

AGENDA

Resources Overview and Scrutiny Panel

Monday, 06 January 2014 AT 10:00
In the Flensburg Room, Civic Centre, Carlisle, CA3 8QG

****Briefing meeting for Members will be at 9.30 am in
the Flensburg Room****

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 item 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

To approve the minute of the meeting held on 10 October and 28 November 2013.
[Copy Minute in Minute Book Volume 40(4)]

PART A

To be considered when the Public and Press are present

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

5 - 20

To consider a report providing an overview of matters related to the work of the Resources Overview and Scrutiny Panel, together with the latest version of the Work Programme and details of the Key Decisions items relevant to this Panel as set out in the Notice of Executive Key Decisions.

(Copy Report OS.01/14 herewith)

A.3 BUDGET 2014/15

21 -
44

(Finance, Governance and Resources Portfolio)

(a) To consider and comment upon the Executive's draft Budget proposals

(Copy herewith)

A.3 REVENUE ESTIMATES SUMMARY OF OVERALL BUDGETARY POSITION

45 -

(b) 2014/15 TO 2018/19

64

(i)

(Copy Report RD.62/13 herewith)

A.3 PROVISIONAL CAPITAL PROGRAMME 2014/15 TO 2018/19

65 -

(b)

76

(ii) (Copy Report RD.65/13 herewith)

A.3 TREASURY MANAGEMENT STRATEGY STATEMENT INVESTMENT
(b) STRATEGY AND MINIMUM REVENUE PROVISION STRATEGY
(iii)

77 -
102

(Copy Report RD.63/13 herewith)

PART B

To be considered when the Public and Press are excluded from the meeting

- NIL -

Members of the Resources Overview and Scrutiny Panel

Conservative – Bowman S, Craig, Layden, Bainbridge(sub), Mallinson J (sub), Mrs Prest (sub)

Labour – Mrs Atkinson, Dodd, McDevitt, Watson (Chairman), Forrester (sub), Ms Patrick (sub), Miss Sherriff (sub)

Liberal Democrat - Allison, Mrs Luckley(sub)

**Enquiries, requests for reports, background papers,
etc to Lead Committee Clerk: Rachel Rooney – 817039**

Resources Overview and Scrutiny Panel

Agenda Item:

A.2

Meeting Date: 6th January 2014
 Portfolio: Cross Cutting
 Key Decision: No
 Within Policy and Budget Framework
 Public / Private Public

Title: OVERVIEW REPORT AND WORK PROGRAMME
 Report of: Overview and Scrutiny Officer
 Report Number: OS 01/14

Summary:

This report provides an overview of matters related to the Resources O&S Panel’s work. It also includes the latest version of the work programme.

Recommendations:

Members are asked to:

- Decide whether the items on the Notice of Key Executive Decisions should be included in the Panel’s Work Programme for consideration.
- Note and/or amend the Panel’s work programme

Tracking

Executive:	-
Overview and Scrutiny:	6th January 2014
Council:	-

1. Notice of Key Executive Decisions

The most recent Notice of Key Executive Decisions was published on 16th December 2013. The following issues fall into the remit of this Panel and full details are attached at **Appendix 1**:

KD.030/13 Budget Process 2014/15 – on the agenda for this meeting of the Panel.

2. References from the Executive

The following reference from the Executive meeting on 9th December is attached at **Appendix 2**.

EX.150/13 – Budget 2014/15 – Feedback from the Overview and Scrutiny Panels on the draft Budget reports

3. Scrutiny Chairs Group

A meeting of the Scrutiny Chairs Group was held on 12th December 2013. Notes of the meeting are attached at **Appendix 3**.

4. Work Programme

The Panel's current work programme is attached at **Appendix 4** for comment/amendment.

Contact Officer: Nicola Edwards

Ext: 7122

Appendices

attached to report:

1. Notice of Key Decisions
2. Reference from the Executive
3. Notes of Scrutiny Chairs Group meeting 12/12/13
4. Resources O&S Work Programme 2013/14

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: None

Items relevant to the Resources Overview and Scrutiny Panel:

Notice of Key Decisions to be taken by the Executive

The following key decision is to be made on behalf of Carlisle City Council:

