

# **Business & Transformation Scrutiny Panel**

## **Agenda**

**Thursday, 03 January 2019 AT 10:00**

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

**\*\*A preparatory meeting for Members will be held at 9.15am in the Flensburg Room\*\***

The Press and Public are welcome to attend for the consideration of any items which are public.

### **Members of the Business & Transformation Scrutiny Panel**

Councillor Mrs Birks(Chairman) , Councillors Alcroft, Allison, Mrs Bowman (Vice Chairman), Ellis, Mrs Mallinson, McDonald, and McNulty

#### **Substitutes:**

Councillors Bainbridge, Carrigan, Mrs Ellis-Williams, J Mallinson, Shepherd and Mrs Warwick

## **PART A**

### **To be considered when the Public and Press are present**

#### **Apologies for Absence**

To receive apologies for absence and notification of substitutions.

#### **Declarations of Interest (including declarations of “The Party Whip”)**

Members are invited to declare any disclosable pecuniary interests, other registrable interests, and any interests, relating to any time 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 Meeting**

**7 - 26**

To approve the minutes of the meeting held on 29 November 2018.  
(Copy Minutes herewith)

#### **A.1 CALL-IN OF DECISIONS**

To consider any matter which has been the subject of call-in.

#### **A.2 OVERVIEW REPORT**

**27 - 34**

Portfolio: Cross Cutting

Directorate: Cross Cutting

Officer: Michael Thompson, Overview and Scrutiny Officer

Report: OS.34/18 attached

#### **Background:**

To consider a report providing an overview of matters related to the work of the Business and Transformation Scrutiny Panel.

#### **Why is this item on the agenda?**

The Business and Transformation Scrutiny Panel operates within a work plan which has been set for the 2018/19 municipal year. The Plan will be reviewed at every meeting so that it can be adjusted to reflect the wishes of the Panel and take into account items relevant to this Panel in the latest Notice of Executive Key Decisions.

### **What is the Panel being asked to do?**

Review the current work programme and resolutions and make recommendations for the future work programme.

<b>A.3</b>	<b>BUDGET 2019/20</b>	<b>35 - 40</b>
	Portfolio: Finance, Governance and Resources	
	Directorate: Finance and Resources	
	<b>(1) Executive's response to the first round of Budget Scrutiny</b>	
	To consider the Executive's response to the first round of Budget Scrutiny from their meeting held on 3 December 2018. (Copy Minutes attached)	
<b>(2)</b>	<b>Executive Draft Budget Proposals</b>	<b>41 - 70</b>
	To consider and comment upon the Executive's draft Budget proposals. (Copy attached)	
<b>(3)</b>	<b>Background Information Reports</b>	<b>71 - 90</b>
	<b>(a) Budget Update - Revenue Estimates 2019/20 to 2022/23</b>	
	Officer Alison Taylor, Corporate Director of Finance and Resources	
	Report: RD.29/18 attached	
<b>(b)</b>	<b>Revised Capital Programme 2018/19 and Provisional Capital Programme 2019/20 to 2023/24</b>	<b>91 - 102</b>
	Officer: Alison Taylor, Corporate Director of Finance and Resources	
	Report: RD.30/18 attached	
<b>(c)</b>	<b>Draft Treasury Management Strategy Statement, Investment Strategy and Minimum Revenue Provision Strategy 2019/20</b>	<b>103 - 134</b>
	Officer: Alison Taylor, Corporate Director of Finance and Resources	
	Report: RD.31/18	

### **Background:**

The Budget Update reports are submitted for information

**Why are these items on the agenda?**

Annual scrutiny as part of the Budget process.

**What is the Panel being asked to do?**

Scrutinise the reports and provide feedback to the Executive.

**A.4 CORPORATE PROJECTS STATUS REPORT 135 -**

Portfolio: Cross Cutting **148**

Directorate: Corporate Support

Officer: Tracey Crilley, PA to Chief Executive

Report: CE.01/18

**Background:**

The Town Clerk and Chief Executive to submit a report providing a progress update on projects delivered by Carlisle City Council.

**Why is this item on the agenda?**

Bi-annual monitoring report.

**What is the Panel being asked to do?**

To scrutinise and comment on the most recent summary of projects and governance arrangements in place as contained in Appendix 1, and the actions being taken to support projects with issues. Appendix 2 is a summary of the stand alone IT projects and their current status.

**A.5 TASK & FINISH GROUP REPORT - AN EFFICIENCY AND EFFICACY REVIEW OF THE CURRENT GOVERNANCE STRUCTURES OF THE COUNCIL 149 - 152**

Portfolio: Cross Cutting

Directorate: Corporate Support

Officer: Steven O'Keeffe, Policy and Communications Manager

Report: OS.33/18 attached

**Background:**

The Policy and Communications Manager to submit a report on the efficiency and efficacy review of the current governance structures of the Council.

**Why is this item on the agenda?**

Task and Finish Group Report

**What is the Panel being asked to do?**

- Consider and comment of the report and the timetable for progressing the work
- Agree the report and recommendations for further consultation

**PART B**

**To be considered in Private**

- NIL -

Enquiries, requests for reports, background papers etc to:

Rachel Plant, Democratic Services Officer, (01228) 817039 or  
[rachel.plant@carlisle.gov.uk](mailto:rachel.plant@carlisle.gov.uk)

A copy of the agenda and reports is available on the Council's website at [www.carlisle.gov.uk](http://www.carlisle.gov.uk) or at the Civic Centre, Carlisle.



**Minutes of Previous Meeting**

**BUSINESS AND TRANSFORMATION SCRUTINY PANEL**

**THURSDAY 29 NOVEMBER 2018 AT 10.00AM**

**PRESENT:** Councillor Birks (Chairman), Alcroft, Allison, Mrs Bowman, Ellis, Mrs Mallinson (until 1.09pm) and McNulty (until 12.45pm).

**OFFICERS:** Town Clerk and Chief Executive (until 10.55am)  
Corporate Director of Governance and Regulatory Services  
Corporate Director of Finance and Resources  
Financial Services Manager  
Workforce Development Manager  
Property Services Manager  
Policy and Performance Officer  
Overview and Scrutiny Officer

**BTSP.77/18 APOLOGIES FOR ABSENCE**

Apologies for absence were submitted on behalf of Councillor McDonald.

**BTSP.78/18 DECLARATIONS OF INTEREST**

In accordance with the Council's Code of Conduct Councillor McNulty declared an interest in respect of Agenda item A.5 – Budget Process. The interest related to him working with Tullie House.

**BTSP.79/18 PUBLIC AND PRESS**

**RESOLVED** – It was agreed that the items of business in Part A be dealt with in public and Part B be dealt with in private.

**BTSP.80/18 MINUTES OF PREVIOUS MEETINGS**

**RESOLVED** – 1) Noted that Council, on 6 November 2018, received and adopted the minutes of the meeting held on 6 September 2018. Minute Book Volume 45(3) was signed by the Chairman.

2) That the minutes of the meeting held on 18 October 2018 be agreed.

**BTSP.81/18 AGENDA**

**RESOLVED** – That Agenda Item A.5 – Budget Process would be considered as the first item on the agenda.

**BTSP.82/18 BUDGET 2019/20 – 2023/24**

**(a) Minutes of the Health and Wellbeing Scrutiny Panel and Economic Growth Scrutiny Panel**

The excerpts of the minutes of the meetings of the Health and Wellbeing Scrutiny Panel and Economic Growth Scrutiny Panel held on 15 November 2018 and 22 November 2018 respectively were submitted for consideration.

## **(b) Budget Update – Revenue Estimates 2019/20 to 2023/24**

The Corporate Director of Finance and Resources submitted report RD.22/18 providing a summary of the Council's revised revenue base estimates for 2018/19, together with base estimates for 2019/20 and forecasts up to 2023/24 for illustrative purposes. The base estimates had been prepared in accordance with the guiding principles for the formulation of the budget over the next five year planning period as set out in the Medium Term Financial Plan (MTFP) and Charging Policy; Capital Strategy; and Asset Management Plan approved by Council on 11 September 2018.

The report set out known revisions to the MTFP projections, although there were a number of significant factors affecting the budget that were currently unresolved, details of which were recorded at Section 1.3. A summary of the outstanding key issues, together with the resource assumptions was also provided at Section 4. The Corporate Director of Finance and Resources detailed each of the potential new spending pressures which fell within the remit of the Panel, as set out in section 5 of the report.

The Corporate Director of Finance and Resources added that the current MTFP included a savings requirement to be found by 2019/20 of £1.237 million. Further savings / additional income had already been identified in the budget process for 2019/20, details of which were set out at Section 6 of the report.

The Executive had on 12 November 2018 (EX.99/18 refers) received the report and resolved:

“That the Executive:

1. Noted the revised base estimates for 2018/19 and base estimates for 2019/20.
2. Noted the current Medium Term Financial Plan projections, which would continue to be updated throughout the budget process as key issues became clearer and decisions were taken.
3. Noted the initial budget pressures / savings needing to be taken into account as part of the 2019/20 budget process.
4. Noted the review of the earmarked reserves as outlined in paragraph 9 and Appendix G to Report RD.22/18 and made appropriate recommendations to Council”

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

- The City Council was moving more services online; however, the budget showed additional resources in Customer Services as a spending pressure, why were resources increasing?

The Town Clerk and Chief Executive agreed that the online sign up continued to increase and reminded the Panel that the Customer Services Team were part of and co-ordinated the Contact Demand Based Service Delivery. This meant they covered the face to face work of the Council, answered telephone calls and provided other services for external organisations. A restructure of staff within the service had taken place along with the introduction of a shift system. This would allow additional resources to be available at peak call times and would also expand the opening hours of the Service.

- A number of the savings and income generated were achieved at the end of the MTFP process, were they relevant to this budget process?



The Corporate Director of Finance and Resources confirmed that the figures were relevant as they may be required to ensure a balanced budget was achieved over the lifetime of the MTFP.

- The Boundary Review had been completed and the authority would reduce from 52 Members to 39 in May 2019, and each Ward would have three Members. Previously some Wards within the District had elections once every four years or twice in four years, from May they would have an election 3 in 4 years, had the additional cost of the elections been calculated?

The Corporate Director of Governance and Regulatory Services clarified that the budget had an additional £80,000 for the May 2019 elections, following that the cost of the elections would be offset by the reduction in the number of Members.

- The Panel asked to see the outcome of the Income and Budget Monitoring Shortfalls review, with key findings highlighted that Senior Management Team were working on.

The Corporate Director of Finance and Resources informed the Panel that a zero base budget exercise would be required to fundamentally review all base budgets. She added that it was a long process which would take 9-12 months to carry out properly.

- How much had the Income and Budget Monitoring Shortfalls changed compared to previous years?

The Corporate Director of Finance and Resources explained that some of the shortfalls such as the Development Control income and the reduced income from reyclates were new pressures; others such as the Lanes were not new but had increased.

- The income from the Lanes was £100,000 less than the anticipated 2018/19 budget shortfall, what had changed?

The Corporate Director of Finance and Resources agreed to provide the Panel with a written response.

- A Member asked for the correct position with regard to the savings and additional income proposals.

The Corporate Director of Finance and Resources responded that the additional income streams as set out in section 6 of the report were over the lifetime of the MTFP. The savings target of £1.237m had been built into the budget on a recurring basis. This was the position to date, however given the fact that there was great uncertainty with regard to the Local Government Funding post 2019/20 this may change. Work was currently being undertaken on Council Tax income in relation to the council tax base.

- The Welfare Reform Reserve was being moved back into the General Fund, what would happen if it was needed in future?

The Corporate Director of Finance and Resources confirmed that the Reserve would be moved to the General Fund as it was not required, should the position change then the money would come from the General Reserve for use.

- A Member asked for clarity on the Flood Reserve and the Promoting Carlisle Reserve.

The Corporate Director of Finance and Resources explained that the Flood Reserve was the cash figure received from the loss adjuster following the 2015 floods. The money would be used to reinstate the ground floor of the Civic Centre and for work in Bitts Park. The Promoting Carlisle Reserve was available for additional events to be held in the City as opportunities arose.

- Was there still a requirement for the budget for Rickergate?

The Corporate Director of Finance and Resources confirmed that the fund had been established from Homes England funding for maintenance of the Adriano's building. There was potential that the funding would have to be returned if development in Rickergate did not happen. This, along with a number of the other provisions on the Balance Sheet, would benefit from a review to establish their ongoing requirement.

- A Member asked for clarity with regard to the true position for the General Reserves.

The Corporate Director of Finance and Resources explained the accounting position for the General Reserves stating that the minimum reserve (General Fund Reserve) figure should be £3.3m. She added that this would be corrected in future reports.

RESOLVED – 1) That the Panel

- (i) scrutinised the revised base estimates for 2018/19 and base estimates for 2019/20;
- (ii) scrutinised the current MTFP projections, which will continue to be updated throughout the budget process as key issues become clearer and decisions are taken;
- (iii) scrutinised the initial budget pressures/savings which need to be taken into account as part of the 2019/20 budget process;
- (iv) noted the review of the earmarked reserves as outlined in paragraph 9 and appendix G of report RD.22/18.

2) That the Corporate Director of Finance and Resources provide the Panel with a written response regarding the reduced income from the Lanes.

### **(c) Review of Charges**

The Corporate Director of Finance and Resources presented the Review of Charges reports informing the Panel that there was a 3% increase on the overall level of income in line with the Corporate Charging Policy.

### **Community Services**

Report CS.31/18 was submitted setting out the proposed fees and charges for 2019/20 relating to those services falling within the Community Services Directorate.

The charges highlighted within the report would result in an anticipated income level of £3,036,900 against the MTFP target of £3,054,100 which represented a shortfall of £17,200 against the MTFP target.

The Executive had on 12 November 2018 (EX.100/18) received the report and resolved:

“That the Executive:

1. Had reviewed the proposed charges as set out in the body of Report CS.31/18 and relevant appendices with effect from 1 April 2019, noting the impact those would have on income generation as detailed within the report.
2. Made the report of proposed charges available to relevant Scrutiny Panels for their review and comment”.

In accordance with the Panel’s resolution BTSP.75/18, the Deputy Chief Executive also submitted report CS.36/18 which highlighted exceptions and major changes to the charges services levied by the Community Services Directorate. The report had no new charges and all increases complied with the agreed Corporate Charging Policy.

The report detailed a proposal that the City Council made a small charge for the supply and replacement of boxes and bags for recycling. The charges were to encourage residents to look after their boxes/bags and support recycling by offering reduced costs. In addition the most significant increase was the charge for stray dogs. The charge reflected the increased cost of the service.

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

- There was concern that the proposed increases to the stray dog charges were high for dog owners who had chipped and collared their animal. Members understood the need for increased charges, especially for repeat incidents but felt that a two tier structure should be used, dogs that were chipped and collared would be cheaper than those which were not and repeat incidents were then higher for both.

The Finance, Governance and Resources Portfolio Holder acknowledged the suggestion and informed the Panel that the charges reflected the increased cost of the service following a retender process and appointment of a new contractor. The kennelling service and out of hour’s collection costs had increased and the cost would be passed on to the owner of the dog.

- A Member commented that there were no equality and diversity impact assessments within the budget documents which set out the impact of changes the Council was making, this was especially important with regard to charges reports.
- The Panel noted that it was proposed that the extended hours charging policy in the Sands Centre car park be removed during the development period and that the charges would be reconsidered following completion of the development.
- It was felt that there should not be any discretion when applying the charge for the delivery of recycling containers; if the charge was introduced the policy should be tighter than discretion on individual cases.

The Finance, Governance and Resources Portfolio Holder agreed there should be consistency and he would look again at the cost effectiveness of the proposed charge.

RESOLVED – That the Charges Review reports 2019/20 – Community Services (CS.31/18 and CS.36/18) be received.

2) That the Panel recommend to the Executive that the Stray Dog charges are altered to have a two tier system. Charges would be lower for dogs which were chipped and collared than for dogs without.

3) That equality and diversity impact assessments should be included in the budget documents, particularly with the charges reports.

## **Economic Development**

Report ED.37/18 was submitted setting out the proposed fees and charges for areas falling within the responsibility of the Economic Development Directorate.

The proposed charges in relation to Planning Services included Development Control income; Building Control income; and Local Plan income.

Acceptance of the charges highlighted within the report, with the exception of Building Control which was self-financing, would result in an anticipated level of income of £626,200 against the Medium Term Financial Plan target of £728,000.

The Executive had on 12 November 2018 (EX.101/18) received the report and resolved:

“That the Executive agreed for consultation the charges, as set out in Report ED.37/18 and accompanying Appendices, with effect from 1 April 2019; noting the impact those would have on income generation as detailed within the report.”

In accordance with the Panel’s resolution BTSP.75/18, the Corporate Director of Economic Development also submitted report ED.41/18 which highlighted exceptions and major changes to the charges services levied by the Economic Development Directorate. The report had no new charges and all increases complied with the agreed Corporate Charging Policy.

RESOLVED – 1) That Charges Review reports 2019/20 – Economic Development (ED.37/18 and ED.41/18) be received.

## **Governance and Regulatory Services**

Report GD.72/18 was submitted concerning the proposed fees and charges for areas falling within the responsibility of the Governance and Regulatory Services Directorate.

The report set out the proposed charges relative to Environmental Health and Housing; Homeless, Prevention and Accommodation Services; and Legal Services. The introduction of the proposed charges was forecast to generate income of £874,000 in 2019/20 as summarised in the table at Section 5.10 of the report.

The Executive had on 12 November 2018 (EX.102/18) received the report and resolved:

“That the Executive agreed for consultation the charges as detailed within Report GD.72/18 and accompanying Appendices, with effect from 1 April 2019; noting the impact those would have on income generation as detailed within the report.”

In accordance with the Panel’s resolution BTSP.75/18, the Corporate Director of Governance and Regulatory services also submitted report GD.88/18 which highlighted exceptions and major changes to the charges services levied by the Governance and Regulatory Services Directorate.

The Corporate Director of Governance and Regulatory Services reported that there were no new charges and all increases complied with the agreed Corporate Charging Policy. He added that the most significant change was the transfer of the Official Search element of the Local land Charges search. The function, due to a change in the law, would transfer from the City Council

to the Land Registry during 2019. Accordingly, the Council's income would reduce by an estimated £29,000 during 2019/20.

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

- Did the move of part of the local land search function to the Land Registry result in any staff implications?

The Corporate Director of Governance and Regulatory Services explained that there was one permanent member of staff and one casual member of staff. As some of the search would remain at the Council, the permanent member of staff would be unaffected, it may however, mean there was no longer work for the casual member of staff.

- Were the immigration checks on properties carried out in house?

The Corporate Director of Governance and Regulatory Services confirmed that the Private Sector Housing Team, within Environmental Services, carried out the inspections at the point of application. Further inspections would be part of the Council's role to ensure that houses within the District were fit for purpose.

- The Private Water inspection charges were subject to a review following recent changes to legislation, when would they be finalised?

The Corporate Director of Governance and Regulatory Services responded that the charges were subject to legislation and the charges would be brought to the Panel if and when the law changed.

RESOLVED – That the Review of Charges 2019/20 reports – Governance and Regulatory Services (GD.72/18 and GD.88/18) be received.

### **Governance and Regulatory Services - Licensing**

Report GD.87/18 was submitted setting out the proposed fees and charges for areas falling within the responsibility of the Licensing Section of the Governance and Regulatory Services Directorate. The Corporate Director of Governance and Regulatory Services advised Members that the Regulatory Panel had responsibility for determining the licence fees, with the exception of those under the Scrap Metal Dealers Act 2013, which fell to the Executive.

The Executive had on 12 November 2018 (EX.103/18) received the report and agreed:

“That the Executive:

1. Noted the charges which were considered by the Regulatory Panel on 17 October 2018.
2. Noted that the fees under the Scrap Metal Dealers Act 2013 had been determined by the Executive for a three year period on 1 August 2016.”

A Member noted that the City Council had strong and proactive enforcement within the licensing section and hoped that the enforcement of the sale of dogs would be taken as seriously.

The Corporate Director of Governance and Regulatory Services assured Members that the Environmental Services Team would take the enforcement of the illegal sale of dogs very seriously.

RESOLVED – That the Governance and Regulatory Services - Licensing Review of Charges 2019/20 report (GD.87/18) be received.

**(d) Revised Capital Programme 2018/19 and Provisional Capital Programme 2019/20 to 2023/24**

The Corporate Director of Finance and Resources submitted report RD.23/18 detailing the revised Capital Programme for 2018/19, now totalling £9,551,200, together with the proposed method of financing. The report summarised the proposed programme for 2019/20 to 2023/24 in light of the new capital proposals identified, together with the estimated capital resources available to fund the programme.

Section 4 provided details of the existing and capital spending proposals. Any capital scheme for which funding had been approved by Council may only proceed after a full report, including business case and financial appraisal, had been approved.

The Executive had on 12 November 2018 (EX.104/18) received the report and resolved:

“That the Executive:

1. Noted the revised capital programme and relevant financing for 2018/19 as set out in Appendices A and B including approving the removal of two schemes from the capital programme in 2018/19 and future years, and to make recommendations to Council to re-profile £380,000 from 2018/19 to 2019/20;
2. Had given initial consideration and views on the proposed capital spending for 2019/20 to 2023/24 given in the report in the light of the estimated available resources;
3. Noted that any capital scheme for which funding had been approved by Council may only proceed after a full report, including business case and financial appraisal, had been approved.”

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

- Was the Public Realm Improvement scheme the same as the Old Town Hall/Greenmarket scheme?

The Corporate Director of Finance and Resources confirmed that the scheme had been renamed to Public Realm Improvements to allow for some flexibility about where and how the funding could be used.

- Why had the Chatsworth/London Road scheme been removed from the budget?

The Corporate Director of Finance and Resources agreed to provide a written response with regard to the unsuccessful grant funding submission.

- The Panel asked that a list of the funding that the Council had applied for be submitted to Members including where the funding was successful, where it was not, the reason why it had not been successful and lessons learned from unsuccessful bids.
- The Panel asked for further information on the Play Area Developments and Open Spaces capital programme.

The Corporate Director of Finance and Resources agreed to provide a written response for the increase in the budget for these schemes.

- Would the £1.7m capital programme for the Sands Centre be spent before the end of the financial year?

The Financial Services Manager confirmed that the capital programme sum had been approved for release for the pre consultation stage.

RESOLVED – 1) That the Revised Capital Programme 2018/19 and Provisional Capital Programme 2019/20 to 2023/24 (RD.23/18) be received.

2) That the Funding Officer provide the Panel with a list of the funding that the Council had applied for including where the funding was successful, where it was not, the reason why it had not been successful and lessons learned from unsuccessful bids.

3) That the Corporate Director of Finance and Resources provide a written response to the Panel regarding:

- the removal of the Chatsworth/London Road scheme from the budget.
- the Play Area Developments and Open Spaces capital programme

#### **(e) Corporate Assets – 3 Year Repair and Maintenance Programme 2019/20 – 2021/22**

The Corporate Director of Governance and Regulatory Services presented report GD.78/18 setting out the repair and maintenance programme budget proposals for the Council's corporate property assets for the three year period 2019/20 to 2021/22, required to ensure that the legal responsibilities of the City Council were met.

The Corporate Director of Governance and Regulatory Services reminded Members that local authorities had a duty to manage their property assets, particularly operational assets, in a safe and efficient manner which contributed to the quality of service delivery. The maintenance strategy was fully integrated with the Asset Management Plan and environmental policy. In addition, the Council followed good practice by, where practical, allocating its budget 70% planned maintenance and 30% reactive maintenance.

He added that the maintenance budgets for the year and those for the next 3 years (as set out in the Medium Term Financial Plan) were included as Appendix A. Whilst that allocation was necessary for budget purposes the Building Maintenance and Projects Manager (authorised by the Corporate Director of Governance and Regulatory Services) could re-distribute those funds to meet specific or emergency needs. That flexibility was essential to avoid any service disruption.

The Executive had on 12 November 2018 (EX.105/18) received the report and resolved:

“That the Executive approved:

1. The three year revenue maintenance programme set out in Appendix A to Report GD.78/18 as part of the budget process.
2. The 2019/20 capital budget of £150,000 as part of the budget process.
3. The list of capital projects selected to meet the allocated capital budget of £150,000.”

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

- The repair and maintenance programme did not have a cyclical maintenance programme.

The Property Services Manager explained that Condition Surveys were carried out each year and they identified any major or day to day work that was required. The Survey identified the

priorities and service requirements were also taken into account when prioritising the programme.

- How did the Council approve the capital works, they were not all listed within the budget.

The Corporate Director of Governance and Regulatory Services reminded the Panel that the Scheme of Delegation within the Constitution gave officers the authority to deliver the service. High priority areas were brought to Members but the day to day work was completed by officers under the Scheme of Delegation.

A Member asked that this be made clearer in future reports.

- Was the budget requirement for Mack Golf until 2021/22 required?

The Corporate Director of Finance and Resources clarified that a decision on the future of the Golf provision had not yet been taken and so the budget would remain until the decision was made.

RESOLVED – That the Corporate Assets – 3 Year Repair and Maintenance Programme 2019/20 to 2021/22 be received (GD.78/18).

#### **(f) Treasury Management Quarter 2 2018 and Forecasts for 2019/20 to 2023/24**

The Corporate Director of Finance and Resources submitted report RD.27/18 providing the regular quarterly report on Treasury Transactions, together with an interim report on Treasury Management as required under the Financial Procedure Rules. The report also discussed the City Council's Treasury Management estimates for 2019/20 with projections to 2023/24, and set out information regarding the requirements of the Prudential Code on local authority capital finance.

The base Treasury Management estimates for 2018/19 with projections for 2023/24 were set out at Appendix C.

The Executive had on 12 November 2018 (EX.106/18) received the report and resolved that Report RD.27/18 be received and the projections for 2019/20 to 2023/24 be incorporated into the Budget reports considered elsewhere on the Agenda.

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

- Why did the Prudence and Sustainability table not include revised figures?

The Corporate Director of Finance and Resources explained that the figures would not be changed as they were updated on an annual basis. She agreed to add a further column to the table to clarify the matter.

- A Member asked for clarity regarding the Capital Financing Requirement figures.

The Corporate Director of Finance and Resources responded that the figure showed the underlying requirement to borrow as an annual sum based on the Minimum Revenue Provision and it would not change until the end of the year. An updated figure would be included in the outturn report.

- A Member had concerns regarding the stability of the Council's investment in the CCLA Property Fund.



The Financial Services Manager reminded the Panel that the Council had been invested in the Fund for a number of years with other Local Authorities. The Fund purchased a property portfolio and the yield returned was a result of the rental income. The Council had invested £3million and the overall value of the Fund was £1.5billion, the Council had had a return of £401,000. There was no set term for the investment in the Fund; however the Council would be required to give notice to come out of it. There was no plan to come out of the Fund as the return was higher than other options and it supported the Treasury Management income significantly.

RESOLVED – That the Treasury Management Quarter 2 2018 and Forecasts for 2019/20 to 2023/24 (RD.27/18) be received.

#### **(g) Local Taxation 2018/19 – 2022/23**

The Corporate Director of Finance and Resources submitted report RD.24/18 considering aspects of Local Taxation decisions which needed to be made as part of the Budget process for 2019/20 onwards.

The Corporate Director of Finance and Resources outlined the various considerations, including the levels of Council Tax for the City Council (including Parish Precepts), Council Tax Surplus calculations, Council Tax Base calculations, Local Support for Council Tax (LSCT), and Business Rate Retention (including Pooling arrangements). A summary of the assumptions made was also provided at Section 4.

The Executive had on 12 November 2018 (EX.107/18) received the report and resolved:

“That the Executive:

1. Noted the contents of Report RD.24/18 including the current assumptions built into the MTFP with regard to local taxation issues;
2. Approved, for recommendation to Council as part of the budget process, the 2019/20 Local Support for Council Tax scheme as set out in paragraph 2.4.
3. Approved the continuation of involvement in the Cumbria Business Rate Pool arrangements for 2019/20, subject to the continuing involvement of the other partners which would be formally agreed in January 2019 with the final decision on participation being delegated to the Corporate Director of Finance and Resources; that being subject to the outcome of the Business Rate Retention pilot bid for 75% retention in 2019/20.”

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

- The Council Tax base figures which had been submitted to the Boundary Commission had a 10% growth increase, why had the increase in population not been reflected in the figures in the report?

The Corporate Director of Finance and Resources responded that work was required on the Council Tax base. The figures were based on a Band D equivalent; they were not based on the number of properties. The Corporate Director explained the process that the Council had to set the Council Tax and reminded the Panel that the tax base was not formally calculated for inclusion in the budget process until early January.

- If the 75% Rate Retention pilot application was successful how would the Council know what the share for the District would be?

The Corporate Director of Finance and Resources explained that the Council had external consultants to support the application process and 75% would equate to an additional £5m in Cumbria. If it was successful Carlisle would retain £264,000.

- Why had the Council chosen to keep the default statutory Council Tax Reduction Scheme instead of introducing a local scheme?

The Corporate Director of Finance and Resources responded that it was felt that the statutory scheme had offered more support for the vulnerable in the community. Cumbria County Council and the Police recognised the need to protect the most vulnerable and supported the City Council in using the statutory scheme.

The Finance, Governance and Resources Portfolio Holder commented that the scheme may have to be reconsidered in the future but it was the main role of the Council to look after the most vulnerable in the District and he felt it was prudent at this time to leave the scheme as it was. The Corporate Director added that any change to the scheme would involve a long detailed consultation process that would take at least twelve months.

The Finance, Governance and Resources Portfolio Holder took the opportunity to thank the Panel for their scrutiny of the budget. There were a lot of unresolved factors and it was a complex process but the Finance Team had continued to work hard to produce a balanced budget and retain prudent levels of reserves.

RESOLVED – 1) That the Local Taxation 2019/20 – 2023/24 report (RD.24/18) be received.

