CARLISLE CITY COUNCIL

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AGENDA

Resources Overview and Scrutiny Panel

Thursday, 05 January 2017 AT 10:00
In the Flensburg Room, Civic Centre, Carlisle, CA3 8QG

Briefing meeting for Members will be at 9.15am in the Flensburg Room

Apologies for Absence

To receive apologies for absence and notification of substitutions

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

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

Minutes of Previous Meeting **5 - 18**

To agree the minutes of the meetings held on 20 October 2016 and 6 December 2016.

[Copy Minutes in Minute Book 43(4) and herewith]

PART A

To be considered when the Public and Press are present

A.1 CALL-IN OF DECISIONS

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

A.2 OVERVIEW REPORT AND WORK PROGRAMME **19 - 28**

To consider a report providing an overview of matters related to the work of the Resources Overview and Scrutiny Panel, together with the latest version of the Work Programme and details of the Key Decisions items relevant to this Panel as set out in the Notice of Executive Key Decisions.

(Copy Report OS.01/17 herewith)

A.3 BUDGET 2017/18

(Finance, Governance and Resources Portfolio)

The Chairman of the Community Overview and Scrutiny Panel and the Chairman of the Environment and Economy Overview and Scrutiny Panel have been invited to attend the meeting for the consideration of this item.

(1) Executive's response to the first round of Budget Scrutiny **29 - 32**

(Minute Excerpt from 12 December 2016 herewith)

(2) Executive Draft Budget Proposals **33 - 54**

To consider and comment upon the Executive's draft Budget proposals.

(Copy herewith)

(3) Background Information Reports

PART B

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

- NIL -

Members of the Resources Overview and Scrutiny Panel

Conservative – Mrs Bowman, Mallinson J, Robson, Bainbridge (sub), Mrs McKerrell (sub), Shepherd (sub)

Labour – Bowditch, McDonald, Mrs Riddle (Vice Chairman), Watson (Chairman), Harid (sub), Sidgwick (sub), Wilson (sub)

Liberal Democrat - Allison

Enquiries, requests for reports, background papers, etc to Democratic Services Officer:
Rachel Plant 817039 or rachel.plant@carlisle.gov.uk

RESOURCES OVERVIEW AND SCRUTINY PANEL

TUESDAY 6 DECEMBER2016 AT 10.05AM

PRESENT: Councillor Watson (Chairman), Councillors Allison, Bowditch, Mrs Bowman, Mallinson J, McDonald, Mrs Riddle and Robson.

ALSO PRESENT: Councillor Mrs Bradley – Economy, Enterprise and Housing Portfolio Holder

OFFICERS: Town Clerk and Chief Executive
Corporate Director of Governance and Regulatory Services
Chief Finance Officer
Chief Accountant
Building & Estates Services Manager
Policy and Performance Officer

ROSP.86/16 APOLOGIES FOR ABSENCE

There were no apologies for absence submitted.

ROSP.87/16 DECLARATIONS OF INTEREST

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

ROSP.88/16 PUBLIC AND PRESS

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

ROSP.89/16 MINUTES OF PREVIOUS MEETING

The minutes of the meeting held on 20 October 2016 were circulated to Members.

A Member felt that the resolution of Minute ROSP.84/16 from the 20 October 2016 did not reflect his views in the meeting. He had not requested that the Executive consider the Panels concerns but had stated clearly that he felt that the decision to extend the head lease of the Market Hall should not fall to officers. He felt that the matter should be a decision for full Council due to the financial implications.

The Corporate Director of Governance and Regulatory Services reminded the Panel that the decision to delegate to officers had already been taken by the Executive on 26 September 2016. The Panel's resolution had been referred to the Executive and they had considered the it on 21 November 2016, a copy of the minute excerpt EX.117/16 had been circulated to Members as part of the Overview report, and the Executive had agreed that they would make the final decision for the agreement of the proposed head lease and under lease extension instead of officers.

RESOLVED – 1) That the minutes of the meetings held on 8 September 2016 be agreed as a correct record of the meeting and signed by the Chairman.

2) That the minutes of the meeting held on 20 October 2016 be noted.

ROSP.90/16 CALL-IN OF DECISIONS

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

ROSP.91/16 OVERVIEW REPORT AND WORK PROGRAMME

The Policy and Performance Officer presented report OS.25/16 and provided an overview of matters that related to the work of the Resources Overview and Scrutiny Panel.

The Notice of Executive Key Decisions which had been published on 18 November2016 contained the following items which fell within the remit of the Panel:

KD.21/16 – Budget Process 2017/18 – included on the agenda.
KD.24/16 – Polling Station Review 2016/17 – annual review of Polling Stations to be considered by the Executive on 19 December 2016.

Members did not raise any questions or comments on the items contained within the Notice of Executive Key Decisions.

The Executive had responded to the Panel's reference and their response, Minute Excerpt EX.117/16 – Market Hall Roof, had been included in the Report.

The Panel's Work Programme for the current year had been circulated and Members were asked to consider the framework for the meeting on5 January 2017, which only had the Budget Setting scheduled.

It was reported that the Scrutiny Chairs had recently discussed the possibility of changing the current panel remit structure, to better align with the Council priorities, current challenges faced by the Council and to address current Scrutiny best practice. They resolved that the proposals for three new Overview and Scrutiny Panels be considered by each of the Political Groups with feedback being submitted to the Scrutiny Chairs Group. The Chair of Environment and Economy Overview & Scrutiny Panel had requested that the views of this Panel were sought.

The Environment and Economy and Community Overview and Scrutiny Panels had supported the decision of the Scrutiny Chairs Group and agreed that three new Overview and Scrutiny Panels be established, as set out in the Overview and Scrutiny Report, with further work on the remits of each new Panel. The Scrutiny Chairs Group had met on 11 November and agreed to receive feedback from all three Panels before any decision for change was taken.

A Member questioned the rationale behind the Scrutiny Chairs Group's decision to retain three Panels instead of moving to two. She asked what Scrutiny had achieved in the last three years as she felt it no longer held the Executive to account or made any meaningful resolutions. She also asked what the cost implications would be if the number of Panels reduced.

The Chairman reiterated the need for Scrutiny to adapt to match the way the Council operated and explained that there was very little difference in cost for two or three Panels. He felt that the amount of work within the remit of two Panels would be overwhelming and he felt that the current system was reasonably successful.

The Vice Chairman informed the Panel that her recommendation at the Scrutiny Chairs Group had been to move to two Panels which would be more focussed in the scrutiny they undertook, more cross cutting and have more opportunity to carry out meaningful task and finish work.

The Panel discussed the options and potential issues and benefits in some detail and it was proposed that the Council move to two Overview and Scrutiny Panels. Following voting thereon it was agreed that Overview and Scrutiny remain at three Panels as set out in option 1 of the report.

RESOLVED – 1) That the Overview Report incorporating the Work programme and Key Decision items relevant to this Panel (OS.25/16) be noted.

2) That the following item be included on the agenda for next meeting on 5 January 2017:

- Budget Monitoring 2016/17

3) That Minute Excerpt EX.117/16 – Market Hall Roof from Executive on 21 November 2016 be noted;

4) That the Resources Overview and Scrutiny Panel supported the decision of the Scrutiny Chairs Group and agree that three new Overview and Scrutiny Panels be established, as set out as option 1 of appendix 3 of report OS.25/16.

ROSP.92/16 BUDGET 2017/18

(a) Minutes of the Community and Environment and Economy Overview and Scrutiny Panels

The excerpts of the minutes of the meetings of the Community and Environment and Economy Overview and Scrutiny Panels held on 24 November and 1 December respectively were submitted for consideration.

(b) Budget Update – Revenue Estimates 2017/18 to 2021/22

The Chief Finance Officersubmitted report RD.35/16 providing a summary of the Council's revised revenue base estimatesfor 2016/17, together with base estimates for 2017/18 and forecasts up to 2021/22for illustrative purposes. The base estimates had been prepared in accordance withthe guidingprinciplesfortheformulationofthebudgetoverthenextfiveyearplanningperiodas set out in the Medium Term Financial Plan (MTFP) and Charging Policy;Capital Strategy; and Asset Management Plan approved by Council on 13 September2016.

The report set out known revisions to the MTFP projections, although there were anumber of significant factors affecting the budget that were currently unresolved, details ofwhich were recorded at Section 1.3. A summary of the outstanding key issues, together withthe resource assumptions was also provided at Section4.

Turning to the issue of savings and additional income proposals, the Chief Finance Officeradded that the current MTFP included a savings requirement to be found by 2018/19 of£3.475 million. Further savings / additional income had already been identified in thebudget process for 2017/18, details of which were set out at Section 6 of thereport.

Also summarised were the movements in base budgets; the updated MTFPprojections; the projected impact on revenue balances; together with a summary of thefinancial outlook and budget discipline 2017/18 to2021/22.

The Executive had on 21 November 2016 (EX.98/16) received the report and agreed

“That theExecutive:

1. Noted the revised base estimates for 2016/17 and base estimates for2017/18.
2. Noted the current Medium Term Financial Plan projections, which would continueto be updated throughout the budget process as key issues became clearerand decisions weretaken.
3. Noted the initial budget pressures / savings needing to be taken into accountas part of the 2017/18 budget process.”

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

- A Member asked for further information with regard to the Pension Fund Revaluation.

The Chief Finance Officer explained that the triennial revaluation of the Pension Fund was likely to increase the pension contributions payable by the Council from April 2017. The City Council contribution was set for the next three years and there was an option for the Council to pay the three year contribution in advance and receive a discount. The County Council Pension Fund would benefit from having the money to invest. The information used for these calculations would be available late December from the actuary.

- There was a lot of vacant space within the Civic Centre, was there any projection for how this would be used?

The Chief Finance Officer responded that there was a recurring pressure on the budget whilst decisions were being made about how the Civic Centre could be used following the flood.

A Member commented that he was disappointed to see a recurring pressure and asked if the Civic Centre was being marketed for companies such as Edinburgh Woolen Mill.

The Town Clerk and Chief Executive reminded the Panel that the Civic Centre was difficult old office accommodation which did not appeal to modern businesses or their way of working. Currently there was no demand for office space in the building and the only real option for the future was the redevelopment of Rickergate into mixed use as per the City Centre Masterplan and have a more agile workforce which reflected the reduction in City Council staff numbers.

The Economy, Enterprise and Housing Portfolio Holder explained the circumstances of Edinburgh Woolen Mill’s move to Carlisle. She stated that they had wanted their own prestigious building to accommodate their staff. It was known within Carlisle that there was office accommodation available in the Civic Centre and there was a willingness to rent out the accommodation but the budget had to plan for the Council being unsuccessful.

- Was there any indication of the impact Primark has had on the Lanes?

The Chief Finance Officer reported that there had been an increase in rent and footfall to the Lanes.

- Which Panel would monitor how successful the Funding Officer was?

- Was the salary for the Funding Officer post covered by any potential moniesthat they secured?

The Chief Finance Officer responded that the position was a full time permanent post and the budget reflected the cost and there was no income target set.

- Would the Capita review of the Minimum Revenue Position (MRP) be considered by Overview and Scrutiny?

The Chief Finance Officer responded that the Panel was welcome to have a copy of the final report; however, the information from the report would be included in the Treasury Management Strategy which would be approved by Council.

RESOLVED –That report RD.35/16 - Revenue Estimates 2017/18 to 2021/22 be noted.

(c) Review of Charges

The Chief Finance Officer 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.

CommunityServices

Report SD.27/16 was submitted setting out the proposed fees and charges for 2017/18 relating tothose services falling within the Community ServicesDirectorate.

The charges highlighted within the report would result in an anticipated level of incomeof £2,775,200 against the MTFP target of £2,835,200. That represented a shortfallof £60,000 against the MTFPtarget.

The Executive had on 21 November 2016 (EX.99/16) received the report and:

“That theExecutive:

(i) Agreed for consultation the charges as set out in the body of Report SD.27/16and relevant appendices with effect from 1 April 2017, noting the impact those wouldhave on income generation as detailed within the report.
(ii) Delegated to the Deputy Chief Executive Officer, following consultation withthe Portfolio Holder and Chief Finance Officer, the agreement of discounts on thecar parking permit process within agreedlimitations.
(iii) Delegated to the Deputy Chief Executive Officer, following consultation withthe Portfolio Holder and Chief Finance Officer, the agreement of variations to carparking ticket charges within parameters agreed by theExecutive.”

A Member highlighted the increase in charges for the annual car park permit for Talkin Tarn and asked for the rationale behind it. In response, the Panel was informed that the Environment and Economy Overview and Scrutiny Panel had scrutinised the matter in some detail and found that there was a waiting list for the annual permit and there was an intention to limit and manage the number of permits. Members asked for full details to be provided by the Green Spaces and Bereavement Services Manager.

A Member asked how the proposed increase to advertising income would be achieved and the Corporate Director of Governance and Regulatory Services highlighted section 8.1 of the report which stated that the increase would come from the digital banner. It was agreed that further information would be provided by the Contracts and Community Services Manager

RESOLVED – 1) That the Community Services Review of Charges report (SD.27/16) be noted;

2) That the Green Spaces and Bereavement Services Manager provide written details of the rationale for the increase to the annual car parking permit charge for Talkin Tarn;

3) That the Contracts and Community Services Manager provide written details regarding the increase to the advertising income.

Economic Development

Report ED.45/16 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 £662,600 against the Medium Term Financial Plan target of £662,600.

The Executive had on 21 November 2016 (EX.100/16) received the report and agreed:

“That the Executive agreed for consultation the charges, as set out in Report ED.45/16 and accompanying Appendices, with effect from 1 April 2017; noting the impact those would have on income generation as detailed within the report.”

RESOLVED – That the Economic Development Review of charges 2017/18 report (ED.45/16) be noted.

Governance and Regulatory Services

Report GD.62/16 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 £893,300 in 2017/18 as summarised in the table at Section 5.16 of the report.

The Executive had on 21 November 2016 (EX.101/16) received the report and:

“That the Executive agreed for consultation the charges as detailed within Report GD.62/16 and accompanying Appendices, with effect from 1 April 2017; and noted the impact thereof on income generation as detailed within the report.”

RESOLVED – That the Governance and Regulatory Services Review of Charges 2017/18 report (GD.62/16) be noted.

Governance and Regulatory Services - Licensing

Report GD.57/16 was submitted 16 setting out the proposed fees and charges for areas falling within the responsibility of the Licensing Section of the Governance and Regulatory Services Directorate. He 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 21 November 2016 (EX.102/16) received the report and agreed:

“That the Executive:
1. Noted the charges which were considered by the Regulatory Panel on 26 October 2016.
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.”

RESOLVED – That the Governance and Regulatory Services - Licensing Review of Charges 2017/18 report (GD.57/16) be noted.

(d) RevisedCapitalProgramme2016/17 andProvisionalCapital Programme 2017/18 to2021/22

The Chief Finance Officer submitted report RD.36/16 detailing the revised Capital Programme for 2016/17, nowtotalling £10,440,000, together with the proposed method of financing. The report summarisedthe proposed programme for 2017/18 to 2021/22 in the light of the new capitalproposals identified, together with the estimated capital resources available to fund theprogramme based on the announcements by Government in the spendingreview.

Section 4 which provided details of thecurrent commitments and new spending proposals. Any capital schemefor which funding had been approved by Council may only proceed after a fullreport, including business case and financial appraisal, had beenapproved.

A summary of the estimated resources compared to the proposed programme yearon year was alsoprovided.

The Executive had on 21 November 2016 (EX.103/16) received the report and resolved:

“That theExecutive:
1)Noted the revised capital programme and relevant financing for 2016/17 as setout in Appendices A and B of Report RD.36/16;
2) Had given initial consideration and views on the proposed capital spendingfor 2017/18 to 2021/22 contained in the Report in the light of the estimatedavailable resources;
3)Noted that any capital scheme for which funding had been approved byCouncil may only proceed after a full report, including business case and financialappraisal, had beenapproved.”

RESOLVED – That the Revised Capital Programme 2016/17 and Provisional Capital Programme 2017/18 to 2021/22 be noted.

(e) Corporate Assets – 3 Year Repair and Maintenance Programme 2017/18 – 2019/20

The Chief Finance Officer submitted report GD.64/16 setting out the repair and maintenance programme budget proposals for the Council’s corporate property assets for the three year period 2017/18 to 2019/20, required to ensure that the legal responsibilities of the City Council were met.

The Chief Finance Officer 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.

The report recorded that the revenue maintenance budget amounted to approximately£736,400 spread across a wide range of assets; the Council had a capitalised major repairs and improvement programme with a provision of £150,000 included in the Capital Programme. The maintenance schedule figure on the operational buildings, based on a costed 5 year plan derived from a rolling programme of Condition Surveys, currently stood at £2,499,100. It was anticipated, however, that the reduction in the capital schemes special project fund to £150,000 per year would begin to affect future figures.

Turning to the issue of planned maintenance, the Chief Finance Officer reported that the projects detailed at Section 2 reflected the highest priority projects to be funded out of capital. The allocation of £150,000 for capital projects reflected the Council's current financial situation. The impact of a reducing budget was likely to result in an increase in the number of properties awaiting maintenance, although that could be alleviated by the disposal of properties with a high maintenance requirement.

She 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 21 November 2016 (EX.103/16) received the report and resolved:

"1) That the 3 year revenue maintenance programme set out in Appendix A to Report GD.64/16 be approved, with the budget of £736,400 for 2017/18, and considered as part of the budget process.
2) That the 2017/18 capital budget of £150,000 be approved for consideration as part of the budget process.
3) That the list of capital projects selected to meet the budget provision of £150,000 be approved."

RESOLVED –That the Corporate Assets – 3 Year Repair and Maintenance Programme 2017/18 – 2019/20 be noted.

(f) Treasury Management September 2016 and Forecasts for 2017/18 to 2021/22

The Chief Finance Officer submitted report RD.34/16 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 2017/18 with projections to 2021/22, and set out information regarding the requirements of the Prudential Code on local authority capital finance.

