

Business & Transformation Scrutiny Panel

Agenda

Thursday, 04 January 2018 AT 10:00

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

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

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

Members of the Business & Transformation Scrutiny Panel

Councillor Mrs Riddle (Chairman), Councillors Allison, Mrs Birks, Mrs Bowman (Vice Chairman), Mrs Glendinning, Mallinson J, Robson, Watson

Substitutes:

Bainbridge, McDonald, Mrs McKerrell, McNulty, Shepherd, Sidgwick S

PART A

To be considered when the Public and Press are present

Apologies for Absence

To receive apologies for absence and notification of substitutions.

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

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

Public and Press

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

MINUTES OF PREVIOUS MEETING

7 - 22

To agree the minutes of the meeting held on 5 December 2017
(Copy Minutes attached)

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

23 - 32

Portfolio: Cross Cutting

Directorate: Cross Cutting

Officer: Steven O'Keeffe, Policy and Communicaitons Manager

Report: OS.01/18 attached

Background:

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

Why is this item on the agenda?

The Business and Transformation Scrutiny Panel operates within a work plan which has been set for the 2017/18 municipal year. The plan will be reviewed at every meeting so that it can be adjusted to reflect the wishes of the Panel and take into account items relevant to this Panel in the latest Notice of Executive Key Decisions.

What is the Panel being asked to do?

- Note the items (within the Panel's remit) on the most recent Notice of Executive Key Decisions
- Discuss the work programme and prioritise if necessary

A.3 BUDGET 2018/19

Portfolio: Finance, Governance and Resources

Directorate: Corporate Support and Resources

The Chairmen of the Health and Wellbeing and the Economic Growth Scrutiny Panels have been invited to attend the meeting for consideration of this item.

33 - 36

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

To consider the Executive's response to the first round of Budget Scrutiny from their meeting held on 11 December 2017.
(Copy Minutes attached)

37 - 58

(2) Executive Draft Budget Proposals

To consider and comment upon the Executive's draft Budget proposals.
(Copy attached)

59 - 78

(3) Background Information Reports**(a) Budget Update - Revenue Estimates 2018/19 to 2022/23**

Report: RD.35/17 attached

Officer: Alison Taylor, Chief Finance Officer

79 - 90

(b) Revised Capital Programme 2017/18 and Provisional Capital Programme 2018/19 to 2022/23

Report: RD.36/17 attached

Officer: Alison Taylor, Chief Finance Officer

(c) Draft Treasury Management Strategy Statement, Investment Strategy and Minimum Revenues Provision Strategy 2018/19

Report: RD.37/17 attached

Officer: Alison Taylor, Chief Finance Officer

Background:

The Budget Update reports are submitted for information.

Why are these items on the agenda?

Annual Scrutiny as part of the Budget process

What is the Panel being asked to do?

Scrutinise the reports and provide feedback to the Executive

A.4 FINAL FLOOD UPDATE REPORT

**119 -
126**

Portfolio: Economy, Enterprise and Housing

Directorate: Community Services

Officer: Darren Crossley, Deputy Chief Executive

Report: CS.09/18

Background:

The Deputy Chief Executive to submit the final report on flood action activity in Carlisle.

Why is this item on the agenda?

Agenda item agreed by the Panel in their Work Programme.

What is the Panel being asked to do?

Note the progress made to recover Council assets and the work undertaken to deliver grants and other forms of financial support.

A.5 CUSTOMER SERVICES UPDATE

**127 -
134**

Portfolio: Communities, Health and Wellbeing

Directorate: Corporate Support and Resources

Officer: Jill Gillespie, Customer Services Manager

Report: CE.01/18 attached

Background:

The Customer Services Manager to submit a report on the workflow and new technology within Customer Services including the Customer Contact Strategy and Customer Services Charter.

Why is this item on the agenda?

Agenda item agreed by the Panel in their Work Programme

What is the Panel being asked to do?

Endorse the proposals in the report.

PART B
To be considered in Private

- NIL -

Enquiries, requests for reports, background papers etc to:

Rachel Plant, Democratic Services Officer, (01228) 817036 or
rachel.plant@carlisle.gov.uk

A copy of the agenda and reports is available on the Council's website at www.carlisle.gov.uk or at the Civic Centre, Carlisle.

BUSINESS AND TRANSFORMATION SCRUTINY PANEL

TUESDAY 5 DECEMBER 2017 AT 10.05AM

PRESENT: Councillor Mrs Riddle (Chairman), Councillors Allison, Bainbridge (as substitute for Councillor Robson), Mrs Bowman, McDonald (as substitute for Councillor Mrs Birks), McNulty (as substitute for Councillor Mrs Glendinning), Shepherd (as substitute for Councillor J Mallinson).

ALSO PRESENT: Councillor Dr Tickner – Deputy Leader, and Finance, Governance and Resources Portfolio Holder

OFFICERS: Town Clerk and Chief Executive
Corporate Director of Governance and Regulatory Services
Chief Finance Officer
Deputy Chief Finance Officer
Policy and Performance Officer x2
Policy and Communications Manager

BTSP.36/17 APOLOGIES FOR ABSENCE

Apologies for absence were submitted on behalf of Councillors Mrs Birks, Mrs Glendinning, J Mallinson, Robson and Watson.

BTSP.37/17 DECLARATIONS OF INTEREST

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

BTSP.38/17 PUBLIC AND PRESS

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

BTSP.39/17 MINUTES OF PREVIOUS MEETINGS

RESOLVED – 1) That the minutes of the meeting held on 14 September 2017, which had been approved by Council on 7 November 2017, be signed by the Chairman.

2) That the minutes of the meeting held on 26 October 2017 be approved.

BTSP.40/17 CALL - IN OF DECISIONS

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

BTSP.41/17 OVERVIEW REPORT AND WORK PROGRAMME

The Policy and Communications Manager presented report OS.24/17 providing an overview of matters relating to the work of the Business and Transformation Scrutiny Panel.

The Notice of Executive Key Decisions had been published on 17 November 2017. The following items included in the Notice fell within the Panel's remit:

Items which had been included in the Panel's Work Programme:
KD.23/17 – Budget Process 2018/19

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

KD.28/17 – Polling Station Review 2017/18

The Chairman reminded the Panel a special joint Scrutiny Panel with Health and Wellbeing, would take place on Monday 29 January 2018 to scrutinise the Sands centre Redevelopment.

The Policy and Communications Manager reported that the Scrutiny Chairs Group had agreed that the Overview Reports for all Panels would include tracking information on Scrutiny resolutions. Section 3 of the report set out the Business and Transformation Panel's resolutions and status. The Town Clerk and Chief Executive noted that the first action stated pending, this was no longer a pending action as it would be normal practice to bring such reports to the Panel.

The Panel's Work Programme had been attached as appendix 1 to the report for the Panel's consideration.

RESOLVED – 1) That the Overview Report incorporating the Work Programme and Key Decision items relevant to the Business and Transformation Scrutiny Panel (OS.24/17) be noted.

2) That the status for action 1, in section 3 of the report, be changed to ongoing.

BTSP.42/17 BUDGET 2018/19

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

The excerpts of the minutes of the meetings of the Health and Wellbeing Scrutiny Panel and Economic Growth Scrutiny Panel held on 23 November 2017 and 30 November 2017 respectively were submitted for consideration.

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

The Chief Finance Officer submitted report RD.31/17 providing a summary of the Council's revised revenue base estimates for 2017/18, together with base estimates for 2018/19 and forecasts up to 2022/23 for illustrative purposes. The base estimates had been prepared in accordance with the guiding principles for the formulation of the budget over the next five year planning period as set out in the Medium Term Financial Plan (MTFP) and Charging Policy; Capital Strategy; and Asset Management Plan approved by Council on 12 September 2017.

The report set out known revisions to the MTFP projections, although there were a number of significant factors affecting the budget that were currently unresolved, details of which were recorded at Section 1.3. A summary of the outstanding key issues, together with the resource assumptions was also provided at Section 4.

Turning to the issue of savings and additional income proposals, the Chief Finance Officer added 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 the budget process for 2018/19, details of which were set out at Section 6 of the report.

The Executive had on 20 November 2017 (EX.117/17) received the report and resolved:

“That the Executive:

1. Noted the revised base estimates for 2017/18 and base estimates for 2018/19.
2. Noted the current Medium Term Financial Plan projections, which would continue to be updated throughout the budget process as key issues became clearer and decisions were taken.
3. Noted the initial budget pressures / savings needing to be taken into account as part of the 2018/19 budget process.
4. Noted the review of the earmarked reserves as outlined in paragraph 9 and Appendix G to Report RD.31/17”

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

- A Member asked for further information regarding the Apprenticeship Levy and the £60,000 recurring pressure.

The Chief Finance Officer explained that the Council paid a percentage of its payroll into the Apprenticeship Levy and could then access the Levy for the training of apprenticeships. The £60,000 recurring pressure supported the recruitment for apprenticeships to fund salary costs.

- The Land Charges income showed a recurring £30,000 pressure, would it be possible to review the charges to make the service more competitive against other providers?

The Corporate Director of Governance and Regulatory Services confirmed that the charges were reviewed but there were regulations that had to be considered regarding the provision of the service. It was difficult to be competitive as the Council were obligated to provide free access to the databases which the authority maintained; this meant that the Council carried the cost of competitors business. In addition, in 2021, the Land Charges function would transfer to the Land Registry and it was unclear at this point what services, if any, would remain with the Council.

- A Member highlighted the proposed Leisure Contract Subsidy and asked how the new facility would be funded.

The Chief Finance Officer explained that the borrowing figures were indicative figures of the likely cost and were for illustrative purposes. She reminded the Panel that the decision process for the Sands Centre Redevelopment had not yet been made.

- The report had detailed a potential £300,000 savings to the subsidy the Council gave to the Tullie House Trust, what scope would the Council have for achieving this saving if the service came back in house?

The Town Clerk and Chief Executive reported that the Tullie House Productivity Review had been commissioned jointly by the City Council and Tullie House and had identified potential savings. Discussions were ongoing with the Tullie House regarding the potential savings and there was no indication that the Board no longer wanted to run the Trust.

- Who monitored how the grant for the Sexual Assault Referral Service was used?

The Town Clerk and Chief Executive informed the Panel that he and the Leader had received a letter from the Police and Crime Commissioner (PCC) asking if the City Council would be prepared to continue their contribution to support the Service. The Chief Executive had responded by requesting details on how the grant was used. The budget was allocated in principle subject to the details from the PCC.

The Health and Wellbeing Scrutiny Panel had requested details of the Service for scrutiny and the Chief Executive agreed to circulate the information to the Business and Transformation Panel for information.

- How would the proposed changes to Universal Credit arrangements affect the Council's budget?

The Chief Finance Officer explained that recent guidance had delayed the roll out date for the City Council to July 2018. There was no information on the Housing Benefit Admin Grant at this stage. In response to a further question she reported that due to the uncertainty of TUPE arrangements as a result of the introduction of the Universal Credit, a Welfare Reform reserve had been retained within the budget.

- Why would the Project Reserve, as detailed in appendix F, increase so significantly by 2021?

The Chief Finance Officer responded that the information had been included in the Medium Term Financial Plan which had been approved by Council in September. Appendix F showed the current position before the consideration of any 2018/19 pressures but was based upon making the transformation savings highlighted in the report.

RESOLVED – 1) That the Budget Update – Revenue Estimates 2018/19 to 2022/23 (RD.37/17) be received.

2) That information on the use of the grant to the Sexual Assault Referral Service be circulated to the Panel Members for information.

(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.

Community Services

Report CS.33/17 was submitted setting out the proposed fees and charges for 2018/19 relating to those services falling within the Community Services Directorate.

The charges highlighted within the report would result in an anticipated income level of £2,903,300 against the MTFP target of £2,903,300 which represented the income target being met. The Panel were asked to consider the areas which were in their remit as set out on the agenda.

The Executive had on 20 November 2017 (EX.113/17) received the report and resolved:

“That the Executive agreed for consultation the changes, as set out in the body of Report CS.33/17 and relevant appendices with effect from 1 April 2018; noting the impact those would have on income generation within the report”.

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

- A Member asked if it would be possible to increase the charges to reduce the cost of supporting the Old Fire Station.

The Town Clerk and Chief Executive responded that the proposed charges had been detailed in appendix 1 of the report and reflected the use of the building. The Panel were free to scrutinise the commercial running of the Old Fire Station if they so wished.

A Member felt uncomfortable that the budget proposed a reduction to charges for the Old Fire Station and proposed an increase in the charges for Bereavement Service. She felt it would be useful for the Panel to receive information on the commercial use of the Old Fire Station which had informed the Executive's decision.

The Finance, Governance and Resources Portfolio Holder assured Members that all of the charges were considered individually. It was hoped that the proposed reduction to some charges at the Old Fire Station would increase footfall to meet income targets.

- Why had the proposed charges against the Dog Fouling Order stated N/A for 2018/19?

The Corporate Director explained that the Dog Fouling Order would be subsumed by the new Public Space Protection Order and therefore would be charged in a different way in 2018/19.

- The Chairman asked officers to consider providing charging reports on an exception approach in future to enable Panels to only scrutinise the charges which were above or below the 3% increase.

The Chief Finance Officer reminded the Panel that formerly a summary report was circulated as part of the budget process and she would reconsider this going forward.

- The Panel had considered the minutes of the Economic Growth Scrutiny Panel and supported the recommendation to remove the proposed reduction in the level of charge levied for the 4 – 9.5 hour period in the Civic Centre Car Park.

RESOLVED – 1) That the Review of Charges 2018/19 – Community Services (CS.33/17) be received.

2) That the Panel support the recommendation made to the Executive by the Economic Growth Scrutiny Panel and recommend to the Executive that the proposed reduction in the level of charge levied for the 4 – 9.5 hour period in the Civic Centre car Park be removed from the Executive Budget proposals.

3) That information on the commercial use of the Old Fire Station be circulated to Panel Members for information.

4) That the Panel recommend that the Chief Finance Officer consider changing the Charges Reports to an exception approach in future budget processes.

Economic Development

Report ED.38/17 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 £705,500 against the Medium Term Financial Plan target of £682,500.

The Executive had on 20 November 2017 (EX.114) received the report and resolved:

“That the Executive agreed for consultation the charges, as set out in Report ED.38/17 and accompanying Appendices, with effect from 1 April 2018; noting the impact those would have on income generation as detailed within the report.”

A Member commented that, although she understood that the remits for Directorates had changed, she had missed the details in the reports on some areas such as the Enterprise Centre and Assembly Rooms.

RESOLVED – That Charges Review Report 2018/19 – Economic Development (ED.38/17) be noted.

Governance and Regulatory Services

Report GD.66/17 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 £909,700 in 2018/19 as summarised in the table at Section 5.10 of the report.

The Executive had on 20 November 2017 (EX.115/17) received the report and resolved:

“That the Executive agreed for consultation the charges as detailed within Report GD.66/17 and accompanying appendices, with effect from 1 April 2018; and noted the impact thereof on income generation as detailed within the report.”

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

- Why had the Homelife charge for key safes and the Homelife hourly rate risen?

The Corporate Director explained that the changes to the Homelife charges brought all charges for minor measures in line. The service was discretionary and the Council had to cover its costs to retain the service. He assured Members that applicants did not receive a reduction in their grant as a result of the changes. With regard to the hourly rate he explained that some of the Homelife work was carried out by different teams within the same department, the change to the rate meant that the same charge was being applied across the teams.

- How would the proposed changes to cap the rent for benefit claimants impact on the budget with regards to homeless accommodation?

The Chief Finance Officer responded that the Homeless Accommodation rental charges had been increased by 2.5% because any figure higher would not be covered by housing benefit as the charges would be above the Local Housing Allowance.

The Chief Executive informed the Panel that he had requested a piece of work be undertaken that analysed the impact of John Street Homeless Accommodation's closure for the two years following the flood. The matter was complicated and had to balance the social impact and the wish to provide the service against the business considerations for the Council. When the work had been completed it would be reported to Scrutiny.

- The Panel thanked the Corporate Director and all of the services involved for producing a well written and clear report.

RESOLVED – 1) That the Review of Charges 2018/19 – Governance and Regulatory Services (GD.66/17) be noted.

2) That a report detailing the impact of the closure of John Street Homeless Accommodation following the flood be added to the Panel's future Work Programme.

Governance and Regulatory Services - Licensing

Report GD.68/17 was submitted setting out the proposed fees and charges for areas falling within the responsibility of the Licensing Section of the Governance and Regulatory Services Directorate. The Corporate Director of Governance and Regulatory Services advised Members that the Regulatory Panel had responsibility for determining the licence fees, with the exception of those under the Scrap Metal Dealers Act 2013, which fell to the Executive.

The Executive had on 20 November 2017 (EX.116/17) received the report and agreed:

“That the Executive:

1. Noted the charges which were considered by the Regulatory Panel on 15 November 2017.
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 2018/19 report (GD.58/17) be noted.

(d) Revised Capital Programme 2017/18 and Provisional Capital Programme 2018/19 to 2022/23

The Chief Finance Officer submitted report RD.32/17 detailing the revised Capital Programme for 2017/18, now totalling £9,010,700, together with the proposed method of financing. The report summarised the proposed programme for 2018/19 to 2022/23 in light of the new capital proposals identified, together with the estimated capital resources available to fund the programme.

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

A summary of the estimated resources compared to the proposed programme year on year was also provided.

The Executive had on 20 November 2017 (EX.117/17) received the report and resolved:

“That the Executive:

- (i) Noted the revised capital programme and relevant financing for 2017/18 as set out in Appendices A and B to Report RD.32/17;
- (ii) Had given initial consideration and views on the proposed capital spending for 2018/19 to 2022/23 given in the report in the light of the estimated available resources;
- (ii) Noted that any capital scheme for which funding had been approved by Council may only proceed after a full report, including business case and financial appraisal, had been approved.”

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

- How would the Business Interaction Centre proposed capital spending be used?

The Chief Finance Officer responded that the capital would be used for the refurbishment and development of the building following the expiry of the lease to the University of Cumbria. The expenditure would be partly funded from an application to the European Regional Development Fund and dilapidation settlement.

In response to a Member's question the Corporate Director reminded the Panel that the Enterprise Centre was no longer a business incubation facility and had been moved into the Council's property portfolio as a commercial asset.

- A number of the capital scheme projects were reliant on external funding, how would the projects and budget be impacted if the applications were not successful?

The Chief Finance Officer responded that projects would be reviewed should applications for external grants be unsuccessful and most cases the projects would not progress.

Members asked for a list of grant/funding applications which the Council had submitted and information on their success.

- In response to a question the Chief Finance Officer confirmed that the capital scheme for the work at Fairy Beck within Carlisle Cemetery was in addition to other budget pressures within the budget pack.
- The Panel discussed the wording in section 6.2 of the report which suggested that no new major one-off schemes unless fully funded from grants or external funding be considered as part of the budget process. The Panel felt that this line should be removed as any additional expenditure outside of the budget framework would have to go to full Council for a decision.
- The Disabled Facilities Grants had been underspent, was there any flexibility as to how the money could be spent?