2) That the Corporate Director of Finance and Resources and her team be thanked for the work they had undertaken in preparing the budget reports

*The Panel adjourned for a short break at 11.53am and reconvened at 12.00noon.*

## **BTSP.83/18      CALL – IN OF DECISIONS**

There were no items which had been the subject of call-in.

## **BTSP.84/18      OVERVIEW REPORT AND WORK PROGRAMME**

The Overview and Scrutiny Officer presented report OS.32/18 providing an overview of matters relating to the work of the Business and Transformation Scrutiny Panel.

The Notice of Executive Key Decisions had been published on 9 November 2018 and included the Budget Process for the Panel's consideration.

The table of progress on resolutions from previous meetings had been included in section 3 of the report. The Overview and Scrutiny Officer stated that it was the Panel's responsibility to discharge resolutions and recommended that the following be discharged:

BTSP.16/18 (2)

BTSP.42/18 (c) (4)

BTSP.27/17 (2) – The Chairman read out the response to the Panel

BTSP.40/18 (3)

BTSP.64/18  
BTSP.66/18  
BTSP.68/18 (1)  
BTSP.68/18 (2)

Referring to the work programme, the Overview and Scrutiny Officer reported that some amendments had been made to the scheduled dates of items in the work programme following discussions with the Chairman. The revised work programme had been included in the report, since the publication of the report the final item (Use of Technology and Flexible Working for Members) had been scheduled for 14 February 2019.

RESOLVED – 1) That the Overview Report incorporating the Work Programme and Key Decision items relevant to the Business and Transformation Scrutiny Panel (OS.32/18) be noted;

2) That the following resolved items be removed from the resolution table:

BTSP.16/18 (2)  
BTSP.42/18 (c) (4)  
BTSP.27/17 (2) – The Chairman read out the response to the Panel  
BTSP.40/18 (3)  
BTSP.64/18  
BTSP.66/18  
BTSP.68/18 (1)  
BTSP.68/18 (2)

## **BTSP.85/18      REVENUE BUDGET OVERVIEW AND MONITORING REPORT: APRIL TO SEPTEMBER 2018**

The Corporate Director of Finance and Resources presented the Revenue Budget Overview and Monitoring Report (RD.25/18) for the period April to September 2018, which included greater use of graphics to aide understanding.

Outlined within the report were the overall budget position, the monitoring and control of expenditure against budget allocations and the exercise of virement. Details of the balance sheet management issues and action taken by the Corporate Director of Finance and Resources to write-off bad debts were also provided.

The Corporate Director of Finance and Resources reported that the Council's financial position, which was affected by a number of external factors which had a financial impact during the course of the year and ultimately at the year end, would continue to be closely monitored and reported more fully in the Quarter 3 monitoring report to the end of December 2018. It would 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.

The Executive had considered the matter on the 12 November 2018 (EX.112/18 refers) and resolved:

“That the Executive:

1. Noted the budgetary performance position of the Council to September 2018;
2. Noted the action by the Corporate Director of Finance and Resources to write off bad debts as detailed in paragraph 6 of Report RD.25/18; and
3. Noted the release of reserves as set out in the table at paragraph 2.2, and noted the virements approved as detailed in Appendix A to the report.”

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

- The budget position showed an overspend in the first six months, how would the shortfall be achieved as well as savings made?

The Corporate Director of Finance and Resources responded that the Council had to find £1.237m of savings; approximately £400,000 had been achieved to date. Options for achieving the remainder of the target could include the business rate retention pilot, salary turnover savings as well as rent review work being undertaken by Chancerygate, and internal officers within the Property Team.

The Property Services Manager clarified that the leases in the Industrial Estates included rent review provisions. The review process began with negotiations and if an agreement could not be reached the review went to an independent expert. When the process was finalised the rent would be back dated to the rent review date. A Member queried whether there was a risk tenants could leave if rents increased, there was always a risk this could happen but the tenants would have to assign their leasehold interest if they wished to do so.

- A Member asked why the budget proposed a reduction in the grant to Tullie House yet there was an increase in the revenue budget.

The Corporate Director of Finance and Resources clarified that the revenue budget pressure considered elsewhere on the agenda was part of the contractual arrangements with Tullie House for the provision of support services that the Council had previously provided. This was in addition to the Core Funding provided by the Council.

RESOLVED – That the Panel:

- (i) scrutinised the budgetary performance position of the Council to September 2018;
- (ii) scrutinised the action by the Corporate Director of Finance and Resources to write-off bad debts as detailed in paragraph 6 of report RD.25/18;
- (iii) noted the release of reserves as set out in the table at paragraph 2.2, and noted the virements approved as detailed in Appendix A of report RD.25/18.

## **BTSP.86/18      CAPITAL BUDGET OVERVIEW AND MONITORING REPORT – APRIL TO SEPTEMBER 2018**

The Corporate Director of Finance and Resources submitted report RD.26/18 providing an overview of the budgetary position of the City Council's capital programme for the period April to September 2018, including greater use of graphics to aide understanding. Detailed therein were the capital budget overview; the overall budget position for the various Directorates; the monitoring and control of expenditure against budget allocations and the exercise of virement.

The Corporate Director of Finance and Resources reported that as at the end of September, expenditure of £2,701,000 had been incurred on the Council's core capital programme. When considered against the profiled budget of £3,558,110 that equated to an underspend of £857,110. The unspent balance remaining of the revised annual budget of £9,041,200 was £6,340,200. That would be closely monitored over the following months to identify accurate project profiles and any potential slippage into future years.

In addition, paragraph 3.5 recorded that a number of schemes were included in the capital programme for 2018/19 which required reports to be presented to the Executive for the release of funding before the project could go ahead, some of which may slip into future years capital programmes.

The 2018/19 programme had been kept to a level that took account of the Council's ability to deliver schemes with regard to capacity and available resources. Work was ongoing to continue to monitor the profiling of budgets, and those were adjusted to reflect progress in current capital schemes. It was likely that there would still be a requirement for some carry forwards at the year end due to further slippage and delays on projects. Budgets now totalling £510,000 were being held in reserves until approved by Executive for release.

The Executive had considered the matter on the 12 November 2018 (EX.113/18 refers) and resolved:

"That the Executive:

1. Noted and had commented on the budgetary position and performance aspects of the capital programme for the period April to September 2018.
2. Noted adjustments to the 2018/19 capital programme as detailed in paragraph 2.1 of Report RD.26/18.
3. Made recommendations to Council to approve reprofiling of £380,000 as detailed in paragraph 3.5 and Appendix A from 2018/19 to 2019/20.
4. Approved the removal of two schemes detailed in paragraph 3.5 from the capital programme in 2018/19 and future years."

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

- The Disabled Facility Grants (DFGs) budget showed an underspend, was the Council promoting the Grants enough?

The Finance, Governance and Resources Portfolio responded that there had been some delays due to the previously strict criteria and some bottlenecks with occupational therapists. The DFGs were promoted but the new additional criteria may need to be better publicised.

The Corporate Director of Governance and Regulatory Services confirmed that the Grants were promoted through all available channels. He explained that some of the finances had funded extra occupational therapist resources to relieve some of the issues. The DFG budget had been re-profiled to allow for the money to be distributed to those that really needed it. It would not all be used in this financial year but it would all be used.

- Why was the quarter 1 capital commitment for Occupational Therapist support and Care Act contributions lower than the £650,000 quoted in the report?

The Corporate Director of Finance and Resources agreed to circulate full details of the capital commitment to the Panel from the service manager.

RESOLVED – 1) That the Panel:

- (i) scrutinised and had commented on the budgetary position and performance aspects of the capital programme for the period April to September 2018.
- (ii) scrutinised adjustments to the 2018/19 capital programme as detailed in paragraph 2.1 of Report RD.26/18.
- (iii) scrutinised the reprofiling of £380,000 as detailed in paragraph 3.5 and Appendix A from 2018/19 to 2019/20.
- (iv) scrutinised the removal of two schemes detailed in paragraph 3.5 from the capital programme in 2018/19 and future years.

2) That the Corporate Director of Finance and Resources provide the Panel with the following written responses:

- How the Disabled Facilities Grants were promoted

- Why the quarter 1 capital commitment for Occupational Therapist support and Care Act contributions was lower than the £650,000 quoted in the report.

## **BTSP.87/18            QUARTER 2 PERFORMANCE REPORT 2018/19**

The Policy and Performance Officer presented the quarter 2 2018/19 performance against the current Service Standards and a summary of the Carlisle Plan 2015-18 actions as defined in the 'plan on a page'. (PC.22/18)

The report included a dashboard of the Key Performance Indicators (KPIs) for the Panel along with a summary of exceptions. The KPIs included last year's data for comparison purposes, as requested by the Panel. Section 3 of the report gave an update against the actions in the Carlisle Plan for actions within the remit of the Panel.

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

- Was there any indication why there had been an increase in the sickness absence?

The Policy and Performance Officer reported that there had been a significant increase in stress and mental health absence which equated to a third of all absence. In addition 83% of the stress and mental health absences were long term. This was being proactively managed by the Council and the work undertaken through the Workforce Development Plan.

A Member commented that the performance figure of 5.2 working days lost was quite low and felt a more pressing issue was the reduction in the completion of the Return to Work Interviews.

The Policy and Performance Officer clarified that the figures within the report were for the first two quarters of the year, sickness would rise in the winter months due to flu and colds. With regard to the Return to work Interviews, he stated that the target was similar to the previous year and SMT did follow up on the Interviews. He added that there could be delays due to shift working or members of staff going off sick again before the Interview was carried out.

The Panel stressed the importance of Return to Work Interviews not only for the Council but for the wellbeing of all staff.

- The Tennis Facilities in Bitts Park would not be progressing, how much had been spent on the project, what were the plans for the future and did the Council have to pay back funding to the Lawn Tennis Association?

The Policy and Performance Officer agreed to provide a written answer to the Panel.

- There had been an increase in the number of benefits claimants in the first two quarters, was the reason for this known?

The Policy and Performance Officer agreed to provide a written answer to the Panel.

RESOLVED – 1) That the Panel had scrutinised the quarter 2 performance of the City Council with a view to seeking continuous improvements in how the Council delivered its priorities (PC.23/18).

2) That the Policy and Performance Officer provide the Panel with written responses to the following;

- how much had been spent on the tennis facilities project, what were the plans for the future and did the Council have to pay back funding to the Lawn Tennis Association;
- the reason for the increase in the number of benefits claimants in the first two quarters.

## **BTSP.88/18          STANDING ORDERS**

During consideration of the above item of business, it was noted that the meeting had been in progress for 3 hours.

It was moved that Council Procedure Rule 9, in relation to the duration of meetings be suspended in order that the meeting could continue to enable the remaining items of business to be transacted.

AGREED that the meeting should continue beyond three hours in duration to enable the remaining items of business to be transacted.

## **BTSP.89/18          WORKFORCE DEVELOPMENT PLAN**

The Workforce Development Manager presented the Workforce Development Plan 2018-2023 (RD.28/18).

The Workforce Development Manager reported that an internal audit review of workforce planning and development identified several issues including the lack of a formal written workforce strategy. Although not written nor formalised, workforce strategies were evident within the Council; however, the auditor recommended that SMT make a formal decision on whether a workforce strategy was required. In 2017 SMT made the decision to develop a workforce development plan for the organisation.

The Plan was completed by the Workforce Development Manager within the remit of the Transformation Board. The Transformation Board would review progress against the key actions on a regular basis. The Plan reflected the Carlisle Plan and key priorities of the Council; organisational culture, wellbeing, leadership, skills and engagement.

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

- What work was being carried out to plan for the future and who would undertake the work?

The Workforce Development Manager responded that the work was being carried out by Senior Management Team and Services Managers through their Service Plans.

- What other consultation had taken place with Councillors?

The Workforce Development Manager clarified that the consultation in the report referred to the Employment Panel and the Portfolio Holder.

- Were apprentices considered at every opportunity or was there a cap on the number that could be appointed?

The Workforce Development Manager confirmed that there was no cap for the recruitment of apprentices and managers were encouraged to consider apprentices at every opportunity. There was also a ring fenced budget to support apprentices which had helped to increase the numbers and internal staff have also taken up the opportunity to become apprentices.

In response to a further question the Workforce Development Manager reported that one member of staff had become an apprentice and over twenty members of staff had been recruited to the Everyday Leaders Programme.

- How were appropriate skills being brought into the authority if the Council focussed on internal growth and an at risk register?

The Workforce Development Manager confirmed that there was an at risk register that usually included staff that were at risk of redundancy or health and wellbeing risks. As positions became available the staff on the at risk register were offered positions first dependent on their skills. The benefit of recruiting internally is the retention of existing skills and knowledge, the issue that actually needed addressed was the number of positions that were advertised where no internal applicants were received.

- How were the impacts of the physical demands on older staff and Councillors managed?

The Workforce Development Manager responded that older, mature employees were a benefit to the authority with their skills and knowledge and the ability to carry out succession training. The physical demands were identified through service managers and issues would be addresses on an individual case basis. The apprenticeship programme would also help to attract a more diverse workforce.

- The Panel asked that information regarding the aging workforce and sickness absence be included in the Sickness Absence report in February.
- Could the Council afford all of the employee benefits that were listed in the report?

The Workforce Development Manager explained that the City Council often offered less financial benefits than the private sector and often did not compare well on salary, so the employee benefits contributed to the offer from the Council to retain and recruit staff. The budget was kept under constant review and the benefits would be revised if and when necessary.

The Finance, Governance and Resources Portfolio Holder added that the employee benefits linked to the priorities going forward. The Council had a small excellent Organisational Development Team which aimed to help the workforce, reduce sickness and retain staff. The action plan attached to the report was well planned out and the Development Plan was excellent work.

RESOLVED – 1) That the Workforce Development Plan 2018-2023 be received (RD.28/18).

2) That the Workforce Development Manager and the Organisational Development Team be thanked for their work in producing the Plan.

3) That the Panel would like succession planning included in future Workforce Development Plans.

4) That the Sickness Absence report, due to be scrutinised by the Panel in February 2019, includes information regarding the aging workforce and sickness absence

## **BTSP.90/18 PUBLIC AND PRESS**

RESOLVED – That in accordance with Section 100A(4) of the Local Government Act 1972 the Public and Press were excluded from the meeting during consideration of the following items of business on the grounds that they involved the likely disclosure of exempt information as defined in the paragraph number (as indicated in brackets against each minute) of Part 1 of Schedule 12A of the 1972 Local Government Act.



The Corporate Director of Governance and Regulatory Services submitted report GD.90/18 which details the proposals to refresh the Asset Disposal Plan.

The Corporate Director of Governance and Regulatory Services reminded the Panel of the review of the property portfolio which organised assets into three categories. A number of assets were identified as surplus to requirements and a disposal programme was implemented. To date 38 properties had been sold generating in excess of £10.1m gross receipts. The review started with the current asset register, each asset was reviewed to assess whether the asset was still required for operational needs, income generation or economic development purposes and the rationale for retaining or disposing of the asset was included in appendix 1. A review was also undertaken of the remaining disposal programme. As part of the process a number of assets were also identified as suitable for community asset transfer and they would be reviewed further and brought to Members in due course.

The Corporate Director of Governance and Regulatory Services explained that the review identified assets suitable for disposal and they were detailed in appendix 2 of the report. He gave an overview of the timescale and the resource requirements along with the budgetary implications of the proposal.

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

- The Panel asked for the definition of 'Investment Asset' and 'Economic Development Asset'.

The Property Services Manager responded that an Investment Asset would help generate income and an Economic Development Asset would be retained to grow the City.

- A Member commended officers on the success of the improvements to Durranshill Industrial Estate.

The Property Services Manager commented that the investment had improved the infrastructure and landscaping and had encouraged regeneration.

- There was some concern that the Council was considering selling investment and economic development sites to invest in a scheme which had neither.

The Property Services Manager responded that the sale of assets was required to generate income and to reinvest. The Corporate Director of Finance and Resources added that selling assets reduced the borrowing costs and made some assets more valuable to the Council. The sale of assets made good financial sense and met the priorities set by the Council.

The Corporate Director of Governance and Regulatory Services reminded the Panel that each asset disposal would go through the usual process of approval which included a report to the Executive which Scrutiny could call in if they felt it was appropriate.

The Chairman highlighted to Panel Members the importance of reading the Executive decisions within the call in period to ensure the opportunity for call in was not missed if it was required.

- How did the Council's Community Asset Transfer (CAT) Policy fit in with the Asset Disposal Plan?

The Property Services Manager explained that the CAT Policy would be used in conjunction with the Disposal Plan; a number of assets had been identified as potential CAT assets and would be progressed out with the Disposal Plan.

- Why did the proposed income from some of the assets not show in the budget for three or four years?

The Property Services Manager explained that a lot of work was required in advance of any sales and as a result the receipt came later in the process.

- A Member asked for reassurance that the Market Hall had not been sold.

The Property Services Manager assured the Panel that the Council had not sold its interest in the Market Hall building and had not received notification that anyone else had.

The Panel discussed the proposals for the sale of some individual assets and their value as listed in the report and the Corporate Director of Governance and Regulatory Services and the Property Services Manager responded to Members questions.

RESOLVED – That the Panel scrutinised the proposals in the Asset Disposal Plan for consideration by the Executive (GD.90/18).

(The meeting ended at 1.35pm)

# Business & Transformation Scrutiny Panel

Agenda  
Item:  
**A.2**

Meeting Date: 3 January 2019  
Portfolio: Cross-cutting  
Key Decision: No  
Within Policy and Budget Framework  
Private/Public Public  
  
Title: Overview Report  
Report of: Overview and Scrutiny Officer  
Report Number: OS.34/18

## Purpose / Summary:

This report provides an overview of matters related to the Scrutiny Panel's work. It also includes the latest version of the work programme.

## Recommendations:

Members are asked to:

- Review the current work programme and resolutions and make recommendations for the future work programme

## Tracking

Executive:	<b>Not applicable</b>
Scrutiny:	<b>03/01/2019</b>
Council:	<b>Not applicable</b>

## 1. Notice of Key Decisions

- 1.1 There have been no Notices of Key Executive Decisions since the last meeting of the Panel on 29 November.

## 2. References from Executive

- 2.1 There are no references from the executive to report to this panel.

## 3. Progress on resolutions from previous meetings

- 3.1 The following table sets out the meeting date and resolution that requires following up. The status is presented as either 'completed', 'pending (date expected)' or 'outstanding'. An item is considered outstanding if no update or progress has been made after three panel meetings. All the completed actions will be removed from the list following the meeting. [WP is work programme]

Meeting Date	Minute Reference	Action	Status
14/09/2017	BTSP.27/17 (2)	That the Panel support the proposed design the re-use of the Lodge and look forward to seeing the final designs at a future meeting;	Outstanding (Transformation Board)
31/05/2018	BTSP.40/18 (2)	That the Information Governance Manager submit a report to the Panel in September on the impact on the authority of the General Data Protection Regulations along with any compliance issues.	Pending (Now scheduled for March)
31/05/2018	BTSP.42/18 (3)	That an update on the changes being implemented within Customer Services be submitted to the Panel in six months' time.	Pending (Now scheduled for January)
06/09/2018	BTSP 63/18	A Task and Finish group be established to scrutinise the governance arrangements for the Council	First meeting held 18 October.
06/09/2018	BTSP 64/18	Future budget monitoring reports to be amended so that (i) recommendations properly reflect the scrutiny role (ii) reports contain more narrative to explain variances	Pending (November)
06/09/2018	BTSP 65/18	Capital monitoring reports be amended so that (i) recommendations properly reflect the scrutiny role (ii) More detail be added to the narrative around risk and the capital strategy risk assessment be added to the report	Pending (November)
06/09/2018	BTSP 68/18 (3)	That the Portfolio holder for Finance, Governance and Resources circulate the criteria used to determine the 'big three' actions.	Pending

06/09/2018	BTSP 69/18 (1)	Future employee opinion survey reports present (i) present the responses to qualitative questions in a more meaningful way (ii) better target the thoughts and feelings of staff through different questions (iii) include the question 'what do you not like about working for the council?'	Pending (September 2019)
06/09/2018	BTSP 69/18 (2)	Investigate the potential for the results of the Employee Opinion Survey against other relevant authorities.	Pending (September 2019)
18/10/2018	BTSP 76/18	That (i) Corporate Risk Registers include more narrative and detail on each risk; (ii) Corporate Risks be shared with other O+S panels; (iii) Corporate Risk Management Group consider adding ICT security to the Corporate Risk Register (iv) the Overview and Scrutiny Officer produce a summary of key risks from Departmental and Project risk Registers; (v) that Corporate Risk Training be arranged for the panel.	Pending
29/11/2018	BTSP 82/18 (1)	The Corporate Director of Resources provide a note relating to the reasons for the reduced income from the Lanes	Pending
29/11/2018	BTSP 82/18 (2)	The Executive be recommended to alter the charges for stray dogs, so that charges for 'chipped' dogs would be lower.	Pending
29/11/2018	BTSP 82/18 (3)	That equality impact assessments be included within budget reports.	Pending
29/11/2018	BTSP 82/18 (4)	The Funding Officer provide the panel with a list of funding the council had applied for, which were successful, and lessons learned from unsuccessful bids.	Pending
29/11/2018	BTSP 82/18 (5)	The Corporate Director of Finance and Resources provide a written response regarding (i) the removal of the Chatsworth / London Road scheme from the budget and (ii) the play area developments and open spaces capital scheme	Pending
29/11/2018	BTSP 86/18	The Corporate Director of Finance and Resources provide a response outlining (i) how Disabled Facilities grants were promoted and (ii) the reason for the increase from Q1 relating to Occupational Therapist support	Pending
29/11/2018	BTSP 87/18	The Policy and Performance Officer provide a written note explaining (i) how much had been expended on the tennis facilities project; what were its future plans and would the council have to repay grant to the LTA (ii) the reason for the increase in benefit claimants in the first 2 quarters	Pending
29/11/2018	BTSP 89/18 (1)	The panel would like to see succession planning included in future workforce development plans	Pending

29/11/2018	BTSP 89/18 (2)	The sickness absence report, to be considered in February includes information regarding the aging workforce and sickness absence.	Pending
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### **3.2 Work Programme until the end of financial year.**

- 3.2.1 The work programme is now well balanced in terms of the number of items being presented up to the end of the financial year. Scrutiny chairs group have begun to discuss an approach to developing a work programme for the forthcoming financial year. The panel may wish to start to think about the approach it might wish to adopt in developing a programme for this panel. As with many things, more time devoted to planning and thinking (about what areas of business should be scrutinised and the purpose of that scrutiny), will generally lead to a more effective work programme and better overall outcomes. Such planning will be of value and benefit irrespective of the future structure of the scrutiny function.
- 3.2.2 Members will note the addition of two new items on the work programme, both from the Task and Finish group set up by the panel to review governance structures. The report is presented at today's meeting prior to being considered by Health and Wellbeing / Economic Growth panels in February. After consideration of those views, it will be presented to a special meeting of this panel on 22 February, prior to its presentation to Executive and Council.

## **4. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES**

- 4.1 Overview and scrutiny of the Carlisle Plan items that match the remit, contributing to ongoing policy development

**Contact Officer:** Michael Thompson

**Ext:** 7257

**Appendices  
attached to report:**

**1. Scrutiny Panel Work Programme 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:**

**LEGAL - None**

**FINANCE – None**

**EQUALITY – None**

**INFORMATION GOVERNANCE – None**

## Appendix: Work Programme 2018/19

Date	Item	Lead Officer	Why?
31/05/2018	Overview & Scrutiny Report	Steven O'Keeffe	N/A
31/05/2018	End of Year Performance Report	Gary Oliver/Steven O'Keeffe	Performance Management
31/05/2018	2017/18 Outturn Reports	Steven Tickner/Alison Taylor	Policy Review/Development
31/05/2018	Sickness Absence	Gary Oliver/Jason Gooding	Performance Management
31/05/2018	Customer Services (Customer Service Charter/Smarter Service Delivery)	Matt Ward/Jason Gooding	Policy Review/Development
26/07/2018	Performance Report	Gary Oliver/Steven O'Keeffe	Performance Management
26/07/2018	Medium Term Financial Plan and Capital Strategy	Steven Tickner/Alison Taylor	Policy Review/Development
26/07/2018	Asset Management Plan	Mark Walshe/Mark Lambert	Policy Review/Development
06/09/2018	Budget monitoring 2018/19	Steven Tickner/Alison Taylor	Budget
06/09/2018	Corporate Plan	Jason Gooding	Policy Review/Development
06/09/2018	Employee Opinion Survey	Gary Oliver/Jason Gooding	Monitoring
06/09/2018	Terms of Reference for Efficiency Inquiry day	Michael Thompson	Budget
18/10/2018	Corporate Risk Register	Jason Gooding	Monitoring
14/11/2018	Inquiry day relating to Efficiency and Efficiency planning	Various	Budget
29/11/2018	Workforce Plan	Julie Kemp/Jason Gooding	Policy Review/Development
29/11/2018	Performance Report	Gary Oliver/Steven O'Keeffe	Performance Management
29/11/2018	Budget monitoring 2018/19	Steven Tickner/Alison Taylor	Budget



29/11/2018	Budget setting 2019/20	Steven Tickner/Alison Taylor	Budget
03/01/2019	Budget setting 2019/20	Steven Tickner/Alison Taylor	Budget
03/01/2019	Customer Contact Centre	Mark Walshe/Darren Crossley	Monitoring
03/01/2019	Flood Recovery Lessons Learnt Report. To include the impact of the closure of John Street Homeless Accommodation.	Darren Crossley/Jason Gooding	Performance Management
03/01/2019	Transformation Board: Corporate projects programme	Jason Gooding	Monitoring
03/01/2019	The efficiency and efficacy of current governance structures	Task and Finish Group	Future Structure of Scrutiny function
14/02/2019	Sickness Absence	Jason Gooding	Performance Management
14/02/2019	Performance Report	Gary Oliver / Steven O'keeffe	Performance Management
14/02/2019	Budget monitoring 2018/19	Steven Tickner/Alison Taylor	Budget
14/02/2019	Use of Technology and Flexible Working for Members	Mike Scott /Julie Kemp	Policy Review/Development
22/02/2019	The efficiency and efficacy of current governance structures	Task and Finish Group	Future Structure of Scrutiny function
28/03/2019	Corporate Risk Register	Jason Gooding	Monitoring
28/03/2019	Scrutiny Annual Report	Michael Thompson	N/A
28/03/2019	General Data Protection Regulations along with any compliance issues	Aaron Linden/Mark Lambert	Policy Review/Development
28/03/2019	Sands Centre Redevelopment	Gavin Capstick/Darren Crossley	Monitoring



## EXECUTIVE - SPECIAL MEETING

MONDAY 3 DECEMBER 2018 AT 4.00 PM

### PRESENT:

Councillor Glover (Leader / Chairman)  
Councillor Miss Sherriff (Communities, Health and Wellbeing Portfolio Holder)  
Councillor Southward (Environment and Transport Portfolio Holder)  
Councillor Glendinning (Economy, Enterprise and Housing Portfolio Holder)

### OFFICERS:

Town Clerk and Chief Executive  
Deputy Chief Executive  
Corporate Director of Governance and Regulatory Services  
Corporate Director of Finance and Resources

### ALSO PRESENT:

Councillor Mrs Birks (Chairman of the Business and Transformation Scrutiny Panel)  
Councillor Nedved (Chairman of the Economic Growth Scrutiny Panel)  
Councillor Allison (Observer)

### WELCOME

The Leader welcomed all those present to the special meeting of the Executive.

### APOLOGIES FOR ABSENCE

Apologies for absence were submitted on behalf of Councillor Dr Tickner (Deputy Leader, and Finance, Governance and Resources Portfolio Holder); Councillor Ms Quilter (Culture, Heritage and Leisure Portfolio Holder); and the Corporate Director of Economic Development

### DECLARATIONS OF INTEREST

There were no declarations of interest affecting the business to be transacted at the meeting.

### PUBLIC AND PRESS

RESOLVED – That the Agenda be agreed as circulated.

**EX.117/18 BUDGET 2019/20 – FEEDBACK FROM THE SCRUTINY PANELS ON THE DRAFT BUDGET REPORTS**  
(Key Decision – KD.19/18)

**Portfolio** Finance, Governance and Resources

**Relevant Scrutiny Panel**

Health and Wellbeing; Economic Growth; Business and Transformation

**Subject Matter**

Speaking by way of introduction, the Leader indicated that the Scrutiny Panels had scrutinised the draft Budget Reports for 2019/20 considered by the Executive on 12 November 2018.

The purpose of the special Executive meeting was to give consideration to feedback from the Scrutiny Panels, as detailed within the Minutes of the undernoted Panel meetings, copies of which were submitted:

- (a) Health and Wellbeing – 15 November 2018 (HWSP.71/18)
- (b) Economic Growth – 22 November 2018 (EGSP.85/18)
- (c) Business and Transformation – 29 November 2018 (BTSP.82/18)

Invitations had been extended to the Scrutiny Panel Chairmen to speak at the special meeting today.

**(a) Health and Wellbeing Scrutiny Panel**

In the absence of the Health and Wellbeing Scrutiny Panel Chairman, the Leader reported that the Panel had identified income shortfalls which had a total value of £837,000 and were a pressure on the budget. Of those areas of income shortfall, one fell within the Panel's remit: Reduced Income from Recyclates - £164,000. The Corporate Director of Finance and Resources had informed Members that lower income from recyclates was a national issue, and that the Council's Senior Management Team was considering how best to address the shortfall. The matter would be subject to further reporting in due course.

In respect of the income from advertising shortfall, the Corporate Director of Finance and Resources had advised that the income shortfall had arisen as a result of lamp post advertising not achieving the level of income anticipated. It was expected that the shortfall would be funded from base budgets, thereby removing the item as a budget pressure.

In addition, the Panel had questioned whether there was a single purchaser of garden waste at the site used by the Council. The Deputy Chief Executive did not have that information to hand at the Panel meeting and a written response would therefore be provided.