Key Decision Reference:	KD.030/13
Decision Title:	Budget Process 2014/15
Decision to be taken:	<p>To consider strategic financial issues arising from the budget setting process:</p> <p>(a) Budget Update – Revenue Estimates (18th November 2013)</p> <p>(b) Individual Charges Reviews (Local Environment, Governance , Economic Development, Community Engagement) (18th November 2013)</p> <p>(c) New Revenue Spending Proposals (18th November 2013)</p> <p>(d) New Savings Proposals (18th November 2013)</p> <p>(e) New Capital Spending Proposals and Provisional Capital Programme (18th November 2013)</p> <p>(f) Repair and Maintenance (18th November 2013)</p> <p>(g) Treasury Management and Prudential Borrowing Implications (18th November 2013)</p> <p>(h) Consideration of Overview and Scrutiny Consultation feedback (9th December 2013)</p> <p>(i) Draft Revenue Support Grant Settlement (if available) (16th December 2013)</p> <p>(j) Summary Overall Revenue and Capital Position (16th December 2013)</p> <p>(k) Draft Treasury Management and Investment Strategy including MRP Strategy (16th December 2013)</p> <p>(l) Executive Draft Budget Proposals for consultation (16th December 2013)</p> <p>(m) Final Revenue Support Grant and Final Revenue Budget Summary (15th January 2014)</p> <p>(n) Provisional Capital Programme (15th January 2014)</p> <p>(o) Treasury Management and Investment Strategy including MRP Strategy (15th January 2014)</p> <p>(p) Consideration of Final Budget Consultation (15th January 2014)</p> <p>(q) Pension Fund Revaluation (15th January 2014)</p> <p>(r) Executive's Final Budget Proposals (15th January 2014)</p>
Date Decision to be considered:	18 November 2013 (EX.128/13, EX.129/13, EX.130/13, EX.133/13, EX.134/13, EX.135/13, EX.136/13, EX.137/13, EX.138/13) 9 December 2013 (EX.150/13), 16 December 2013 and 15 January 2014 consultation period to include Overview and Scrutiny as appropriate
Date Decision to be taken:	18 November 2013, 9 December 2013, 16 December and 15 January 2014

Items relevant to the Resources Overview and Scrutiny Panel:

Is the Decision Public or Private?:	The decision will be taken in Public
Documents submitted for consideration in relation to the Decision:	<p>Minutes from the Community Overview and Scrutiny Panel 19 November 2013, Environment and Economy Overview and Scrutiny Panel 21 November 2013 and Resources Overview and Scrutiny Panel 28 November 2013 on 9 December 2013</p> <p>Report RD.51/13 - 2013/14 Revised Revenue Base Estimates and Updated Medium Term Financial Plan Projections: 2014/15 to 2018/19 on 18 November 2013</p> <p>Report LE.30/13 - Review of Charges 2014/15 - Local Environment on 18 November 2013</p> <p>Report CD.53/13 - Review of Charges 2014/15 - Community Engagement on 18 November 2013</p> <p>Report ED.35/13 - Review of Charges 2014/15 - Economic Development on 18 November 2013</p> <p>Report GD.50/13 - Review of Charges 2014/15 - Governance Directorate - Licensing on 18 November 2013</p> <p>Report RD.53/13 - Summary of New Revenue Spending Pressures on 18 November 2013</p> <p>Report RD.54/13 - Summary of New Saving Proposals and Additional Income on 18 November 2013</p> <p>Report RD.56/13 - Revised Capital Programme 2013/14 and Provisional Capital Programme 2014/15 to 2018/19 on 18 November 2013</p> <p>Report RD.58/13 - Corporate Assets - 3 Year Repair and Maintenance Programme on 18 November 2013</p> <p>Report RD.55/13 - Treasury Management July - September 2013 and Forecasts for 2014/15 to 2018/19 on 18 November 2013</p>
Contact Officer for this Decision:	Director of Resources, Carlisle City Council, Civic Centre, Carlisle, CA3 8QG
Relevant Portfolio Area:	Finance, Governance and Resources (Councillor Dr Tickner)
Relevant or Lead Overview and Scrutiny Panel:	Resources Overview and Scrutiny Panel, Environment & Economy Overview and Scrutiny Panel and Community Overview and Scrutiny Panel

All public reports can be viewed in the Customer Contact centre of the Civic Centre, Carlisle, the Public Library and on the Council's website www.carlisle.gov.uk.

Other documents relevant to the matter may be submitted to the decision maker. These, if available, may be obtained by contacting the named contact officer.