The Corporate Director reminded the Panel that the Disabled Facilities grant allocation was awarded via the County Council's Better Care Fund and the City Council had an obligation to work with partners to produce a programme of work for the grant. Full Council had approved a discretionary policy which afforded the Council some flexibility. In addition Central Government had circulated information regarding the availability of an additional grant which would not be covered by Better Care Funding; the additional grant could only be accepted if the Council could spend it before March 2018.

The Panel noted that the Disabled Facilities Action Plan had been completed and requested that it be added to their work programme.

- The available Capital Resources indicated a deficit for 2017/18, how would this be addressed?

The Chief Finance Officer responded that the level of deficit was manageable and could be funded from internal borrowing from cash resources with minimum impact on the level of investment income.

RESOLVED – 1) That the Revised Capital Programme 2017/18 and Provisional Capital Programme 2018/19 to 2022/23 (RD.32/17) be noted.

2) That an update on grant/funding applications which the Council had submitted and information on their success be circulated to Members of the Panel;

3) That the Disabled Facilities Action Plan be added to the Panel's work programme.

4) The Panel recommend that the following line be removed from Section 6.2 of the Revised Capital Programme 2017/18 and Provisional Capital Programme 2018/19 to 2022/23:

No major one-off schemes unless fully funded from grants or external funding

(e) Corporate Assets – 3 Year Repair and Maintenance Programme 2018/19 – 2020/21

The Corporate Director of Governance and Regulatory Services presented report GD.72/17 setting out the repair and maintenance programme budget proposals for the Council's corporate property assets for the three year period 2018/19 -2020/21, required to ensure that the legal responsibilities of the City Council were met.

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

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

The Executive had on 20 November 2017 (EX.118) received the report and resolved:

"That the Executive approved:

1. The three year revenue maintenance programme set out in Appendix A to Report GD.72/17 as part of the budget process.
2. The 2018/19 capital budget of £150,000 as part of the budget process.
3. The list of capital projects selected to meet the allocated capital budget of £150,000."

RESOLVED – That the Corporate Assets – 3 Year Repair and Maintenance Programme 2018/19 – 2020/21 be noted.

(f) Treasury Management Quarter 2 2017 and Forecasts for 2018/19 to 2022/23

The Chief Finance Officer submitted report RD.30/17 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 2018/19 with projections to 2022/23, and set out information regarding the requirements of the Prudential Code on local authority capital finance.

The base Treasury Management estimates for 2018/19 with projections for 2022/23 were set out at Appendix C.

The Executive had on 20 November 2017 (EX.119/17) received the report and resolved that Report RD.30/17 be received and the projections for 2018/19 to 2022/23 be incorporated into the Budget reports considered elsewhere on the Agenda.

A Member commented that the figures set out in a previous report would take the Council above the Authorised Borrowing Limit as set out in Appendix B2 of the report. The Chief Finance Officer explained that the limit in Appendix B2 was the 2017/18 limit and the revised figure 2018/19 would be submitted to the Panel for scrutiny in January.

RESOLVED – That the Treasury Management Quarter 2 2017 and Forecasts for 2018/19 to 2022/23 (RD.30/17) be noted.

(g) Local Taxation 2018/19 – 2022/23

The Chief Finance Officer submitted report RD.33/17 considering aspects of Local Taxation decisions which needed to be made as part of the Budget process for 2018/19 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 20 November 2017 (EX.120/17) received the report and resolved:

“ That the Executive:

- (i) Noted the contents of Report RD.33/17 including the current assumptions built into the MTFP with regard to local taxation issues;
- (ii) Approved, for recommendation to Council as part of the budget process, the 2018/19 Local Support for Council tax Scheme as set out in paragraph 2.4.
- (iii) Approved the continuation of involvement in the Cumbria Business Rate Pool arrangements for 2018/19, subject to the continuing involvement of the other partners which would be formally agreed in January 2018 with the final decision on participation being delegated to the Chief Finance Officer; that being subject to the outcome of the Business Rate Retention pilot bid for 100% retention in 2018/19.”

A Member asked when the care leavers discretion would be considered by the Executive and Chief Finance Officer responded that it was hoped to be ready for consideration in January.

RESOLVED – That the Local Taxation 2018/19 – 2022/23 report (RD.33/17) be noted.

The Panel adjourned for a short break at 11.25am and reconvened at 11.30am.

(h) Budget Monitoring Reports

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

- RD.28/17 – Revenue Budget Overview and Monitoring Report: April to September 2017
- RD.29/17 – Capital Budget Overview and Monitoring Report: April to September 2017

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

Revenue Budget Overview and Monitoring Report: April to September 2017

- Was the shortfall in income from the Lanes set against the reduced estimate?

The Chief Finance Officer confirmed that the shortfall had been set against the reduced estimate and reminded the Panel that the report was up to September and the figures could change as part of the outturn position.

- Had the improved levels of income for car parking been taken into account when the car parking charges were being reviewed?

The Finance, Governance and Resources Portfolio Holder confirmed that the increase had been considered as part of the charges review adding that previously car park charges only changed once a year, now with the aid of new technology, the Council was able to be reactive to trends when setting the charges.

- The ICT Strategy regularly showed an overspend, why was this and could the Panel see the ICT Strategy?

The Chief Executive reported that the overspend was a re-profiling issue rather than a forecast of overspend. A new ICT Strategy was being drafted along with a review of the mobile technology within the Council. The Strategy would be submitted for scrutiny when it had been drafted.

- Why did the Rethinking Waste have such a large shortfall in savings?

The Chief Executive reminded the Panel that the proposals for charging for Garden Waste Collections had been removed and had resulted in the £400,000 shortfall.

RESOLVED – That the Revenue Budget Overview and Monitoring Report, RD.28/17, be received;

2) That the new ICT Strategy be added to the Panel's Work Programme.

Capital Budget Overview and Monitoring report: April to September 2017

A Member sought assurance that the Harraby Cycle Track was at the end of the project and no further issues would arise. The Town Clerk and Chief Executive responded that there were still outstanding issues with the contractor and therefore he was unable to give such assurances until the project was signed off and completed. He agreed to provide the Panel with an update on the project.

A Member asked for information on the use of the additional contributions to the Public Realm Scheme and Chief Finance Officer agreed to circulate information to the Panel.

RESOLVED – 1) That the Capital Budget Overview and Monitoring report, RD.29/17, be received;

2) That the Town Clerk and Chief Executive provide the Panel with an update on the Harraby Cycle Track project.

3) That the Chief Finance Officer provide Panel Members with information on the use of additional contributions to the Public Realm Scheme

BTSP.43/17 COMMUNITY ASSET TRANSFER

The Policy and Performance Officer submitted report OS.21/17 which presented the work of the Community Asset Transfer Task Group.

The Policy and Performance Officer reminded the Panel that a task and finish group had been established to support officers in shaping and developing the Community Asset Transfer Policy. The Group was comprised of Councillor Mrs Riddle, Councillor Mrs Bowman and Councillor Allison.

The Policy and Performance Officer informed the Panel that Community Asset Transfer (CAT) was the transfer of management and/or ownership of public land and buildings from its owner to a community organisation for less than market value to achieve a local social, economic or environmental benefit. The report detailed the current position at the City Council including the Asset Management Plan which was supportive of the potential for development in this area.

The Task Group had developed a draft Community Asset Transfer Policy and supporting documents to enable the Council to implement the Policy. The documents were based on research and consultation undertaken by the Task Group. Members identified that that a CAT Policy should be clear and concise and flexible. They also recognised the need for a clear process for asset transfers to be considered within the Council, to ensure that an officer had responsibility for each stage of the process, Members were informed and decision making was transparent.

Members felt that an application form would assist groups in applying and would provide clarity in their understanding of what was required of them. The assessment matrix aligned to the application form enabled an initial assessment of an application to determine if it should proceed to be considered further. The CAT Policy and processes provided a clear framework for asset transfers, helped identify the resources required to implement the process and who would lead on each stage.

The Task Group had identified further work regarding the Council's asset list and opened up the Task Group to the other Scrutiny Panels.

The Chairman commented that there had been no clear process and the new policy clarified the whole process and provided a clear framework and criteria.

The Panel asked how CAT opportunities would be promoted to stakeholders in particular Parish Councils. The Policy and Performance Officer responded that opportunities would be advertised to all groups equally if the Policy was approved. The Town Clerk and Chief Executive added that the Deputy Chief Executive would be attending an Annual General Meeting of the Cumbria Association of Local Councils (CALC) in February and it would be a good opportunity to promote the Policy.

RESOLVED – That the Panel recommend to the Executive the approval and adoption of the Community Asset Transfer Policy (OS.21/17).

BTSP.44/17 CORPORATE PROJECT STATUS REPORT

The Town Clerk and Chief Executive presented report CE.15/17 which provided an update on the work of the Transformation Board and projects being undertaken in the Council.

The Town Clerk and Chief Executive reminded the Panel that the Transformation Board had subsumed the work of the Corporate Programme Board. The role of the Transformation board

was to ensure that there were effective governance arrangements in place for the projects that the Council undertook. A refresh of the Council's Project Managers' Handbook was also being carried out, the Handbook set out the corporate standards and methodology for project management in the Council. The Handbook had been attached to the report and Members were asked for their comments and input before it was finalised.

The report set out the status of current projects within the Council and the key achievements and achievements per project in the last six months.

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

- A Member was concerned that the Local Plan no longer reflected the changes to retail trading and asked if there was a process for reviewing parts of the Plan.

The Town Clerk and Chief executive responded that the Local Plan had been adopted and suggested that the Member discuss the matter with the Corporate Director of Economic Development.

- There was some concern that e-purchasing would be a barrier to local smaller businesses.

The Town Clerk and Chief Executive agreed that there should a risk identified in the register which included the implications of e-purchasing on local suppliers and how the risk could be mitigated along with evidence of how the risk had been addressed.

- Where would the new public realm signage be placed?

The Finance, Governance and Resources Portfolio Holder explained that the signage would replace existing finger posts and include more detail on attractions within the City.

- A Member commented that the Castle Way crossing had been very successful.
- The Panel asked for an update on the Community Infrastructure Levy and the Town Clerk and Chief Executive agreed to circulate a response to Members.
- Why had the Asset Recovery Programme not included details on John Street Homeless Accommodation and Adriano's?

The Town Clerk and Chief Executive reported that the physical work had been completed at the Homeless Accommodation and would re-open following staff recruitment and training. Adriano's had issues with the kitchen and a new contractor had to be appointed. Both projects had been delayed due to the contractors and both buildings were on their way to being completed.

With regard to the cost implications to the authority due to the closure of Adriano's the Chief Executive agreed to circulate a written response.

- The Panel thanked the Chief Executive for the Handbook and requested that Portfolio Holders were added to the progress reports for the management of projects.

RESOLVED – 1) That the Corporate Project Status report (CE.15/17) be welcomed;

2) That an update on the Community Infrastructure Levy be circulated to the Panel.

3) That the Town Clerk and Chief Executive provide the Panel with information on the cost implications to the authority due to the closure of Adriano's.

The Town Clerk and Chief Executive submitted the authority's sickness absence levels for the period April 2017 to September 2017 and other sickness absence information (CE.16/17).

The Town Clerk and Chief Executive reported that the 2016/17 levels of sickness absence decreased by approximately 14% to 7.4 days lost per full time equivalent (FTE) employee compared to 2015/16. 2015/16 had also decreased by 29% so there had been an overall reduction of 39% over the last years. The percentage of sickness which was long term also decreased as HR continued to work with managers to ensure support for their staff was available and accessible.

The table in appendix 1 provided sickness absence levels split by the new directorates. Authority wide, compared to quarter 2 of 2016/17, 2017/18 levels had increased by nearly 9% to 3.7 days lost per FTE employee. The last four consecutive months had been higher than the corresponding months in the previous year mainly due to an increase in long term absences.

The report set out the sickness absence reasons split by directorate; it also reported that "Other musculo-skeletal problems" was the highest reason for absence. Quarter 2 also showed that 99% of return to work interviews had been completed.

He added that the sickness absence figures for the authority had become volatile as the Council size reduced, a small number of long term absences had a significant impact on the sickness absence figures.

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

- A Member noted the initiatives and training which was provided to improve health and wellbeing and asked if any of the initiatives could be targeted to address the top reasons for sickness absence.

The Chief Executive reminded the Panel that the health and wellbeing initiatives were funded in part from staff purchasing extra annual leave. The initiatives were deliberately mixed to ensure staff engagement. There was a training programme in place which targeted directorates; however, the Chief Executive would welcome any suggestions in this area.

- A Member asked what type of absences were covered by "Other" and if it had to remain in the reasons for absence.

The Policy and Performance Officer explained that the categories were defined by the Health and Safety Executive and 'Other' covered a variety of illnesses which included cancer.

- The second highest absence was caused by stress, depression, mental health and fatigue syndromes and it was noted that Doncaster Council had managed to reduce their absences in this category. Had the Council investigated how this had been achieved?

The Chief Executive had been aware of the reduction; however, their programme was similar to Carlisle's. He reminded the Panel that the City Council had recently signed the Time to Change pledge which was a commitment to change how the Council thought and acted about mental health at every level of the Council.

- How did the City Council benchmark against other authorities?

The Policy and Performance Officer responded that the most up to date benchmarking figures had not been received, however, previously the City Council had been better than the County

Council and half way compared to the other North West District Councils. There had been a vast improvement on sickness absence figures.

RESOLVED – That the 2017/18 Sickness Absence Quarter 2 report (CE.16/17) be noted.

BTSP.46/17 QUARTER 2 PERFORMANCE REPORT 2017/18

The Policy and Performance Officer submitted the 2nd quarter performance against the current Service Standards and a summary of the Carlisle Plan 2015-18 actions as defined in the 'plan on a page'. The new Service Standards and Key Performance Indicators (KPIs) were also included (PC.18/17).

Details of the standards were set out in section 1 and section 2 contained the Council's delivery of the Carlisle Plan within the Panel's remit. A new dashboard showing performance against the new KPIs (also within the Panel's remit) was appended.

The Town Clerk and Chief Executive informed the Panel that work had been undertaken with regard to Land Charges service standard and the next report would include details of the Land Charges performance.

RESOLVED – That the Quarter 2 Performance Report 2017/18 (PC.20/17) be welcomed.

(The meeting ended at 12.30pm)

Business and Transformation Scrutiny Panel

Agenda
Item:

A.2

Meeting Date: 4th January 2018

Portfolio: Cross Cutting

Key Decision: No

Within Policy and
Budget Framework

Public / Private Public

Title: OVERVIEW REPORT AND WORK PROGRAMME

Report of: Policy & Communications Manager

Report Number: OS 01/18

Summary:

This report provides an overview of matters related to the Business and Transformation 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
- Consider the work programme and prioritise if necessary

Contact Officer: Steven O'Keeffe

Ext: 01228 817258

Appendices attached
to report:

1. Business and Transformation Scrutiny Panel Work Programme 2017/18

1. Notice of Key Executive Decisions

The most recent Notice of Key Executive Decisions was published on 18th December 2017. This was circulated to all Members. The following items fall within the remit of this Panel:

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

KD.23/17 Budget Process 2018/19 (Today's Panel)

KD.33/17 Sands Centre Redevelopment (Special meeting)

KD.35/17 Action Plan - Disabled Facilities Grant 2017 to 2019 (Health & wellbeing Panel Remit / February meeting)

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

KD.34/17 Civic Centre - Ground Floor Reinstatement (February meeting)

2. References from the Executive

There are no references from the Executive.

3. Progress on resolutions from previous meetings

The following table sets out the meeting date and resolution that requires following up. The status is presented as either 'completed', 'pending (date expected)' or 'outstanding'. An item is considered outstanding if no update or progress has been made after three panel meetings.

The panel agreed that the reports on individual projects from the Business Management and Development Sub Group will be submitted at the appropriate time for Members input. This is an ongoing action to help update the work programme. Therefore, 'Action 15' in the list below was completed at the Panel meeting in October.

No.	Meeting Date	Action	Status
1	5/12/2017	That information on the use of the grant to the Sexual Assault Referral Service be circulated to the Panel Members for information.	Pending (4/1/18)
2	5/12/2017	That the Panel support the recommendation made to the Executive by the Economic Growth Scrutiny Panel and recommend to the Executive that the proposed reduction in the level of charge levied for the 4 – 9.5 hour period in the Civic Centre car Park be removed from the Executive Budget proposals.	Completed
3	5/12/2017	That information on the commercial use of the Old Fire Station be circulated to Panel Members for information.	Pending (4/1/18)
4	5/12/2017	That the Panel recommend that the Chief Finance Officer consider changing the Charges Reports to an exception approach in future budget processes.	Pending (Dec. 2018)
5	5/12/2017	That a report detailing the impact of the closure of John Street Homeless Accommodation following the flood be added to the Panel's future Work Programme.	Pending (work programme 18/19)

No.	Meeting Date	Action	Status
6	5/12/2017	That an update on grant/funding applications which the Council had submitted and information on their success be circulated to Members of the Panel;	Pending (Feb. Meeting 2018)
7	5/12/2017	That the Disabled Facilities Action Plan be added to the Panel's work programme.	Completed (Feb. Meeting 2018)
8	5/12/2017	The Panel recommend that the following line be removed from Section 6.2 of the Revised Capital Programme 2017/18 and Provisional Capital Programme 2018/19 to 2022/23: No major one-off schemes unless fully funded from grants or external funding	Pending (4/1/18)
9	5/12/2017	That the Town Clerk and Chief Executive provide the Panel with an update on the Harraby Cycle Track project.	Pending (4/1/18)
10	5/12/2017	That the Chief Finance Officer provide Panel Members with information on the use of additional contributions to the Public Realm Scheme	Pending (4/1/18)
11	5/12/2017	That the Panel recommend to the Executive the approval and adoption of the Community Asset Transfer Policy	Pending (Feb. Meeting 2018)
12	5/12/2017	The Panel thanked the Chief Executive for the Handbook and requested that Portfolio Holders were added to the progress reports for the management of projects.	Completed
13	5/12/2017	That an update on the Community Infrastructure Levy be circulated to the Panel.	Pending (4/1/18)
14	5/12/2017	That the Town Clerk and Chief Executive provide the Panel with information on the cost implications to the authority due to the closure of Adriano's.	Pending (4/1/18)
15	26/9/2017	That reports on individual projects from the Business Management and Development Sub Group be submitted to the Panel at the appropriate time for Members input.	Completed
16	26/9/2017	That the update on the Community Asset Transfer Policy Task and Finish Group be welcomed and that the Task and Finish Group be opened to Members of the Health and Wellbeing Scrutiny Panel and the Economic Growth Scrutiny Panel.	Completed
17	14/9/2017	That an update on the progress being made with rent reviews be circulated to all Members of the Panel	Completed
18	14/9/2017	That the timetable of works using the Better Care Funding be circulated to Members of the Panel to enable them to identify any potential areas for Scrutiny.	Completed
19	14/9/2017	That the Deputy Chief Executive circulate the timescales for the new leisure contract to Members of the Panel.	Completed
20	14/9/2017	That the Panel support the proposed design the re-use of the Lodge and look forward to seeing the final designs at a future meeting;	Pending (Executive 18/12/17)
21	14/9/2017	That details of contractual arrangements for the garden waste service be circulated to all Members of the Panel.	Completed

No.	Meeting Date	Action	Status
22	3/8/2017	Asset Management of Kingstown Industrial Estate & Parkhouse Business Park Business. That the Panel receive a progress report on the Business Plan in six months' time.	Pending (Feb. Meeting 2018)
23	3/8/2017	That the Business and Transformation Scrutiny Panel receive an update on the Leisure Contract at the appropriate time;	Pending (29/1/18)
24	3/8/2017	That future reports on information requests be submitted for scrutiny on an exception only basis.	Pending any exceptions

4. Work Programme

A special joint Scrutiny Panel with Health and Wellbeing, will take place on Monday 29 January 2018 to scrutinise the Sands Centre Redevelopment.