The Leader emphasised that it should be noted that the Council is required to give consideration to a number of other variables when selecting a site for the depositing of garden waste: proximity to the city; the impact on fuel costs and CO<sub>2</sub> emissions for using a more distant site.

**(b) Economic Growth Scrutiny Panel**

The Chairman of the Economic Growth Scrutiny Panel began by expressing thanks to the Corporate Director of Finance and Resources and her team for the considerable work undertaken in preparing the budget reports. He informed the Executive that the Panel had scrutinised the matter in detail and their observations were as set out in the Minute alluded to above.

The Chairman then summarised the following issues raised during scrutiny:

Members had questioned whether all partners involved in the Borderlands Initiative contributed financial resources similar to Carlisle and had received clarification that each partner would be contributing £100,000 to the initiative. The monies would be used to fund detailed business cases for the projects. In addition, there was a £53,000 non-recurring pressure to fund the continuation of the Project Officer post for a further two years to support the development of the business cases and progression of the growth deal.

Members had also asked whether work could be done to improve the external appearance, in particular the hoardings, at the Central Plaza building and asked if any consideration had been given to using the hoarding for advertising. In response, the Corporate Director of Economic Development had confirmed that options were being explored to improve the appearance of the hoardings along with the potential to promote the building as a development opportunity.

In response to a question, the Corporate Director of Finance and Resources had explained that the income from the Lanes had changed several years ago and the Council had to take the fluctuation into account when preparing their budget. Property Services had a good working relationship with the managers of the Lanes and would prepare projections and options. It was prudent for the Council to look at trends moving forward.

The Panel had further questioned why the Business Information Centre (BIC) was not included within report RD.22/18. The Chairman was pleased that a bid had been submitted to the ERDF, noting that the BIC could not be included until the outcome was known.

The Panel had noted the Car Park Pay and Display and Saver Permit Charges for 2019/20 set out at Section 4 of report CS.31/18; that the proposed development of the Sands Centre would take place during the 2019/20 and 2020/21 financial years, subject to Member approval, and that it was proposed that the extended hours charging policy be removed during the development period. On completion of the development the car parking charges would be reconsidered. Clarity on that aspect would be welcomed, given recent reporting in the press.

In response, the Leader stated that there were further stages to go through in terms of the Sands Centre re-development. A question had been put at the Panel meeting regarding the leisure subsidy should the Sands redevelopment not move forward, at which time the Deputy Chief Executive had explained that, should the project not be achieved, there would be an impact on the budget and the contract for the provision of leisure services would have to be renegotiated.

The Leader clarified that, although not directly linked to the Sands redevelopment project, parking charges after 6 pm would be withdrawn. He added that future changes to the Sands Centre car parking charges following completion of the development would be submitted to the Panel for scrutiny at the appropriate time.

Meetings had taken place with UK Government Ministers and the Scottish Government Cabinet Secretary, at which time the Borderlands Inclusive Growth Deal submission was warmly received. A response was awaited and it was hoped that good progress could be made on the Heads of Terms early in the New Year. Parties were committed to taking the matter forward.

In terms of the Central Plaza, the Leader commented that expressions of interest had been invited and a decision on the success thereof should be known by the end of the year. Should that process prove to be unsuccessful, there would be an impact on the budget.

The Leader added that there was support for a Business Improvement District across the Council, the aim being to work closely with businesses towards the achievement of that economic development initiative. Funding had been identified to look at development of a BID and consideration needed to be given to how the possibility of it being successful could be maximised. The renewal of the Kendal BID was noted with interest, the ambition for Carlisle being to have a Business Improvement District, but in a manner which was not futile to the budget. The opportunity to work with businesses on development of the BID constituted a real step forward.

### **(c) Business and Transformation Scrutiny Panel**

The Chairman of the Business and Transformation Scrutiny Panel expressed thanks to the Corporate Director of Finance and Resources and her team for the narratives and depth of information received by the Panel this year. Also submitted to the Panel for consideration were the excerpts from the minutes of the Health and Wellbeing; and Economic Growth Scrutiny Panels referenced above.

The Chairman stated that concerns had been raised regarding the anticipated shortfall income of £837,000 across Council services highlighted through the budget monitoring process and how that could be addressed; and at the proposed increases to stray dog charges. On the latter issue, Members understood the need for increased charges, particularly for repeat incidents, but were concerned that charges were high for dog owners who had chipped and collared their animals.

The Panel recommended that the charges be altered and a two tier structure be utilised so that charges would be lower for dogs which were chipped and collared than for dogs without; and that equality and diversity impact assessments should be included in the budget documents, particularly within the charges reports.

Members had sought and received clarification on the true position for General Reserves, the Flood Reserve and the Promoting Carlisle Reserve.

The Chairman added that Members were content with the proposed recommendation to Council to reprofile £380,000 for Public Realm Improvements from 2018/19 to 2019/20.

During consideration of the Revenue Budget Overview and Monitoring Report: April to September 2018 (RD.25/18), it was noted that the budget position showed an overspend in the first six months. The Corporate Director of Finance and Resources responded that the Council had to find £1.237m of savings; approximately £400,000 had been achieved to date and outlined a number of options for achieving the remainder of the target.

The Property Services Manager clarified that the leases in the Industrial Estates were on a rent review pattern. The review began with negotiations and if an agreement could not be reached the review went to an independent expert. When the process was finalised the rent would be back dated to the rent review start date.

In conclusion, the Chairman reported that Members were aware that a number of significant factors affecting the budget remained unresolved (including the Government announcement on retained business rates), which would be considered as details emerged.

The Leader acknowledged that a number of interesting points had been raised by the Panel, and responded that, as stated earlier, the Council had a close working relationship with the Lanes management. The Corporate Director of Finance and Resources would provide the Panel with a written response regarding the increased income shortfall of £100,000.

There was a legal requirement for dogs to be chipped and the Council was working with community centres to that end, providing opportunities for residents to have their dogs chipped. The Executive would give consideration to the Panel's recommendation regarding stray dog charges, together with the supply and delivery of gull sacks.

The Leader summarised the Council's position regarding the maintenance of prudent levels of reserves. That was particularly important given that there were some significant budget pressures moving forward.

The Leader thanked the Chairman and Panel for the very thorough debate and discussion which had taken place.

In drawing the meeting to a close, the Leader expressed appreciation to all who participated in the scrutiny budget consultation process and for their very helpful feedback. He particularly wished to place on record thanks to the Corporate Director of Finance and Resources and the officer team involved in preparation of the documentation.

The Executive would give detailed consideration to the issues and recommendations raised prior to putting forward their draft Budget Proposals for consultation on 10 December 2018.

**Summary of options rejected**    None

## **DECISION**

That the Scrutiny Panels be thanked for their consideration of the draft Budget reports; and their comments / recommendations, as detailed within the Minutes submitted, would be taken into account as part of the Executive's deliberations on the 2019/20 Budget.

## **Reasons for Decision**

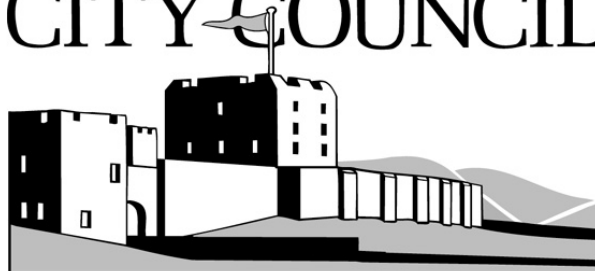
The views of the Scrutiny Panels would be taken into account as part of the 2019/20 Budget process

[The meeting ended at 4.22 pm]





**CARLISLE  
CITY COUNCIL**



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**Executive Budget Proposals 2019/20  
Issued for Consultation  
10<sup>th</sup> December 2018**

Councillor C Glover  
Leader of the Council

Councillor Dr L Tickner  
Portfolio Holder Finance, Governance & Resources

Jason Gooding  
Chief Executive

Alison Taylor CPFA  
Corporate Director of Finance and Resources

## **EXECUTIVE BUDGET PROPOSALS 2018/19 to 2023/24**

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

<b>Section</b>	<b>Detail</b>
<b>A</b>	<b>Background and Executive Summary</b>
<b>B</b>	<b>Revenue Budget 2018/19 to 2023/24</b> <ul style="list-style-type: none"><li>• Schedule 1 - Existing Net Budgets</li><li>• Schedule 2 - Proposed Budget Reductions</li><li>• Schedule 3 - Recurring Budget Increases</li><li>• Schedule 4 - Non-Recurring Budget Increases</li><li>• Schedule 5 - Summary Net Budget Requirement</li><li>• Schedule 6 - Total Funding and Provisional Council Tax</li></ul>
<b>C</b>	<b>Capital Programme 2018/19 to 2023/24</b> <ul style="list-style-type: none"><li>• Schedule 7 - Estimated Capital Resources</li><li>• Schedule 8 - Proposed Capital Programme</li><li>• Schedule 9 - Summary Capital Resource Statement</li></ul>
<b>D</b>	<b>Council Reserves Projections to 2023/24</b> <ul style="list-style-type: none"><li>• Schedule 10 - Usable Reserves Projections</li></ul>
<b>E</b>	<b>Proposed Budget Discipline and Saving Strategy</b>
<b>F</b>	<b>Draft Statutory Report of the Corporate Director of Finance and Resources</b>
<b>G</b>	<b>Glossary of Terms</b>

These budget proposals are based on detailed proposals that have been considered by the Executive over the course of the last few months. In particular the following reports of the Corporate Director of Finance and Resources were considered at the Executive meeting of 10<sup>th</sup> December 2018. All of the detailed reports are available on the Council's website.

1. RD29/18 – Budget Update 2019/20 to 2023/24
2. RD30/18 – Capital Programme 2018/19 – 2023/24
3. RD31/18 – Draft Treasury Management Strategy Statement and Investment Strategy and Minimum Revenue Provision Strategy 2019/20

## **SECTION A – BACKGROUND AND EXECUTIVE SUMMARY**

### **Council Priorities**

The Council's priorities are now encompassed in the Carlisle Plan. This aims to deliver a vision of "improving the health, wellbeing and economic prosperity of the people of Carlisle. We will work in partnership to further establish our position as the regional centre and focus for investment, ensuring that residents can share in the benefits through increased opportunities and greater choice of jobs, range of housing and a quality environment." This will be delivered through priorities which are outlined below and which all have specific actions in order to enable their delivery:

- Support business growth and skills development to improve opportunities and economic prospects for the people of Carlisle
- Further develop sports, arts and cultural facilities to support the health and wellbeing of our residents
- Continue to improve the quality of our local environment and green spaces so that everyone can enjoy living, working in and visiting Carlisle
- Address current and future housing needs to protect and improve residents quality of life
- Promote Carlisle regionally, nationally and internationally as a place with much to offer – full of opportunities and potential

### **Budget Policy Framework**

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

### **Approving a Balanced Budget**

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

### **Council Tax Reduction Scheme**

There is a requirement to approve the Local Support for Council Tax Scheme ("The Council Tax Reduction Scheme" or CTRS) annually as part of the Budget Process. There are no intentions to make any changes to the reductions given to recipients of the discount scheme for 2019/20, proposals to make any revisions or replace the current scheme and as such the continuation of the current scheme is recommended.

### **Major Financial Challenges facing the Council**

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

Some of the main issues are:

- Government Finance Settlement – Business Rates Retention and Fair Funding Review
- Achievement of Savings Strategy
- Further reductions in Government Grant e.g. New Homes Bonus, Housing Benefit Admin Grant
- Future borrowing requirements
- Commercial and Investment Opportunities

### Summary Budget Proposals

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

- The draft budget proposes an annual **£5** increase per Band D in Council Tax for the City Council for 2019/20 (Parish Precepts will be an additional charge in the parished rural areas).
- Based on current projections, the budget proposed will result in the following requirement to be taken **to/(from)** Council reserves to support Council expenditure over the period as follows:

Additional contribution to / (from) reserves	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
Original MTFP recurring surplus/(deficit)	(642)	(664)	(52)	(58)	(163)
Changes to Funding - Business Rates Growth	350	0	0	0	0
Changes to Funding - Additional Taxbase	92	148	207	268	334
Recurring budget reductions (Schedule 2)	0	156	639	976	1,346
Recurring Budget Increases (Schedule 3)	(839)	(1,180)	(614)	(1,125)	(1,230)
<b>Contribution required (from) / to Reserves to fund Recurring Expenditure</b>	<b>(1,039)</b>	<b>(1,540)</b>	<b>180</b>	<b>61</b>	<b>287</b>
Original MTFP non-recurring surplus/(deficit)	641	696	223	(36)	0
Non-Recurring budget reductions (Schedule 2)	0	0	0	0	0
Non-Recurring budget increases (Schedule 4)	(945)	(253)	(150)	112	0
<b>Contribution required (from) / to Reserves to fund Non-Recurring Expenditure</b>	<b>(304)</b>	<b>443</b>	<b>73</b>	<b>76</b>	<b>0</b>
<b>Total contribution required (from) / to Reserves</b>	<b>(1,343)</b>	<b>(1,097)</b>	<b>253</b>	<b>137</b>	<b>287</b>

- The above table shows a contribution from reserves in 2019/20 and 2020/21 with a small contribution to reserves over the following three years of the MTFP to fund expenditure. A strategy as detailed in Section E for

ensuring the Council sets a robust budget within the revenue budget has been proposed.

- (iv) Given the uncertainty over future funding allocations and other financial pressure the Council is facing, the scope to support new recurring spending and initiatives in future years is still very challenging.

**Consultation Responses:**

This budget consultation should be viewed in the light of the considerable financial challenges faced by the Council and the requirement to make savings to achieve a sustainable budget.

If you wish to make any comment on the Executive's draft budget proposals as set out in this document please send them to the Chief Executive at the Civic Centre, Carlisle, CA3 8QG by **9am on 14<sup>th</sup> January 2019**.

Following this, the consultation responses will be considered by the Executive in January, culminating in the Executive's final a budget proposal to Council on **5<sup>th</sup> February 2019**.

A glossary of terms is included at the end of this document to aid understanding of the proposals. Further details on these proposals including detailed reports are available on the Council's website or by contacting the Corporate Director of Finance and Resources at the above address.

## **SECTION B - REVENUE BUDGET 2018/19 to 2023/24**

### **1. REVISED REVENUE BUDGET 2018/19**

- 1.1 The Executive recommends that the Council's revised net budget for 2018/19 be approved totalling £13.600m compared to the original budget of £11.385m. The increase of £2.215million can be summarised as follows:

<b>Detail:</b>	<b>£000</b>	<b>£000</b>
<b>Original Net Budget</b>		11,385
Carry Forward Requests from 2017/18 (See note 1.2)		711
		<b>12,096</b>
Non-Recurring Expenditure:		
Central Plaza	650	
Planning Services Reserve	(58)	
Revenue Grants Reserve	701	
Prosecutions Reserve	15	
Building Control Reserve	35	
Cremator Reserve	(44)	
Car Park Enhancements Reserve	107	
Promoting Carlisle Reserve	10	
Carry Forward Reserve	55	
City Centre Reserve	33	
<b>Total Changes</b>		<b>1,504</b>
<b>Revised Net Budget</b>		<b>13,600</b>

- 1.2 The increased budget for 2018/19 is principally as a result of the carry forward of budgets from previous years for work not completed at the financial year-end. Although the 2018/19 budget is increased, there is a corresponding decrease for the previous financial year and so there is no impact on the Council's overall financial position.

### **2. REVENUE BUDGET 2019/20 to 2023/24**

#### **2.1 Existing Net Budgets**

The Executive recommends that the net budgets for 2019/20 to 2023/24 submitted in respect of existing services and including existing non-recurring commitment and estimated Parish Precepts are as shown in **Schedule 1** below:

## **Schedule 1 – Existing Net Budgets**

Existing Net Budgets	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
City Council					
- Recurring (schedule 5)	12,563	12,304	11,982	12,248	12,615
- Non-Recurring (Sch. 5 note 2)	(641)	(696)	(223)	36	0
Parish Precepts	628	644	660	677	694
<b>Total</b>	<b>12,550</b>	<b>12,252</b>	<b>12,419</b>	<b>12,961</b>	<b>13,309</b>

### **2.2 Proposed Savings and Budget Reductions**

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

## **Schedule 2 – Proposed Budget Reductions**

Proposed Budget Reductions	Note	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
<b>Expenditure Reductions/Increased Income:</b>						
Leisure Savings	1	0	0	0	0	(309)
Gateway 44 Income	2	0	(125)	(567)	(893)	(893)
Developer Contributions - Carlisle Southern Relief Road	3	0	(31)	(72)	(83)	(144)
<b>Total Expenditure Reductions/Increased Income</b>		<b>0</b>	<b>(156)</b>	<b>(639)</b>	<b>(976)</b>	<b>(1,346)</b>
<b>TOTAL BUDGET REDUCTION PROPOSALS</b>		<b>0</b>	<b>(156)</b>	<b>(639)</b>	<b>(976)</b>	<b>(1,346)</b>
Split:						
Recurring		0	(156)	(639)	(976)	(1,346)
Non-Recurring		0	0	0	0	0

**Note 1:** The recurring impact of the subsidy achieved through the re-letting of the Leisure Services contract and the Sands Centre redevelopment. This reflects the additional saving between 2022/23 and 2023/24 as agreed in the contract.

**Note 2:** The capital programme and treasury management budgets include the costs associated with the Gateway 44 development opportunity and this additional income is included to recognise the income to be generated once the development is fully let which is anticipated to be in 2022/23.

**Note 3:** The estimated contributions to be received from developers as a result of the construction of the Southern Relief Road.

### 2.3 **Proposed Budget Increases**

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

#### **Schedule 3 – Recurring Budget Increases**

Recurring Budget Pressures	Note	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
Inflation / Pay Award	1	136	276	276	276	276
Treasury Management	2	576	777	211	722	827
Housing Regeneration	3	38	38	38	38	38
Customer Services Resources	4	14	14	14	14	14
ICT Enhancements	5	15	15	15	15	15
Tullie House ICT	6	60	60	60	60	60
<b>Total Recurring Budget Pressures</b>		<b>839</b>	<b>1,180</b>	<b>614</b>	<b>1,125</b>	<b>1,230</b>

**Note 1:** The increase in the pay award provision for 2018/19 and 2019/20 to 2% was included in the 2018/19 budget on a non-recurring basis, however following confirmation of the pay deal, this has a recurring impact and the overall average pay increase amounted to 2.82% for both years.

**Note 2:** Treasury Management projections have been updated to include updates to the Capital programme and updated for interest rate forecasts. This pressure includes the potential impact on reserves for all the pressures and savings contained in this report together with the updated borrowing costs for the capital programme, some of which are offset by additional income, e.g. Gateway 44 and Leisure contract.

**Note 3:** To fund the recurring costs of the Housing Regeneration Officer which was previously funded from an external grant.

**Note 4:** Following a restructure in Customer Services there is a requirement to provide additional resources for front-line staffing to improve the performance of the team and the service provided to customers.

**Note 5:** It is proposed to enhance the Council's remote access infrastructure for improving mobile working arrangements and making them more secure.

**Note 6:** Tullie House no longer utilises the Council's ICT support, and the agreement with the Trust provides for the Council to contribute towards the costs of an external provider.



## **Schedule 4 – Non-Recurring Budget Increases**

<b>Non-Recurring Budget Pressures/Savings</b>	<b>Note</b>	<b>2019/20 £000</b>	<b>2020/21 £000</b>	<b>2021/22 £000</b>	<b>2022/23 £000</b>	<b>2023/24 £000</b>
Economic Investment Initiatives	1	250	0	0	0	0
Borderlands Inclusive Growth Deal	2	50	0	0	0	0
Borderlands Project Officer	3	53	53	0	0	0
Asset Disposal Refresh Staffing	4	112	112	112	0	0
<i>Asset Disposal Refresh - Financed from Capital Receipts</i>	4	0	(112)	(112)	(112)	0
Elections	5	80	0	0	0	0
Savings Re-profiling	6	400	0	0	0	0
Tullie House Core Funding	7	0	200	150	0	0
<b>Total Non-Recurring Budget Pressures</b>		<b>945</b>	<b>253</b>	<b>150</b>	<b>(112)</b>	<b>0</b>

**Note 1:** This pressure relates to economic investment initiatives that the Council wishes to pursue, such as Business Support, Carlisle Ambassadors, St Cuthberts Garden Village, Business Improvement District, promotion of Central Plaza redevelopment opportunities.

**Note 2:** In order to progress the schemes and detailed business cases for the development of the Borderlands Initiative, additional funding is required to support the joint working of the various partners.

**Note 3:** To fund the continuation of the Project Officer post, for a further 2 years, to support the development of the detailed business cases and progression of the growth deal.

**Note 4:** The asset disposal programme has been refreshed and has identified assets the Council can dispose of. This will require additional staffing resource to manage this process and realise these sales. It is anticipated that these costs can be offset against the realised capital receipts (up to a maximum of 4% of the receipt) making the pressure self-financed once receipts are realised.

**Note 5:** As the City Council will be holding a full election in May 2019. Additional expenditure will be incurred in administering this compared to the normal third of all seats contended.

**Note 6:** This pressure reprofiles £400,000 of the required recurring savings (£1.237million) into 2020/21. For 2019/20 this can be offset by additional funding expected from Business Rate Retention.

**Note 7:** This pressure reprofiles the Tullie House core funding subsidy savings in line with the Tullie House Business Plan 2019/20 to 2021/22.

### 2.4 **Revised Net Budget Requirement**

As a consequence of the above, the Executive recommends that the Net Budget Requirement for Council Tax Purposes for 2019/20, with projections to 2023/24, be approved as set out in **Schedule 5** below:

## **Schedule 5 – Summary Net Budget Requirement for Council Tax Purposes**

<b>2018/19 Revised £000</b>	<b>Summary Net Budget Requirement</b>	<b>2019/20 Budget £000</b>	<b>2020/21 Proj £000</b>	<b>2021/22 Proj £000</b>	<b>2022/23 Proj £000</b>	<b>2023/24 Proj £000</b>
	<b>Recurring Revenue Expenditure</b>					
	Existing Expenditure (Schedule 1)	12,563	12,304	11,982	12,248	12,615
	Budget Reductions (Schedule 2)	0	(156)	(639)	(976)	(1,346)
	New Spending Pressures (Schedule 3)	839	1,180	614	1,125	1,230
<b>11,466</b>	<b>Total Recurring Expenditure</b>	<b>13,402</b>	<b>13,328</b>	<b>11,957</b>	<b>12,397</b>	<b>12,499</b>
	<b>Non Recurring Revenue Expenditure</b>					
(323)	Existing Commitments (Schedule 1)	(641)	(696)	(223)	36	0
711	Carry Forward	0	0	0	0	0
(154)	Budget Reductions (Schedule 2)	0	0	0	0	0
396	Spending Pressures (Schedule 4)	945	253	150	(112)	0
<b>12,096</b>	<b>Total Revenue Expenditure</b>	<b>13,706</b>	<b>12,885</b>	<b>11,884</b>	<b>12,321</b>	<b>12,499</b>
	<b>Less Contributions (from)/to Reserves:</b>					
<b>502</b>	Recurring Commitments (Note 1) Sub Total	<b>(1,039)</b>	<b>(1,540)</b>	<b>180</b>	<b>61</b>	<b>287</b>
81	Non Recurring Commitments					
	- Existing Commitments (Note 2)	641	696	223	(36)	0
(711)	- New Commitments	(945)	(253)	(150)	112	0
<b>(630)</b>	Sub Total	<b>(304)</b>	<b>443</b>	<b>73</b>	<b>76</b>	<b>0</b>
<b>11,968</b>	<b>Total City Council Budget requirement</b>	<b>12,363</b>	<b>11,788</b>	<b>12,137</b>	<b>12,458</b>	<b>12,786</b>
613	Parish Precepts	628	644	660	677	694
<b>12,581</b>	<b>Projected Net Budget Requirement for Council Tax purposes</b>	<b>12,991</b>	<b>12,432</b>	<b>12,797</b>	<b>13,135</b>	<b>13,480</b>

**Note 1:** This is the projected contribution (from)/to reserves in relation to recurring expenditure.

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

Existing Non Recurring Commitment Approvals	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
Homelessness	66	0	0	0	0
New Homes Bonus	(666)	391	391	0	0
New Homes Bonus	(145)	(991)	(515)	0	0
Homelessness Grant	(66)	0	0	0	0
Carlisle South Masterplan	135	65	0	0	0
Carlisle South / Garden Village	(50)	(50)	0	0	0
Homelessness Grant	66	0	0	0	0
Community Infrastructure Levy	(30)	0	0	0	0
Sexual Assault Referral Service Grant	20	0	0	0	0
Pay Award Provision	140	0	0	0	0
Building Control Discretionary Charges	(12)	(12)	0	0	0
New Homes Bonus	(99)	(99)	(99)	36	0
<b>Total</b>	<b>(641)</b>	<b>(696)</b>	<b>(223)</b>	<b>36</b>	<b>0</b>

## 2.5 **Funding and Provisional Council Tax Projections**

As a consequence of the above and having made the appropriate calculations required under Section 32 of the Local Government Finance Act 1992, the Executive is putting forward a proposal for an annual £5 increase in Council Tax for 2019/20 per Band D property (This equates to a 2.41% increase). The detail of this is set out in **Schedule 6** below and the impact per Council Tax Band is as follows:

	2018/19 Council Tax £	Proposed Annual Increase £	2019/20 Council Tax £	Weekly Increase
Band A	138.13	3.33	141.47	6 pence
Band B	161.16	3.89	165.04	7 pence
Band C	184.18	4.44	188.62	9 pence
Band D	207.20	5.00	212.20	10 pence
Band E	253.24	6.11	259.36	12 pence
Band F	299.29	7.22	306.51	14 pence
Band G	345.33	8.33	353.67	16 pence
Band H	414.40	10.00	424.40	19 pence

## **Schedule 6 – Total Funding and Provisional Council Tax Projections**

2018/19	Total Funding and Council Tax Impact	2019/20	2020/21	2021/22	2022/23	2023/24
33,326.46 £000	Estimated TaxBase	33,856.35 £000	34,194.91 £000	34,536.86 £000	34,882.23 £000	35,231.05 £000
	Projected Net Budget Requirement for Council Tax Purposes (Schedule 5)					
11,968	- City	12,363	11,788	12,137	12,458	12,786
613	- Parishes	628	644	660	677	694
<b>12,581</b>	<b>Total</b>	<b>12,991</b>	<b>12,432</b>	<b>12,797</b>	<b>13,135</b>	<b>13,480</b>
	Funded by:					
(6,905)	- Council Tax Income	(7,184)	(7,427)	(7,674)	(7,925)	(8,181)
(434)	- Revenue Support Grant	0	0	0	0	0
(3,282)	- Retained Business Rates	(3,379)	(3,411)	(3,513)	(3,583)	(3,655)
	- Business Rate					
(1,250)	Growth/Pooling	(1,750)	(900)	(900)	(900)	(900)
(97)	- Estimated Council Tax Surplus	(50)	(50)	(50)	(50)	(50)
(15)	- Parish CTRS Grant	0	0	0	0	0
(598)	- Parish Precepts	(628)	(644)	(660)	(677)	(694)
<b>(12,581)</b>	<b>TOTAL</b>	<b>(12,991)</b>	<b>(12,432)</b>	<b>(12,797)</b>	<b>(13,135)</b>	<b>(13,480)</b>
£ 207.20	<b>City Council Tax</b> Band D Council Tax	£ 212.20	£ 217.20	£ 222.20	£ 227.20	£ 232.20
£3.77 1.95%	Increase over Previous year: £ %	£ 5.00 2.41%	£ 5.00 2.36%	£ 5.00 2.30%	£ 5.00 2.25%	£ 5.00 2.20%

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

- Final confirmation of the 2019/20-year settlement figures will be received in January 2019.
- The Council Tax Surplus and Taxbase are currently estimated and final figures will be available in the January 2019.
- The Council is continuing to participate in the Cumbria Business Rates Pool with the other Councils within Cumbria in order to manage Business Rates; subject to the decision on the Business Rate pilot for 75% retention.
- The projections of Council Tax for 2019/20 onwards are indicative only and exclude final confirmation of parish precepts.

## **SECTION C - CAPITAL PROGRAMME 2018/19 TO 2023/24**

### **1. REVISED CAPITAL BUDGET 2018/19**

- 1.1 The Executive recommends that the revised 2018/19 Capital Programme be approved at £9.551m compared to the original budget of £7.389m as set out in the report of the Corporate Director of Finance and Resources.

### **2. CAPITAL BUDGET 2019/20 TO 2023/24**

- 2.1 The Executive recommends that the estimated Capital Resources available and proposed Capital Programme for 2019/20 to 2023/24 be approved to be financed and allocated as detailed in **Schedule 7 and 8** below:

#### **Schedule 7 – Estimated Capital Resources**

Estimated Resources	Note	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
Capital Grants:						
- DFG	1	(1,467)	(1,467)	(1,467)	(1,467)	(1,467)
- Other	2	(2,000)	0	0	0	0
Capital Receipts						
- Generated in year (Asset Business Plan)	3	(1,700)	(5,899)	(1,567)	(272)	0
Receipts used to fund resources		0	112	112	112	0
Direct Revenue Financing	4	(1,316)	(1,018)	(926)	(926)	(926)
<b>TOTAL</b>		<b>(6,483)</b>	<b>(8,272)</b>	<b>(3,848)</b>	<b>(2,553)</b>	<b>(2,393)</b>

**Note 1:** Disabled facilities grant (DFG) allocation will be received in the new year, and it has been assumed that this grant will be protected at the 2018/19 levels

**Note 2:** Capital Grants and contributions from third parties in relation to new leisure facilities.

**Note 3:** Receipts from the sale of assets in line with the Asset Business Plan refresh which will be offset by staffing costs required to deliver the sales.