**EXCERPT FROM THE MINUTES OF THE
EXECUTIVE
HELD ON 9 DECEMBER 2013**

**EX.150/13 BUDGET 2014/15 – FEEDBACK FROM THE OVERVIEW AND
SCRUTINY PANELS ON THE DRAFT BUDGET REPORTS**
(Key Decision – KD.030/13)

Portfolio Finance, Governance and Resources

Relevant Overview and Scrutiny Panel Community; Environment and
Economy; and Resources

Subject Matter

The Minutes of the meetings of the following Overview and Scrutiny Panels relating to the draft Budget reports considered by the Executive on 18 November 2013 were submitted:

- (a) Community – 19 November 2013 (COSP.76/13)
- (b) Environment and Economy – 21 November 2013 (EEOSP.79/13)
- (c) Resources – 28 November 2013 (ROSP.83/13)

Copies of the above Minute Excerpts had been circulated prior to the special meeting.

The Leader reported that invitations had been extended to the Overview and Scrutiny Panel Chairmen to attend the special meeting.

It was noted that the Chairman of the Environment and Economy Overview and Scrutiny Panel had submitted apologies, and that the Chairman of the Resources Overview and Scrutiny Panel was not in attendance.

The Chairman of the Community Overview and Scrutiny Panel was present. She indicated that the observations of the Panel were as detailed within Minute Excerpt COSP.76/13, to which there was little she could add.

The Finance, Governance and Resources Portfolio Holder wished to place on record thanks to all Members of the Overview and Scrutiny Panels for their work in scrutinising the draft Budget Reports. He had attended the Resources Overview and Scrutiny Panel meeting, when it was clear that Members had gone through the various options under consideration with a fine tooth comb.

The Portfolio Holder confirmed that Executive Members had received the Minutes of the Panel meetings. The Minutes and any additional comments would be taken into account as part of the Executive's deliberations on the budget.

The Finance, Governance and Resources Portfolio Holder then responded to Overview and Scrutiny's observations on the Budget Process as follows:

Community Overview and Scrutiny Panel – 19 November 2013

Whilst the Panel had queried several areas of the budget, they were satisfied with the responses provided. Minor queries had been raised on the Charges Reports, responses being:

Local Environment Charges Report

- Sports Pitches Charges – the Portfolio Holder had recommended option 2 in the charging proposals for 2014/15 set out in the original report
- City Centre Events – the Portfolio Holder had recommended option 2 in the charging proposals for 2014/15 set out in the original report, which only increased the charges above inflation in respect of large commercial promotions

Community Engagement Charges Report

Although the individual rent charges for the Hostels were increased by the CCP target of 3.8%, the overall budgeted income did not increase due to the 2013/14 income being below target (£30,000) as a result of reduced occupancy rates. Therefore the increased rent would mitigate any income shortfall in 2014/15.

Environment and Economy Overview and Scrutiny Panel – 21 November 2013

Whilst the Panel had queried several areas of the budget, they were satisfied with the responses provided. Minor queries were raised on the Charges Reports, responses being:

Local Environment Charges Report

- City Centre Events – the Portfolio Holder had recommended option 2 in the charging proposals for 2014/15 set out in the original report, which only increased the charges above inflation in respect of large commercial promotions.

Economic Development Charges Report

- Assembly Room hire charge (per session) rounded to £66 from £66.43

Resources Overview and Scrutiny Panel – 28 November 2013

Whilst the Panel had queried in detail several areas of the budget, they were satisfied with the responses provided.

The Finance, Governance and Resources Portfolio Holder then expressed grateful thanks to the Director of Resources' Team for the information and advice provided to Overview and Scrutiny and himself, which had enabled good questioning of the various issues to take place. The Portfolio Holder further thanked the Director for his responses to those questions.

The Chairman of the Community Overview and Scrutiny Panel made reference to the amended Review of Charges 2014/15 Reports, copies of which had been circulated to all Members on 6 December 2013. Panel Members were very glad to see that some of the charges had been retained at this year's rates. She particularly made reference to City Centre Events / children's rides. As everyone was aware, businesses were struggling and those opportunities would add to their income.

The Chairman further referred to the hire of football pitches by junior clubs, commenting that the Panel was particularly concerned at the impact increased charges would have on families with more than one member. She further highlighted the healthy city implications thereof. Although option 2 was not the worst case scenario, Members were concerned to ensure that charges were affordable for the junior clubs.

In conclusion, the Leader seconded the comments expressed by the Finance, Governance and Resources Portfolio Holder. He further echoed thanks to Overview and Scrutiny Members and to the Director of Resources and his Team.

Summary of options rejected None

DECISION

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 2014/15 Budget.

