centre, with funding allocated of £129,000, £104,000 and £159,000 for years 2013/14, 2014/15 and 2015/16 onwards. This report advises Members of the need to re-profile these budgets into future years, as set out in Appendix 1, and in line with the programme of structure work required to the preferred site. This will be considered as part of the 2014/15 budget process.

The Executive are also asked to note the use of the 2013/14 budget provision (£129,000) to fund in year arts activity and for the development of a pilot arts programme for the venue.

A further report will be presented to a future Executive providing the detailed on-going operational costs of running the venue, once confirmed.

REVENUE PROFILE FOR THE ARTS CENTRE

APPENDIX ONE

Table 1: Revenue expenditure years 1 to 3

Revenue Expenditure	Pre Build (2013/14)	Year 1 (2014/15)	Year 2 (2015/16)	% Increase	Year 3 (2016/17)	% Increase	Comments
Planned maintenance	£0	£23,000	£23,000	0.00%	£23,000	0.00%	Based on a building of similar age and condition
Reactive maintenance	£1,500	£16,000	£16,000	0.00%	£16,000	0.00%	Based on a building of similar age and condition
Energy Costs	£3,000	£36,000	£36,000	0.00%	£36,000	0.00%	Based on 70-100% use of building. Will be dependent on level of program delivered.
Cleaning	£500	£16,000	£16,000	0.00%	£16,000	0.00%	Based on 20 hours per week at £15 per hour (gross). May vary dependent on programme of events.
Rates	£5,000	£5,000	£5,000	0.00%	£5,000	0.00%	Rates reduced from £13,000 to £5,000 to account for rate relief.
Marketing	£15,000	£20,000	£20,000	0.00%	£20,000	0.00%	
Programme investment	£58,000	£30,000	£30,000	0.00%	£10,000	-66.67%	To develop and establish a programme of events
Management	£50,000	£50,000	£50,000	0.00%	£50,000	0.00%	This expenditure is offset by Seconded staff in kind income.
Apprentice	£20,000						Maximum costs for an apprentice for 2 years. Year 1 cost of £6,400 then year 2 is age dependent and could range from £7,500 to £13,700. As post would be 2 years, it is likely some budget would require carried forward at the year end - (see para 2.5 above).
Trustee expenses	£0	£10,000	£10,000	0.00%	£10,000	0.00%	this takes into account of potential cost associated with use of a trust governance model - such as allpied at Tullie House. However no governace decsion has been made at this stage (see para 2.6 above)
Licences	£1,000	£3,000	£3,000	0.00%	£3,000	0.00%	Performing Rights Society licences, PPL, alcohol licence.
Security / Event security	£1,000	£10,000	£10,000	0.00%	£10,000	0.00%	Building security / Front of House security - variable depending on events held.
Insurance	£3,000	£3,000	£3,000	0.00%	£3,000	0.00%	Buildings / Contents / Public Liability / Events - likely to vary depending on events held
IT / Telephone	£1,000	£5,000	£5,000	0.00%	£5,000	0.00%	
Specialist Arts Consultancy	£20,000	£20,000		0.00%	£0	0.00%	
Revenue Costs	£179,000	£247,000	£227,000		£207,000		

Table 2: Revenue Income years 1 to 3

Revenue Income	Pre Build (2013/14)	Year 1 (2014/15)	Year 2 (2015/16)	% Increase	Year 3 (2016/17)	% Increase	Comments
Arts Council Grant	£0	£30,000	£30,000	0.00%	-		50:50 match funding. Likely to be able to use seconded staff as match funding.
Cafe/Bar (net)	£0	£8,000	£9,000	12.50%	£10,125	12.50%	Costs of running the bar have been factored in. E.g. Licences, health and safety, regulations met to allow catering and alcohol to be supplied, stock, staffing, set up costs.
Seconded staff in kind (i)	£30,000	£30,000	£30,000	0.00%	0		This income is used to offset Management costs
Seconded staff in kind (ii)	£20,000	£20,000	£20,000	0.00%	£0	-100.00%	This income is used to offset Management costs
Managed work space	£0	£5,000	£5,625	12.50%	£6,328	12.50%	
Performance space hire	£0	£3,000	£3,375	12.50%	£3,797	12.50%	
Performance ticket sales	£0	£5,000	£5,625	12.50%	£6,328	12.50%	
Rehearsal hire	£0	£2,000	£2,250	12.50%	£2,531	12.50%	
Fundraising and sponsorship	£0	£15,000	£16,875	12.50%	£18,984	12.50%	
Revenue Income(including in kind)	£50,000	£118,000	£122,750		£48,093		12.5% increase based on expected increase in programme.

Table 3: Net Revenue Costs years 1 to 3

Description	Pre Build (2013/14)	Year 1 (2014/15)	Year 2 (2015/16)	% Increase	Year 3 (2016/17)	% Increase	Comments
Net revenue costs	£129,000	£129,000	£104,250		£158,907		Net Revenue Cost to the Council
Current Budget Approved	£129,000	£104,000	£159,000		£159,000		
Additional cost/(Saving)	£0	£25,000	-£54,750		-£93		

It is proposed that the budgets approved through the 2013/14 budget process are moved forward a year, and the budget approved for 2013/14 is used to start developing and delivering a programme of events in the Fire Station prior to the capital works commencing.

EXCERPT FROM THE MINUTES OF THE COMMUNITY OVERVIEW AND SCRUTINY PANEL HELD ON 11 JULY 2013

COSP.47/13 CALL-IN OF DECISIONS

The Chairman of the Community Overview and Scrutiny Panel reported that Executive Decision EX.69/13 from the Executive on 1 July 2013 concerning Arts Centre Development had been called-in by Councillors Ellis, Mrs Prest and Mrs Vasey.

The Executive had decided:

That the Executive:

1. Approved the Warwick Street Fire Station for development as an Arts Centre for Carlisle
2. Approved the increase in the capital programme from £586,000 to £1,064,500 for recommendation to Council, noting that the increase will be funded from additional capital receipts generated from the Asset Review Programme.
3. Approved the release of the current budget and re-profiling of the overall scheme, subject to Council approval above, with £50,000 being incorporated within the 2013/14 Capital Programme and £1,014,500 in the 2014/15 Capital Programme.
4. Delegate authority to the Portfolio Holder for Culture, Health, Leisure and Young People in consultation with the Director of Community Engagement to produce and progress the plans to deliver the Arts Centre as detailed in report CD.37/13.
5. Make report CD.37/13 available for consideration by the Community Overview and Scrutiny Panel.

The reason for the decision by the Executive was that Carlisle had a recognised weakness in “mid-scale” arts and entertainments programmes and, in line with the aim of the Carlisle Plan, now sought to develop a sustainable facility which would act as a focal point for creative arts complementing and supporting the existing offer in and around the City. That was in line with the vision and actions in the Carlisle Plan.

The reason given by the Members for the call-in was “Concerns over doubling of capital costs”.

The call-in Members explained that they were concerned that the increase in the capital programme was the only part of the Executive’s decision that was to be referred to Council. The Members believed that the proposed costs for the project had already doubled and from experience believed that costs would rise higher than the estimate provided. The report stated that the Council were committed to the project but gave no indication of who would run the centre, how it would be funded or who would use it. The call-in Members acknowledged that those issues would be addressed but they were of the opinion that the decision had been made before costs were known.

The Member advised that some Members had received a briefing from the Director of Community Engagement on the revenue implications for the Council but the Director had not been able to provide a full answer at that time.

It had also been decided by the Executive to delegate authority to the Culture, Health, Leisure and Young People Portfolio Holder to produce and progress plans to deliver the Arts Centre.

Call-in Members believed that the report suggested that scrutiny would have no role in the project as the decisions had been made. Discussions about revenue and potential users had not been scrutinised by Councillors and if the decision had not been called in the decision would have become live.

The Culture, Health, Leisure and Young People Portfolio Holder advised that the report was the first step of a long process. The Arts Centre would tie in with the Carlisle Local Plan to make Carlisle a prosperous City and help to achieve a sports and arts showcase. The paper had taken over a year to produce and a range of venues had been explored. The Council had been investigating an arts centre since 2006 when a report was submitted to the Executive following a review by Roger Lancaster Associates.

The Culture, Health, Leisure and Young People Portfolio Holder stated that the report recently submitted to the Executive was the first step to ensure the capital costs and that additional money could be put into the budget. The figures provided were outline figures. The Executive wished to ensure that an arts centre would attract residents and tourists both now and in the future. The Portfolio Holder believed that Officers had looked at the building to ensure it was fit for purpose, there had been consultation with local residents who had provided positive feedback and there would be further reports in the future in respect of revenue, the business case and who would run the centre.

The report outlined the aims and ambitions of what the Executive wished to deliver.

A Member reminded Members that the City Council owned the fire station building so there would be no outlay to purchase the building.

A Member believed that the decision had been made and that there would be no further scrutiny on that decision. There was no business plan for the development and there was no indication of revenue costs. The report suggested that the project could be funded from the Asset Review Programme. However, the Member believed that the programme was to sell low return assets and invest the funds in high return assets. There was also no risk assessment included in the report.

The Portfolio Holder stated that the report indicated that the Executive were looking at the fire station as a possible venue. The Member pointed out that the decision stated that the Executive "Approved the Warwick Street Fire Station for development as an Arts Centre for Carlisle". The Portfolio Holder advised that the programme was at an early stage and if the figures did not stack up further along the process the Executive

would come back with other proposals. However, the Executive wanted an arts centre and there was more than enough evidence of the need for an arts centre.

The Portfolio Holder stated that the Executive had been careful with the Council's budget over the past year and while they were aware that there were people in the City who were suffering they wished to ensure the Council achieved a good return on their money and created income streams.

A Member believed that the Council had adopted the PRINCE 2 method of project management. The report indicated that that process was not being followed. The Deputy Chief Executive advised that in the past PRINCE 2 had been used but there was currently a Corporate Project Board that managed projects alongside training in Microsoft Project for Officers. The Deputy Chief Executive outlined the remit of the group and advised that the group would report on the project to the Resources Overview and Scrutiny Panel.

A Member queried whether revenues had been investigated. The Deputy Chief Executive explained that the report did not go into the finer detail but that he would expect the project group would look at those issues. The group was set up with the Culture, Health, Leisure and Young People Portfolio Holder and looked at access and value for money to ensure that the project could be delivered alongside everything else.

A Member was reassured by the comments and whilst she was not against the proposal she believed there was insufficient information in the report for the Executive to make an informed decision.

The Environment and Transport Portfolio Holder believed that the scheme would give a better return on Council funds than present interest rates. She had been to a meeting that morning regarding the Sense of Place and advised that the people who attended were positive about the vision and development in Carlisle and believed that Carlisle should be a destination and not a gateway to somewhere else. The Portfolio Holder believed that Carlisle was out on a limb by not having an arts centre. Residents in the Rickergate area had been concerned about the future of the area but the present proposal had allayed those fears. The Portfolio Holder also believed that the proposal would provide an iconic building of which the people of Carlisle would be proud. She explained that the capital costs had increased following the submission of the architect's concept.

A Member stated that he was not against a new theatre and believed that the main reason for the failure of the Lonsdale project was that the building had been allowed to deteriorate to its present condition. The proposed arts centre would be in a residential area with a lot of people around and therefore he did not believe it was the right building.

The Deputy Leader advised that there had been a lot of work undertaken on the project and at the beginning costs were investigated. He highlighted a number of smaller theatres across the country which were very successful. The report had been submitted to the Panel for their involvement.

A Member stated that the information had not been available to all Members until the Executive report was published while others had been given a presentation prior to the Executive meeting. He confirmed that the decision had been called in as members were unclear from the report how the arts centre would be funded and by whom and how it would be run.

The Culture, Health, Leisure and Young People Portfolio Holder outlined the revenue funding as set out within the report. She believed that the arts centre would complement what was already in place and Officers had looked at similar projects in other areas.

The Director of Resources advised, in response to a query from a Member, that the financial figures in the report were a best estimate and were indicative of costs the Local Authorities incurred when running an arts centre. The figures were based on the arts centre being in the Methodist Hall and the Director advised that it was likely that the costs would change. Officers were looking to see what grants were available and a further report would be submitted at a future meeting.

The Deputy Leader acknowledged Members' concerns regarding costs but reiterated that the project was in its early stages and it would be difficult to provide precise figures at such an early stage.

The Environment and Transport Portfolio Holder reminded Members that the issue around the impact on residents had been raised. She believed that so long as the building was adequately sound-proofed there would not be any issues.

The Culture, Health, Leisure and Young People Portfolio Holder advised that she had met with residents on two occasions during the previous week all of whom had given positive feedback. The Portfolio Holder had also received a letter in support of the project.

The Environment and Transport Portfolio Holder, as a Ward Councillor, along with a fellow Ward Councillor, had also met with residents and advised that the majority were in favour of an arts centre on the site.