**Note 4:** Direct revenue financing with contributions being made from the revenue budget or other earmarked reserves.

## **Schedule 8 – Proposed Capital Programme**

Capital Scheme		Note	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
<b>Current Commitments:</b>							
Disabled Facilities Grants			1,467	1,467	1,467	1,467	1,467
Planned enhancement to Council Property		1	250	250	250	250	250
Vehicles & Plant		2	896	647	1,486	1,297	0
ICT		3	103	83	83	116	171
Leisure Facilities	A	4	15,395	2,294	9	0	0
Recycling Containers		5	45	45	45	45	45
Public Realm Improvements	A	6	380	0	0	0	0
Gateway 44		7	6,500	0	0	0	0
Carlisle Southern Link Road	A	8	0	0	0	5,000	0
Play Area Improvements	A	9	35	0	0	0	0
<b>TOTAL POTENTIAL PROGRAMME</b>			<b>25,071</b>	<b>4,786</b>	<b>3,340</b>	<b>8,175</b>	<b>1,933</b>

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

**Note 1:** Provision for expenditure to maintain the enhancement programme on Council operational property

**Note 2:** The anticipated budgets for the replacement of the Council's vehicle fleet.

**Note 3:** The provision for expenditure of ICT equipment

**Note 4:** Capital expenditure for the enhancement work to Leisure Facilities is profiled for 2019/20 to reflect the timeline in relation to proposed scheme considered by Executive in December. Associated costs of the potential external borrowing are included in the revenue budget.

**Note 5:** To cover expenditure on replacement recycling and refuse containers

**Note 6:** The public realm improvement scheme is reprofiled from 2018/19 into 2019/20 when a report detailing a full breakdown of proposed projects will be presented to the Executive to release the budget.

**Note 7:** The Gateway 44 investment proposal was considered and agreed at Council (with a further report on borrowing options) and is therefore added to the Capital Programme.

**Note 8:** This relates to the contribution committed in support of the Housing Infrastructure Fund Bid (HIF) for the development of the Carlisle Southern Relief Road as part of the Garden City initiative. It is envisaged that the cost of this contribution will be recouped through developer contributions once the Garden Village starts being delivered.

**Note 9:** This provides funding to undertake improvements to Council owned play areas.

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

**Schedule 9 – Summary Capital Resource Statement**

Summary Programme	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
Estimated Borrowing Requirement 31 March 2019	4,657				
In Year Impact:					
- Estimated resources available in year (Schedule 7)	(6,483)	(8,272)	(3,848)	(2,553)	(2,393)
- Proposed Programme (Schedule 8)	25,071	4,786	3,340	8,175	1,933
<b>Borrowing Requirement</b>	<b>23,245</b>	<b>19,759</b>	<b>19,251</b>	<b>24,873</b>	<b>24,413</b>

## **SECTION D – USABLE RESERVES PROJECTIONS**

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

### **Schedule 10 – Usable Reserve Projections**

Analysis of Council Reserves	Outturn 31 March 2018 £000	Projected 31 March 2019 £000	Projected 31 March 2020 £000	Projected 31 March 2021 £000	Projected 31 March 2022 £000	Projected 31 March 2023 £000	Projected 31 March 2024 £000
<b>Revenue Reserves</b>							
General Fund Reserve	(2,000)	(3,300)	(3,300)	(2,878)	(3,131)	(3,268)	(3,300)
Projects Reserve	(2,773)	(1,330)	(675)	0	0	0	(255)
Carry Forward Reserve	(927)	(620)	0	0	0	0	0
<b>Total General Fund Reserves</b>	<b>(5,700)</b>	<b>(5,250)</b>	<b>(3,975)</b>	<b>(2,878)</b>	<b>(3,131)</b>	<b>(3,268)</b>	<b>(3,555)</b>
<b>Earmarked Reserves</b>							
Flood Reserve	(2,014)	(2,014)	0	0	0	0	0
Transformation Reserve (i)	(150)	(150)	0	0	0	0	0
Building Control Reserve	(150)	(150)	(150)	(150)	(150)	(150)	(150)
Cremator Reserve	(850)	(850)	(850)	(850)	(850)	(850)	(850)
Economic Investment Reserve	(6)	0	0	0	0	0	0
Car Parking Reserve	(107)	0	0	0	0	0	0
City Centre Reserve	(42)	0	0	0	0	0	0
Welfare Reform Reserve (i)	(200)	(200)	0	0	0	0	0
Revenues & Benefits Reserve (i)	(338)	(338)	0	0	0	0	0
Revenue Grants Reserve	(1,920)	(1,920)	(1,920)	(1,920)	(1,920)	(1,920)	(1,920)
Planning Services Reserve	(28)	(28)	(28)	(28)	(28)	(28)	(28)
Promoting Carlisle Reserve	(20)	(20)	0	0	0	0	0
Prosecutions Reserve	(41)	(41)	(41)	(41)	(41)	(41)	(41)
<b>Total Earmarked Reserves</b>	<b>(5,866)</b>	<b>(5,711)</b>	<b>(2,989)</b>	<b>(2,989)</b>	<b>(2,989)</b>	<b>(2,989)</b>	<b>(2,989)</b>
<b>Total Revenue Reserves</b>	<b>(11,566)</b>	<b>(10,961)</b>	<b>(6,964)</b>	<b>(5,867)</b>	<b>(6,120)</b>	<b>(6,257)</b>	<b>(6,544)</b>
<b>Capital Reserves</b>							
Usable Capital Receipts	0	0	0	0	0	0	0
Asset Disposal Reserve	0	0	0	0	0	0	0
Unapplied capital grant	(136)	(136)	(136)	(136)	(136)	(136)	(136)
Asset Investment Reserve (i)	(48)	(48)	(48)	(48)	(48)	(48)	(48)
GLL Reserve	(273)	(273)	(273)	(273)	(273)	(273)	(273)
Lanes Capital Reserve	(45)	(60)	(75)	(90)	(105)	(120)	(135)
<b>Total Capital Reserves</b>	<b>(502)</b>	<b>(517)</b>	<b>(532)</b>	<b>(547)</b>	<b>(562)</b>	<b>(577)</b>	<b>(592)</b>
<b>Total Usable Reserves</b>	<b>(12,068)</b>	<b>(11,478)</b>	<b>(7,496)</b>	<b>(6,414)</b>	<b>(6,682)</b>	<b>(6,834)</b>	<b>(7,136)</b>
<b>Other Technical Reserves (ii)</b>	<b>(106,946)</b>						
<b>Total All Reserves</b>	<b>(119,014)</b>						

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



## **SECTION E - PROPOSED BUDGET DISCIPLINE AND SAVING STRATEGY**

1. The Council has adopted a 5-year financial strategy as set out in its Medium Term Financial Plan to assist in the integration of financial planning with the priorities set out in the Carlisle Plan. The current medium term financial projections point to a shortfall in the Council's recurring budgets, requiring the use of reserves and the achievement of identified savings. In addition, the scope for the Council to continue support for initiatives in future years and to redirect resources to priority areas will be dependent on the extent to which the Council is successful in realising savings and maximising income and funding streams. The requirement to achieve savings or raise additional income in future years is a continuing and increasing pressure facing the Council.
2. The Council continues to recognise the challenges of reductions in RSG and uncertainty over other Government funding such as Business Rate Retention (and significant reductions in other revenue and capital grants) together with increased cost pressures. However due to its success to date in identifying transformational savings, the Council now has a solid financial base in order to set its 2019/20 budget.
3. The savings strategy will continue to concentrate on the following areas to deliver the savings required to produce a balanced budget, however the exact work programme will be dependent on progress with the Transformation programme.
  - Asset Strategy – to focus on ensuring the council's asset portfolio maximises the benefit to the Council through income generation or by realising receipts of assets that do not generate a return that can then be utilised to ease pressures in capital and revenue budgets through the most appropriate means, e.g. re-investment in new assets and supporting the capital programme to reduce the CFR
  - Service Reviews – A review of services to include their purpose and relevance in achieving the Carlisle Plan priorities, including 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 and resources are properly aligned to what the Council wants to achieve.
  - Core Budgets – a review of base budgets, including income generation and a fundamental zero-based budget review of all base budgets, to ensure compliance with best practice on priority and outcome based budgeting and other appropriate budget disciplines.
4. Members and Officers are reminded that it is essential to maintain a disciplined approach to budgetary matters and as such:
  - Supplementary estimates will only be granted in exceptional circumstances.
  - Proposals seeking virement should only be approved where the expenditure to be incurred is consistent with policies and priorities agreed by the Council.
5. In order to continue the improvements in the links between financial and strategic planning, the Joint Management Team will continue to meet regularly to progress forward planning on these issues.

## **DRAFT STATUTORY REPORT OF CORPORATE DIRECTOR OF FINANCE AND RESOURCES**

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

### 2. Robustness of the Estimates

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

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

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

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

- The Transformation programme is expected to achieve savings of £1.237million by 2019/20, in order to meet the expected cuts in grants from central government and other budgetary pressures identified in the previous budget process. No new transformation savings are expected over and above this target at this point in time. However, base budget savings of £837,000 must be identified and achieved to balance off the anticipated shortfalls in income. This will ensure that a balanced budget is produced and where Council reserves are replenished over the longer term.
- The level of interest receipts and return on Treasury Management activities are subject to market rates. Members are advised of this risk every year and it should be noted that in the current economic climate with low and relatively static base rates, investment income returns in the medium term continue to prove challenging. The Council is also having to deal with a reduced number of counterparties it is able to place deposits with.

**The main risks to the robustness of the estimates are the impact of the Fair Funding Review and how the 75% retention of business rates will be implemented in 2020.**

**There will be a requirement to use reserves in the short term; however, the proposals put in place show that reserves will rise over the following 5-year period.**

**The delivery of the savings proposals identified and continuing work to deliver further savings will also be important to maintaining reserves at prudent levels. Regular budget monitoring, particularly in the area of the Transformation programme is imperative during this period. The level of the Council's future Capital Programme is fully funded but includes a borrowing requirement over the five-year period and specifically a potential external borrowing requirement in 2019/20 to fund new leisure facilities which is an invest to save initiative. The Capital Programme includes plans to sell further assets that can be utilised to reduce the overall borrowing requirement for future capital investment decisions.**

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

3. Adequacy of Reserves

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

The appropriateness of the level of reserves can only be judged in the context of the Council's longer term plans and an exercise has been undertaken to review the level of reserves through the use of a risk assessment matrix. The findings of this exercise suggested that the minimum level should be set at £3.3m as a prudent level of General Fund Reserves which will be required as a general working capital/ contingency to cushion the Council against unexpected events and emergencies.

The Councils policy on reserves is that wherever possible reserves should not be used to fund recurring expenditure, but that where it is, this should be made explicit and steps taken to address the situation in the following years. The Executive sets out in its Budget Discipline and Saving Strategy on how it expects Officers to address the 2019/20 budget pressures in setting the 2019/20 budget and principles to be adopted when preparing the 2020/21 budget cycle.

**Based on current projections, Council Reserves will be maintained at prudent levels. It is accepted that the level of reserves is reliant on the delivery of the transformation savings and achievement of income targets and government funding.**

**Minimum reserves may need to increase over the medium term depending upon the final outcome of the devolvment of 75% business rates to local authorities. This devolvment is likely to increase the risks to local authorities and as such it may be prudent to hold greater reserves to cope with these risks.**

4. Determination of Borrowing

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

**For the period under review the need for borrowing will be kept under consideration and will be dependent on the level of capital receipts being generated and the potential of future capital projects. Due to projects currently under consideration, the capital programme for 2019/20 to 2023/24 will require the use of Prudential Borrowing (including internal borrowing) to sustain levels depending on the levels of capital receipts that can be generated in the future. If borrowing is required, full option appraisals will be carried out.**

## **SECTION G – GLOSSARY OF TERMS**

### **BUDGET**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

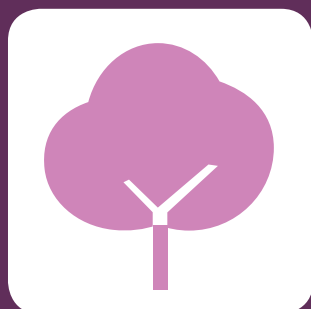
**TAXBASE** – the number of Band D equivalent properties within each Local Authority area used to determine the RSG by the DCLG and to calculate the Council Tax yield by each authority.

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

# Budget Consultation

2019/20

Have Your Say



CARLISLE  
CITY COUNCIL



[www.carlisle.gov.uk](http://www.carlisle.gov.uk)

## Budget Consultation 2019/20

As part of our budget consultation, we want to know your views on how we spend your money.

Our budget consultation will take place between **Monday 10 December 2018** and **Monday 14 January 2019**.

### Where do we get our money from?

We collect **£7.142million from Council Tax** which is only **12%** of the overall Council Tax bill you pay or, for 2018/19, **£3.98 per household per week for a Band D property**.

We collect the remainder of your Council Tax bill on behalf of Cumbria County Council, Cumbria Police and Crime Commissioner and Parish Councils.

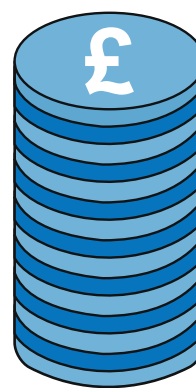


**Carlisle City Council**



**Police and Crime Commissioner for Cumbria**

**75%**



**Cumbria County Council (including adult social care)**

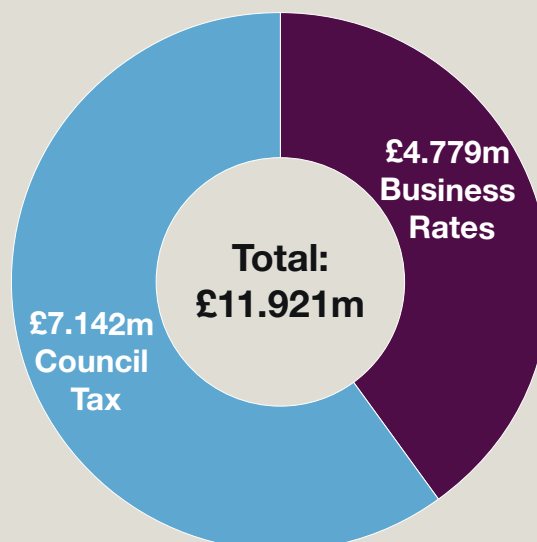
\* In rural areas an additional parish precept is added. This is variable and is set by the Parish Council.

**We welcome your views on our budget**



We retain **£4.779million from Business Rates** which is only **12%** of the overall Business Rates collected. The remainder is distributed to Cumbria County Council and Central Government.

We will no longer receive Revenue Support Grant funding from Central Government in 2019/20.



## Where does my money go?

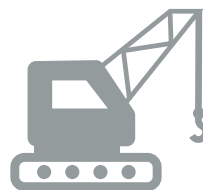
Your **£3.98 per household (Band D) per week** is spent in the following areas:



Environmental and  
regulatory services  
**25p**



Housing support  
**20p**



Economic growth  
**31p**



Green spaces  
**36p**



Other\*  
**55p**



Keeping  
Carlisle Clean  
**35p**



Refuse  
and recycling  
**64p**



Leisure  
and culture  
**£1.32**



\*Other services include revenues, benefits, property, support services and democratic services

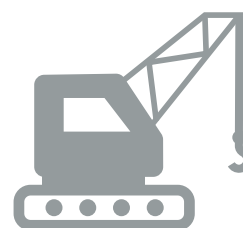
...and this is spent on the delivery of the following services:



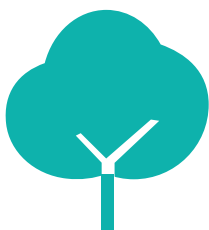
Environmental and  
regulatory services  
**£0.763m**



Housing support  
**£0.590m**



Economic growth  
**£0.627m**



Green spaces  
**£1.069m**



Other  
**£1.910m**



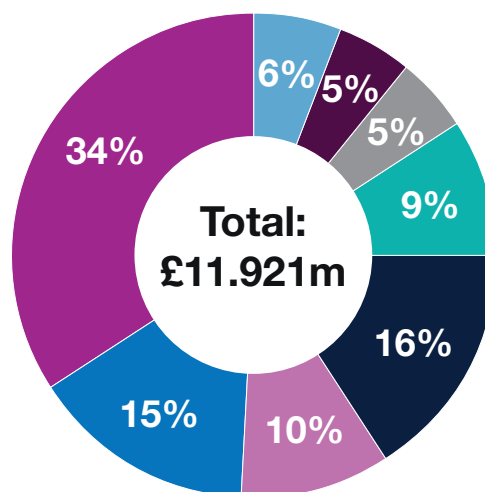
Keeping Carlisle Clean  
**£1.146m**



Refuse and recycling  
**£1.719m**



Leisure and culture  
**£4.097m**



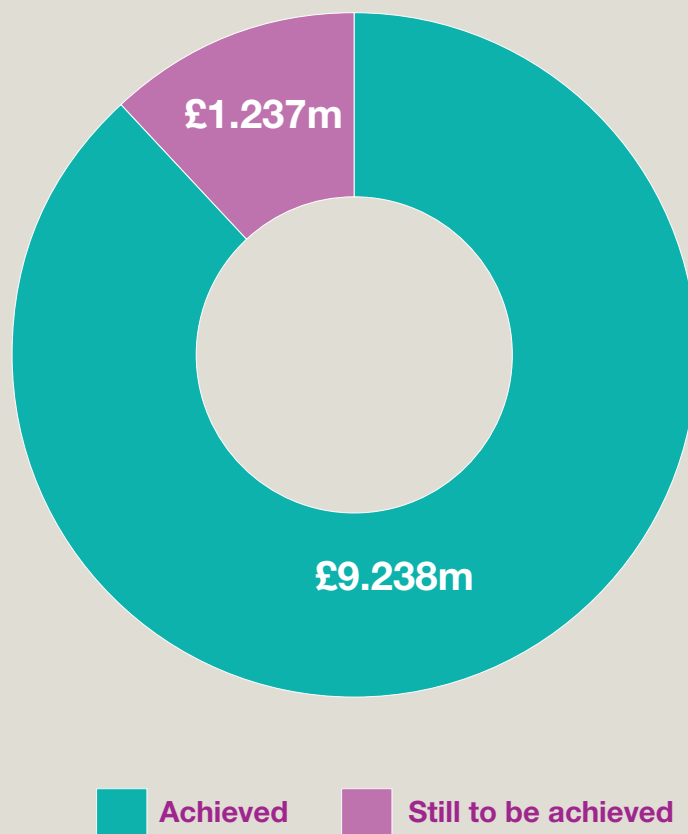
\* Before proposed spending changes and reductions 2019/20.

\*\* Other services include Revenues, Benefits, Property, Support Services and Democratic Services.

**We welcome your views on the areas we spend your money**

# What savings do we need to make?

We have successfully achieved or identified **£9.238million** in transformational savings since 2010/11 and now have a solid financial base in order to set our 2019/20 budget. However, we need to make further savings of **£1.237million** by 2019/20.



Proposals are suggested to achieve the balance of savings required by 2019/20 and no further savings are to be added as part of this year's budget process.

# Proposed spending increases for 2019/20

We are committed to protecting front-line services, such as waste and street cleaning, and especially to our most vulnerable residents, but we have to take some tough decisions about our services and future spending.

**We will be investing additional funding for 2019/20 in the following areas:**

- **Borderlands Initiatives** - £103,000 (Economic Growth).
- **Economic Investment Initiatives** - £250,000 (Economic Growth).
- **Tullie House** - £60,000 (Leisure & Culture).
- **Asset Disposal** - £112,000 (Other).
- **Elections** - £80,000 (Other).
- **Customer Services Resources** - £14,000 (Other).
- **ICT Infrastructure** - £15,000 (Other).
- **Inflation** - £136,000 (All).
- **Housing Regeneration** - £38,000 (Housing Support).
- **Treasury Management**  
(including Capital Financing of new leisure facilities) - £576,000.



We will also release £688,000 from our reserves and anticipate receiving an additional £350,000 from Business Rates income in 2019/20.

We will need to use some of our general reserves in 2019/20 to meet these additional expenditure requirements, but these reserves will remain over minimum levels.

























**We welcome your views on additional expenditure requirements for 2019/20**

## Council Tax

We propose to increase Council Tax by **£5 per annum for 2019/20 for a Band D property**. This is the equivalent of **10p per week**. This will provide us with **£167,000** of additional funding for services.

Council Tax is split into eight bandings based on property valuations. The valuation bandings were set by Government with the introduction of Council Tax in 1993.

Annual proposed cost 2019/20 assumes a £5 increase for a Band D equivalent property.

Band	Annual cost 2018/19	Annual cost proposed 2019/20	Proposed increase per household, per week
<b>A</b> (Under £40,000)	<b>£138.13</b> 	<b>£141.47</b> 	<b>6 pence</b> 
<b>B</b> (£40,001-£52,000)	<b>£161.16</b> 	<b>£165.04</b> 	<b>7 pence</b> 
<b>C</b> (£52,001-£68,000)	<b>£184.18</b> 	<b>£188.62</b> 	<b>9 pence</b> 
<b>D</b> (£68,001-£88,000)	<b>£207.20</b> 	<b>£212.20</b> 	<b>10 pence</b> 
<b>E</b> (£88,001-£120,000)	<b>£253.24</b> 	<b>£259.36</b> 	<b>12 pence</b> 
<b>F</b> (£120,001-£160,000)	<b>£299.29</b> 	<b>£306.51</b> 	<b>14 pence</b> 
<b>G</b> (£160,001-£320,000)	<b>£345.33</b> 	<b>£353.67</b> 	<b>16 pence</b> 
<b>H</b> (Over £320,000)	<b>£414.40</b> 	<b>£424.40</b> 	<b>19 pence</b> 

## Fees and Charges

Fees and charges for services provide vital financial support to the delivery of those and other services. We are proposing to maintain car parking charges for 2019/20 at their current levels, however, some charges may increase by inflation to cover increased costs of providing the services.

**We welcome your views on how we charge for services**

# Our financial challenges

We are determined to protect important services by doing things differently, such as:

- Working in partnership with other councils or organisations;
- Buying in services (where it makes good financial sense);
- Looking at transferring services to alternative providers and to community groups, if appropriate;
- Focusing on raising more income from our own assets; and
- Making our services even more efficient.

We welcome your views and suggestions as to how we can meet these financial challenges.

## How can I have my say?

Let us know what you think of our budget proposals.

More information is available at

**[www.carlisle.gov.uk/Council/Council-and-Democracy/Budget](http://www.carlisle.gov.uk/Council/Council-and-Democracy/Budget)**

Any comments can be emailed to **[communications@carlisle.gov.uk](mailto:communications@carlisle.gov.uk)** or write to:

**The Chief Executive,  
Carlisle City Council,  
Civic Centre,  
Carlisle, CA3 8QG**

The deadline for responses is **Monday 14 January 2019**.

# Business & Transformation Scrutiny Panel

Agenda  
Item:

**A.3 (3)  
(a)**

Meeting Date: 3 January 2019  
Portfolio: Finance, Governance and Resources  
Key Decision: Yes: Recorded in the Notice Ref: KD19/18  
Within Policy and Budget Framework YES  
Public / Private Public

Title: BUDGET UPDATE – REVENUE ESTIMATES 2019/20 TO 2023/24  
Report of: CORPORATE DIRECTOR OF FINANCE AND RESOURCES  
Report Number: RD29/18

## Purpose / Summary:

This report provides a draft summary of the Council's revised revenue base estimates for 2018/19, together with base estimates for 2019/20 and updated projections to 2023/24. It includes the impact of the new savings and new spending pressures currently under consideration and the potential impact on the Council's overall revenue reserves.

It should be noted that the draft Local Government Finance Settlement was expected on 6 December, however, the announcement was cancelled and notification of a revised date for the settlement has not yet been received at the time of issuing this report.

## Recommendations:

Members of the Business & Transformation Overview and Scrutiny Panel are asked to scrutinise the report and make comments on the proposed budgetary position are asked to scrutinise and comment on the overall budgetary position for 2019/20 to 2023/24.

## Tracking

Executive:	<b>10 December 2018</b>
Overview and Scrutiny:	<b>BTSP 3 January 2019</b>
Council:	

# Report to Executive

Agenda  
Item:

Meeting Date: 10 December 2018  
Portfolio: Finance, Governance and Resources  
Key Decision: Yes: Recorded in the Notice Ref: KD19/18  
Within Policy and Budget Framework YES  
Public / Private Public

Title: BUDGET UPDATE – REVENUE ESTIMATES 2019/20 TO 2023/24  
Report of: CORPORATE DIRECTOR OF FINANCE AND RESOURCES  
Report Number: RD29/18

## Purpose / Summary:

This report provides an update to RD22/18, with a summary of the Council's revised revenue base estimates for 2018/19, together with base estimates for 2019/20 and forecasts up to 2023/24 for illustrative purposes.

Potential new spending pressures and savings are also considered in this report. It should be noted that the figures in this report are indicative and the final position is subject to decisions being taken further in the budget process.

The report also provides an update on the key budget considerations.

## Recommendations:

The Executive is requested to:

- (i) note the revised base estimates for 2018/19 and base estimates for 2019/20;
- (ii) note that the estimates in the report are draft and will be subject to the confirmation of Local Government Finance Settlement in December 2018;
- (iii) note the current MTFP projections, which will continue to be updated throughout the budget process as key issues become clearer and decisions are taken;
- (iv) note the budget pressures/savings needing to be taken into account as part of the 2019/20 budget process;
- (v) note the Statutory Report of the S.151 Officer outlining the risks associated with the draft budget figures and that minimum reserves may need to be reviewed in the future depending upon the outcome of the Local Government Finance review.



**Tracking**

Executive:	<b>10 December 2018</b>
Scrutiny:	<b>BTSP 3 January 2019</b>
Council:	

## **1. INTRODUCTION**

- 1.1. This report considers the revised base estimates for 2018/19 together with the estimates for 2019/20 as previously outlined in report RD22/18. The report also sets out any known revisions to the Medium Term Financial Plan (MTFP) projections.
- 1.2. The base estimates have been prepared in accordance with the guiding principles for the formulation of the budget over the next five-year planning period as set out in the following Policy documents that were approved by Council on 11 September 2018:
  - ◆ Medium Term Financial Plan and Charging Policy
  - ◆ Capital Strategy
  - ◆ Asset Management Plan
- 1.3. Members should be aware that there are a number of significant factors affecting the budget that are still to be finalised. In particular the following are key to the budget process and details on these are considered, where relevant, further in the report:
  - Government Finance Settlement - Business Rate Retention and Fair Funding Review including the potential future re-set of the Business Rates baseline sum;
  - Achievement of the Savings Strategy;
  - Further reductions in government grant e.g. New Homes Bonus, Housing Benefit Admin Grant;
  - Future borrowing requirements;
  - Commercial and investment opportunities.
- 1.4. The report draws on information contained in a number of reports that are either considered elsewhere on this agenda or have been considered previously by the Executive.
- 1.5. Decisions will need to be made to limit budget increases to unavoidable and high priority issues, together with maximising savings and efficiencies (and probable use of reserves) to enable a balanced budget position to be recommended to Council in February 2019.

## **2. SUMMARY OF BASE BUDGET ESTIMATES**

- 2.1. The base estimates are calculated on the assumption that core services will continue at approved levels incorporating decisions agreed by Council as part of the previous year's budget process and including all subsequent decisions made by Council.

2.2. The table below sets out the base level General Fund requirement for 2018/19 and 2019/20 with projections to 2023/24. The 2018/19 variance reflects the use of reserves approved since the MTFP was approved in September.

Table 1 – Base Budget Summary

	2018/19 Original £000	2018/19 Revised £000	2019/20 Original £000	2020/21 Proj £000	2021/22 Proj £000	2022/23 Proj £000	2023/24 Proj £000
Net Base Budget Parish Precepts (PP)	12,096 613	13,600 613	11,922 628	11,608 644	11,759 660	12,284 677	12,615 694
<b>Total</b>	<b>12,709</b>	<b>14,213</b>	<b>12,550</b>	<b>12,252</b>	<b>12,419</b>	<b>12,961</b>	<b>13,309</b>
Original MTFP Projections	12,709	12,709	12,550	12,252	12,419	12,961	13,309
<b>Variance</b>	<b>0</b>	<b>1,504</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Analysis of Variance:</b>							
Non-Recurring:							
Central Plaza		650					
Planning Services Reserve		(58)					
Revenue Grants Reserve		701					
Prosecutions Reserve		15					
Building Control Reserve		35					
Cremator Reserve		(44)					
Car Park Enhancement Reserve		107					
Promoting Carlisle Reserve		10					
Carry Forward Reserve		55					
City Centre Reserve		33					
<b>Total Variance</b>	<b>0</b>	<b>1,504</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Changes to Funding</b>							
Additional Business Rates Income		(400)					

2.3. Members will be aware from the revenue monitoring report considered elsewhere on this agenda that a number of income streams are reporting variances against projected levels in the current financial year and there may be other cost pressures or savings which may have a recurring impact; however, officers are reviewing the existing base budget provisions to ensure that the services can be provided within these provisions with the position for 2019/20 onwards being considered during this budget process. The monitoring report has also identified that income from Business Rates will be overachieved by £400,000 for 2018/19 and it is proposed to revise the 2018/19 budget to reflect this.

