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## **EXCERPT FROM THE MINUTES OF THE RESOURCES OVERVIEW AND SCRUTINY PANEL HELD ON 6 JANUARY 2011**

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**ROSP.06/11    BUDGET 2011/12**

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

There was submitted Minute Excerpt EX.214/10 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:

"The Overview and Scrutiny Committees be thanked for their consideration of the Budget reports and their comments, as detailed within the Minutes submitted, taken into account as part of the Executive's deliberations on the 2011/12 Budget."

The Chairman reminded officers that the Panel had requested written responses to a number of issues at their previous meeting and asked for an update.

The Assistant Director (Resources) responded that he had written to all Directors and was still waiting on some responses, the responses would be circulated to the Panel when they had all been collated.

RESOLVED – That the decision of the Executive be received.

### **(2) Executive Draft Budget Proposals 2011/12**

There was submitted the Executive draft Budget proposals 2011/12 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 2010/11 to 2015/16</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 2010/11 to 2015/16</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 2015/16</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 Assistant Director (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 Assistant Director (Resources) considered at the Executive meeting of 22 December 2010.

In considering the draft proposals, Members made the following comments and observations:

- *Page five of the proposal explained how to respond to the consultation, Members felt very strongly that the budget process should be clarified and made easier to understand and to allow more people to be involved.*

Mr Mason responded that he had produced a two page summary of the budget proposals which had concentrated on the 2011/12 budget overview and he aimed to improve the summary in the future years.

- *Schedule 5 in the report showed the Parish Precepts rising over five years. Who sets the Parish Precepts?*

The Governance and Resources Portfolio Holder explained that the Parishes set their own precepts and had their own financial governance arrangements and auditors. The City Council had no influence. The Parishes determined the Precept and it was added to the total of the Council Tax bill.

Mr Mason added that whilst proposals were still draft there was a possibility that a referendum could be held if the public felt that their Parish Precept was too high.

- *Members understood the principle for the reduction in the Discretionary Rate Relief but questioned how a financial reduction to voluntary services and charities tied into the Government's 'Big Society'.*

The Governance and Resources Portfolio Holder informed the Panel that the proposal was to withdraw the discretionary element of 20% but retain some element of the budget so that individual organisations could still apply for the Rate Relief. Each application would be considered on its merits. A set criteria was not in place but there would be further discussions regarding this.

In response to a further question Mr Mason set out that the report explained that officers could approve Rate Relief but not refuse it, refusals had to go to Executive. The reduction in the budget would leave approximately £15-£20,000 for applications for individual organisations.

The Portfolio Holder explained that the decision on the applications would be an Executive function and if other Members wanted to challenge the decisions the call in process was available.

*A Member highlighted the need for transparency and accountability with any criteria so organisations could clearly see why they were granted or refused. He also asked that any criteria used for Discretionary Rate Relief gave serious consideration to organisations that were local and that consideration be given to who the organisation supported.*

The Portfolio Holder agreed that consideration should be given to local organisations and added that there were a lot of factors to be taken into account when making the decisions and part of that would be how robust the organisation was.

*A Member asked how the budget could be overspent.*

The Portfolio Holder explained that the current 'blanket' policy for the Rate Relief had caused the over-spend and that was why the process had to be changed.

- *What would be the principle behind Discretionary Grants?*

The Town Clerk and Chief Executive responded that the criteria for grant bids would include how the organisation delivered the priorities set out in the Council's Corporate Plan and how it benefited Carlisle. She reminded the Panel that the Government were keen to move to a 'Big Society' but had not provided any funding to the Council to help devolve power and responsibility and so the Council wanted to make a small amount of funding available using an appropriate criteria to make the decision.

- *What were the implications of the reduction in budget to the Tourist Information Services and Tourist Information Centres? If the Council could no longer afford the centres was it possible to ask the tourism industry to help support the centres as they had a direct benefit to the industry.*

The Portfolio Holder agreed that it would be a good idea to approach the tourism industry but felt that there may be some reluctance.

- *Had there been any consultation with regard to the closure of the public conveniences?*

The Portfolio Holder responded that the Budget Proposal was the consultation and that there had not been any individual consultation.

Mr Mason informed the Panel that the conveniences that would be closed included those at Devonshire Car Park and Court Square.

The Portfolio Holder added that a number of the conveniences that were proposed to close were no longer fit for purpose and did not comply with the Disability Discrimination Act.

Members felt that it would be inappropriate to close the Court Square public conveniences and leave only the Lanes for the City Centre.

The Town Clerk and Chief Executive reiterated that the conveniences at Court Square no longer met with Disability Discrimination requirements and was seen as unsafe. The Railway Station had public toilets available for use by everyone.

- *The Regional Housing Pot had been deleted, how much had it been?*

Mr Mason responded that the Pot had been £1.2m and had been reduced in June's announcement to approximately £800,000. The Medium Term Financial Plan set out £1.2m over four years. The implications of the reductions were being investigated with particular emphasis on the impact to Disabled Facilities Grants. There would be a report to the Panel when more information was available.

- *The Capital Reserve had reduced from £104m in 2009/10 to £83m in 2010/11, Members asked for an explanation.*

Mr Mason explained that there were many different reasons for the difference and they were of a technical nature. He agreed to provide the Panel with a written response.