A Member stated that although the Director of Resources and the Deputy Leader had indicated how much had been put aside for the scheme there was no indication of how much the scheme was likely to cost and how the budget would be achieved.

The Deputy Leader confirmed that Officers, the Executive and the Panel would monitor the project to move the project forward.

A Member believed that the vision could be achieved and would be a major attraction and stimulus for the City. The arts centre could be a centre point for people across the district and would enrich the economic and cultural life of the City.

The Culture, Health, Leisure and Young People Portfolio Holder advised that Officers were working on a business plan for the arts centre but that it would not be ready in time for the next meeting of the Council. When the report was ready it would contain more information about revenue costs.

In response to a query from a Member the Director of Governance agreed to provide the latest revenue projections for the project as an addendum to the report to Council. Under those circumstances the Member was satisfied that matter was being addressed by the Executive and that it would not be necessary to refer the matter back to the Executive.

Members were satisfied that the Panel would be able to scrutinise the project and agreed that it would not be necessary to refer the matter back to the Executive or Council.

RESOLVED: That the matter shall not be referred back to the Executive and the decision shall take effect from the date of this meeting.

EXCERPT FROM THE MINUTES OF THE COMMUNITY OVERVIEW AND SCRUTINY PANEL HELD ON 11 JULY 2013

COSP.52/13 ARTS AND CULTURE STRATEGY (ARTS CENTRE)

The Director of Community Engagement submitted report CD.40/13 concerning the potential development of an Arts Centre for Carlisle. The matter had been considered by the Executive at their meeting on 1 July 2013 when they made the following decision:

That the Executive:

1. Approved the Warwick Street Fire Station for development as an Arts Centre for Carlisle
2. Approved the increase in the capital programme from £586,000 to £1,064,500 for recommendation to Council, noting that the increase will be funded from additional capital receipts generated from the Asset Review Programme.
3. Approved the release of the current budget and re-profiling of the overall scheme, subject to Council approval above, with £50,000 being incorporated within the 2013/14 Capital Programme and £1,014,500 in the 2014/15 Capital Programme.
4. Delegate authority to the Portfolio Holder for Culture, Health, Leisure and Young People in consultation with the Director of Community Engagement to produce and progress the plans to deliver the Arts Centre as detailed in report CD.37/13.
5. Make report CD.37/13 available for consideration by the Community Overview and Scrutiny Panel.

The Director of Community Engagement introduced Mr Hugh Champion to the Panel. Mr Champion was a recognised expert and development consultant in Arts Centres and had given advice and support whilst looking through the site options. The report commented upon the long history of exploring the idea of a mid-scale Arts Centre and performance venue in Carlisle, adding that the Carlisle Plan provided a pledge for the development of an Arts Centre within the City.

It was proposed that a venue be identified for an Arts Centre which could:

- bring a new performing arts and entertainment focus into the Carlisle, delivering an offer to the city and its wider hinterland.
- deliver exciting and developing programmes of quality arts and entertainments, aimed at building and broadening audiences.
- offer a varied range of opportunities for Carlisle residents as participants, creators and performers.
- stimulate local talent and build the profile of Carlisle and Cumbria's creative and digital industries sector. That would include supporting emerging, Carlisle based, commercial artists and designers.

- contribute distinctively to Carlisle's visitor offer, linking into, and being a resource for, festivals, events, projects and cultural providers.
- provide the foundation for future developments in arts and entertainment.

Having considered potential venues in Carlisle, the former Fire Station in Rickergate (a substantial building with straight forward structure on a prominent corner site on the edge of the historic quarter) was proposed as the preferred option.

Details of the proposed format, market potential, management and programme aspects, design concept and capital costs, and the anticipated timetable were provided.

In considering the report Members raised the following questions and comments:

- *Potential capital costs were included in the report. Was it in the Council's best interests to publish those figures prior to the project going out to tender? Who was preparing the tender documents? Would it be someone with specialist knowledge in that area?*

The Director of Community Engagement advised that advice had been sought from colleagues regarding whether the report should be considered in private. Whilst it was acknowledged that the information was sensitive it was agreed that it would not disadvantage the Council by considering the information in public. The Director did not know whether there would be input from a technical specialist. Officers had been working on what the Council would like the Arts Centre to be.

- *The cooling off period appears to be one day only.*

The Director of Community Engagement explained that the tenders would be reviewed from 20 September 2013 and that would be the start of the cooling off period. That would give people time to amend their tender if necessary.

In response to a query the Director of Community Engagement advised that contingency had been built into the budget.

- *The plan shows a bar/cafe. Would a kitchen also be included?*

The Director of Community Engagement explained that the project was not yet at that level of detail.

The Deputy Chief Executive stated that Day Cummins had been commissioned to produce the plans for the Arts Centre. Their work allowed the Executive to decide upon a preferred site. The project would now follow the proper process before coming to a final decision. Funds were available in the 2013/14 budget for specialist advice and progress reports would be submitted to the Panel throughout the process.

- *Were similar Arts Centres elsewhere struggling or were they successful?*

Mr Champion advised that it was a difficult time for the arts generally. When he first became involved the option for the Arts Centre was the Methodist Hall. When the fire station was first proposed Mr Champion did not believe it would be suitable but after further investigation he was satisfied that the building would be suitable. However the Arts Centre would need to be run in a business like manner with the right skills. He believed that the Centre should draw in a large footfall with meetings, conferences and headline acts.

With regard to the bar and kitchen, Mr Champion stated that it was important that there was a good catering offer where people could meet after work. It was important that it was not seen as a service of the Council and would require good coffee and a welcoming atmosphere. Staff should be flexible and multi skilled as they would be required to cover a range of duties within the Centre.

- *Previous reports had emphasised the need for catering quality and volume. Had the use of volunteers been considered particularly when performances were taking place?*

The Director of Community Engagement explained that the Arts Centre would require supporters who could make a contribution. There would be an important role for the community to ensure the Arts Centre was a success. A core staff would be required but there would also be a role for volunteers.

Mr Champion advised that whilst volunteers were very useful it was important to consider how they were rostered and that they were of the relevant age group to the programme.

- *People looking for performing arts were generally older people.*
- *It was very difficult to gain profit from catering and only by selling high volumes and having tough terms and conditions for staff.*

Mr Champion agreed that it would be difficult and that the Centre would need to trade on the best and most interesting commodities and the best quality. A lot of people like working in the arts and the Council had the opportunity to build up a highly motivated staff. Mr Champion confirmed that people using the Centre should be charged competitive rates for rooms and equipment.

Mr Champion confirmed that the Arts Centre would complement other arts facilities in the area and the staff at the brickyard were keen to work with the Council on the Arts Centre.

- *There were a lot of students in Carlisle and the college was currently undertaking a £5.3m arts centre in the college.*
- *The college would provide learning skills that could then be displayed in public in the Arts Centre. As there was a mix of size of venues it would be ideal for students. As well as the college the Centre could also be used by the University's performing arts*

students and technical volunteers may be available from the university. The University would also be looking for practice and performance space.

The Director of Community Engagement advised that a lot of work had been done with the University and they were eager to work with the Council on the Arts Centre. The Centre would enable students to stay in Carlisle as a stepping stone to a further career. A selection of high quality student work had been on display at the University.

Mr Champion believed that the Council had a good opportunity to build up a good working relationship with the educational institutions. Arts facilities within university campuses did not generally make a huge impact on the community but could be a good source of volunteers and a good way for students to gain experience.

- *Had the Green Room been consulted on the proposals?*

The Director of Community Engagement advised that the Green Room were interested in what the Council were undertaking and wanted to be part of a place where people would visit.

RESOLVED: That Report CD.40/13 – Arts and Culture Strategy (Arts Centre) be noted.

Report to Executive

Agenda
Item:

A.6

Meeting Date: 5th August 2013
Portfolio: Leader
Key Decision: Yes
Within Policy and
Budget Framework Yes
Public / Private Public

Title: CARLISLE EVENTS PROGRAMME BUDGET
Report of: The Director of Community Engagement
Report Number: CD 45/13

Purpose / Summary:

The 2013/14 revenue budget identified a non recurring revenue sum of £75,000 for events and activities.

This report identifies activities scheduled (and in some cases delivered) for 2013/14 and seeks the release of the full £75,000 budget to support this work.

Recommendations:

It is recommended that Executive release the funding of £75,000 approved as part of the 2013/14 budget for use to deliver and/or enhance events and activities as detailed in this report which will promote Carlisle.

Tracking

Executive:	5 August 2013
Overview and Scrutiny:	
Council:	

1. BACKGROUND

- 1.1 Carlisle has benefited from a programme of events which raise the City's profile and provide cultural and community benefit for a number of years. Enhancing this programme in line with the Carlisle Plan vision to '*promote Carlisle as a prosperous City, one in which we can be proud*' directly contributes to the Council's target to deliver a vibrant sports, arts and cultural offer with clear economic benefits through tourism, longer term investment and economic growth

2. PROPOSALS

- 2.1 The proposal in this report is to allocate the previously identified budget sum of £75,000 for an enhanced 2013/14 programme of events which support Carlisle Plan outputs. The events highlighted below have been selected for budget support to achieve these objectives.

Event/activity	est. contribution (£000)
Armed Forces Celebration Events	10
Pageant/Great Fair proclamation	25
Tour of Britain 2013 Stage 2 Start	20
*Carlisle Music City, Classical Music Event & Multicultural Carlisle etc	15
Centennial Rally	5
	75

- This event has already taken place and the release of this budget will facilitate appropriate internal virements.

This budget will, where appropriate, compliment the annual budget of £71,200 to provide Fireshow, Upperby Gala and Christmas City Events.

All events are wherever possible be augmented by external sponsorship, fundraising and contributions in kind. Any external sponsorship, fundraising or contributions received may allow additional events to be considered for delivery. To this end the City Council has already sourced sponsorship funding from Story Holmes towards the Pageant. Additionally a countrywide approach has been deployed to seek sponsorship for the Tour of Britain event.

3. CONSULTATION

- 3.1** Consultation on the further development of an enhance programme of events has taken place with a range of partner agencies and organisations which are involved in supporting and facilitating event activity.

4. CONCLUSION AND REASONS FOR RECOMMENDATIONS

- 4.1** Carlisle has benefited from a programme of events which raise the City's profile and provide cultural and community benefit for a number of years. Enhancing this programme in line with the Carlisle Plan will increase the City's sports, arts and cultural offer with clear economic benefits.

It is recommended that Executive release the funding of £75,000 approved as part of the 2013/14 budget for use to deliver and/or enhance events and activities as detailed in this report which will promote Carlisle.

5. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

- 5.1** **Enhancing the event programme contributes to** the Carlisle Plan vision to *'promote Carlisle as a prosperous City, one in which we can be proud'*, and its target to deliver a vibrant sports, arts and cultural offer .

Contact Officer: Keith Gerrard

Ext: 7350

**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 -

Community Engagement –

Economic Development –

Governance – All events organised and run by the Council should be subject to proper procurement, contract terms and risk assessments. These are all factors in ensuring that the Council minimises and manages associated risks and liabilities.

Local Environment –

Resources – As part of the 2013/14 revenue budget approved by Council in February 2013, non-recurring revenue funding of £75,000 was approved for 2013/14 for Special Events subject to further reports to the Executive. This report requests the release of this budget to be spent as detailed in the body of the report. This will supplement the existing recurring budget of £71,200.

OFFICER DECISIONS

Below is a list of decisions taken by Officers which they have classed as significant:-

REF: **OD.019/13** **City Centre WiFi Project**

Decision of Jane Meek, Director of Economic Development

Portfolio: Economy and Enterprise

Subject Matter:

Commissioning of a specialist company to deliver the required outputs.

*Strategic, Technical and Commercial Evaluation

*Stakeholder Engagement

*Development of a Commercial model and soft marketing testing

*Report

To provide advice and support in the delivery of a Metro Wireless Network for Carlisle City Centre

Summary of Options rejected:

Not to attend

DECISION:

To appoint Regional Network Solutions Ltd (Contact: Michael Snaith)

Reasons for Decision:

Following a procurement exercise and the submission of three tenders, a selection process resulted in the decision to appoint Regional Network Solutions Ltd. They will be commissioned to provide expert advice and support in developing and delivering a metro wireless network in Carlisle City Centre.

Date Decision Made : 14-Jun-13

REF: **OD.020/13** **Sense of Place - Carlisle Implementation Programme**

Decision of Director of Economic Development - Jane Meek

Portfolio: Economy and Enterprise

Subject Matter:

Commissioning of a specialist company to oversee the implementation of the new Carlisle Story and move forward from the current Steering Group to a Delivery Group arrangement. "Thinkingplace" are specialists in working exclusively with destinations, regions, cities, towns and places to define their story, deliver their distinctive place experience and improve their image and profile, all of which helps to improve economic competitiveness.