Reasons for Decision

The views of the Overview and Scrutiny Panels would be taken into account as part of the 2014/15 Budget process

SCRUTINY CHAIRS GROUP MEETING**12 December 2013 at 2.30pm**

Attended: Councillor Whalen, Lead Member and Vice Chairman of the Environment and Economy Overview and Scrutiny Panel
Councillor Mrs Luckley, Chairman of the Community Overview and Scrutiny Panel
Councillor Mrs Prest, Vice Chairman of the Community Overview and Scrutiny Panel
Councillor Mrs Bowman, Chairman of the Environment and Economy Overview and Scrutiny Panel
Councillor Watson, Chairman of the Resources Overview and Scrutiny Panel
Darren Crossley, Deputy Chief Executive
Sarah Irving, Press Officer
Nicola Edwards, Scrutiny Officer
Rachel Rooney, Lead Committee Clerk

10/13 APOLOGIES FOR ABSENCE

An apology for absence was submitted on behalf of Dr Gooding, Town Clerk and Chief Executive.

11/13 RAISING AWARENESS OF SCRUTINY

The Lead Member welcomed the Press Officer to the meeting and asked her to outline ways in which the Council currently interacted with the public and how they could be used to engage members of the public in scrutiny.

The Press Officer outlined her role in the authority and explained that there was a variety of options available for Members to increase awareness of the scrutiny function.

Press

It was suggested that an informal briefing meeting be held for members of the press to inform them of specific agenda items which Scrutiny would be considering at future meetings. This would encourage the press to attend the meetings and, hopefully, report on the items of interest. This would be of most use when subject reviews were being undertaken by the Panels.

Social Media

The Council had developed a Digital Champions Group, made up of a representative of each Directorate, which was developing social media and the Council's website. Both

the Facebook site and the Twitter feed had relatively short text boxes but could be used as links to the Scrutiny web pages or specific documents. The City Council Facebook page had 5,157 likes and the Twitter account had 2,567 followers.

The Scrutiny Officer felt that this would be easiest way to capture information from people which could then be fed into meetings, she added that it would also be appropriate for the Chairman and Vice Chairman to be proactive and put information on social media. She informed the Group that a number of authorities had a dedicated scrutiny Twitter account and asked what the protocol would be for this authority. The Press Officer explained that the Policy and Communications Manager was the relevant contact officer for social media but she understood that all information was to be fed through the existing pages.

Carlisle Focus

The Carlisle Focus residents' magazine was published twice a year in November and June. The magazine was sent to all residential properties and businesses in Carlisle and was an excellent way of signposting information for members of the public. She suggested a short article on Scrutiny be included in the June issue which gave members of the public information on scrutiny and signposted them to further information on the City Council website. It was agreed that the Annual Scrutiny Report was a timely document to be promoted in the June Carlisle Focus magazine.

Citizens' Panel

A new Citizens' Panel was being established and it was suggested that this would be an appropriate group to question regarding their knowledge of scrutiny. The feedback could then be used as a benchmark for future monitoring.

Website

The Scrutiny pages on the Council's website would be maximised by asking IT to create a URL address for them so they can be accessed much quicker with a shorter easy to use web address.

Customer Contact Centre

The Customer Contact Centre had large screens which could be used for the advertisement of meetings or specific agenda items and they also linked in to the self serve kiosks.

AGREED – That the Scrutiny Officer and the Chairs Group follow up on the various suggestions outlined above and be more pro-active in promoting the work of scrutiny.

12/13 CIVIC CALENDAR

The Lead Committee Clerk had previously circulated the 2014/15 draft Civic Calendar. She highlighted the change in date to the 2014 elections and the Annual Council meeting and the effect on the meetings in the current year.

The Group had asked if it was possible to give consideration to the County Council schedule of meetings when preparing the City Council calendar to avoid any clashes. The Lead Committee Clerk was awaiting a copy of the County Council 2014/15 calendar and information on the process used to produce the calendar. She explained that consideration had to be given primarily to the City Council's constitution when setting the calendar but efforts would be made to avoid clashing with the County Council meeting and the Local Area Committee where possible.

A Member asked if it would be possible to change the way the substitutes were appointed to Committees and move to unnamed substitutes in a similar manner to the County Council. The Lead Committee Clerk agreed to investigate this further.

AGREED – That the schedule of dates and times of meetings for the municipal year 2014/15, including additional meetings required as a result of the proposed change in date for the local elections from 1 May 2014 to 22 May 2014 be recommended to Council for approval.

That further information regarding substitute membership of Committees be sought by the Lead Committee Clerk and circulated to the Group.

13/13 CHAIRS TRAINING

Councillor Mrs Bowman provided feedback from the Chairs training course she had attended which had been facilitated by North West Employers. She urged the Group to attend the training as it would be an excellent refresher and networking opportunity.