The Panel's current work programme is attached at **Appendix 1**.

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: Work Programme

Issue Contact Officer	Type of Scrutiny						Comments/Current Status	Meeting Dates							
	Performance	Notice of Key Decision /Referred from Executive	Policy Review or Development	Scrutiny of Partnership/ External Agency	Budget	Monitoring		13 Jun 17	03 Aug 17	14 Sep 17	26 Oct 17	05 Dec 17	04 Jan 18	15 Feb 18	22 Mar 18
Current Meeting – 4 January 2018															
Budget setting 2018/19 Alison Taylor					✓		Draft budget consultation					✓	✓		
Flood Update Report Darren Crossley		✓	✓			✓	Final report						✓		
Customer Services Jill Gillespie			✓				Consider workflow and new technology within Customer Services – incorporating Customer Contact Strategy & Customer Services Charter						✓		
Task & Finish Groups															
Community Asset Transfer Policy Becky Tibbs			✓				Assist in policy development process					✓		✓	

Issue Contact Officer	Type of Scrutiny						Comments/Current Status	Meeting Dates							
	Performance	Notice of Key Decision /Referred from Executive	Policy Review or Development	Scrutiny of Partnership/ External Agency	Budget	Monitoring		13 Jun 17	03 Aug 17	14 Sep 17	26 Oct 17	05 Dec 17	04 Jan 18	15 Feb 18	22 Mar 18
Future Items															
Disabled Facilities Grant Action Plan			✓				Requested by Panel following on from budget meeting.							✓	
Kingstown Industrial Estate Mark Walshe						✓	Consider business plan. Update on progress after 6 months requested		✓					✓	
Flood Update Report Darren Crossley		✓	✓			✓	Final report					✓			
Performance Monitoring Gary Oliver	✓					✓	Quarterly monitoring of performance within remit of Panel	✓		✓		✓		✓	
Budget Monitoring 17-18 Alison Taylor					✓	✓	Monitoring of budget – both revenue and capital			✓		✓		✓	
Corporate Risk Register Tracey Crilley						✓	Bi-annual monitoring				✓				✓
Scrutiny Annual Report Dave Taylor							Draft report for comment before Chairs Group approval								✓

Issue Contact Officer	Type of Scrutiny						Comments/Current Status	Meeting Dates							
	Performance	Notice of Key Decision /Referred from Executive	Policy Review or Development	Scrutiny of Partnership/ External Agency	Budget	Monitoring		13 Jun 17	03 Aug 17	14 Sep 17	26 Oct 17	05 Dec 17	04 Jan 18	15 Feb 18	22 Mar 18
COMPLETED ITEMS															
Street Trading Policy Scott Burns			✓				New policy being developed	✓							
Freedom of Information Requests Clare Furlong						✓	Annual Report on Freedom of Information requests. From 2018 onwards, for information only		✓						
Medium Term Financial Plan and the Capital Strategy 2018/19 to 2022/23 Alison Taylor		✓			✓		Policy Documents Consultation		✓						
Asset Management Plan Mark Walshe		✓					2017 to 2022 Plan		✓						
2016/17 Provisional Outturn Reports Alison Taylor					✓		Outturn reports and requests to Council	✓							
Asset Recovery: Civic Centre Darren Crossley			✓				Consultation on reinstatement plans		✓						

Issue Contact Officer	Type of Scrutiny						Comments/Current Status	Meeting Dates							
	Performance	Notice of Key Decision /Referred from Executive	Policy Review or Development	Scrutiny of Partnership/ External Agency	Budget	Monitoring		13 Jun 17	03 Aug 17	14 Sep 17	26 Oct 17	05 Dec 17	04 Jan 18	15 Feb 18	22 Mar 18
Performance Monitoring Gary Oliver	✓					✓	Quarterly monitoring of performance within remit of Panel	✓		✓		✓			
Bitts Park Lodge – Flood Reinstatement Mark Lambert		✓					Key Decision			✓					
Budget Monitoring 17-18 Alison Taylor					✓	✓	Monitoring of budget – both revenue and capital			✓		✓			
Transformation + Business Management and Development SMT Sub- Groups Jason Gooding/Mark Lambert			✓				Bi-annual update for Panel on work of SMT Sub-groups to aid work programme planning for the Panel				✓				
Corporate Risk Register Tracey Crilley						✓	Bi-annual monitoring				✓				

Issue Contact Officer	Type of Scrutiny						Comments/Current Status	Meeting Dates							
	Performance	Notice of Key Decision /Referred from Executive	Policy Review or Development	Scrutiny of Partnership/ External Agency	Budget	Monitoring		13 Jun 17	03 Aug 17	14 Sep 17	26 Oct 17	05 Dec 17	04 Jan 18	15 Feb 18	22 Mar 18
Transformation Board: Corporate programme of projects Tracey Crilley						✓	Bi-annual monitoring of significant projects/ To include Project Manager's Handbook					✓			
Community Asset Transfer Policy Becky Tibbs			✓				Assist in policy development process					✓			
Sickness Absence Gary Oliver	✓						To consider reports relating to sickness absence levels. Biannual reporting	✓				✓			
SPECIAL SCRUTINY MEETINGS															
KD.33/17 Sands Centre Redevelopment: 29 th January 2018															
FOR INFORMATION ONLY ITEMS															
Details								Date Circulated							

EXECUTIVE – SPECIAL MEETING

MONDAY 11 DECEMBER 2017 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:

Corporate Director of Governance and Regulatory Services
Corporate Director of Economic Development
Chief Finance Officer

ALSO PRESENT:

Councillor Nedved (Chairman of the Economic Growth Scrutiny Panel)
Councillor Mrs Riddle (Chairman of the Business and Transformation Scrutiny Panel)
Councillors Allison and Bainbridge (Observers)

WELCOME

The Chairman welcomed all those present to the special meeting.

APOLOGY FOR ABSENCE

An apology for absence was submitted on behalf of the Town Clerk and Chief Executive.

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.131/17 BUDGET 2018/19 – FEEDBACK FROM THE SCRUTINY PANELS ON THE
DRAFT BUDGET REPORTS**
(Key Decision – KD.23/17)

Portfolio Finance, Governance and Resources

Relevant Scrutiny Panel

Health and Wellbeing; Economic Growth; Business and Transformation

Subject Matter

Speaking by way of introduction, the Leader indicated that the Scrutiny Panels had scrutinised the draft Budget Reports for 2018/19 considered by the Executive on 20 November 2017.

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

- (a) Health and Wellbeing – 23 November 2017 (HWSP.31/17)
- (b) Economic Growth – 30 November 2017 (EGSP.33/17)
- (c) Business and Transformation – 5 December 2017 (BTSP.41/17)

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

The Leader noted that the Chairman of the Health and Wellbeing Scrutiny Panel was not in attendance. He confirmed, however, that Executive Members had received the Minutes of the Panel meeting held on 23 November 2017 which would be taken into account.

The Chairman of the Economic Growth Scrutiny Panel was present at the meeting and summarised the Panel's response in the following terms:

- The £235,000 Non-Recurring Pressure relating to economic development initiatives which the Council wished to pursue, such as Borderlands, Business Interaction Centre, Development Brief for Morton District Centre, Promotion of Central Plaza Redevelopment and promotion of City Centre redevelopment options was universally welcomed. The only issue related to how the funding would be allocated.
- A number of Members had expressed concern that encouraging long-stay use of the Council's car parks at the Civic Centre and Bitts Park would have a detrimental impact on retail in the city centre as larger numbers of long-stay users would reduce the amount of spaces available for short-stay users wishing to access stores within the city.

A Member noted that the construction of Council's temporary Customer Contact Centre within the Civic Centre car park had reduced the number of spaces available at the facility. He was concerned that incentivising long-stay use of the car park would further limit the spaces available for short-stay users of the facility who had business at the Civic Centre, and that may particularly impact on residents from rural areas, without access to public transport who were required to use cars to access the Civic Centre.

Discussion had also taken place with regard to the potential changes to car parking provision in the city following the proposed redevelopment of the ground floor of the Civic Centre and the demolition of the former Cumbria County Council offices; and occupancy levels of retail stores within the City Centre.

- It was understood that the University of Cumbria had decided not to renew its lease of the Business Interaction Centre (BIC). There was some concern that the new spending proposal for the coming financial year, on the facility, was a significant sum. Members were however assured that the Council was taking a pro-active and positive approach to the redevelopment of the Centre and hoped that would prove to be successful.

The Chairman concluded by highlighting the Panel's recommendation that the proposed reduction in the level of charge levied for the 4 – 9.5 hour period in the Civic Centre car park be removed from the Executive Budget proposals. He was pleased that the recommendation was supported by the Business and Transformation Scrutiny Panel and expressed the hope that the Executive would look kindly on that issue.

The Chairman of the Business and Transformation Scrutiny Panel reported that one of the topics under discussion at the Panel meeting related to the continuation of the grant to match fund sexual assault referral service projects by Cumbria Police (£20,000 non-recurring two year pressure). It was felt that the grant should be included as a recurring pressure.

The Disabled Facilities Grants had been underspent which was somewhat worrying. The Chairman wished to see a robust plan on how that grant allocation would be spent in future.

The Panel was supportive of the recommendation made to the Executive by the Economic Growth Scrutiny Panel and recommended to the Executive that the proposed reduction in the level of charge levied for the 4 – 9.5 hour period in the Civic Centre car park be removed from the Executive Budget proposals.

The Panel further recommended that the following line be removed from Section 6.2 of the Revised Capital Programme 2017/18 and Provisional Capital Programme 2018/19 to 2022/23:

“No major one-off schemes unless fully funded from grants or external funding”

The Deputy Leader, and Finance, Governance and Resources Portfolio Holder thanked the Financial Services Team and Officers for their work in preparing the budget documentation; and the Chairmen of the Economic Growth; and the Business and Transformation Scrutiny Panels for their addresses to the Executive. He further wished to place on record thanks to all Scrutiny Panel Members for their scrutiny, awareness and questioning.

In terms of the Review of Charges for 2018/19, the Deputy Leader reminded Members that the proposals took account of the MTFP's 3% increase but that had not been applied across the board as factors including market forces and local conditions had been taken into account.

The Executive would give detailed consideration to the issues and recommendations raised prior to putting forward their draft Budget Proposals for consultation on 18 December 2017.

The Deputy Leader also summarised the budget consultation process which would culminate in consideration of the 2018/19 Budget at the special Council meeting scheduled for 6 February 2018.

In conclusion, the Leader echoed the Deputy Leader, and Finance, Governance and Resources Portfolio Holder's comments; and expressed his thanks to all Members for their work in guiding the Executive. He also thanked the Chief Finance Officer and her team for their work to date and in the coming weeks.

Summary of options rejected None

DECISION

That the Scrutiny Panels be thanked for their consideration of the draft Budget reports; and their comments / recommendations, as detailed within the Minutes submitted, would be taken into account as part of the Executive's deliberations on the 2018/19 Budget.

Reasons for Decision

The views of the Scrutiny Panels would be taken into account as part of the 2018/19 Budget process

[The meeting ended at 4.15 pm]

**CARLISLE
CITY COUNCIL**



www.carlisle.gov.uk

**Executive Budget Proposals 2018/19
Issued for Consultation
18th December 2017**

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 2017/18 to 2022/23

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 2017/18 to 2022/23 <ul style="list-style-type: none">• Schedule 1 - Existing Net Budgets• Schedule 2 - Proposed Budget Reductions• Schedule 3 - Recurring Budget Increases• Schedule 4 - Non-Recurring Budget Increases• Schedule 5 - Summary Net Budget Requirement• Schedule 6 - Total Funding and Provisional Council Tax
C	Capital Programme 2017/18 to 2022/23 <ul style="list-style-type: none">• Schedule 7 - Estimated Capital Resources• Schedule 8 - Proposed Capital Programme• Schedule 9 - Summary Capital Resource Statement
D	Council Reserves Projections to 2022/23 <ul style="list-style-type: none">• Schedule 10 - Usable Reserves Projections
E	Proposed Budget Discipline and Saving Strategy
F	Draft 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 18th December 2017. All of the detailed reports are available on the Council's website.

1. RD35/17 – Budget Update 2018/19 to 2022/23
2. RD36/17 – Capital Programme 2017/18 – 2022/23
3. RD37/17 – Draft Treasury Management Strategy Statement and Investment Strategy and Minimum Revenue Provision Strategy 2018/19

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

There is a requirement to approve the Local Support for Council Tax Scheme ("The Council Tax Reduction Scheme" or CTRS) annually as part of the Budget Process. There are no intentions to make any changes to the reductions given to recipients of the discount scheme for 2018/19, proposals to make any revisions or replace the current scheme and as such the continuation of the current scheme is recommended.

Major Financial Challenges facing the Council

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

Some of the main issues are:

- Government Finance Settlement - 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:

- The draft budget proposes an annual **£5** increase per Band D in Council Tax for the City Council for 2018/19 (Parishes Precepts will be an additional charge in the parished rural areas).
- Based on current projections, the budget proposed will result in the following requirement to be taken **to/(from)** Council reserves to support Council expenditure over the period as follows:

Additional contribution to / (from) reserves	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Original MTFP recurring surplus/(deficit)	75	(616)	(127)	(108)	(218)
Changes to Funding - Business Rates Growth	500	500	0	0	0
Recurring budget reductions (Schedule 2)	29	60	360	452	452
Recurring Budget Increases (Schedule 3)	(415)	(840)	(1,345)	(839)	(728)
Contribution required (from) / to Reserves to fund Recurring Expenditure	189	(896)	(1,112)	(495)	(494)
Original MTFP non-recurring surplus/(deficit)	323	690	585	124	0
Non-Recurring budget reductions (Schedule 2)	12	12	12	0	0
Non-Recurring budget increases (Schedule 4)	(161)	(160)	0	0	0
Contribution required (from) / to Reserves to fund Non-Recurring Expenditure	174	542	597	124	0
Total contribution required (from) / to Reserves	363	(354)	(515)	(371)	(494)

- The above table shows an overall contribution from reserves over the life of the MTFP to fund expenditure with a small contribution to reserves in 2018/19. A strategy as detailed in Section E for ensuring the Council sets a robust budget within the revenue budget has been proposed.
- Given the uncertainty over future funding allocations and other financial pressure the Council is facing, the scope to support new recurring spending and initiatives in future years is still very challenging.

Consultation Responses:

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

If you wish to make any comment on the Executive's draft budget proposals as set out in this document please send them to the Chief Executive at the Civic Centre, Carlisle, CA3 8QG by **9am on 15th January 2018**.

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 **6th February 2018**.

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 2017/18 to 2022/23

1. REVISED REVENUE BUDGET 2017/18

- 1.1 The Executive recommends that the Council's revised net budget for 2017/18 be approved totalling £11.989m compared to the original budget of £11.038m. The increase of £0.951million can be summarised as follows:

Detail:	£000	£000
Original Net Budget		11,038
Carry Forward Requests from 2016/17 (See note 1.2)		490
		11,528
Non-Recurring Expenditure:		
IT Renewals Reserve	214	
Leisure Reserve	31	
Revenue Grants Reserve	96	
Building Control Reserve	32	
Cremator Reserve	(41)	
GLL Reserve	69	
Promoting Carlisle Reserve	10	
General Carry Forward Reserve	50	
Total Changes		461
Revised Net Budget		11,989

- 1.2 The increased budget for 2017/18 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 2017/18 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 2018/19 to 2022/23

2.1 Existing Net Budgets

The Executive recommends that the net budgets for 2018/19 to 2022/23 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	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
City Council					
- Recurring (schedule 5)	11,217	11,921	11,700	11,970	12,337
- Non-Recurring (Sch. 5 note 2)	(323)	(690)	(585)	(124)	0
Parish Precepts	544	558	572	586	600
Total	11,438	11,789	11,687	12,432	12,937

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	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Expenditure Reductions/Increased Income:						
Building Control Discretionary Charges	1	(23)	(23)	(23)	(11)	(11)
Bring Site Savings	2	(18)	(49)	(49)	(49)	(49)
Revenue Contribution to Capital	3	0	0	0	(92)	(92)
Tullie House Grant	4	0	0	(300)	(300)	(300)
Total Expenditure Reductions/Increased Income		(41)	(72)	(372)	(452)	(452)
TOTAL BUDGET REDUCTION PROPOSALS		(41)	(72)	(372)	(452)	(452)
Split:						
Recurring		(29)	(60)	(360)	(452)	(452)
Non-Recurring		(12)	(12)	(12)	0	0

Note 1: This relates to new discretionary charges for Building Control services

Note 2: A revenue contribution was made to the capital programme for five years to repay the capital cost of a bring site vehicle. The capital is fully repaid from 2018/19 therefore a saving will accrue. The vehicle is now included in the capital vehicle replacement plan and funded through the Rethinking waste project.

Note 3: A revenue contribution was made to the capital programme for five years to repay the capital cost of the market hall roof works. The capital is fully repaid from 2020/21 therefore a saving will accrue.

Note 4: A recent productivity report, jointly commissioned with Tullie House Museum & Art Gallery Trust, identified that up to £300,000 per annum could be saved from the subsidy currently provided to the Trust, effective from 2020/21.

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	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Homelessness Resources	1	60	60	60	60	60
Information Governance Manager	2	56	56	56	56	56
Legal Services Support	3	29	29	29	29	29
Land Charges income Shortfall	4	30	30	30	30	30
Information Technology Security	5	86	86	86	86	86
Treasury Management	6	(12)	134	396	454	298
Borrowing Costs - Leisure Development	7	0	0	568	545	522
Leisure Contract Subsidy	8	106	385	60	(481)	(413)
Apprentices	9	60	60	60	60	60
Total Recurring Budget Pressures		415	840	1,345	839	728

Note 1: This provides for additional staff resources (2FTE) for the homelessness service to ensure effective and safe operational delivery of a 24-hour service.

Note 2: New Data Protection Regulations come into force on 1 April 2018 with increased requirements to ensure information and data is managed securely and appropriately with increases in the potential for fines and data breaches.