"Thinkingplace" are the only specialist company working in this field and have a track record with local authorities.

Work will be undertaken with the current steering group of stakeholders and partners, to establish a delivery group which will develop a place plan, launch the new story to key stakeholders and develop an ambassador programme for Carlisle.

Summary of Options rejected:

N/A

DECISION:

To appoint "Thinkingplace" (Contact: John Till)

Reasons for Decision:

"Thinkingplace" are the only company to offer this service. The cost of the contract is within the £35,000 limit for a Director's approval. Therefore in accordance with the Contract Procedure Rules Section 10(c) it has been possible to appoint "Thinkingplace" as the only possible supplier able to provide the service required

Date Decision Made : 20-Jun-13

REF: OD.021/13 Talkin Tarn and Hammonds Pond Rowing Boat franchise with additional water sports at Talkin Tarn

Decision of Angela Culleton, Director of Local Environment

Portfolio: Environment and Transport

Subject Matter:

Talkin Tarn and Hammonds Pond Rowing Boat franchise with additional water sports at Talkin Tarn

Summary of Options rejected:

Not applicable

DECISION:

To give Neil Watson of Country Experiences the contract

Reasons for Decision:

Country Experiences could run the rowing boat hire at both Hammonds Pond and Talkin Tarn, whereas the other applicant could only run the boats out of Hammonds Pond

Date Decision Made : 14-Jun-13

REF: OD.022/13 Bring Site Review 2013

Decision of Angela Culleton, Director of Local Environment in consultation with Elise Martlew, Environment and Transport Portfolio Holder

Portfolio: Environment and Transport

Subject Matter:

The Review identified that there was an over provision in the Bring Site service and on 31 May 2013, the Executive decided to reduce the number of bring sites from 151 to 90, the detail of which to be delegated to the Director of Local Environment in consultation with the Portfolio Holder for Environment and Transport (EX.54/13).

Summary of Options rejected:

Do nothing option was rejected as there is an over provision in the service. The original list of sites to be removed (in the consultation) was considered and this was rejected and amended to include 5 additional sites.

DECISION:

The attached list of sites, Appendix 1, were decided to be removed or retained in consultation with the Portfolio Holder for Environment and Transport.

Reasons for Decision:

Further to public consultation responses, evaluation of tonnage performance and alternative service provision in the area of the site, the sites representating best value to the community were retained and the porrer performaing sites are identified to be removed.

Date Decision Made : 11-Jul-13

JOINT MANAGEMENT TEAM

18th June 2013

MINUTES

Present:	Councillors Colin Glover (Chair), E Martlew, A Quilter, J Riddle and L Tickner
	D Crossley, A Culleton, K Gerrard, J Gooding, M Lambert, P Mason and J Meek
Apologies:	

JMT 29/13 – JMT Minutes of previous meeting
Minutes of 15 th May were agreed without amendment.
ACTION:
JMT 30/13 – War Memorials Project
Paper presented by P Mason and discussed by all. Further enquiries will be made and update will be brought back to future meeting
ACTION: P Mason
JMT 31/13 – Sports Strategy
K Gerrard delivered a presentation to the meeting and round table discussion followed on the information contained within it. Executive agreed to discuss separately and bring back to future JMT meeting. K Gerrard asked to provide paper copies of the presentation to Executive members. J Gooding added further input to the discussion which was noted.
ACTION: K Gerrard
JMT 32/13 – Purple Sack Consultation Feedback
A Culleton delivered presentation which provided feedback following consultation. Full discussion followed and it was accepted this will be a work in progress going forward.
ACTION:
JMT 33/13 – Proposed Property Acquisition
P Mason delivered an additional paper to the meeting for consideration.
ACTION:
JMT 34/13 – JMT Forward Plan
Amendments noted and passed for updating.
ACTION: D Anderson
JMT 35/13 – Any Other Business
None raised.
ACTION:

Carlisle Parish Councils Association A.10

Minutes of the joint meeting between Carlisle City Council and Carlisle Parish Councils Association

Monday 10th June 2013, Cummersdale Village Hall

Present – 21 representing 16 Parish Councils, 10 representing Carlisle City Council and 1 representing CALC.

1. Welcome and Introductions. R Auld, CPCA chairman, welcomed everyone to the meeting and thanked them for their attendance. He reported with great sadness the death of Cllr Joe Hendry, Leader of Carlisle City Council. Joe had been the Rural Champion for Parish Councils and had shown his support for rural areas through his focus on rural poverty. He was also instrumental in the adoption of the revised Parish Charter.

R Auld also thanked Cummersdale Village Hall for their hospitality this evening.

2. Apologies for Absence were received from Cllr Anne Quilter, Cllr Les Tickner, Cllr Jessica Riddle all Carlisle City Council, Harry Kay, Hethersgill PC, John Evans, Walton PC, David Johnson and Richard Workman, St Cuthberts Without PC.

3. Minutes of the last meeting held on 5th December 2012 were approved as a correct record.

4. Matters Arising from the Minutes

C Rankin reported that the Planning section of the Parish Charter is currently out for consultation with the Parish Councils. Parishes were encouraged to respond to the consultation by the deadline of 2nd August 2013.

Also the Locality Working proposals which have been developed jointly between the Rural Support Group and the Carlisle Parish Councils Association are out for consultation with the Parish Councils. The deadline for responses is 30th June 2013.

A Culleton reported, as a follow up from the last meeting, that £56,000 is spent annually on Botchergate cleansing and over the last 18 months the service has been modernised resulting in a marked improvement in street cleanliness. It was also reported that fly tipping was not a growing problem and a number of prosecutions have been made due to the increased focus on this area by the new team. The need for solid evidence and intelligence was stressed in order that prosecutions can take place. An update will be given at the next meeting on the number of prosecutions which have taken place in the rural area.

R Auld gave a brief update on the broadband programme. A broadband conference will be held at Rheged on 21st June when a programme of activity will be released. The programme aims to deliver superfast broadband to 93% of Cumbria. It is envisaged that some of the 7% not covered by the programme will fall within the Carlisle district. Digital Carlisle which is specifically looking at broadband solutions for Carlisle district will consider areas of the district not covered by the County broadband programme.

5. Recycling Bring Sites

A Culleton reported that a review is being carried out on the provision of recycling bring sites in the district with the aim of ensuring best value for money. The review has included benchmarking the service against other districts in Cumbria. The review found that Carlisle district had 3 times more bring sites than any other district in the County with a total of 151

A District Association of Cumbria Association of Local Councils

www.calc.org.uk

sites. This resulted in Carlisle district having the most expensive service in the County. This was partly due to the fact that the bring site provision was implemented before the kerbside collection service. The proposal is to reduce the number of sites to 90 this year, as it was found that a small number of sites account for the majority of the recycling collection.

There were a number of issues raised from the Parish Councils where anomalies will occur where a bring site is due for removal which served an area where the kerbside collection is not available. Reassurance was given that capacity of collection rounds was continually being reviewed with the aim to bring more properties onto the kerbside collection.

There was also a concern as to the length of the consultation period on the proposals. The consultation period was 6 weeks which often did not allow enough time for the Parish Council cycle particularly for the smaller parishes who only met every 2 months.

A Culleton stressed that the recycling collection contract was due for renewal in 2015 when all capacities of collection rounds would be examined. Any sites earmarked for closure would be written to with a full explanation of the reason for closure.

6. Local Plan Preferred Options

J Meek outlined the Local Plan development process which involves producing both planning policies and site specific information. The Preferred Local Plan options will begin the public consultation period on 29th July until the end of September. The aim is to publish the Local Plan by February 2014. Many parishes have already undertaken baseline work through the rural masterplanning project.

It is essential that Parish Councils engage in the Local Plan process in order to influence development in the district. The preferred options consultation will be a lengthy document and hard copies will be sent to Parish Councils as well as an electronic copy. Officers from Carlisle City Council are also able to attend Parish Council meetings to explain the preferred options.

7. Community Infrastructure Levy and New Homes Bonus

The Community Infrastructure Levy (CIL) is applied to new development and is payable by the developer to be used by the community to fund community infrastructure projects. The CIL offers a much more predictable system to fund community infrastructure projects rather than relying on section 106 agreements.

The CIL will form part of the Examination in Public which will be part of the Local Plan process and will take place in Summer 2014. The City Council will not implement a CIL scheme until the Local Plan has been adopted. The level of CIL payable to the local community is dependent upon whether a Neighbourhood Plan is in place within that community.

The New Homes bonus is a payment made from Central Government to Local Planning Authorities. It is envisaged that in Carlisle district the new homes bonus will be used to offset the savings that need to be made to the City Council budget.

There were a number of queries raised from parishes regarding the suitability of undertaking a Neighbourhood Plan. It was suggested that if the local Plan process is robust and addresses local needs there may be no need to undertake a Neighbourhood Plan which can

Carlisle Parish Councils Association

A.10

be a lengthy and costly process. Dalston is currently in the early stages of producing a Neighbourhood Plan and has applied for a £7,000 grant to facilitate the process. CALC is supporting the Neighbourhood Plan process and has produced a very useful document and held a number of training sessions. In addition Zoe Sutton and Jilly Hale from the City Council are available to come out and speak to parishes regarding Neighbourhood Planning.

8. Communication

R Auld introduced this item and explained that there was a feeling that in the age of digital communication, not all Parish Councillors are seeing, reading or responding to consultation and other documents. It was urged that where reports are due to be sent digitally for consultation that the report structure is carefully considered and that hyperlinks are included. A plea was made for the City Council to monitor reports produced by consultants to minimise the use of colour and illustrations in documents.

B Craig gave an overview of the paper free committee system trial which the City Council has undertaken. The report from the trial is not yet published but it was recognised that considerable printing and postage costs could be saved by adopting a paper free system. Consideration should also be given to whether Parish Councils could use a paper free system for planning applications. A query was raised as to whether some grant money could be made available to Parish Councils to purchase a projector and screen to assist with this process.

9. Any Other Business

None recorded.

Cllr Colin Glover, Deputy Leader, Carlisle City Council closed the meeting by re-iterating the City Councils commitment to the whole district of Carlisle including the rural areas. The City Council Executive welcomes the opportunity to engage with the Parish Councils and to drive forward the vision set out by the late Joe Hendry. Cllr Glover stressed the need for feedback from the Parish Councils on rural issues in order to recognise and respond to the special rural needs within the district.

10. Date of the Next Meeting

Next joint meeting with City Council: - 3rd December 2013, 7 p.m. at Carlisle Civic Centre, to be hosted by Carlisle City Council

Next CPCA Meeting – Annual General Meeting and joint meeting with County Council, 3rd October 2013, 7.00 p.m, venue to be confirmed by County Council.

Report to Executive

Agenda
Item:

A.11

Meeting Date: 5 August 2013
Portfolio: Finance, Governance and Resources
Key Decision: No
Within Policy and Budget Framework YES
Public / Private Public

Title: CAPITAL BUDGET OVERVIEW AND MONITORING REPORT:
APRIL TO JUNE 2013
Report of: DIRECTOR OF RESOURCES
Report Number: RD28/13

Purpose / Summary:

This report provides an overview of the budgetary position of the City Council's capital programme for the period April to June 2013.

Recommendations:

The Executive is asked to:

- (i) Note and comment on the budgetary position and performance aspects of the capital programme for the period April to June 2013.

Tracking

Executive:	5 August 2013
Overview and Scrutiny:	29 August 2013
Council:	n/a

1. BACKGROUND

- 1.1 In accordance with the City Council's Financial Procedure Rules, the Director of Resources is required to report to the Executive on the overall budget position, the monitoring and control of expenditure against budget allocations and the exercise of virement on a regular basis. It is the responsibility of individual Directors to control income and expenditure within their areas of responsibility and to monitor performance, taking account of financial information provided by the Director of Resources.
- 1.2 All Managers receive a monthly budget monitoring report covering their areas of responsibility. Information is collated from the main accounting system and then adjusted to correct any known budget profiling trends, timing differences and commitments. The report has been developed in line with the need to provide sound financial management information to inform the decision making process.
- 1.3 Throughout the report, the use of brackets indicates a credit or income budget, and the term underspend also relates to additional income generated.
- 1.4 It is important to understand the distinction between capital and revenue expenditure.

The general rule is that all expenditure must be treated as revenue expenditure unless it meets strict criteria allowing it to be treated as capital expenditure.

Capital expenditure is for fixed assets such as acquisition of land and buildings, construction, conversion or enhancement of existing buildings, or the purchase of new technology, vehicles, plant, machinery or equipment that yields benefits to the Council and the services it provides for more than one year.

Revenue expenditure is for the day to day running costs of providing Council services such as staff costs, premises, transport, and goods and services used in the delivery of services.