Since interest rates were not forecast to rise in the medium term, revisions had been made to the interest achievable. Average cash balances would need to be amended to reflect revised forecasts for anticipated capital receipts, capital expenditure and use of revenue reserves and that would adjust the final pressure/saving requirement from treasury management. The base Treasury Management estimates for 2017/18 with projections for 2021/22 were set out at Appendix C.

The Executive had on 21 November 2016 (EX.104/16) received the report and resolved thatReport RD.34/16 be received and the projections for 2017/18 to 2021/22 be incorporated into the Budget reports considered elsewhere on the Agenda.

RESOLVED – That the Treasury Management September 2016 and Forecasts for 2017/18 to 20121/22 (RD.34/16) be noted.

(g) Local Taxation 2017/18 – 2021/22

The Chief Finance Officer submitted report RD.38/16 considering aspects of Local Taxation decisions which needed to be made as part of the Budget process for 2017/18 onwards.

The Chief Finance Officer 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 21 November 2016 (EX.104/16) received the report and resolved:

"That the Executive:

1. Noted the contents of Report RD.38/16 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 2017/18 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 2017/18, subject to the continuing involvement of the other partners which would be formally agreed in January 2017 with the final decision on participation being delegated to the Chief Finance Officer."

A Member had concerns with regard to the impact of the review of Single Persons Discounts on the vulnerable in the community. The Chief Finance Officer explained that the review was county wide to ensure those receiving the discount were entitled to it. It was hoped that the results of the review would be received in time to be included in the budget process.

RESOLVED –That the Local Taxation 2017/18 – 2021/22 report (RD.38/16) be noted.

(h) Budget Monitoring Reports

The following reports had been circulated to the Panel by way of background information:

- RD.32/16 – Revenue Budget Overview and Monitoring Report: April to September 2016;
- RD.33/16 – Capital Budget Overview and Monitoring Report: April to September 2016.

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

- Why was there such a significant overspend in the Governance directorate?

The Chief Finance Officer responded that the overspend was mainly due to a shortfall of income at the Lanes, due to a prior year adjustment.

- There were concerns that the Tourist Information Centre was underachieving in terms of income following the recent investment.

- The Councillors Small Scale fund had been underspent and Members were encouraged to use the money to support their local community. There was a suggestion that Group Leaders wrote to those Members not using their funds.

- Why was the Lawn Tennis Association capital resource for 2016/17 was 0?

The Chief Finance Officer explained that allocation of £400,000 had not yet been received. She agreed to circulate details to Members.

RESOLVED – 1) That the Revenue Budget Overview and Monitoring Report and Capital Budget Overview and Monitoring report,RD.32/16 and RD.33/16, be received;

2) That the Chief Finance Officer circulateinformation to Members with regard to the receipt due from the Lawn Tennis Association.

ROSP.93/16 HALF YEAR PARTNERSHIPS REVIEW 2016/17

The Chief Finance Officer presented report RD.39/16 which provided information relating to the Council's Partnership arrangements, the categorisation of partnerships and the monitoring of the main aims and objectives over the last six months.

The Chief Finance Officer reminded the Panel of the definition of Partnership and the five types of partnership classification which was monitored and reported to Members as set out in section 4 of the report.

Member's attention was drawn to paragraph 6 of the report which outlined the factors considered when a partnership review was conducted, and the appendices to the report which contained information on the latest position in respect of individual partnerships and contracts.

Further information on the achievements of the Carlisle Partnership and Economic Partnership, as requested by Members of the Panel, was included at appendices B & C.

A Member asked what the Council's annual contribution of £37,000 to the Carlisle Ambassadors Group was used for. She noted that the report stated that quarterly performance figures and reporting was scheduled to be scrutinised as part of the Overview and Scrutiny Work Programme and questioned which Panel would receive this information and if it happened.

Members asked what the benefits to Carlisle were, how the Group promoted Carlisle and how the meetings were arranged and recorded.

The Town Clerk and Chief Executive responded that the Council's contribution principally covered the management and marketing of the Group. He reminded the Panel that the Group was independent of the Council and had been initially established to produce a prospectus which promoted Carlisle via the Carlisle Story to inform potential investors of what Carlisle had to offer. The Group continued to promote Carlisle and provide opportunities for local businesses to share ideas and carry out projects.

The Carlisle Ambassadors Group met on a regular basis and updates were submitted to the Environment and Economy Overview and Scrutiny Panel as part of their work programme. A local marketing business organised the meetings, venues, admin support and marketing, and although the meetings were not minuted information was provided to members of the Group via a newsletter.

The Town Clerk and Chief Executive encouraged Members to attend Ambassadormeetings and agreed to report back to a future meeting on the contributions made to the Group. He added that some members of the Group provided resources to support the Group instead of financial support.

RESOLVED – 1) That the Half Year Partnerships Review 2016/17 (RD.39/16) be received;

2) That a report be submitted to a future meeting of the Panel detailing the contributions made to the Carlisle Ambassadors Group and how those contributions were used.

3) That the Chief Finance Officer be thanked for her detailed and clear presentation and responses for the budget items and the Partnership Review item.

The meeting adjourned at 11.40am for a short break.

The meeting reconvened at 11.45am.

ROSP.94/16 MARKET HALL – MARKET MANAGEMENT GROUP AND MANAGING AGENT

The Corporate Director of Governance and Regulatory Services submitted report GD.72/16 which outlined the working relationship and the work undertaken by the Market Hall Management Group and the Managing Agent.

The Corporate Director reminded the Panel of the background to the leasing arrangements and detailed the Management Policy Document which set out how the Asset should be managed. The document outlined the management structure:

- The head tenant, BAE Pension Fund, managed the Asset via its investment fund managers, LaSalle, who in turn employed Capita to undertake the day to day management of the Wilkinsons, TK Maxx and Arcade Shops occupations;
- The City Council and BAE Pension Fund had a joint management contract with Ryden, who undertook the day to day management of the stall holder area. Ryden provided an on-site Market Hall Manager who dealt directly with the tenants, with the overarching contract management allocated to a Senior Surveyor within Ryden.
- The management of the stall holder area was overseen by the Market Hall Management Group which consisted of two Members of the City Council, one Senior Officer from LaSalle and a number of Senior City Council Officers. BAE also had the ability to send as many representatives as they considered necessary to any of the Group's meetings.

The Market Hall Management Group met every six months and the last meeting was held on 2 November 2016. The Corporate Director set out the remit of the Group and the structure of the meetings along with the role of the Managing Agent as set out in section 2 of the report.

The Corporate Director drew Members' attention to section 2.3 of the report which detailed the recent achievements and future proposals for the Market Hall. He added that the Market Management Group had set up a separate group which would look at the promotion of the Market and how footfall could be stimulated.

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

- A Member commented that he had previously raised concerns with regard to issues the tenants had informed him of at the Market Hall and was pleased to see in the report that those issues were beginning to be addressed and that a Tenant Association was being formed.

The Building & Estates Services Managerresponded that there was more interest from tenants in the Market Hall and they were beginning to come together to form a formally constituted Tenant Association.

The Economy, Enterprise and Housing Portfolio Holder reminded the Panel of previous difficulties in bringing the tenants together as a collective body. There had been an influx of new stall holders and this had helped the move towards a Tenant Association which would then address the tenants concerns and discuss how they could move the Market forward.

A Member added that she had experience of the difficulties in bringing the tenants together and praised the work of the Market Manager who tried to address each stall holder's issues individually. She understood that there were difficult conditions for the stall holders to trade in and that they found it hard to compete with the supermarkets. She hoped that the proposals in the report would help maintain business for stall holders.

- Was there any evidence that the rent review had had a positive effect on occupancy in the Market Hall?

The Building & Estates Services Managerexplained that the rent review had affected long term tenants as their stall holder lease document had allowed the rent to be uplifted annually in line with RPI, as a result the long term occupiers had been charged rent that was considered to be above market rent. The review allowed for the rates payable to be aligned and this had resulted in some tenants receiving a rental reduction.

A Member had concerns regarding the sustainability of some of the businesses in the Market Hall if they could not manage the annual RPI increase.

- Tenants had not been allowed to advertise their stalls outside of the Market, would this be looked at?

The Corporate Director responded that the Market Hall was a listed building and therefore advertisement was restricted. It would not be appropriate for each stall holder to advertise individually but there could potentially be information on the Market Hall offer as a whole.

- Was it possible for the Council to learn from other successful markets?

The Corporate Director agreed that there were opportunities to learn but any proposals would need agreement from all the stall holders.

The Economy, Enterprise and Housing Portfolio Holder reminded the Panel that the catchment area for the Market Hall was smaller and its location in the City was not as good as some of the large successful markets. The new group would look at all the options available to boost the offer and popularity of the Market.

RESOLVED –That the Market Hall report on the Market Management Group and Managing Agent (GD.72/16) be welcomed.

ROSP.95/16 CORPORATE PROGRAMME BOARD

The Town Clerk and Chief Executive presented report CE.13/16 which updated Members on the work of the Corporate Programme Board and projects currently being undertaken by the Council.

The Town Clerk and Chief Executive reported that a summary of the status of current projects and any relevant action being taken within the Council had been appended to the report. The majority of Council projects were progressing to schedule; those that had issues were indicated within the appendix with an amber rating for some issues and red for major issues. A summary of action that was being taken was also provided.

The Town Clerk and Chief Executive drew Members attention to section 2.1 of the report which detailed the key achievements and achievements per project from the last six months.

In considering the report Members raised the following questions:

- A Member had been disappointed that the speed indication devices that would be placed on Castle Way, as part of the Crossing work, would be temporary and not permanent. She asked the Town Clerk and Chief Executive to raise the issue as part of the works.

The Panel discussed the effectiveness of permanent speed indication devices and a Member suggested that permanent equipment be placed along Castle Way which would enable the speed indication device to be reinstalled when required.

- Was Castle Way Crossing amber due to the petition which had been submitted to Council?

The Town Clerk and Chief Executive reminded the Panel that the project had been amber previously due to an underestimation of the required consultation process, however, the petition had caused some further delay and the whole project had taken longer than anticipated.

- A Member asked that consideration be given to celebrating all of the women of Carlisle who worked in factories as part of the Caldewgate Public Realm instead of just one factory.

RESOLVED – That the Corporate Programme Board update (CE.13/16) be noted.

ROSP.96/16 2016/17 SICKNESS ABSENCE QUARTER 2

The Town Clerk and Chief Executive submitted the Authority's sickness absence levels for the period April 2016 to September 2016 and other sickness absence information (Report CE.14/16).

The Town Clerk and Chief Executive reported that the 2015/16 sickness absence levels had decreased by approximately 30% to 8.6 days lost per Full Time Equivalent (FTE) employee compared to the previous year. The percentage of sickness which was long term also decreased as managers ensured the support for their staff was available and accessible. It was noted that spikes in absenteeism would become more prevalent as the organisation's workforce shrank.

The 2016/17 performance was detailed in report and the table at appendix 1 provided absence levels split by Directorate. The information showed that half of the directorates had experienced a drop in sickness absence and the percentage of long term sickness had also reduced. The report set out the days lost by reason and Directorate and reported that 100% of all Return to Work Interviews had been completed.

RESOLVED – That the 2016/17 Sickness Absence Quarter 2 report (CE.14/16) be noted.

ROSP.97/16 2ND QUARTER PERFORMANCE REPORT 2016/17

The Policy and Performance Officer presented report PC.23/16 which updated the Panel on the Council's service standards relevant to the Panel and included updates on key actions contained with the new Carlisle Plan.

The Policy and Performance Officer reported that the table at Section 1 of the report illustrated the cumulative year to date figure, a month by month breakdown of performance and, where possible, an actual service standard baseline that had been established either locally or nationally. Only the service standard relevant to the Panel had been included in the Report.

The updates against the actions in the Carlisle Plan followed on from service standard information in Section 2. As many of the key actions contained within the outgoing Carlisle Plan had been completed, actions and projects had recently been refreshed in the 2015-18 Carlisle Plan. Work was continuing on the future report content and the best way of presenting the information to future Panels and Members.

The Policy and Performance Officer reported that the Community Overview and Scrutiny Panel had considered how they would like the reports presented in the future and resolved "that officers be asked to prepare some options for the future presentation of performance information to Scrutiny and present those options to the next meeting of the Panel."

The Town Clerk and Chief Executive informed the Panel that the changes to the IT system would allow for the performance report to be provided directly from the database and live dashboard information could be interrogated during the meeting. This would give Members the opportunity to look in more detail at the information provided in the report.

RESOLVED – That the 2nd Quarter Performance Report 2016/17 (PC.25/16) be noted.

(The meeting ended at 12.25pm)

CARLISLE CITY COUNCIL www.carlisle.gov.uk	# Resources Overview and Scrutiny Panel	Agenda Item: **A.2**

Meeting Date:	5 January 2017
Portfolio:	Cross Cutting
Key Decision:	No
Within Policy and Budget Framework	
Public / Private	Public

Title:	OVERVIEW REPORT AND WORK PROGRAMME
Report of:	Overview and Scrutiny Officer
Report Number:	OS 01/17

Summary:

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

Recommendations:

Members are asked to:

- Note the items (within Panel remit) on the most recent Notice of Key Executive Decisions
- Note and/or amend the Panel's work programme

Contact Officer:	**Dave Taylor**	**Ext:**	**0781 785 8167**

Appendix attached to report: 1. **Resources Overview and Scrutiny Panel Work Programme 2016/17**

1. Notice of Key Executive Decisions

The most recent Notice of Key Executive Decisions was published on 18 November 2016. This was circulated to all Members. The following items fall into the remit of this Panel and were noted at the Panel's last meeting on 6 December 2016:

Items which have been included in the Panel's Work Programme:

KD.21/16 Budget Process 2017/18

Items which have not been included in the Panel's Work Programme:

KD.24/16 Polling Station Review 2016/17

2. References from the Executive

There is a reference from the Executive following their meeting on 12 December. This will be circulated separately.

- EX.124/16 – Budget 2017/18 – Feedback from the Overview and Scrutiny Panels on the draft Budget reports – **Community; Environment and Economy; and Resources O&S Panels**

3. Work Programme

The Panel's current work programme is attached at Appendix 1. Members are asked to note and/or amend the Panel's work programme and in particular consider the framework for the next meeting.

The following items are scheduled for the next meeting on 23 February 2017:

- Performance Report Options
- Budget Monitoring 2016-17
- Performance Monitoring
- Sickness Absence
- Carlisle Ambassadors Group (tentative)
- Flood Update Report
- Digital Vision and Technology 5 year strategy
- Smarter Service Delivery project

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

Appendix 1: Resources Overview and Scrutiny Panel Work Programme 2016/17

Issue Contact Officer	Type of Scrutiny						Comments/Current Status	Meeting Dates							
	Performance Management	Notice of Key Decision /Referred from Executive	Policy Review or Development	Scrutiny of Partnership/ External Agency	Budget	Monitoring		16 Jun 16	4 Aug 16	08 Sep 16	20 Oct 16	06 Dec 16	05 Jan 17	23 Feb 17	13 Apr 17
Current Meeting – 5 January 2017															
Budget setting 2017/18-2021/22 Alison Taylor					✓		Draft budget consultation						✓		
Task & Finish Groups															
Future Items															
Performance report options Steven O'Keeffe	✓						To consider changes to improve performance reporting to O&S Panels							✓	

Issue Contact Officer	**Type of Scrutiny** Performance Management	Notice of Key Decision /Referred from Executive	Policy Review or Development	Scrutiny of Partnership/ External Agency	Budget	Monitoring	**Comments/Current Status**	**Meeting Dates** 16 Jun 16	4 Aug 16	08 Sep 16	20 Oct 16	06 Dec 16	05 Jan 17	23 Feb 17	13 Apr 17
Budget Monitoring 16-17 Alison Taylor					✓	✓	Monitoring of budget - both revenue and capital				✓	✓		✓	
Performance Monitoring Gary Oliver	✓					✓	Quarterly monitoring of performance within remit of Panel	✓		✓		✓		✓	
Sickness Absence Gary Oliver	✓						To consider reports relating to sickness absence levels.	✓		✓		✓		✓	
Carlisle Ambassadors Group Alison Taylor				✓			Report requested 6/12/16 on contributions made and how used							✓ ?	
Corporate Risk Register Tracey Crilley						✓	Bi-annual monitoring				✓				✓
Flood Update Report Darren Crossley		✓	✓			✓	Areas within remit of Panel	✓	✓					✓	

Issue Contact Officer	Type of Scrutiny						Comments/Current Status	Meeting Dates							
	Performance Management	Notice of Key Decision /Referred from Executive	Policy Review or Development	Scrutiny of Partnership/ External Agency	Budget	Monitoring		16 Jun 16	4 Aug 16	08 Sep 16	20 Oct 16	06 Dec 16	05 Jan 17	23 Feb 17	13 Apr 17
Digital Vision and Technology 5 year strategy Michael Scott						✓	Implementation of Digital (ICT) strategy – 6 monthly monitoring		✓					✓	
Kingstown Ind Estate Business Plan Mark Lambert				✓			To consider the Estate Business Plan. Staff from preferred partner to be invited to attend scrutiny of the Plan.								
Kingstown Ind Estate Contract Mark Lambert	✓			✓			Bi-annual monitoring of the Contract								
Smarter Service Delivery project Ben Renucci							6 monthly monitoring							✓	

Issue Contact Officer	Type of Scrutiny: Performance Management	Notice of Key Decision /Referred from Executive	Policy Review or Development	Scrutiny of Partnership/ External Agency	Budget	Monitoring	Comments/Current Status	Meeting Dates: 16 Jun 16	4 Aug 16	08 Sep 16	20 Oct 16	06 Dec 16	05 Jan 17	23 Feb 17	13 Apr 17
Scrutiny Annual Report Scrutiny Officer							Draft report for comment before Chairs Group approval								✓
COMPLETED ITEMS															
Market Hall – October Market Management Group and Managing Agent Relationship				✓								✓			
Proposed new O&S Panel remits (PART OF OVERVIEW REPORT) Steven O'Keeffe			✓				Consideration of proposed new O&S panel remits					✓			
Corporate Programme Board Tracey Crilley						✓	Bi-annual monitoring of significant projects	✓				✓			