The Scrutiny Officer felt that the Chairman and Vice Chairman could make more use of the pre meetings to work out what the Panel wanted to achieve in the meetings and to encourage the Panel to work as a team. Although Task and Finish Groups had proved to be successful, the three Panels played an important role and more robust scrutiny could be achieved if Members of the Panels talked more and encouraged everyone to be involved. This would lead to a more effective and focused meeting.

A Member questioned the added value of scrutiny and the impact made to the Council's policy and direction. The Group agreed that Scrutiny had produced some excellent work which led to improvements in the services provided and felt that it was up to the Chairman to ensure the Panels were adding value.

AGREED – That Councillor Mrs Bowman's update be welcomed.

14/13 STRUCTURE OF SCRUTINY

The Lead Member asked the Group to give consideration to the structure of Scrutiny including the number of Panels, any savings which could be made and support for

Scrutiny. He asked that Members go back to their Groups to discuss the issues and report back to the next meeting of the Chairs Group.

AGREED – That the Scrutiny Chairs Group ask their relevant Groups for feedback on the future structure of Scrutiny.

That the Scrutiny Officer gather further information on available models for Scrutiny and report back to the next meeting of the Scrutiny Chairs Group.

15/13 ANY OTHER BUSINESS

The Chairman and Vice Chairman were asked to provide resolutions for agenda items to assist the Committee Section in the production of minutes and to assist the Panel in making clear recommendations.

16/13 DATE OF NEXT MEETING

AGREED – That the next meeting of the Scrutiny Chairs Group will take place on 6 February 2014 at 10.00am.

(The meeting ended at 3.35pm)

RESOURCES OVERVIEW AND SCRUTINY PANEL WORK PROGRAMME 2013/14

Date last revised: 16 December 2013

Issue	Type of Scrutiny						Comments/Current Status	Meeting Dates							
	Performance Management	Notice of Key Decision / Referred from Executive	Policy Review or Development	Scrutiny of Partnership/ External Agency	Budget	Monitoring		6 Jun 13	18 Jul 13	29 Aug 13	10 Oct 13	28 Nov 13	6 Jan 14	20 Feb 14	3 Apr 14
Current Meeting - 6th January 2013															
Budget					✓		Budget setting 2014/15-2018/19					✓	✓		
Task & Finish Groups															
Saving Paper Task Group			✓				Completed			✓					
Future Meetings															
Performance Monitoring						✓	Quarterly monitoring of performance within remit of Panel	✓		✓		✓		✓	
Organisational Development Plan	✓					✓	To consider review of Plan July - monitor performance in Nov & Feb		✓			✓		✓	
Budget Monitoring 13-14					✓	✓	Monitoring of budget			✓		✓		✓	
Corporate Programme						✓	Quarterly monitoring of	✓		✓		✓		✓	

RESOURCES OVERVIEW AND SCRUTINY PANEL WORK PROGRAMME 2013/14

Date last revised: 16 December 2013

Issue	Type of Scrutiny						Comments/Current Status	Meeting Dates								
	Performance Management	Notice of Key Decision / Referred from Executive	Policy Review or Development	Scrutiny of Partnership/ External Agency	Budget	Monitoring		6 Jun 13	18 Jul 13	29 Aug 13	10 Oct 13	28 Nov 13	6 Jan 14	20 Feb 14	3 Apr 14	
Board							significant projects									
Corporate Risk Register						✓	Bi-annual Monitoring				✓				✓	
Sickness Absence	✓						To consider reports relating to the authority's sickness absence levels to invite OH		✓		✓			✓		
Transformation Board						✓	To receive six monthly updates (first on agenda)				✓				✓	
Employee Opinion Survey							To inform Members of feedback and action plan								?	
Significant Partnerships				✓			Bi-Annual scrutiny			✓					✓ June 14 Jan 15	
Scrutiny Annual Report							Draft report for comment before Chairs Group								✓	
COMPLETED ITEMS																

RESOURCES OVERVIEW AND SCRUTINY PANEL WORK PROGRAMME 2013/14

Date last revised: 16 December 2013

Issue	Type of Scrutiny						Comments/Current Status	Meeting Dates								
	Performance Management	Notice of Key Decision / Referred from Executive	Policy Review or Development	Scrutiny of Partnership/ External Agency	Budget	Monitoring		6 Jun 13	18 Jul 13	29 Aug 13	10 Oct 13	28 Nov 13	6 Jan 14	20 Feb 14	3 Apr 14	
Asset Management		✓				✓	Monitor disposal and investment programme Review of Plan					✓				
Member Training Report 2012-13						✓	Annual training report				✓					
Localisation of Business Rates							To consider a report detailing the impact of the policy				✓					
Medium Term Financial Plan		✓			✓					✓						
Asset Management Plan		✓			✓		2013-18 Plan			✓						
Carlisle Leisure Ltd				✓			Continued scrutiny of contract monitoring - Audit Report and update	✓								