2. CAPITAL BUDGET OVERVIEW

- 2.1 The following statement shows the annual capital programme for 2013/14:

2013/14 Capital Budget	£
Original 2013/14 Programme (approved Feb 2013)	9,280,000
Direct Revenue Financing - Customer Contact Centre (OD 014/13 26/03/13)	25,000
Direct Revenue Financing - Employee Payment & Resource Management System (RD07/13 Executive 7/05/13)	70,000
Revised 2013/14 Capital Programme (at June 2013)	9,375,000
Carry forwards from 2012/13 (RD11/13 Council 16/7/13)	1,828,700
Removal of budgets (RD11/13 Council 16/7/13)	(6,348,500)
Revised 2013/14 Capital Programme (after carry forwards)	4,855,200
Reprofiling of Arts Centre (subject to Council approval)	(200,000)
Revised 2013/14 Capital Programme	4,655,200

2.2 A breakdown of the revised capital programme can be found in **Appendix A**.

3. 2013/14 BUDGET MONITORING

3.1 The position statement as at June 2013 can be summarised as follows:

Directorate	Revised Annual Budget £	Budget to Date £	Spend to date £	Variance to date £	Para. Ref.
Resources	1,209,900	100,001	92,111	(7,890)	3.3
Community Engagement	2,148,700	704,067	610,459	(93,608)	3.4
Local Environment	798,100	0	(1,042)	(1,042)	3.5
Economic Development	498,500	183,800	184,111	311	3.6
Total	4,655,200	987,868	885,639	(102,229)	

A detailed analysis of the schemes within each directorate can be found in **Appendices B to E** with the main issues for each directorate being summarised in the paragraphs below.

3.2 As at the end of June, expenditure of £885,639 has been incurred. When considered against the profiled budget of £987,868 this equates to an underspend of £102,229.

The unspent balance remaining of the revised annual budget of £4,655,200 is £3,769,561. This will be closely monitored over the following months to identify accurate project profiles and any potential slippage into future years.

3.3 The variance in Resources is attributable to the following:

- (i) An underspend on vehicle replacement purchases carried forward from 2012/13. This will be offset by an overspend on another replacement that is currently on order.

- 3.4 The variance in Community Engagement is attributable to the following:
- (i) An underspend on Disabled Facilities Grants. The take up of DFGs has been slower at the start of this financial year compared to other years and the position will be closely monitored to determine whether this will be an ongoing trend.
- 3.5 There are no significant variances to date in Local Environment. The negative figure relates to retentions coming in less than expected.
- 3.6 There are no significant variances to date in Economic Development.
- 3.7 A number of schemes are included in the capital programme for 2013/14 that require reports to be presented to the Executive for the release of funding before the project can go ahead.

Scheme	Budget £	Revised Budget £	Note
Arts Centre	250,000	50,000	1
Public Realm	100,000	100,000	
Total	350,000	150,000	

Notes:

1. A revised scheme is being developed which requires approval by Council to increase the capital programme by £478,500 and reprofile the expenditure to £50,000 in 2013/14 and £1,014,500 in 2014/15.

4. FINANCING

- 4.1 The 2013/14 capital programme can be financed as follows:

	£	Notes
Total Programme to be financed (para 2.1)	4,655,200	
<u>Financed by:</u>		
Capital Receipts (including PRTB receipts)	2,941,100	
Capital Grants		
• Disabled Facilities Grant	663,000	
• General	37,900	
Direct Revenue Financing	165,100	
Other Contributions	716,800	
Earmarked Reserves	32,900	
Internal Borrowing	98,400	1
Total Financing	4,655,200	

Notes:

1. Council have approved an increase in the capital programme of £227,000 in 2013/14 for the purchase of new vehicles required to provide the Bring sites service in-house. This will increase the borrowing requirement in 2013/14 by £227,000 but the capital receipts will be repaid over 4-5 years from revenue savings. This increase has not yet been reflected in the 2013/14 capital programme.

5. CAPITAL RESOURCES

- 5.1 The following table shows the position as at June 2013 of the capital resources due to be received during 2013/14:

	2013/14 Budget	2013/14 Actual	2013/14 Not yet received	Note
	£	£	£	
Capital Receipts				
· General	(660,000)	0	660,000	1
· Asset Review	(21,218,000)	0	21,218,000	1
· Vehicle Sales	0	(89,897)	(89,897)	2
· Renovation Grants repaid	0	0	0	
· PRTB Sharing agreement	(150,000)	0	150,000	3
Capital Grants				
· Disabled Facilities Grant	(663,000)	(667,717)	(4,717)	
· Old Town Hall	(33,700)	0	33,700	
· General	0	0	0	
Capital Contributions				
· Section 106	(716,800)	0	716,800	4
· General	0	0	0	
Total	(23,441,500)	(757,614)	22,683,886	

Notes:

1. Receipts for 2013/14 are anticipated to be received from the Lovells agreement (£160,000), general capital receipts (£250,000) and Hostel replacement (£250,000). The asset review sales anticipated to be received have been revised upwards to include the receipts from sales budgeted for in 2012/13 (£570,500) but not completed until 2013/14, and also downwards by £1million due to a reduced level of receipts expected in 2013/14.
2. Included within vehicle sales are receipts of £34,397 for individual vehicle sales that are below the deminimis of £10,000 for capital receipts. These will be transferred to revenue at the year end and will be used to fund the capital programme in line with the capital strategy (considered elsewhere on the agenda).

3. PRTB income for the year is received on 28 April following the year-end but is accrued into the relevant year. It should be noted that Riverside Group are currently preparing forecasts for PRTB receipts for 2013/14 and the current payment due to the Council is £77,300 based on 3 sales to date as at 30 June. This position is being monitored regularly and forecast projections for 2013/14 will be provided in a future report to the Executive.
4. Contributions from Section 106 agreements to Castle Way Cycle Ramp (£346,800) and Public Realm Work S106 (£370,000).

6. BALANCE SHEET MANAGEMENT

- 6.1 In line with CIPFA guidance and best practice, information relating to significant capital items on the Council's balance sheet is provided in this section. The information concentrates on those items that may have a material impact on the Council if not reviewed on a regular basis and will ensure that the Council is using its resources effectively and that appropriate governance arrangements are in place around the use of Council assets and liabilities.
- 6.2 Fixed assets are revalued on a five-year rolling programme to ensure that an up to date value is held in the balance sheet. The revaluation programme is the responsibility of Property Services. It should be noted that some expenditure will be incurred during the course of the year which can be correctly classified as capital expenditure, but which will not increase the value of any of the Council's assets. This expenditure is written off to the revaluation reserve or through the Comprehensive Income and Expenditure Account as appropriate.
- 6.3 The value of fixed assets is a significant part of the balance sheet. In the 2012/13 accounts, fixed assets totalled £153million (2011/12 £167million). This represents 91% of the net current assets of the City Council.
- 6.4 Debtors
This relates to the amount of income due to the Council that has not yet been received. For capital items, this mainly relates to grants and contributions that the Council is able to claim towards funding capital expenditure, and receipts for the Council's share of the PRTB (Preserved Right to Buy) agreement. Generally capital debtors arise due to timing differences where a cut off point occurs (e.g. the financial year-end) and/or expenditure has been incurred in advance of making the grant claim. As at 30 June 2013 debtors of £113,032 (£399,769 at 31 March 2013)

were outstanding for capital grants, contributions and receipts. PRTB receipts for 2012/13 were received in April in accordance with the agreement.

6.5 Creditors

This is the amount of money due to be paid by the Council for goods and services received from its external customers and contractors. For capital schemes this also includes retentions i.e. the amount due to the contractor after a specified period (normally one year) following the completion of a project; this time is used to assess and correct any defects outstanding on the scheme. Amounts earmarked for retention as at June 2013 totalled £114,125 (£388,758 at 31 March 2013).

7. PERFORMANCE

- 7.1 The 2013/14 programme has been kept to a level that takes account of the Council's ability to deliver schemes with regard to capacity and available resources. Work is ongoing to continue to monitor the profiling of budgets, and these are adjusted to reflect progress in current capital schemes. It is likely that there will still be a requirement for some carry forwards at the year end due to further slippage and delays on projects.
- 7.2 Senior Management Team will provide strategic overview and monitor the effectiveness of the overall programme of work in delivering the Council's priorities and objectives. Technical project support and quality assurance of business cases and associated project management activities will be managed by a Corporate Programme Board chaired by the Chief Executive. Decisions to proceed or otherwise with proposed projects will be made in the usual way in accordance with the Council decision making framework.
- 7.3 A review of all capital expenditure incurred is ongoing to ensure that the expenditure has been correctly allocated between revenue and capital schemes. This will facilitate the year end classification of assets.

8. CONSULTATION

8.1 Consultation to Date

SMT & JMT have considered the issues raised in this report.

8.2 Consultation Proposed

Resources Overview & Scrutiny Panel will consider the report on 29 August 2013.

9. CONCLUSION AND REASONS FOR RECOMMENDATIONS

9.1 The Executive is asked to:

- (i) Note and comment on the budgetary position and performance aspects of the capital programme for the period April to June 2013.

10. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

10.1 The Council's capital programme reflects the current priorities in the Carlisle Plan e.g. Arts Centre and Public Realm work.

Contact Officer: Emma Gillespie

Ext: 7289

**Appendices A to E
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

Community Engagement – Not applicable

Economic Development – Not applicable

Governance – The Council has a fiduciary duty to manage its finances properly and the proper reporting of the budget monitoring is part of this process

Local Environment – Not applicable

Resources – Financial implications are contained in the main body of the report.

Scheme	Original Capital Programme 2013/14 £	Other Adjustments £	Revised Capital Programme 2013/14 £	Carry Forwards from 2012/13 £	Other Adjustments 2012/13 Outturn £	Revised Capital Programme 2013/14 £
Current non-recurring commitments						
Public Realm (S106)	330,000		330,000	40,000	0	370,000
Clean Up Carlisle	12,000		12,000	8,500	0	20,500
	342,000	0	342,000	48,500	0	390,500
Recurring commitments						
Asset Review Purchases	6,272,500		6,272,500	0	(6,272,500)	0
Planned Enhancements to Council Property	300,000		300,000	0	0	300,000
Vehicles, Plant & Equipment	259,500		259,500	311,000	0	570,500
ICT Shared Service	114,000		114,000	108,300	0	222,300
IT Equipment	79,000		79,000	0	(76,000)	3,000
	7,025,000	0	7,025,000	419,300	(6,348,500)	1,095,800
New non-recurring commitments						
Arts Centre	250,000	(200,000)	50,000	0	0	50,000
Public Realm Work	100,000		100,000	0	0	100,000
Paternoster Row	100,000		100,000	0	0	100,000
Harraby School and Community Campus contribution	600,000		600,000	0	0	600,000
Customer Contact Centre	0	25,000	25,000	0	0	25,000
Employee Payment & Resource Management System	0	70,000	70,000	0	0	70,000
	1,050,000	(105,000)	945,000	0	0	945,000
Disabled Facilities Grants						
Private Sector Grants	863,000		863,000	0	0	863,000
	863,000	0	863,000	0	0	863,000
Continuing Schemes						
Play Area Developments	0		0	6,200	0	6,200
Old Town Hall	0		0	298,500	0	298,500
Trinity Church MUGA	0		0	2,100	0	2,100
Castle Street Public Realm	0		0	10,000	0	10,000
Female & Families Accommodation	0		0	608,600	0	608,600
Kingstown Industrial Estate	0		0	32,900	0	32,900
PCIDSS Capital	0		0	30,600	0	30,600
Document Image Processing	0		0	13,500	0	13,500
Connect 2 Cycleway	0		0	11,700	0	11,700
Castle Way Cycle Ramp (S106)	0		0	346,800	0	346,800
	0	0	0	1,360,900	0	1,360,900
TOTAL	9,280,000	(105,000)	9,175,000	1,828,700	(6,348,500)	4,655,200

RESOURCES

Scheme	Annual Budget	Carry Forwards From 2012/13	Revised Annual Budget	Budget to date	Expenditure to date	Variance to date	Details of major variance
IT Shared Service	193,000	32,300	225,300	0	1	1	Part of Shared Service Business Case.
Planned Enhancements to Council Property	300,000	0	300,000	3,001	2,908	(93)	Budget released by Executive 8/4/13 (RD01/13).
Town Clocks Invest to Save	0	0	0	0	5,064	5,064	To fit auto-winding and regulation of town clocks. Revenue savings will be generated to repay the capital investment.
Vehicles & Plant	259,500	311,000	570,500	97,000	82,137	(14,863)	Underspend to date on replacements carried forward from 2012/13.
Document Image Processing	0	13,500	13,500	0	2,000	2,000	Phased implementation in progress.
PCIDSS Capital	0	30,600	30,600	0	0	0	Implementation costs for a new security standard in line with the Payment Card Industry (RD26/12 Executive 6/8/12).
Employee Payment & Resource Management System	70,000	0	70,000	0	0	0	Approved by Executive 7/5/13 (RD07/13).
Asset Management Plan	6,272,500	(6,272,500)	0	0	1	1	A five year Development and Investment Plan for the City Council's property portfolio with the aim of delivering additional income or reduced costs in the revenue account on a recurring basis. The budgets have been returned to reserves and earmarked for asset purchases to be released back into the programme by Executive when such acquisition opportunities become available.
Grand Total	7,095,000	(5,885,100)	1,209,900	100,001	92,111	(7,890)	