Issue Contact Officer	Type of Scrutiny: Performance Management	Type of Scrutiny: Notice of Key Decision /Referred from Executive	Type of Scrutiny: Policy Review or Development	Type of Scrutiny: Scrutiny of Partnership/ External Agency	Type of Scrutiny: Budget	Type of Scrutiny: Monitoring	**Comments/Current Status**	Meeting Dates: 16 Jun 16	Meeting Dates: 4 Aug 16	Meeting Dates: 08 Sep 16	Meeting Dates: 20 Oct 16	Meeting Dates: 06 Dec 16	Meeting Dates: 05 Jan 17	Meeting Dates: 23 Feb 17	Meeting Dates: 13 Apr 17
Significant Partnerships Alison Taylor				✓			Bi-annual scrutiny Deferred due to flood work	✓				✓			
Budget setting 2017/18-2021/22 Alison Taylor					✓		1st forecast of overall budget proposals					✓			
Carlisle 4 year Efficiency Plan Peter Mason / Alison Taylor					✓	✓	Efficiencies delivered for 2016/17 and plans set out in the 4 year efficiency statement				✓				
Market Hall - Capital Contribution to Roof Repair Works Mark Lambert		✓					Pre-decision scrutiny of Executive decision				✓				
Employee Opinion Survey 2016 Steven O'Keeffe						✓	To consider the results of the Employee Opinion Survey.				✓				

Issue Contact Officer	**Type of Scrutiny**						**Comments/Current Status**	**Meeting Dates**							
	Performance Management	Notice of Key Decision /Referred from Executive	Policy Review or Development	Scrutiny of Partnership/ External Agency	Budget	Monitoring		16 Jun 16	4 Aug 16	08 Sep 16	20 Oct 16	06 Dec 16	05 Jan 17	23 Feb 17	13 Apr 17
2015/16 Provisional Outturn Reports Peter Mason					✓		Outturn reports and requests to Council	✓							
Kingstown and Parkhouse Procurement Project Raymond Simmons		✓					To scrutinise options and proposals being considered. Postponed by 3-4 months due to flood.	✓							
Freedom of Information Requests Clare Furlong							Annual report on Freedom of Information requests ***Future reports for information only***		✓						
Budget setting 2016/17-2020/21 (MTFP) Peter Mason		✓			✓		Policy documents consultation		✓						

Issue Contact Officer	Type of Scrutiny						Comments/Current Status	Meeting Dates							
	Performance Management	Notice of Key Decision /Referred from Executive	Policy Review or Development	Scrutiny of Partnership/ External Agency	Budget	Monitoring		16 Jun 16	4 Aug 16	08 Sep 16	20 Oct 16	06 Dec 16	05 Jan 17	23 Feb 17	13 Apr 17
Corporate Complaints Policy Jill Gillespie			✓				Consideration of reviewed Corporate Complaints policy		✓						
Asset Management Plan Barbara Vernon		✓					2016 to 2021Plan		✓						

FOR INFORMATION ONLY ITEMS	
Details	Date Circulated

EXECUTIVE – SPECIAL MEETING

MONDAY 12 DECEMBER 2016 AT 4.00 PM

PRESENT:

Councillor Glover (Leader / Chairman)
Councillor Dr Tickner (Deputy Leader, and Finance, Governance and Resources Portfolio Holder)
Councillor Mrs Bradley (Economy, Enterprise and Housing Portfolio Holder)
Councillor Ms Quilter (Culture, Heritage and Leisure Portfolio Holder)
Councillor Miss Sherriff (Communities, Health and Wellbeing Portfolio Holder)
Councillor Southward (Environment and Transport Portfolio Holder)

OFFICERS:

Town Clerk and Chief Executive
Deputy Chief Executive
Corporate Director of Governance and Regulatory Services
Corporate Director of Economic Development
Chief Finance Officer

ALSO PRESENT:

Councillor Nedved (Chairman of the Environment and Economy Overview and Scrutiny Panel)

WELCOME

The Chairman welcomed all those present to the meeting.

APOLOGY FOR ABSENCE

An apology for absence was submitted on behalf of Councillor Burns (Chairman of the Community Overview and Scrutiny Panel).

PUBLIC AND PRESS

RESOLVED – That the Agenda be agreed as circulated.

DECLARATIONS OF INTEREST

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

EX.124/16 BUDGET 2017/18 – FEEDBACK FROM THE OVERVIEW AND SCRUTINY PANELS ON THE DRAFT BUDGET REPORTS
(Key Decision – KD.21/16)

Portfolio Finance, Governance and Resources

Relevant Overview and Scrutiny Panel Community; Environment and Economy; and Resources

Subject Matter

Speaking by way of introduction, the Leader indicated that the Overview and Scrutiny Panels had scrutinised the draft Budget Reports for 2017/18 considered by the Executive on 21 November 2016.

The purpose of the special Executive meeting today was to give consideration to the Minutes of the undernoted Overview and Scrutiny Panel meetings, copies of which were submitted:

(a) Community – 24 November 2016 (COSP.79/16)
(b) Environment and Economy – 1 December 2016 (EEOSP.76/16)
(c) Resources – 6 December 2016 (ROSP.92/16)

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

The Leader reported that Councillor Burns, Chairman of the Community Overview and Scrutiny Panel had submitted apologies. Councillor Burns had, however, confirmed that he had nothing further to add to the Minutes submitted.

The Chairman of the Environment and Economy Overview and Scrutiny Panel began by expressing thanks to the Leader, Portfolio Holders and Officers for their attendance at the Panel.

The Chairman outlined the Panel's response which centred around three main areas, namely:

Talkin Tarn
Members had questioned the rationale behind the proposal to increase the Annual Membership Parking Permit at Talkin Tarn from £52 in 2016/17 to £104 in 2017/18 (as detailed in Appendix B to Report SD.27/16). It was anticipated that the take up of the membership may be severely reduced by such a large increase.

The Chairman noted that Appendix B detailed proposals for increasing charges for car parking at all of the Council's car parks, but that the proposed increase in charge for the Annual Membership Parking Permit was significant and beyond that proposed at other sites. Increases in charges had been proposed universally at Talkin Tarn and encompassed facilities such as the Education Hut, whereas no proposal had been put forward to levy a charge for the use of facilities at Hammond's Pond for example.

Allotments
Concerns had been raised by Members of the Community; and the Environment and Economy Overview and Scrutiny Panels that the proposed increase in allotment fees of 20% was much higher than the Corporate Charging Policy's 3%; and that would be detrimental to those on low incomes. Members also questioned the rationale behind the removal of the over 60 discount when the Council was trying to encourage more active lifestyles. It was felt that the change could cause issues for some people.

Bulky Waste
A Member had expressed concern that the proposed increase in charges for bulky waste collections would increase incidences of fly tipping in the District.

The Leader noted that the Chairman of the Resources Overview and Scrutiny Panel was not in attendance. He confirmed however that Executive Members had received the Minutes of the Panel meeting held on 6 December 2016 which would be taken into account.

The Deputy Leader, and Finance, Governance and Resources Portfolio Holder thanked the Chairman of the Environment and Economy Overview and Scrutiny Panel for his address to the Executive. He further wished to place on record thanks to all Members of the Overview and Scrutiny Panels for their work and questioning.

The Executive would give serious and detailed consideration to each area raised prior to putting forward their draft Budget Proposals for consultation on 19 December 2016.

The Deputy Leader commented upon the financial constraints faced by the authority, which necessitated the proposed increases in charging. Those increases would, however, be kept to a minimum.

In conclusion, the Leader echoed the Deputy Leader, and Finance, Governance and Resources Portfolio Holder's comments; and thanked the Chief Finance Officer and her team for their work in producing the various financial reports under consideration.

He added that feedback from the public consultation and budget consultation meetings programmed for January 2017 was welcomed and appreciated by the Executive. All consultation responses received would go forward to the special Council meeting on 7 February 2017.

Summary of options rejected None

DECISION

That the Overview and Scrutiny Panels be thanked for their consideration of the draft Budget reports; and their comments, as detailed within the Minutes submitted, would be taken into account as part of the Executive's deliberations on the 2017/18 Budget.

Reasons for Decision

The views of the Overview and Scrutiny Panels would be taken into account as part of the 2017/18 Budget process

(The meeting ended at 4.06 pm)

CARLISLE CITY COUNCIL

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Executive Budget Proposals 2017/18
Issued for Consultation
19th December 2016

Councillor C Glover
Leader of the Council

Councillor Dr L Tickner
Portfolio Holder Finance, Governance & Resources

Jason Gooding
Chief Executive

Alison Taylor CPFA
Chief Finance Officer

EXECUTIVE BUDGET PROPOSALS 2016/17 to 2021/22

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

Section	Detail
A	**Background and Executive Summary**
B	**Revenue Budget 2016/17 to 2021/22** • Schedule 1 - Existing Net Budgets • Schedule 2 - Proposed Budget Reductions • Schedule 3 - Recurring Budget Increases • Schedule 4 - Non-Recurring Budget Increases • Schedule 5 - Summary Net Budget Requirement • Schedule 6 - Total Funding and Provisional Council Tax
C	**Capital Programme 2016/17 to 2021/22** • Schedule 7 - Estimated Capital Resources • Schedule 8 - Proposed Capital Programme • Schedule 9 - Summary Capital Resource Statement
D	**Council Reserves Projections to 2021/22** • Schedule 10 - Usable Reserves Projections
E	**Budget Discipline and Saving Strategy**
F	**Statutory Report of the Chief Finance Officer**
G	**Glossary of Terms**

These budget proposals are based on detailed proposals that have been considered by the Executive over the course of the last few months. In particular the following reports of the Chief Finance Officer were considered at the Executive meeting of 19th December 2016. All of the detailed reports are available on the Council's website.

1. RD40/16 – Budget Update 2017/18 to 2021/22
2. RD41/16 – Capital Programme 2016/17 – 2021/22
3. RD42/16 – Draft Treasury Management Strategy Statement and Investment Strategy and Minimum Revenue Provision Strategy 2017/18

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 Chief Finance Officer 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
The Local Support for Council Tax Scheme ("The Council Tax Reduction Scheme" or CTRS) is required to be approved annually as part of the Budget Process. There are no intentions to make any changes to the reductions given to recipients of the discount scheme for 2017/18, proposals to make any revisions or replace the current scheme and as such the continuation of the current scheme is recommended.

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

Some of the main issues are:

- Government Finance Settlement - RSG and NNDR

- Welfare Reform Act
- Transformation
- Stock issue loan refinancing in 2020
- Future borrowing requirements

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

(i) The draft budget proposes an annual £5 increase per Band D in Council Tax for the City Council for 2017/18 (Parishes Precepts will be an additional charge in the parished rural areas).

(ii) 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	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Original MTFP recurring surplus/(deficit)	(465)	152	(363)	(137)	(247)
Changes to Funding - Increase in Council Tax to £5	38	72	105	136	163
Changes to Funding - Increase in TaxBase	63	66	67	69	71
Changes to Funding - Revenue Support Grant	(3)	(14)	0	0	0
Changes to Funding - Business Rates Baseline	3	11	63	0	0
Recurring budget reductions (Schedule 2)	900	890	934	931	926
Recurring Budget Increases (Schedule 3)	(851)	(1,182)	(1,504)	(1,210)	(1,108)
Contribution required (from) / to Reserves to fund Recurring Expenditure	**(315)**	**(5)**	**(698)**	**(211)**	**(195)**
Original MTFP non-recurring surplus/(deficit)	931	323	666	(391)	(391)
Non-Recurring budget reductions (Schedule 2)	(2)	201	225	1,041	515
Non-Recurring budget increases (Schedule 4)	(351)	(201)	(201)	(65)	0
Contribution required (from) / to Reserves to fund Non-Recurring Expenditure	**578**	**323**	**690**	**585**	**124**
Total contribution required (from) / to Reserves	**263**	**318**	**(8)**	**374**	**(71)**

(iii) The above table shows an overall contribution to reserves over the life of the MTFP with a small net call on reserves in 2019/20 and 2021/22 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 substantial 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 16th January 2017.**

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 **7nd February 2017.**

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 Chief Finance Officer at the above address.

SECTION B - REVENUE BUDGET 2016/17 to 2021/22

1. REVISED REVENUE BUDGET 2016/17

1.1 The Executive recommends that the Council's revised net budget for 2016/17 be approved totalling £13.784m compared to the original budget of £13.091m. The increase of £0.693million can be summarised as follows:

Detail:	£000	£000
Original Net Budget		13,091
Carry Forward Requests from 2015/16 (See note 1.2)		528
		13,619
Non-Recurring Expenditure:		
IT Renewals Reserve	48	
Leisure Reserve	17	
Economic Investment Reserve	13	
Cremator Reserve	(42)	
Energy Efficiency Advice Reserve	42	
Carry Forward Reserve	87	
Total Changes		**165**
Revised Net Budget		**13,784**

1.2 The increased budget for 2016/17 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 2016/17 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 2017/18 to 2021/22

2.1 **Existing Net Budgets**

The Executive recommends that the net budgets for 2017/18 to 2021/22 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	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
City Council					
- Recurring (schedule 5)	11,665	10,925	11,351	11,421	11,788
- Non-Recurring (Sch. 5 note 2)	(931)	(323)	(666)	391	391
Parish Precepts	544	504	517	530	543
Total	**11,278**	**11,106**	**11,202**	**12,342**	**12,722**

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	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Expenditure Reductions/Increased Income:						
Inflation	1	(104)	(104)	(104)	(104)	(104)
Base Budget Review	2	(403)	(403)	(403)	(403)	(403)
MRP Review	3	(363)	(353)	(397)	(394)	(389)
Community Infrastructure Levy	4	0	0	(30)	0	0
Carlisle South	5	(50)	(50)	(50)	(50)	0
New Homes Bonus	6	187	(151)	(145)	(991)	(515)
Savings Achieved in Advance	7	(135)	0	0	0	0
Homelife Fee Income	8	(30)	(30)	(30)	(30)	(30)
Total Expenditure Reductions/Increased Income		**(898)**	**(1,091)**	**(1,159)**	**(1,972)**	**(1,441)**
TOTAL BUDGET REDUCTION PROPOSALS		**(898)**	**(1,091)**	**(1,159)**	**(1,972)**	**(1,441)**
Split:						
Recurring		(900)	(890)	(934)	(931)	(926)
Non-Recurring		2	(201)	(225)	(1,041)	(515)

Note 1: The MTFP assumes inflation on general expenditure of 2.0% and 3.0% for income. The current level of CPI (consumer price inflation) as at September 2016 is 0% and the Bank of England target for inflation is 2%. Pay Awards are forecast to be 1% for four years (as announced in the Budget 2016). The cash amount included in the MTFP for inflation has been reduced significantly given reducing levels of expenditure and lower forecasts for inflation.

Note 2: A review of base budgets has been undertaken to identify areas where budgets have been under spent historically and where savings can be made by reducing to a realistic and achievable level

Note 3: The Council has undertaken a review of its MRP policy and the amounts charged as MRP since 2003/04. It has been identified that an MRP holiday could be taken due to over provision in previous years and also a reduced MRP charge in future years by charging MRP at 3% straight line rather than 4% reducing balance.

Note 4: The set up costs of the Community Infrastructure Levy (included in Schedule 4) can be recovered once the CIL is established.

Note 5: The Carlisle South master plan and Southern Relief Road feasibility included as a pressure in Schedule 4 are expected to be match funded from a bid to the Garden Cities Fund.

Note 6: New Homes Bonus allocations adjusted for the Local Government Finance Settlement announced in December 2016.

Note 7: Overachieved savings from 2016/17 mean that the savings still to be found for 2017/18 will be slightly lower than anticipated.

Note 8: Income to be received from administration fees in delivering increased DFG funding grants in connection with the Homelife team.

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	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Treasury Management	1	136	154	378	128	26
Salary Turnover	2	119	119	119	119	119
Pension Fund Revaluation	3	23	210	231	231	231
Civic Centre Income	4	158	158	158	158	158
Homelife	5	75	75	75	75	75
Car Parking	6	96	96	96	96	96
Clean Up Carlisle	7	91	91	91	91	91
Funding Officer	8	31	31	31	31	31
Economic Regeneration Team	9	24	24	24	24	24
Enterprise Centre Income	10	47	47	47	47	47
IT Strategy & Budget Pressures	11	51	177	254	210	210
Total Recurring Budget Pressures		**851**	**1,182**	**1,504**	**1,210**	**1,108**

Note 1: The Treasury Management projections have been updated to take account of the revised capital programme, including changes to funding. The projections have also taken into account the latest projections for interest rates, including the long term investment in the property fund and re-financing of the stock issue in 2020. Treasury Projections will be recalculated as decisions made during the budget process with regard to contributions to and from reserves impact the level of cash forecasts.

Note 2: Salary Turnover savings target of £412,000 represents 3.5% of staffing costs. Salary Turnover levels have historically been set at 2.5%. With reductions in staffing numbers and VR/ER initiatives, this pressure reduces the target to a realistic level of 2.5%

Note 3: The triennial revaluation of the Pension Fund will increase current contribution rate by 2% and increases the pension contributions payable by the Council from April 2017. The Council will make a payment in advance for total deficit funding required for the three-year revaluation period in April 2017 and this will realise a saving compared to payments being made annually.

Note 4: This pressure reflects the loss of income from the County Council and other tenants vacating the Civic Centre unless other tenants are found the shortfall will become a recurring pressure.

Note 5: This pressure reflects the gross costs of the core staffing team required to provide and continue the Homelife scheme.

Note 6: There is an expectation that income will not achieve the MTFP projections by £60,000 and additional costs in relation to Business Rates on Council owned car parks will increase by £36,000.

Note 7: This pressure reflects the costs required to continue the Clean Up Carlisle initiative.

Note 8: This represents the cost of appointing a Funding Officer to identify sources of potential external funding in order to increase the sources of grants that can be utilised. This can be funded from the recurring savings on inflation.