### 3. UPDATED MTFP PROJECTIONS

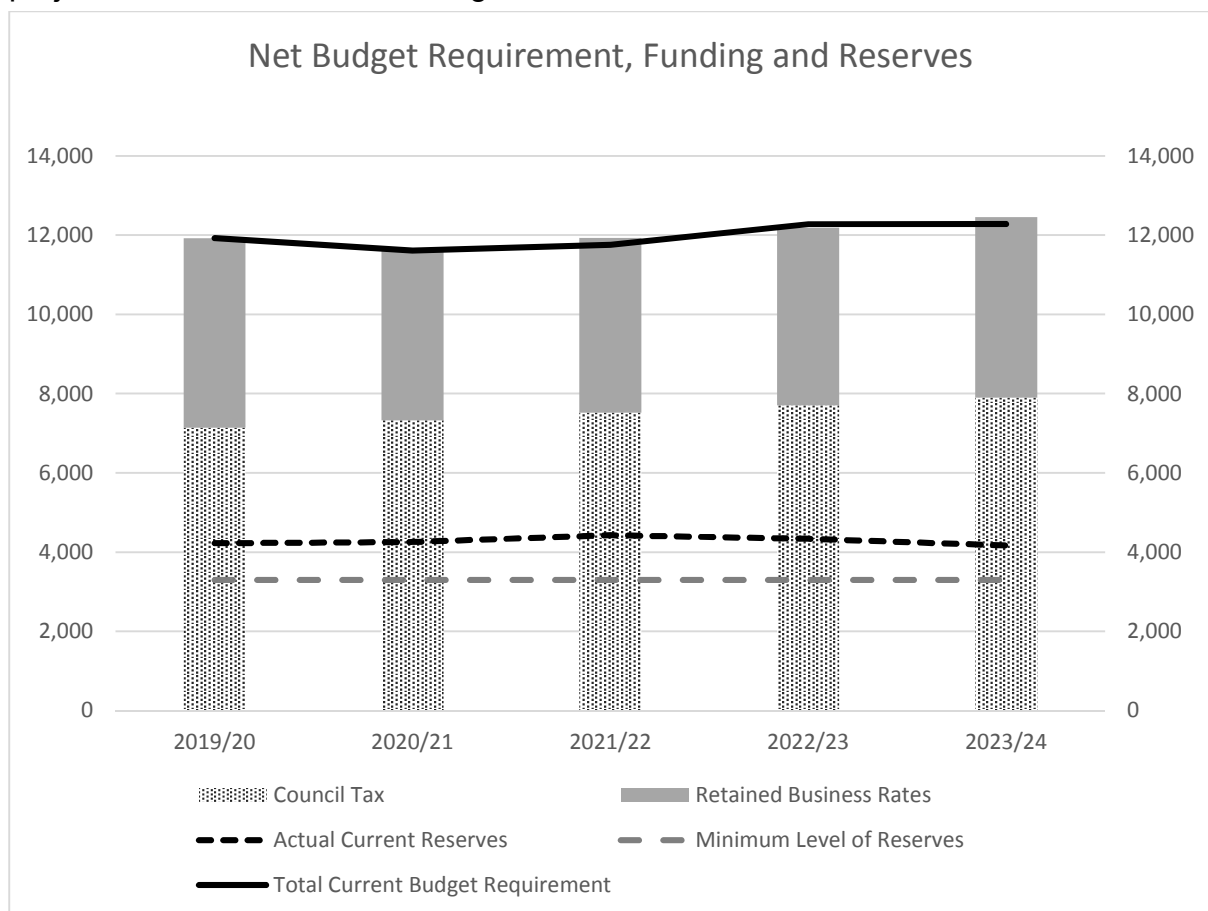
3.1 The budget projections as currently forecast in the MTFP are summarised in Table 2 below:

Table 2 – Current Budget projections

	Recurring Commitments (Surplus) £000	Non-Recuring Commitments £000	Carry Forwards £000	Transfers Between Reserves £000	Total £000
2018/19	(502)	(81)	711	0	128
2019/20	642	(641)	0	0	1
2020/21	664	(696)	0	0	(32)
2021/22	52	(223)	0	0	(171)
2022/23	58	36	0	0	94
2023/24	163	0	0	0	163

3.2 The revised estimates for 2018/19 will be recommended to Council as part of the budget process and include the amendment for additional business rates income highlighted above.

3.3 The chart below shows the current net budget position in relation to current funding projections and current levels of general fund reserves.



#### **4. OUTSTANDING KEY ISSUES**

##### **4.1. Revenue Support Grant (RSG)**

The figures incorporated into this report are based on the 2018/19 Local Government Finance Settlement confirmed by the Secretary of State in January 2018 and are based upon the acceptance of the offer of a four-year funding settlement. RSG has been phased out and is completely removed by 2019/20.

##### **4.2. Retained Business Rates and Council Tax Reduction Scheme**

The Council has successfully participated in the Cumbria Business Rate Pool arrangements since 2014/15. This allows the Council to benefit from the 50% business rate growth in Cumbria that would normally be passed back to Central Government as levy payments. The Council benefited by £683,933 in 2017/18 and £372,344 in 2016/17.

Further details on the Government announcement that Local Authorities will retain 75% of Business Rates from 2020 are still unknown although more details are slowly emerging with applications being sought from areas to participate in a pilot of 75% retention in 2019/20. Cumbria has submitted an application to be a part of this pilot with the outcome likely to be known in early December.

If the 75% Rates Retention pilot application is unsuccessful, it is again proposed that the Council continues to participate in the Cumbria Pool for 2019/20.

The Local Support for Council Tax Scheme ("The Council Tax Reduction Scheme" or CTRS) is required to be approved annually as part of the Budget Process. It is not proposed to make any changes to the reductions given to recipients of the discount scheme for 2019/20, nor is it proposed to make any revisions or replace the current scheme and as such the continuation of the current scheme will be recommended by the Executive.

It is expected that the referendum limit will remain for Council Tax increases, however, District Councils are being given the option of raising Council Tax by the greater of 3% or £5.

##### **4.3. Transformation**

The current MTFP includes budgeted recurring savings of £1.237million for the transformation programme, to be found in 2018/19. This also includes the savings required from the current base budget review.

#### **4.4. Resource Assumptions**

Contributions from balances include all approvals to date, but make no assumptions on further contributions from balances to support the budget from 2018/19 onwards. The resources projections assume:

- No Revenue Support Grant from 2019/20 onwards as a result of the phasing out as part of the four-year settlement.
- A £5 (Band D equivalent) Council Tax increase for 2019/20 onwards.
- A Council Tax Surplus for 2019/20 onwards of £50,000. The actual figure for 2019/20 will be available in January.
- Retained business rates are assumed at the Baseline level with an additional £1,400,000 to be achieved through growth/section 31 grants and from the benefits of Pooling in 2019/20 falling to £900,000 in 2020/21 due to uncertainties about how the revised Business Rate Retention Scheme will work.
- An assumed tax base of 33,419.44 for 2019/20. The final tax base for 2019/20 will not be available until January, however early calculations suggest that based upon previous years trends there is scope to increase the tax base forecasts for future years. Further details will be provided at the January Executive.
- Parish Precepts are currently being collated but the estimate for 2019/20 is for a total of £628,000. The actual Parish Precept requirement for each Parish will be reported to the Executive in December.

For information, broadly:

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

#### **5. POTENTIAL NEW SPENDING PRESSURES**

- 5.1 In light of the current position in the MTFP, there are some potential new spending pressures that need to be considered.

Detail		2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
<b>Recurring</b>						
Tullie House ICT	5.2	60	60	60	60	60
Customer Service	5.3	14	14	14	14	14
ICT - Enhancement of Remote Acces	5.4	15	15	15	15	15
Inflation / Pay Award Provision	5.5	136	276	276	276	276
Treasury Management	5.6	604	742	29	482	595
Housing Regeneration Post	5.7	38	38	38	38	38
<b>Total Recurring Pressures</b>		<b>867</b>	<b>1,145</b>	<b>432</b>	<b>885</b>	<b>998</b>
<b>Non Recurring</b>						
Economic Investment Initiatives	5.8	250	0	0	0	0
Borderlands Inclusive Growth Deal	5.9	50	0	0	0	0
Borderlands Project Officer	5.10	53	53	0	0	0
Asset Disposal Refresh	5.11	112	112	112	0	0
<i>Financed from Capital Receipts</i>		0	(112)	(112)	(112)	0
Elections	5.12	80	0	0	0	0
Transformation Savings	5.13	400	0	0	0	0
<b>Total Non Recurring Pressures</b>		<b>945</b>	<b>53</b>	<b>0</b>	<b>(112)</b>	<b>0</b>

## 5.2 Tullie House ICT

Tullie House no longer utilises the Council's ICT support, and the agreement with the Trust provides for the Council to contribute towards the costs of an external provider.

## 5.3 Customer Service

Following a restructure in Customer Services there is a requirement to provide additional resources for front-line staffing to improve the performance of the team and the service provided to customers.

## 5.4 ICT – Enhancement of Remote Access

It is proposed to enhance the Council's remote access infrastructure for improving mobile working arrangements and making them more secure.

## 5.5 Inflation / Pay Award Provision

The increase in the pay award provision for 2018/19 and 2019/20 to 2% was included in the 2018/19 budget on a non-recurring basis, however following confirmation of the pay deal, this has a recurring impact and the overall average pay increase amounted to 2.82% for both years.

## **5.6 Treasury Management**

Treasury Management projections have been updated to include updates to the Capital programme (contained elsewhere on this agenda) and updated for interest rate forecasts. This pressure includes the potential impact on reserves for all the pressures and savings contained in this report together with the updated borrowing costs for the capital programme, some of which are offset by additional income, e.g. Gateway 44 and Leisure contract.

## **5.7 Housing Regeneration Post**

To fund the recurring costs of the Housing Regeneration Officer which was previously funded from an external grant.

## **5.8 Economic Investment Initiatives**

This pressure relates to economic investment initiatives that the Council wishes to pursue, such as Business Support, Carlisle Ambassadors, St Cuthberts Garden Village, Business Improvement District, promotion of Central Plaza redevelopment opportunities.

## **5.9 Borderlands Inclusive Growth Deal**

In order to progress the schemes and detailed business cases for the development of the Borderlands Initiative, additional funding is required to support the joint working of the various partners.

## **5.10 Borderlands Project Officer**

To fund the continuation of the Project Officer post, for a further 2 years, to support the development of the detailed business cases and progression of the growth deal.

## **5.11 Asset Disposal Refresh**

The asset disposal programme has been refreshed and has identified assets the Council can dispose of. This will require additional staffing resource to manage this process and realise these sales. It is anticipated that these costs can be offset against the realised capital receipts (up to a maximum of 4% of the receipt) making the pressure self-financed once receipts are realised.

## **5.12 Elections**

As the City Council will be holding a full election in May 2019. Additional expenditure will be incurred in administering this compared to the normal third of all seats contested.



### 5.13 Transformation Savings

For 2019/20 £400,000 can be offset by additional funding expected from Business Rate Retention on a non-recurring basis as outlined below. There is also an anticipated shortfall income of £837,000 across Council services that has been highlighted through the budget monitoring process, however these will be funded from a fundamental review of existing base budgets and further examination of the potential recurring impact these could have.

## 6. SAVINGS AND ADDITIONAL INCOME PROPOSALS

- 6.1 The current MTFP includes a savings requirement to be found by 2018/19 of £1.237million (£1.129million for Transformation and £0.107million for Base Budget Review). The net position of the final pressures and savings identified as part of this budget process may require changes to be made to the overall savings target.
- 6.2 Further savings/additional income have already been identified in the budget process for 2019/20 to date.

Detail	Note	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
<b>Changes to Funding</b>						
Business Rate Income	6.3	(350)	0	0	0	0
Released from Earmarked Reserves	6.4	(688)	0	0	0	0
<b>Total Changes to Funding</b>		<b>(1,038)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Savings Proposed</b>						
Gateway 44 Income	6.5	0	(125)	(567)	(893)	(893)
Leisure Contract	6.6	0	0	0	0	(309)
Developer Contributions - Southern Relief Road	6.7	0	(31)	(72)	(83)	(144)
<b>Total of Savings</b>		<b>0</b>	<b>(156)</b>	<b>(639)</b>	<b>(976)</b>	<b>(1,346)</b>
<b>Total Recurring</b>		<b>0</b>	<b>(156)</b>	<b>(639)</b>	<b>(976)</b>	<b>(1,346)</b>
<b>Total Non-Recurring</b>		<b>(1,038)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

### 6.3 Business Rate Income

The Council has included additional income over and above the baseline level in the Medium Term Financial Plan and has consistently over achieved these targets since the introduction of rates retention at each outturn position. Forecasts for 2019/20 indicate that this growth will continue, therefore the level of funding in the budget can be increased. As the outcome of the new rates retention scheme is unknown for 2020, it is not proposed to increase this income beyond 2019/20.

#### 6.4 Released from Earmarked Reserves

It is proposed that the reserves highlighted below totalling £688,000 should be released to the General Fund as being no longer required for their original purpose:

- Revenues & Benefits Reserve - £338,000
- Transformation Reserve - £150,000
- Welfare Reform Reserve - £200,000

It is also proposed to re-designate the Asset Investment Reserve (£48,000) to be used towards property initiatives and that the carry forward reserve be re-designated for alternative use as outlined in report RD22/18. All changes to reserves (release and re-designation) will be included in the final budget proposals for Council approval.

#### 6.5 Gateway 44 Income

The capital programme and treasury management budgets include the costs associated with the Gateway 44 development opportunity and this additional income is included to recognise the income to be generated once the development is fully let which is anticipated to be in 2022/23.

#### 6.6 Leisure Contract

The recurring impact of the subsidy achieved through the re-letting of the Leisure Services contract and the Sands Centre redevelopment. This reflects the additional saving between 2022/23 and 2023/24 as agreed in the contract.

#### 6.7 Developer Contributions – Southern Relief Road

The estimated contributions to be received from developers as a result of the construction of the Southern Relief Road.

### 7. PROJECTED IMPACT ON REVENUE BALANCES

7.1 It should be noted that if all of the potential new Savings and Spending Pressures were accepted then reserves are maintained at current minimum levels for 2019/20 however they are below minimum levels for the future years.

7.2 The general principles on each of the Reserves are set out in the Medium Term Financial Plan. In terms of meeting ongoing revenue expenditure, the general guiding principle which Council approved is that:

*‘Wherever possible, reserves should not be used to fund recurring expenditure, but that where it is, this should be made explicit, and steps taken to address the situation in the following years’.*

7.3 The Council’s current levels of balances are set out in **Appendix A** and include the impact of the proposed pressures and savings outlined in this report. The Projects Reserve has been used as a first call for the current projected revenue budget deficit however, the maintaining the current level of reserves is dependent upon the achievement of the transformation savings. A risk-based review of reserve levels has been undertaken and shows that the minimum level of General Fund Reserves should remain at £3.3million.

Summarised Position	2018/19 Original £000	2018/19 Revised £000	2019/20 Original £000	2020/21 Proj £000	2021/22 Proj £000	2022/23 Proj £000	2023/24 Proj £000
Total Projected Expenditure	12,096	13,600	11,922	11,608	11,759	12,284	12,615
Total Projected Resources	(12,096)	(13,600)	(11,921)	(11,640)	(11,930)	(12,190)	(12,452)
<b>Projected (Surplus) / Shortfall <u>excluding</u> savings and new spending</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>(32)</b>	<b>(171)</b>	<b>94</b>	<b>163</b>
<b>Less:</b>							
New Saving Proposals							
- Recurring	0	0	0	(156)	(639)	(976)	(1,346)
- Non Recurring	0	0	0	0	0	0	0
- Funding Business Rates	0	(400)	(350)	0	0	0	0
- Released from Earmarked Reserves	0	0	(688)	0	0	0	0
<b>(See Para 6)</b>							
<b>Add:</b>							
New Spending Pressures							
- Recurring	0	0	867	1,145	432	885	998
- Non Recurring	0	0	945	53	0	(112)	0
<b>(See Para 5)</b>							
<b>Potential Budget (Surplus) / Shortfall</b>	<b>0</b>	<b>(400)</b>	<b>1,463</b>	<b>1,010</b>	<b>(378)</b>	<b>(109)</b>	<b>(185)</b>
Potential (Surplus) / Shortfall Analysis:							
- Recurring	0	0	1,159	1,653	(155)	(33)	(185)
- Non Recurring	0	(400)	304	(643)	(223)	(76)	0

Balance as at:	Projected Reserves £000	Recurring Revenue Requirement £000	Non Recurring Revenue Requirement £000	Released From Earmarked Reserves £000
31/03/2019	4,630	(1,159)	(304)	688
31/03/2020	3,855	(1,653)	643	0
31/03/2021	2,845	155	223	0
31/03/2022	3,223	33	76	0
31/03/2023	3,332	185	0	0
31/03/2024	3,517			

## 8. SUMMARY FINANCIAL OUTLOOK AND BUDGET DISCIPLINE 2019/20 to 2023/24

- 8.1 The current budget projections for the next five-year period are challenging and continue to show the requirement for substantial savings to be achieved in order to enable the Council to contain its ongoing commitments within available resources.
- 8.2 Notification of Government general and specific grants is received on an individual basis late in the budget process which makes forward planning difficult.
- 8.3 There is much uncertainty around Local Government funding beyond 2019/20 with the outcome of the Fair Funding Review and the reset of the Business Rate Retention scheme (including baselines and 75% retention) make financial planning beyond 2020 difficult.
- 8.4 The City Council needs to establish as part of its budgetary process the financial discipline to be followed by member and officers in the ensuing financial years, and the Executive will make recommendations in this respect in December.
- 8.5 Under section 25 of the Local Government Act 2003 the Council's S.151 Officer is required to prepare a statutory report which considers the robustness of the estimates and the adequacy of reserves and which determines levels of borrowing. A full report will be prepared and included within the Executive's draft budget proposals for consultation purposes; however a draft is attached at **Appendix B**.

## 9 RISKS

- 9.1 As outlined above the Council has a statutory responsibility to set a balanced budget and failure to do this could lead to unfunded financial pressures on the Council.

## **10 CONSULTATION**

10.1 The Business and Transformation Scrutiny Panel will consider this report on 3 January 2019, and their views fed back to the Executive on 16 January. Public consultation will take place between 11 December and 14 January and the budget resolution will then be issued by the Executive on 16 January.

## **11 RECOMMENDATIONS**

The Executive is requested to:

- (i) note the revised base estimates for 2018/19 and base estimates for 2019/20;
- (ii) note that the estimates in the report are draft and will be subject to the confirmation of Local Government Finance Settlement in December 2018
- (iii) note the current MTFP projections, which will continue to be updated throughout the budget process as key issues become clearer and decisions are taken;
- (iv) note the budget pressures/savings needing to be taken into account as part of the 2019/20 budget process.
- (v) Note the Statutory Report of the S.151 Officer outlining the risks associated with the draft budget figures and that minimum reserves may need to be increased in the future depending upon the outcome of the Local Government Finance review.

## **13 CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES**

13.1 To ensure that a balanced budget is set.

**Contact Officer: Steven Tickner**

**Ext: 7280**

**Appendices**

**Appendix A – Council Reserves**

**attached to report:**

**Appendix B – Draft Statutory Report of S.151 Officer**

**Note: in compliance with section 100d of the Local Government Act 1972 the report has been prepared in part from the following papers:**

- **None**

## **CORPORATE IMPLICATIONS:**

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

**FINANCE** – Contained within the body of the report

**EQUALITY** – not applicable

**INFROMATION GOVERNANCE** – not applicable

## APPENDIX A

### COUNCIL RESERVES

Analysis of Council Reserves	Outturn 31 March 2018 £000	Projected 31 March 2019 £000	Projected 31 March 2020 £000	Projected 31 March 2021 £000	Projected 31 March 2022 £000	Projected 31 March 2023 £000	Projected 31 March 2024 £000
<b>Revenue Reserves</b>							
General Fund Reserve	(2,000)	(3,300)	(3,300)	(2,845)	(3,223)	(3,300)	(3,300)
Projects Reserve	(2,773)	(1,330)	(555)	0	0	(32)	(217)
Carry Forward Reserve	(927)	(620)	0	0	0	0	0
<b>Total General Fund Reserves</b>	<b>(5,700)</b>	<b>(5,250)</b>	<b>(3,855)</b>	<b>(2,845)</b>	<b>(3,223)</b>	<b>(3,332)</b>	<b>(3,517)</b>
<b>Earmarked Reserves</b>							
Flood Reserve	(2,014)	(2,014)	0	0	0	0	0
Transformation Reserve (i)	(150)	(150)	0	0	0	0	0
Building Control Reserve	(150)	(150)	(150)	(150)	(150)	(150)	(150)
Cremator Reserve	(850)	(850)	(850)	(850)	(850)	(850)	(850)
Economic Investment Reserve	(6)	0	0	0	0	0	0
Car Parking Reserve	(107)	0	0	0	0	0	0
City Centre Reserve	(42)	0	0	0	0	0	0
Welfare Reform Reserve (i)	(200)	(200)	0	0	0	0	0
Revenues & Benefits Reserve (i)	(338)	(338)	0	0	0	0	0
Revenue Grants Reserve	(1,920)	(1,920)	(1,920)	(1,920)	(1,920)	(1,920)	(1,920)
Planning Services Reserve	(28)	(28)	(28)	(28)	(28)	(28)	(28)
Promoting Carlisle Reserve	(20)	(20)	0	0	0	0	0
Prosecutions Reserve	(41)	(41)	(41)	(41)	(41)	(41)	(41)
<b>Total Earmarked Reserves</b>	<b>(5,866)</b>	<b>(5,711)</b>	<b>(2,989)</b>	<b>(2,989)</b>	<b>(2,989)</b>	<b>(2,989)</b>	<b>(2,989)</b>
<b>Total Revenue Reserves</b>	<b>(11,566)</b>	<b>(10,961)</b>	<b>(6,844)</b>	<b>(5,834)</b>	<b>(6,212)</b>	<b>(6,321)</b>	<b>(6,506)</b>
<b>Capital Reserves</b>							
Usable Capital Receipts	0	0	0	0	0	0	0
Asset Disposal Reserve	0	0	0	0	0	0	0
Unapplied capital grant	(136)	(136)	(136)	(136)	(136)	(136)	(136)
Asset Investment Reserve (i)	(48)	(48)	(48)	(48)	(48)	(48)	(48)
GLL Reserve	(273)	(273)	(273)	(273)	(273)	(273)	(273)
Lanes Capital Reserve	(45)	(60)	(75)	(90)	(105)	(120)	(135)
<b>Total Capital Reserves</b>	<b>(502)</b>	<b>(517)</b>	<b>(532)</b>	<b>(547)</b>	<b>(562)</b>	<b>(577)</b>	<b>(592)</b>
<b>Total Usable Reserves</b>	<b>(12,068)</b>	<b>(11,478)</b>	<b>(7,376)</b>	<b>(6,381)</b>	<b>(6,774)</b>	<b>(6,898)</b>	<b>(7,098)</b>
<b>Other Technical Reserves (ii)</b>	<b>(106,946)</b>						
<b>Total All Reserves</b>	<b>(119,014)</b>						

(i) These reserves are proposed to be released or re-designated as part of the 2019/20 budget setting

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

**DRAFT STATUTORY REPORT OF S.151 OFFICER**

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

2. **Robustness of the Estimates**

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

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

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

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

- The Transformation programme is expected to achieve savings of £1.237million by 2019/20, in order to meet the expected cuts in grants from central government and other budgetary pressures identified in the previous budget process. No new transformation savings are expected over and above this target at this point in time. However, base budget savings of £837,000 must be identified and achieved to balance off the anticipated shortfalls in income. This will ensure that a balanced budget is produced and where Council reserves are replenished over the longer term.
- The level of interest receipts and return on Treasury Management activities are subject to market rates. Members are advised of this risk every year and it should be noted that in the current economic climate with low and relatively static base rates, investment income returns in the medium term continue to prove challenging. The Council is also having to deal with a reduced number of counterparties it is able to place deposits with.

**The main risks to the robustness of the estimates are the impact of the Fair Funding Review and how the 75% retention of business rates will be implemented in 2020.**

**There will be a requirement to use reserves in the short term; however the proposals put in place show that reserves will rise over the following 5-year period although not to minimum levels.**



**The delivery of the savings proposals identified and continuing work to deliver further savings will also be important to maintaining reserves at prudent levels. Regular budget monitoring, particularly in the area of the Transformation programme is imperative during this period. The level of the Council's future Capital Programme in taking account of a significant reduction in capital receipts is fully funded but includes a borrowing requirement over the five-year period and specifically a potential external borrowing requirement in 2019/20 to fund new leisure facilities which is an invest to save initiative. The Capital Programme includes plans to sell further assets that can be utilised to reduce the overall borrowing requirement for future capital investment decisions.**

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

## 2. Adequacy of Reserves

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

The appropriateness of the level of reserves can only be judged in the context of the Council's longer term plans and an exercise has been undertaken to review the level of reserves through the use of a risk assessment matrix. The findings of this exercise suggested that the minimum level should be set at £3.3m as a prudent level of General Fund Reserves which will be required as a general working capital/ contingency to cushion the Council against unexpected events and emergencies.

The Council's policy on reserves is that wherever possible reserves should not be used to fund recurring expenditure, but that where it is, this should be made explicit and steps taken to address the situation in the following years. The Executive sets out in its Budget Discipline and Saving Strategy on how it expects Officers to address the 2019/20 budget pressures in setting the 2019/20 budget and principles to be adopted when preparing the 2020/21 budget cycle.

**Based on current projections, Council Reserves will be maintained at prudent levels. It is accepted that the level of reserves is reliant on the delivery of the transformation savings and achievement of income targets and government funding.**

**Minimum reserves may need to increase over the medium term depending upon the final outcome of the devolvement of 75% business rates to local authorities. This devolvement is likely to increase the risks to local authorities and as such it may be prudent to hold greater reserves to cope with these risks.**

## 3. Determination of Borrowing

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

**For the period under review the need for borrowing will be kept under consideration and will be dependent on the level of capital receipts being generated and the potential of future capital projects. Due to projects currently under consideration, the capital programme for 2019/20 to 2023/24 will require the use of Prudential**

**Borrowing (including internal borrowing) to sustain levels depending on the levels of capital receipts that can be generated in the future. If borrowing is required, full option appraisals will be carried out.**

# Business & Transformation Scrutiny Panel

Agenda  
Item:

**A.3 (3)  
(b)**

Meeting Date: 3 January 2019  
Portfolio: Finance, Governance and Resources  
Key Decision: Yes: Recorded in the Notice Ref: KD.19/18  
Within Policy and Budget Framework YES  
Public / Private Public

Title: REVISED CAPITAL PROGRAMME 2018/19 AND PROVISIONAL CAPITAL PROGRAMME 2019/20 TO 2023/24  
Report of: CORPORATE DIRECTOR OF FINANCE AND RESOURCES  
Report Number: RD30/18

## Purpose / Summary:

This report provides a draft summary of the Council's revised capital estimates for 2018/19 together with base estimates for 2019/20 and updated projections to 2023/24.

## Recommendations:

Members of the Resources Overview and Scrutiny Panel are asked to scrutinise the report and make comments on the proposed capital position are asked to scrutinise and comment on the overall budgetary position for 2019/20 to 2023/24.

## Tracking

Executive:	<b>10 December 2018</b>
Overview and Scrutiny:	<b>BTSP 3 January 2019</b>
Council:	<b>5 February 2019 (Budget Resolution)</b>

# Report to Executive

Agenda  
Item:

Meeting Date: 10 December 2018  
Portfolio: Finance, Governance and Resources  
Key Decision: Yes: Recorded in the Notice Ref: KD.19/18  
Within Policy and Budget Framework YES  
Public / Private Public  
Title: REVISED CAPITAL PROGRAMME 2018/19 AND PROVISIONAL CAPITAL PROGRAMME 2019/20 TO 2023/24  
Report of: CORPORATE DIRECTOR OF FINANCE AND RESOURCES  
Report Number: RD 30/18

## Purpose / Summary:

The report provides an update to RD23/18 and sets out the proposed capital programme for 2019/20 to 2023/24 in the light of new capital proposals identified, and summarises the estimated capital resources available to fund the programme.

## Recommendations:

The Executive is asked to:

- (i) Note the revised capital programme and relevant financing for 2018/19 as set out in Appendices A and B including approving the removal of two schemes from the capital programme in 2018/19 and future years, and to make recommendations to Council to reprofile £380,000 from 2018/19 to 2019/20;
- (ii) Give consideration and views on the proposed capital spending for 2019/20 to 2023/24 given in the report in the light of the estimated available resources;
- (iii) Note that any capital scheme for which funding has been approved by Council may only proceed after a full report, including business case and financial appraisal, has been approved.

## Tracking

Executive:	<b>10 December 2018</b>
Overview and Scrutiny:	<b>BTSP 3 January 2019</b>
Council:	<b>5 February 2019 (Budget Resolution)</b>

## **1. BACKGROUND**

- 1.1 This report details the revised capital programme for 2018/19 together with the proposed methods of financing as set out in paragraph 3 and **Appendix A and B**.
- 1.2 The report also details the capital spending proposals for 2019/20 to 2023/24, together with the potential resources available to fund the programme. Members are asked to give initial consideration to the spending proposals.
- 1.3 The guiding principles for the formulation of the capital programme over the next five year planning period are set out in the following policy documents that were approved by Council on 11 September 2018:
- Capital Investment Strategy 2019-20 to 2023-24 (Report RD14/18)
  - Asset Management Plan (Report GD66/18)
- 1.4 A Corporate Programme Board of senior officers, (the SMT Transformation sub-group) continues to take the lead on the prioritisation of investment and the monitoring and evaluation of schemes. This is to improve performance monitoring and business case analysis of capital projects.

## **2. CAPITAL RESOURCES**

- 2.1 There are several sources of capital resources available to the Council to fund capital expenditure, the main ones being:
- Borrowing (Prudential Code - see paragraph 6.2)
  - Capital Grants and Contributions e.g. DFG, specific capital grants
  - Capital Receipts e.g. proceeds from the sale of assets
  - Council Reserves e.g. Projects Reserve
- 2.2 In accordance with the Capital Investment Strategy, the Corporate Director of Finance and Resources will make recommendations on the most effective way of financing the Capital Programme to optimise the overall use of resources.
- 2.3 It should be noted that capital resources can only be used to fund capital expenditure and cannot, with the exception of the Council's own Reserves, be used to fund revenue expenditure. There are strict definitions of what constitutes capital expenditure.
- 2.4 It should also be noted that the resources available to support the capital programme can only be estimated during the year. The final position is dependent

in particular on how successful the Council has been in achieving Capital Receipts from the sale of assets against its target i.e. the more capital receipts generated, the less is required to be taken from Borrowing and Council Reserves (and vice versa).