COMMUNITY ENGAGEMENT

Scheme	Annual Budget	Carry Forwards from 2012/13	Revised Annual Budget	Budget to date	Expenditure to date	Variance to date	Details of major variance
Customer Services	25,000	0	25,000	6,258	6,999	741	Improvements to Civic Centre reception/foyer area funded from additional revenue income generated. (OD 14/13 26.03.13)
Disabled Facilities Grants	863,000	0	863,000	216,009	120,666	(95,343)	The take up of DFGs has been slower at the start of this financial year compared to other years and the position will be closely monitored to determine whether this will be an ongoing trend.
Housing - Investment in Empty Homes	0	0	0	0	1,000	1,000	Outstanding commitment from previous year schemes.
Families Accommodation Replacement	0	608,600	608,600	481,800	481,794	(6)	Project complete. Opening day held 15/07/13. Final account awaited.
Trinity Church Multi Use Games Area	0	2,100	2,100	0	0	0	Budget provided to allow replacement of existing seat and grass resurfacing.
Art Centre	50,000	0	50,000	0	0	0	Revised scheme being developed which requires Council approval for additional budget and reprofiling between years.
Grand Total	938,000	610,700	1,548,700	704,067	610,459	(93,608)	

LOCAL ENVIRONMENT

Scheme	Annual Budget	Carry Forwards from 2012/13	Revised Annual Budget	Budget to date	Expenditure to date	Variance to date	Details of major variance
Play Areas	0	6,200	6,200	0	0	0	Budget provided for additional furniture/equipment at St James Park and Richmond Green play areas.
Chances Park	0	0	0	0	(1,000)	(1,000)	Retention less than expected.
Kingstown Industrial Estate Roads	0	32,900	32,900	0	0	0	To complete refurbishment of Kingstown Broadway North carriageway to 10 year design life including additional works to a number of access crossings.
Castle Street Public Realm Improvements	0	10,000	10,000	0	(42)	(42)	To complete scheduled works carried over from 2012/13.
Connect 2 Cycleway	0	11,700	11,700	0	0	0	To ensure works required to ensure adoption of the cycleway can be completed.
Clean Up Carlisle	12,000	8,500	20,500	0	0	0	Approved by Council 17/07/12 (LE22/12). Budget required to ensure the 2 year Clean Up Carlisle Campaign can be completed and full benefits received.
Public Realm (S106)	330,000	40,000	370,000	0	0	0	Approved by Executive 3/9/12 (RD34/12). Funded by Section 106 monies.
Castle Way Cycle Ramp	0	346,800	346,800	0	0	0	Approved by Executive 11/4/12 (RD01/12). Funded by Section 106 monies.
Grand Total	342,000	456,100	798,100	0	(1,042)	(1,042)	

ECONOMIC DEVELOPMENT

Scheme	Annual Budget	Carry Forwards from 2012/13	Revised Annual Budget	Budget to date	Expenditure to date	Variance to date	Details of major variance
Public Realm Work	100,000		100,000	0	0	0	Budget still to be released by Executive.
Old Town Hall - Strategic TIC	0	298,500	298,500	183,800	183,709	(91)	Revised project approved by Council 13/11/12. There is potential for an overspend of £18,000 on this project due to the funding partner changing their mind about supporting additional work agreed over the original tender amount.
Paternoster Row	100,000	0	100,000	0	0	0	Approved by Executive 17/12/12 (ED37/12).
Harraby School and Community Campus Contribution	600,000	0	600,000	0	0	0	Budget released by Executive 11/13/13 (SD02/13). Contribution to project expected to be made December 2013.
EA Central Plaza	0	0	0	0	402	402	Implementation on an Urgent Works Notice under Section 54 of the Planning (Listed Buildings and Conservation Areas) Act 1990 to be funded from the Conservation Fund approved by Executive 30.08.11 (ED29/11)
Grand Total	800,000	298,500	1,098,500	183,800	184,111	311	

Report to Executive

Agenda
Item:

A.12

Meeting Date: 5th August 2013
Portfolio: Finance, Governance and Resources
Key Decision: No
Within Policy and
Budget Framework YES
Public / Private Public

Title: REVENUE BUDGET OVERVIEW & MONITORING REPORT:
APRIL TO JUNE 2013
Report of: DIRECTOR OF RESOURCES
Report Number: RD29/13

Purpose / Summary: This report provides an overview of the Council's overall budgetary position for the period April to June 2013 for revenue schemes only. The revenue report includes details of balance sheet management issues, high-risk budgets and performance management.

Recommendations:

The Executive is asked to:

- (i) Note the budgetary performance position of the Council to June 2013; and
- (ii) Note the action by the Director of Resources to write-off bad debts as detailed in paragraph 9.

Tracking

Executive:	5th August 2013
Overview and Scrutiny:	29th August 2013
Council:	Not applicable

1. BACKGROUND INFORMATION AND OPTIONS

- 1.1 In accordance with the City Council's Financial Procedure Rules, the Director of Resources is required to report to the Executive on the overall budget position, the monitoring and control of expenditure against budget allocations and the exercise of virement on a regular basis. It is the responsibility of individual Directors to control income and expenditure within their service areas and to monitor performance, taking account of financial information provided by the Director of Resources.
- 1.2 All Managers currently receive a monthly budget monitoring report covering their areas of responsibility. Information is collated from the main accounting system and then adjusted to correct any known budget profiling trends, timing differences and commitments. The report has been developed in line with the need to provide sound financial management information to inform the decision making process.
- 1.3 Please note that throughout this report:
- (i) the use of a bracket represents a favourable position i.e. either an underspend or additional income received,
 - (ii) the term 'underspend' is taken to include both reduced expenditure and/or increased income,
 - (iii) the term 'overspend' includes both spending above budget and/or reduced income levels.

2. REVENUE BUDGET OVERVIEW

- 2.1 The following statement shows the total annual revenue budget as at June 2013:

2013/14 Revenue Budget	£
Approved Budget (Council resolution – February 2013)	12,755,000
Carry forward requests (2012/13 out-turn)	677,400
Council Resolution 2013/14	13,432,400
Non-Recurring Expenditure (note 1)	
Transformation Costs (Transformation Reserve)	10,400
Updated Budget 2013/14	13,442,800

Note (1) use of earmarked reserves to fund 2013/14 expenditure

- 2.2 Carry Forward requests relating to 2012/13 totalling £667,400 were approved by Council on 16th July 2013.

3. 2013/14 BUDGET MONITORING

3.1 The summarised budgetary position as at June 2013 is shown below:

Directorate / Appendix		Annual Net Budget	Net Budget to date	Net Spend to date	Adjusted Variance
		(£)		(£)	(£)
Chief Executive's Team	A1	193,000	47,656	58,931	11,275
Community Engagement	A2	7,545,700	1,445,784	1,466,013	20,229
Economic Development	A3	1,659,800	342,178	417,819	75,641
Governance	A4	1,828,000	522,871	510,123	(12,748)
Local Environment	A5	6,086,900	1,375,912	1,239,101	(136,811)
Resources	A6	(3,870,600)	(735,950)	(912,971)	(177,021)
Total		13,442,800	2,998,451	2,779,016	(219,435)

3.2 Further details for each directorate can be found in **Appendices A1 – A6**. Each appendix shows a breakdown of the variance for the Directorate, with comments and a note of any performance issues.

3.3 The figures for the Resources directorate in the above table and attached **Appendix A6** include corporate budgets held centrally.

4. KEY ISSUES

4.1 The corporate Salary Turnover Savings target for 2013/14 is £242,500, approximately 2% of the Council's direct staffing costs, and savings from salary budgets across the authority are measured and transferred to it throughout the year. There are a number of vacant posts, a high proportion of which are due to Transformation changes awaiting implementation. With employee related budgets accounting for more than 30% of the Council's gross budgeted expenditure, the management of this resource is a key component of the Budget Monitoring process and a broad summary of the staffing expenditure to date is provided below.

Direct Staffing Expenditure	Annual Net Budget	Budget to date	Spend to date	Variance	STOS to date	Adjusted Variance
Directorate	(£)		(£)	(£)	(£)	(£)
Chief Executive's Team	685,400	171,230	175,360	4,130	(4,200)	(70)
Community Engagement	1,877,600	470,746	467,280	(3,466)	13,900	10,434
Economic Development	1,428,100	354,796	337,139	(17,657)	0	(17,657)
Governance	1,115,600	271,156	261,553	(9,603)	8,800	(803)
Local Environment	4,686,300	1,172,713	1,057,273	(115,440)	114,700	(740)
Resources	2,673,200	648,106	630,348	(17,758)	13,800	(3,958)
Total	12,466,200	3,088,747	2,928,954	(159,793)	147,000	(12,793)

4.2 In Economic Development there is an overspend due to payments totalling £45,000, in respect of legal costs of the Airport application, for which there is insufficient budget. There are also income shortfalls, totalling £31,500 in the Enterprise Centre rental income and Building Control fees that are further discussed in paragraph 6.

4.3 The City's parking operations include providing Carlisle and Eden's On Street Parking and South Lakeland's back office processing contracts on behalf of Cumbria County Council. Dialogue is underway with the County Council to agree a formula so that the City Council is sufficiently recompensed for the cost of running these in this, and future years.

4.4 Income from the City's investments is being severely affected by the average rate of return from short term investments being less than 1% and it is expected that there will be a shortfall in the region of £150,000 at the year end.

5. FORECAST OUTTURN POSITION 2013/14

5.1 The Council's financial position is affected by a number of external factors that have a financial impact during the course of the year and ultimately at the year end. These include:

- The general effect of the economic climate on the Council's income streams e.g. car parking, tourism and leisure activities.
- Fuel prices, energy costs and other inflationary issues.
- The effects of the housing market and property prices, especially with regard to income from land charges, rents and building and development control.

- 5.2 The Council's financial position will continue to be closely monitored and will be reported more fully in the Quarter 3 report to the end of December 2013. It will be important to maintain a prudent approach so as to ensure a sustainable budget position for future years to avoid any significant variance at the year end.

6. HIGH RISK BUDGETS

- 6.1 A number of high-risk budgets have been identified which require detailed monitoring throughout the year. These particularly include income budgets, recurring and non-recurring bids, approved in the 2013/14 Council Resolution.

- 6.2 The summarised position of income budgets deemed to be high risk is as follows:

Budget Area	Directorate	Annual Budget £	Budget to date £	Actual to date £	Variance £	para.
Hostels	CE	(535,300)	(146,733)	(145,114)	1,619	6.3
Building Control	ED	(331,800)	(98,754)	(77,360)	21,394	6.4
Development Control	ED	(545,800)	(155,295)	(124,379)	30,916	6.5
Enterprise Centre	ED	(140,700)	(35,219)	(25,014)	10,205	6.6
Tourist Information Centres	ED	(141,600)	(31,192)	(22,525)	8,667	6.7
Land Charges	Gov	(165,700)	(41,475)	(38,927)	2,548	6.8
Cemeteries	LE	(272,300)	(64,158)	(56,472)	7,686	6.9
Crematorium	LE	(852,800)	(204,672)	(199,939)	4,733	6.9
Off Street Parking	LE	(1,299,200)	(367,325)	(275,383)	91,942	6.10
On Street Parking	LE	(364,700)	(94,145)	(84,945)	9,200	6.10
Bring Sites	LE	(192,200)	(48,107)	(33,339)	14,768	6.11
Garden Waste	LE	(485,100)	(178,905)	(183,161)	(4,256)	6.11
Bulky Waste/Special Collections	LE	(36,300)	(9,086)	(9,290)	(204)	6.11
Plastics & Card	LE	(241,600)	(60,069)	(46,730)	13,339	6.11
Green Box Collection	LE	(343,300)	(90,081)	(82,293)	7,788	6.11
Industrial Estates	Res	(2,445,600)	(611,873)	(611,873)	(0)	6.12
Lanes	Res	(1,383,300)	(345,825)	(326,586)	19,239	6.13

- 6.3 The income target for **Hostels** is lower than for the previous year and income is falling short of the new target by only 1%.
- 6.4 The reduced income levels from **Building Control** fees continue to challenge the service managers and spending is held at the lowest possible level in an attempt to offset the anticipated shortfall, currently running at almost 22%.
- 6.5 **Development Control** charges income's decline in recent years, with fewer planning applications received throughout the economic downturn, continues and is just under 20% lower than the target set for the first quarter of the year.