- *The Project Reserve had also reduced by a significant amount, was there more information available?*

Mr Mason explained that under normal circumstances the appropriate level for Revenue Reserves was £3.8m and anything over that amount was allocated to the project reserves, to be used for capital/revenue projects or other Council initiatives. In 2010 there had been a number of individual calls on the revenue e.g. Job Evaluation and now there was no funding left until 2015 to spend on projects.

RESOLVED – 1) That the observations of the Panel, as detailed above, be conveyed to the Executive;

2) That future budget consultation documents use more plain English to encourage more public consultation.

3) That any criteria for the consideration of applications for Discretionary Rate Relief be brought to the Panel for scrutiny.

### **(3) Background Information reports**

#### **(a) Revenue Estimates: Summary of Overall Budgetary Position 2011/12 to 2015/16**

Report RD.61/10 – providing a draft summary of the Council's revised revenue base estimates for 2010/11, together with base estimates for 2011/12 and updated projections to 2015/16. Also included were details of the impact of the new savings and new spending pressures currently under consideration and the potential impact on the Council's overall revenue reserves.

The decision of the Executive on 22 December 2010 (EX.220/10) was:

“That the Executive noted the updated budget projections for 2011/12 to 2015/16 including the update projections contained within the addendum and made recommendations, in the light of the budget pressures and savings submitted to date, together with the potential use of balances and reserves, in order to issue a draft Budget for consultation purposes.”

- *A Member asked for clarification with regard to the table on page 7 of the report. On the face of it the figures appeared quite alarming. He reiterated the need for the reports to be easier to understand.*

Mr Mason explained that the table showed the recurring and non recurring revenue requirements for 2011/16 and showed what the budget situation would be if the Council did not do anything.

- *Why was the projected inflation figure so high?*

Mr Mason explained that the base figure had not been updated for some time and he intended to adjust the base figure in the next financial year.

RESOLVED – That the report and decision of the Executive be noted.

#### **(b) Provisional Capital Programme 2011/12 to 2015/16**

Report RD.62/10 – providing revised details of the Capital Programme for 2010/11 together with the proposed method of financing as set out in Appendices A and B. Due to the severe resource constraints on the capital programme over the next 5 years, a fundamental review had been undertaken to prioritise capital schemes. The aim was to ensure the Council maintained a minimum level of capital receipts. The report summarised the implications of the review on the proposed programme for 2011/12 to 2015/16 in light of the capital bids submitted to date. It summarised the estimated and much reduced capital resources available to fund the programme.

The Executive had on 22 December 2010 (EX.221/10) decided:

That the Executive:

“1. Note the revised capital programme and relevant financing for 2010/11 as set out in Appendices A and B of Report RD.62/10.

2. Recommend that Council approve slippage of £3,654,300 and savings of £99,700 from 2010/11 identified in Phase 1 of the review.

3. Recommend that Council approve further slippage of £409,100 (Industrial Estate Improvements) from 2010/11 and additional capital budget requirement of £734,000 (Capitalisation Direction, Sub Region Employment Sites and Old Town Hall) in 2010/11 identified in Phase 2 of the review.

4. Made recommendations on the Provisional Capital Programme for 2011/12 to 2015/16 in the light of the capital bids submitted to date, together with the estimated available capital resources, for budget consultation purposes as set out RD.62/10

5. Approved the release of £638,000 from the Asset Management Reserve to fund improvements to Industrial Estate Roads in 2011/12.

6. 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 by the Executive.”

- *Members had questions regarding the general assets sales from Lovells and suggested that the matter be considered by the Capital Project Task and Finish Group.*
- *The Chairman of the Panel had concerns about the Caldew Riverside project and asked why the Council had to pick up the cost of the remediation work as he understood the land belonged to Tesco. He also queried whether the contamination of land was known at the time of purchase.*

Mr Mason responded that the decontamination was on Council owned land and it could be leaching on to land owned by Tesco. If this was the case then it was the City

Council's responsibility to clear the decontamination. There would be work to prevent further leaching.

The Deputy Chief Executive and Strategic Director (Governance and Resources) (Dr Gooding) added that the money in the budget was contingency funding for the decontamination of the land.

- *Why had the Industrial Estate improvements not been included in the Asset Review and why were they being carried out at this time?*

Dr Gooding explained that Asset Review was about the specific income generation for the future and the work on the Industrial Estates had been behind schedule for some time.

RESOLVED – 1) That the report and decision of the Executive be noted.

2) That the Caldew Riverside decontamination be considered either by the Capital Project Task and Finish Group or by the Resources Overview and Scrutiny Panel as a private report.

**(c) Draft Treasury Management Strategy Statement, Investment Strategy and Minimum Revenue Provision Strategy 2011/12**

Report RD.60/10 – setting out the Council's Draft Treasury Management Strategy Statement for 2011/12 in accordance with the CIPFA Code of Practice on Treasury Management. The Investment Strategy and Minimum Revenue Provision (MRP) Strategy for 2011/12 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 on 22 December 2010 (EX.222/10) approved the draft Treasury Management Strategy Statement, incorporating the draft Investment Strategy and the draft Minimum Revenue Provision Strategy, together with the Prudential Indicators for 2011/12 for draft budget consultation purposes as set out in Appendix A to Report RD.60/10.

RESOLVED – That the report and decision of the Executive be noted.