Note 9: This represents the additional costs of appointing to the economic regeneration team to increase capacity for regeneration projects and initiatives. This can be funded from the recurring savings on inflation.

Note 10: The enterprise centre has not achieved the budgeted level of income for the past couple of years and this pressure will reduce the budget to a more achievable level.

Note 11: There have been some increased costs associated with the delivery of a robust and sustainable IT strategy as well as additional budget pressures from increased Microsoft Licence costs from 2018/19 and maintenance costs for the IT Computer room.

Schedule 4 – Non-Recurring Budget Increases

Non-Recurring Budget Pressures/Savings	Note	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Lanes Income	1	140	0	0	0	0
Community Infrastructure Levy	2	30	0	0	0	0
Carlisle South Masterplan/Southern Relief Road	3	115	135	135	65	0
Homelessness Grant	4	66	66	66	0	0
Total Non-Recurring Budget Pressures		**351**	**201**	**201**	**65**	**0**

Note 1: This pressure reflects expected levels of income from the Lanes for 2017/18 only. Estimates are that from 2018/19 the levels of income should return to the current budgeted projections.

Note 2: This pressure is to establish the Community Infrastructure Levy (CIL) arrangements for future development activity within the City. There is an expectation that this initial cost can be recovered once CIL's are in place.

Note 3: This pressure is to commit to funding studies into realising development opportunities in Carlisle South including planning for a Southern Relief Road. Further reports and a Business Case to the Executive will be required before this funding is released.

Note 4: The Local Government Finance Settlement announced in December 2016 confirmed that the Homelessness Grant is now subsumed within Revenue Support Grant.

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 2017/18, with projections to 2021/22, be approved as set out in **Schedule 5** below:

Schedule 5 – Summary Net Budget Requirement for Council Tax Purposes

2016/17 Revised £000	Summary Net Budget Requirement	2017/18 Budget £000	2018/19 Proj £000	2019/20 Proj £000	2020/21 Proj £000	2021/22 Proj £000
	Recurring Revenue Expenditure					
	Existing Expenditure (Schedule 1)	11,665	10,925	11,351	11,421	11,788
	Budget Reductions (Schedule 2)	(900)	(890)	(934)	(931)	(926)
	New Spending Pressures (Schedule 3)	851	1,182	1,504	1,210	1,108
12,919	**Total Recurring Expenditure**	**11,616**	**11,217**	**11,921**	**11,700**	**11,970**
	Non Recurring Revenue Expenditure					
463	Existing Commitments (Schedule 1)	(987)	(333)	(666)	391	391
528	Carry Forward	56	10	0	0	0
(830)	Budget Reductions (Schedule 2)	2	(201)	(225)	(1,041)	(515)
539	Spending Pressures (Schedule 4)	351	201	201	65	0
13,619	**Total Revenue Expenditure**	**11,038**	**10,894**	**11,231**	**11,115**	**11,846**
	Less Contributions (from)/to Reserves:					
(1,241)	Recurring Commitments (Note 1) Sub Total	**(315)**	**(5)**	**(698)**	**(211)**	**(195)**
	Non Recurring Commitments					
(172)	- Existing Commitments (Note 2)	931	323	666	(391)	(391)
(528)	- New Commitments	(353)	0	24	976	515
(700)	Sub Total	**578**	**323**	**690**	**585**	**124**
11,678	**Total City Council Budget requirement**	**11,301**	**11,212**	**11,223**	**11,489**	**11,775**
557	Parish Precepts	544	504	517	530	543
12,235	**Projected Net Budget Requirement for Council Tax purposes**	**11,845**	**11,716**	**11,740**	**12,019**	**12,318**

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	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Sexual Assault Referral Service Grant	20	0	0	0	0
Carry Forwards from 2014/15	13	0	0	0	0
Homelessness	66	66	66	0	0
Asset Review Income	(277)	0	0	0	0
New Homes Bonus	(743)	(333)	(666)	391	391
Homelessness Grant	(66)	(66)	(66)	0	0
Total	**(987)**	**(333)**	**(666)**	**391**	**391**

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 2017/18 per Band D property. The detail of this is set out in **Schedule 6** below and the impact per Council Tax Band is as follows:

	2016/17 Council Tax £	Proposed Annual Increase £	2017/18 Council Tax £	Weekly Increase
Band A	131.47	3.33	134.80	6 pence
Band B	153.38	3.89	157.27	7 pence
Band C	175.29	4.44	179.73	9 pence
Band D	197.20	5.00	202.20	10 pence
Band E	241.02	6.11	247.13	12 pence
Band F	284.84	7.22	292.07	14 pence
Band G	328.67	8.33	337.00	16 pence
Band H	394.40	10.00	404.40	19 pence

Schedule 6 – Total Funding and Provisional Council Tax Projections

2016/17	Total Funding and Council Tax Impact	2017/18	2018/19	2019/20	2020/21	2021/22
32,138.68	Estimated TaxBase	32,544.08	32,634.88	32,725.93	32,817.23	32,908.79
£000		**£000**	**£000**	**£000**	**£000**	**£000**
	Projected Net Budget Requirement for Council Tax Purposes (Schedule 5)					
11,678	- City	11,301	11,212	11,223	11,489	11,775
557	- Parishes	544	504	517	530	543
12,235	**Total**	**11,845**	**11,716**	**11,740**	**12,019**	**12,318**
	Funded by:					
(6,338)	- Council Tax Income	(6,580)	(6,762)	(6,944)	(7,128)	(7,312)
(1,535)	- Revenue Support Grant	(856)	(435)	0	0	0
(3,052)	- Retained Business Rates	(3,115)	(3,215)	(3,329)	(3,411)	(3,513)
(660)	- Business Rate Growth/Pooling	(700)	(750)	(900)	(900)	(900)
(93)	- Estimated Council Tax Surplus	(50)	(50)	(50)	(50)	(50)
(54)	- Parish CTRS Grant	(30)	(14)	0	0	0
(503)	- Parish Precepts	(514)	(490)	(517)	(530)	(543)
(12,235)	**TOTAL**	**(11,845)**	**(11,716)**	**(11,740)**	**(12,019)**	**(12,318)**
	City Council Tax					
£ 197.20	Band D Council Tax	£ 202.20	£ 207.20	£ 212.20	£ 217.20	£ 222.20
	Increase over Previous year:					
£3.77	£	£ 5.00	£ 5.00	£ 5.00	£ 5.00	£ 5.00
1.95%	%	2.54%	2.47%	2.41%	2.36%	2.30%

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

- Final confirmation of the 2017/18 year settlement figures will be received in January 2017.
- The Council Tax Surplus and Taxbase are currently estimated and final figures will be available in the January 2017.
- The Council is continuing to participate in the Cumbria Business Rates Pool with the other Councils within Cumbria in order to manage Business Rates.
- The projections of Council Tax for 2017/18 onwards are indicative only and exclude final confirmation of parish precepts.

SECTION C - CAPITAL PROGRAMME 2016/17 TO 2021/22

1. **REVISED CAPITAL BUDGET 2016/17**

1.1 The Executive recommends that the revised 2016/17 Capital Programme be approved at £10.515m compared to the original budget of £4.595m as set out in the report of the Chief Finance Officer. The increase of £5.920m is due to new grant funded schemes and re-profiling from 2015/16.

2. **CAPITAL BUDGET 2017/18 TO 2021/22**

2.1 The Executive recommends that the estimated Capital Resources available and proposed Capital Programme for 2017/18 to 2021/22 be approved to be financed and allocated as detailed in **Schedule 7 and 8** below:

Schedule 7 – Estimated Capital Resources

Estimated Resources	Note	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Capital Grants:						
- DFG	1	(1,467)	(1,467)	(1,467)	(1,467)	(1,467)
- External Borrowing	2	0	(5,000)	0	0	0
Capital Receipts						
- Generated in Year (PRTB)	3	(150)	0	0	0	0
- Generated in year (Asset Business Plan)	4	(1,694)	(500)	0	0	0
Direct Revenue Financing	5	(770)	(908)	(978)	(976)	(884)
TOTAL		**(4,081)**	**(7,875)**	**(2,445)**	**(2,443)**	**(2,351)**

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 2016/17 levels

Note 2: Estimated Borrowing required to fund Leisure Facilities.

Note 3: The Preserved Right to Buy (PRTB) sharing arrangement with Riverside Group is for a fifteen year period with the Council being entitled to a pre-agreed reducing percentage of the receipts. Right to Buy sales are predicted to be in line with the original projections.

Note 4: Receipts from the sale of assets in line with the Asset Business Plan refresh.

Note 5: Direct revenue financing with contributions being made from the revenue budget or other earmarked reserves.

Schedule 8 – Proposed Capital Programme

Capital Scheme		Note	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Current Commitments:							
Disabled Facilities Grants			1,467	1,467	1,467	1,467	1,467
Planned Enhancements to Council Property	A	1	150	150	150	150	150
Vehicles & Plant	A	2	1,440	721	861	629	1,531
IT Equipment	A	3	100	100	0	0	0
Leisure Facilities	A	4	0	5,000	0	0	0
Play Areas - Green Gyms	A	5	25	25	0	0	0
TOTAL POTENTIAL PROGRAMME			**3,182**	**7,463**	**2,478**	**2,246**	**3,148**

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 2018/19 to reflect the timeline in relation to the new contract start date. The tender for the Leisure operator in underway and external advisors are preparing Facilities Development Plans which will include updated and revised timescales and costings, including potential external contributions, for the new Leisure Facilities.

Note 5: To provide outdoor gym equipment at Bitts Park and Hammonds Pond.

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	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Estimated Resources 31 March 2017	1,861				
In Year Impact:					
- Estimated resources available in year (Schedule 7)	(4,081)	(7,875)	(2,445)	(2,443)	(2,351)
- Proposed Programme (Schedule 8)	3,182	7,463	2,478	2,246	3,148
- Capital Resources (Surplus) / Deficit	**962**	**550**	**583**	**386**	**1,183**

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 2016 £000	Projected 31 March 2017 £000	Projected 31 March 2018 £000	Projected 31 March 2019 £000	Projected 31 March 2020 £000	Projected 31 March 2021 £000	Projected 31 March 2022 £000
Revenue Reserves							
General Fund Reserve	(2,000)	(1,570)	(1,833)	(2,000)	(2,000)	(2,000)	(2,000)
Projects Reserve	(1,511)	0	0	(151)	(143)	(517)	(446)
	(3,511)	**(1,570)**	**(1,833)**	**(2,151)**	**(2,143)**	**(2,517)**	**(2,446)**
Carry Forward Reserve	(1,078)	(991)	(991)	(991)	(991)	(991)	(991)
Flood Reserve	(500)	0	0	0	0	0	0
Conservation Reserve	(117)	0	0	0	0	0	0
Transformation Reserve	(348)	0	0	0	0	0	0
EEAC Reserve	(43)	0	0	0	0	0	0
Building Control Reserve	(137)	(137)	(137)	(137)	(137)	(137)	(137)
Cremator Reserve	(479)	(521)	(521)	(521)	(521)	(521)	(521)
Leisure Reserve	(118)	(101)	0	0	0	0	0
Economic Investment Reserve	(108)	(95)	0	0	0	0	0
Car Parking Reserve	(113)	(113)	0	0	0	0	0
City Centre Reserve	(42)	(42)	(42)	(42)	(42)	(42)	(42)
Welfare Reform Reserve	(200)	(200)	(200)	(200)	(200)	(200)	(200)
Repairs & Renewals Reserve	(502)	0	0	0	0	0	0
Business Rates Volatility Reserve	(110)	(110)	(110)	(110)	(110)	(110)	(110)
Total Revenue Reserves	**(7,406)**	**(3,880)**	**(3,834)**	**(4,152)**	**(4,144)**	**(4,518)**	**(4,447)**
Capital Reserves							
Usable Capital Receipts	0	0	0	0	0	0	0
Asset Disposal Reserve	0	0	0	0	0	0	0
Unapplied capital grant	(191)	(118)	(118)	(118)	(118)	(118)	(118)
Asset Investment Reserve	(48)	(48)	(48)	(48)	(48)	(48)	(48)
CLL Reserve (i)	(522)	(522)	(522)	(522)	(522)	(522)	(522)
Lanes Capital Reserve	(15)	(30)	(45)	(60)	(75)	(90)	(105)
Total Capital Reserves	**(776)**	**(718)**	**(733)**	**(748)**	**(763)**	**(778)**	**(793)**
Total Usable Reserves	**(8,182)**	**(4,598)**	**(4,567)**	**(4,900)**	**(4,907)**	**(5,296)**	**(5,240)**
Other Technical Reserves (ii)	(103,725)						
Collection Fund (Carlisle Share only)	227						
Total All Reserves	**(111,680)**						

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

SECTION E - PROPOSED BUDGET DISCIPLINE AND SAVING STRATEGY

1. The Council has adopted a 5-year financial strategy as set out in its Medium Term Financial Plan to assist in the integration of financial planning with the priorities set out in the Carlisle Plan. The current medium term financial projections point to a shortfall in the Council's budgets, which will require savings to be identified. In addition, the scope for the Council to continue support for initiatives in future years and to redirect resources to priority areas will be dependent on the extent to which the Council is successful in realising savings and redirecting resources. The requirement to identify savings or raise additional income in future years is a continuing and increasing pressure facing the Council.

2. The savings outlined in this document are necessary to ensure that the Council continues to meet the challenges of reductions in RSG (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 2017/18 budget.

3. The savings strategy will continue to concentrate on the following areas to deliver the savings required to produce a balanced longer term budget, however the exact work programme will be dependant on progress with the Transformation programme.

    - Asset 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, 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 CHIEF FINANCE 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 (Chief Finance Officer) 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 £3.475million between 2016/17 and 2018/19, 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. This will ensure that a balanced budget is produced and where Council reserves are replenished over the longer term.

   - The level of interest receipts and return on Treasury Management activities are subject to market rates. Members are advised of this risk every year and it should be noted that in the current economic climate with low base rates, investment income returns in the medium term are very difficult to predict. The Council is also having to deal with a reduced number of counterparties it is able to place deposits with.

     The main risks to the robustness of the estimates are the impact of the proposed reductions in central government grant and how the 100% retention of business rates will be phased in. Once the Local Government Finance Settlement is finalised in January 2017, these risks may become clearer and may be incorporated into the final budget proposals if appropriate.

Minimal use of reserves will be necessary to fund this budget over the five-year period; however the proposals put in place continue to maintain reserve levels at an acceptable level in the following 5 years.

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 an external borrowing requirement in 2018/19 to fund new leisure facilities which is an invest to save initiative. However, no capital reserves are available to fund new capital projects other than invest to save initiatives funded from revenue reserves.

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

3. Adequacy of Reserves

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

The appropriateness of the level of reserves can only be judged in the context of the Council's longer term plans and an exercise has been undertaken to review the level of reserves through the use of a risk assessment matrix. The findings of this exercise suggested that the minimum level should be set at £2.0m 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 2017/18 budget pressures in setting the 2017/18 budget and principles to be adopted when preparing the 2018/19 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 100% 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.

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 2017/18 to 2021/22 may require the use of Prudential Borrowing (including internal borrowing) to sustain levels depending on the levels of capital receipts that can be generated in the future. If borrowing is required, full option appraisals will be carried out.

SECTION G – GLOSSARY OF TERMS

BUDGET

- **GROSS** – the total cost of providing the council's services before taking into account income from service related government grants and fees and charges for services.

- **NET** – the Council's gross budget less specific government grants and fees and charges, but before deduction of RSG and other funding from reserves.

- **ORIGINAL BUDGET** – the budget for a financial year approved by the council before the start of the financial year.

- **REVISED BUDGET** – an updated revision of the budget for a financial year.

- **NET BUDGET REQUIREMENT FOR COUNCIL TAX PURPOSES** – the estimated revenue expenditure on general fund services that needs to be financed from the Council Tax after deducting income from fees and charges, certain specific grants and any funding from reserves.

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

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

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.

CARLISLE CITY COUNCIL

www.carlisle.gov.uk

# Resources Overview and Scrutiny Panel	Agenda Item: **A.3(3) (a)**

Meeting Date:	5 January 2017
Portfolio:	Finance, Governance and Resources
Key Decision:	Yes: Recorded in the Notice Ref: KD21/16
Within Policy and Budget Framework	YES
Public / Private	Public

Title:	BUDGET UPDATE – REVENUE ESTIMATES 2017/18 TO 2021/22
Report of:	CHIEF FINANCE OFFICER
Report Number:	RD40/16

Purpose / Summary:

This report provides a draft summary of the Council's revised revenue base estimates for 2016/17, together with base estimates for 2017/18 and updated projections to 2021/22. 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.

Recommendations:

Members of the Resources Overview and Scrutiny Panel are asked to note the report and make comments on the proposed budgetary position are asked to note and comment on the overall budgetary position for 2017/18 to 2021/22.

Tracking

Executive:	**19 December 2016**
Overview and Scrutiny:	**ROSP 05/01/17**
Council:	

CARLISLE CITY COUNCIL
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# Report to Executive	Agenda Item:

Meeting Date:	19 December 2016
Portfolio:	Finance, Governance and Resources
Key Decision:	Yes: Recorded in the Notice Ref: KD21/16
Within Policy and Budget Framework	YES
Public / Private	Public

Title:	BUDGET UPDATE – REVENUE ESTIMATES 2017/18 TO 2021/22
Report of:	CHIEF FINANCE OFFICER
Report Number:	RD40/16

Purpose / Summary:

This report provides an update to RD35/16 together with a summary of the Council's revised revenue base estimates for 2016/17, together with base estimates for 2017/18 and forecasts up to 2021/22 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 2016/17 and base estimates for 2017/18;

(ii) note that the RSG estimates in the report are draft (although are based on the acceptance of the 4-yearly Local Government Finance settlement) and will be subject to the confirmation December 2016;

(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 2017/18 budget process;

(v) Note the Statutory Report of the Chief Finance 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.