- 6.6 Local small businesses continue to feel the ongoing effects of the recession and this is reflected in the number of empty units at the **Enterprise Centre** and there is a significant drop in income (29% down on the budget to date) from lettings.
- 6.7 It is likely that the income generated from sales at Carlisle's **Tourist Information Centre** has been affected by its relocation whilst building improvements were carried out at the Old Town Hall and the income shortfall was 27.8% up to the end of the first quarter of 2013/14. However, it is expected that the refurbishment and changes made will reverse this position following its re-opening.
- 6.8 The annual budget for income from **Land Charges** has been reduced over the past few years to reflect the continuing impact of the economic climate on the housing market. However, there was a £6,000 surplus at the year end on the budget set for 2012/13 and the target for this year includes an increase of 10% in anticipation of a recovery in this sector. Unfortunately, there has been a lower level of activity than expected during the first three months of the year resulting in a 6% income shortfall.
- 6.9 There was a small surplus of 1.5% on **Bereavement Services** income at the end of last year and the budget uplift for 2013/14 was set at a lower rate than this level. However, the income fell short of the revised target for the first three months by 5%.
- 6.10 Income generated from **Car Parking** has been consistently lower than the level budgeted for a number of years and significant changes to the charging strategy were introduced after a review undertaken in 2012. However, the combined impact of the recession and the weather on both the high street and visitor numbers makes it difficult to quantify any benefit that may have been realised from the changes. In addition the parking income budget is increased for this year by £45,300 and there is a deficit against the new level of 25% up to the end of June 2013.
- 6.11 The total income from the various **Waste and Recycling Collection Services** is lower than the expected levels, with income from the Bring Sites, down by more than 30% against the first quarter's target, being the area of most concern. The recent review of the Bring Site service determined that there was an over provision and that only those sites providing best value to the public will be retained.
- 6.12 Adjustments for rent recovered from **Industrial Estates** now sold helped in 2012/13 to offset the full effects of the downturn in the property market. However, until new sites have been identified for purchase and marketed, there is likely to be a shortfall against expected rent levels from corporate properties in this coming year.

- 6.13 Income from the **Lanes** continues to be affected by the economic recession and the number of empty units, and is down approximately 6% against the target for the first three months.

7. S.106 COMMUTED SUMS

- 7.1 As at 30th June 2013 balances totalling £1,436,387 are held in respect of Section 106 agreements and other commuted sums, with a further £4,981,821 expected. The expected sums, for the most part relate to agreements for sites yet to be developed and include negotiated items that, in view of the terms of the agreement, may not be due until later phases of development. These sums are to be used for the provision and future maintenance of public open spaces, school buildings, children's play areas, cycleways and transport facilities etc.
- 7.2 The City Council acts as custodian only for £856,253 of the sums held, in respect of projects for which Cumbria County Council is responsible, including the Public Realm and Caldew Cycleway. Should the County Council not progress these projects, or they remain incomplete within the agreed deadlines, the custodial sums must be repaid, along with a premium for interest, to the Developers. A summary of the balances retained is set out in the table below:

Commuted Sums 2013/2014	Opening Balance & Receipts	Spend	Retained Balance 30/06/13	Expected Sums
	(£)	(£)	(£)	(£)
Affordable Housing Contributions	15,000	0	15,000	254,373
Cycleway & Public Realm	732,841	0	732,841	0
Education	0	0	0	3,500,000
Play Areas & Facilities	238,005	0	238,005	94,500
Public Open Spaces Provision/Maintenance	327,129	0	327,129	396,572
Sports Provision/Maintenance	0	0	0	48,584
Transport & Pedestrianisation	123,412	0	123,412	687,792
Total	1,436,387	0	1,436,387	4,981,821

8. DIRECTION OF TRAVEL

8.1 Balance Sheet Management

In line with CIPFA guidance and good practice, information relating to significant items on the Council's balance sheet is shown below. The information concentrates on those items that may have a material impact on the Council if not reviewed on a regular basis.

Balance Sheet item	Balance at 31/03/2013	Balance at 30/06/2013	Note
Investments	£18.7m	£23.2m	(i)
Loans	£15.0m	£15.0m	(ii)
Debtors	£1.07m	£1.64m	(iii)
Creditors	£0.06m	£0.27m	

- (i) The anticipated return on these investments is estimated at £473,100 for 2013/14 with current projections anticipated to be significantly below this target.
- (ii) The cost of managing this debt, in terms of interest payable, is budgeted at £1,319,000 in 2013/14 with costs currently on target. There are no proposals for further borrowing during 2013/14, although the position will need to be kept under review.
- (iii) There may be a significant impact on the cash flow of the Council if outstanding debts are not received. Any debts deemed to be irrecoverable are written off against a bad debt provision set up specifically for this purpose. Other significant debts relate to Council Tax, NNDR, and outstanding claims with Cumbria County Council for Civic Centre accommodation and associated charges.
- (iv) Use of Reserves: The usage and level of all Council reserves are set out in the Medium Term Financial Plan (RD29/12), approved by Council in September 2012. It is anticipated that £0.4m will be required from the Council's Revenue Reserves to fund expenditure in 2013/14, including £667,400 of 2012/13 carry forwards. Any under or overspend at the year end will adjust the balance transferred to or from the reserve. Council reserves are under significant pressure for 2013/14 and the savings strategy approved in February 2013 will help to resolve the projected deficit. However, further savings must be identified to replenish usable revenue reserves to the minimum required.
- (v) The Council's VAT partial exemption calculation for the period ending 30th June 2013 is still being calculated but is likely to be well below the 5% limit set by HMRC.

9. BAD DEBT WRITE-OFFS

- 9.1 The Director of Resources has delegated authority for the write-off of outstanding debts for NNDR, Council Tax and Debtors (including Penalty Charge Notices). In accordance with this, the Executive is asked to note that debts totalling £39,990.92 have been written off during Quarter 1 to the end of June 2013. A summary of the

bad debts is given in Table 1, **Appendix B** of this report and these costs will fall against the following:

	£
General Fund	18,633.16
Council Tax (Collection Fund)	21,357.76
Total Write-offs	39,990.92

- 9.2 The “write-ons” itemised in Table 2, Appendix B, totalling £4,960.28, are in respect of balances originally written off that have since been paid, credit write-offs for the Quarter 1 to the end of June 2013. The write-ons will be credited as follows:

	£
General Fund	4.01
Council Tax (Collection Fund)	4,956.27
Total Write-offs	4,960.28

- 9.3 In the case of the General Fund, the write-offs will be charged against provisions for bad debts (except for PCNs which are accounted for on a cash basis). However VAT, which has been identified separately, will be recouped in future VAT returns. HRA debts and provisions have transferred to the General Fund and any write-off/write-on of Council Tax will fall against the pool provisions within these accounts. Any Council Tax court costs written off will be charged against the Bad Debt Provision within the General Fund.
- 9.4 At this stage of the year, the level of bad debts is broadly in line with expectations and at this level will be within the scope of the current provisions to fund the bad debts. However, this situation is continuously under review and any major deviations and the write-on and write-off trends compared to previous years will be reported in the next quarter's report.

10. CONSULTATION

10.1 Consultation to date.

SMT and SMT have considered the issues raised in this report.

10.2 Consultation Proposed

Resources Overview and Scrutiny Panel will consider the report on 25th August 2013.

11. CONCLUSION AND REASONS FOR RECOMMENDATIONS

11.1 The Executive is asked to:

- (i) Note the budgetary performance position of the Council to June 2013; and
- (ii) Note the action by the Director of Resources to write-off bad debts as detailed in paragraph 9.

12. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

12.1 The Council's budget is set in accordance with the priorities of the Carlisle Plan and the position for the first quarter of 2013/14 shows the delivery of these priorities within budget.

Contact Officer: Maureen McCartney

Ext: 7291

Appendices A1 to A6 and B.
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: SMT and JMT have been involved in the preparation of this report. Risks to budgets and development of ongoing impact of issues identified are monitored carefully and appropriate action taken.

Chief Executive's – N/A

Community Engagement – N/A

Economic Development – N/A

Governance – The Council has a fiduciary duty to manage its finances properly and the proper reporting of the budget monitoring is part of this process.

Local Environment – N/A

Resources – Financial implications are contained within the main body of the report.

REVENUE BUDGET MONITORING 2013/14

CHIEF EXECUTIVE'S TEAM	Gross Expenditure	Gross Income	Recharges	Adjusted Total
Position as at 30th June 2013	£	£	£	£
Annual Budget	1,508,800	(23,300)	(1,292,500)	193,000
Budget to date	380,111	(8,940)	(323,515)	47,656
Total Actual	393,260	(13,793)	(320,535)	58,931
Adjusted Variance	13,149	(4,853)	2,980	11,275

Analysis of Variances		Expenditure Variance	Income Variance	Recharges Variance	Adjusted Variance
Service	Note	£	£	£	£
Policy and Communications	1	16,633	0	541	17,174
Miscellaneous	2	(3,484)	(4,853)	2,439	(5,899)
Total Variance to date		13,149	(4,853)	2,980	11,275

Note	Chief Executive's Team - Comments
1.	Shortfall against savings target
2.	Various net minor underspends across the service.

Chief Exec

REVENUE BUDGET MONITORING 2013/14

COMMUNITY ENGAGEMENT	Gross Expenditure	Gross Income	Recharges	Adjusted Total
Position as at 30th June 2013	£	£	£	£
Annual Budget	13,259,000	(4,391,600)	(1,321,700)	7,545,700
Budget to date	3,467,542	(1,690,933)	(330,825)	1,445,784
Total Actual	3,586,949	(1,790,518)	(330,418)	1,466,013
Adjusted Variance	119,407	(99,585)	407	20,229

Analysis of Variances		Expenditure Variance	Income Variance	Recharges Variance	Adjusted Variance
Service	Note	£	£	£	£
Hostels & Homeshares	1	40,327	1,712	0	42,039
Miscellaneous	2	79,080	(101,297)	407	(21,810)
Total Variance to date		119,407	(99,585)	407	20,229

Note	Community Engagement - Comments
1.	Overspends include staffing structure changes not yet implemented
2.	Net underspend relates to miscellaneous variances and grant income to be allocated across services.

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REVENUE BUDGET MONITORING 2013/14

ECONOMIC DEVELOPMENT	Gross Expenditure	Gross Income	Recharges	Adjusted Total
Position as at 30th June 2013	£	£	£	£
Annual Budget	3,455,400	(1,184,400)	(611,200)	1,659,800
Budget to date	821,684	(326,522)	(152,984)	342,178
Total Actual	833,437	(262,819)	(152,800)	417,819
Adjusted Variance	11,753	63,703	184	75,641

Analysis of Variances		Expenditure Variance	Income Variance	Recharges Variance	Adjusted Variance
Service	Note	£	£	£	£
Development Control	1	25,604	31,330	0	56,934
Miscellaneous	2	(13,850)	32,374	184	18,707
Total Variance to date		11,753	63,703	184	75,641

Note	Economic Development - Comments
1.	Overspend, partly offset by savings on staff and advertising costs, includes £45,100 Airport application legal expenses, and income shortfall from fees.
2.	Net variance includes income shortfall against budgets to date.

REVENUE BUDGET MONITORING 2013/14

GOVERNANCE	Gross Expenditure	Gross Income	Recharges	Adjusted Total
Position as at 30th June 2013	£	£	£	£
Annual Budget	3,093,400	(439,100)	(826,300)	1,828,000
Budget to date	829,924	(100,230)	(206,823)	522,871
Total Actual	876,451	(159,755)	(206,573)	510,123
Adjusted Variance	46,527	(59,525)	250	(12,748)

Analysis of Variances		Expenditure Variance	Income Variance	Recharges Variance	Adjusted Variance
Service	Note	£	£	£	£
Miscellaneous	1	46,527	(59,525)	250	(12,748)
Total Variance to date		46,527	(59,525)	250	(12,748)

Note	Governance - Comments
1.	Overspent expenses offset by surplus income across the services

REVENUE BUDGET MONITORING 2013/14

LOCAL ENVIRONMENT	Gross Expenditure	Gross Income	Recharges	Total
Position as at 30th June 2013	£	£	£	£
Annual Budget	14,758,700	(6,091,700)	(2,580,100)	6,086,900
Budget to date	3,672,915	(1,649,248)	(647,755)	1,375,912
Total Actual	3,398,341	(1,512,263)	(646,976)	1,239,101
Adjusted Variance	(274,574)	136,985	779	(136,811)

Analysis of Variances		Expenditure Variance	Income Variance	Recharges Variance	Adjusted Variance
Service	Note	£	£	£	£
Off Street Parking	1	(30,281)	91,522	92	61,333
On Street Parking	2	(31,072)	9,200	0	(21,872)
South Lakeland Parking	3	59	(30,190)	0	(30,131)
City Lighting	4	(21,154)	0	0	(21,154)
Recycling & Waste Collection	5	(59,732)	8,463	0	(51,269)
Street Cleaning	6	(14,234)	(782)	0	(15,016)
Miscellaneous	7	(118,160)	58,772	687	(58,701)
Total Variance to date		(274,574)	136,985	779	(136,811)

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REVENUE BUDGET MONITORING 2013/14

Note	Local Environment - Comments
	<ol style="list-style-type: none"> 1. Windfall from Lower Viaduct sewerage charge rebate (£39,450) backdated to 2008; and underspend on staffing (£26,800) taken into Salary Turnover Savings offset by income shortfall from ticket sales and PCNs. 2. Net underspend after savings in administration costs and income shortfall from PCNs etc. 3. Underspend on back office support contract, includes PCN income to be paid over to CCC net of management fee. 4. Savings on lighting maintenance and energy costs 5. Efficiency savings on tipping charges (£27,300), transport hire and repairs (£23,900), and materials (£9,600). 6. Underspends on transport and cost of materials 7. Various minor underspends more than offset income shortfalls across the services.

