

RESOURCES OVERVIEW AND SCRUTINY PANEL

THURSDAY 5 JANUARY 2017 AT 10.00AM

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

ALSO PRESENT: Councillor Dr Tickner – Finance, Governance and Resources Portfolio Holder
Councillor Nedved – Chairman of Environment and Economy Overview and Scrutiny Panel
Councillor Burns – Chairman of Community Overview and Scrutiny Panel

OFFICERS: Town Clerk and Chief Executive
Corporate Director of Governance and Regulatory Services
Chief Finance Officer
Chief Accountant
Overview and Scrutiny Officer

ROSP.01/17 APOLOGIES FOR ABSENCE

An apology for absence was submitted on behalf of Councillor Patrick, Chairman of the Audit Committee.

ROSP.02/17 DECLARATIONS OF INTEREST

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

ROSP.03/17 PUBLIC AND PRESS

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

ROSP.04/17 MINUTES OF PREVIOUS MEETING

In response to a Member's question the Town Clerk and Chief Executive agreed to circulate the date of the next Carlisle Ambassadors meeting to Members along with their newsletter. He added that he would submit a report on Carlisle Ambassadors to the April meeting of the Panel.

RESOLVED – That the minutes of the meetings held on 20 October 2016 and 6 December 2016 be agreed as a correct record of the meeting and signed by the Chairman.

ROSP.05/17 CALL-IN OF DECISIONS

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

ROSP.06/17 OVERVIEW REPORT AND WORK PROGRAMME

The Overview and Scrutiny Officer presented report OS.01/17 and provided an overview of matters that related to the work of the Resources Overview and Scrutiny Panel.

The Panel's Work Programme for the current year had been circulated and the following items were scheduled:
Performance Report Options

Budget Monitoring 2016-17
Performance Monitoring
Sickness Absence (tentative)
Carlisle Ambassadors Group
Flood Update Report
Digital Vision and Technology 5 Year Strategy
Smarter Service Delivery Project

Due to the large number of items scheduled for the next Panel meeting it was agreed that the Chairman, Vice Chairman and Overview and Scrutiny Officer would look at the scheduled items and programme them in over the next two meetings of the Panel.

RESOLVED – 1) That the Overview Report incorporating the Work programme and Key Decision items relevant to this Panel (OS.01/17) be noted.

2) That the following items be included on the agendas for the Panel's meetings on 23 February 2017 or 13 April 2017:

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

ROSP.07/17 BUDGET 2017/18

The Chairman welcomed the Chairs of the Environment and Economy and Community Overview and Scrutiny Panels to the meeting.

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

There was submitted Minutes of the meeting of the Executive held on 12 December 2016 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.

RESOLVED – That the decisions of the Executive on 12 December 2016 be received.

(2) Executive Draft Budget Proposals

There was submitted the Executive draft Budget proposals 2017/18 which had been issued for consultation purposes.

The draft Budget proposals comprised:

Section	Detail
A	Background and Executive Summary
B	Revenue Budget 2016/17 to 2021/22 <ul style="list-style-type: none">• Schedule 1 - Existing Net Budgets

	<ul style="list-style-type: none"> • Schedule 2 - Proposed Budget Reductions • Schedule 3 - Recurring Budget Increases • Schedule 4 - Non-Recurring Budget Increases • Schedule 5 - Summary Net Budget Requirement • Schedule 6 - Total Funding and Provisional Council Tax
C	Capital Programme 2016/17 to 2021/22 <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 2021/22 <ul style="list-style-type: none"> • Schedule 10 - Usable Reserves Projections
E	Budget Discipline and Saving Strategy
F	Statutory Report of the Chief Finance Officer
G	Glossary of Terms

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

The Finance, Governance and Resources Portfolio Holder reported that the Budget assumed a £5 (2.54%) increase in Council Tax for a Band D property, which equated to less than 10 pence per week. The Executive was aware of the financial difficulties faced by many families. It was not therefore their intention to revise the Council Tax Discount Scheme which would continue at the statutory levels thus protecting vulnerable groups.