Note 3: Additional resources are required to enable the legal services team to continue to support the growth activities the Council is undertaking.

Note 4: The amount on income collected from Land Charge searches has reduced over the years due to the rise in the number of searches being carried out by Personal Search Companies who can use the Council's data to provide a cheaper service.

Note 5: There are requirements for additional resources to ensure the Council's IT environment remains secure and compliant around taking payments by card and providing resources for IT security.

Note 6: The treasury management projections have been updated to take account of the revised capital programme, including changes to funding. The projections have also considered the latest projections for interest rates, including the long-term investment in the property fund and the re-financing of the Stock Issue in 2020. Treasury Projections are re-calculated during the budget process to take account of contributions to and from reserves.

Note 7: Borrowing costs (interest) for the proposed new leisure facility development are based on the borrowing requirement included in the capital programme and currently assume external borrowing over a 25-year period. Repayment of principal (MRP) is included in the Treasury Management budget pressure in line with the current MRP strategy. Borrowing costs are included for indication only as any external borrowing will only be undertaken when necessary. Alternative sources of funding, such as generation of capital receipts, maximisation of external grants and use of internal cash balances will all be considered and any external borrowing will only be examined when required in terms of length and type of loan and prevailing interest rates at that time. This will be subject to future reports to the Executive with an assessment of the impact on Council Reserves.

Note 8: The new leisure contract has recently been re-tendered and the new contract values agreed. The MTFP includes a recurring saving of £329,000 to be achieved in 2018/19. However, until a new facility is built, there will continue to be a requirement to pay a subsidy to the operator. Once a new facility is built the operator will then pay the Council a concession fee.

Note 9: This provides funding for the salary costs for apprentices. The Council makes use of the apprenticeship levy to fund the training requirements.

Schedule 4 – Non-Recurring Budget Increases

Non-Recurring Budget Pressures/Savings	Note	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Economic Investment Initiatives	1	235	0	0	0	0
<i>Funded from Carry Forward Reserve</i>	1	(235)	0	0	0	0
Sexual Assault Referral Service Grant	2	20	20	0	0	0
Pay Award Provision	3	136	140	0	0	0
Grant to Carlisle Food Bank	4	5	0	0	0	0
Total Non-Recurring Budget Pressures		161	160	0	0	0

Note 1: This relates to economic investment initiatives that the Council wishes to pursue, such as Borderlands, Business Interaction Centre, Development Brief for Morton District Centre, Promotion of Central Plaza redevelopment and promotion of City Centre redevelopment opportunities. It is proposed that this be funded from the earmarked Carry Forward Reserve.

Note 2: Continuation of the grant to match fund sexual assault referral service projects by Cumbria Police.

Note 3: The MTFP includes provision for pay awards at 1% for 2018/19 and 2019/20, then 2% thereafter. This pressure increases the provision to 2% for 2018/19 and 2019/20 following the potential easing of the public sector pay cap.

Note 4: A grant to Carlisle Foodbank to recognise the important work and support being offered to those in need.

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 2018/19, with projections to 2022/23, be approved as set out in **Schedule 5** below:

Schedule 5 – Summary Net Budget Requirement for Council Tax Purposes

2017/18 Revised £000	Summary Net Budget Requirement	2018/19 Budget £000	2019/20 Proj £000	2020/21 Proj £000	2021/22 Proj £000	2022/23 Proj £000
	Recurring Revenue Expenditure					
	Existing Expenditure (Schedule 1)	11,217	11,921	11,700	11,970	12,337
	Budget Reductions (Schedule 2)	(29)	(60)	(360)	(452)	(452)
	New Spending Pressures (Schedule 3)	415	840	1,345	839	728
11,616	Total Recurring Expenditure	11,603	12,701	12,685	12,357	12,613
	Non Recurring Revenue Expenditure					
(931)	Existing Commitments (Schedule 1)	(323)	(690)	(585)	(124)	0
490	Carry Forward	0	0	0	0	0
2	Budget Reductions (Schedule 2)	(12)	(12)	(12)	0	0
351	Spending Pressures (Schedule 4)	161	160	0	0	0
11,528	Total Revenue Expenditure	11,429	12,159	12,088	12,233	12,613
	Less Contributions (from)/to Reserves:					
(151)	Recurring Commitments (Note 1) Sub Total	189	(896)	(1,112)	(495)	(494)
578	Non Recurring Commitments - Existing Commitments (Note 2)	323	690	585	124	0
10	- New Commitments	(149)	(148)	12	0	0
588	Sub Total	174	542	597	124	0
11,965	Total City Council Budget requirement	11,792	11,805	11,573	11,862	12,119
582	Parish Precepts	544	558	572	586	600
12,547	Projected Net Budget Requirement for Council Tax purposes	12,336	12,363	12,145	12,448	12,719

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	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Homelessness	66	66	0	0	0
New Homes Bonus	(333)	(666)	391	391	0
New Homes Bonus	(151)	(145)	(991)	(515)	0
Homelessness Grant	(66)	(66)	0	0	0
Carlisle South Masterplan	135	135	65	0	0
Carlisle South / Garden Village	(50)	(50)	(50)	0	0
Homelessness Grant	66	66	0	0	0
Community Infrastructure Levy	0	(30)	0	0	0
Carry Forward from 2015/16	10	0	0	0	0
Total	(323)	(690)	(585)	(124)	0

2.5 **Funding and Provisional Council Tax Projections**

As a consequence of the above and having made the appropriate calculations required under Section 32 of the Local Government Finance Act 1992, the Executive is putting forward a proposal for an annual £5 increase in Council Tax for 2018/19 per Band D property (This equates to a 2.47% increase). The detail of this is set out in **Schedule 6** below and the impact per Council Tax Band is as follows:

	2017/18 Council Tax £	Proposed Annual Increase £	2018/19 Council Tax £	Weekly Increase
Band A	134.80	3.33	138.13	6 pence
Band B	157.27	3.89	161.16	7 pence
Band C	179.73	4.44	184.18	9 pence
Band D	202.20	5.00	207.20	10 pence
Band E	247.13	6.11	253.24	12 pence
Band F	292.07	7.22	299.29	14 pence
Band G	337.00	8.33	345.33	16 pence
Band H	404.40	10.00	414.40	19 pence

Schedule 6 – Total Funding and Provisional Council Tax Projections

2017/18	Total Funding and Council Tax Impact	2018/19	2019/20	2020/21	2021/22	2022/23
32,927.91 £000	Estimated TaxBase	33,019.78 £000	33,111.90 £000	33,204.29 £000	33,296.93 £000	33,389.82 £000
	Projected Net Budget Requirement for Council Tax Purposes (Schedule 5)					
11,465	- City	11,792	11,805	11,573	11,862	12,119
582	- Parishes	544	558	572	586	600
12,047	Total	12,336	12,363	12,145	12,448	12,719
	Funded by:					
(6,658)	- Council Tax Income	(6,842)	(7,026)	(7,212)	(7,399)	(7,586)
(856)	- Revenue Support Grant	(435)	0	0	0	0
(3,114)	- Retained Business Rates	(3,215)	(3,329)	(3,411)	(3,513)	(3,583)
	- Business Rate					
(1,200)	Growth/Pooling	(1,250)	(1,400)	(900)	(900)	(900)
(137)	- Estimated Council Tax Surplus	(50)	(50)	(50)	(50)	(50)
(30)	- Parish CTRS Grant	(14)	0	0	0	0
(552)	- Parish Precepts	(530)	(558)	(572)	(586)	(600)
(12,547)	TOTAL	(12,336)	(12,363)	(12,145)	(12,448)	(12,719)
£ 202.20	City Council Tax Band D Council Tax	£ 207.20	£ 212.20	£ 217.20	£ 222.20	£ 227.20
£3.77 1.95%	Increase over Previous year: £ %	£ 5.00 2.47%	£ 5.00 2.41%	£ 5.00 2.36%	£ 5.00 2.30%	£ 5.00 2.25%

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

- Final confirmation of the 2018/19-year settlement figures will be received in January 2018.
- The Council Tax Surplus and Taxbase are currently estimated and final figures will be available in the January 2018.
- The Council is continuing to participate in the Cumbria Business Rates Pool with the other Councils within Cumbria in order to manage Business Rates; subject to the decision on the Business Rate pilot for 100% retention.
- The projections of Council Tax for 2018/19 onwards are indicative only and exclude final confirmation of parish precepts.

SECTION C - CAPITAL PROGRAMME 2017/18 TO 2022/23

1. REVISED CAPITAL BUDGET 2017/18

- 1.1 The Executive recommends that the revised 2017/18 Capital Programme be approved at £9.513m compared to the original budget of £9.011m as set out in the report of the Chief Finance Officer.

2. CAPITAL BUDGET 2018/19 TO 2022/23

- 2.1 The Executive recommends that the estimated Capital Resources available and proposed Capital Programme for 2018/19 to 2022/23 be approved to be financed and allocated as detailed in **Schedule 7 and 8** below:

Schedule 7 – Estimated Capital Resources

Estimated Resources	Note	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Capital Grants:						
- DFG	1	(1,467)	(1,467)	(1,467)	(1,467)	(1,467)
- Other	2	(925)	(2,480)	(480)	(210)	0
Capital Receipts						
- Generated in year (Asset Business Plan)	3	(2,754)	0	0	0	0
Direct Revenue Financing	4	(912)	(1,316)	(1,018)	(926)	(926)
TOTAL		(6,058)	(5,263)	(2,965)	(2,603)	(2,393)

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 2017/18 levels

Note 2: Capital Grants and contributions from third parties in relation to regeneration schemes, business interaction centre and for new leisure facilities.

Note 3: 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	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Current Commitments:							
Disabled Facilities Grants			1,467	1,467	1,467	1,467	1,467
Planned enhancement to Council Property		1	150	150	150	150	150
Vehicles & Plant		2	721	896	647	1,486	1,297
ICT		3	358	48	83	84	116
Play Areas - Green Gyms		4	25	0	0	0	0
Fusehill St Play Area		5	35	0	0	0	0
Planning Software		6	150	0	0	0	0
Regeneration of Botchergate/London Rd	A	7	247	247	247	247	0
Chatsworth Square/Portland Square Townscape Heritage Initiative	A	8	295	290	290	0	0
Cemetery Infrastructure		9	30	0	0	0	0
Recycling Containers		10	45	45	45	45	45
Business Interaction Centre	A	11	510	0	0	0	0
Leisure Facilities	A	12	0	19,467	0	0	0
TOTAL POTENTIAL PROGRAMME			4,033	22,610	2,929	3,479	3,075

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

Note 5: To provide refreshed play facilities at Fusehill Street Play Area. This scheme also attracts £10,00 external contributions.

Note 6: This is an earmarked provision for the replacement of the Council's Planning Software system to ensure the statutory planning register information and development management service is maintained and secured. There may be income from additional planning fees that may contribute to the overall cost.

Note 7: This expenditure is supported by an external funding application for £210,000 for each year of the scheme.

Note 8: This is a project to the Townscape Heritage Initiative (THI) for the Portland Square area for public realm improvements for the areas in Council ownership. An external funding application via the THI for £270,000 for each year of the scheme.

Note 9: A culvert at Fairy Beck within Carlisle Cemetery requires works to ensure that it does not pose a flood risk to the cemetery and surrounding households.

Note 10: To cover expenditure on replacement recycling and refuse containers

Note 11: This relates to the refurbishment and development of the Business Interaction Centre at Paternoster Row/Castle Street following expiry of the lease to the University of Cumbria. This expenditure will be partly funded from an application to the European Regional Development Fund (ERDF) of £300,000 and dilapidation settlement.

Note 12: Capital expenditure for the enhancement work to Leisure Facilities is profiled for 2019/20 to reflect the timeline in relation to proposed scheme considered by Executive in December. Associated costs of the potential external borrowing are included in the revenue budget.

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	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Estimated Borrowing Requirement 31 March 2018	3,867				
In Year Impact:					
- Estimated resources available in year (Schedule 7)	(6,058)	(5,263)	(2,965)	(2,603)	(2,393)
- Proposed Programme (Schedule 8)	4,033	22,610	2,929	3,479	3,075
Borrowing Requirement	1,842	19,189	19,153	20,029	20,711

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 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	Projected 31 March 2023 £000
Revenue Reserves							
General Fund Reserve	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)
Projects Reserve	(1,089)	(1,526)	(1,889)	(1,535)	(1,020)	(649)	(155)
	(3,089)	(3,526)	(3,889)	(3,535)	(3,020)	(2,649)	(2,155)
Carry Forward Reserve	(1,105)	(870)					
Flood Reserve	(500)						
Conservation Reserve	0						
Transformation Reserve	(150)						
EEAC Reserve	0						
Building Control Reserve	(187)						
Cremator Reserve	(756)						
Leisure Reserve	(80)						
Economic Investment Reserve	(6)	(241)					
Car Parking Reserve	(107)						
City Centre Reserve	(42)						
Welfare Reform Reserve	(200)						
Repairs & Renewals Reserve	(214)						
Business Rates Volatility Reserve	(110)						
Revenues & Benefits Reserve	(338)						
Revenue Grants Reserve	(865)						
Promoting Carlisle Reserve	(30)						
Prosecutions Reserve	(21)						
Total Revenue Reserves	(7,800)	(4,637)	(3,889)	(3,535)	(3,020)	(2,649)	(2,155)
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	(794)	(794)	(794)	(794)	(794)	(794)	(794)
Asset Investment Reserve	(48)	(48)	(48)	(48)	(48)	(48)	(48)
GLL Reserve	(522)	(453)	(453)	(453)	(453)	(453)	(453)
Lanes Capital Reserve	(30)	(45)	(60)	(75)	(90)	(105)	(120)
Total Capital Reserves	(1,394)	(1,340)	(1,355)	(1,370)	(1,385)	(1,400)	(1,415)
Total Usable Reserves	(9,194)	(5,977)	(5,244)	(4,905)	(4,405)	(4,049)	(3,570)
Other Technical Reserves (i)	(103,627)						
Total All Reserves	(112,821)						

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

SECTION E - PROPOSED BUDGET DISCIPLINE AND SAVING STRATEGY

1. The Council has adopted a 5-year financial strategy as set out in its Medium Term Financial Plan to assist in the integration of financial planning with the priorities set out in the Carlisle Plan. The current medium term financial projections point to a shortfall in the Council's recurring budgets, requiring the use of reserves and the achievement of identified savings. In addition, the scope for the Council to continue support for initiatives in future years and to redirect resources to priority areas will be dependent on the extent to which the Council is successful in realising savings and maximising income and funding streams. The requirement to achieve savings or raise additional income in future years is a continuing and increasing pressure facing the Council.
2. The Council continues to recognise the challenges of reductions in RSG and uncertainty over other Government funding such as Business Rate Retention (and significant reductions in other revenue and capital grants) together with increased cost pressures. However due to its success to date in identifying transformational savings, the Council now has a solid financial base in order to set its 2018/19 budget.
3. The savings strategy will continue to concentrate on the following areas to deliver the savings required to produce a balanced budget, however the exact work programme will be dependent on progress with the Transformation programme.
 - Asset Strategy – to focus on ensuring the council's asset portfolio maximises the benefit to the Council through income generation or by realising receipts of assets that do not generate a return that can then be utilised to ease pressures in capital and revenue budgets through the most appropriate means, e.g. re-investment in new assets and supporting the capital programme to reduce the CFR
 - Service Reviews – A review of services to include their purpose and relevance in achieving the Carlisle Plan priorities, including a review of those services which do not fall within the Council's core priorities or which are not statutory will be undertaken to ensure that services and resources are properly aligned to what the Council wants to achieve.
 - Core Budgets – a review of base budgets, including income generation, 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 by 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 Council reserves are maintained at prudent levels.
- The level of interest receipts and return on Treasury Management activities are subject to market rates. Members are advised of this risk every year and it should be noted that in the current economic climate with low and relatively static base rates, investment income returns in the medium term continue to prove challenging. The Council is also having to deal with a reduced number of counterparties it is able to place deposits with.
- In line with prudent financial management, illustrative borrowing costs are contained within the MTFP at levels that reflect a significant element of external borrowing; however, these will need to be refined once final decisions have been made regarding the funding of the capital programme and the final schemes being approved.

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.

Use of reserves will be necessary to fund the MTFP, with a contribution to reserves in 2018/19; however the proposals put in place continue to maintain reserve levels at an acceptable level over the life of the MTFP.

The delivery of the savings proposals identified and continuing work to deliver further savings will also be important to maintaining reserves at prudent levels. Regular budget monitoring, particularly in the area of the Transformation programme is imperative during this period. The level of the Council's future Capital Programme in taking account of a significant reduction in capital receipts is fully funded but includes a borrowing requirement over the five-year period and specifically a potential external borrowing requirement in 2019/20 to fund new leisure facilities which is an invest to save initiative. 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 Council's policy on reserves is that wherever possible reserves should not be used to fund recurring expenditure, but that where it is, this should be made explicit and steps taken to address the situation in the following years. The Executive sets out in its Budget Discipline and Saving Strategy on how it expects Officers to address the 2018/19 budget pressures in setting the 2018/19 budget and principles to be adopted when preparing the 2019/20 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 devolution of 100% business rates to local authorities. This devolution 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 2018/19 to 2022/23 will require the use of Prudential Borrowing (including internal borrowing) to sustain levels depending on the levels of capital receipts that can be generated in the future. If borrowing is required, full option appraisals will be carried out.

SECTION G – GLOSSARY OF TERMS

BUDGET

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Business & Transformation Overview and Scrutiny Panel

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

Meeting Date: 4 January 2018
Portfolio: Finance, Governance and Resources
Key Decision: Yes: Recorded in the Notice Ref: KD23/17
Within Policy and Budget Framework YES
Public / Private Public

Title: BUDGET UPDATE – REVENUE ESTIMATES 2018/19 TO 2022/23
Report of: CHIEF FINANCE OFFICER
Report Number: RD35/17

Purpose / Summary:

This report provides a draft summary of the Council's revised revenue base estimates for 2017/18, together with base estimates for 2018/19 and updated projections to 2022/23. 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 Business & Transformation 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 2018/19 to 2022/23.

Tracking

Executive:	18 December 2017
Overview and Scrutiny:	BTSP 04/01/18
Council:	

Report to Executive

Agenda
Item:

Meeting Date: 18 December 2017
Portfolio: Finance, Governance and Resources
Key Decision: Yes: Recorded in the Notice Ref: KD23/17
Within Policy and Budget Framework YES
Public / Private Public

Title: BUDGET UPDATE – REVENUE ESTIMATES 2018/19 TO 2022/23
Report of: CHIEF FINANCE OFFICER
Report Number: RD35/17

Purpose / Summary:

This report provides an update to RD31/17, with a summary of the Council's revised revenue base estimates for 2017/18, together with base estimates for 2018/19 and forecasts up to 2022/23 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 2017/18 and base estimates for 2018/19;
- (ii) note that the estimates in the report are draft and will be subject to the confirmation of Local Government Finance Settlement in December 2017;
- (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 2018/19 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:	18 December 2017
Scrutiny:	BTSP 04/01/18
Council:	

1. INTRODUCTION

- 1.1. This report considers the revised base estimates for 2017/18 together with the estimates for 2018/19 as previously outlined in report RD31/17. 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 12 September 2017:
 - ◆ 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 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 2018.