Tracking

Executive:	**19 December 2016**
Overview and Scrutiny:	**ROSP 05/01/17**
Council:	

1. INTRODUCTION

1.1. This report considers the revised base estimates for 2016/17 together with the estimates for 2017/18 as previously outlined in report RD35/16. 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 13 September 2016:

- ♦ 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 currently unresolved. In particular the following are key to the budget process and details on these are considered further in the report:

- Government Finance Settlement - RSG and Business Rate Retention
- Welfare Reform Act
- Transformation
- Stock issue loan refinancing in 2020
- Future borrowing requirements

1.4. The report draws on information contained in a number of reports that are either considered elsewhere on this agenda of 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 2017.

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 2016/17 and 2017/18 with projections to 2021/22. The 2016/17 variance reflects the use of earmarked reserves approved since the MTFP was approved in September.

Table 1 – Base Budget Summary

	2016/17 Original £000	2016/17 Revised £000	2017/18 Original £000	2018/19 Proj £000	2019/20 Proj £000	2020/21 Proj £000	2021/22 Proj £000
Net Base Budget	13,062	13,227	10,734	10,602	10,685	11,812	12,179
Parish Precepts (PP)	557	557	544	504	517	530	543
Total	**13,619**	**13,784**	**11,278**	**11,106**	**11,202**	**12,342**	**12,722**
Original MTFP Projections	13,619	13,619	11,278	11,106	11,202	12,342	12,722
Variance	**0**	**165**	**0**	**0**	**0**	**0**	**0**
Analysis of Variance:							
Non-Recurring:							
IT Renewals Reserve		48					
Leisure Reserve		17					
Economic Inv Reserve		13					
Cremator Reserve		(42)					
Energy Efficiency Advice Reserve		42					
Carry Forward Reserve		87					
Total Variance	**0**	**165**	**0**	**0**	**0**	**0**	**0**

2.3. Members will be aware from the Charges Review reports considered elsewhere on this agenda that some income streams are either above or below projected levels in the current financial year. This will be kept under review as part of the budget monitoring process for 2016/17 with the position for 2017/18 onwards being considered as part of the budget process.

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
2016/17	1,241	172	528	0	1,941
2017/18	465	(987)	56	0	(466)
2018/19	(152)	(333)	10	0	(475)
2019/20	363	(666)	0	0	(303)
2020/21	137	391	0	0	528
2021/22	247	391	0	0	638

3.2 The revised estimates for 2016/17 will be recommended to Council as part of the budget process.

4. OUTSTANDING KEY ISSUES

4.1. Revenue Support Grant (RSG)

The figures incorporated into this report are based on the 2016/17 Local Government Finance Settlement confirmed by the Secretary of State in January 2016 and are based upon the acceptance of the offer of a four-year funding settlement. It is still unclear as to whether there may be any further changes to these figures but confirmation of the figures is expected in December 2016.

4.2. Retained Business Rates and Council Tax Reduction Scheme

The draft budget assumes that the Council will continue to be a member of the Cumbria Business Rates Pool for 2017/18 and that the Council Tax Reduction Scheme parameters will continue as outlined elsewhere on this agenda.

Further details on the Government announcement that Local Authorities will retain 100% of Business Rates from 2020 are still unknown although more details are slowly emerging. It is likely 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 2% or £5.

4.3. Welfare Reform Act

The Government has announced that there will be significant changes to the Welfare State as part of the current Parliament and this will involve radical changes to the way benefits are managed and distributed. There will be significant changes to the way Carlisle City Council manages benefits, with housing benefit absorbed into DWP Universal Credit arrangements (staggered between 2014 and 2017). Housing Benefit Admin Grant is therefore likely to reduce over the life of the MTFP.

4.4. **Transformation**

The current MTFP includes budgeted recurring savings of £3.475million for the transformation programme, to be found by 2018/19.

4.5. **Resource Assumptions**

Contributions from balances include all approvals to date, but make no assumptions on further contributions from balances to support the budget from 2017/18 onwards. The resources projections assume:

- A continued reduction in Government Grant allocation in 2017/18 onwards as a result of the acceptance of the four-year settlement.
- A 1.95% Council Tax increase for 2017/18 onwards.
- A Council Tax Surplus for 2017/18 onwards of £50,000. The actual figure for 2017/18 will be available in January.
- Retained business rates are assumed at the Baseline level with an additional £700,000 to be achieved through growth/section 31 grants and from the benefits of Pooling in 2017/18 rising to £900,000 in 2019/20.
- An draft taxbase of 32,544,08 for 2017/18. The final taxbase for 2017/18 will not be available until January.
- Parish Precepts are currently being collated but the estimate for 2017/18 is for a total of £544,000 (including approximately £24,000 in Government Grant for Council Tax reduction scheme.) 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		2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Recurring						
Treasury Management	5.2	136	154	378	128	26
Salary Turnover Savings	5.3	119	119	119	119	119
Pension Fund Revaluation	5.4	23	210	231	231	231
Civic Centre Income	5.5	158	158	158	158	158
Homelife	5.6	75	75	75	75	75
Car Parking	5.7	96	96	96	96	96
Clean Up Carlisle	5.8	91	91	91	91	91
Funding Officer	5.9	31	31	31	31	31
Economic Regeneration Team	5.10	24	24	24	24	24
Enterprise Centre Income	5.11	47	47	47	47	47
IT Strategy	5.12	51	177	254	210	210
Total Recurring Pressures		**851**	**1,182**	**1,504**	**1,210**	**1,108**
Non Recurring						
Lanes Income	5.13	140	0	0	0	0
Community Infrastructure Levy	5.14	30	0	0	0	0
Carlisle South Masterplan	5.15	115	135	135	65	0
Total Non Recurring Pressures		**285**	**135**	**135**	**65**	**0**

5.2 **Treasury Management**

The Treasury Management projections have been updated to take account of the revised capital programme, including changes to funding. The projections have also taken into account the latest projections for interest rates, including the long term investment in the property fund and re-financing of the stock issue in 2020. Treasury Projections will be recalculated as decisions made during the budget process with regard to contributions to and from reserves which impact on the level of cash forecasts.

5.3 **Salary Turnover Savings**

Salary Turnover savings target of £412,000 represents 3.5% of staffing costs. Salary Turnover levels have historically been set at 2.5%. With reductions in staffing numbers and VR/ER initiatives, this pressure reduces the target to a realistic level of 2.5%

5.4 **Pension Fund Revaluation**

The triennial revaluation of the Pension Fund will increase the cost of pension contributions payable by the Council from April 2017. Contributions will rise by 2%, however, a saving can be made by paying the three-yearly deficit funding upfront and this is factored into the net pressure shown above.

5.5 **Civic Centre Rental Income**
This pressure reflects the loss of income from the County Council and other tenants vacating the Civic Centre unless other tenants are found the shortfall will become a recurring pressure.

5.6 **Homelife**
This pressure reflects the gross costs of the core staffing team required to provide and continue the Homelife scheme.

5.7 **Car Parking**
There is an expectation that income will not achieve the MTFP projections by £60,000 and additional costs in relation to Business Rates on Council owned car parks will increase by £36,000.

5.8 **Clean Up Carlisle**
This pressure reflects the costs required to continue the Clean Up Carlisle initiative.

5.9 **Funding Officer**
This represents the cost of appointing a Funding Officer to identify sources of potential external funding in order to increase the sources of grants that can be utilised. This can be funded from the recurring savings on inflation as outlined below.

5.10 **Economic Regeneration Team**
This represents the additional costs of appointing to the economic regeneration team to increase capacity for regeneration projects and initiatives.   This can be funded from the recurring savings on inflation as outlined below

5.11 **Enterprise Centre Income**
The enterprise centre has not achieved the budgeted level of income for the past couple of years and this pressure will reduce the budget to a more achievable level

5.12 **IT Strategy**
There have been some increased costs associated with the delivery of a robust and sustainable IT strategy**.** Additional budget pressures from increased Microsoft Licence costs from 2018/19 and maintenance costs for the IT Computer room.

5.13 **Lanes Income**

This pressure reflects expected levels of income from the Lanes for 2017/18 only. Estimates are that from 2018/19 the levels of income should return to the current budgeted projections.

5.14 **Community Infrastructure Levy**

This pressure is to establish the Community Infrastructure Levy (CIL) arrangements for future development activity within the City. There is an expectation that this initial cost can be recovered once CIL's are in place and this is shown in the savings/additional income table below.

5.15 **Carlisle South Masterplan**

This pressure represents contributions to develop a masterplan for Carlisle South including feasibility studies into a southern relief road. This pressure is offset by additional grant funding anticipated to be received as part of a Garden City bid to government which is shown in the table below.

6. SAVINGS AND ADDITIONAL INCOME PROPOSALS

6.1 The current MTFP includes a savings requirement to be found by 2018/19 of £3.475million. This savings requirement takes no account of the pressures identified above or the additional savings identified below. 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 2017/18 to date.

Detail	Note	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Changes to Funding						
Council Tax - £5 increase	6.3	(38)	(72)	(105)	(136)	(163)
Council Tax - Tax Base	6.3	(63)	(66)	(67)	(69)	(71)
Total Changes to Funding		**(101)**	**(138)**	**(172)**	**(205)**	**(234)**
Savings Proposed						
Inflation	6.4	(104)	(104)	(104)	(104)	(104)
Base Budget Review	6.5	(403)	(403)	(403)	(403)	(403)
MRP Review	6.6	(363)	(353)	(397)	(394)	(389)
Carlisle South	6.7	(50)	(50)	(50)	(50)	0
Community Infrastructure Levy	6.8	0	0	(30)	0	0
Savings achieved in advance	6.9	(135)	0	0	0	0
New Homes Bonus	6.10	0	0	0	(498)	(563)
Homelife	6.11	(30)	(30)	(30)	(30)	(30)
Total of Savings		**(1,085)**	**(940)**	**(1,014)**	**(1,479)**	**(1,489)**
Total Recurring		**(900)**	**(890)**	**(934)**	**(931)**	**(926)**
Total Non-Recurring		**(185)**	**(50)**	**(80)**	**(548)**	**(563)**

6.3 **Council Tax**

The referendum limit for Council Tax increases is being proposed to include the ability for District Council's to increase by the greater of 2% or £5. This additional yield therefore represents the additional income that could be generated by increasing from current 1.95% Council Tax increases included in the MTFP to £5. It is likely that confirmation of this proposal to increase by £5 will be received as part of the Local Government Finance Settlement in late December 2016.

The draft tax base calculation has highlighted that the tax base will increase over previous estimates in the MTFP from 32,228.34 to £32,544.08 which will yield additional Council Tax.

6.4 **Inflation**

The MTFP assumes inflation on general expenditure of 2.0% and 3.0% for income. The cash amount included in the MTFP for inflation has been reduced significantly given reducing levels of expenditure and lower forecasts for inflation.

6.5 **Base Budget Review**

A review of recurrent under spends over the last three-years has identified some areas where recurring savings can be made from the base budget. These need further investigation with Directors and Service Managers in order to determine the actual savings to be achieved.

6.6 **Minimum Revenue Provision (MRP)**

A review of the Council's MRP charges and policy has been undertaken by Capita, the Council's treasury management advisors and has identified the potential for savings to be made in order to counteract the over-provision of MRP charges in previous years. Final details are still to be confirmed as to how these savings can be best achieved and discussions are also being held with the Council's external auditors. The amounts shown above represent amounts of MRP that have been overpaid in previous years in relation to Assets Under Construction and additional Voluntary MRP that was charged between 2003/04 and 2007/08 which can now be utilised to reduce the amounts payable going forward. This accounts for £226,000 per year for five years.

Also included in the saving is the proposal to adjust the MRP policy for amounts chargeable into the future. The current policy is to charge 4% on a reducing balance basis of the Capital Financing Requirement. The statutory guidelines for MRP are that a prudent amount must be charged each year in respect of debt repayment. One of the problems identified with a reducing balance method of charge is that the debt never gets fully repaid. Capita suggest switching to a charge based on a 2% or 3% straight line method. A 3% charge would assume that any debt liability is assumed to be matched to an average asset life of 33 years, which given the Council's asset portfolio is not unrealistic given it has a mix of short life assets, e.g. vehicles with 5-8 year lives and long life assets, e.g. land and buildings with a typical life of 50 years plus. Switching to a 3% Straight Line charge therefore reduces the MRP charge in the earlier years, but increases the MRP charge in later years as the debt liability moves closer to being repaid. The balance of the saving included in the budget represents the switch from a 4% reducing balance method to a 3% straight line method which is seen to be a more accurate reflection of repaying debt liabilities and matched more closely to the assets acquired.

6.7 **Carlisle South**

This represents the funding anticipated to be received to undertaken studies into development of Carlisle South and Southern Relief Road and is from the Garden City application made by the Council.

6.8 **Community Infrastructure Levy**

This represents the expectation that costs in setting up the Community Infrastructure Levy will be recouped from fees on developers once established.

6.9 **Savings achieved in advance**

Savings targets for 2015/16 and 2016/17 were overachieved therefore the amount required to be found for 2017/18 is reduced by this amount.

6.10 **New Homes Bonus**

The 2016/17 budget process assumed that New Homes Bonus would not continue beyond 2019/20. Further information has since suggested that New Homes Bonus may continue and this additional income shown here reflects the continuation of the allocations from 2016/17 on a four yearly cycle rather than the current six-yearly cycle. No provision is made for new allocations from 2019/20 and any awarded will be budgeted once known.

6.11 **Homelife**

This represents additional fee income that can be generated from administering the grants schemes under the DFG scheme and off sets the additional costs highlighted in 5.6.

7. PROJECTED IMPACT ON REVENUE BALANCES

7.1 It should be noted that if <u>all</u> of the potential new Savings and Spending Pressures were accepted then reserves are maintained at current minimum levels.

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 any 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 £2million.

Summarised Position	2016/17 Original £000	2016/17 Revised £000	2017/18 Original £000	2018/19 Proj £000	2019/20 Proj £000	2020/21 Proj £000	2021/22 Proj £000
Total Projected Expenditure	13,619	13,784	11,278	11,106	11,202	12,342	12,722
Total Projected Resources	(13,619)	(13,784)	(11,744)	(11,581)	(11,505)	(11,814)	(12,084)
Projected (Surplus) / Shortfall <u>excluding</u> savings and new spending	**0**	**0**	**(466)**	**(475)**	**(303)**	**528**	**638**
Less:							
New Saving Proposals							
- Recurring	0	0	(900)	(890)	(934)	(931)	(926)
- Non Recurring	0	0	(185)	(50)	(80)	(548)	(563)
- Funding - Tax base	0	0	(63)	(66)	(67)	(69)	(71)
- Funding - £5 increase	0	0	(38)	(72)	(105)	(136)	(163)
(See Para 6)							
Add:							
New Spending Pressures							
- Recurring	0	0	851	1,182	1,504	1,210	1,108
- Non Recurring	0	0	285	135	135	65	0
- Funding	0	0	0	0	0	0	0
(See Para 5)							
Potential Budget Shortfall	**0**	**0**	**(516)**	**(236)**	**150**	**119**	**23**
Potential Shortfall Analysis:							
- Recurring	0	0	315	2	761	211	195
- Non Recurring	0	0	(831)	(238)	(611)	(92)	(172)

Balance as at:	Projected Reserves £000	Recurring Revenue Requirement £000	Non Recurring Revenue Requirement £000	Transfer to Earmarked Reserve £000
31/03/2017	(1,570)	315	(831)	0
31/03/2018	(2,086)	2	(238)	0
31/03/2019	(2,322)	761	(611)	0
31/03/2020	(2,172)	211	(92)	0
31/03/2021	(2,053)	195	(172)	0
31/03/2022	(2,030)			0

8. SUMMARY FINANCIAL OUTLOOK AND BUDGET DISCIPLINE 2017/18 to 2021/22

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 In terms of expenditure pressures, the significant issue affecting the budget is the continuing falling levels of income being received by the Council.

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 CONSULTATION

9.1 The Resources Overview and Scrutiny Panel will consider this report on 5 January 2017, and their views fed back to the Executive on 18 January. Public consultation will take place between 19 December and 16 January and the budget resolution will then be issued by the Executive on 18 January.

10 RECOMMENDATIONS

The Executive is requested to:

(i) note the revised base estimates for 2016/17 and base estimates for 2017/18;

(ii) note that the estimates in the report are draft (although are based on the acceptance of the 4-yearly Local Government Finance settlement) and will be subject to the confirmation December 2016

(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 2017/18 budget process.

(v) Note the Statutory Report of the Chief Finance 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 attached to report: **Appendix A – Council Reserves**
Appendix B – Draft Statutory Report of Chief Finance Officer

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

- **None**

CORPORATE IMPLICATIONS/RISKS:

Chief Executive's – not applicable

Deputy Chief Executive's – not applicable

Economic Development – not applicable

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

Resources – contained within the body of the report

APPENDIX A

COUNCIL RESERVES

Analysis of Council Reserves	Outturn 31 March 2016 £000	Projected 31 March 2017 £000	Projected 31 March 2018 £000	Projected 31 March 2019 £000	Projected 31 March 2020 £000	Projected 31 March 2021 £000	Projected 31 March 2022 £000
Revenue Reserves							
General Fund Reserve	(2,000)	(1,570)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)
Projects Reserve	(1,511)	0	(86)	(322)	(172)	(53)	(30)
Carry Forward Reserve	(1,078)	0					
Flood Reserve	(500)	0					
Conservation Reserve	(117)	0					
Transformation Reserve	(348)	0					
EEAC Reserve	(43)	0					
Building Control Reserve	(137)	0					
Cremator Reserve	(479)	0					
Leisure Reserve	(118)	0					
Economic Investment Reserve	(108)	0					
Car Parking Reserve	(113)	0					
City Centre Reserve	(42)	0					
Welfare Reform Reserve	(200)	0					
Repairs & Renewals Reserve	(502)	0					
Business Rates Volatility Reserve	(110)	0					
Total Revenue Reserves	**(7,406)**	**(1,570)**	**(2,086)**	**(2,322)**	**(2,172)**	**(2,053)**	**(2,030)**
Capital Reserves							
Usable Capital Receipts	0	0	0	0	0	0	0
Asset Disposal Reserve	0	0	0	0	0	0	0
Unapplied capital grant	(191)	(191)	(191)	(191)	(191)	(191)	(191)
Asset Investment Reserve	(48)	(48)	(48)	(48)	(48)	(48)	(48)
CLL Reserve (i)	(522)	(522)	(522)	(522)	(522)	(522)	(522)
Lanes Capital Reserve	(15)	(30)	(45)	(60)	(75)	(90)	(105)
Total Capital Reserves	**(776)**	**(791)**	**(806)**	**(821)**	**(836)**	**(851)**	**(866)**
Total Usable Reserves	**(8,182)**	**(2,361)**	**(2,892)**	**(3,143)**	**(3,008)**	**(2,904)**	**(2,896)**
Other Technical Reserves (ii)	(103,725)						
Collection Fund (Carlisle Share only)	227						
Total All Reserves	**(111,680)**						

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

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

APPENDIX B

DRAFT STATUTORY REPORT OF CHIEF FINANCE 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 (Chief Finance Officer) 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 £3.475million between 2016/17 and 2018/19, 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. This will ensure that a balanced budget is produced and where Council reserves are replenished over the longer term.

