

**BUSINESS AND TRANSFORMATION SCRUTINY PANEL**

**THURSDAY 2 JANUARY 2020 at 4.05pm**

**PRESENT:** Councillor Bainbridge (Chair), Councillors Alcroft, Allison, Mrs Birks, McNulty, Mitchelson and Robson

**ALSO PRESENT:** Councillor J Mallinson, Leader  
Councillor Ellis, Finance, Governance and Resources Portfolio Holder

**OFFICERS:** Corporate Director of Finance and Resources  
Overview and Scrutiny Officer

**BTSP.01/20 APOLOGIES FOR ABSENCE**

Apologies for absence were submitted on behalf of the Town Clerk and Chief Executive.

**BTSP.02/20 DECLARATIONS OF INTEREST**

There were no declarations of interest submitted.

**BTSP.03/20 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.04/20 MINUTES OF PREVIOUS MEETINGS**

**RESOLVED** – That the minutes of the meeting held on 3 December 2019 be agreed as a correct record.

**BTSP.05/20 CALL – IN OF DECISIONS**

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

**BTSP.06/20 OVERVIEW REPORT AND WORK PROGRAMME**

The Overview and Scrutiny Officer presented report OS.30/19 providing an overview of matters relating to the work of the Business and Transformation Scrutiny Panel.

The table of progress on resolutions from previous meetings had been included in section 3 of the report. A Member noted that resolution 6 had been pending since August, she asked that the status be changed to outstanding and that clear direction be provided to the Panel on the new Key Indicator as soon as possible.

The work programme for 2019/20 had been attached to the report for consideration.

**RESOLVED** – 1) That the Panel scrutinised the Overview Report incorporating the Work Programme and Key Decision items relevant to the Business and Transformation Scrutiny Panel (OS.30/19).

2) That the status of resolution 6 in section 3.1 of the report be changed to 'Outstanding' and clear direction on the new key indicator be provided to the Panel as soon as possible.

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

Minutes of the special meeting of the Executive held on 9 December 2019 were submitted detailing the response of the Executive to the comments made by the Scrutiny Panels in response to the first round of Budget scrutiny.

RESOLVED – That the decisions of the special Executive on 9 December 2019 be received.

**(2) Executive Draft Budget Proposals**

The Executive draft Budget proposals 2020/21, which had been issued for consultation purposes, were submitted for scrutiny by the Panel.

The budget proposals were based on detailed proposals that had been considered by the Executive over the course of the last few months. In particular the reports of the Corporate Director of Finance and Resources which were considered at the Executive meeting of 16 December 2019.

In considering the Draft Budget Proposals Members raised the following comments and questions:

- A Member felt that the consultation document was very complex and difficult to understand. He questioned the value of the consultation document and what response had been received as a result of the document.

The Corporate Director of Finance and Resources took on board the comments made and agreed to review the document going forward. She also reminded Members that the document had to be published in accordance with statutory requirements which required particular phrases and information to be published.

- A Member asked for clarification regarding the developer contributions for St Cuthbert's Garden Village.

The Corporate Director of Finance and Resources explained that an income of £50,000 from developer contributions had been built into the budget, the 2019/20 budget monitoring had identified that the income target would not be achieved and as a result there would be a non-recurring impact in the budget.

- A number of the recurring shortfalls seemed to be from over ambitious targets, it was felt that it was time to change the targets to more realistic ones.

The Corporate Director of Finance and Resources reported that it had been recognised that there had been a number of shortfalls which had, over the years, been achieved from other base budgets. The shortfalls had now been recognised and included in the budget as such.

- Were officers confident that the Leisure Facilities capital programme had been profiled correctly?

The Corporate Director of Finance and Resources noted that the Leisure Facilities development was the biggest capital scheme that the Council had undertaken for some time and she had asked for the profiling to be checked primarily from a cash flow perspective.

- The Carlisle Southern Link Road had £5million proposed capital allocated in 2022/23, it had been understood that this would be refunded through developer contributions, was this correct and who would take the lead on the negotiations to ensure the money came back to the Council.

The Finance, Governance and Resources Portfolio Holder confirmed that it was proposed that contributions from housing developers would fund the £5million over the lifetime of the project. The Corporate Director of Economic Development and the Investment and Policy Manager would lead the negotiations.