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 2017/18 and 2018/19 with projections to 2022/23. The 2017/18 variance reflects the use of earmarked reserves approved since the MTFP was approved in September. It

should be noted that there is anticipated to be additional income received from Business Rates Retention in 2017/18 that will increase reserves by £500,000.

Table 1 – Base Budget Summary

		2017/18 Original £000	2017/18 Revised £000	2018/19 Original £000	2019/20 Proj £000	2020/21 Proj £000	2021/22 Proj £000	2022/23 Proj £000
Net Base Budget Parish Precepts (PP)		11,528 582	11,989 582	10,894 544	11,231 558	11,115 572	11,846 586	12,337 600
Total		12,110	12,571	11,438	11,789	11,687	12,432	12,937
Original MTFP Projections		12,110	12,110	11,438	11,789	11,687	12,432	12,937
Variance		0	461	0	0	0	0	0
Analysis of Variance:								
Non-Recurring:								
IT Renewals Reserve		0	214	0	0	0	0	0
Leisure Reserve			31					
Revenue Grants Reserve			96					
Cremator Reserve			(41)					
Building Control Reserve			32					
Carry Forward Reserve			50					
GLL Reserve			69					
Promoting Carlisle Reserve			10					
Total Variance		0	461	0	0	0	0	0
Changes to Funding								
Additional Business Rates Income (Funding)			(500)					

2.3. Members will be aware from the Charges Review reports that some income streams are reporting variances against projected levels in the current financial year which may have a recurring impact. This will be kept under review as part of the budget monitoring process for 2017/18 with the position for 2018/19 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	Additional Income from Funding £000	Total £000
2017/18	151	(578)	490	(500)	(437)
2018/19	(75)	(323)	0	0	(398)
2019/20	616	(690)	0	0	(74)
2020/21	127	(585)	0	0	(458)
2021/22	108	(124)	0	0	(16)
2022/23	218	0	0	0	218

- 3.2 The revised estimates for 2017/18 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 2017/18 Local Government Finance Settlement confirmed by the Secretary of State in January 2017 and are based upon the acceptance of the offer of a four-year funding settlement.

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 2018/19 and that the Council Tax Reduction Scheme parameters will continue.

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 with applications being sought from areas to participate in a pilot of 100% retention in 2018/19. Cumbria has submitted an application to be a part of this pilot with the outcome likely to be known in early December. It is expected that the referendum limit will remain for Council Tax increases, however, District Councils are being given the option of raising Council Tax by the greater of 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 £3.878million (£3.475million for Transformation and £0.403million for Base Budget Review) for the transformation programme, to be found by 2018/19. This also includes the savings required from the base budget review.

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 2018/19 onwards. The resources projections assume:

- A continued reduction in Government Grant allocation in 2018/19 onwards as a result of the acceptance of the four-year settlement.
- A £5 (Band D equivalent) Council Tax increase for 2018/19 onwards.
- A Council Tax Surplus for 2018/19 onwards of £50,000. The actual figure for 2018/19 will be available in January.
- Retained business rates are assumed at the Baseline level with an additional £750,000 to be achieved through growth/section 31 grants and from the benefits of Pooling in 2018/19 rising to £900,000 in 2019/20.
- An assumed tax base of 33,019.78 for 2018/19. The final tax base for 2018/19 will not be available until January.
- Parish Precepts are currently being collated but the estimate for 2018/19 is for a total of £544,000 (including approximately £14,000 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		2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Recurring						
Homelessness Resources	5.2	60	60	60	60	60
Information Governance	5.3	56	56	56	56	56
Legal Services Support	5.4	29	29	29	29	29
Land Charges Income Shortfall	5.5	30	30	30	30	30
Information Technology	5.6	86	86	86	86	86
Leisure Contract Subsidy	5.7	106	385	60	(481)	(413)
Apprentices	5.8	60	60	60	60	60
Treasury Management	5.9	(183)	(300)	110	93	(126)
Potential Borrowing Costs Leisure Development (Interest)	5.10	0	384	369	353	338
Total Recurring Pressures		244	790	860	286	120
Non Recurring						
Pay Award Provision	5.11	136	140	0	0	0
Sexual Assault Referral Service	5.12	20	20	0	0	0
Economic Investment Initiatives	5.13	235	0	0	0	0
<i>Funded from Carry Forward Reserve</i>	5.13	(235)	0	0	0	0
Total Non Recurring Pressures		156	160	0	0	0

5.2 Homelessness Additional Resources

This pressure will provide additional staff resources (2FTE) for the homelessness service to ensure effective and safe operational delivery of a 24-hour service.

5.3 Information Governance

New Data Protection Regulations come into force on 1 April 2018 with increased requirements to ensure information and data is managed securely and appropriately with increases in the potential for fines for data breaches. The new regulations place a statutory duty to have a designated officer responsible for data protection and information governance.

5.4 Legal Services Support

Additional resources are required to enable the legal services team to continue to support the growth activities the Council is undertaking. This will include contractual arrangements, external funding arrangements and management of assets and equates to a 0.60FTE post.

5.5 Land Charges Income Shortfalls

The amount of income collected from Land Charge searches has reduced over the years due to the rise in the number of searches being carried out by Personal Search Companies who can use the Council's data to provide a cheaper service. Therefore, demand for the Council's own service has reduced.

5.6 Information Technology

There are requirements to spend additional resources to ensure the Council's IT environment remains secure and compliant. This additional pressure will ensure that the Council complies with regulations around taking payments by debit and credit card, which if no action was taken could result in fines and banking facilities being removed. The pressure also provides for an IT security specialist post and associated security event management software.

5.7 Leisure Contract Subsidy

The new leisure contract has recently been re-tendered and the new contract values agreed. The contract was signed at the end of November with the final agreed contract sums now being reflected in the budget. The MTFP includes a £329,000 recurring saving to be achieved in 2018/19 onwards, which reduces the annual subsidy budget to £465,000 per annum. However, until a new facility is built, there will continue to be a subsidy payable to the operators of £571,000 for 2018/19. Once built this subsidy will change to a net concession fee payable to the Council resulting in additional savings of £413,000 from 2022/23 which will increase further in future years.

5.8 Apprentices

This provides a central resource to fund the salary costs of apprentices. The Council makes use of the Apprenticeship levy for the training of apprentices and presently staff costs are found from existing base budgets when required.

5.9 Treasury Management

The Treasury Management projections are updated to take account of the revised capital programme, including changes to funding and use of revenue reserves and impact of potential external borrowing requirements. The projections will also consider 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 need to be recalculated as decisions made during the budget process regarding contributions to and from reserves which impact on the level of cash forecasts.

5.10 Borrowing Costs – Leisure Development

Any borrowing costs associated with the leisure development are assumed to begin in 2019/20 as shown in report RD36/17 elsewhere on this agenda. Borrowing costs based on a 25-year loan of £12million using latest Public Works Loan Board rate forecasts (currently 3.2%) would be as follows:

Equal Instalments of Principal Loan

Principal Repaid each year -	£480,000
1 st year interest payment -	<u>£384,000</u>
Total 1 st year payment -	£864,000

Overall Cost of Borrowing - £16,992,000

Interest Only Loan

1 st year interest payment -	£384,000
Minimum Revenue Provision (3%)	<u>£360,000</u> (illustrative)
Total 1 st year payment -	£744,000

Overall Cost of Borrowing - £21,600,000

Once final costings for the scheme are known and spend profiles are planned, further consideration can be given to the overall amounts required to be borrowed externally, whether any internal borrowing can be undertaken and what the best repayment profiles will be to give the council security of payments together with flexibility of managing the debt. These considerations will be included in any report to Members outlining the proposed scheme.

5.11 Increased Pay Award Provision

The MTFP includes provision for pay awards at 1% for 2018/19 and 2019/20, then 2% per annum thereafter. This pressure increases the provision to 2% for 2018/19 and 2019/20 following potential easing of the public sector pay cap.

5.12 Sexual Assault Referral Service Grant

Continuation of the grant to match fund sexual assault referral service projects by Cumbria Police.

5.13 Economic Investment Initiatives

This pressure relates to economic investment initiatives that the Council wishes to pursue, such as Borderlands, Business Interaction Centre, Development Brief for Morton District Centre, Promotion of Central Plaza Redevelopment and promotion of City Centre redevelopment options. This amount will give resources to provide funding to develop these initiatives. It is proposed to fund this pressure from the carry forward reserve that was established in 2015/16.

6. SAVINGS AND ADDITIONAL INCOME PROPOSALS

- 6.1 The current MTFP includes a savings requirement to be found by 2018/19 of £3.878million (£3.475million for Transformation and £0.403million for Base Budget Review). 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 2018/19 to date.

Detail	Note	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2021/22 £000
Changes to Funding						
Business Rate Income	6.3	(500)	(500)	0	0	0
Total Changes to Funding		(500)	(500)	0	0	0
Savings Proposed						
Bring Sites	6.4	(18)	(49)	(49)	(49)	(49)
Tullie House Productivity Review	6.5	0	0	(300)	(300)	(300)
Building Control Income	6.6	(23)	(23)	(23)	(11)	(11)
Market Hall	6.7	0	0	0	(92)	(92)
Total of Savings		(41)	(72)	(372)	(452)	(452)
Total Recurring		(29)	(60)	(360)	(452)	(452)
Total Non-Recurring		(12)	(12)	(12)	(12)	(12)

6.3 Business Rate Income

The Council has included additional income over and above the baseline level in the Medium Term Financial Plan and has consistently over achieved these targets since the introduction of rates retention at each outturn position. It is forecasting that this growth will continue, therefore this income budget can be increased. As the outcome

of the full rates retention scheme is unknown for 2020, it is not proposed to increase this income beyond 2019/20.

6.4 **Bring Site Savings**

Funding that was set aside for the repayment of capital for a replacement vehicle is no longer required following the rethinking waste project and the budget realignment exercise that was undertaken. Therefore, this funding can be taken as a saving.

6.5 **Tullie House Productivity Review**

A recent productivity report, jointly commissioned with Tullie House Museum & Art Gallery Trust, identified that up to £300,000 per annum could be saved from the subsidy currently provided to the Trust, effective from 2020/21.

6.6 **Building Control Income**

The charges report (ED38/17) proposes new discretionary charges for building control that will generate additional income.

6.7 **Market Hall**

A revenue contribution was made to the capital programme for five years to repay the capital cost of the Market Hall Roof works. The capital is fully repaid from 2020/21 therefore a saving will accrue.

7. **PROJECTED IMPACT ON REVENUE BALANCES**

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

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	2017/18 Original £000	2017/18 Revised £000	2018/19 Original £000	2019/20 Proj £000	2020/21 Proj £000	2021/22 Proj £000	2022/23 Proj £000
Total Projected Expenditure	12,110	12,571	10,894	11,231	11,115	11,846	12,337
Total Projected Resources	(12,110)	(12,571)	(11,292)	(11,305)	(11,573)	(11,862)	(12,119)
Projected (Surplus) / Shortfall <u>excluding</u> savings and new spending	0	0	(398)	(74)	(458)	(16)	218
Less:							
New Saving Proposals							
- Recurring	0	0	(29)	(60)	(360)	(452)	(452)
- Non Recurring	0	0	(12)	(12)	(12)	0	0
- Funding Business Rates	0	(500)	(500)	(500)	0	0	0
(See Para 6)							
Add:							
New Spending Pressures							
- Recurring	0	0	244	790	860	286	120
- Non Recurring	0	0	156	160	0	0	0
- Funding	0	0	0	0	0	0	0
(See Para 5)							
Potential Budget (Surplus) / Shortfall	0	(500)	(539)	304	30	(182)	(114)
Potential (Surplus) / Shortfall Analysis:							
- Recurring	0	0	(360)	846	627	(58)	(114)
- Non Recurring	0	(500)	(179)	(542)	(597)	(124)	0

Balance as at:	Projected Reserves £000	Recurring Revenue Requirement £000	Non Recurring Revenue Requirement £000
31/03/2018	3,526	360	179
31/03/2019	4,065	(846)	542
31/03/2020	3,761	(627)	597
31/03/2021	3,731	58	124
31/03/2022	3,913	114	0
31/03/2023	4,027		

8. SUMMARY FINANCIAL OUTLOOK AND BUDGET DISCIPLINE 2018/19 to 2022/23

- 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 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.
- 8.4 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 4 January 2018, and their views fed back to the Executive on 17 January. Public consultation will take place between 18 December and 15 January and the budget resolution will then be issued by the Executive on 17 January.

10 RECOMMENDATIONS

The Executive is requested to:

- (i) note the revised base estimates for 2017/18 and base estimates for 2018/19;

- (ii) note that the estimates in the report are draft and will be subject to the confirmation of Local Government Finance Settlement in December 2017
- (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 2018/19 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 **Appendix A – Council Reserves**
attached to report: **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:

Corporate Support and Resources – Contained within the body of the report

Community Services – not applicable

Economic Development – not applicable

Governance & Regulatory Services – 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.

APPENDIX A

COUNCIL RESERVES

Analysis of Council Reserves	Outturn 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	Projected 31 March 2023 £000
Revenue Reserves							
General Fund Reserve	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)
Projects Reserve	(1,089)	(1,526)	(2,065)	(1,761)	(1,731)	(1,913)	(2,027)
	(3,089)	(3,526)	(4,065)	(3,761)	(3,731)	(3,913)	(4,027)
Carry Forward Reserve	(1,105)	(870)					
Flood Reserve	(500)						
Conservation Reserve	0						
Transformation Reserve	(150)						
EEAC Reserve	0						
Building Control Reserve	(187)						
Cremator Reserve	(756)						
Leisure Reserve	(80)						
Economic Investment Reserve	(6)	(241)					
Car Parking Reserve	(107)						
City Centre Reserve	(42)						
Welfare Reform Reserve	(200)						
Repairs & Renewals Reserve	(214)						
Business Rates Volatility Reserve	(110)						
Revenues & Benefits Reserve	(338)						
Revenue Grants Reserve	(865)						
Promoting Carlisle Reserve	(30)						
Prosecutions Reserve	(21)						
Total Revenue Reserves	(7,800)	(4,637)	(4,065)	(3,761)	(3,731)	(3,913)	(4,027)
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	(794)	(794)	(794)	(794)	(794)	(794)	(794)
Asset Investment Reserve	(48)	(48)	(48)	(48)	(48)	(48)	(48)
GLL Reserve	(522)	(453)	(453)	(453)	(453)	(453)	(453)
Lanes Capital Reserve	(30)	(45)	(60)	(75)	(90)	(105)	(120)
Total Capital Reserves	(1,394)	(1,340)	(1,355)	(1,370)	(1,385)	(1,400)	(1,415)
Total Usable Reserves	(9,194)	(5,977)	(5,420)	(5,131)	(5,116)	(5,313)	(5,442)
Other Technical Reserves (i)	(103,627)						
Total All Reserves	(112,821)						

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

DRAFT STATUTORY REPORT OF 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 by 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 and relatively static base rates, investment income returns in the medium term continue to prove challenging. The Council is also having to deal with a reduced number of counterparties it is able to place deposits with.

The main risks to the robustness of the estimates are the impact of the proposed reductions in central government grant and how the 100% retention of business rates will be phased in.

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 a potential external borrowing requirement in 2019/20 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.

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 Council's policy on reserves is that wherever possible reserves should not be used to fund recurring expenditure, but that where it is, this should be made explicit and steps taken to address the situation in the following years. The Executive sets out in its Budget Discipline and Saving Strategy on how it expects Officers to address the 2018/19 budget pressures in setting the 2018/19 budget and principles to be adopted when preparing the 2019/20 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 2018/19 to 2022/23 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.

Business & Transformation Overview and Scrutiny Panel

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

Meeting Date: 4 January 2018
Portfolio: Finance, Governance and Resources
Key Decision: Yes: Recorded in the Notice Ref: KD23/17
Within Policy and Budget Framework YES
Public / Private Public

Title: REVISED CAPITAL PROGRAMME 2017/18 AND PROVISIONAL CAPITAL PROGRAMME 2018/19 TO 2022/23
Report of: CHIEF FINANCE OFFICER
Report Number: RD36/17

Purpose / Summary:

This report provides a draft summary of the Council's revised capital estimates for 2017/18 together with base estimates for 2018/19 and updated projections to 2022/23

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 2018/19 to 2022/23

Tracking

Executive:	18 December 2017
Overview and Scrutiny:	BTSP 04/01/18
Council:	

Report to Executive

Agenda
Item:

Meeting Date: 18 December 2017
Portfolio: Finance, Governance and Resources
Key Decision: Yes: Recorded in the Notice Ref: KD23/17
Within Policy and Budget Framework YES
Public / Private Public

Title: REVISED CAPITAL PROGRAMME 2017/18 AND PROVISIONAL CAPITAL PROGRAMME 2018/19 TO 2022/23
Report of: CHIEF FINANCE OFFICER
Report Number: RD36/17

Purpose / Summary:

The report provides an update to RD32/17 and sets out the proposed capital programme for 2018/19 to 2022/23 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 2017/18 as set out in Appendices A and B;
- (ii) Give consideration and views on the proposed capital spending for 2018/19 to 2022/23 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:	18 December 2018
Scrutiny:	BTSP 4 January 2018
Council:	6 February 2018 (Budget Resolution)

1. BACKGROUND

- 1.1 This report details the revised capital programme for 2017/18 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 2018/19 to 2022/23, 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 12 September 2017:
 - Capital Strategy 2018/19 to 2022/23 (Report RD15/17)
 - Asset Management Plan (Report GD58/17)
- 1.4 A Corporate Programme Board of senior officers (the SMT Transformation Sub-Group) continues to take the lead on the prioritisation of investment and the monitoring and evaluation of schemes. This is to improve performance monitoring and business case analysis of capital projects.

2. CAPITAL RESOURCES

- 2.1 There are several sources of capital resources available to the Council to fund capital expenditure, the main ones being:
 - Borrowing (Prudential Code)
 - Capital Grants and contributions e.g. Disabled Facilities Grants, 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 £55,000. This is made up of £25,000 for the cost of the interest payable (2.50% of £1m equates to £25,000) and a principal repayment provision of 3% of the outstanding sum (3% of £1m equates to £30,000).