   - The level of interest receipts and return on Treasury Management activities are subject to market rates. Members are advised of this risk every year and it should be noted that in the current economic climate with low base rates, investment income returns in the medium term are very difficult to predict. The Council is also having to deal with a reduced number of counterparties it is able to place deposits with.

     The main risks to the robustness of the estimates are the impact of the proposed reductions in central government grant and how the 100% retention of business rates will be phased in. Once the Local Government Finance Settlement is known in December 2016, these risks may become clearer and will be incorporated into the final budget proposals.

     Minimal use of reserves will be necessary to fund this budget; however the proposals put in place continue to maintain reserve levels at an acceptable level in the following 5 years.

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 an external borrowing requirement in 2018/19 to fund new leisure facilities which is an invest to save initiative. However, no capital reserves are available to fund new capital projects other than invest to save initiatives funded from revenue reserves.

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

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2. Adequacy of Reserves

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

The appropriateness of the level of reserves can only be judged in the context of the Council's longer term plans and an exercise has been undertaken to review the level of reserves through the use of a risk assessment matrix. The findings of this exercise suggested that the minimum level should be set at £2.0m 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 2017/18 budget pressures in setting the 2017/18 budget and principles to be adopted when preparing the 2018/19 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 100% 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 2017/18 to 2021/22 may require the use of Prudential

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

Resources Overview and Scrutiny Panel

Agenda Item:	A.3 (3) (b)

Meeting Date:	5 January 2017
Portfolio:	Finance, Governance and Resources
Key Decision:	Yes: Recorded in the Notice Ref:KD21/16
Within Policy and Budget Framework	YES
Public / Private	Public

Title:	REVISED CAPITAL PROGRAMME 2015/16 AND PROVISIONAL CAPITAL PROGRAMME 2017/18 TO 2021/22
Report of:	CHIEF FINANCE OFFICER
Report Number:	RD41/16

Purpose / Summary:

This report provides a draft summary of the Council's revised capital estimates for 2065/17 together with base estimates for 2017/18 and updated projections to 2021/22

Recommendations:

Members of the Resources Overview and Scrutiny Panel are asked to note the report and make comments on the proposed capital position are asked to note and comment on the overall budgetary position for 2017/18 to 2021/22

Tracking

Executive:	**19 December 2016**
Overview and Scrutiny:	**ROSP 05/01/17**
Council:	

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Report to Executive	Agenda Item:

Meeting Date:	19 December 2016
Portfolio:	Finance, Governance and Resources
Key Decision:	Yes: Recorded in the Notice Ref: KD21/16
Within Policy and Budget Framework	YES
Public / Private	Public

Title:	REVISED CAPITAL PROGRAMME 2016/17 AND PROVISIONAL CAPITAL PROGRAMME 2017/18 TO 2021/22
Report of:	CHIEF FINANCE OFFICER
Report Number:	RD41/16

Purpose / Summary:
The report provides an update to RD36/16 and sets out the proposed capital programme for 2017/18 to 2021/22 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 2016/17as set out in Appendices A and B;
(ii) Give consideration and views on the proposed capital spending for 2017/18 to 2021/22 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:	**19 December 2016**
Overview and Scrutiny:	**ROSP 5 January 2017**
Council:	**7 February 2017(Budget Resolution)**

1. BACKGROUND

1.1 This report details the revised capital programme for 2016/17 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 2017/18 to 2021/22, 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 13 September 2016:

- Capital Strategy 2017-18 to 2021-22 (Report RD17/16)
- Asset Management Plan (Report GD50/16)

1.4 A Corporate Programme Board of senior officers 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 5.2)
- Capital Grants 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 Strategy, the Chief Finance Officer 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 £65,000. This is made up of £25,000 for the cost of the interest payable (2.50% of £1m equates to £45,000) and a principal repayment provision of 4% of the outstanding sum (4% of £1m equates to £40,000).

3. REVISED CAPITAL PROGRAMME 2016/17

3.1 The capital programme for 2016/17 totalling £10,018,800 was approved by Council on 19 July 2016 as detailed in the 2015/16 out-turn report (RD07/16).

3.2 The revised capital programme for 2016/17 now totals £10,515,000 as detailed in **Appendix A.**

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 2016/17 is shown below:

Summary Programme	£	Appx
2016/17 Original Capital Programme	10,018,800	**A**
Other adjustments	421,200	
Increase capital programme for John Street	75,000	
Revised Capital Programme (Sept 2016)	**10,515,000**	**A**
Estimated Capital Resources available	(8,654,280)	**B**
Projected (Surplus)/Shortfall capital resources	**1,860,720**	

3.5 Executive are asked to note an increase of £75,000 for upper floor refurbishment work at John Street. The ground floor reinstatement work as a result of flood damage are covered under the Council’s insurance. The work for the upper floor is required to ensure when the building is reopened, the whole building is available for occupation.

Funding for these works will be provided from the Flood Reserve on completion of an Officer Decision Notice by the Chief Finance Officer.

3.6 The progress to date of each scheme in the current financial year has been identified in the Quarterly Budget Monitoring report (RD33/16). That report also highlightedan underspendof £486,234against the profiled annual budget.

4. CAPITAL SPENDING PROPOSALS 2017/18 TO 2021/22

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

Capital Scheme	App/ Para	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Current Commitments:						
Vehicles & Plant	4.2	1,114	383	265	0	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	100	100	0	0	0
Leisure Facilities	4.6	0	5,000	0	0	0
Total Existing Commitments		**2,831**	**7,100**	**1,882**	**1,617**	**1,617**
New Spending Proposals:						
Vehicles & Plant	4.2	326	338	596	629	1,531
Green Gyms	4.7	25	25	0	0	0
Total New Proposals		**351**	**363**	**596**	**629**	**1,531**
TOTAL POTENTIAL PROGRAMME		**3,182**	**7,463**	**2,478**	**2,246**	**3,148**

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

4.3 The allocation for planned enhancements to council properties is retained at the current level of £150,000.

4.4 Disabled facilities grant allocation will not be known until January 2017, although it has been assumed for the purpose of this report that the grant will be protected at the 2016/17 level. This grant will be awarded via the County Council’s Better Care Fund.

4.5 The provision for ICT replacement is included at £100,000 from 2017/18 to 2018/19.

4.6 Capital expenditure for the enhancement work to Leisure Facilities is profiled for 2018/19 to reflect the timeline in relation to the new contract start date. The tender for the Leisure operator in underway and external advisors are preparing Facilities Development Plans which will include updated and revised timescales and costings, including potential external contributions, for the new Leisure Facilities.

4.7 To install outdoor gym equipment in two green spaces across Carlisle.

5. POTENTIAL CAPITAL RESOURCES AVAILABLE

5.1 The table below sets out the estimated revised resources available to finance the capital programme for 2017/18 to 2021/22 based on the announcements by Government in the spending review.

Source of Funding	Para	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Capital Grants & Contributions:						
• Disabled Facilities Grant	5.3	(1,467)	(1,467)	(1,467)	(1,467)	(1,467)
External Borrowing	5.4	0	(5,000)	0	0	0
Capital Receipts:						
• Generated in year – Asset Business Plan	5.5	(1,694)	(500)	0	0	0
• Generated in year – PRTB	5.5	(150)	0	0	0	0
Direct Revenue Financing / Invest to Save	5.6	(770)	(908)	(978)	(976)	(884)
TOTAL		**(4,081)**	**(7,875)**	**(2,445)**	**(2,443)**	**(2,351)**

5.2 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. Further details on the Code can be found elsewhere on the agenda in the Treasury Management Report (RD42/16).

5.3 Disabled facilities grant allocation will not be known until January 2017, although it has been assumedfor the purpose of this report that the grant will be protected at the 2016/17level. 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.

5.4 External borrowing to fund Leisure facility enhancement work.

5.5 Capital receipts from the sale of fixed assets

Capital receipts from the sale of assets have been updated following approval of a revised Asset Management Plan by Council in September (Report GD50/16).

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

5.6 Revenue contributions in relation to invest to save schemes.

6 SUMMARY PROVISIONAL CAPITAL PROGRAMME 2017/18 TO 2021/22

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

	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Estimated in year Resources available (para 5.1)	(4,081)	(7,875)	(2,445)	(2,443)	(2,351)
Proposed Programme (para 4.1)	3,182	7,463	2,478	2,246	3,148
Projected (Surplus)/Deficit	**(899)**	**(412)**	**33**	**(197)**	**797**
Cumulative B/Fwd Balance	**1,861**	**962**	**550**	**583**	**386**
Cumulative year end Position					
• Capital (Surplus) / Deficit	**962**	**550**	**583**	**386**	**1,183**

The table above shows there is an additional borrowing requirement from 2017/18. 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:

- Fundamental review of current capital programme;
- No new major one-off schemes unless fully funded from grants or external funding;
- Providing an increased recurring revenue contribution to the capital programme;

- Invest to save schemes that can repay the capital investment over a period of time.

There is also an assumption that the Rethinking Waste project will realise efficiency savings that will allow the revenue budget to contribute to the cost of replacement refuse vehicles.

7 CONSULTATION

7.1 The Resources, Environment and Economy and Community Overview and Scrutiny Panels have considered the requests 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.

8 CONCLUSION AND REASONS FOR RECOMMENDATIONS

The Executive is asked to:

(i) Note the revised capital programme and relevant financing for 2016/17 as set out in Appendices A and B;

(ii) Give consideration and views on the proposed capital spending for 2017/18 to 2021/22 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.

9 CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

9.1 The capitalprogramme 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 (Access to Information) Act 1985 the report has been prepared in part from the following papers:

- **None**

CORPORATE IMPLICATIONS/RISKS:

Chief Executive's –not applicable

Deputy Chief Executive's – not applicable

Economic Development – not applicable

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

Resources –Contained within the report

REVISED CAPITAL PROGRAMME 2016/17 **APPENDIX A**

Scheme	Original Capital Programme 2016/17 £	Other Adjustments £	Revised Capital Programme 2016/17 £
Public Realm (S106)	62,100	0	62,100
Castle Way (S106)	329,700	0	329,700
Arts Centre	47,900	0	47,900
Old Town Hall Phase 2	88,100	0	88,100
Harraby School and Community Campus contribution	500,000	0	500,000
Planned Enhancements to Council Property	252,400	0	252,400
Vehicles, Plant & Equipment	856,400	1,241,100	2,097,500
ICT Infrastructure	44,900	0	44,900
Private Sector Grants	1,467,300	0	1,467,300
Public Realm Improvements	261,300	0	261,300
Play Area Developments & Open Spaces	1,500	230,400	231,900
Kingstown Industrial Estate	9,800	0	9,800
Bitts Park Improvements	212,500	0	212,500
Revenues & Benefits ICT Upgrades	45,200	0	45,200
Crindledyke Cycleway	281,000	0	281,000
Tennis Facilities	497,000	0	497,000
Closed Circuit Cycle Track Development	650,000	0	650,000
Durranhill Industrial Estate	1,157,800	0	1,157,800
Asset Review	992,900	0	992,900
Minor Works Grants	0	73,300	73,300
Broadband Connection Vouchers	0	2,600	2,600
Market Hall Roof	0	460,000	460,000
IC All Risk Flood Replacement	0	94,800	94,800
SUB-TOTAL	**7,757,800**	**2,102,200**	**9,860,000**
Capital Reserves to be released			
ICT Infrastructure	200,000	0	200,000
Market Hall Roof	460,000	(460,000)	0
Vehicles, Plant & Equipment	1,221,000	(1,221,000)	0
Old Town Hall / Greenmarket	380,000	0	380,000
	2,261,000	**(1,681,000)**	**580,000**
Proposed Increase:			
John Street Improvements	0	75,000	75,000
REVISED TOTAL	**10,018,800**	**496,200**	**10,515,000**

APPENDIX B

REVISED CAPITAL PROGRAMME 2016/17 – PROPOSED FINANCING

Source of funding	2016/17 Original £	2016/17 Revised £	Notes
Capital Grants:			
• DFG	1,467,300	1,467,300	
• General	2,207,800	2,404,200	1
Capital Receipts:			
• B/fwd from previous year	(371,620)	(371,620)	
• PRTB receipts	150,000	150,000	2
• Generated in year (Asset Review)	2,000,000	2,000,000	
Capital Contributions			
• General	672,800	753,700	3
Use of Reserves/Internal Borrowing	0	75,000	4
Direct Revenue Financing	2,012,800	2,175,700	5
TOTAL FINANCE AVAILABLE	**8,139,080**	**8,654,280**	
TOTAL PROGRAMME (SEE APP A)	**10,018,800**	**10,515,000**	
PROJECTED (SURPLUS)/DEFICIT IN CAPITAL RESOURCES AVAILABLE	**1,879,720**	**1,860,720**	

Notes:

1. Capital grant include funding for Durranhill Industrial Estate (£1,157,800), Tennis Facilities (£400,000), Cycle Track Development (£650,000), Play Area Developments (£120,500), Minor Works Grants (£73,300) and Broadband Connection Vouchers (£2,600).
2. Revised projections from Riverside Group for 2016/17 will be provided in a future report to the Executive.
3. General receipts relate to Castle Way S106 (£329,700), Public Realm S106 (£62,100), Play Areas & Open Space Improvements (£80,900) and Crindledyke Cycleway (£281,000).
4. Use of Flood Reserve to fund John Street Refurbishment Improvements.
5. Changes to Direct Revenue Financing relate to Solar Panels (£3,400), Capital Enhancements to Council Property (£15,600), Vehicle Plant & Equipment (£20,100), Play Area Developments (£29,000) and All Risk Flood Replacement (£94,800).

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# Resources Overview and Scrutiny Panel	Agenda Item: A.3 (3) (c)

Meeting Date:	5 January 2017
Portfolio:	Finance, Governance and Resources
Key Decision:	Yes: Recorded in the Notice Ref:KD21/16
Within Policy and Budget Framework	YES
Public / Private	Public

Title:	TREASURY MANAGEMENT STRATEGY STATEMENT, INVESTMENT STRATEGY AND MINIMUM REVENUE PROVISION STRATEGY 2017/18
Report of:	CHIEF FINANCE OFFICER
Report Number:	RD42/16

Purpose / Summary:

This report sets out the Council's Treasury Management Strategy Statement for 2017/18, in accordance with the CIPFA Code of Practice on Treasury Management. The Investment Strategy and the Minimum Revenue Provision (MRP) Strategy for 2017/18 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 note and make comments on the proposed Treasury Management Strategy for 2017/18

Tracking

Executive:	**19 December 2016, 18 January 2017**
Overview and Scrutiny:	**7 January 2017**

CARLISLE CITY COUNCIL
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Report to Executive	Agenda Item:

Meeting Date: 19 December 2016
Portfolio: Finance, Governance and Resources
Key Decision: Yes: Recorded in the Notice Ref: KD21/16
Within Policy and Budget Framework YES
Public / Private Public

Title: DRAFT TREASURY MANAGEMENT STRATEGY STATEMENT, INVESTMENT STRATEGY AND MINIMUM REVENUE PROVISION STRATEGY 2017/18
Report of: CHIEF FINANCE OFFICER
Report Number: RD42/16

Purpose / Summary:

This report sets out the Council's Draft Treasury Management Strategy Statement for 2017/18, in accordance with the CIPFA Code of Practice on Treasury Management. The Draft Investment Strategy and the Draft Minimum Revenue Provision (MRP) Strategy for 2017/18 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 2017/18, which incorporates the Draft Investment Strategy and the Draft MRP Strategy, together with the Prudential Indicators for 2017/18 for draft budget consultation purposes as set out in Appendix A and the Treasury Management Policy Statement as set out at Appendix D.

Tracking

Executive:	**19 December 2016, 18 January 2017**
Overview and Scrutiny:	**7 January 2017**
Audit Committee:	**5 January 2017**
Council:	**7 February 2017**

1. BACKGROUND

1.1 The CIPFA Code of Practice on Treasury Management in Local Authorities was first issued in 1992 and updated in 1996 and 2001. The City Council formally adopted this Code in March 2002 and adopted the 2011 revision in February 2012. The updates made are minor, and centre around the changes in housing finance, Localism Act and the introduction of General Powers of Competence.

1.2 Under the requirements of the revised Code, the Council will receive each year the following reports:-

- Annual strategy and plan in advance of the year
- A mid year review
- Annual report after its close.

2. TREASURY MANAGEMENT STRATEGY STATEMENT

2.1 As required under the Code, the Treasury Management Strategy Statement for 2017/18, 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 will be monitored via the quarterly Treasury Management monitoring reports.

3. CONSULTATION

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

4. CONCLUSION AND REASONS FOR RECOMMENDATIONS

4.1 The Executive is asked to note the Draft Treasury Management Strategy Statement for 2017/18, which incorporates the Draft Investment Strategy and the Draft MRP Strategy, together with the Prudential Indicators for 2017/18 for draft budget consultation purposes as set out in Appendix A and the Treasury Management Policy Statement as set out at Appendix D.

5. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

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

Contact Officer:	**Steven Tickner**	**Ext: 7280**

Appendices attached to report:	**Appendix A – Treasury Management Strategy Statement** **Appendix B – Approved Investment Instruments** **Appendix C – Interest Rate Forecasts** **Appendix D – Treasury Management Policy Statement**

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

- **None**

CORPORATE IMPLICATIONS/RISKS:

Chief Executive's –not applicable

Economic Development – not applicable

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

Resources –contained within the report.

Draft Treasury Management Strategy Statement

Minimum Revenue Provision Policy Statement and Annual Investment Statement

Carlisle City Council

2017/18

1. INTRODUCTION

1.1 The Local Government Act 2003 and supporting regulations requires the Council to 'have regard to' the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice to set Prudential and Treasury Indicators for the next 3 years to ensure that the Council's capital investment plans are affordable, prudent and sustainable.

1.2 The Act therefore requires the Council to set out its treasury strategy for borrowing and to prepare an Annual Investment Strategy (as required by Investment Guidance subsequent to the Act and included as paragraph 9 of this report); these set out the Council's policies for managing its investments and for giving priority to the security and liquidity of those investments.

1.3 The Department of Communities and Local Government has issued revised investment guidance which came into effect from 1 April 2010. There were no major changes required over and above the changes already required by the revised CIPFA Treasury Management Code of Practice 2009 and 2011.

1.4 The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised November 2011) was adopted by this Council in February 2012.

1.5 The suggested strategy for 2017/18 in respect of the following aspects of the treasury management function is based upon officers' views on interest rates, supplemented with leading market forecasts provided by the Council's treasury consultants. The strategy covers the following issues:

- Treasury limits in force that will limit the treasury risk and activities of the Council;
- Prudential and Treasury Indicators;
- Current treasury position;
- Borrowing requirement;
- Prospects for interest rates;
- Borrowing strategy considerations;
- Debt rescheduling opportunities.
- Investment Strategy
- Minimum Revenue Provision Strategy

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

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

2. TREASURY LIMITS 2017/18 TO 2019/20

2.1 It is a statutory duty, under S.3 of the Local Government Act 2003 and supporting regulations, for the Council to determine and keep under review how much it can afford to borrow. The amount determined is termed the 'Affordable Borrowing Limit'.

2.2 The Council must have regard to the Prudential Code when setting its Affordable Borrowing Limit. This essentially requires it to ensure that total capital investment remains within sustainable limits and in particular, that the impact upon its future council tax levels is 'acceptable'. It is important to understand, however, that the Indicators themselves, which are set out in paragraph 5, do not have an inherently right or wrong answer. They are not intended as comparator information between different authorities but are designed to support and record local decision making.

3. USE OF TREASURY CONSULTANTS

3.1 The authority has, like most other authorities, employed treasury advisers for specialist advice and assistance for many years. In the case of this authority, this role has long been fulfilled by Capita Asset Services Treasury Services.

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

4. CURRENT PORTFOLIO POSITION

The Council's treasury portfolio position at 30November 2016comprised:

Table 1		Principal £m	£m	Ave Rate %
Fixed Rate Funding	PWLB	0		
	Market	15.0	15.0	8.76
Variable Rate Funding	PWLB	0		
	Market	0	0	0.00
Other Long Term Liabilities			0	0.00
Gross Debt			**15.0**	**8.76**
Total Investments			**23.3**	**1.13**

5. PRUDENTIAL AND TREASURY INDICATORS 2017/18 - 2019/20

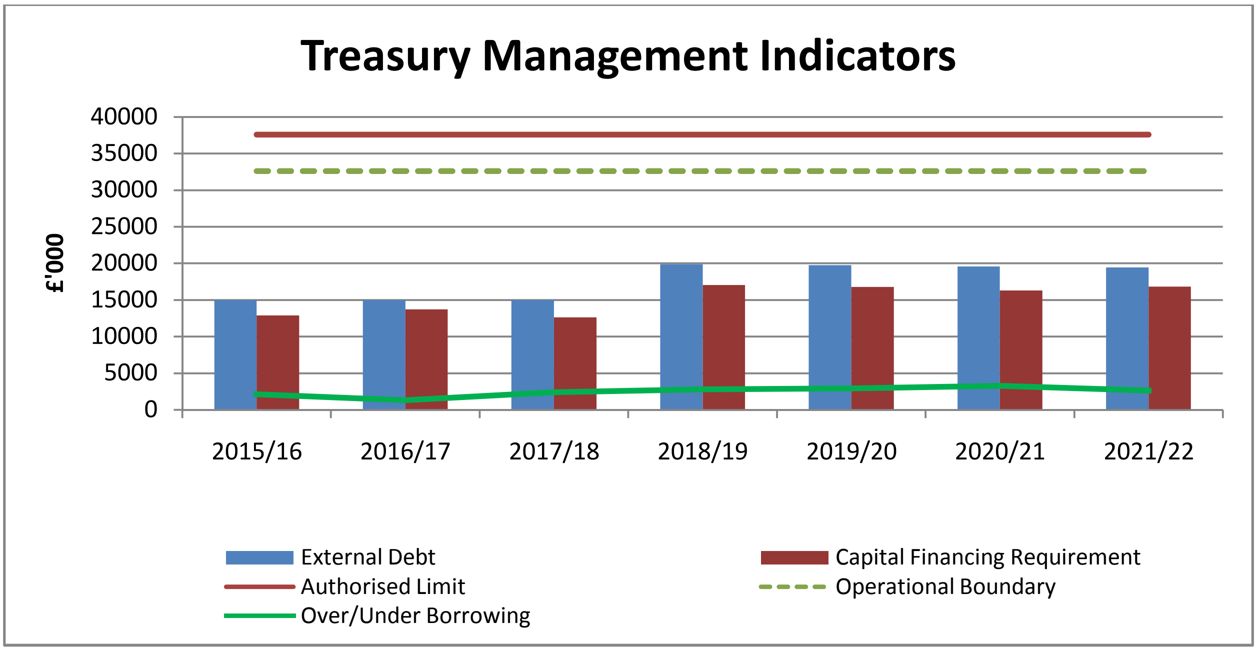
5.1 The Prudential and Treasury Indicators have been based on current projections for capital spending and resources in 2017/18 to 2019/20. The Council has ensured that future years' capital programmes have been set in accordance with the principles contained within the City Council's Capital Strategy and Asset Management Plan.

PRUDENTIAL INDICATOR AFFORDABILITY INDICATORS	2015/16 actual £000	2016/17 revised estimate £000	2017/18 estimate £000	2018/19 estimate £000	2019/20 estimate £000
Capital Expenditure	7,969	10,515	3,182	7,463	2,478
Ratio of financing costs to net revenue stream	11.74%	12.81%	13.58%	14.61%	15.48%
Net borrowing requirement in year	0	0	0	5,000	0
Capital Financing Requirement as at 31 March	12,897	13,741	12,645	17,069	16,803
Annual change in Cap. Financing Requirement	3,596	844	(1,096)	4,424	(266)
Incremental impact of capital investment decisions					
Increase in council tax (band D) per annum (£)	4.55	1.05	(1.36)	5.48	-0.33

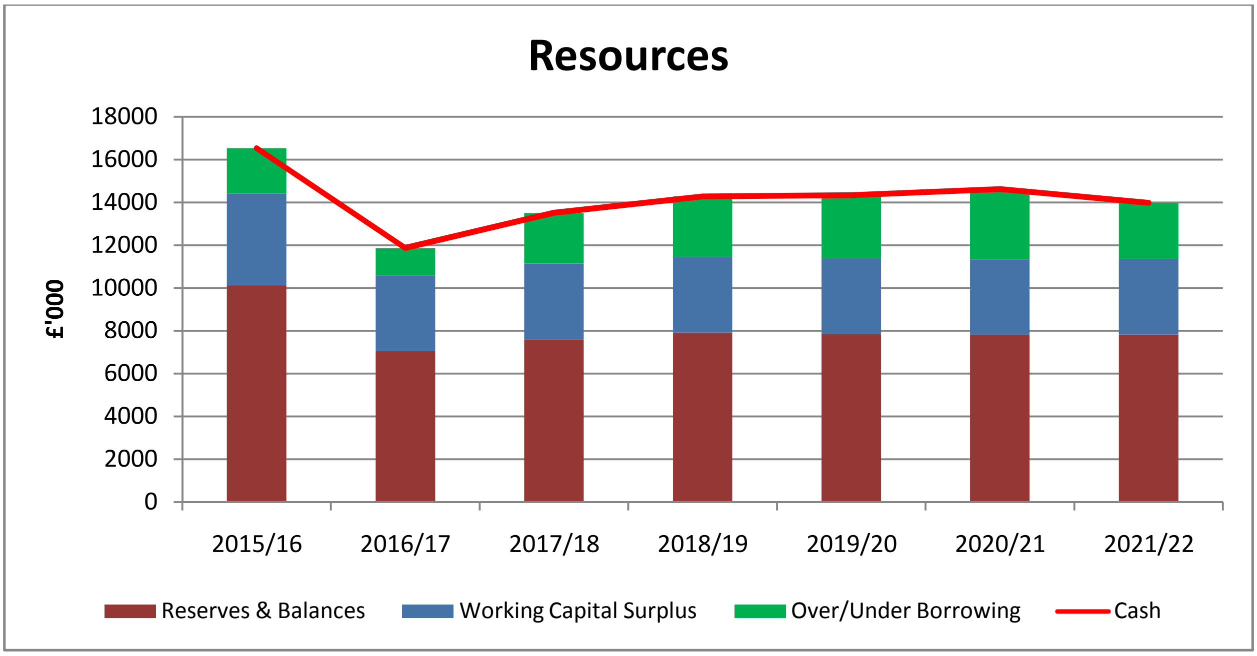
5.2 The estimates of financing costs include both current capital commitments and the draft capital programme as presented elsewhere on the agenda. In the case of this authority, it is assumed that any support from central government towards the costs of capital expenditure programmes in the next three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

PRUDENTIAL INDICATOR TREASURY MANAGEMENT INDICATORS	2015/16 actual £000	2016/17 revised estimate £000	2017/18 estimate £000	2018/19 estimate £000	2019/20 estimate £000
Authorised Limit for External Debt:					
- Borrowing	37,500	37,500	37,500	37,500	37,500
- Other Long Term Liabilities	100	100	100	100	100
TOTAL	**37,600**	**37,600**	**37,600**	**37,600**	**37,600**
Operational Boundary for external debt:					
- Borrowing*	32,500	32,500	32,500	32,500	32,500
- Other Long Term Liabilities	100	100	100	100	100
TOTAL	**32,600**	**32,600**	**32,600**	**32,600**	**32,600**
Upper Limit for fixed interest rate exposure: - Net principal re. Fixed rate borrowing/investments	**100%**	**100%**	**100%**	**100%**	**100%**
Upper Limit for variable rate exposure - Net principal re. Variable rate borrowing/investments	**100%**	**100%**	**100%**	**100%**	**100%**
Upper Limit for total principal sums invested for over 1 year	**50%**	**50%**	**50%**	**50%**	**50%**

5.3 The graph below shows the level of external debt currently forecast against the Capital Financing Requirement. This shows that the Council will be in an over borrowed position for the next five years with actual debt carried being higher than the CFR.



5.4 This over-borrowed position is reflected in the level of cash resources the Council is anticipated to hold over the same period. This shows that the level of cash held as investments is as a result of the level of cash-backed reserves, working capital surpluses and the amount of over borrowing being carried.



Maturity structure of any fixed rate borrowing during 2016/17	Upper limit	Lower limit
Under 12 months	100%	0%
12 months and w ithin 24 months	100%	0%
24 months and w ithin 5 years	100%	0%
5 years and w ithin 10 years	100%	0%
10 years and above	100%	0%

5.5 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 Chief Finance Officer, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long term liabilities in accordance with option appraisal and best value for money. Any such change would be reported to the next available Council meeting.

5.6 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.**

5.7 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 Chief Finance Officer to effect movement between the separately agreed limits for borrowing and other long-term liabilities. The operational boundary can be exceeded in exceptional circumstances without prior Council approval providing that it remains within the authorised limit.

5.8 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.

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

The current minimum level of specified investments is set at 50%. It is recommended that this level be continued into 2017/18.

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

6. PROSPECTS FOR INTEREST RATES

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

	Dec'16	Mar'17	Jun'17	Sep'17	Dec'17	Mar'18	Jun'18	Sep'18	Dec'18	Mar'19	Jun'19
Bank Rate	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%

6.2 The Monetary Policy Committee, (MPC), cut Bank Rate from 0.50% to 0.25% on 4th August in order to counteract what it forecast was going to be a sharp slowdown in growth in the second half of 2016. It also gave a strong steer that it was likely to cut Bank Rate again by the end of the year. However, economic data since August has indicated much stronger growth in the second half 2016 than that forecast; also, inflation forecasts have risen substantially as a result of a continuation of the sharp fall in the value of sterling since early August. Consequently, Bank Rate was not cut again in November and, on current trends, it now appears unlikely that there will be another cut, although that cannot be completely ruled out if there was a significant dip downwards in economic growth. During the two-year period 2017 – 2019, when the UK is negotiating the terms for withdrawal from the EU, it is likely that the MPC will do nothing to dampen growth prospects, (i.e. by raising Bank Rate), which will already be adversely impacted by the uncertainties of what form Brexit will eventually take. Accordingly, a first increase to 0.50% is not tentatively pencilled in, as in the table above, until quarter 2 2019, after those negotiations have been concluded, (though the period for negotiations could be extended). However, if strong domestically generated inflation, (e.g. from wage increases within the UK), were to emerge, then the pace and timing of increases in Bank Rate could be brought forward.

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.

The overall longer run trend is for gilt yields and PWLB rates to rise, albeit gently. It has long been expected that at some point, there would be a start to a switch back from bonds to equities after a historic long term trend over about the last twenty five years of falling bond yields. The action of central banks since the financial crash of 2008, in implementing substantial quantitative easing purchases of bonds, added further impetus to this downward trend in bond yields and rising prices of bonds. The opposite side of this coin has been a rise in equity values as investors searched for higher returns and took on riskier assets. The sharp rise in bond yields since the US Presidential election, has called into question whether, or when, this trend has, or may, reverse, especially when America is likely to lead the way in reversing monetary policy. Until 2015, monetary policy was focused on providing stimulus to economic growth but has since started to refocus on countering the threat of rising inflationary pressures as strong economic growth becomes more firmly established. The expected substantial rise in the Fed. rate over the next few years may make holding US bonds much less attractive and cause their prices to fall, and therefore bond yields to rise. Rising bond yields in the US would be likely to exert some upward pressure on bond yields in other developed countries but the degree of that upward pressure is likely to be dampened by how strong, or weak, the prospects for economic growth and rising inflation are in each country, and on the degree of progress in the reversal of monetary policy away from quantitative easing and other credit stimulus measures.

PWLB rates and gilt yields have been experiencing exceptional levels of volatility that have been highly correlated to geo-political, sovereign debt crisis and emerging market developments. It is likely that these exceptional levels of volatility could continue to occur for the foreseeable future.

The overall balance of risks to economic recovery in the UK is to the downside, particularly in view of the current uncertainty over the final terms of Brexit and the timetable for its implementation.

Apart from the above uncertainties, **downside risks to current forecasts** for UK gilt yields and PWLB rates currently include:

- Monetary policy action by the central banks of major economies reaching its limit of effectiveness and failing to stimulate significant sustainable growth, combat the threat of deflation and reduce high levels of debt in some countries, combined with a lack of adequate action from national governments to promote growth through structural reforms, fiscal policy and investment expenditure.
- Major national polls:
- Italian constitutional referendum 4.12.16;
- Spain has a minority government with only 137 seats out of 350 after already having had two inconclusive general elections in 2015 and 2016. This is potentially highly unstable.
- Dutch general election 15.3.17;
- French presidential election April/May 2017;
- French National Assembly election June 2017;
- German Federal election August – October 2017.
- A resurgence of the Eurozone sovereign debt crisis, with Greece being a particular problem, and stress arising from disagreement between EU countries on free movement of people and how to handle a huge influx of immigrants and terrorist threats
- Weak capitalisation of some European banks, especially Italian.
- Geopolitical risks in Europe, the Middle East and Asia, causing a significant increase in safe haven flows.
- UK economic growth and increases in inflation are weaker than we currently anticipate.
- Weak growth or recession in the UK's main trading partners - the EU and US.

The potential for **upside risks to current forecasts** for UK gilt yields and PWLB rates, especially for longer term PWLB rates, include: -

- UK inflation rising to significantly higher levels than in the wider EU and US, causing an increase in the inflation premium in gilt yields.

- A rise in US Treasury yields as a result of Fed. funds rate increases and rising inflation expectations in the USA, dragging UK gilt yields upwards.
- The pace and timing of increases in the Fed. funds rate causing a fundamental reassessment by investors of the relative risks of holding bonds as opposed to equities and leading to a major flight from bonds to equities.
- A downward revision to the UK's sovereign credit rating undermining investor confidence in holding sovereign debt (gilts).

Investment and borrowing rates

- Investment returns are likely to remain low during 2017/18 and beyond;
- Borrowing interest rates have been on a generally downward trend during most of 2016 up to mid-August; they fell sharply to historically phenomenally low levels after the referendum and then even further after the MPC meeting of 4th August when a new package of quantitative easing purchasing of gilts was announced. Gilt yields have since risen sharply due to a rise in concerns around a 'hard Brexit', the fall in the value of sterling, and an increase in inflation expectations. The policy of avoiding new borrowing by running down spare cash balances, has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in later times when authorities will not be able to avoid new borrowing to finance capital expenditure and/or to refinance maturing debt;
- There will remain a cost of carry to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost - the difference between borrowing costs and investment returns.