- 2.5 The cost of externally borrowing £1m to fund the capital programme will result in a charge to the revenue account in the next full year of approximately £62,000. This is made up of £32,000 for the cost of the interest payable (3.2% of £1m equates to £32,000) and a principal repayment provision of 3% of the outstanding sum (3% of £1m equates to £30,000).

### 3. REVISED CAPITAL PROGRAMME 2018/19

- 3.1 The capital programme for 2018/19 totalling £7,388,800 was approved by Council on 17 July 2018 as detailed in the 2017/18 out-turn report (RD04/18).
- 3.2 The revised capital programme for 2018/19 now totals £9,551,200 as detailed in **Appendix A** subject to the relevant approvals by Executive and Council for the changes.
- 3.3 **Appendix B** details the revised anticipated resources available and their use to fund the capital programme. These have been revised to take account of revised projections and valuations of asset sales.
- 3.4 A summary of the revised programme for 2018/19 is shown below:

Summary Programme	£	Appx
<b>2018/19 Original Capital Programme</b>	7,388,800	<b>A</b>
Other adjustments	2,162,400	
<b>Revised Capital Programme (Sept 2018)</b>	<b>9,551,200</b>	<b>A</b>
Estimated Capital Resources available	(4,894,380)	<b>B</b>
<b>Potential Borrowing Requirement</b>	<b>4,656,820</b>	

### 4. CAPITAL SPENDING PROPOSALS 2019/20 TO 2023/24

- 4.1 The existing and capital spending proposals are summarised in the following table.

Capital Scheme	App/ Para	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
<b><u>Current Commitments:</u></b>						
Vehicles & Plant	4.2	896	647	1,486	1,297	0
Planned Enhancements to Council Property	4.3	150	150	150	150	150
Disabled Facilities Grants	4.4	1,467	1,467	1,467	1,467	1,467
ICT Infrastructure	4.5	48	83	83	116	116
Leisure Facilities		15,395	2,294	9	0	0
Recycling Containers		45	45	45	45	45
Public Realm Improvements	4.6	380	0	0	0	0
<b>Total Existing Commitments</b>		<b>18,381</b>	<b>4,686</b>	<b>3,240</b>	<b>3,075</b>	<b>1,778</b>
<b><u>New Spending Proposals:</u></b>						
Enhancements to Council Properties	4.3	100	100	100	100	100
ICT Infrastructure	4.5	55	0	0	0	55
Gateway 44	4.7	6,500	0	0	0	0
Carlisle Southern Link Road	4.8	0	0	0	5,000	0
Play Area improvements	4.9	35	0	0	0	0
<b>Total New Spending Proposals</b>		<b>6,690</b>	<b>100</b>	<b>100</b>	<b>5,100</b>	<b>155</b>
<b>Total Potential Programme</b>		<b>25,071</b>	<b>4,786</b>	<b>3,340</b>	<b>8,175</b>	<b>1,933</b>

- 4.2 The anticipated budgets for replacement of the Council's vehicle fleet are included in the table above.
- 4.3 The allocation for planned enhancements to council properties is increased from the current level of £150,000 to £250,000 (as a result of recent condition surveys).
- 4.4 Disabled facilities grant allocation will not be known until January 2019, although it has been assumed for the purpose of this report that the grant will be protected at the 2016/17 levels. This grant will be awarded via the County Council's Better Care Fund.
- 4.5 Additional budgets for ICT Improvements are included to reflect revised requirements within the ICT Strategy and will be utilised to improve network security and wi-fi capabilities around the Council.

- 4.6 The public realm improvement scheme is reprofiled from 2018/19 into 2019/20 when a report detailing a full breakdown of proposed projects will be presented to the Executive to release the budget.
- 4.7 The Gateway 44 investment proposal was considered and agreed at Council (with a further report on borrowing options) and is therefore added to the Capital Programme.
- 4.8 This relates to the contribution committed in support of the Housing Infrastructure Fund Bid (HIF) for the development of the Carlisle Southern Relief Road as part of the Garden City initiative. It is envisaged that the cost of this contribution will be recouped through developer contributions once the Garden Village starts being delivered. This commitment will be subject to the outcome of the HIF funding bid.
- 4.9 This provides funding to undertake improvements to Council owned play areas.

## 5. POTENTIAL CAPITAL RESOURCES AVAILABLE

- 5.1 The table below sets out the estimated revised resources available to finance the capital programme for 2019/20 to 2023/24.

Source of Funding	Para	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
<b>Capital Grants:</b>						
• Disabled Facilities Grant	5.2	(1,467)	(1,467)	(1,467)	(1,467)	(1,467)
• General Grants/Contributions	5.3	(2,000)	0	0	0	0
<b>Capital Receipts:</b>						
• Generated in year – Asset Business Plan	5.4	(1,700)	(8,750)	(3,567)	(272)	0
receipts used to fund resources			112	112	112	0
Direct Revenue Financing / Invest to Save	5.5	(1,316)	(1,018)	(926)	(926)	(926)
<b>TOTAL RESOURCES</b>		<b>(6,483)</b>	<b>(11,123)</b>	<b>(5,848)</b>	<b>(2,553)</b>	<b>(2,393)</b>

- 5.2 Disabled facilities grant allocation will not be known until January 2019, although it has been assumed for the purpose of this report that the grant will be protected at the 2016/17 levels. However as mentioned earlier this grant will be awarded via the County Council's Better Care Fund and there is still some uncertainty as to what the allocation will be.
- 5.3 General grants and contributions identified as funding streams for projects.



#### 5.4 Capital receipts from the sale of fixed assets.

A review of the asset disposal programme has been undertaken with additional assets identified for sale and a reprofiling of disposals between 2019/20 and 2022/23. The profiling of these disposals has been incorporated into the budget projections above, however, depending upon approvals any changes will be incorporated for the Executive's budget proposals.

#### 5.5 Direct revenue financing in relation to invest to save schemes and use of earmarked reserves.

### 6. SUMMARY PROVISIONAL CAPITAL PROGRAMME 2019/20 TO 2023/24

#### 6.1 A summary of the estimated resources compared to the proposed programme year on year is set out below:

Source of Funding	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
Estimated in year Resources available (para 5.1)	(6,483)	(11,123)	(5,848)	(2,553)	(2,393)
Proposed Programme (para 4.1)	25,071	4,786	3,340	8,175	1,933
<b>Projected (Surplus)/Deficit</b>	<b>18,588</b>	<b>(6,337)</b>	<b>(2,508)</b>	<b>5,622</b>	<b>(460)</b>
Cumulative B/Fwd Balance	<b>4,657</b>	<b>23,245</b>	<b>16,908</b>	<b>14,400</b>	<b>20,022</b>
Cumulative year end Position					
● Borrowing Requirement (para 6.2)	<b>23,245</b>	<b>16,908</b>	<b>14,400</b>	<b>20,022</b>	<b>19,562</b>

#### 6.2 The Prudential Code, which was introduced in 2004, gives authorities freedom to borrow to fund capital schemes subject to the over-riding principles of Affordability, Prudence and Sustainability. Whilst the new freedoms could significantly impact on the capital resources available to the Authority, the principles referred to in effect mean that the Council is limited by the ongoing cost of any borrowing (i.e. the cost of prudential borrowing falls to be met from the General Fund recurring expenditure). The Prudential Code requires authorities to develop their own programmes for investment in fixed assets, based upon what the authority and local taxpayers can afford, and subject to a full Business Case and Options appraisal process.

The table above shows there is continues to be a borrowing requirement from 2019/20. In order to reduce the exposure of the council to a borrowing requirement the following steps could be examined during the course of this budget process:

- Inclusion of the proposed asset disposal refresh recommendations in the capital programme;
- Fundamental review of existing capital programme to ensure schemes are still required and are accurate;
- Maximisation of the use of grants and contributions from external sources;
- Providing a recurring revenue contribution to the capital programme;
- Invest to save schemes that can repay the capital investment over a period of time.

## **7. RISKS**

- 7.1 The ongoing impact of issues raised will be monitored carefully in budget monitoring reports and appropriate action taken.

## **8. CONSULTATION**

- 8.1 All Scrutiny Panels have considered the report (RD23/18) for their areas of responsibility at their meetings in November and December. Feedback of any comments on the proposals have been made to the Executive in December prior to the Executive issuing their draft budget proposals for wider consultation.

## **9. CONCLUSION AND REASONS FOR RECOMMENDATIONS**

The Executive is asked to:

- Note the revised capital programme and relevant financing for 2018/19 as set out in Appendices A and B including approving the removal of two schemes from the capital programme in 2018/19 and future years, and to make recommendations to Council to reprofile £380,000 from 2018/19 to 2019/20;
- Give consideration and views on the proposed capital spending for 2019/20 to 2023/24 given in the report in the light of the estimated available resources;
- Note that any capital scheme for which funding has been approved by Council may only proceed after a full report, including business case and financial appraisal, has been approved.

## **10. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES**

- 10.1 The capital programme includes a range of positive projects that will directly benefit the people of Carlisle.

**Contact Officer: Steven Tickner**

**Ext: 7280**

**Appendices  
attached to report:**

**Note: in compliance with section 100d of the Local Government Act 1972 the report has been prepared in part from the following papers:**

- **None**

**CORPORATE IMPLICATIONS:**

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

**FINANCE** – Financial implications are contained within the body of the report.

**EQUALITY** – This report raises no explicit issues relating to the public sector Equality Duty.

**INFORMATION GOVERNANCE** – There are no information governance implications.

Scheme	Original Capital Programme 2018/19 £	Other Adjustments £	Proposed Savings & Carry Forwards £	Revised Capital Programme 2018/19 £	Note
Central Plaza	(52,000)	650,000	0	598,000	
Tennis Facilities	502,900	0	0	502,900	
Cycle Track Development	12,700	38,000	0	50,700	
Planned Enhancements to Council Property	170,000	9,300	0	179,300	
Vehicles, Plant & Equipment	1,107,000	0	0	1,107,000	
ICT Infrastructure	357,300	0	0	357,300	
Private Sector Grants	3,079,400	293,200	0	3,372,600	
Public Realm Improvements	4,600	700	0	5,300	
Play Area Developments & Open Spaces	4,000	116,500	0	120,500	
Play Area Green Gyms	25,000	0	0	25,000	
Kingstown Industrial Estate	9,800	0	0	9,800	
Revenues & Benefits ICT Upgrades	45,200	0	0	45,200	
Crindledyke Cycleway	128,700	10,000	0	138,700	
Fusehill Street Play Area	35,000	6,100	0	41,100	
Planning Software	150,000	0	0	150,000	
Cemetery Infrastructure	30,000	0	0	30,000	
Minor Works Grants	23,200	0	0	23,200	
Recycling Containers	45,000	0	0	45,000	
Car Park Improvements	164,300	0	0	164,300	
Affordable Homes (S106)	114,700	41,500	0	156,200	
Sands Centre Redevelopment	0	1,769,100	0	1,769,100	
Asset Review Acquisition	0	150,000	0	150,000	
<b>SUB-TOTAL</b>	<b>5,956,800</b>	<b>3,084,400</b>	<b>0</b>	<b>9,041,200</b>	
<b><u>Capital Reserves to be released</u></b>					
Regeneration of Botchergate & London Road	247,000	0	(247,000)	0	1
Chatsworth/Portland Square	295,000	0	(295,000)	0	1
Townscape Heritage Initiative	510,000	0	0	510,000	
Business Interaction Centre	380,000	0	(380,000)	0	2
	<b>1,432,000</b>	<b>0</b>	<b>(922,000)</b>	<b>510,000</b>	
<b>REVISED TOTAL</b>	<b>7,388,800</b>	<b>3,084,400</b>	<b>(922,000)</b>	<b>9,551,200</b>	

Notes:

- Executive are asked to approve the removal of two schemes from the 2018/19 capital programme and from future years due to the schemes not progressing passed the development stage due to unsuccessful bids for external funding.

- 2) Executive are asked to make recommendations to Council to approve reprofiling of this budget into 2019/20 when a report detailing a full breakdown of proposed public realm projects will be presented to the Executive to release the budget.**

**REVISED CAPITAL PROGRAMME 2018/19 – PROPOSED FINANCING**

Source of funding	2018/19 Original £	2018/19 Revised £	Notes
Capital Grants:			
• DFG	1,467,300	1,760,500	1
• General	1,213,900	748,900	
Capital Receipts:			
• B/fwd from previous year	(818,220)	(818,220)	
• Generated in year (Asset Review)	2,754,000	562,000	
Capital Contributions			
• General	243,400	379,400	2
Direct Revenue Financing	1,375,100	2,261,800	3
<b>TOTAL FINANCE AVAILABLE</b>	<b>6,235,480</b>	<b>4,894,380</b>	
<b>TOTAL PROGRAMME (SEE APP A)</b>	<b>7,388,800</b>	<b>9,551,200</b>	
<b>PROJECTED (SURPLUS)/DEFICIT IN CAPITAL RESOURCES AVAILABLE</b>	<b>1,153,320</b>	<b>4,656,820</b>	

**Notes:**

1. Capital grant include funding for Tennis Facilities (£400,000), Play Area Developments (£25,000), Business Interaction Centre (£300,700) and Minor Works Grants (£23,200).
2. General contributions relate to Open Space Improvements (£84,500), Crindledyke Cycleway (£138,700) and Affordable Homes S106 (£156,200).
3. Changes to Direct Revenue Financing relate to Asset Purchase (£150,000), Central Plaza (£650,000), Solar Panels (£15,600), Harraby Cycle Track (£38,000), Play Area Developments (£23,100), Improvements to Council Properties (£9,300) and Public Realm Improvements (£700).

# Business & Transformation Scrutiny Panel

Agenda  
Item:

**A.3 (3)**  
**(c)**

Meeting Date: 3 January 2019  
Portfolio: Finance, Governance and Resources  
Key Decision: Yes: Recorded in the Notice Ref: KD19/18  
Within Policy and Budget Framework YES  
Public / Private Public

Title: DRAFT TREASURY MANAGEMENT STRATEGY STATEMENT,  
INVESTMENT STRATEGY AND MINIMUM REVENUE  
PROVISION STRATEGY 2019/20  
Report of: CORPORATE DIRECTOR OF FINANCE AND RESOURCES  
Report Number: RD31/18

## Purpose / Summary:

This report sets out the Council's Treasury Management Strategy Statement for 2019/20, in accordance with the CIPFA Code of Practice on Treasury Management. The Investment Strategy and the Minimum Revenue Provision (MRP) Strategy for 2019/20 are also incorporated as part of the Statement. So too are the Prudential Indicators as required within the Prudential Code for Capital Finance in Local Authorities.

## Recommendations:

Members of the Resources Overview and Scrutiny Panel are asked to scrutinise and make comments on the proposed Treasury Management Strategy for 2019/20

## Tracking

Executive:	<b>10 December 2018, 16 January 2019</b>
Overview and Scrutiny:	<b>BTSP 3 January 2019</b>

# Report to Executive

Agenda  
Item:

Meeting Date: 10 December 2018  
Portfolio: Finance, Governance and Resources  
Key Decision: Yes: Recorded in the Notice Ref: KD19/18  
Within Policy and Budget Framework YES  
Public / Private Public

Title: DRAFT TREASURY MANAGEMENT STRATEGY STATEMENT,  
INVESTMENT STRATEGY AND MINIMUM REVENUE  
PROVISION STRATEGY 2019/20  
Report of: CORPORATE DIRECTOR OF FINANCE AND RESOURCES  
Report Number: RD31/18

## Purpose / Summary:

This report sets out the Council's draft Treasury Management Strategy Statement for 2019/20, in accordance with the CIPFA Code of Practice on Treasury Management. The Investment Strategy and the Minimum Revenue Provision (MRP) Strategy for 2019/20 are also incorporated as part of the Statement. So too are the Prudential Indicators as required within the Prudential Code for Capital Finance in Local Authorities.

## Recommendations:

The Executive is asked to note the draft Treasury Management Strategy Statement for 2019/20, which incorporates the Investment Strategy and the MRP Strategy, together with the Prudential Indicators for 2019/20 as set out in Appendix A and the Treasury Management Policy Statement as set out at Appendix D.

## Tracking

Executive:	<b>10 December 2018, 16 January 2019</b>
Scrutiny:	<b>BTSP 3 January 2019</b>
Audit Committee:	<b>17 December 2018</b>
Council:	<b>5 February 2019</b>



## **1. BACKGROUND**

- 1.1 The CIPFA Code of Practice on Treasury Management in Local Authorities was first issued in 1992 and updated in 1996, 2001, 2011 and 2017. The City Council formally adopted this Code in March 2002 and adopted the 2017 revision in February 2018.
- 1.2 Under the requirements of the revised Code, the Council will receive each year the following reports:
- Annual strategy and plan in advance of the year
  - A mid-year review
  - Annual report after its close.

## **2. TREASURY MANAGEMENT STRATEGY STATEMENT**

- 2.1 As required under the Code, the Treasury Management Strategy Statement (TMSS) for 2019/20, which also incorporates both the Investment Strategy for that year and the Minimum Revenue Strategy, is set out in **Appendix A**. The schedule of approved investment vehicles is contained in **Appendix B** and **Appendix C** includes a summary of current economic forecasts on interest rates that have been utilised in preparing the Strategy.
- 2.2 Also included within Appendix A are the **Prudential Indicators** that must be determined under the requirements of the CIPFA Prudential Code for Capital Finance in Local Authorities. These requirements came into operation on 1 April 2004 under the provisions of the Local Government Act 2003. Part 1 of the Act allows a local authority to borrow money for any purpose that is within its control or for the purposes of the prudent management of its financial affairs. The main purpose for borrowing money is to fund capital expenditure although some short-term borrowing is permitted to cover temporary cash flow needs.
- 2.3 Since 1 April 2004 there has been no statutory limit to the amount that can be borrowed. There is, however, a requirement for full compliance with CIPFA's Prudential Code; the key objectives of which are to demonstrate that the proposed capital investment plans have been assessed by the Council as affordable, prudent and sustainable. Section 3(1) of the Act puts a duty on the Council to determine before the start of the financial year and keep under review the maximum amount that it can afford to borrow. This amount is called the **Authorised Limit** and is discussed in Appendix A.
- 2.4 The Prudential Indicators are monitored via the quarterly Treasury Management monitoring reports.

### **3. CONSULTATION**

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

### **4. CONCLUSION AND REASONS FOR RECOMMENDATIONS**

- 4.1 The Executive is asked to note the Treasury Management Strategy Statement for 2019/20, which incorporates the Investment Strategy and the MRP Strategy, together with the Prudential Indicators for 2019/20 as set out in Appendix A and the Treasury Management Policy Statement as set out at Appendix D.

### **5. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES**

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

**Contact Officer: Steven Tickner**

**Ext: 7280**

**Appendices attached to report:**

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

**Note: in compliance with section 100d of the Local Government Act 1972 the report has been prepared in part from the following papers:**

- **None**

### **CORPORATE IMPLICATIONS:**

**LEGAL** – The Council has a fiduciary duty to manage its resources effectively for the benefit of its area and the delivery of its services. Treasury Management is an important part of this function and it is appropriate that the Council has a strategy and takes account of the available specialist internal and external advice. The Treasury Management Strategy forms part of the Budget and Policy framework and, therefore, ultimately requires approval by Council.

**FINANCE** – contained within the report.

**EQUALITY** – not applicable

**INFORMATION GOVERNANCE** – There are no information governance issues in this report

## **Treasury Management Strategy Statement**

### **Minimum Revenue Provision Policy Statement and Annual Investment Statement**

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Carlisle City Council

2019/20

## **1. INTRODUCTION**

- 1.1 It is a statutory requirement under Section 33 of the Local Government Finance Act 1992, for the Council to produce a balanced budget. In particular, Section 32 requires a local authority to calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This, therefore, means that increases in capital expenditure must be limited to a level whereby increases in charges to revenue from: -
- increases in interest charges caused by increased borrowing to finance additional capital expenditure, and
  - any increases in running costs from new capital projects are limited to a level which is affordable within the projected income of the Council for the foreseeable future
- 1.2 The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.
- 1.3 The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.
- 1.4 The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.
- 1.5 Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day to day treasury management activities.

- 1.6 CIPFA defines treasury management as:  
*“The management of the local authority’s borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”*
- 1.7 Revised reporting is required for the 2019/20 reporting cycle due to revisions of the MHCLG Investment Guidance, the MHCLG Minimum Revenue Provision (MRP) Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code. The primary reporting changes include the introduction of a capital strategy, to provide a longer-term focus to the capital plans, and greater reporting requirements surrounding any commercial activity undertaken under the Localism Act 2011. The capital strategy has been reported separately.
- 1.8 The suggested strategy for 2019/20 in respect of the following aspects of the treasury management function is based upon officers’ views on interest rates, supplemented with leading market forecasts provided by the Council’s treasury consultants. The strategy covers the following issues:
- Treasury limits in force that will limit the treasury risk and activities of the Council;
  - Prudential and Treasury Indicators;
  - Current treasury position;
  - Borrowing requirement;
  - Prospects for interest rates;
  - Borrowing strategy considerations;
  - Debt rescheduling opportunities.
  - Investment Strategy
  - Minimum Revenue Provision Strategy
  - Capital Strategy

## **2. CAPITAL STRATEGY**

- 2.1 The CIPFA revised 2017 Prudential and Treasury Management Codes require, for 2019/20, all local authorities to prepare an additional report, a Capital Strategy report, which will provide the following:
- a high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
  - an overview of how the associated risk is managed
  - the implications for future financial sustainability

- 2.2 The aim of the Capital Strategy is to ensure that all elected members fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.
- 2.3 The Capital Strategy is reported separately from the Treasury Management Strategy Statement alongside the Medium Term Financial Plan with non-treasury investments being reported through this document. This ensures the separation of the core treasury function under security, liquidity and yield principles, and the policy and commercialism investments usually driven by expenditure on an asset. The Capital Strategy will show:
- The corporate governance arrangements for these types of activities;
  - Any service objectives relating to the investments;
  - The expected income, costs and resulting contribution;
  - The debt related to the activity and the associated interest costs;
  - The payback period (MRP policy);
  - For non-loan type investments, the cost against the current market value;
  - The risks associated with each activity.
- 2.3 Where a physical asset is being bought, details of market research, advisers used, (and their monitoring), ongoing costs and investment requirements and any credit information will be disclosed, including the ability to sell the asset and realise the investment cash.
- 2.4 Where the Council has borrowed to fund any non-treasury investment, there should also be an explanation of why borrowing was required and why the MHCLG Investment Guidance and CIPFA Prudential Code have not been adhered to.
- 2.5 If any non-treasury investment sustains a loss during the final accounts and audit process, the strategy and revenue implications will be reported through the same procedure as the Capital Strategy.

### **3. TREASURY LIMITS 2019/20 TO 2021/22**

- 3.1 It is a statutory duty, under S3 of the Local Government Act 2003 and supporting regulations, for the Council to determine and keep under review how much it can afford to borrow. The amount determined is termed the 'Affordable Borrowing Limit'.
- 3.2 The Council must have regard to the Prudential Code when setting its Affordable Borrowing Limit. This essentially requires it to ensure that total capital investment remains within sustainable limits and in particular, that the impact upon its future council tax levels is 'acceptable'. It is important to understand, however, that the Indicators themselves, which are set out in paragraph 6, do not have an inherently right or wrong answer. They are not intended as comparator information between different authorities but are designed to support and record local decision making.

#### 4. USE OF TREASURY CONSULTANTS

- 4.1 The authority has, like most other authorities, employed treasury advisers for specialist advice and assistance for many years. In the case of this authority, this role has long been fulfilled by Link Asset Services.
- 4.2 Link Asset Services provide specialist advice on both borrowing and investment matters. They also supply other relevant information and hold regular client seminars which help provide up to date training in what is an important and continually changing field. That said, it is important to recognise that responsibility for all treasury matters lies solely with the City Council and this responsibility is not delegated to Link Asset Services or any other third party. The Council has regard to the advice and information supplied by Link Asset Services along with advice and information from a variety of other sources. Such advice is valued and the authority is in frequent contact with Link Asset Services but this does lessen the ultimate responsibility of the City Council in dealing with treasury matters and taking relevant decisions.

#### 5. CURRENT PORTFOLIO POSITION

The Council's treasury portfolio position at 22 November 2018 comprised:

Table 1		Principal £m	£m	Ave Rate %
Fixed Rate Funding	PWL Market	0	15.0	8.76
		15.0		
Variable Rate Funding	PWL Market	0	0	0.00
		0		
Other Long Term Liabilities			0	0.00
<b>Gross Debt</b>			<b>15.0</b>	<b>8.76</b>
<b>Total Investments</b>				
			<b>29.9</b>	<b>1.24</b>

#### 6. PRUDENTIAL AND TREASURY INDICATORS 2019/20 – 2021/22

- 6.1 The Prudential and Treasury Indicators have been based on current projections for capital spending and resources in 2019/20 to 2021/22. The Council has ensured that future years' capital programmes have been set in accordance with the principles contained within the City Council's Capital Strategy and Asset Management Plan.

PRUDENTIAL INDICATOR AFFORDABILITY INDICATORS	2017/18 actual £000	2018/19 revised estimate £000	2019/20 estimate £000	2020/21 estimate £000	2021/22 estimate £000
Capital Expenditure	9,571	9,551	25,071	4,786	3,340
Ratio of financing costs to net revenue stream	12.17%	10.83%	16.74%	17.26%	10.78%
Net borrowing requirement in year (Internal & External)	234	3,838	18,588	(6,337)	(2,620)
Capital Financing Requirement as at 31 March	12,657	16,463	34,904	28,108	25,344
Annual change in Cap. Financing Requirement	(476)	3,806	18,441	(6,796)	(2,764)
<b>Incremental impact of capital investment decisions</b>					
Increase in council tax (band D) per annum (£)	0.21	3.43	16.55	(6.08)	(2.47)

6.2 The estimates of financing costs include both current capital commitments and the capital programme. In the case of this authority, it is assumed that any support from central government towards the costs of capital expenditure programmes in the next three years will be by means of a capital grant e.g. Disabled Facilities Grant.

### 6.3 **The Council's Borrowing Need (Capital Financing Requirement)**

6.3.1 The Capital Financing Requirement (CFR) is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is a measure of the Council's indebtedness and so its underlying borrowing need. Any capital expenditure above, which has not immediately been paid for from capital grants, capital receipts or revenue contributions, will increase the CFR as it will be funded from borrowing.

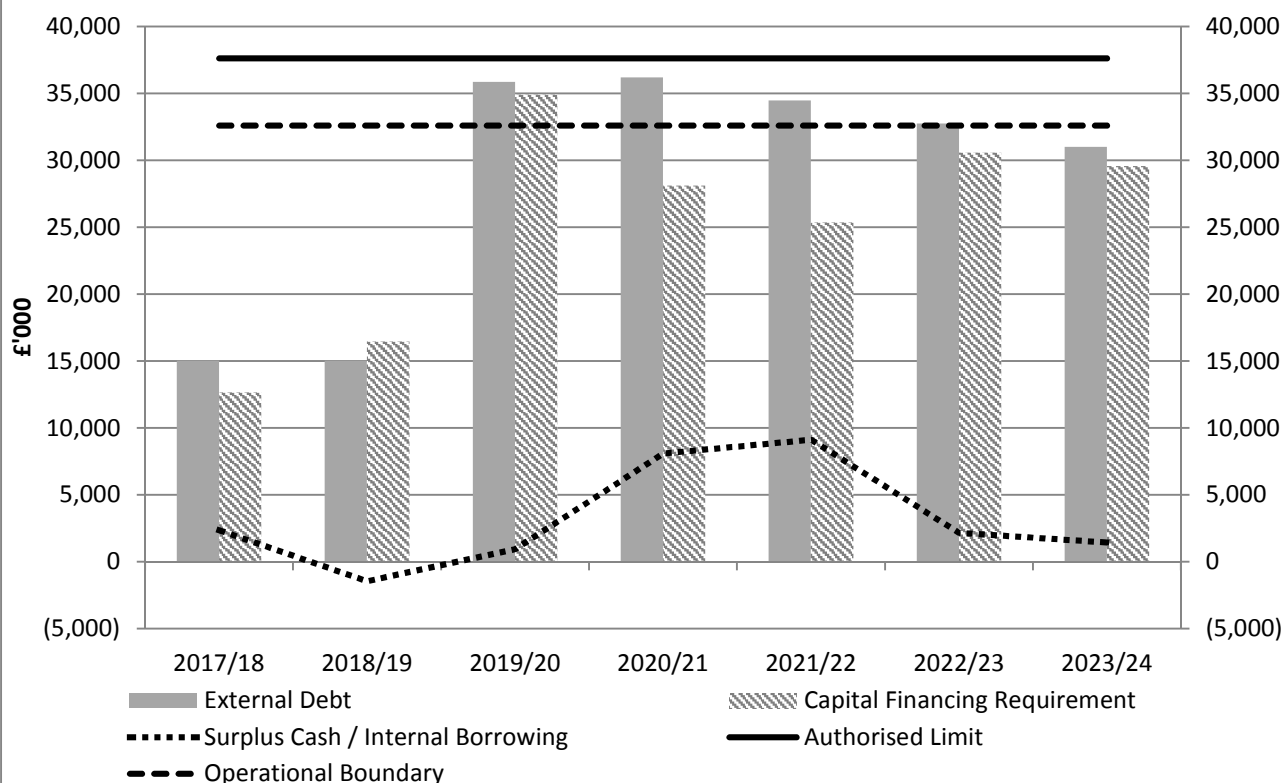
6.3.2 The CFR does not increase indefinitely. The Minimum Revenue Provision (MRP) is a statutory annual charge to the revenue budget which reduces the CFR in line with each assets life, and so charges the economic consumption of capital assets as they are used.