Referencing Schedule 2, he highlighted proposed Budget reductions in respect of

- Inflation – an annual budget reduction of £104,000 was predicted
- A Review of base budgets had been undertaken to identify areas where budgets had been underspent historically and where savings could be made by reducing to a realistic and achievable level - £403,000
- The Council had undertaken a review of its Minimum Revenue Provision (MRP) Policy and the amounts charged as MRP since 2003/04. It had been identified that an MRP holiday could be taken due to over provision in previous years and also a reduced MRP charge in future years by charging MRP at 3% straight line, rather than 4% reducing balance - £363,000
- New Homes Bonus allocations had been adjusted for the Local Government Finance Settlement announced in December 2016

He outlined in some detail the key Budget pressures which included:

- Treasury Management as a result of reduced interest rate forecasts
- Income shortfalls due to tenants vacating the Civic Centre, although it should be noted that the Council was actively marketing the building

- Recurring budgets included for Homelife and Clean Up Carlisle in line with corporate priorities
- Income shortfalls on car parks in order to limit fee increases to 10 pence per charging band

Nevertheless, the Executive had been able to produce a balanced budget over the lifetime of the Medium Term Financial Plan.

Public Service budgets had been subject to ongoing reductions. Since 2010/11 it had been necessary to find some £7 million in savings, with a further £1.201 million to be found in 2016/17 and £2.274 million more by 2020. That affected the authority's ability to deliver and maintain services. Ratepayers continued to pay the same amount of Council tax however the central government cuts effectively reduced every £1 paid to around 60p; a 40% reduction.

With regard to the Civic Centre rental offer the Portfolio Holder explained that there was a large amount of office accommodation currently available within the City and as a result the budget had assumed a pressure of £158,000 which reflected the loss of income from the County Council and other tenants vacating the Civic Centre.

The Chief Finance Officer commented that the draft Revenue Support Grant figures recently announced by the DLG were very much in line with the MTFP's figures. Although reserve balances dip below the recommended £2million target, plans were in place to maintain reserves at a prudent level during the lifetime of the MTFP. She further reported that there were some draft figures included in the consultation document some of which cannot be calculated under statute until mid-January. Draft figures included the council taxbase and surplus, final confirmation of the RSG settlement and the Pension Fund Valuation. Therefore those figures may be subject to change prior to the Council budget meeting in February.

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

- A Member was pleased that the over 60 discount for allotments would be retained and asked for the justification for the overall increase to allotment fees.

The Portfolio Holder explained that an increase to the allotment fees was necessary and it was felt that smaller increases each year would be more palatable.

- There had been concern that the proposed increase to bulky waste collection charges would lead to an increase in fly tipping, had this matter been reconsidered?

The Portfolio Holder responded that the increase had been carefully considered and was due to an increase in the cost of staff, fuel and tipping charges; areas which were out of the Council's control.

- When would car parking charges be considered again by Overview and Scrutiny?

The Portfolio Holder reminded the Panel that all charges were reviewed annually. The car parking charges were monitored carefully throughout the year and any proposed changes would be reported as necessary.

- Members understood that there were some difficulties in letting out space within the Civic Centre. Was there a timescale for the proposals for the ground floor of the Civic Centre to be considered by Overview and Scrutiny?

The Portfolio Holder reported that proposals for the ground floor were being considered as part of the ongoing negotiations with the insurance company and proposals would be submitted for

scrutiny when the options had been agreed. With regard to letting out space within the Civic Centre the Portfolio Holder explained that the building as an asset required some work to make it a more marketable space. He added that he would provide further information on the timescales for the ground floor.

- The Panel asked for information to be brought back to the Panel to a future meeting which detailed the external funding which the new Funding Officer had accessed.

The Portfolio Holder agreed to look at the monitoring process for the Funding Officer and report back to a future meeting.

- How many consultation responses had been received from members of the public?

The Portfolio Holder reported that the number of responses varied but there was not as many as the Council would hope for despite the promotion that was carried out.

A Member suggested that consideration be given to the budget consultation documents which members of the public were asked to comment on. The current budget consultation document was lengthy and difficult to understand; if it was possible to make it easier to understand it may encourage more consultation responses.

The Chief Finance Officer agreed to take members comments on board and give consideration to the consultation documents for future budgets.

- What evidence was there that the £140,000 non-recurring budget pressure for the Lanes would not recur after 2017/18?