RESOURCES OVERVIEW AND SCRUTINY PANEL WORK PROGRAMME 2013/14

Date last revised: 16 December 2013

Issue	Type of Scrutiny						Comments/Current Status	Meeting Dates								
	Performance Management	Notice of Key Decision / Referred from Executive	Policy Review or Development	Scrutiny of Partnership/ External Agency	Budget	Monitoring		6 Jun 13	18 Jul 13	29 Aug 13	10 Oct 13	28 Nov 13	6 Jan 14	20 Feb 14	3 Apr 14	
Treasury Management Counterparties		✓					Scrutinise report recommending amendments to Treasury Management	✓								
2012/13 Provisional Outturn Reports					✓		Outturn reports and requests to Council	✓								

For Information	

CARLISLE CITY COUNCIL



www.carlisle.gov.uk

Executive Budget Proposals 2014/15 Issued for Consultation 16th December 2013

Councillor C Glover
Leader of the Council

Councillor Dr L Tickner
Portfolio Holder Finance, Governance & Resources

Jason Gooding
Chief Executive

Peter Mason CPFA
Director of Resources

EXECUTIVE BUDGET PROPOSALS 2013/14 to 2018/19

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 2013/14 to 2018/19 <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 2013/14 to 2018/19 <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 2018/19 <ul style="list-style-type: none">• Schedule 10 - Usable Reserves Projections
E	Budget Discipline and Saving Strategy
F	Statutory Report of the Director of Resources
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 Director of Resources were considered at the Executive meeting of 16th December 2013. All of the detailed reports are available on the Council's website.

1. RD62/13 - General Fund Revenue Budget 2013/14 to 2018/19
2. RD65/13 - Provisional Capital Programme 2013/14 to 2018/19
3. RD63/13 - Draft Treasury Management Strategy Statement and Investment Strategy and Minimum Revenue Provision Strategy 2014/15

SECTION A – BACKGROUND AND EXECUTIVE SUMMARY

Council Priorities

The Council's priorities are now encompassed in the Carlisle Plan. This aims to deliver a new vision of "In everything we do, we aim to promote Carlisle as a prosperous City, one in which we can all be proud." This will be delivered through six new priorities which are outlined below and which all have specific actions in order to enable their delivery:

- Support the growth of more high quality and sustainable business and employment opportunities.
- Develop vibrant sports, arts and cultural facilities, showcasing the City of Carlisle.
- Work more effectively with partners to achieve the City Council's priorities.
- Work with partners to develop a skilled and prosperous workforce, fit for the future.
- Together, make Carlisle clean and tidy.
- Address Carlisle's current and future housing needs.

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 Director of Resources and the Council must consider the advice of the Director 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.

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 major '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
- Triennial Revaluation of the Pension Fund
- Transformation

Summary Budget Proposals

The key issues in this budget consultation document, which is expanded on further in the proposals, are as follows:

- (i) The draft budget proposes an increase in Council Tax of 1.99% for the City Council for 2014/15 (Parishes Precepts will be an additional charge in the parished rural areas).
- (ii) 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	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000
Original MTFP recurring surplus/(deficit)	584	869	(47)	(841)	(1,551)
Changes to Funding - Increase in Retained Business Rates & Pooling	600	600	600	600	600
Changes to Funding - Reduction in Council Tax Increase to 1.99%	(36)	(38)	(38)	(39)	(40)
Changes to Funding - Decrease in RSG Settlement	0	0	(250)	(250)	(250)
Recurring budget reductions (Schedule 2)	423	1,654	1,944	3,056	4,068
Recurring Budget Increases (Schedule 3)	(1,489)	(2,171)	(2,382)	(2,599)	(3,162)
Reserves (required) to fund Net Recurring Expenditure	82	914	(173)	(73)	(335)
Original MTFP non-recurring surplus/(deficit)	(160)	0	0	0	0
Non-Recurring budget reductions (Schedule 2)	1,214	0	0	0	0
Non-Recurring budget increases (Schedule 4)	(959)	(56)	0	0	0
Reserves required to fund Non-Recurring Expenditure	95	(56)	0	0	0
Total contribution (required) from Reserves	177	858	(173)	(73)	(335)

- (iii) The above table shows a requirement to fund expenditure from Reserves from 2016/17. If all new pressures and savings proposed were approved, there will be difficulties in containing pressures within existing Council resources. A strategy (detailed in Section E) for identifying recurring savings within the revenue budget has been proposed and this strategy will continue to be developed.
- (iv) Given the increasing financial pressure the Council is facing, the scope to support new recurring spending and initiatives in future years will be 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 substantial 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 13th January 2014**.