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

#### **(a) Budget Update – Revenue Estimates 2020/21 to 2024/25**

The Corporate Director of Finance and Resources submitted report RD.39/19 providing a draft summary of the Council's revised revenue base estimates for 2019/20, together with base estimates for 2020/21 and updated projections to 2024/25. The report included 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 Executive had considered the matter on 16 December 2019 (EX.117/19 refers) and:

- (i) noted the revised base estimates for 2019/20 and base estimates for 2020/21;
- (ii) noted that the estimates in the report were draft and would be subject to the confirmation of Local Government Finance Settlement in December 2019;
- (iii) noted the current MTFP projections, which would continue to be updated throughout the budget process as key issues became clearer and decisions were taken;
- (iv) noted the budget pressures, bids and savings which needed to be taken into account as part of the 2020/21 budget process;
- (v) noted the Statutory Report of the S.151 Officer outlining the risks associated with the draft budget figures and that minimum reserves may need to be reviewed in the future depending upon the outcome of the Local Government Finance review.

The Corporate Director of Finance and Resources detailed the changes in the report which the Panel had not previously scrutinised. The Corporate Director of Finance and Resources reported that the draft settlement funding figures had been received, however, there were a number of grants still outstanding and further work was required.

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

- Referring to the Pension Fund Triennial Revaluation, a Member noted that the Council had previously paid out a significant sum of money and asked if there was the potential to do the same again?

The Corporate Director of Finance and Resources reminded the Panel that, in 2016, the pension funding level was 91%, the Council had taken advice and had paid a three year lump sum up front to make revenue savings. The draft results of the Revaluation had been received and built into the budget along with a provision to deal with the impact of the McCloud judgement.

- A Member had concerns that the 2020/21 budget had removed the current recurring savings requirement of £1.130million Transformation Savings and asked what would need to be done to meet the savings and would it cause the reserves to dip below the minimum requirement.

The Corporate Director of Finance and Resources reminded the Panel that the reserves could drop below the minimum level as long as there was a plan to get back to a prudent level by the end of the MTFP. She explained that there were three strands to the savings strategy which had begun with the base budget review but that the other strands of the Transformation Savings would have to be considered in the future.

The Finance, Governance and Resources Portfolio Holder added that in previous years grants had been used to accommodate unachieved income and it was now time to address the income targets and ensure that targets were more accurate moving forward.

- Could Transformation Savings be made and offset from future targets if there was an opportunity to do so?

The Corporate Director of Finance and Resources confirmed that savings could be taken as non recurring but there needed to be recurring savings made. There were a number of options available to the Council moving forward including becoming more commercial. She added that there was still a lot of uncertainty about Local Government Funding but there was still a requirement to have robust savings strategy in place.

- Referring to Business Rate Retention a Member asked what impact a potential increase in CVAs would have on the budget.

The Corporate Director of Finance and Resources responded that potential Company Voluntary Arrangements would impact the Bad Debt Write Offs and there was a provision for this within the Policy.

- A Member asked for more detail on the City Centre Business Support package and the Future High Street Fund submission.

The Finance, Governance and Resources Portfolio Holder responded that the City Centre Business Support package comprised of a business rate relief scheme for vacant properties in Castle Street, Lowther Street and Victoria Viaduct where there was high level of vacant properties. There would also be an allocation to support a Business Improvement District Bid should businesses wish to and a fund to support capital works at business premises (this would be internal works).

Referring to the future High Street Fund the Finance, Governance and Resources Portfolio Holder explained that the Council had received a revenue grant to support the development of a detailed business case which would unlock up to £25million of capital investment to renew and reshape town centres and high streets. He added that detailed public reports on both matters would be considered by the Executive at their meeting on 15 January 2020.

- A Member noted that the Civic Centre Portacabin rental had caused a significant non-recurring pressure on the Council budget and had concerns that any more delay to the Civic Centre ground floor reinstatement would incur further pressures.

The Leader of the Council agreed that the ground floor reinstatement work needed to move forward as expediently as possible to avoid further rental costs.

- How many empty properties were classed as long-term empty?

The Corporate Director of Finance and Resources reported that there were 270 empty properties where the long-term premium applies, 150 of the properties had been empty for at least 5 years and 49 of them had been empty for over 10 years.

- A Member highlighted the salary turnover saving of £100,000 and had questioned how long the Council could reduce staff and provide services.

The Corporate Director of Finance and Resources clarified that the salary turnover saving was the budget which dealt with the natural gap between a member of staff leaving and the recruitment of new staff. She assured the Panel that there was no reduction in staff and no delay in recruitment.

- A Member was pleased to see the LED Footway lighting installation moving forward, it was a good way of reducing CO2 emissions and save money.

### **(b) Revised Capital Programme 2019/20 and Provisional Capital Programme 2020/21 to 2024/25**

The Corporate Director of Finance and Resources submitted report RD.40/19 which provided a draft summary of the Council's revised capital estimates for 2019/20 together with base estimates for 2020/21 and updated projections to 2024/25.