The Portfolio Holder explained that the pressure reflected expected levels of income from the Lanes for 2017/18 only. Estimates were that from 2018/19 the levels of income should return to the current budget projections. He added that the shops within the Lanes were performing well and this was reflected in the commitment existing businesses had made. The City Council could not influence the market trends but could ensure that the right offer was available for businesses and the public. The non-recurring pressure showed confidence in the City.

A Member agreed that the authority was doing the best it could but asked if, under the current climate, it was time to revisit the masterplan for Rickergate.

The Town Clerk and Chief Executive added that the non-recurring pressure was based on a combination of evidence and pragmatism, the Executive had reason to believe that the revenue position would improve in the future and was optimistic about the future of the City Centre. The alternative was a less optimistic assessment which would result having to make in more savings within the authority. He reminded Members that the masterplan was part of the Local Plan and was a long term aspiration which had been through Scrutiny, Executive and Council for approval. The evidence gathered for the masterplan strongly suggested that there was demand to retain retail in the City Centre.

A Member felt that the non-recurring pressure showed confidence in the City Centre and believed that there was a future for a smaller, vibrant city centre which catered to niche markets. He added that the Council's role was to facilitate and help the market process.

- Where was the rental space in the Civic Centre advertised or promoted?

The Town Clerk and Chief Executive clarified that the accommodation was not yet being advertised. There needed to be some consideration of the space available and some consolidation of empty floors to make the space more marketable. The Portfolio Holder added

that previously there had been some promotion of parts of floors but this was not suitable for the market. The priority at this time was the ground floor and the Customer Contact Centre.

- Members commented that they were very pleased that the expression of interest for the Garden City had been successful.
- A Member congratulated officers and the Executive for a positive budget.

RESOLVED – 1) 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;

2) That the Finance, Governance and Resources Portfolio Holder provide the Panel with information regarding the timescales for the reinstatement of the ground floor of the Civic Centre;

3) That consideration be given to the future format of budget consultation documents to enable members of the public to engage in the process;

4) That the monitoring arrangements for the external funding accessed by the Funding Officer be reported to a future meeting of the Panel.

(3) Background Information Reports

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

The Chief Finance Officer submitted report RD.40/16 providing a draft summary of the Council's revised revenue estimates for 2016/17, together with base estimates for 2017/18 and updated projections to 2021/22. 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 19 December 2016 (EX.125/16 refers) and decided:

"That the Executive:

- (i) noted the revised base estimates for 2016/17 and base estimates for 2017/18;
- (ii) noted that the RSG figures had now been incorporated into the Executive Budget Proposals 2017/18 for consultation purposes;
- (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/savings needing to be taken into account as part of the 2017/18 budget process;
- (v) Noted 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."

RESOLVED – That the Budget Update – Revenue Estimates 2017/18 to 2021/22 (RD.40/16) be noted.

(b) Revised Capital Programme 2016/17 and Provisional Capital Programme 2017/18 to 2021/22

The Chief Finance Officer submitted report RD.41/16 which provided a draft summary of the Council's revised capital estimates for 2016/17 together with base estimates for 2017/18 and updated projections to 2021/22.

The Executive had considered the matter on 19 December 2016 (EX.126/16 refers) and decided:

“That the Executive:

- (i) Noted the revised capital programme and relevant financing for 2016/17 as set out in Appendices A and B to Report RD.41/16;
- (ii) Had given consideration and views on the proposed capital spending for 2017/18 to 2021/22 given in the report in the light of the estimated available resources;
- (iii) 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, has been approved.”

RESOLVED –That the Revised Capital Programme 2016/17 and Provisional Capital Programme 2017/18 to 2021/22 (RD.41/16) be noted.

(c) Treasury Management Strategy Statement, Investment Strategy and Minimum Revenue Provision Strategy 2017/18

The Chief Finance Officer submitted report RD.42/16 which set out the Council's Treasury Management Strategy Statement for 2017/18, In accordance with the CIPFA Code of Practice on Treasury Management. The Investment Strategy and the Minimum Revenue Provision (MRP) Strategy for 2017/18 are also incorporated as part of the Statement along with the Prudential Indicators as required within the Prudential Code for Capital Finance in Local Authorities.

The Executive had considered the matter on 19 December 2016 (EX.127/16 refers) and noted the Draft Treasury Management Strategy Statement for 2017/18, which incorporated the Draft Investment Strategy and the Draft Minimum Revenue Provision (MRP) Strategy, together with the Prudential Indicators for 2017/18 for draft budget consultation purposes as set out in Appendix A and the Treasury Management Policy Statement as set out at Appendix D to Report RD.42/16.