3. REVISED CAPITAL PROGRAMME 2017/18

- 3.1 The capital programme for 2017/18 totalling £9,010,700 was approved by Council on 11 July 2017 as detailed in the 2016/17 out-turn report (RD04/17).
- 3.2 The revised capital programme for 2017/18 now totals £9,513,400 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 2017/18 is shown below:

Summary Programme	£
2017/18 Original Capital Programme	9,010,700
Other adjustments	502,700
Revised Capital Programme (Sept 2017)	9,513,400
Estimated Capital Resources available	(5,646,778)
Projected (Surplus)/Shortfall capital resources	3,866,622

4. CAPITAL SPENDING PROPOSALS 2018/19 TO 2022/23

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

Capital Scheme	App/ Para	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
<u>Current Commitments:</u>						
Vehicles & Plant	4.2	721	861	629	1,531	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	0	0	0	0
Leisure Facilities	4.6	5,000	0	0	0	0
Play Area Green Gyms		25	0	0	0	0
Total Existing Commitments		7,463	2,478	2,246	3,148	1,617
<u>New Spending Proposals:</u>						
Vehicles & Plant	4.2	0	35	18	(45)	1,297
ICT Infrastructure	4.5	257	48	83	83	116
Leisure Facilities	4.6	(5,000)	14,200	0	0	0
Fusehill Street Play Area	4.7	35	0	0	0	0
Planning Software	4.8	150	0	0	0	0
Regeneration of Botchergate/Carlisle Settle	4.9	247	247	247	247	0
Chatsworth/Portland Square Townscape Heritage Initiative	4.10	295	290	290	0	0
Cemetery Infrastructure	4.11	30	0	0	0	0
Recycling Containers	4.12	45	45	45	45	45
Business Interaction Centre	4.13	510	0	0	0	0
Total New Proposals		(3,431)	14,865	683	330	1,458
TOTAL POTENTIAL PROGRAMME		4,032	17,343	2,929	3,478	3,075

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 2018, although it has been assumed for the purpose of this report that the grant will be protected at the 2017/18 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 2018/19. Additional budgets are included to reflect revised requirements within the ICT Strategy.
- 4.6 Capital expenditure for the estimated enhancement work to Leisure Facilities is reprofiled from 2018/19 to 2019/20 to reflect the revised timeline in relation to the new provider contract start dates, and increased to reflect additional requirements for an improved scheme. For the purpose of the report it is assumed all expenditure will be in 2019/20 but once further detail is known this can be more accurately profiled.
- 4.7 This relates to the refurbishment, redesign and replacement of the play equipment at Fusehill Street play area and attracts match funding of £10,000.
- 4.8 This is an earmarked provision for the replacement of the Council's Planning Software system to ensure the statutory planning register information and development management service is maintained and secured. There may be income from additional planning fees that may contribute to the overall cost.
- 4.9 The Council has a duty to ensure the character and appearance of the conservation areas around Botchergate/London Road and Carlisle Settle areas. This expenditure is supported by an external funding application for £210,000 for each year of the scheme.
- 4.10 The Council has a duty to ensure the character and appearance of the conservation areas around Portland Square and Chatsworth Square. This is a project to the Townscape Heritage Initiative (THI) for the Portland Square area for public realm improvements for the areas in Council ownership. An external funding application via the THI for £270,000 for each year of the scheme.
- 4.11 A culvert at Fairy Beck within Carlisle Cemetery requires works to ensure that it does not pose a flood risk to the cemetery and surrounding households.
- 4.12 To cover expenditure on replacement recycling and refuse containers.
- 4.13 This relates to the refurbishment and development of the Business Interaction Centre at Paternoster Row/Castle Street following expiry of the lease to the University of Cumbria. This expenditure will be partly funded from an application to the European Regional Development Fund (ERDF) of £300,000 and dilapidation settlement.

5. POTENTIAL CAPITAL RESOURCES AVAILABLE

5.1 The table below sets out the estimated revised resources available to finance the capital programme for 2018/19 to 2022/23 based on the announcements by Government in the spending review.

Source of Funding	Para	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Capital Grants:						
• Disabled Facilities Grant	5.2	(1,467)	(1,467)	(1,467)	(1,467)	(1,467)
• General Grants/Contributions	5.3	(925)	(2,480)	(480)	(210)	0
Capital Receipts:						
• Generated in year – Asset Business Plan	5.4	(2,754)	0	0	0	0
Direct Revenue Financing / Invest to Save	5.5	(912)	(1,316)	(1,018)	(926)	(926)
TOTAL RESOURCES		(6,058)	(5,263)	(2,965)	(2,603)	(2,393)

5.2 Disabled facilities grant allocation will not be known until January 2018, although it has been assumed for the purpose of this report that the grant will be protected at the 2017/18 levels. However as mentioned earlier this grant will be awarded via the County Council's Better Care Fund and there is still some uncertainty as to what the allocation will be.

5.3 General grants and contributions identified as funding streams for projects.

5.4 Capital receipts from the sale of assets have been updated following approval of the Capital Strategy by Council in September (Report RD15/17)

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

6. SUMMARY PROVISIONAL CAPITAL PROGRAMME 2018/19 TO 2022/23

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

	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Estimated in year Resources available (para 5.1)	(6,058)	(5,263)	(2,965)	(2,603)	(2,393)
Proposed Programme (para 4.1)	4,032	17,343	2,929	3,478	3,075
Projected (Surplus)/Deficit	(2,026)	12,080	(36)	875	682
Cumulative B/Fwd Balance	3,867	1,841	13,921	13,885	14,760
Cumulative year end Position					
• Borrowing Requirement (para 6.2)	1,841	13,921	13,885	14,760	15,442

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

The table above shows there is a borrowing requirement from 2018/19. 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;
- Maximisation of use of grants and contributions from external sources;
- 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.
- Borrowing options for the Leisure facilities are still to be finalised depending upon the final scheme. This could include internal and external borrowing, profiling of the scheme and phasing of any borrowing undertaken. For this report, it has been assumed that the scheme will have a gross cost of £14.2million with a net borrowing requirement of £12million. A report is considered elsewhere on this agenda giving further details of a Sands Development Scheme.

- Further options for funding the Leisure development could include identifying further low-yielding assets that are surplus to requirements that could be disposed of to generate capital receipts.

7. CONSULTATION

- 7.1 All Scrutiny Panels have considered the report (RD32/17) 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 2017/18 as set out in Appendices A and B;
- (ii) Give consideration and views on the proposed capital spending for 2018/19 to 2022/23 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 capital programme includes a range of positive projects that will directly benefit the people of Carlisle.

Contact Officer: Steven Tickner

Ext: 7280

**Appendices
attached to report:**

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

- None

CORPORATE IMPLICATIONS/RISKS:

Corporate Support & Resources – contained within the report

Community Services – not applicable

Economic Development – not applicable

Governance & Regulatory Services – 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.

Scheme	Original Capital Programme 2017/18 £	Other Adjustments £	Revised Capital Programme 2017/18 £
Public Realm (S106)	64,600	0	64,600
Castle Way (S106)	266,000	0	266,000
Arts Centre	47,300	0	47,300
Tennis Facilities	497,000	0	497,000
Cycle Track Development	717,000	157,300	874,300
Planned Enhancements to Council Property	215,000	0	215,000
Vehicles, Plant & Equipment	1,857,300	0	1,857,300
ICT Infrastructure	90,400	49,600	140,000
Private Sector Grants	2,594,700	0	2,594,700
Public Realm Improvements	243,200	25,000	268,200
Play Area Developments & Open Spaces	53,800	0	53,800
Kingstown Industrial Estate	9,800	0	9,800
Revenues & Benefits ICT Upgrades	45,200	0	45,200
Crindledyke Cycleway	268,700	0	268,700
IC Buildings Flood Reinstatement	713,500	0	713,500
Durranhill Industrial Estate	105,400	0	105,400
Asset Review	203,600	0	203,600
Minor Works Grants	53,200	0	53,200
Market Hall Roof	460,000	0	460,000
Talkin Tarn	0	41,400	41,400
Affordable Homes (S106)	0	229,400	229,400
SUB-TOTAL	8,505,700	502,700	9,008,400
<u>Capital Reserves to be released</u>			
ICT Infrastructure	100,000	0	100,000
Play Area Green Gyms	25,000	0	25,000
Old Town Hall / Greenmarket	380,000	0	380,000
	505,000	0	505,000
REVISED TOTAL	9,010,700	502,700	9,513,400

REVISED CAPITAL PROGRAMME 2017/18 – PROPOSED FINANCING

Source of funding	2017/18 Original £	2017/18 Revised £	Notes
Capital Grants:			
• DFG	1,613,900	1,613,900	
• General	1,144,100	1,144,100	1
Capital Receipts:			
• B/fwd from previous year	(424,722)	(424,722)	
• PRTB receipts	150,000	150,000	2
• Generated in year (Asset Review)	200,000	200,000	
Capital Contributions			
• General	679,200	987,000	3
Direct Revenue Financing	1,774,300	1,976,500	4
TOTAL FINANCE AVAILABLE	5,136,778	5,646,778	
TOTAL PROGRAMME (SEE APP A)	9,010,700	9,513,400	
PROJECTED (SURPLUS)/DEFICIT IN CAPITAL RESOURCES AVAILABLE	3,873,922	3,866,622	

Notes:

- Capital grant include funding for Tennis Facilities (£400,000), Cycle Track Development (£680,000), Play Area Developments (£10,900) and Minor Works Grants (£53,200).
- Revised projections from Riverside Group for 2017/18 will be provided in a future report to the Executive.
- General contributions relate to Castle Way S106 (£266,000), Cracker Packer (£64,600), Open Space Improvements (£42,900), Crindledyke Cycleway (£268,700), Public Realm Improvements (£25,000), Harraby Cycle Track (£90,400) and Affordable Homes S106 (£229,400).
- Changes to Direct Revenue Financing relate to Solar Panels (£7,300), Harraby Cycle Track (£103,900), Talkin Tarn Play Area (£41,400) and ICT Strategy (£49,600).

Business & Transformation Overview and Scrutiny Panel

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

Meeting Date: 4 January 2018
Portfolio: Finance, Governance and Resources
Key Decision: Yes: Recorded in the Notice Ref:KD23/17
Within Policy and
Budget Framework YES
Public / Private Public

Title: DRAFT TREASURY MANAGEMENT STRATEGY STATEMENT,
INVESTMENT STRATEGY AND MINIMUM REVENUE
PROVISION STRATEGY 2018/19
Report of: CHIEF FINANCE OFFICER
Report Number: RD37/17

Purpose / Summary:

This report sets out the Council's Treasury Management Strategy Statement for 2018/19, in accordance with the CIPFA Code of Practice on Treasury Management. The Investment Strategy and the Minimum Revenue Provision (MRP) Strategy for 2018/19 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 2018/19

Tracking

Executive:	18 December 2017, 17 January 2018
Overview and Scrutiny:	4 January 2018

Report to Executive

Agenda
Item:

Meeting Date: 18 December 2017
Portfolio: Finance, Governance and Resources
Key Decision: Yes: Recorded in the Notice Ref: KD23/17
Within Policy and Budget Framework YES
Public / Private Public

Title: DRAFT TREASURY MANAGEMENT STRATEGY STATEMENT,
INVESTMENT STRATEGY AND MINIMUM REVENUE
PROVISION STRATEGY 2018/19
Report of: CHIEF FINANCE OFFICER
Report Number: RD37/17

Purpose / Summary:

This report sets out the Council's Draft Treasury Management Strategy Statement for 2018/19, in accordance with the CIPFA Code of Practice on Treasury Management. The Draft Investment Strategy and the Draft Minimum Revenue Provision (MRP) Strategy for 2018/19 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 2018/19, which incorporates the Draft Investment Strategy and the Draft MRP Strategy, together with the Prudential Indicators for 2018/19 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:	18 December 2017, 17 January 2018
Scrutiny:	BTSP 4 January 2018
Audit Committee:	12 January 2018
Council:	6 February 2018

1. BACKGROUND

- 1.1 The CIPFA Code of Practice on Treasury Management in Local Authorities was first issued in 1992 and updated in 1996, 2001 and 2011. 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 (TMSS) for 2018/19, 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. PROPOSALS TO AMEND THE CIPFA TREASURY MANAGEMENT AND PRUDENTIAL CODES

- 3.1 CIPFA is currently conducting a review of the Treasury Management Code of Practice and the Prudential Code. This review will particularly focus on non-treasury investments and especially on the purchase of property with a view to generating income. Such purchases could involve undertaking external borrowing to raise the cash to finance these purchases, or the use of existing cash balances. Both actions would affect treasury management. As finalised revised codes are not expected until December at the earliest, it may be necessary to review the TMSS once the final guidelines are issued and any implications on the Council's position is known.

4. CONSULTATION

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

5. CONCLUSION AND REASONS FOR RECOMMENDATIONS

- 5.1 The Executive is asked to note the Draft Treasury Management Strategy Statement for 2018/19, which incorporates the Draft Investment Strategy and the Draft MRP Strategy, together with the Prudential Indicators for 2018/19 for draft budget consultation purposes as set out in Appendix A and the Treasury Management Policy Statement as set out at Appendix D.

6. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

- 6.1 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:

Community Services – not applicable

Corporate Support & Resources – contained within the report.

Economic Development – not applicable

Governance & Regulatory Services – 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.

Draft Treasury Management Strategy Statement

Minimum Revenue Provision Policy Statement and Annual Investment Statement

Carlisle City Council

2018/19

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 2018/19 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 2018/19 TO 2020/21

- 2.1 It is a statutory duty, under S3 of the Local Government Act 2003 and supporting regulations, for the Council to determine and keep under review how much it can afford to borrow. The amount determined is termed the 'Affordable Borrowing Limit'.
- 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 Link Asset Services (formerly Capita Asset Services) Treasury Services.
- 3.2 Link Asset Services provide specialist advice on both borrowing and investment matters. They also supply other relevant information and hold regular client seminars which help provide up to date training in what is an important and continually changing field. That said, it is important to recognise that responsibility for all treasury matters lies solely with the City Council and this responsibility is not delegated to Link Asset Services or any other third party. The Council has regard to the advice and information supplied by Link Asset Services along with advice and information from a variety of other sources. Such advice is valued and the authority is in frequent contact with Link Asset Services but this does lessen the ultimate responsibility of the City Council in dealing with treasury matters and taking relevant decisions.

4. **CURRENT PORTFOLIO POSITION**

The Council's treasury portfolio position at 30 November 2017 comprised:

Table 1		Principal £m	£m	Ave Rate %
Fixed Rate Funding	PWLB Market	0 15.0	15.0	8.76
Variable Rate Funding	PWLB Market	0 0	0	0.00
Other Long Term Liabilities			0	0.00
Gross Debt			15.0	8.76
Total Investments			17.4	1.29

5. **PRUDENTIAL AND TREASURY INDICATORS 2018/19 - 2020/21**

- 5.1 The Prudential and Treasury Indicators have been based on current projections for capital spending and resources in 2018/19 to 2020/21. 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	2016/17 actual	2017/18 revised estimate	2018/19 estimate	2019/20 estimate	2020/21 estimate
	£000	£000	£000	£000	£000
Capital Expenditure	8,045	9,513	4,032	17,343	2,929
Ratio of financing costs to net revenue stream	11.88%	12.23%	14.56%	9.91%	9.38%
Net borrowing requirement in year (Internal & External)	425	3,442	(2,026)	12,080	(36)
Capital Financing Requirement as at 31 March	12,423	15,706	13,424	25,315	24,734
Annual change in Cap. Financing Requirement	(476)	3,283	(2,282)	11,891	(581)
Incremental impact of capital investment decisions					
Increase in council tax (band D) per annum (£)	(0.44)	2.99	(2.07)	10.77	(0.64)

- 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 e.g. Disabled Facilities Grant.

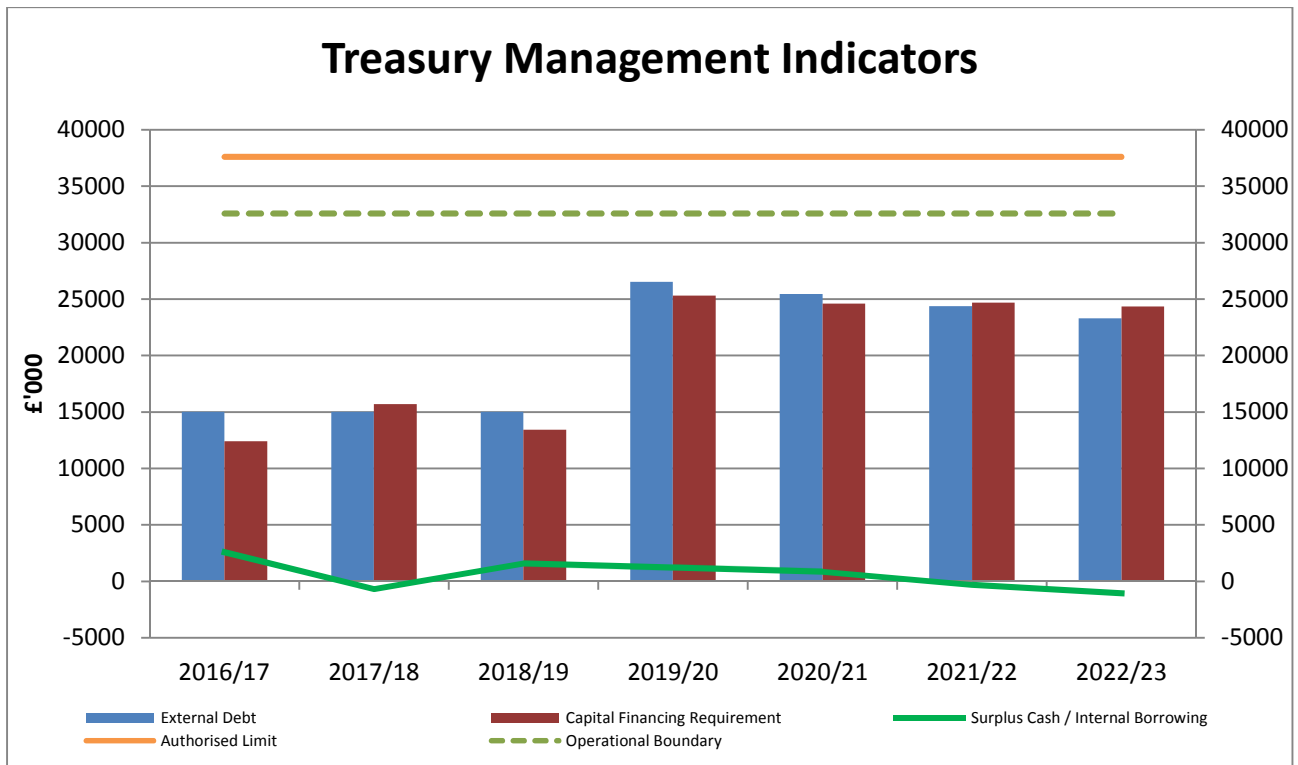
5.3 **The Council's Borrowing Need (Capital Financing Requirement)**

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

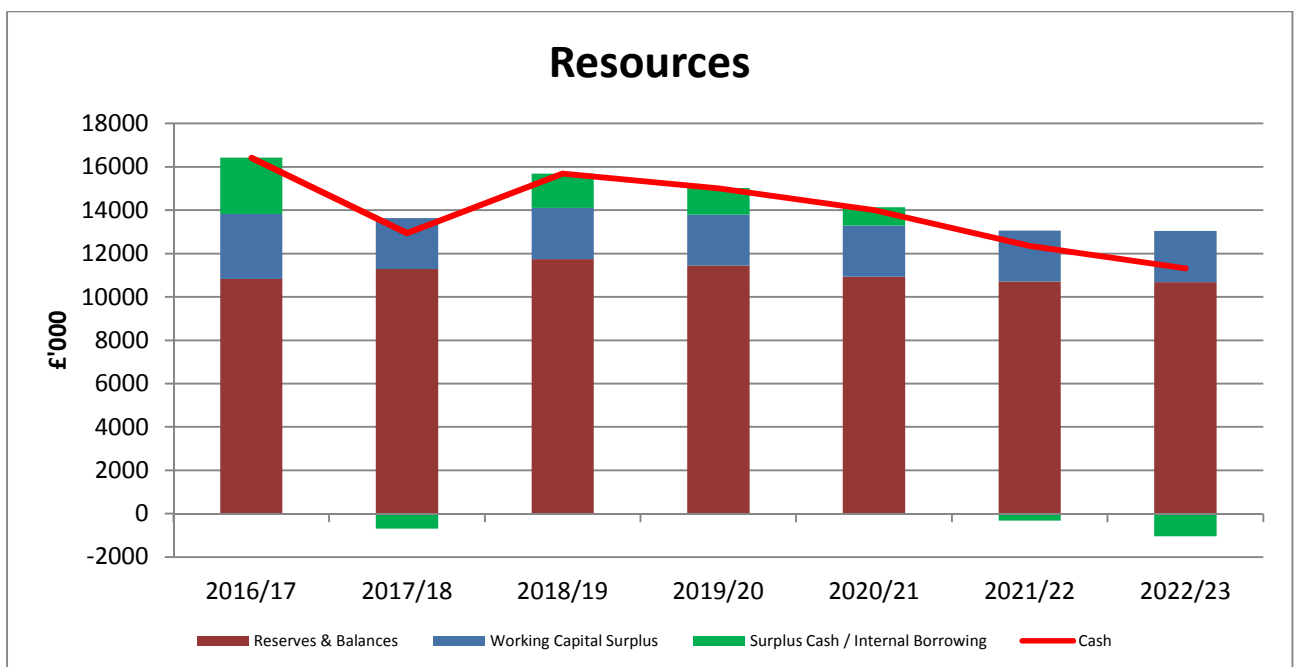
5.3.2 The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the indebtedness in line with each assets life, and so charges the economic consumption of capital assets as they are used.