PRUDENTIAL INDICATOR TREASURY MANAGEMENT INDICATORS	2017/18 actual £000	2018/19 revised estimate £000	2019/20 estimate £000	2020/21 estimate £000	2021/22 estimate £000
<b>Authorised Limit for External Debt:</b>					
- Borrowing	37,500	37,500	37,500	37,500	37,500
- Other Long Term Liabilities	100	100	100	100	100
<b>TOTAL</b>	<b>37,600</b>	<b>37,600</b>	<b>37,600</b>	<b>37,600</b>	<b>37,600</b>
<b>Operational Boundary for external debt:</b>					
- Borrowing*	32,500	32,500	32,500	32,500	32,500
- Other Long Term Liabilities	100	100	100	100	100
<b>TOTAL</b>	<b>32,600</b>	<b>32,600</b>	<b>32,600</b>	<b>32,600</b>	<b>32,600</b>
<b>Upper Limit for fixed interest rate exposure:</b>					
- Net principal re. Fixed rate borrowing/investments	100%	100%	100%	100%	100%
<b>Upper Limit for variable rate exposure</b>					
- Net principal re. Variable rate borrowing/investments	100%	100%	100%	100%	100%
<b>Upper Limit for total principal sums invested for over 1 year</b>	<b>50%</b>	<b>50%</b>	<b>50%</b>	<b>50%</b>	<b>50%</b>

6.3.3 The graph below shows the level of external debt currently forecast against the Capital Financing Requirement. This chart makes assumptions included in the Executive's budget regarding the use of external borrowing. However, funding of capital expenditure could change, for example, if additional assets are sold generating capital receipts. Therefore, this chart could be subject to change in the future. This shows that external debt is not forecast to rise above the authorised limit over the next five years. However, this is predicated on the assumption that capital receipts can be generated that will be used to fund some of the capital expenditure requirements identified. Should these receipts not be achieved, then then the use of borrowing will need to be re-examined. The Medium Term Financial Plan assumes that external borrowing will be undertaken for major capital schemes such as the leisure development and Gateway 44, however, due to potential capital receipts being realised, the CFR does not increase to the same extent, so reduced amounts of external borrowing may be able to be taken should these receipts be realised. This would ease pressure on the revenue budget through reduced borrowing costs and would also reduce the overall level of indebtedness and ensure the Council is not in a position where it borrows more that it requires. These areas will be closely monitored prior to any external borrowing being undertaken.

## Treasury Management Indicators

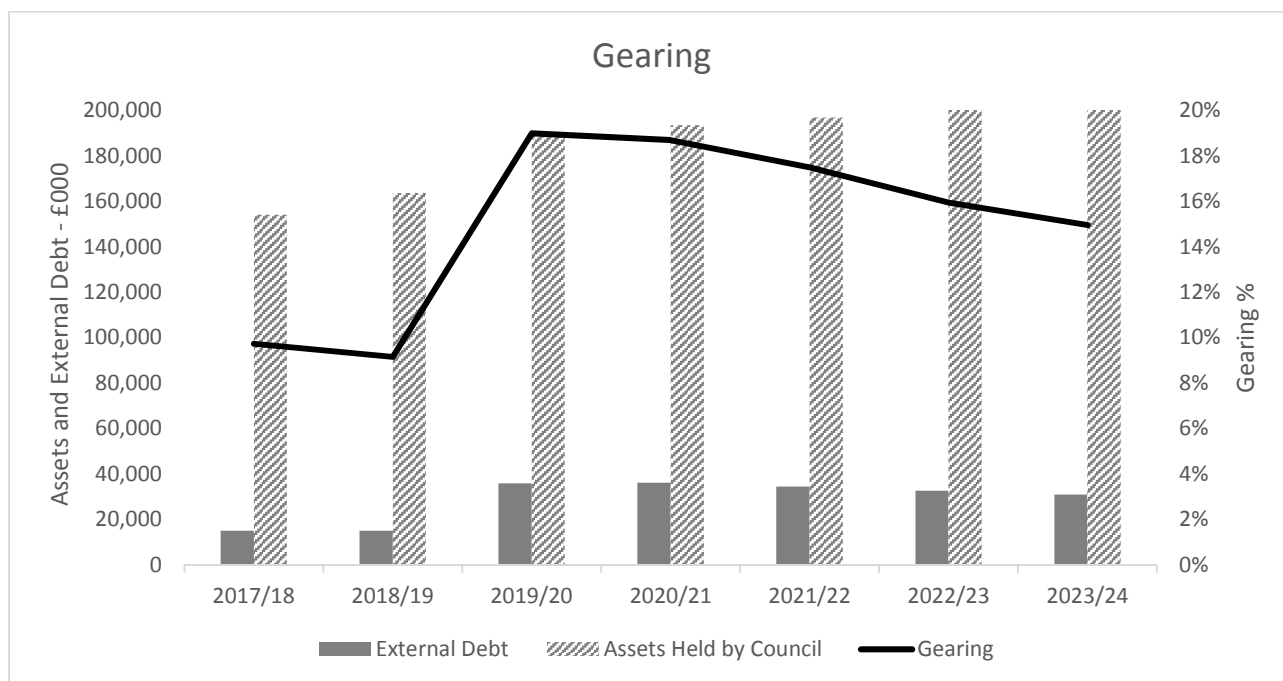


Maturity structure of any fixed rate borrowing during 2018/19	Upper limit	Lower limit
Under 12 months	100%	0%
12 months and within 24 months	100%	0%
24 months and within 5 years	100%	0%
5 years and within 10 years	100%	0%
10 years and above	100%	0%

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

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

6.3.6 In setting the Authorised Limit consideration should be made to the chart below which demonstrates the level of indebtedness against the Council's overall asset base (i.e. its gearing).



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

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

## 7. PROSPECTS FOR INTEREST RATES

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

	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21
Bank Rate	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	1.50%	1.50%	1.75%

- 7.2 The flow of generally positive economic statistics after the quarter ended 30 June meant that it came as no surprise that the Monetary Policy Committee (MPC) came to a decision on 2 August to make the first increase in Bank Rate above 0.5% since the financial crash, from 0.5% to 0.75%. Growth has been healthy since that meeting but is expected to weaken somewhat during the last quarter of 2018. At their November meeting, the MPC left Bank Rate unchanged, but expressed some concern at the Chancellor's fiscal stimulus in his Budget, which could increase inflationary pressures. However, it is unlikely that the MPC would increase Bank Rate in February 2019, ahead of the deadline in March for Brexit. The next increase in Bank Rate is therefore forecast to be in May 2019, followed by increases in February and November 2020, before ending up at 2.0% in February 2022.
- 7.3 The overall longer run future trend is for gilt yields, and consequently Public Works Loan Board (PWLb) rates, to rise, albeit gently. However, over about the last 25 years, we have been through a period of falling bond yields as inflation subsided to, and then stabilised at, much lower levels than before, and supported by central banks implementing substantial quantitative easing purchases of government and other debt after the financial crash of 2008. Quantitative easing, conversely, also caused a rise in equity values as investors searched for higher returns and purchased riskier assets. In 2016, we saw the start of a reversal of this trend with a sharp rise in bond yields after the United States (US) Presidential election in November 2016, with yields then rising further as a result of the big increase in the US government deficit aimed at stimulating even stronger economic growth. That policy change also created concerns around a significant rise in inflationary pressures in an economy which was already running at remarkably low levels of unemployment. Unsurprisingly, the Federal Reserve (Fed) has continued on its series of robust responses to combat its perception of rising inflationary pressures by repeatedly increasing the (Fed) rate to reach 2.00 – 2.25% in September 2018. It has also continued its policy of not fully reinvesting proceeds from bonds that it holds as a result of quantitative easing, when they mature. We have, therefore, seen US 10-year bond Treasury yields rise above 3.2% during October 2018 and also seen investors causing a sharp fall in equity prices as they sold out of holding riskier assets.
- 7.4 Rising bond yields in the US have also caused some upward pressure on bond yields in the UK and other developed economies. However, the degree of that upward pressure has been dampened by how strong or weak the prospects for economic growth and rising inflation are in each country, and on the degree of progress towards the reversal of monetary policy away from quantitative easing and other credit stimulus measures.

7.5 From time to time, gilt yields, and therefore PWLB rates, can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis, emerging market developments and sharp changes in investor sentiment. Such volatility could occur at any time during the forecast period.

7.6 Economic and interest rate forecasting remains difficult with so many external influences weighing on the UK. The above forecasts, (and MPC decisions), will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments.

7.7 **Investment and borrowing rates**

- Investment returns are likely to remain low during 2019/20 but to be on a gently rising trend over the next few years.
- Borrowing interest rates have been volatile so far in 2018/19 and have increased modestly since the summer. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in the future when authorities may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt;
- There will remain a cost of carry, (the difference between higher borrowing costs and lower investment returns), to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost.

## 8. **BORROWING STRATEGY**

- 8.1 The Link Asset Services forecast for the PWLB new borrowing rate (repayment at Maturity) is as follows:

	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21
5 Yr PWLB	2.00%	2.10%	2.20%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%	2.60%
10Yr PWLB	2.50%	2.50%	2.60%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%
25Yr PWLB	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%	3.50%
50Yr PWLB	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%

- 8.2 The Council is, as stated above, expecting to have to borrow externally in 2019/20 to finance significant capital expenditure on new leisure facilities and other asset investments. Approval was given as part of the Capital Strategy approved in September 2016, for the Section 151 Officer to undertake external borrowing at a time it was felt to be most appropriate, taking into account forecasts for potential rises in interest rates and utilising any favourable borrowing rates. It is anticipated that a combination of capital grants and internal resources will be used to meet most, if not all, other capital commitments in the new financial year. Nevertheless, the use of external borrowing is to be planned for in future years. The Corporate Director of Finance and Resources will therefore continue to monitor the interest rate market as regards borrowing opportunities as well as in respect of investment policy.
- 8.3 Against this background and the risks with the economic forecast, caution will be adopted with the 2019/20 treasury operations. The Corporate Director of Finance and Resources will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:
- *If it was felt that there was a significant risk of a sharp FALL in long term and short-term rates (e.g. due to a marked increase in the risks around relapse into recession or of risks of deflation), then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into shorter term borrowings will be considered.*
  - *If it was felt that there was a significant risk of a much sharper RISE in long and short-term rates than that currently forecast, perhaps arising from an acceleration in the rate of increase in central rates in the USA and UK, an increase in world economic activity, or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.*

### 8.3 Policy on borrowing in advance of need

- 8.3.1 The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds. As part of the Capital Strategy approved by Council in September 2016, approval in principle was given to borrowing in advance of need for the re-financing of the stock issue loan if interest rates were favourable and would be cost effective over the term of any new loan.

### 8.4 External v. Internal Borrowing

- 8.4.1 This Council currently has differences between gross debt and net debt (after deducting cash balances). This is shown in the graphs at 6.3.5
- 8.4.2 The general aim of this Treasury Management Strategy is to reduce the difference between the two debt levels over the next three years in order to reduce the credit risk incurred by holding investments. However, measures taken in the last year have already reduced substantially the level of credit risk (see paragraph 10) so another factor which will be carefully considered is the difference between borrowing rates and investment rates to ensure the Council obtains value for money once an appropriate level of risk management has been attained to ensure the security of its investments.
- 8.4.3 The next financial year will continue to be one of historically low Bank Rates, even though rates are anticipated to increase. This provides a continuation of the current window of opportunity for local authorities to fundamentally review their strategy of undertaking new external borrowing.
- 8.4.4 Over the next three years, investment rates are expected to continue to be below long term borrowing rates and so value for money considerations would indicate that value could best be obtained by avoiding new external borrowing by using internal cash balances to finance new capital expenditure or to replace maturing external debt (this is referred to as internal borrowing). This would maximise short term savings.
- 8.4.5 However, short term savings by avoiding new long term external borrowing in 2019/20 will also be weighed against the potential for incurring additional long term extra costs by delaying unavoidable new external borrowing until later years when PWLB long term rates are forecast to be significantly higher. By utilising internal cash balances consideration will also need to be given to the availability of cash to service the day-to-day cash flow of the Council. This could require the Council to undertake short-term borrowing to cover cash-flows.

- 8.4.6 Against this background caution will be adopted with the 2019/20 treasury operations. The Corporate Director of Finance and Resources will monitor the interest rate market and adopt a pragmatic approach to changing circumstances, reporting any decisions to the appropriate decision-making body at the next available opportunity.

## **9. DEBT RESCHEDULING**

- 9.1 There is unlikely to be much scope for debt rescheduling in either the current financial year or in 2019/20. Only one substantial sum of long term debt remains on the authority's books. This is the £15m stock issue which dates from 1995 and which will mature in 2020. The current view is that a premature repayment is not recommended because a premium payment would be incurred. The position remains under review, however, and if circumstances should change and the position becomes more favourable then this position will be reviewed.



## 10. INVESTMENT STRATEGY

### 10.1 Principles

10.1.1 The MHCLG and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with financial investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets (e.g. property), are covered in the Capital Strategy.

10.1.2 The Council's investment policy has regard to the following: -

- MHCLG's Guidance on Local Government Investments ("the Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the Code")
- CIPFA Treasury Management Guidance Notes 2018

10.1.3 The Council's investment priorities will be security first, portfolio liquidity second and then yield, (return).

10.1.4 The Council will also endeavour to achieve the optimum return on its investments commensurate with proper levels of security and liquidity. Security of principal will always be the primary consideration. The risk appetite of this Council is low in order to give priority to security of its investments.

10.1.5 The above guidance from the MHCLG and CIPFA place a high priority on the management of risk. This authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means (Further details of limits and timescales for all approved investments are shown at **Appendix B**): -

- Minimum acceptable credit criteria are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.
- Credit ratings will be used as one means of assessing the credit quality of rated counterparties although it is recognised that reliance should not be placed on credit rating alone. The minimum short-term rating for a bank will be either F1 (Fitch) or P1 (Moody's). For a rated UK building society, a similar rating would be anticipated although the proposed criteria do give authority to the Corporate Director of Finance and Resources to approve, if considered appropriate, the addition of other building societies with both a F2 (Fitch) and a P2 rating (Moody's). This is still a high-quality credit rating but recognises the very strong record of the UK building society movement over many years in protecting the capital of all depositors. The Strategy already

allows discretion to the Corporate Director of Finance and Resources to include as counterparties non-credit rated building societies whose assets total at least £1bn. Any such investment would be subject to an assessment of such a society as a suitable counterparty. There are, for example, good reasons why many building societies do not have a credit rating but there are other means of making an appropriate financial judgment.

- **Other information:** ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as “**credit default swaps**” and overlay that information on top of the credit ratings.
- **Other information sources** used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
- This authority has defined the list of **types of investment instruments** that the treasury management team are authorised to use. There are two lists in appendix B under the categories of ‘specified’ and ‘non-specified’ investments.
  - **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year.
  - **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.
- **Non-specified investments limit.** The Council has determined that it will limit the maximum total exposure to non-specified investments as being 50% of the total investment portfolio.
- **Lending limits**, (amounts and maturity), for each counterparty are set. Total investments with any one counterparty or group currently will not exceed £6m to ensure a reasonable spread of investments in terms of counterparties. Investments with Money Market Funds and investments in overseas banks with a sovereign rating of not less than the UK sovereign rating will not exceed £4m.

- **Transaction limits** are set for each type of investment are set.
- This authority will set a limit for the amount of its investments which are invested for **longer than 365 days**.
- Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**.
- This authority has engaged **external consultants**, (see paragraph 4), to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year.
- All investments will be denominated in **sterling**.
- As a result of the change in accounting standards for 2018/19 under **IFRS 9**, this authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (The Ministry of Housing, Communities and Local Government [MHCLG], have recently issued a statutory override for Local Authorities so that the impact of IFRS9 does not affect a Council's General Fund. This override is currently in place for 5-years.)
- Due care will be taken to consider the country, group and sector exposure of the Council's investments. In addition:  
Country limits:
  - where the country of registration of an institution has an average credit rating (i.e. an average sovereign credit rating) equal to, or better than that of the UK; it will enable the Council to consider the placement of investments on the same basis applied for UK-registered institutions (i.e. subject to the overarching counterparty criteria as set out at **Appendix B**; and
  - where an institution meets the approved counterparty status\* but the country of registration has an average credit rating below that of the UK; limit such investments in total to such rated non-UK countries to be no more than £2m of the portfolio.  
i.e. it meets the overarching counterparty criteria as set out at **Appendix B**.
  - sector limits will be monitored regularly for appropriateness.

10.1.6 Following approval in 2014/15, the Council now makes use of the CCLA Property Fund for longer term investments, and at present has invested £3m into this fund. The anticipated yield from this investment is assumed to be 4.50% in the MTFP.

10.1.7 Any investments with institutions that do not have a credit rating e.g. many smaller building societies or investments for periods over one year would be classed as non-specified investments. **However, it is important to stress that both the specified and non-specified investments in Appendix B are perfectly legal instruments in which the City Council may invest.** This includes for example many building societies as only the larger societies have an individual credit rating although there are other criteria by which a judgement can be made as to their credit quality.

## 10.2 Creditworthiness Policy

10.2.1 This Council applies the creditworthiness service provided by Link Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard & Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- credit watches and credit outlooks from credit rating agencies;
- CDS spreads to give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

10.2.2 This modelling approach combines credit ratings, credit Watches and credit Outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The Council will therefore have consideration to using counterparties within the following durational bands:

Yellow	5 Years *
Dark Pink	5 years for Ultra-Short Dated Bond Funds with a credit score of 1.25
Light pink	5 years for Ultra-Short Dated Bond Funds with a credit score of 1.5
Purple	2 years
Blue	1 year (only applies to nationalised or semi nationalised UK Banks)
Orange	1 year
Red	6 months
Green	100 Days
No Colour	Not to be used

*\*The Council does not usually invest for longer periods than 2-years, however if it were to it would follow the same creditworthiness policy provided by Link Asset Services*

10.2.3 The Link Asset Services' creditworthiness service uses a wider array of information other than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue preponderance to just one agency's ratings.

10.2.4 All credit ratings will be monitored weekly. The Council is alerted to changes to ratings of all three agencies through its use of the Link Asset Services' creditworthiness service.

- if a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
- in addition to the use of credit ratings the Council will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a daily basis via its Passport website, provided exclusively to it by Link Asset Services. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

10.2.5 Sole reliance will not be placed on the use of this external service. In addition, this Council will also use market data and market information, information on any external support for banks to help support its decision-making process.

### 10.3 Investment Strategy

10.3.1 With bank base rate forecast to remain at 0.75% until quarter 1 2019 and not to rise above 1.25% until the end of 2020, investment conditions will continue to be difficult. The view of Link Asset Services is that bank rate will be at the following levels:

	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21
Bank Rate	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	1.50%	1.50%	1.75%

10.3.2 The Council has historically outperformed bank rates in its investment returns.

Therefore, the suggested budgeted average investment earnings currently included in the MTFP projections are as follows:

	Investment Balances	CCLA Property Fund
2019/20	1.20%	4.50%
2020/21	1.45%	4.50%
2021/22	1.83%	4.50%

10.3.3 Clearly, these projections can only be best estimates at this stage and the risk is to the downside i.e. if the economic recovery is slower than expected, then interest rates are likely to rise more slowly. At this stage, the budget for 2019/20 has assumed an average yield of 1.20% on its investments (excluding CCLA Property Fund) in the next financial year. This allows for the fact that there are some higher value, longer term investments placed and there will be some shorter dated instant access investments placed. This forecast will, however, be reviewed further during the budget cycle. The anticipation of interest yielded from investing in the Property Fund is estimated at 4.50% in the MTFP.

10.3.4 In this situation, the authority will continue to try and seek value in its investments by placing them out for longer periods where possible e.g. six months to one year, to meet future cash flow needs, subject to retaining some sums for shorter periods to meet liquidity requirements and also to take advantage of any particular investment opportunities. Much of the basic framework of the authority's cash flows is already known for the next financial year and use will be made of this information in determining investment periods. The money market is monitored daily and use will be made of a plurality of sources of financial information in determining investment opportunities. All investments will be placed only with institutions that conform to the criteria set out in the Investment Strategy. However, should the council use internal cash balances to support the capital programme rather than undertaking external borrowings this will have a significant impact on the investment returns achieved, but will be offset by reduced costs of borrowing.

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

#### 10.4 End of Year Investment Report

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

### 11. THE MINIMUM REVENUE PROVISION STRATEGY

11.1 The Council implemented the new Minimum Revenue Provision (MRP) guidance in 2008/09 and will assess their MRP for 2019/20 in accordance with the main recommendations contained within the guidance issued by the Secretary of State under section 21(1A) of the Local Government Act 2003. Furthermore, the Council

revised its MRP Policy in 2017/18 to provide for MRP on a 3% straight Line basis going forward.

- 11.2 The Council is currently forecasting to undertake additional external borrowing in 2019/20 to facilitate the delivery of its capital programme. Current estimates include this borrowing on a principal and interest repayment basis. Any principal repaid would be a cash outflow for the Council and cash would be replenished through the charging of MRP from the General Fund to reduce the underlying borrowing requirement.
- 11.3 The Council is obliged to make proper provision for the repayment of its outstanding debt liabilities. Capital expenditure is generally expenditure on assets which have a life expectancy of more than one year e.g. land, buildings, vehicles etc. It would usually be impractical to charge the entirety of such expenditure, which is often funded by borrowing, to the revenue account in the year it was incurred. Instead, this is spread over a longer period to try and match the years over which these assets will benefit the community. The manner of spreading these costs is through the Minimum Revenue Provision (MRP). Until recently, the MRP was calculated according to detailed and complex regulations. It is now determined under Guidance.
- 11.4 The only statutory duty that a local authority has under the new MRP regime is '*to determine for the current financial year an amount of minimum revenue provision that it considers to be prudent*'. The Guidance, which authorities must 'have regard to' provides four options for calculating the MRP. It is important to realise, however, that there is no obligation to follow any of these options and that it is up to each authority to decide upon the most appropriate method of making a prudent provision, having had regard to the Guidance.
- 11.5 Using the 3% Straight Line method for calculating the MRP charge more reflects an average life of Council assets of 33 years and since it has a mix of short life assets such as vehicles (typical life 5-10 years) and long-life assets such as land and buildings (typical life 40-50+ years) this is still deemed to be a prudent approach to take.
- 11.6 In 2018/19, the opening CFR was £12.657million.
- 11.7 In 2018/19 the Council implemented a recommendation from Link Asset Services to review its CFR for MRP purposes in relation to what is known as 'Adjustment A'. The purpose of Adjustment A was to ensure that the starting point for calculating MRP under the new system in 2004 did not significantly vary the level of liability that would have arisen had the previous system of capital controls remained unchanged.

- 11.8 The MRP review undertaken by (then) Capita Asset Services identified a misstatement in the basis of calculation of Adjustment A which indicated that the value originally assessed in 2004/05 to be understated. The Council's reassessed Adjustment A figure is £4.426 million. This misstatement related to the inclusion of revenue expenditure (premiums on the early repayment of debt) being included in the original Adjustment A calculation which the Code states should be excluded from the calculation.
- 11.9 Therefore when calculating MRP for future years, the actual Capital Financing requirement should be reduced by this Adjustment A figure and then MRP charged at 3% of the reduced figure.
- 11.10 The CFR and MRP charges currently included in the MTFP and budget projections are as follows (The MRP charge calculated for 2019/20 is chargeable in 2020/21 and so on):

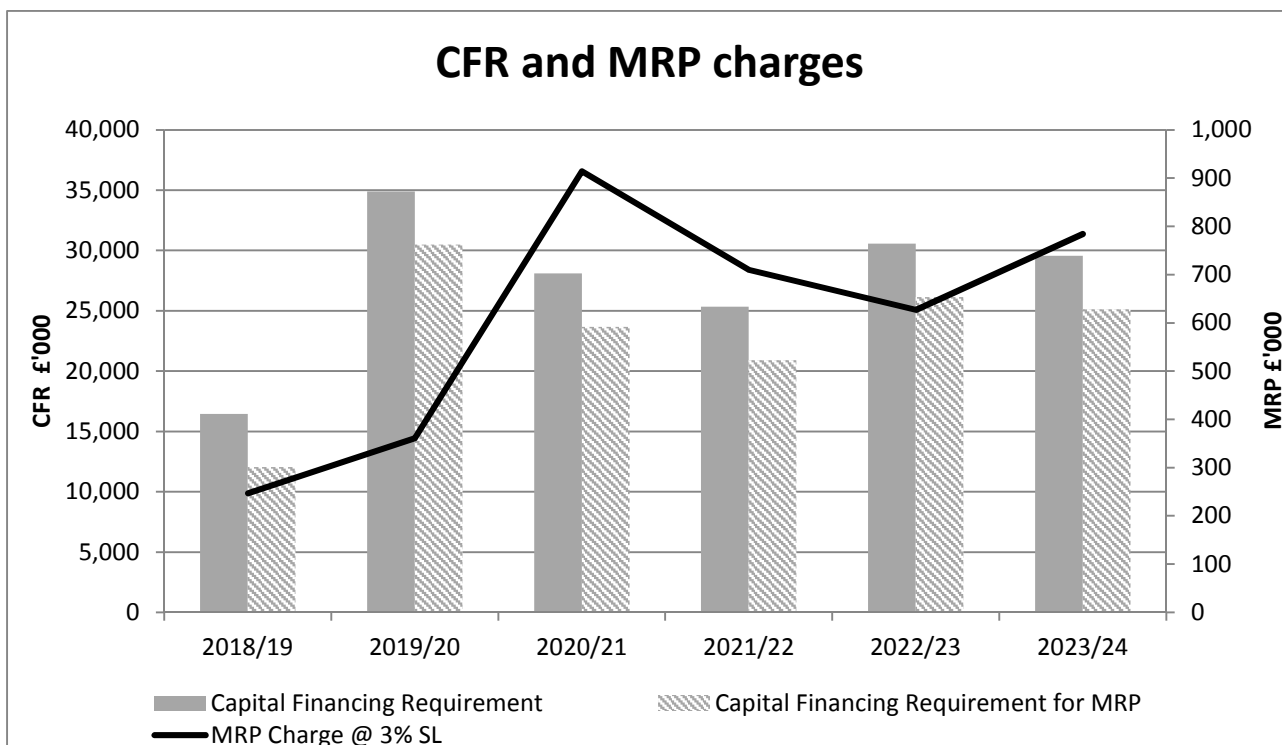
	2019/20	2020/21	2021/22
	£000	£000	£000
Opening CFR	16,463	34,904	28,108
<b>Closing CFR</b>	<b>34,904</b>	<b>28,108</b>	<b>25,344</b>
Adjustment A	4,426	4,426	4,426
<b>CFR for MRP Purposes</b>	<b>30,478</b>	<b>23,682</b>	<b>20,918</b>
<b>MRP Charge @ 3%</b>	<b>914</b>	<b>710</b>	<b>628</b>
Adjustments to MRP for historical Overpayments	-467	-467	-241
<b>Actual MRP charge</b>	<b>447</b>	<b>243</b>	<b>387</b>

- 11.11 MRP is a statutory requirement for local authorities to charge to their revenue account for each financial year a prudent amount for the principal cost of their debt in that financial year. It impacts upon the CFR, one of the Council's prudential indicators.
- 11.12 The CFR is a measure of the Council's underlying debt liability, resulting from historic capital expenditure which has been financed from borrowing. Amending the MRP as proposed will lead to an increase in the short to medium term CFR compared to current projections. This is because the MRP reduces the CFR each year, so a decrease in the amount of reduction causes an increase in the current projected CFR.
- 11.13 When an amount previously set aside for debt liability in the budget is released and then used for another revenue purpose the Authority will have less cash. This is likely to lead to a reduction in external investments and with thus lead to a reduction in interest income.
- 11.14 The decrease in MRP will not adversely impact upon the Council's ability to repay its future debt obligations
- 11.15 The regulations allow the Authority to review its policy every year and set a policy that it considers prudent at that time. The impact of a revised MRP policy will be kept under regular review in order to ensure that the annual provision is prudent.



11.16 As the MRP policy has to be considered by the Executive and approved by Council each year there will be an opportunity to revisit any decision at least annually, or make additional voluntary payments.

11.17 The chart below shows the anticipated CFR in future years as well as the CFR for MRP Calculation purposes.



**APPROVED INVESTMENT INSTRUMENTS**

**Specified Investments**

All such investments will be sterling denominated, with **maturities up to maximum of 1 year**, meeting the minimum ‘high’ rating criteria where applicable.

- All UK banks and building societies with a minimum specified ‘high’ credit rating shall have a **maximum of £6m** as the counterparty limit (**individual Transaction Limit for fixed term investments £2m, for instant access and call accounts £6m**).
- All overseas banks with a sovereign rating of not less than the UK sovereign rating and a minimum individual credit rating, shall have a **maximum of £4m** as the counterparty limit (**individual Transaction Limit for fixed term investments £2m, for instant access and call accounts £6m**).
- Where an institution meets the approved counterparty status but the country of registration has an average credit rating below that of the UK; limit such investments in total to such rated non-UK countries to be no more than **£2m** as the counterparty limit. (**individual Transaction Limit for fixed term investments £2m, for instant access and call accounts £2m**).
- UK building societies that are not credit rated shall have a maximum of **£2m** as the counterparty limit. (**individual Transaction Limit for fixed term investments £2m, for instant access and call accounts £2m**).
- MMFs shall have a maximum counterparty limit of **£4m** (**Individual Transaction limit of £4m**).