Following this, the consultation responses will be considered by the Executive and Resources Overview and Scrutiny Panel in January, culminating in the Executive's final a budget proposal to Council on **4th February 2014**.

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 Director of Resources at the above address.

SECTION B - REVENUE BUDGET 2013/14 to 2018/19

1. REVISED REVENUE BUDGET 2013/14

- 1.1 The Executive recommends that the Council's revised net budget for 2013/14 be approved totalling £13.614m compared to the original budget of £12.755m. The increase of £0.859million can be summarised as follows:

Detail:	£000	£000
Original Net Budget		12,755
Non-Recurring Expenditure:		
Use of Transformation Reserve	182	
Carry Forward Requests from 2012/13 (See 1.2)	677	
Total Changes		859
Revised Net Budget		13,614

- 1.2 The increased budget for 2013/14 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 2013/14 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. Additional expenditure of £182,000 funded from earmarked reserves has also been approved during the year.

2. REVENUE BUDGET 2014/15 to 2018/19

2.1 Existing Net Budgets

The Executive recommends that the net budgets for 2014/15 to 2018/19 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	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000
City Council					
- Recurring (schedule 5)	11,632	11,143	12,166	13,106	13,965
- Non-Recurring (Sch. 5 note 2)	179	0	0	0	0
Parish Precepts	463	475	487	499	511
Total	12,274	11,618	12,653	13,605	14,476

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	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000
Increased Income						
New Homes Bonus 2011/12	1	0	0	(243)	(243)	(243)
New Homes Bonus 2014/15	1	0	?	?	?	?
Bring Site Recyclate Income	2	(64)	0	0	0	0
Housing Benefit Admin Grant	3	(150)	0	0	0	0
Total Increased Income		(214)	0	(243)	(243)	(243)
Expenditure Reductions:						
Pay Award Savings 2014/15 & 2015/16	4	(223)	(454)	(466)	(478)	(490)
Inflation Savings	5	(200)	(200)	(200)	(200)	(200)
Invest to Save Schemes Completing	6	0	0	(35)	(35)	(35)
New Transformation Savings Required	7	(1,000)	(1,000)	(1,000)	(2,100)	(3,100)
Total Expenditure Reductions		(1,423)	(1,654)	(1,701)	(2,813)	(3,825)
TOTAL BUDGET REDUCTION PROPOSALS		(1,637)	(1,654)	(1,944)	(3,056)	(4,068)
Split:						
Recurring		(423)	(1,654)	(1,944)	(3,056)	(4,068)
Non-Recurring		(1,214)	0	0	0	0

Note 1: New Homes Bonus allocation for 2014/15 has not yet been confirmed

Note 2: The Bring Site service is to be brought back in-house from April 2014, and there is an opportunity to generate income from the sale of the recyclate. This income is expected to be able to offset the loss of income from recycling credits received from the County Council shown in Schedule 4.

Note 3: Housing Benefit Admin Grant awarded for 2014/15 is £150,000 more than budgeted in the MTFP.

Note 4: The Medium Term Financial Plan includes provision for pay awards at 2.5% for 2014/15 onwards. The continued pay increase cap of 1% in the Public Sector means that for 2014/15 and 2015/16 this requirement can be reduced.

Note 5: Inflation is currently included in the MTFP based on higher levels of Net Expenditure. Due to savings being made, this base level can be reduced and therefore the amounts set aside for inflation can also be reduced.

Note 6: There are two invest to save schemes that will complete the capital repayment required in 2015/16 so the savings generated can be added to revenue reserves from 2016/17 onwards.

Note 7: Additional Transformation Savings will be required in order to bring reserves up to minimum levels. The savings requirement for 2014/15 will be identified on a non recurring basis from the first call on 2013/14 underspends, first call on any business rate growth in 2013/14 and first call on the 2014/15 allocation of New Homes Bonus. Any residual requirement will be funded from general fund reserves. The revised profiling of transformation savings is shown below.