REVENUE BUDGET MONITORING 2013/14

RESOURCES	Gross Expenditure	Gross Income	Recharges	Adjusted Total
Position as at 30th June 2013	£	£	£	£
Annual Budget	37,604,800	(34,668,200)	(6,807,200)	(3,870,600)
Budget to date	10,571,570	(9,270,610)	(2,036,910)	(735,950)
Total Actual	10,355,240	(9,250,941)	(2,017,270)	(912,971)
Adjusted Variance	(216,330)	19,669	19,640	(177,021)

Analysis of Variances		Expenditure Variance	Income Variance	Recharges Variance	Adjusted Variance
Service	Note	£	£	£	£
Treasury & Debt Management	1	(3,423)	67,777	0	64,354
Non Distributed Costs	2	(44,362)	0	0	(44,362)
Other Financial Costs	3	(144,902)	(52,882)	0	(197,784)
Property Services	4	22,562	927	139	23,628
The Lanes	5	207	19,239	0	19,446
Miscellaneous	6	(46,413)	(15,392)	19,501	(42,303)
Total Variance to date		(216,330)	19,669	19,640	(177,021)

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Note	Resources - Comments
	<ol style="list-style-type: none"> 1. Continued decline in average interest rates is having a negative impact on investment income target 2. Includes savings on shared service pension costs 3. Improvements in savings for RSG Settlement shortfall (£44,300), Salary Turnover (£80,200) and Living Wage costs (£19,700); and surplus income includes (£24,800) New Homes Bonus, (£19,800) Transition Grant for Rural LA's and (£8,500) New Burdens Grant. 4. Liability for NNDR charges whilst awaiting land sale of ex Bailing Depot at Willowholme 5. Shortfall on guaranteed rent income due to continuing effects of the recession 6. Various minor underspends and surplus income, partly offset by recharged expenses shortfall.

TABLE 1		Write-Offs June 2013	
Type of Debt			
	No.	£	
NNDR			
Council Tax Debtors:	60	21,357.76	
Private Tenants	21	2,040.90	
Housing Benefit Overpayments			
General Fund	20	1,613.31	
Penalty Charge Notices:			
On Street	148	13,360.95	
Off Street	19	1,618.00	
Ex FTA Benefit			
TOTAL	268	39,990.92	

TABLE 2		Write-Ons June 2013	
Type of Debt			
			£
NNDR			
Council Tax Debtors:	31	4,956.27	
Private Tenants			
Housing Benefit Overpayments			
General Fund	10	4.01	
Ex FTA Benefit			
TOTAL		4,960.28	

Report to Executive

Agenda
Item:

A.13

Meeting Date: 5 August 2013
Portfolio: Finance, Governance and Resources
Key Decision: No
Within Policy and Budget Framework YES
Public / Private Public

Title: TREASURY MANAGEMENT: APRIL TO JUNE 2013
Report of: DIRECTOR OF RESOURCES
Report Number: RD30/13

Purpose / Summary:

This report provides the regular quarterly report on Treasury Transactions including the requirements of the Prudential Code.

Recommendations:

That this report be received and the Prudential Indicators noted as at the end of June 2013.

Tracking

Executive:	5 August 2013
Audit Committee:	26 September 2013
Council:	Not applicable

1. BACKGROUND

1.1 The purpose of this report is to inform Members on various Treasury Management issues. The report is set out as follows:

(i) **Appendix A** sets out the schedule of Treasury Transactions for the period April 2013 – June 2013

- **Appendix A1** – Treasury Transactions April to June 2013
- **Appendix A2** – Investment Transactions April to June 2013
- **Appendix A3** – Outstanding Investments at June 2013

(ii) **Appendix B** discusses the Prudential Code and Prudential Indicators for 2013/14

- **Appendix B1** – Prudential Code background
- **Appendix B2** – Prudential Indicators

2. CONSULTATION

2.1 Consultation to Date:
None.

2.2 Consultation proposed:
None.

3. CONCLUSION AND REASONS FOR RECOMMENDATIONS

3.1 That this report is received and the Prudential Indicators noted as at the end of June 2013.

5. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

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

Contact Officer: Steven Tickner

Ext: 7280

Appendices attached to report:
Appendix A1 – Treasury Transactions
Appendix A2 – Investment Transactions
Appendix A3 – Outstanding Investments
Appendix B1 – Prudential Indicators

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

Community Engagement – not applicable

Economic Development – not applicable

Governance – The Council has a fiduciary duty to manage its finances properly and the proper reporting of the budget monitoring is part of this process

Local Environment – not applicable

Resources - Included in the report

TREASURY TRANSACTIONS
APRIL to JUNE 2013

1. LOANS (DEBT)1.1 Transactions April to June 2013

	Raised		Repaid	
	£	%	£	%
P.W.L.B	0		0	0
Local Bonds	0		0	0
Short Term Loans	0		0	0.00
Overnight Borrowing	0	0.00	0	0.00
	0		0	

This provides a summary of any loans that have been raised or repaid, analysed by type, since the previous report. There have been no transactions in the period. New procedures have been put in place to map the cash flow more accurately to enable better forecasting and to limit the amount of short term/overnight borrowing which may be required.

1.2 Loans (Debt) Outstanding at end of June 2013

	£
City of Carlisle Stock Issue	15,000,000
Short Term Loans	13,300
	15,013,300

1.4 Loans Due for Repayment (Short Term)

	PWLB £	Overnight £	Total £
Short Term Debt at end June 2013	0	0	13,300
			13,300

2 INVESTMENTS

	Made		Repaid	
	£	%	£	%
Short Term Investments	37,230,000	1.10-0.37	32,805,000	0.37-3.00
	37,230,000		32,805,000	

A full schedule of investment transactions is set out in Appendix A2. Appendix A3 shows outstanding investments at end of June 2013. The average return achieved on investments as at the end of June was 0.98%.

3 REVENUES COLLECTED

To: June 2013		Collected £	% of Amount Collectable %
2013/14	Council Tax NNDR	14,364,412 14,004,237	29.50 33.18
Total		28,368,649	31.21
2012/13	Council Tax NNDR	14,130,535 13,977,288	29.86 34.12
Total		28,107,823	31.73
2011/12	Council Tax NNDR	14,135,393 12,690,688	29.90 32.50
Total		26,826,081	31.41

Collection levels have been fairly stable in each of the past three years.

4 BANK BALANCE

At end of June 2013 £144,922.16 in hand.

This simply records the Council's bank balance at the end of the last day covered by the report.

5 PERFORMANCE ON TREASURY MANAGEMENT TRANSACTIONS
TO END OF JUNE 2013
 April –June 2013

	Estimate £000	Actual £000	Variance £000
Interest Receivable	(118)	(87)	31
Interest Payable	190	189	(1)
Less Rechargeable	0	0	0
	190	189	(1)
Principal Repaid	0	0	0
Debt Management	15	12	(3)
NET BALANCE	87	114	27

The estimate column is the profiled budget to end of June 2013.

Most budget heads are performing very much in line with the original estimate.

APPENDIX A2

INVESTMENT TRANSACTIONS APRIL TO JUNE 2013

INVESTMENTS MADE		INVESTMENTS REPAYD	
	£		£
Barclays	4,000,000.00	Nationwide	1,000,000.00
Nationwide	2,000,000.00	Bank of Scotland	1,000,000.00
HSBC	700,000.00	Prime Rate	70,000.00
Nationwide	1,000,000.00	Prime Rate	950,000.00
HSBC	290,000.00	Prime Rate	1,350,000.00
HSBC	350,000.00	HSBC	1,000,000.00
Cumberland	1,000,000.00	HSBC	1,500,000.00
Bank of Scotland	1,000,000.00	Prime Rate	1,385,000.00
HSBC	480,000.00	Prime Rate	220,000.00
HSBC	440,000.00	Royal Bank of Scotland	2,000,000.00
Prime Rate	870,000.00	Ignis	50,000.00
Prime Rate	1,500,000.00	Prime Rate	2,460,000.00
Prime Rate	3,500,000.00	Ignis	1,820,000.00
HSBC	2,500,000.00	Prime Rate	135,000.00
Prime Rate	445,000.00	Prime Rate	190,000.00
Royal Bank of Scotland	2,000,000.00	HSBC	2,475,000.00
Ignis	1,870,000.00	Cumberland B Soc	1,000,000.00
Prime Rate	445,000.00	HSBC	25,000.00
Royal Bank of Scotland	1,000,000.00	HSBC	1,500,000.00
Bank of Scotland	1,000,000.00	Barclays	120,000.00
HSBC	520,000.00	Bank of Scotland	1,000,000.00
Prime Rate	1,450,000.00	Royal Bank of Scotland	1,000,000.00
HSBC	3,480,000.00	Prime Rate	540,000.00
Barclays	120,000.00	Prime Rate	15,000.00
Prime Rate	515,000.00	Prime Rate	765,000.00
Prime Rate	755,000.00	Royal Bank of Scotland	1,000,000.00
Ignis	3,000,000.00	Prime Rate	340,000.00
Royal Bank of Scotland	1,000,000.00	Ignis	3,000,000.00
		Prime Rate	1,060,000.00
		HSBC	220,000.00
		HSBC	3,615,000.00
TOTAL	37,230,000		32,805,000
		Bfwd	18,740,000
		Paid	37,230,000
		Repaid	32,805,000
		Total	23,165,000

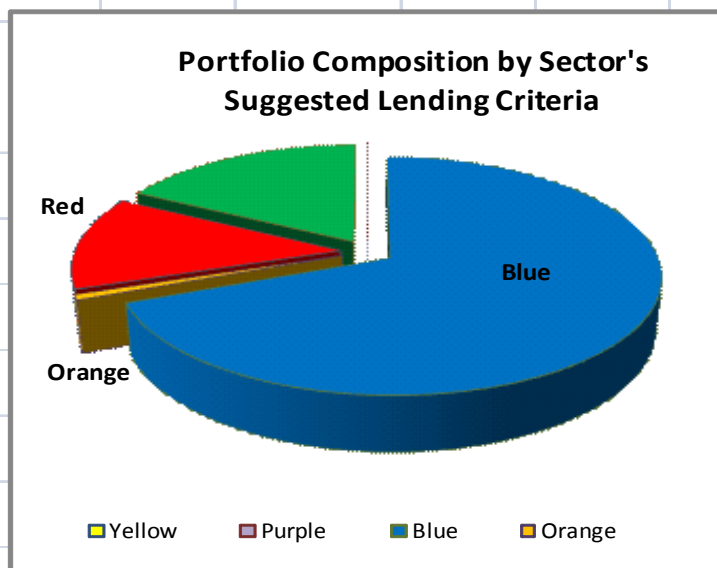
Outstanding Investments as at 30 June 2013							
Category	Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date	Days to maturity at execution	Total Interest Expected (£)
G	Barclays Bank	4,000,000	0.65%		Call		
O	HSBC	165,000	0.50%		Call		
B	Bank of Scotland	1,000,000	2.85%	02/08/2012	02/08/2013	365	28,500
B	Royal Bank of Scotland	2,000,000	0.85%		Call90	90	
B	Royal Bank of Scotland	1,000,000	0.85%		Call90	90	
B	Royal Bank of Scotland	1,000,000	0.85%		Call90	90	
B	Royal Bank of Scotland	2,000,000	0.80%		Call95	95	
B	Royal Bank of Scotland	1,000,000	0.80%		Call95	95	
B	Royal Bank of Scotland	1,000,000	1.75%	05/10/2012	04/10/2013	364	17,452
R	Nationwide Building Society	1,000,000	0.61%	04/04/2013	19/12/2013	259	4,328
R	Nationwide Building Society	2,000,000	0.63%	02/04/2013	02/01/2014	275	9,493
B	Bank of Scotland	1,000,000	1.10%	04/01/2013	03/01/2014	364	10,970
B	Bank of Scotland	1,000,000	1.10%	13/02/2013	14/02/2014	366	11,030
B	Bank of Scotland	1,000,000	1.10%	25/03/2013	28/03/2014	368	11,090
B	Bank of Scotland	1,000,000	1.10%	27/03/2013	28/03/2014	90	2,712
B	Bank of Scotland	1,000,000	1.10%	28/03/2013	28/03/2014	95	2,863
B	Bank of Scotland	1,000,000	1.10%	11/04/2013	10/04/2014	364	10,970
B	Bank of Scotland	1,000,000	1.05%	30/05/2013	30/05/2014	365	10,500
	Total Investments	£23,165,000	0.98%			233	£119,909

N.B Interest is recognised in the appropriate financial year in which it is due.