Fixed Term Deposits with fixed rates and maturities:-	Minimum ‘High’ Credit Criteria	Use
Debt Management Agency Deposit Facility	Government backed	In-house
Term deposits – local authorities	--High level of security	In-house
Term deposits – U K banks**	Short-term F1 (Fitch) or P1(Moodys)	In-house
Term Deposits – UK building societies**	Short Term F1 (Fitch) or P1 (Moodys) or as determined by the Chief Finance Officer	In-house
Term Deposits – Non UK Banks	Sovereign Rating (not less than UK) Short Term F1 (Fitch) or P1 (Moodys) or as determined by the Chief Finance Officer	In-house
Fixed term deposits with variable rate and variable maturities: -	Minimum ‘High’ Credit Criteria	Use
Callable deposits	Short-term F1 (Fitch) or P1 (Moodys)	In-house
Certificates of deposits issued by UK banks and building societies	Short-term F1 (Fitch) or P1 (Moodys)	In-house buy and hold
UK Government Gilts	Government backed	In-house buy and hold
Bonds issued by multilateral development banks	AAA	In-house on a ‘buy-and-hold’ basis.
Bonds issued by a financial institution which is guaranteed by the UK government	AAA	In-house on a ‘buy-and-hold’ basis.

Collective Investment Schemes structured as Open Ended Investment Companies (OEICs): -	Minimum 'High' Credit Criteria	Use
1. Money Market Funds	Short-term AAA	In-house
2. Enhanced Cash Funds	Short-term AAA	In-house
3. Government Liquidity Funds	Short-term AAA	In-house

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

## **Non-Specified Investments:**

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

### **1. Maturities of ANY period.**

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

### **2. Maturities in excess of 1 year**

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

### **3. Approved Property Funds**

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

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

## INTEREST RATE FORECASTS

The data below shows a variety of forecasts published by Link Asset Services and Capital Economics. The forecast within this strategy statement has been drawn from these diverse sources and officers' own views. Revised forecasts will be provided when they become available.

### 1. **INDIVIDUAL FORECASTS**

Link Asset Services Interest Rate View														
	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Bank Rate View	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.25%	1.50%	1.50%	1.75%	1.75%	1.75%	2.00%
3 Month LIBID	0.80%	0.90%	1.00%	1.10%	1.20%	1.30%	1.40%	1.50%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%
6 Month LIBID	0.90%	1.00%	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%
12 Month LIBID	1.10%	1.20%	1.30%	1.40%	1.50%	1.60%	1.70%	1.80%	1.90%	2.00%	2.10%	2.20%	2.30%	2.40%
5yr PWLB Rate	2.00%	2.10%	2.20%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%	2.60%	2.70%	2.80%	2.80%
10yr PWLB Rate	2.50%	2.50%	2.60%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%
25yr PWLB Rate	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%	3.50%	3.50%	3.60%	3.60%
50yr PWLB Rate	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.30%	3.40%	3.40%

## **TREASURY MANAGEMENT POLICY STATEMENT**

Carlisle City Council defines treasury management as:

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

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

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

### **Investment Policy**

The Council will manage its investments in line with the criteria set out in section 9 of the TMSS with the security of investment being paramount. The Council’s investments will be placed in line with those outlined in Appendix B of the TMSS.

### **Borrowing Strategy**

The Council will manage its borrowings in line with the criteria set out in section 8 of the TMSS with the emphasis being on external borrowing only being taken when absolutely necessary and ensuring it offers the best value for money.

# Business & Transformation Scrutiny Panel

Agenda  
Item:  
  
**A.4**

Meeting Date: 3<sup>rd</sup> January 2019  
Portfolio: CROSS CUTTING  
Key Decision: No  
Within Policy and  
Budget Framework YES  
Public / Private Public

Title: CORPORATE PROJECT STATUS REPORT  
Report of: TOWN CLERK & CHIEF EXECUTIVE  
Report Number: CE 01/19

## **Purpose / Summary:**

Members will be aware that the Transformation Board has now subsumed the work of the Corporate Programme Board.

Its role is to ensure that there are effective governance arrangements in place for the projects that the Council undertakes. This report provides an update against corporate projects currently being undertaken in the Council.

The refresh of the Council's Project Managers' Handbook is now complete. This sets out the corporate standards and methodology for project management in the Council. This describes how, for example, we wish business cases to be developed, project risk to be managed and set out how project governance and accountability must be addressed.

A number of training sessions have been arranged to take place over the coming year as part of the Council's Ethical Governance Framework, targeted at those colleagues with project management responsibilities

## **Recommendations:**

The Panel is asked to scrutinise and comment on the most recent summary of projects and governance arrangements in place as contained in Appendix One, and the actions being

taken to support projects with issues. At Appendix Two is a summary of the standalone IT projects and their current status.

## **1. BACKGROUND**

- 1.1** The Transformation Board has a high level advisory and monitoring role in relation to the projects delivered by Carlisle City Council. As requested by the Panel, a six monthly progress update on projects has been provided by the Transformation Board.

## **2. PROPOSALS**

### **2.1 Project progress in the last six months**

A summary of the status of current projects within the Council is detailed in Appendix 1. This contains a summary of current project status. The majority of Council projects are progressing to schedule. Those that have issues are indicated with an amber rating, indicating that there are some issues which require attention. There are no projects experiencing major issues, which would have required a red rating.

The key achievements and achievements per project in the last six months are set out below:

#### **Public Realm Improvements**

The focus of efforts in the last period has been to progress the development of the Public Realm Strategy. This work has included consideration of key projects and has looked to address the maintenance of existing public realm. SMT are aware of the projects current status.

There are no significant issues are present, the project is progressing on schedule

#### **Durranhill Industrial Estate – Environmental Improvements**

The onsite works which have resulted in the regeneration of Durranhill Industrial Estate are complete. The reconciliation of final accounts is now complete. This is to be removed from the Corporate Project Status report with immediate effect.



## **E-Purchasing/Ledger Update**

Significant progress has been made on this project since Members were last updated. The system is configured, testing completed, awaiting final Scheme of Delegations from Directors. Super users requested from departments for training to begin and notification of implementation to suppliers will be undertaken in January 2019. Members will note that the project has moved from an amber rating to a green rating.

## **Digital Information Services projects**

Appendix Two sets out the current status of individual projects.

### **Crindledyke Cycleway**

Phase 2 of this project was completed both within schedule and budget.

A request has been received to close the project which will result in its removal from the Corporate Project Status report going forward.

## **Asset Recovery Programme**

Many of the Council's flood affected property assets are now fully reinstated.

The detailed design work for the reinstatement of the ground floor of the Civic Centre is virtually complete and is due to go out to tender imminently.

Outstanding works at the Sheepmount are now substantially complete, there are some minor snagging issues to resolve but work is underway to address these. Adriano's restaurant is fully reinstated and trading again.

Bitts Park Lodge is undergoing a value engineering exercise to bring the project within budget.

Members will note the project currently has an amber rating. The reasons for this are delays which have been experienced to date.

## **European General Data Protection Regulation (GDPR)**

This project has been subject to a full risk assessment and these risks are monitored and reviewed via the operational risk register within Governance & Regulatory Services. The Transformation Board receives regular updates at its meetings.

The Information Governance Framework has been considered by SMT and is due to go to the Audit Committee at its meeting on 17<sup>th</sup> December 2018.

The E-learning module on GDPR has been completed by the majority of staff now, Managers of those yet to complete the module have been targeted in a bid to drive up the completion of this training to 100%.

A detailed update is contained within the Project Status Report of the activities which have been undertaken in the last period. The project is progressing to schedule and no significant risks are posed at this time.

## **St Cuthbert's Garden Village**

Stage One Masterplanning is now complete.

Work is underway to procure Stage Two Master Planning for the Garden Village (this will involve drawing up detailed design frameworks for the Villages).

Project risks continue to be monitored and reviewed. The project is currently progressing to schedule.

## **Sands Centre Redevelopment**

Since the Status report was updated a number of key activities have taken place:

Planning permission was granted at a meeting of Development Control on Friday 23<sup>rd</sup> November, for the main project and temporary facilities.

The Sport England Capital Funding Board reviewed the Expression of Interest (£2M) and invited the Council to submit a full application

Detailed design estimated costs are still moving forward to the project plan.

There are no major issues at the present time within this project and as such it has a green rating.

### **Discover England Fund Year Two**

This project is progressing to time and within budget. A full update is included in the Project Status report.

### **One Public Estate**

An update was considered at the meeting of the Cumbria Chief Executives' Group on Friday 30<sup>th</sup> November. Following agreement by the District Councils and County Council, a submission was completed and submitted for Phase 7 of this work.

Following a competitive tender exercise, MACE have been appointed to work alongside the Council on progressing this project.

It is currently progressing to schedule and within budget.

## **3. CONSULTATION**

- 3.1** The Transformation Board met on 17<sup>th</sup> September 2018 and considered the Project Status report at this meeting.

## **4. CONCLUSION AND REASONS FOR RECOMMENDATIONS**

- 4.1** The Panel is asked to note the most recent summary of projects, as contained within Appendix 1 and 2 and the actions being taken to progress projects.

## **5. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES**

The Transformation Board works to ensure quality assurance, alignment to key objectives and sound risk management arrangements in the delivery of the Carlisle Plan.

**Contact Officer:** Jason Gooding

**Ext:** 7001

### **Appendices**

Appendix One: Corporate Project Status report

**attached to report:**     Appendix Two: ICT Project Status 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:**

## Corporate Programme Board - Project status report – September 2018

### Key to Status

**Red** Overdue; Significant issues

**Amber** Some issues

**Green** On schedule; In progress

	Project Title and Description	Project Manager	Directorate	Recent project activity	RAG status	Issues and Emerging risks	Key activities for next period (Inc. mtgs where project is to be considered)	Requests for change
1	<b>Public Realm Improvements</b> Develop and deliver a programme of public realm improvements in key areas of the City <ul style="list-style-type: none"> <li>Phase 1 Development of a comprehensive signage and interpretation package.</li> <li>Phase 2 - Public Realm interventions including cultural trails.</li> </ul>	Steven Robinson	Economic Development	September 2018 <ul style="list-style-type: none"> <li>Commenced on Public Realm Strategy which will include key projects and address maintenance of existing public realm.</li> </ul>		None	<ul style="list-style-type: none"> <li>Progress development of Public Realm Strategy</li> </ul>	
2	<b>Durranhill Industrial Estate - Environmental improvements</b> Regeneration of Durranhill Industrial Estate. Funding has been secured from Cumbria LEP (£2m) to improve the road infrastructure on the estate. The Homes & Communities Agency funding (£225,000), will enable environmental improvements to be undertaken to assist with the disposal of the former Border TV site acquired through funding received from the former North West Development Agency (£1.8m).	Steven Robinson	Economic Development	September 2018 <ul style="list-style-type: none"> <li>Works completed with sites brought back into use and sold</li> <li>Highways sign off and 6-month maintenance compete</li> <li>Reconciliation of final account completed</li> </ul>		None		Project Completed – remove from status report
3	<b>E-Purchasing / Ledger upgrade</b> The project will implement E-purchasing throughout the authority which will streamline the ordering of goods and services and streamline with payment of invoices. The web enabled Financials Ledger system front end is required to utilise automatic alerts and process information through system workflow. This will also allow further system enhancements to be undertaken in the future, such as the Civica Fixed Asset module, transparency reporting module and e-budgeting and contract management.	Steven Tickner	Corporate Support and Resources	November 2018  System configured, testing completed, awaiting final Scheme of Delegations from Directors. Super users requested from departments for training to begin and notification of implementation to suppliers will be undertaken in January 2019.			Training to be started and notifying suppliers of intended migration to new system	
4	<b>Digital Information Services projects</b> Standalone projects Security strategy projects IT strategy projects	Michael Scott	Corporate Support and Resources	See separate document detailing individual projects dated September 2018.				
5	<b>Crindledyke Cycleway</b> Construction of part of the proposed Connect2 Kingmoor - Caldew cycleway along the former Waverly line between Kingmoor and Carlisle city centre (Eden Bridge). S106 funding £281,000. The planning agreement specifies that the funding must be spent within 5 years of receipt of the money (26/07/2013).	Luke Leathers	Community Services	September 2018  Phase 2 Section 1 construction completed on budget				Project Completed – remove from status report
6	<b>Asset Recovery Programme</b> To recover the Council's flood-affected services through the reinstatement of property assets, in the most cost effective, resilient, and timely way, having regard to the resources available and identified priorities.  Significant redesign projects will report to CPB. Other projects by exception only.	Darren Crossley	Community Services	September 2018 <ul style="list-style-type: none"> <li>Civic Centre (insurance settlement agreed and initial design work complete). The detailed design is partially complete i.e. part way through the RIBA Stage 3. Further design work and co-ordination is needed before there is sufficient information available to issue a complete set of tender documents. As a separate element of the refurbishment work, the external works design around the Civic Centre has been commissioned to RIBA Stage 2 (concept design only), to allow a coherent design to be developed which would also improve DDA access to the building.</li> </ul>		Key issues: <ul style="list-style-type: none"> <li>Sheepmount complete, minor snagging works are present and being addresses</li> <li>Civic Centre detailed design to be completed prior to the issue of tender documents on CHEST</li> <li>Bitts Park Lodge undergoing a value engineering exercise.</li> </ul>	Civic Centre – schedule design review and co-ordination meetings with project stakeholders – as required.	

## Corporate Programme Board - Project status report – September 2018

### Key to Status

**Red** Overdue; Significant issues

**Amber** Some issues

**Green** On schedule; In progress

	Project Title and Description	Project Manager	Directorate	Recent project activity	RAG status	Issues and Emerging risks	Key activities for next period (Inc. mtgs where project is to be considered)	Requests for change
				<ul style="list-style-type: none"> <li>Bitts Park Lodge, Depot and Pavillion – the detailed design is undergoing review to improved affordability.</li> </ul>				
7	<b>European General Data Protection Regulation (GDPR)</b> The European General Data Protection Regulation (GDPR) is a major refresh of data protection law which will apply to the UK whether or not it leaves the EU. The council will need to comply with the new law and <b>be able to evidence</b> that it complies.	Clare Liddle	Governance and Regulatory Services	20 August 2018  <ul style="list-style-type: none"> <li>Information Governance Framework drafted, consulted on and is to be reported to Committee in September.</li> <li>Data Protection and Records Management Policies have also been drafted and are out for consultation.</li> <li>E-Learning Training was issued to all staff in May.</li> <li>Members briefing and guidance was issued to all Members by email.</li> <li>Face to face training sessions were delivered to staff and Elected Members in May/June.</li> <li>Various training and awareness raising emails with associated guides were issued to all staff covering; key changes and requirements, individuals' rights, privacy notices, data processors and GDPR contracts and, data protection impact assessments, which were supported by available drop-in sessions.</li> <li>The Council's corporate Privacy Notice was published on its website in time for 25 May 2018.</li> <li>The Council's data protection webpage was updated and SAR/ third party requests forms updated and published.</li> <li>Services continue to develop their service specific privacy notices which are being linked to the corporate one.</li> <li>Retention schedules have been reviewed and updated.</li> <li>Comms have developed Information Governance (IG) branding for use on IG materials.</li> <li>Presentation by Information Governance Manager at Management Briefing.</li> <li>Discussions and agreement with Internal Audit and Risk Management to embed Data Protection related assessments into existing processes.</li> <li>Revision of staff Data Protection and Confidentiality Agreement to be issued to all staff for signing/ declaring.</li> <li>Clear Desk Policy email issued by internal audit – August 2018.</li> </ul>		Lack of corporate buy in and time pressures on managers who need to prepare privacy notices, undertake appropriate risk assessments, data protection impact assessments and reviews of GDPR compliance.	<ul style="list-style-type: none"> <li>Data Protection and Records Management Policies to be consulted and signed-off.</li> <li>Records of Processing Activities list to be completed and published online.</li> <li>Development of SAR and GDPR Rights Procedure alongside the development of Salesforce.</li> <li>The Information Governance Manager will undertake the GDPR Practitioners Certificate.</li> <li>Update presentation to Management Briefing scheduled for October.</li> <li>Continuing development and publishing of Service privacy notices.</li> <li>Review of Data Breach Response Plan alongside the development of Salesforce.</li> <li>Review of existing data sharing arrangements and documentation.</li> <li>Council intranet update.</li> </ul>	
8	<b>St Cuthbert's Garden Village - Carlisle South Masterplan</b> Delivery of a Garden Village to meet future housing and employment related development needs in addition to the necessary supporting infrastructure including a new strategic link road. Inclusion within the Government's Locally Led Garden Village programme has resulted in the scope of this project being much more than just a 'planning' exercise. The project is structured around four work strands	Garry Legg	Economic Development	April 2018: <ul style="list-style-type: none"> <li>One to one discussions / engagement with key landowners</li> <li>Strategic Board Delivery Options Workshop</li> </ul> May 2018: <ul style="list-style-type: none"> <li>Procurement of Brisco Conservation Area Appraisal</li> <li>Procurement of Landscape Visual Impact Assessment</li> <li>Developer / Agent briefing session held at Carlisle Racecourse on 25<sup>th</sup> May</li> </ul>		Project risks continue to be monitored and reviewed. No risk warrants being reported at the current time.	<ul style="list-style-type: none"> <li>Completion of Stage One Masterplanning</li> <li>Commence procurement of Stage Two Masterplanning</li> <li>Implementation of MOU with landowners</li> <li>Submission of HIF Outline Business Case for the CSLR</li> </ul>	

## Corporate Programme Board - Project status report – September 2018

### Key to Status

**Red** Overdue; Significant issues

**Amber** Some issues



**Green** On schedule; In progress

	Project Title and Description	Project Manager	Directorate	Recent project activity	RAG status	Issues and Emerging risks	Key activities for next period (Inc. mtgs where project is to be considered)	Requests for change
	as follows: Planning; Masterplanning; Southern Link Road; and Delivery.			<p>June 2018:</p> <ul style="list-style-type: none"> <li>Commencement of public engagement on draft vision and concept proposals</li> <li>Publication of feedback on Jan – Mar consultation</li> <li>Submission of capacity funding bid seeking £425K</li> <li>Ongoing work to support development of the business case for HIF seeking delivery funding for the Carlisle Southern Link Road</li> </ul> <p>September 2018</p> <ul style="list-style-type: none"> <li>Procurement of Stage Two Masterplanning to commence</li> </ul>				
9	<b>Sands Centre Redevelopment – Darren Crossley to provide the narrative</b>	Darren Crossley	Community Development	<p>September 2018</p> <p>We are approaching the end of an extended RIBA Stage 3. Waites Construction have been brought on board for early engagement (via the Scape Framework) and have been working on a detailed cost plan and route to affordability, in conjunction with the Architect and other designers. The planning application was submitted on 31 August for the main scheme. Work is also being progressed to RIBA Stage 4 with a view to concluding RIBA Stage 4 and is still on target for seeking further approval from Executive in early 2019.</p> <p>December 2018</p> <p>Planning permission granted on 23<sup>rd</sup> November by Development Control Committee</p> <p>Detailed design costs are still moving forward as per the project plan</p>		Emerging risks related to capital costs of the project are being managed at this stage to ensure accurate and comprehensive costs are fully understood before any Council decision for development.	<ul style="list-style-type: none"> <li>RIBA Stage 4 development</li> <li>Completion of Route for Affordability</li> </ul>	
11	<b>Discover England Fund Year Two</b>	Debbie Kavanagh	Economic Development	<p>August 2018</p> <ul style="list-style-type: none"> <li>Curation work strand nearing completion with itineraries finalised; development of itinerary planning tool and booking platform underway; sourcing booking channels for the Free Independent Traveller (FIT)</li> <li>Interpretation: Work underway to finalised 48 stories; filming scheduled for August; creation of content and tools for tour operators, travel agents, tourism businesses</li> <li>Distribution &amp; Marketing: partnership with Golden Tours to provide bookability and market product to US</li> <li>Filming schedule for August being finalised</li> <li>Solicitation letters out to cornerstone heritage properties &amp; key businesses in each city to engage with the project &amp; get them signed up as full marketing partners in time for the launch of US consumer marketing in September.</li> </ul>		<p>Project risk register was reviewed at the last Project Board meeting held on 10 July 2018 with no amendments made. However, three issues were highlighted as particularly challenging over the coming months:</p> <ul style="list-style-type: none"> <li>Recruiting businesses into the marketing and welcome aspects of the project</li> <li>The capacity of destinations to deliver on their allotted tasks</li> <li>Pressure on businesses and destinations from multiple DEF projects</li> </ul>	<ul style="list-style-type: none"> <li>Consumer marketing &amp; US trade roadshow plus trade shows in UK, direct marketing through London &amp; Partners and VisitBritain; press work on territory</li> <li>Welcome: Ambassador work with business owners; product knowledge events for tourism businesses; online &amp; face-to-face seminars; online materials for ongoing business support</li> </ul>	
12	<b>One Public Estate – Darren Crossley to provide narrative</b>	Darren Crossley	Community Development	<p>September 2018</p> <p>The Programme is in receipt of revenue support from One Public Estate. A partnership report is going to Cumbria Chief Executives' Group on 28<sup>th</sup> September 2018, this report will recommend the development of a Property Steering Group and financial support for a Programme Manager.</p>		None	<p>Dependent on the outcome of this current phase.</p> <p>5/12/18 A submission for Phase 7 of this work has been submitted</p>	

ICT Services Programme and Project Status Report

Business As Usual - Applications Projects


APPENDIX TWO

Project	Reference	Sub-Project	Senior Supplier	Project Manager	Progress Status	RAG Status	Description	Comment	Target Completion Date	Predecessor(s)	Dependant(s)
HR & Payroll	P0401	iTrent Recruitment	MK		Not Started		Move to iTrent Recruitment away for old Acess db.	Establishing funding for Midland consultant to complete the work - this will require very little resources from us. To be included in the 2017/18 Programme of Work for ICT Services.	Mar.-2019		
Planning	P0402	Establish a Test environment	MK		Completed	N/A	Establish a test environment for all the planning systems.	Acolaid is complete. Awaiting supplier dates for DMS and PS but also need 2 new servers to put the system on.			
Finance	P0403	ePurchasing and Intelligent scanning	MK		Not Started		Work to configure and release a joined up full epurchasing and intelligent scanning systems.	Will not start until the rollout of v17 of Civica Financials project. To be included in the 2017/18 Programme of Work for ICT Services.	Mar.-2019		
Planning	P0409	Upgrade IDOX software	MK		Completed	N/A	Upgrade all IDOX software and supporting servers	Work almost completed. Users are testing new version pf PA and DM.			




ICT Services Programme and Project Status Report

Business As Usual - Infrastrcuture Projects

Project	Reference	Sub-Project	Senior Supplier	Project Manager	Progress Status	RAG Status	Description	Comment	Target Completion Date	Predecessor(s)	Dependant(s)
LAN Upgrade		Replace Network Edge Switches	DS	MS	Not Started	N/A	Upgrade council's edge network switches in Civic Centre, Bousteads, Tullie House	Switches EOL Nov 2017 - also covers PCI-DSS compliance	Sep.-2019		
Telephony		Mobile Phone Contract	DS	CL	In-Progress		The council's mobile contract expires in March 2017 so need to look to tender for a new agreement/supplier	Contract agreed with Social Telecoms. Roll-out will begin in August.	Dec.-2018		
Computer Room Infrastructure Refresh		Upgrade or Replace Vmware Hosts	DS	CL	Completed	N/A	VMware hosts need replaced or move to hosted solution	Technology meetings started to cover this			
		Remove Unsupported Servers and PC's from Network	DS	CL	Completed	N/A	Several Servers are running unsupported OS which is a security risk as identified in PSN healthcheck	Technology review meetings will formalise time scales but need to get departments on board to upgarde/ decommission systems			

ICT Services Programme and Project Status Report

Security Strategy Projects

Programme	Programme Manager	Project	Reference	Sub-Project	Senior Supplier	Project Manager	Progress Status	RAG Status	Description	Comment	Target Completion Date	Predecessor(s)	Dependant(s)
Policy, Procedures and Training	MS	User Awareness Campaign and Training	P0201		MS	CL	Completed	N/A	Design and implement new IT security awareness campaign alongside user training and certification.	Courses developed by Skillgate. Staff will receive invite to complete new courses in early August.			
Security Infrastructure	MS	PCI-DSS Compliance	P0202		DS	CL	In-Progress		Ensure the council retains its PCI-DSS compliance	Compliance plan developed and report to SMT being produced to fund compliance. Sub-projects will be added once agreement is reach on the way forward.	Mar.-2019		

ICT Services Programme and Project Status Report

Technology Strategy Projects

Programme	Programme Manager	Project	Reference	Sub-Project	Senior Supplier	Project Manager	Progress Status	RAG Status	Description	Comment	Target Completion Date	Predecessor(s)	Dependant(s)
		Implement Office 365 Services	P0037	Roll-out Windows 10 and new laptops	DS	CL	In-progress	<div></div>	Migrate all PC and laptops Windows 10 and replace oldest PCs	Planning Service will completed by the end of August	Jan.-2019		
			P0012	Migrate to OneDrive for Business	DS	CL	In-progress	<div></div>	Migrate the contents of user's H: and K: drives to Microsoft's hosted file storage service.	Development of technical infrastructure design underway.	Mar.-2019		
			P0013	Implement Yammer	DS	CL	In-progress	<div></div>	Implement Yammer (internal social network) and Skype for Business (telephone/video calls and conferences.	Development of technical infrastructure design underway.	Mar.-2019		
			P0014	Implement Skype for Business	DS	CL	In-progress	<div></div>		Development of technical infrastructure design underway.	Jun.-2019		
			P0015	Implement SharePoint Online	DS	CL	In-progress	<div></div>	Migrate the Intranet and Project Portal to Microsoft's hosted service.	Development of technical infrastructure design underway.	Mar.-2019		
			P0016	Implement Office 365 Tools	DS	CL	In-progress	<div></div>	Implement Sway, Delve, Flow, PowerApps, etc.	Development of technical infrastructure design underway.	Aug.-2019		
Cloud Services		Document Classification and Control	P0018	Implement Digital Rights Management	DS	CL	In-progress	<div></div>	Implement a service to control the distribution and management of user's documents.	Development of technical infrastructure design underway.	Mar.-2019		
		User Identification and Authentication	P0019	Dual Factor Authentication	DS	CL	Completed	N/A	Implement Dual Factor Authentication into office 365				
		End Point Security	P0020	Implement Enterprise Mobility Suite	DS	CL	Completed	N/A	Ensure all devices connected to our network meet a minimum security standard.	Rescheduled to early next year to allow for completion of policy review so as to be able to implement any new requirements.			
Cloud Hosting	CL	Application Delivery	P0023	Implement application delivery solution	DS	MS	In-progress	<div></div>			Sep.-2018		
		Application Hosting	P0024	Personnel/HR Applications	MK	CL	Not Started	N/A	Migrate personnel/HR applications to chosen platform.		Dec.-2019		
			P0025	Planning Applications	MK	CL	In-progress	<div></div>	Migrate planning application to chosen platform.		Sep.-2019		
			P0030	Garage Database	MK	MS	Completed	N/A	Develop Salesforce based app for the management of the council garage and fleet of vehicles/equipment.	Business case completed			
Master Data Management	CL	Spatial (GIS)	P0036	Dataset Rationalisation	MS	CL	In-progress	<div></div>	Rationalise spatial data and introduce processes to manage that data.	options appraised to deliver corporate GIS via cloud services	Dec.-2019		

ICT Services Programme and Project Status Report

Service Improvement Plan

Programme	Programme Manager	Project	Reference	Sub-Project	Senior Supplier	Project Manager	Progress Status	RAG Status	Description	Comment	Target Completion Date	Predecessor(s)	Dependant(s)

# Business & Transformation Scrutiny Panel

Agenda  
Item:  
**A.5**

Meeting Date: 3 January 2019

Portfolio: Cross-cutting

Key Decision: No

Within Policy and  
Budget Framework

Private/Public Public

Title: Task & Finish Group Report: An efficiency and efficacy review of the current governance structures of the Council

Report of: Policy & Communications Manager

Report Number: O&S 33/18

## Purpose / Summary:

This report presents the report from the Task & Finish Group work on an efficiency and efficacy review of the current governance structures of the Council.

## Recommendations:

Members are asked to:

- Consider and comment on the report and the timetable for progressing the work
- Agree the report and recommendations for further consultation

## Tracking

Executive:	<b>Not applicable</b>
Scrutiny:	<b>03/01/2019</b>
Council:	<b>Not applicable</b>

## **1. Background**

- 1.1 The Business & Transformation Scrutiny Panel resolved at their meeting on 18 October that a Task & Finish Group be established to scrutinise the governance arrangements for the Council. The Task and Finish Group would include the Chairman and Vice Chairman of the Business and Transformation Scrutiny Panel, Councillor Ellis, Councillor Alcroft and Councillor Allison. Relevant Members and Officers would also be invited to take part in the Task Group work. Councillor Alcroft was, subsequently, replaced by Councillor McDonald.
- 1.2 The group met twice to scope the review and then agree the methodology. At the most recent meeting, 13 December 2018, the group discussed a draft report. Group Leaders were invited to attend and share their views at the meeting.
- 1.3 The group agreed that the draft report, once amended, could be presented to the Panel on 3 January 2019.

## **2. Recommendations**

- Consider and comment on the report and the timetable for progressing the work
- Agree the report and recommendations for further consultation

**Contact Officer: Steven O’Keeffe**

**Ext: 7258**

**Appendices attached to report: Draft Task & Finish Group Report: An efficiency and efficacy review of the current governance structures of the Council – To follow.**

**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:**

**LEGAL – Executive arrangements (as operated by the Council) must include provision for the appointment of one or more overview and scrutiny committees to review or scrutinise decisions and actions and to make reports and recommendations to the authority or the executive. These committees may only**

**undertake overview and scrutiny functions. Members of the task and finish group have settled upon some proposed changes to the Council's system and, properly, are now consulting the other Scrutiny Panels. The proposed timetable also provides for the required consultation with the Council's Executive to enable it to comment.**

**FINANCE – None**

**EQUALITY – None**

**INFORMATION GOVERNANCE – None**

## **Appendix: Task and Finish Group Report**

**# REPORT TO FOLLOW**