The Executive had considered the matter on 16 December 2019 (EX.118/19 refers) and decided:

- (i) Noted the revised capital programme and relevant financing for 2019/20 as set out in Appendices A and B for recommendation to Council;
- (ii) Had given consideration and views on the proposed capital spending for 2020/21 to 2024/25 given in the report in the light of the estimated available resources for recommendation to Council;
- (iii) 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 Members raised the following comments and questions:

- Where would the budget provision for the demolition of the Central Plaza come from and had there been any work undertaken to ask Central Government to support the City Council with the cost?

The Corporate Director of Finance and Resources responded that the cost of the demolition had initially come from the Council's reserves. With the approval of the Leader and the Leader of Opposition, officers were able to gain instant access to £1million from the reserves. A formal report on the matter would be considered by Council on 7 January 2020.

The Leader confirmed that a meeting had taken place with the local MP, John Stevenson, and he was due to meet with the Exchequer Secretary to the Treasury to discuss the matter.

- It was understood that the replacement of the full vehicles and plant fleet to electric would incur significant costs, however, had there been any consideration to having a default

position of replacing vehicles and plant with electric at the appropriate time or through a lease agreement?

The Finance, Governance and Resources Portfolio Holder confirmed that some vehicles had already been replaced with electric vehicles where practical. He added that technology and the infrastructure was not yet at the point where all vehicles could be changed.

The Corporate Director of Finance and Resources added that an options appraisal was carried out each time a replacement was required, the Council had bought and leased vehicles in the past based on the appraisal information.

### **(c) Draft Treasury Management Strategy Statement, Investment Strategy and Minimum Revenue Provision Strategy 2020/21**

The Corporate Director of Finance and Resources presented report RD.41/19 setting out the Council's draft Treasury Management Strategy Statement (TMSS) for 2019/20 in accordance with the CIPFA Code of Practice on Treasury Management.

She informed Members that the Investment Strategy and the Minimum Revenue Provision Strategy for 2020/21 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 16 December 2019 (EX.119/19 refers) and it was resolved that the Executive noted the draft Treasury Management Strategy Statement for 2020/21, which incorporated the Investment Strategy and the Minimum Revenue Provision (MRP) Strategy, together with the Prudential Indicators for 2020/21 as set out in Appendix A and the Treasury Management Policy Statement as set out at Appendix D to Report RD.41/19.

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

- Had there been any partnership work with the Climate Change Group to look at how ethical investments could fit in with the investment strategy?

The Corporate Director of Finance and Resources explained that she had been investigating ethical investments and had discussed the matter with Treasury Advice and looked at other ethical strategies that were in place elsewhere. Initial work showed that the Council would have to have clear parameters going forward and would have to primarily ensure the security and yield of the investment.

The Finance, Governance and Resources Portfolio Holder added that he felt that the most ethical investment for the authority was the one that had the best return.

- Could the Council raise its borrowing limit to allow for new capital schemes should they come forward?

The Corporate Director of Finance and Resources reminded the Panel that the borrowing limit was set internally by full Council and could be increased, however, should a new capital scheme come forward there were other options that the Council could consider including reviewing the capital programme, review the asset base or becoming more commercial.

- Who carried out the valuations for the Council's assets?

The Corporate Director of Finance and Resources explained that both internal and external valuers were used for balance sheet purposes. An independent valuer would be used to gain a market value for any asset disposals.

- Referring to the Gearing table in 6.3.6 of the report, a Member asked if the 2019/20 spike had been caused by the Sands Centre Development and how the authority compared to other authorities.

The Corporate Director of Finance and Resources confirmed that the spike in the table was a reflection of the capital budget for the Sands Centre. She added that she was comfortable with the current position but would be carrying out some benchmarking work with other authorities using the new CFO Insights tool.

- Had there been any consideration regarding international investments?

The Corporate Director of Finance and Resources would clarify whether local Authorities were able to invest internationally due to the risks involved.

RESOLVED – 1) That the Panel accepted the Executive draft Budget Proposals 2020/21 as issued for consultation;

2) That the Panel had scrutinised and made comments on the following reports:

Budget Update – Revenue Estimates 2020/21 to 2024/25 (RD.39/19);

Revised Capital Programme 2019/20 and Provisional Capital Programme 2020/21 to 2024/25(RD.40/19).

Treasury Management Strategy Statement, Investment Strategy and Minimum Revenue Provision Strategy 2020/21 (RD.41/19).

(The meeting ended at 5.33pm)