7. BORROWING STRATEGY

7.1 The Capita Asset Services forecast for the PWLB new borrowing rate (repayment at Maturity) is as follows:

	Dec'16	Mar'17	Jun'17	Sep'17	Dec'17	Mar'18	Jun'18	Sep'18	Dec'18	Mar'19	Jun'19
5 Yr PWLB	1.60%	1.60%	1.60%	1.60%	1.60%	1.70%	1.70%	1.70%	1.80%	1.80%	1.90%
10Yr PWLB	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%	2.40%	2.40%	2.40%	2.50%	2.50%
25Yr PWLB	2.90%	2.90%	2.90%	2.90%	3.00%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%
50Yr PWLB	2.70%	2.70%	2.70%	2.70%	2.80%	2.80%	2.80%	2.90%	2.90%	3.00%	3.00%

7.2 The Council is, as stated above, not currently expecting to have any recourse to borrowing externally in 2017/18 and although significant capital expenditure on new leisure facilities is anticipated in 2018/19 with this to be funded from borrowing, the use of internal resources, i.e. surplus investment balances may be more affordable in the short term with low investment returns forecast until 2019/20. 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, capital commitments in the new financial year. Nevertheless, the use of external borrowing is planned for future years. This is particularly the case in respect of future major capital projects which are planned to require an element of external borrowing as a part of the total funding package. The Chief Finance Officer will therefore continue to monitor the interest rate market as regards borrowing opportunities as well as in respect of investment policy.

7.3 Policy on borrowing in advance of need

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

7.4 External v. Internal Borrowing

7.4.1 This Council currently has a difference between gross debt and net debt (after deducting cash balances). This is shown in the graphs at 5.3 and shows an over-borrowed position with the surplus invested in cash balances.

7.4.2 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 9) so another factor which will be carefully considered is the difference between borrowing rates and investment rates to ensure the Council obtains value for money once an appropriate level of risk management has been attained to ensure the security of its investments.

7.4.3 The next financial year will continue to be one of historically abnormally low Bank Rate. This provides a continuation of the current window of opportunity for local authorities to fundamentally review their strategy of undertaking new external borrowing.

7.4.4 Over the next three years, investment rates are therefore expected to be below long term borrowing rates and so value for money considerations would indicate that value could best be obtained by avoiding new external borrowing and by using internal cash balances to finance new capital expenditure or to replace maturing external debt (this is referred to as internal borrowing). This would maximise short term savings.

7.4.5 However, short term savings by avoiding new long term external borrowing in 2017/18 will also be weighed against the potential for incurring additional long term extra costs by delaying unavoidable new external borrowing until later years when PWLB long term rates are forecast to be significantly higher.

7.4.6 Against this background caution will be adopted with the 2017/18 treasury operations. The Chief Finance Officer will monitor the interest rate market and adopt a pragmatic approach to changing circumstances, reporting any decisions to the appropriate decision making body at the next available opportunity.

8. DEBT RESCHEDULING

8.1 There is unlikely to be much scope for debt rescheduling in either the current financial year or in 2017/18. Only one substantial sum of long term debt remains on the authority's books. This is the £15m stock issue which dates from 1995 and is not due to mature until 2020. The current view is that a premature repayment is not recommended because of the size of the premium payment that would be incurred. The position remains under review, however, if circumstances should change and may become more favourable the closer it gets to natural maturity dates.

9. INVESTMENT STRATEGY

9.1 Principles

9.1.1 The City Council will have regard to CLG's Guidance on Local Government Investments and the 2011 revised CIPFA's Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("CIPFA TM Code").

9.1.2 The Council's investment priorities are:

- The security of capital
- The liquidity of its investments

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

9.1.4 The borrowing of monies purely to invest or to on lend and make a return is unlawful and the Council will not engage in any such activity. Any borrowing in advance of need will only be undertaken after a full financial assessment of the costs and benefits of drawing down any such funding.

9.1.5 Investment instruments identified for use in the financial year are listed below under the ‘Specified’ and ‘Non Specified‘ Investment categories. Individual counterparty limits will be set through the Council’s Treasury Management Practices – Schedules which will be authorised by the Chief Finance Officer.

9.1.6 Total investments with any one counterparty or group currently will not exceed £4m to ensure a reasonable spread of investments in terms of counterparties. Investments with HSBC shall not exceed £6m. However, Lloyds group and RBS Group will not exceed £8m as these establishments are currently funded by a majority shareholding by the UK Government.

9.1.7 This Annual Investment Strategy states which instruments the Council may use for the prudent management of its treasury balances during the financial year under the headings of **Specified Investments** and **Non Specified Investments**. These are listed in **Appendix B**. Essentially, specified investments are those with a maturity of up to one year which have a suitable credit rating or are otherwise guaranteed e.g. by HM Government. All other investments are non-specified.

9.1.8 Credit ratings will be used as one means of assessing the credit quality of rated counterparties although it is recognised that reliance should not be placed on credit rating alone. The minimum short term rating for a bank will be either F1 (Fitch) or P1 (Moody’s). For a rated UK building society, a similar rating would be anticipated although the proposed criteria do give authority to the Chief Finance Officer 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 Chief Finance Officer to include as counterparties non credit rated building societies whose assets total at least £1bn. There are some six societies in this category. Any such investment would be subject to an assessment of such a society as a suitable counterparty. There are, for example, good reasons why many building societies do not have a credit rating but there are other means of making an appropriate financial judgment.

9.1.9 Following approval in 2014/15, the Council 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 4.75% in the MTFP.

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

9.1.11 The minimum percentage of its overall investments that the Council will hold in specified investments is 50%.

9.2 Investment Strategy

9.2.1 With bank base rate at 0.25% and not generally expected to fluctuate significantly from this level until at least the middle of 2019, investment conditions will continue to be difficult. The view of Capita Asset Services is that bank rate will be at the following levels:

	Dec'16	Mar'17	Jun'17	Sep'17	Dec'17	Mar'18	Jun'18	Sep'18	Dec'18	Mar'19	Jun'19
Bank Rate	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%

9.2.2 Clearly, these projections can only be best estimates at this stage and the risk is to the downside i.e. if the economic recovery is slower than expected, then interest rates are like to rise more slowly. At this stage, the budget for 2017/18 has assumed an average yield of 0.46% 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. This forecast will, however, be reviewed further during the budget cycle. Every 0.1% fall in average yield will cost the Council approximately £35,000. The anticipation of interest yielded from investing in the Property Fund is estimated at 4.75% in the MTFP.

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

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

9.3 End of Year Investment Report

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

10. THE MINIMUM REVENUE PROVISION STRATEGY

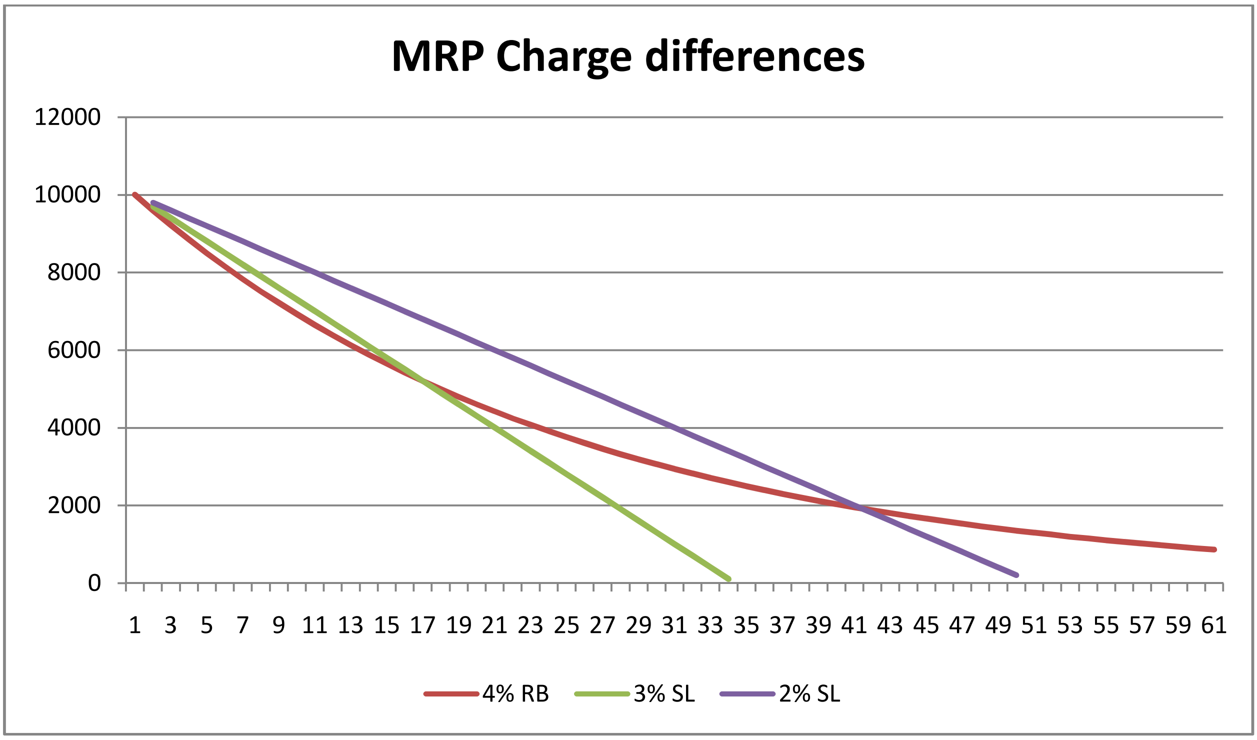
10.1 The Council implemented the new Minimum Revenue Provision (MRP) guidance in 2008/09, and will assess their MRP for 2017/18 in accordance with the main recommendations contained within the guidance issued by the Secretary of State under section 21(1A) of the Local Government Act 2003.

10.2 No requirement is currently anticipated to undertake any long term borrowing in either 2016/17 or 2017/18 although the authority will need at this stage to keep its options open and there are plans for borrowing to support future capital investment in leisure facilities in 2018/19. This is particularly so if any major capital project requires an element of long term borrowing as part of the overall funding package.

10.3 Notwithstanding this possibility, the City Council is still obliged to make proper provision for the repayment of its outstanding debt. Capital expenditure is generally expenditure on assets which have a life expectancy of more than one year e.g. land, buildings, vehicles etc. It would usually be impractical to charge the entirety of such expenditure, which is often funded by borrowing, to the revenue account in the year it was incurred. Instead, this is spread over a longer period to try and match the years over which these assets will benefit the community. The manner of spreading these costs is through the Minimum Revenue Provision (MRP). Until recently, the MRP was calculated according to detailed and complex regulations. It is now determined under Guidance.

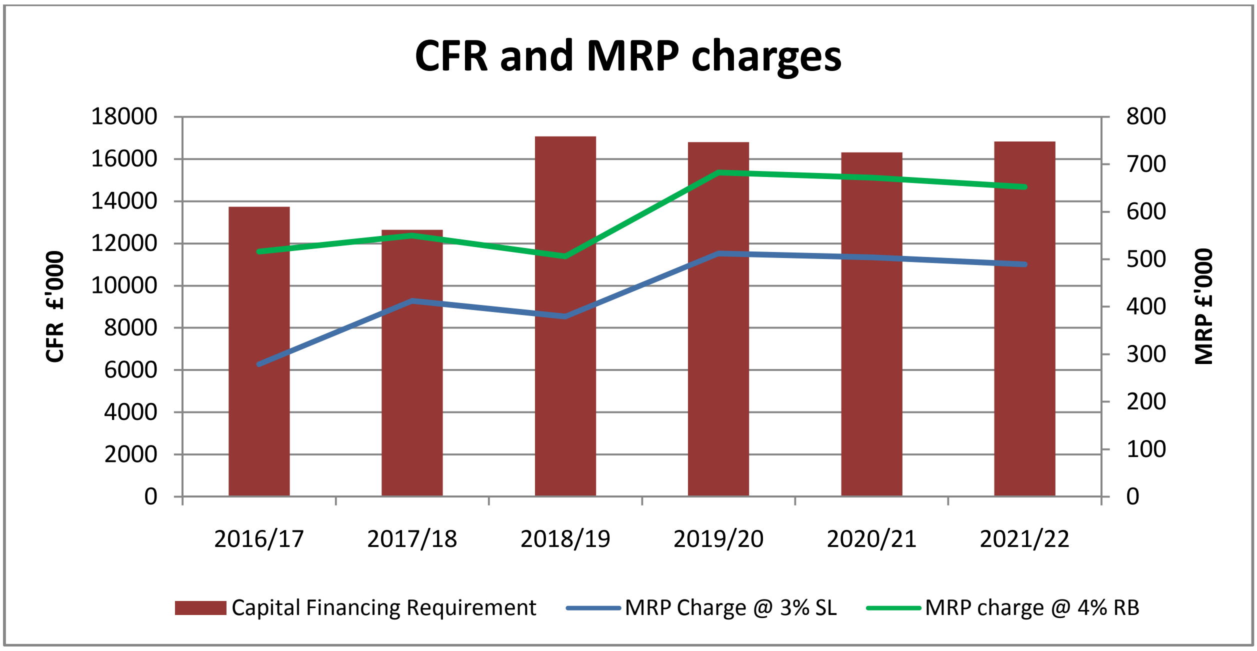
10.4 The only statutory duty that a local authority has under the new MRP regime is *'to determine for the current financial year an amount of minimum revenue provision that it considers to be prudent'*. The Guidance, which authorities must 'have regard to' provides four options for calculating the MRP as set out below. It is important to realise, however, that there is no obligation to follow any of these options and that it is up to each authority to decide upon the most appropriate method of making a prudent provision, having had regard to the Guidance.

10.5 With the guidance in mind, the Council commissioned Capita Asset Services to review its MRP policy. This was completed earlier in 2016 and the recommendation from the report is to move from a 4% reducing balance method of MRP charge to a 3% or 2% Straight Line method. One of the points highlighted in the report is that a 4% reducing balance method, never actually extinguishes the debt liability entirely, and debt is continued to be repaid even some 70 years later. Switching to a straight line method of applying MRP charges would match the debt liability to an average asset life and would see the liability repaid at a definite point in time. The differences are shown in the illustrative chart below:



10.6 A 3% charge would more reflect 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 deemed to be a prudent approach to take.

10.7 In 2016/17, the opening CFR was £12.897million which will result in an MRP of £516,000 (4% of the CFR) in this financial year. The chart below shows the anticipated CFR in future years as well as the MRP charge based on a 3% straight Line method.



APPENDIX B

APPROVED INVESTMENT INSTRUMENTS

Specified Investments

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

Fixed Term Deposits with fixed rates and maturities:-	Minimum 'High' Credit Criteria	Use
Debt Management Agency Deposit Facility	Government backed	In-house
Term deposits – local authorities	--High level of security	In-house
Term deposits – U K banks**	Short-term F1 (Fitch) or P1(Moodys)	In-house
Term Deposits – UK building societies**	Short Term F1 (Fitch) or P1 (Moodys) or as determined by the Chief Finance Officer	In-house
Term Deposits – Non UK Banks	Sovereign Rating AAA 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 PI (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.

<u>Non-Specified Investments</u>:

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

3. Approved Property Funds

	Use	Max % of total investments	Max. maturity period
CCLA Property Fund	In-house as determined by the 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 Sector creditworthiness service. If a downgrade results in the counterparty/investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.

APPENDIX C

INTEREST RATE FORECASTS

The data below shows a variety of forecasts published by Capita 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

Capita Asset Services Interest Rate View													
	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Dec-19	Mar-20
Bank Rate View	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.75%	0.75%
3 Month LIBID	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.40%	0.50%	0.60%	0.80%	0.90%
6 Month LIBID	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.40%	0.50%	0.60%	0.70%	0.90%	1.00%
12 Month LIBID	0.70%	0.70%	0.70%	0.70%	0.70%	0.70%	0.80%	0.80%	0.90%	1.00%	1.10%	1.30%	1.40%
5yr PWLB Rate	1.60%	1.60%	1.60%	1.60%	1.60%	1.70%	1.70%	1.70%	1.80%	1.80%	1.90%	2.00%	2.00%
10yr PWLB Rate	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%	2.40%	2.40%	2.40%	2.50%	2.50%	2.60%	2.70%
25yr PWLB Rate	2.90%	2.90%	2.90%	2.90%	3.00%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.40%
50yr PWLB Rate	2.70%	2.70%	2.70%	2.70%	2.80%	2.80%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.20%
Bank Rate													
Capita Asset Services	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.75%	0.75%
Capital Economics	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.50%	0.75%
5yr PWLB Rate													
Capita Asset Services	1.60%	1.60%	1.60%	1.60%	1.60%	1.70%	1.70%	1.70%	1.80%	1.80%	1.90%	2.00%	2.00%
Capital Economics	1.60%	1.70%	1.80%	1.90%	1.95%	2.05%	2.20%	2.30%	2.40%	2.60%	2.80%	3.20%	3.30%
10yr PWLB Rate													
Capita Asset Services	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%	2.40%	2.40%	2.40%	2.50%	2.50%	2.60%	2.70%
Capital Economics	2.30%	2.35%	2.45%	2.50%	2.55%	2.60%	2.70%	2.70%	2.80%	3.00%	3.20%	3.60%	3.70%
25yr PWLB Rate													
Capita Asset Services	2.90%	2.90%	2.90%	2.90%	3.00%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.40%
Capital Economics	2.90%	3.00%	3.05%	3.10%	3.15%	3.25%	3.30%	3.35%	3.45%	3.55%	3.75%	4.15%	4.35%
50yr PWLB Rate													
Capita Asset Services	2.70%	2.70%	2.70%	2.70%	2.80%	2.80%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.20%
Capital Economics	2.80%	2.85%	2.95%	3.00%	3.05%	3.10%	3.15%	3.20%	3.30%	3.50%	3.70%	4.10%	4.20%

APPENDIX D

TREASURY MANAGEMENT POLICY STATEMENT

Carlisle City Council defines treasury management as:

> "The management of the organisation's cash flows, its banking, money marketand capital market transactions; the effective control of the risks associatedwith those activities; and the pursuit of optimum performance consistent withthose risks."

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

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