Investments Summary Sheet

						Weighted Average Rate of Return	Weighted Average Days to Maturity	Weighted Average Dats to Maturity from Execution	Weighted Average Risk				
	% of Portfolio	Amount	% of Colour in Calls	Amount of Colour in Calls	% of Call in Portfolio	WARoR	WAM	WAM at Execution	Risk Score for Colour (1 = Low, 7 = High)	Jun 2013	Mar 2013	Dec 2012	Sep 2012
Yellow	0.00%	-	0.00%	-	0.00%	0.00%	0	0	1	0.0	0.0	0.0	0.0
Purple	0.00%	-	0.00%	-	0.00%	0.00%	0	0	2	0.0	0.0	0.0	0.0
Blue	69.07%	16,000,000	43.75%	7,000,000	30.22%	1.13%	164	246	3	2.1	2.6	2.1	2.1
Orange	0.71%	165,000	100.00%	165,000	0.71%	0.50%	0	0	4	0.0	0.4	0.0	0.0
Red	12.95%	3,000,000	0.00%	-	0.00%	0.62%	181	270	5	0.6	0.3	0.0	0.0
Green	17.27%	4,000,000	100.00%	4,000,000	17.27%	0.65%	0	0	6	1.0	0.0	1.0	1.0
No Colour	0.00%	-	0.00%	-	0.00%	0.00%	0	0	7	0.0	0.0	0.6	0.6
	100.00%	23,165,000	48.20%	11,165,000	48.20%	0.98%	137	205		3.8	3.2	3.8	3.8

	Sector's Suggested Criteria
Y	Up to 5 Years
P	Up to 2 Years
B	Up to 1 Year
O	Up to 1 Year
R	Up to 6 months
G	Up to 3 months
N/C	No Colour



Normal' Risk
Score 3.5 3.5 3.5 3.5

THE PRUDENTIAL CODE AND PRUDENTIAL BORROWING

1. Introduction

- 1.1 The Local Government Act 2003 brought about a new borrowing system for local authorities known as the Prudential Code (the Code). This gives to Councils much greater freedom and flexibility to borrow without government consent so long as they can afford to repay the amount borrowed.
- 1.2 The aim of the Code is to support local authorities when making capital investment decisions. These decisions should also be in line with the objectives and priorities as set out in the Council's Corporate Plan.
- 1.3 The key objectives of the Code are to ensure, within a clear framework, that the capital investment plans of the Council are affordable, prudent and sustainable, or if appropriate, to demonstrate that they may not be. A further key objective is to ensure that treasury management decisions are taken in accordance with good professional practice and in a manner that supports prudence, affordability and sustainability. These objectives are consistent with and support local strategic planning, local asset management planning and proper option appraisal. They also encourage sound treasury management decisions.

2. Prudential Indicators

- 2.1 To demonstrate that the Council has fulfilled these objectives, the Code sets out indicators that must be used. It is for the council to set any indicative limits or ratios. It is also important to note that these indicators are not designed to be comparative performance figures indicators but to support and record the Council's decision making process.
- 2.2 Appendix C2 sets out the latest performance indicators for the current year.

3. Supported and Unsupported (or Prudential) Borrowing

- 3.1 Local authorities have always funded a substantial element of their capital programme via borrowing. This continues to be the case but until the introduction of the Code any local authority borrowing was essentially based upon a government 'permission to borrow'. Differing types of government control operated over the years but since 1990 these had been termed credit approvals. The level of an authority's previous years' credit approvals is also included in the revenue support grant (RSG) allocation so that ultimately any borrowing is 'supported' via RSG.

- 3.2 This element of supported borrowing is still part of the RSG system although the City Council has previously resolved that its capital borrowing would be limited to its level of supported borrowing. In 2013/14 this is estimated to be Nil.
- 3.3 However, there may be circumstances in which the City Council will wish to undertake some prudential borrowing and the issues surrounding unsupported and supported borrowing are discussed below.
- 3.4 Authorities are permitted to borrow in excess of their supported borrowing allocation. This is referred to as prudential or unsupported borrowing. This can be undertaken so long as the Council can demonstrate that the revenue consequences of such borrowing (i.e. the cost of the debt) are sustainable, affordable and prudent in the medium to long term.

PRUDENTIAL INDICATORS

Central to the operation of the Prudential code is the compilation and monitoring of prudential indicators covering affordability, prudence, capital expenditure, and treasury management. Set out below are the indicators for 2013/14 to date as detailed in the Treasury Management Strategy Statement for 2013/14.

(a) Affordability

	2013/14 Original Estimate £	2013/14 Revised Estimate £
(i) Capital Expenditure	7,780,000	4,655,200
(ii) Financing Costs Total Financing Costs	845,959	845,959
(iii) Net Revenue Stream Funding from Govt Grants/Local Taxpayers	13,454,000	13,454,000
(iv) Ratio of Financing Costs to Net Revenue Stream The figures monitor financing costs as a proportion of the total revenue stream from government grants and local taxpayers. The increase in the ratio of financing costs is mainly attributable to the forecast reduction in investment income.	6.29%	6.29%
(v) Incremental Impact on Council Tax This indicator allows the effect of the totality of the Council's capital investment decisions to be considered at budget setting time.	0.56	0.56
(vi) Authorised Borrowing Limit Maximum Level of Borrowing and Other Long term Liabilities	37,600,000	37,600,000
	15,013,300	15,013,300
The authorised borrowing limit is determined by Council prior to the start of the financial year. The limit must not be altered without agreement by Council and should not be exceeded under any foreseeable circumstances.		

	2013/14 Original Estimate £	2013/14 Revised Estimate £
(vii) Operational Borrowing Limit Maximum Level of Borrowing and Other Long term Liabilities The operational borrowing limit is also determined by Council prior to the start of the financial year. Unlike the authorised limit, it may be breached temporarily due to cashflow variations but it should not be exceeded on a regular basis.	32,600,000 15,013,300	32,600,000 15,013,300
(viii) Capital Financing Requirement (CFR) As at 31 March The CFR is a measure of the underlying borrowing requirement of the authority for capital purposes.	(5,293,000)	n/a

(b) Prudence and Sustainability

	2013/14 Original £
(i) New Borrowing to Date No Long Term Borrowing has been taken in 2013/14 to date	0
(ii) Percentage of Fixed Rate Long Term Borrowing at June 2013	100%
(iii) Percentage of Variable Rate Long Term Borrowing at June 2013 Prudent limits for both fixed and variable rate exposure have been set at 100%. This is due to the limited flexibility available to the authority in the context of its overall outstanding borrowing requirement.	0%
(iv) Minimum Level of Investments Classified as Specified Level of Specified Investments as at June 2013 As part of the Investment Strategy for 2013/14, the Council set a minimum level of 50% for its specified as opposed to non specified investments. The two categories of investment were defined as part of the Strategy but for the City Council non specified investments will presently refer mainly to either investments of over one year in duration or investments placed with building societies that do not possess an appropriate credit rating. These tend to be the smaller building societies.	50.00% 91.00%

Report to:
EXECUTIVE

Agenda
Item

A.14

Meeting Date: 5 August 2013

Portfolio: All Areas

Key Decision: Not applicable

Within Policy and Budget Framework: Yes/No (delete as appropriate)

Public/Private*: Public

Title: **REPRESENTATIVES ON OUTSIDE BODIES**

Report Number: GD.39/13

Report of: Director of Governance

PURPOSE/SUMMARY:

To nominate Members to serve on various outside bodies.

RECOMMENDATIONS:

The Executive is requested to determine the nominations and note the position regarding those organisations for which appointments are no longer required.

TRACKING:

Executive:	5 August 2013
Overview and Scrutiny:	N/A
Council:	N/A

1. BACKGROUND

- 1.1 The Executive had, at its meeting on 31 May 2013, made appointments to the outside bodies which they had responsibility for (EX.60/13). A number of the bodies had not been appointed to at that time due to the death of the Leader of the Council and the resignation from a number of bodies by a Member.
- 1.2 On 20 June 2013 the Community Overview and Scrutiny Panel considered a call in regarding the Executive's appointments to some of the outside bodies (COSP.43/13). The Panel had asked the Executive to reconsider the appointments made to Cumbria Health Scrutiny Committee, Downagate Community Centre Management Committee, Local Government Association – Rural Commission and Tullie House Museum and Art Gallery Trust Board. The Leader, in his role as Deputy Leader, agreed to reconsider the appointments made to these organisations.
- 1.3 Set out in Appendix A are the details of bodies which have vacancies and which the Executive is required to make appointments and those organisations which the Leader had agreed to reconsider following the call in. The table shows the outside organisation, the current representative, the required appointment and the Executive's proposals.
- 1.4 Notification has been received that the following organisations to which appointments were made on 31 May 2013 no longer require representation from the City Council.

Friends of Tullie House
Business Improvement District

2. RECOMMENDATIONS AND REASONS FOR RECOMMENDATIONS

- 2.1 In order to seek instructions to determine the nominations and note the position regarding those organisations for which appointments are no longer required.
- 2.2 In order to seek instructions from the Executive regarding the outstanding appointments to outside bodies for 2013/14.

Contact Officer: Rachel Rooney

Ext: 7039

Appendices attached to report: Appendix A – Representations and Proposals

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:

- Carlisle City Council's Constitution

IMPLICATIONS:

Chief Executive's – To ensure that the Council are represented on outside bodies within the Community

Community Engagement – None

Economic Development – None

Governance – Included in the report.

Local Environment – None

Resources - None

Appendix A – Representatives on Outside Bodies 2013/14

Vacancies

Outside Body	Representation	Required Appointments	Executive's Proposals
Botcherby Community Centre Management Committee	Councillors Betton and Scarborough, 1 vacancy	1 nomination	Councillor Ms Patrick
Carlisle and District Citizens' Advice Bureau Trustee Management Committee	Councillor Earp, 1 vacancy	1 nomination	Councillor Ms Franklin
Cumbria Leadership Board	Councillor Glover (as substitute), 1 vacancy	1 nomination and 1 substitute nomination	Councillor Glover Councillor Mrs Martlew (substitute)
The District Council's Network Assembly	Councillor Glover (as substitute), 1 vacancy	1 full nomination and 1 substitute nomination	Councillor Glover Councillor Mrs Martlew (substitute)
(NOTE: The DCNs constitution states that the representative is the usually the Leader of the Council or someone in an equivalent position)			
Local Government Association – General Assembly	Councillor Glover (as substitute), 1 vacancy	1 full nomination and 1 substitute nomination	Councillor Glover Councillor Mrs Martlew (substitute)
Riverside Carlisle Board	Councillors Bainbridge (since 2012), Layden (since 2008) and Mrs Luckley (since 2012), 1 vacancy	1 nomination	Councillor P Atkinson
(NOTE: Council representatives can remain on the Riverside Board for a maximum of 9 years. Appointments or removals have been made in writing by the City Council to the Secretary of the Carlisle Housing Association Board)			

North Pennines Area of Outstanding Natural Beauty Partnership	1 vacancy	1 nomination	Councillor Mrs Bradley
Solway Firth Partnership Board	1 vacancy	1 nomination	Councillor Whalen

Representation reconsidered following call in

Outside Body	Representation	Executive's Proposals
Cumbria Health Scrutiny Committee (NOTE: This is a joint Scrutiny Committee comprising representatives of the six District Councils in Cumbria and Cumbria County Council. The terms of reference require that Members should be full serving Members of Overview and Scrutiny Panels)	Councillor Bowditch	Councillor Bowditch
Downagate Community Centre Management Committee	Councillor Graham	Councillor Graham
Local Government Association – Rural Commission (NOTE: The Council is entitled to nominate two representatives, either two Members or one Member and one Officer with the first named Member being allocated the vote)	Councillors Tickner and Ms Quilter	Councillor Tickner TBC
Tullie House Museum and Art Gallery Trust Board	Councillor Tickner; Councillor J Mallinson	Councillor Tickner Councillor J Mallinson

