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

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**ROSP.07/15      BUDGET 2015/16**

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

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

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

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

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

### **(2) Executive Draft Budget Proposals 2015/16**

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

The draft Budget proposals comprised –

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

<b>D</b>	<b>Council Reserves Projections to 2019/20</b> <ul style="list-style-type: none"> <li>Schedule 10 - Usable Reserves Projections</li> </ul>
<b>E</b>	<b>Budget Discipline and Saving Strategy</b>
<b>F</b>	<b>Statutory Report of the Director of Resources</b>
<b>G</b>	<b>Glossary of Terms</b>

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

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

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

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

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

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

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

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

### **(3) Background Information Reports**

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

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

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

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

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

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

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

“That the Executive:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- *How was the rate of inflation calculated?*

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

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

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

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

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

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

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

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

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

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

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

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

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