A Member asked for an explanation for the term ‘over-borrowed’ which had been used in the report.

The Chief Accountant responded that the term referred to the £15m borrowing and reflected the fact that cash back reserves and working capital added up to less than the balance of investments, with the remaining investment amount being made up of ‘over borrowing’. The Capital Financing Requirement currently indicated that the Council may only need to borrow £13m in the future to finance the Council's assets. Therefore the Council currently had more borrowing than was needed to finance capital assets and the extra borrowing was in investment balances. He further advised that being over borrowed was nothing to be concerned about. It merely had the benefit of providing additional cash for investment purposes but was very much dependent upon the balance on the Capital Financing Requirement (CFR) at particular point in time.

Members asked for a full written explanation.

RESOLVED –1) That the Treasury Management Strategy Statement, Investment Strategy and Minimum Revenue Provision Strategy 2017/18 (RD42/16) be noted

2) That the Chief Accountant provide a written explanation regarding the term ‘over-borrowed’.

ROSP.08/17 PUBLIC AND PRESS

RESOLVED – That in accordance with Section 100A(4) of the Local Government Act 1972 the Public and Press were excluded from the meeting during consideration of the following item of business on the grounds that it involved the likely disclosure of exempt information as defined in the paragraph number (as indicated in brackets against the minute) of Part 1 of Schedule 12A of the 1972 Local Government Act.

ROSP.09/17 FUTURE OF INTERNAL AUDIT

(Public and Press excluded by virtue of Paragraph 3)

The Chief Finance Officer reported (RD.31/16) that, since 1 April 2010, the Council's Internal Audit Service had operated as part of a shared service arrangement between Cumbria County Council, Carlisle City Council, Copeland Borough Council and the Police Authority.

The current Internal Audit Shared Service would terminate on 31 March 2017 and the report summarised the options available to the Council and made recommendations, giving reasons therefor.

Issues and recommendations raised previously by the Audit Committee were discussed further within the report.

The Chief Finance Officer reminded the meeting that, prior to 2010, the Internal Audit function had been provided in-house. .

The Executive had considered the matter on 24 October 2016 (EX.97/16 refers) and decided:

“That the Executive:

1. Confirmed that the Council would not continue with the Internal Audit Shared Service arrangement with the County Council post March 2017.
2. Agreed, in principle, to bring the service back in-house subject to an appropriate financial appraisal and business case being considered and approved at a future meeting of the Executive.”

The Audit Committee had considered the matter on 22 December 2016 (AUC.80/16 refers) and decided:

“That the Audit Committee had given detailed consideration to Report RD.46/16 and the draft business case, the submission of which was welcomed, and made the undernoted comments and observations for transmission to the Executive:

- (a) The Audit Committee supported the ‘in principle’ decision to bring the Internal Audit service back in-house.
- (b) Consideration needed to be given to TUPE arrangements and the implementation of good governance arrangements for the operation of the Internal Audit function.
- (c) That the Audit Committee recommended that a desk top exercise be undertaken which detailed the advantages / disadvantages of an external procurement process to be submitted to the Executive to inform decision making.

- (d) The Audit Committee expects that a full external review of the Internal Audit function be undertaken within 2 years of the service coming back in-house (in line with CIPFA practice) in order that the Committee may receive the required level of assurance that the service was working effectively.”

In response to a question the Corporate Director of Governance and Regulatory Services explained the legality of a shared service and detailed how the Audit Shared Service arrangement with the County Council had evolved over time and moved away from being a shared service in law.

A Member raised concerns that the service was growing when all other departments were being reduced and the Portfolio Holder reminded the Panel that not all services were being reduced and, in fact, some services were expanding to deliver the authority’s priorities. He added that the proposed changes to the internal audit service would increase the number of audit days and remain within the same budget.

There were some concerns about how the service could remain independent and the Corporate Director explained that the changes would enable an independent assessment as required by an internal audit function but it was also hoped that the improved service would assist the Council in improving service delivery. The internal auditors would understand how the Council wanted to work and help deliver the services to achieve priorities.

RESOLVED –That the Future of Internal Audit report (RD.46/16) be welcomed.

(The meeting ended at 11.20am)