PRUDENTIAL INDICATOR TREASURY MANAGEMENT INDICATORS	2016/17 actual £000	2017/18 revised estimate £000	2018/19 estimate £000	2019/20 estimate £000	2020/21 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.



5.4 The chart below shows 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 surplus cash and where internal borrowing is occurring.



Maturity structure of any fixed rate borrowing during 2017/18	Upper limit	Lower limit
Under 12 months	100%	0%
12 months and within 24 months	100%	0%
24 months and within 5 years	100%	0%
5 years and within 10 years	100%	0%
10 years and above	100%	0%

- 5.5 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
- 5.9.1 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.
- 5.9.2 The current minimum level of specified investments is set at 50%. It is recommended that this level be continued into 2018/19.

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

	Dec'17	Mar'18	Jun'18	Sep'18	Dec'18	Mar'19	Jun'19	Sep'19	Dec'19	Mar'20	Jun'20
Bank Rate	0.50%	0.50%	0.50%	0.50%	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%

- 6.2 As expected, the Monetary Policy Committee (MPC) delivered a 0.25% increase in Bank Rate at its meeting on 2 November. This removed the emergency cut in August 2016 after the EU referendum. The MPC also gave forward guidance that they expected to increase Bank rate only twice more by 0.25% by 2020 to end at 1.00%. The Link Asset Services forecast as above includes increases in Bank Rate of 0.25% in November 2018, November 2019 and August 2020.

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 more protracted move from bonds to equities after a historic long-term trend, over about the last 25 years, of falling bond yields. The action of central banks since the financial crash of 2008, in implementing substantial Quantitative Easing, added further impetus to this downward trend in bond yields and rising bond prices. Quantitative Easing has also directly led to 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 in November 2016 has called into question whether the previous trend may go into reverse, especially now the Fed. has taken the lead in reversing monetary policy by starting, in October 2017, a policy of not fully reinvesting proceeds from bonds that it holds when they mature.

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 stronger economic growth becomes more firmly established. The Fed. has started raising interest rates and this trend is expected to continue during 2018 and 2019. These increases will 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 are likely to exert some upward pressure on bond yields in the UK and other

developed economies. However, 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 towards the reversal of monetary policy away from quantitative easing and other credit stimulus measures. From time to time, gilt yields – and therefore PWLB rates - can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis and emerging market developments. Such volatility could occur at any time during the forecast period.

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 balance of risks to economic recovery in the UK is probably to the downside, particularly with the current level of uncertainty over the final terms of Brexit.

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- Bank of England monetary policy takes action too quickly over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- Geopolitical risks, especially North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.
- A resurgence of the Eurozone sovereign debt crisis, possibly Italy, due to its high level of government debt, low rate of economic growth and vulnerable banking system.
- Weak capitalisation of some European banks.
- The result of the October 2017 Austrian general election is likely to result in a strongly anti-immigrant coalition government. In addition, the new Czech prime minister is expected to be Andrej Babis who is strongly against EU migrant quotas and refugee policies. Both developments could provide major impetus to other, particularly former Communist bloc countries, to coalesce to create a major block to progress on EU integration and centralisation of EU policy. This, in turn, could spill over into impacting the Euro, EU financial policy and financial markets.
- Rising protectionism under President Trump
- A sharp Chinese downturn and its impact on emerging market countries

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

- The Bank of England is too slow in its pace and strength of increases in Bank Rate and, therefore, allows inflation pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.
- UK inflation returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.
- The Fed causing a sudden shock in financial markets through misjudging the pace and strength of increases in its Fed. Funds Rate and in the pace and strength of reversal of Quantitative Easing, which then leads to a fundamental reassessment by investors of the relative risks of holding bonds, as opposed to equities. This could lead to a major flight from bonds to equities and a sharp increase in bond yields in the US, which could then spill over into impacting bond yields around the world.

Investment and borrowing rates

- Investment returns are likely to remain low during 2018/19 but to be on a gently rising trend over the next few years.
- Borrowing interest rates increased sharply after the result of the general election in June and then also after the September MPC meeting when financial markets reacted by accelerating their expectations for the timing of Bank Rate increases. Apart from that, there has been little general trend in rates during the current financial-year. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in the future when authorities may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt;
- There will remain a cost of carry 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 Link Asset Services forecast for the PWLB new borrowing rate (repayment at Maturity) is as follows:

	Dec'17	Mar'18	Jun'18	Sep'18	Dec'18	Mar'19	Jun'19	Sep'19	Dec'19	Mar'20	Jun'20
5 Yr PWLB	1.50%	1.60%	1.60%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.10%	2.10%
10Yr PWLB	2.10%	2.20%	2.30%	2.40%	2.40%	2.50%	2.60%	2.60%	2.70%	2.70%	2.80%
25Yr PWLB	2.80%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.40%	3.50%
50Yr PWLB	2.50%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.20%	3.30%

7.2 The Council is, as stated above, not currently expecting to have any recourse to borrowing externally in 2018/19 and although significant capital expenditure on new leisure facilities is anticipated in 2019/20 with this to be potentially 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 2020/21. 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 to be planned for in future years. 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 differences between gross debt and net debt (after deducting cash balances). This is shown in the graphs at 5.3.

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 2018/19 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 2018/19 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 2018/19. 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 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 £6m to ensure a reasonable spread of investments in terms of counterparties. Investments with Money Market Funds and investments in overseas banks with a sovereign rating of not less than the UK sovereign rating will not exceed £4m.
- 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 In accordance with the above guidance from the CLG and CIPFA, and in order to minimise the risk to investments, the Council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the Short Term and Long-Term ratings.
- 9.1.9 Ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with

its advisors to maintain a monitor on market pricing such as “credit default swaps” and overlay that information on top of the credit ratings.

9.1.10 Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

9.1.11 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. 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.

9.1.12 Due care will be taken to consider the country, group and sector exposure of the Council’s investments. In addition:

Country limits:

- where the country of registration of an institution has an average credit rating (i.e. an average sovereign credit rating) equal to, or better than that of the UK; it will enable the Council to consider the placement of investments on the same basis applied for UK-registered institutions (i.e. subject to the overarching counterparty criteria as set out at **Appendix B**; and
- where an institution meets the approved counterparty status* but the country of registration has an average credit rating below that of the UK; limit such investments in total to such rated non-UK countries to be no more than £2m of the portfolio.
* i.e. it meets the overarching counterparty criteria as set out at **Appendix B**.
- sector limits will be monitored regularly for appropriateness.

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

9.1.14 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.

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

9.2 Creditworthiness Policy

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

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

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

- | | |
|--------------|--|
| • Yellow | 5 years * |
| • Dark pink | 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.25 |
| • Light pink | 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.5 |
| • Purple | 2 years |
| • Blue | 1 year (only applies to nationalised or semi nationalised UK Banks) |
| • Orange | 1 year |
| • Red | 6 months |

- Green 100 days
- No colour not to be used

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

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

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

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

9.3 Investment Strategy

9.3.1 With bank base rate forecast to remain at 0.50% until quarter 4 2018 and not to rise above 1.25% by quarter 1 2021, investment conditions will continue to be difficult. The view of Link Asset Services is that bank rate will be at the following levels:

	Dec'17	Mar'18	Jun'18	Sep'18	Dec'18	Mar'19	Jun'19	Sep'19	Dec'19	Mar'20	Jun'20
Bank Rate	0.50%	0.50%	0.50%	0.50%	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%

9.3.2 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 2018/19 has assumed an average yield of 0.93% 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. The anticipation of interest yielded from investing in the Property Fund is estimated at 4.50% in the MTFP.

9.3.3 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.

9.3.4 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.

9.4 End of Year Investment Report

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

10. THE MINIMUM REVENUE PROVISION STRATEGY

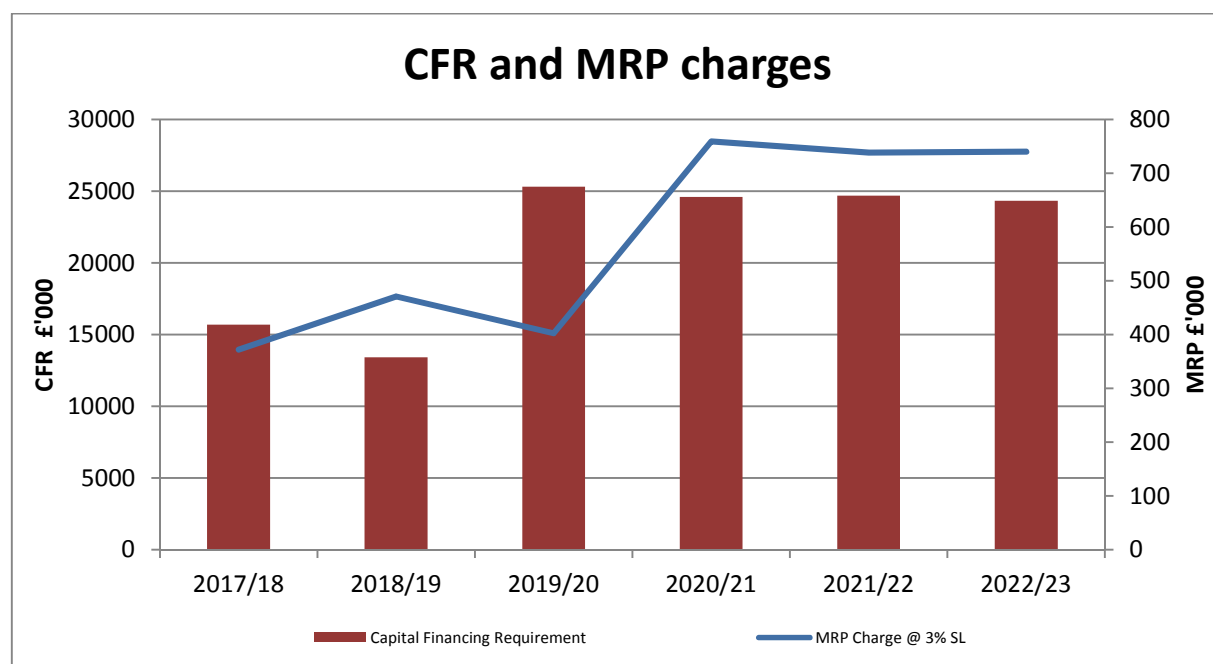
10.1 The Council implemented the new Minimum Revenue Provision (MRP) guidance in 2008/09, and will assess their MRP for 2018/19 in accordance with the main recommendations contained within the guidance issued by the Secretary of State under section 21(1A) of the Local Government Act 2003. Furthermore, the Council revised its MRP Policy in 2017/18 to provide for MRP on a 3% straight Line basis going forward.

10.2 No requirement is currently anticipated to undertake any long term borrowing in either 2017/18 or 2019/19 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 2019/20. 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 Using the 3% Straight Line method for calculating the MRP charge more reflects an average life of Council assets of 33 years and since it has a mix of short life assets such as vehicles (typical life 5-10 years) and long-life assets such as land and buildings (typical life 40-50 years) this is still deemed to be a prudent approach to take.
- 10.6 In 2017/18, the opening CFR was £12.422million which will result in an MRP of £373,000 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.



APPROVED INVESTMENT INSTRUMENTS

Specified Investments

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

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

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

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

Non-Specified Investments:

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

1. Maturities of ANY period.

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

2. Maturities in excess of 1 year

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

3. Approved Property Funds

	Use	Max % of total investments	Max. maturity period
CCLA Property Fund	In-house as determined by the 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.

INTEREST RATE FORECASTS

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

1. **INDIVIDUAL FORECASTS**

Link Asset Services Interest Rate View														
	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Bank Rate View	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%
3 Month LIBID	0.40%	0.40%	0.40%	0.40%	0.60%	0.60%	0.60%	0.70%	0.90%	0.90%	1.00%	1.20%	1.20%	1.20%
6 Month LIBID	0.50%	0.50%	0.50%	0.60%	0.80%	0.80%	0.80%	0.90%	1.00%	1.00%	1.10%	1.30%	1.30%	1.40%
12 Month LIBID	0.70%	0.80%	0.80%	0.90%	1.00%	1.00%	1.10%	1.10%	1.30%	1.30%	1.40%	1.50%	1.50%	1.60%
5yr PWLB Rate	1.50%	1.60%	1.60%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.10%	2.10%	2.20%	2.30%	2.30%
10yr PWLB Rate	2.10%	2.20%	2.30%	2.40%	2.40%	2.50%	2.60%	2.60%	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%
25yr PWLB Rate	2.80%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.40%	3.50%	3.50%	3.60%	3.60%
50yr PWLB Rate	2.50%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%
Bank Rate														
Link Asset Services	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%
Capital Economics	0.50%	0.50%	0.75%	1.00%	1.25%	1.25%	1.50%	1.50%	1.75%	-	-	-	-	-
5yr PWLB Rate														
Link Asset Services	1.50%	1.60%	1.60%	1.70%	1.80%	1.80%	1.90%	1.90%	2.00%	2.10%	2.10%	2.20%	2.30%	2.30%
Capital Economics	1.70%	1.90%	2.30%	2.60%	2.90%	2.90%	2.90%	2.90%	2.90%	-	-	-	-	-
10yr PWLB Rate														
Link Asset Services	2.10%	2.20%	2.30%	2.40%	2.40%	2.50%	2.60%	2.60%	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%
Capital Economics	2.30%	2.60%	2.80%	3.10%	3.30%	3.30%	3.30%	3.30%	3.30%	-	-	-	-	-
25yr PWLB Rate														
Link Asset Services	2.80%	2.90%	3.00%	3.00%	3.10%	3.10%	3.20%	3.20%	3.30%	3.40%	3.50%	3.50%	3.60%	3.60%
Capital Economics	2.95%	3.15%	3.45%	3.65%	3.90%	3.90%	3.90%	3.90%	3.90%	-	-	-	-	-
50yr PWLB Rate														
Link Asset Services	2.50%	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.00%	3.10%	3.20%	3.30%	3.30%	3.40%	3.40%
Capital Economics	2.80%	3.10%	3.30%	3.60%	3.80%	3.80%	3.80%	3.80%	3.80%	-	-	-	-	-

TREASURY MANAGEMENT POLICY STATEMENT

Carlisle City Council defines treasury management as:

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

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

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

Report to Business & Transformation Scrutiny Panel

Agenda Item:
A.4

Meeting Date: 5th January 2018
Portfolio: Cross Cutting
Key Decision: Not Applicable:
Within Policy and Budget Framework NO
Public / Private Public

Title: FINAL FLOOD UPDATE REPORT
Report of: The Deputy Chief Executive
Report Number: CS09/18

Purpose / Summary:

This report is the final update report prepared for Overview and Scrutiny Committees on flood recovery activities and any future programmed work.

This report will:-

- Update Members on the recovery of Council assets, including the Civic Centre
- Update Members on the provision of grants and relief to those households and businesses directly affected by the flood.
- Update Members on the activities being undertaken in partnership with the Environment Agency and Cumbria County Council.

Recommendations:

That members of the Scrutiny Panel review this report, note the progress made to recover Council assets and the work undertaken to deliver grants and other forms of financial support.

Tracking

Executive:	N/A
Overview and Scrutiny:	
Council:	N/A

BACKGROUND:

- 1.1 This report aims to set out a final update of the work associated with recovery from the 2015 floods and emerging plans to deal with any future such events.
- 1.2 During the past two years an extensive range of recovery activities have been undertaken, these work areas are outlined in the report and officers will be present to answer questions associated with these.

2. CITY COUNCIL ASSET RECOVERY PROGRAMME

- 2.1 During this period the Council has been engaged in an extensive programme of asset recovery using insurance payments and where appropriate Council resources. This capital value of this programme is circa £9.6M and has allowed the Council to take stock of these assets, engage with the Environment Agency and plan for the future.

Phase 2 of the Asset Reinstatement programme is now nearing completion with most of our facilities now being reinstated. The Council employed WYG as programme managers for both phase 1 (recovery, stripping and drying) and phase 2 (full recovery and / or adaptation).

WYG have designed, specified and delivered the reinstatement works to all scheduled properties, including the procurement process and management of the construction works. Their performance has been monitored by the Council's Property Team, who have dedicated time to this recovery whilst also delivering their annual programme of activities and development work.

Controls have been in place to ensure effective delivery of the programme to budget, quality and time. The works have been monitored on a monthly cycle with WYG and City Council officers meeting to review the programme and any variations occurring.

During the detailed design stages, consultation and sign-off procedures have been scheduled to ensure the relevant stakeholders are involved in the process.

This programme has included all the flood damaged properties owned by the City Council. The start and target end dates for significant individual assets/recovery have been updated and are shown in the overview below:

Adriano's	10/2016 – 02/2018*
Warwick Street properties	Completed, account settled
Stoneyholme Golf facility	Completed, account with Loss Adjuster
John Street Hostel	Completed, small amount of outstanding snagging, account with Loss Adjuster
Shaddongate Resource Centre	Completed, account with Loss Adjuster

Botcherby CC	Completed, small amount of outstanding snagging, final account being prepared
Caldew Riverside (Demolition)	Completed, account settled
Old Fire Station	Completed, account settled
Sheepmount Sports Facilities	10/2016 – 03/2018
Swifts Golf facility	Claim settled and closed
Sands Centre	Claim settled and closed
Car Parking (Incl. Income)	Claim settled and closed

*Adriano's: The original completion date for this property was scheduled to be 06/02/2017 however during the completion stage of the works it was discovered that the kitchen ventilation design did not meet required building control standards and could not be approved. This failing led to a protracted dispute with the original contractor. The works are now being progressed to the correct standard by a new contractor.

A more detailed assessment of the insurance claims, payments and costs for reinstatement will be presented to Council via the annual outturn of budget exercise.

2.2 Civic Centre and Customer Contact Centre

As reported previously, the floods had a significant impact on the ground floor and basement of the Civic Centre. This damage precipitated a more detailed review of the use of the Civic Centre by the Council and our partners.

A review of the use of the existing space and proposals to reinstate the Civic Centre were presented to Executive (31st July and 29th August) and the Business and Transformation Scrutiny Panel (3rd August).

The key features of this new layout are described below (taken from the Executive report August 2017)

- A new customer entrance is proposed to give the building a renewed presence and also to assist with energy efficiency.
- A new reception creates a focal point for all visitors and customers.
- A new waiting area has been designed to the left of the reception area where visitors meeting staff and members could wait.
- A new customer contact centre has been designed to the front elevation of the building with a waiting area, service desks and 13 private interview rooms. The interview rooms have separate access arrangements to ensure safety.
- To the left of reception and through the visitor waiting area is a soft meeting space and quiet working area for members, staff and partners. Opportunities for agile working are available in the areas designated.
- An improved delivery area is proposed via the rear of the building and a

storage area is planned in this vicinity.

- The customer contact telephone centre could also be contained within the ground floor tower area, allowing management of both face to face and phone teams from one point.
- In addition, there is also space for customer toilets and staff showering facilities (these were previously in the basement).
- There is an additional area under the tower which has been identified for possible partner occupation and benefits from separate access if required.
- The existing space within the former rates hall and beyond has been converted into flexible meeting and conference space.
The existing facility, located at first floor level within the Octagon is not fit for purpose, access is poor and non DDA compliant, temperature control is difficult, audio / visual services are outdated and furniture and fittings are tired and in need of replacement. These factors result in very low levels of usage with the facility only used on average twice every six weeks.
- To the rear of the proposed new chamber is a suite (3) of flexible meeting spaces with full audio-visual equipment provided. These could be used to supplement the new chamber or for separate functions. All the spaces would be serviced by accessible toilets at ground floor level and by a kitchen located adjacent to the meeting rooms.

Should these new proposals be agreed the following plans for the existing chamber may come into consideration:

- Seek an occupant for the lower and upper floor of the chamber block.
Considering the aforementioned problems, specialist advisors have concluded that it would be difficult to let the space and it would have low potential for income generation.
- Demolition of the existing chamber would allow the existing Civic Centre car park to be expanded and this option provides significant and reliable income generation potential. Further work is required to develop the business case around this option Chamber, but as a minimum there would be a reduction in business rates and savings on maintenance and utilities should the chamber be removed. The investment in this option would be seen as an 'invest to save' opportunity with the Council seeking to get a return on the capital costs of demolition and construction of car parking spaces. Should this proposal be worthy of consideration a full investment case could then be prepared.

Since the August reports the programme team have been conducting a thorough review of the initial designs to build up a detailed analysis of the capital costs for delivering this scheme before returning to Executive with final proposals for reinstatement and development. The decision making timetable for this project is outlined below.

Executive
Business and Transformation Scrutiny Committee
Executive

12th February 2018
15th February 2018
12th March 2018

2.3 Bitts Park – Pavilion, Play Area, Tennis Courts and depot

Work to recover the key assets damaged in Bitts Park has been ongoing over the past two years.

The children's play area has been completely renovated with new surfaces and equipment. These play facilities opened October 2016 as did the upper tennis courts.

The lower courts remain out of action, they will be resurfaced and redeveloped as part of the canopy development. The canopy project was approved for implementation after the Scrutiny call in meeting 30th October 2017. A full project plan, delivery timetable and contract is now being implemented.

The Parks and Green Spaces Depot at Bitts Park has received minor works to repair essential flood damage to the site and the facilities are back in use.

The pavilion and toilet block were both badly damaged by the flood and following a thorough review of options it has been proposed to demolish both buildings and replace these with an extension to the Bitts Park lodge.

The development of this property is the subject of a report presented to Executive 18th December 2017. The programme for this development is anticipated to run from March 2018 to May 2018.

3. FLOOD GRANTS & HOUSEHOLD PAYMENTS (FIGURES AS OF 15th DECEMBER 2017)

3.1 Community Support Grant - £500 Household Scheme

Further to the floods the Government announced an immediate assistance scheme targeted to support households affected by the event. This offered a one off Community Support Grant payment of £500 to each household.

1,671 households were confirmed as flooded by Storm Desmond and of these 1,602 were eligible for the £500 community support grant. The Council made payments made to 1,567 households equating to 97.82% and totalling £783,500.

This has been fully recovered from the County Council following submission of fortnightly grant claims.

3.2 £5,000 Flood Resilience Grant

Flood resilience grants are available to assist householders and business to make their properties more flood resilient in future. The grants can be used to cover costs associated with resistance products such as flood doors and barriers or they can be

used to make properties more resilient, so water proof plaster, moving electric, boilers etc. above the flood water. Since the introduction of the scheme, the Housing team have provided advice to flood affected property owners, through online enquires, telephone, advice sessions. The scheme has also been widely publicised through partner agencies, local press and social media.

The Council are also now working in partnership with JBA consulting, who are able to provide independent Property Protection reports. The report costs are covered by the £500 allowance within the grant and the Council are arranging payment on behalf of the owner through the process, so there are no upfront costs for the property owner. The report will be invaluable for those who require advice on what measures might be best to future protect their properties.

The Flood Resilience grant covers both residential and commercial properties and is being administered by the Housing Department. 1,369 applications have been approved with a value of £5,515,879, with 21 grants currently still to be paid. This approved sum is fully recoverable from the County Council.

3.3 Council Tax & NNDR discount schemes

County wide schemes have now been approved with the DCLG paying £400,000 to the County Council to fund the local discretions (second homes / empty properties / flood affected businesses) contained within the County wide schemes.

Districts are submitting monthly claims to recover the costs incurred. Funding for discounts offered in line with the Government Scheme will be paid through a S31 grant directly to us. Council tax discount awarded to 2,219 householders which amounts to £2.133 million for the affected properties. Business rates discount awarded to 111 properties amounting to £667,893 in total.

4. ONGOING WORK OF THE ORGANISATIONS INVOLVED IN THE FLOOD RECOVERY

4.1 Strategic Flood Update

We continue to work in partnership with the Environment Agency, the County Council and other partners on resilience and resistant measures to address specific issues arising from the floods in December 2015 and manage flood risk in the future. The Environment Agency are in the process of completing their data analysis of all the options and ideas following public meetings held in the summer.

In the New Year, another round of public engagement will take place to get an opinion on a shortlist of interventions.

This will be followed by tenders for design and build, business case development followed by implementation.

Within Carlisle work will include extension / enhancement to the existing defences and key bridge work. It is likely that initial works will be focussed around the Sands Centre, making 'relatively straightforward' changes to the existing defences to have maximum effect. This will have a significant effect on reducing risk in this part of the city.

Other early works will include the Rickerby area and improvements to bridge crossings, particularly the two rail bridges. This will be crucial work to address restrictions on water flow which will also have a significant effect on reducing flooding risk in these areas.

A special Overview and Scrutiny Panel has been arranged for 8th February 2018.

4.2 Carlisle City Council

The Carlisle Emergency Plan was reviewed and signed off by the Senior Management Team on 30th August 2016. The plan is now stored on the Resilience Direct system, a national extranet for Emergency Planning.

Additional locations for Reception Centres have been identified with feedback from communities at risk from flooding. A risk assessment for each location has been carried out and once an agreement has been reached with the centre's owners and operators they will be added to the Carlisle Emergency Plan and the Cumbria Resilience Forum Welfare Plan (Emergency Assistance Centres).

Contact Officer: Darren Crossley

Ext: 7004

**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 -

Deputy Chief Executive –

Economic Development –

Governance –

Local Environment –

Resources -

Report to Business & Transformation Scrutiny Panel

Agenda Item:

A.5

Meeting Date: 4th January 2018
Portfolio: Communities, Health and Wellbeing
Key Decision:
Within Policy and Budget Framework
Public / Private Public

Title: CUSTOMER SERVICES UPDATE
Report of: Service Improvement Manager
Report Number: CE 01/18

Purpose / Summary:

1. Smarter Service Delivery Project

Website & Salesforce

The purpose of this report is to update the panel on the work within customer services and in the main the Smarter Service Delivery (SSD) Project. The project was set up initially to meet customer expectations in being able to access City Council services 24 hours a day, 7 days a week online. Key officers across several service areas developed a transactional website that was optimised for mobile devices. An important part of this was to ensure seamless integration with back office systems which has been achieved with the use of web forms. This has allowed resources to be used in a more effective way with self-service users providing queries electronically, eliminating the need for officers to perform data entry onto back office systems where an interface exists.

Our website has continued to be a great success due to almost daily updates. Content is more current and easily accessible. We use website analytic tools to determine how certain pages are used by tracing the most common routes customers take when visiting a webpage. We can also monitor which browsers customers are using so we can ensure pages are compatible and user friendly. 'My Account' has seen a significant increase in the number of users to 17731 (as of 17/12/2017), an increase of over 3500 users from June 2017. This is largely due to prominence on the website with carefully designed user pathways. Additionally, an auto-reply has now been added to the Customer Service

mailbox which sets customer expectations regarding response times whilst offering a further prompt to sign up to My Account by use of a Hyperlink. We have worked closely with marketing to ensure the My Account brand is consistent and prominent. This extends to online content, email interactions, Carlisle Focus advertising and mailing. The My Account online dashboard enables users to apply for Council Tax discounts and exemptions, give details on moving property, setting up a direct debit along with various other Council Tax functions. Customers can sign up to receive their bills by e-mail (e-billing), view their housing benefit application, report environmental problems, access refuse & recycling services, access business rates accounts, submit a green spaces enquiry and submit a planning enquiry. There are now 36 separate online requests that fall under these services, 28 of which have integration directly to our back office systems, namely Salesforce.

The second phase of Smarter Service Delivery (SSD2) focuses on the installation of a Salesforce platform, which is moving at pace. All services that were using the original Capita CRM system have been successfully migrated to Salesforce with great success. Pest Control 'went live' in November 2017 following the integration of Waste Services, Council Tax, and Green Spaces, many of which are our biggest services from an interaction perspective. This transition represents a significant saving of £45,000 due to Salesforce being built in-house, with no ongoing service support costs. Interactions through Salesforce are increasing significantly due to the addition of services and the increase of self-service users through the My Account integrated web forms. Salesforce interactions for June 2017 were 979. In October this has increased to 2484.

We have been able to provide bespoke services and automated workflows to each integrated service thanks to the communication of the project team. We have learned from each piece of feedback and applied any lessons as work has progressed. Our emphasis has been on Customer Services ability to resolve as many queries as possible on the first point of contact whilst providing integrated services with accurate information to perform any needed actions, promptly and accurately. To achieve this, the advisors user interface is consistent across all service areas. This has enabled us to add additional services with minimal training as functionality remains consistent. Additionally, tasks that purely service led, ordering bins for example, has been automated so a query automatically raises a work order without the intervention of a technical officer. This frees up time to assist customers for queries of a more personal nature where personalised support and guidance is essential.

Customer Services hold monthly review meetings with all services that have been transferred to Salesforce. These meetings are extremely valuable, enabling us to continually streamline processes to improve the customer experience. Although waste

'went live' in September, we have recently automated the process surrounding the collection of waste receptacles that are no longer in use. This has significantly cut administration time and was as a direct result of a review meeting.

A Salesforce roadmap has been produced by ICT Services which outlines the planned rollout of Salesforce across the Council, which is under consultation. It is important to mention that this is a live document that is open to change to accommodate any future changes of priority.

It has just been confirmed that the SSD project has been shortlisted for an inetwork award for the category of Innovative Access for Public Services. The following link will provide further information on our submission.

<http://annualconference.i-network.org.uk/inetwork-innovation-award-finalists-2017/>

Benefits – Risk Based Verification (RBV)

Customer Services are working closely with Benefits on the introduction of RBV. This is a proven tool that significantly reduces the administration of Housing Benefit claims. RBV assesses an application and applies a risk score which will determine what evidence is required before the claim is processed. This will focus resource on claims that are most likely to have intentional or unintentional inaccuracies reducing the costs associated with investigation and recovery of overpayments. On average, 50% of a local authority's case load is low risk, which will mean less resource is used processing large amounts of evidence, reducing processing days and improving customer satisfaction.

RBV is automated when a customer applies for housing benefit online using eclaim. For this reason, the primary way to apply for Housing Benefit will be by eclaim. Paper forms will still be in existence but only used for customers who have no way of completing an application online. Again, the use of online applications significantly saves on data input time, freeing resource to provide a personal service to the people who need it.

Customer Services will offer all of the support needed, which also prepares us for the upcoming Universal Credit Full Service go live date in July 2018.

2. Customer Contact Centre

The customer contact centre face to face function is currently still operating from a temporary portacabin on the Civic Centre car park. Customer service staff have worked exceptionally patiently since the floods of December 2015. However, this building is very quickly becoming unfit for purpose.

The telephony part of the customer contact centre is situated on the 4th floor of the Civic Centre building. Therefore, the two elements of the service are being challenged to operate as efficiently as they could be. That said, the teams are currently meeting those challenges and this shows their true professionalism and enthusiasm for carrying out excellent customer service for residents and visitors within Carlisle.

Customer services have been involved heavily in the proposed reinstatement of the Civic Centre ground floor which is gathering pace. We have put particular emphasis on the support of our Smarter Service Delivery project and our capacity to work with other partnerships.

3. Partnership working

These include Department of Works and Pensions Fraud Section and Cumbria Constabulary. Her Majesty's Passport Office staff carried out the passport interview service for first time adult passports. Passport staff were made redundant after the floods and that service ceased. However, customer services staff negotiated a new contract where customer contact centre staff carry out the service on their behalf. This involves remote links to the Glasgow office of the Passport service. This brings additional income into the authority of £50 per interview. Currently this equates to around £7,500 per month. This contract is set to continue as the Passport Office have committed to fit updated equipment and high speed connections in January 2018.

Cumbria Constabulary now have 'HUB' in the Civic Centre with the aim of bringing together key organisations to tackle anti-social behaviour and other safety concerns voiced by the residents of Carlisle. As the Council's first point of contact, we have created robust processes to refer any concerns to the 'HUB', which has proven very successful.

The upcoming Universal Credit rollout in July will also present a significant opportunity for partnership working. Our Smarter Service Delivery project has received praise from the Department of Work and Pensions (DWP) as it dovetails with the support we will provide claimants. We will be offering Personal Budgeting Support (PBS) and Assisted Digital Support (ADS) for any customers who are struggling with their finances or do not have access to online services. As customers are transferring from Housing Benefit to Universal Credit we can identify the support that is needed. Mechanisms are also in place to identify the most vulnerable in our society to be visited at home by the DWP. These additional services represent a sizable increase of income from the DWP although figures are still to be confirmed.

Recommendations:

It is recommended that the Business and Transformation Scrutiny Panel endorse the proposals within this report of supporting further development of Salesforce CRM. This will combine the use of new and emerging digital service delivery to enable efficiencies as well as continue to meet ever changing customer expectations.

They are further asked to endorse the addition of partnership working opportunities to enable the Civic Centre to become a true community hub for Carlisle.

Tracking

Executive:	
Scrutiny:	
Council:	

1. BACKGROUND

- 1.1** The original Smarter Service Delivery (SSD) Project focused on the development of a transactional website that was optimised for mobile devices (Mobile first). The goal was to enable customers to self-serve when accessing City Council services.
- 1.2** Priority was based on services which created most public demand and wherever possible, end to end integration with back office systems and the current Capita Customer Relationship Management (CRM) system. A self-service portal was devised which currently has more than 17731, subscribers.
- 1.3** Following the success of SSD2, Salesforce will continue to be developed to incorporate services that were not part of the Capita CRM system. Further updates and improvements to already integrated services will continue to be ongoing.
- 1.4** Capita CRM is now being closed down following the integration of Pest Control onto Salesforce.
- 1.5** Web Form integration will continue to grow with each new service.
- 1.6** RBV expected to go live in early 2018. Customer services will support the transition from paper forms to online Housing Benefit applications.
- 1.7** Universal Credit support will be in place for customers with financial or digital inclusion difficulties.
- 1.8** Customer Services will continue to provide support for the proposed ground floor plan.
- 1.9 Service Design Method**
 - 1.9.1** The below method was used for the integration of all services using Salesforce.



Discovery

A short phase, in which you start researching the needs of your service's users, find out what you should be measuring, and explore technological or policy-related constraints.

Alpha

A short phase in which you prototype solutions for your users needs. You'll be testing with a small group of users or stakeholders, and getting early feedback about the design of the service.

Beta

You're developing against the demands of a live environment, understanding how to build and scale while meeting user needs. You'll also be releasing a version to test in public.

Live

The work doesn't stop once your service is live. You'll be iteratively improving your service, reacting to new needs and demands, and meeting targets set during its development.

This method has proved to be successful and will continue to be used in upcoming integrations. Having a test environment before 'going live' has proved invaluable. Also, regularly reviewing the system with each service has given vital feedback that will be used to benefit future services.

2. PROPOSALS

2.1 It is proposed to continue with the transfer of services through the service design method.

2.2 The same integrated technology is to be used through My Account for each service

2.3 A continued plan for partnership working when a permanent contact centre is in place, with facilities to support SSD.

3. CONSULTATION

3.1 Consultation has taken place with the Senior Management Team, the Transformation Board, Resources Overview & Scrutiny Panel and the Portfolio Holder for Communities, Health & Wellbeing.

4. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

4.1 The report contributes to a number of priorities within the Carlisle Plan. It gives a more convenient and unified approach to enable access to Carlisle City Council services which will support the priorities across the plan.

Contact Officer:

Ext: 7214

Matthew Ward

**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:

Community Services -

Corporate Support and Resources –

Economic Development –

Governance and Regulatory Services –