	Cumulative Savings identified as part of 2013/14 Budget £000	Additional Cumulative Savings Required £000	Revised Cumulative Savings required £000	Revised in Year Savings Required £000
2014/15	0	(1,000)	(1,000)	(1,000)
2015/16	(839)	(1,000)	(1,839)	(1,839)
2016/17	0	(1,000)	(1,000)	0
2017/18	0	(2,100)	(2,100)	(1,100)
2018/19	0	(3,100)	(3,100)	(1,000)

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	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000
Treasury Management	1	1,020	1,364	1,220	1,437	1,592
Asset Review Income	2	342	430	785	785	785
Pension Fund Revaluation	3	?	?	?	?	?
Pension Auto Enrolment	4	127	127	127	127	127
Additional National Insurance Costs	5	0	0	250	250	250
New Homes Bonus 2012/13 Ceasing	6	0	0	0	0	408
Total Recurring Budget Pressures		1,489	1,921	2,382	2,599	3,162

Note 1: Treasury Management projections are reviewed annually to ensure that current interest rate forecasts are updated and that current and future spending implications are built into cash flow forecasts model. As interest rates are not forecast to increase in the medium term, revisions have been

made to the interest achievable and average cash balances have been amended to reflect anticipated capital receipts, capital expenditure and anticipated use of revenue reserves

Note 2: The Asset business plan is included in the Medium Term Financial Plan and assumes a level of sales and purchases per year that will lead to loss of current income streams and generation of new income. Due to sales and new purchases not occurring in line with this plan and the use of receipts to support the capital programme, re-profiling of current budgets have been carried out and the adjustments required are shown here.

Note 3: The next valuation of the Pension Fund is due in December 2013 and the effect will take place from April 2014. At this point early indications are that there will be an increase required to the contribution rate the Council makes in order to make up any potential deficits.

Note 4: Due to new legislation changes regarding pension funds, all employees are now required to be automatically enrolled in a pension scheme provided by the employer. The emphasis is then on the employee to choose to opt out of the pension scheme. This is therefore the additional cost of providing employers pension contributions to those staff who would be automatically enrolled.

Note 5: The government announced in the Comprehensive Spending Review earlier in 2013 that they would be removing the lower National Insurance rate for individuals who have opted out of the Second State Pension Scheme (SERPS). This change will mean the Council will have to pay National Insurance contributions at the higher rate and this pressure reflects this cost.

Note 6: New Homes Bonus allocation for 2012/13 drops out from 2018/19.

Schedule 4 – Non-Recurring Budget Increases

Non-Recurring Budget Pressures/Savings	Note	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000
Apprentice Scheme	1	32	56	0	0	0
Car Parking income shortfall	2	170	0	0	0	0
New Homes Refuse & Recycling Scheme	3	58	0	0	0	0
Plastic & Card Recycling Income shortfall	4	67	0	0	0	0
Rapid Response Team	5	87	0	0	0	0
Green Box recycling income shortfall	6	53	0	0	0	0
Events	7	130	0	0	0	0
Development Control Income shortfall	8	45	0	0	0	0
Enterprise Centre Rentals shortfall	9	40	0	0	0	0
Local Plan Inquiry	10	175	0	0	0	0
Continuation of Temporary posts ending	11	38	0	0	0	0
Bring Sites Recycling Income shortfall	12	64	0	0	0	0
Total Non-Recurring Budget Pressures		959	56	0	0	0

Note 1: Provision to employ four apprentices for 2014 to 2016.

Note 2: Car Parking Income is forecast to reduce in 2014/15. Charges for Car parks are to remain at 2013/14 levels.

Note 3: There is a requirement to provide refuse collection and at least two types of kerbside recycling and with the growing demand on the service due to new housing development, this pressure reflects the additional cost of providing this service.

Note 4: The value of recyclates has dropped therefore achieving the current budgeted level of income is not going to be possible.

Note 5: This relates to the continuation of the non-recurring Clean Up Carlisle pressure that was agreed as part of the 2012/13 budget process.

Note 6: The value of recyclates has dropped therefore achieving the current budgeted level of income is not going to be possible. This doubled with a reduction in the amount of recyclates presented at the kerbside have resulted in this pressure.

Note 7: This pressure will provide additional funding on top of existing budgets. An Events Working Group meets regularly to discuss future corporate events to ensure that they are delivered to the appropriate standard and that all risks are considered.

Note 8: The Charges Report highlights the fact that income from development control will not meet the MTFP target. This pressure reflects the anticipated income as highlighted in the Charges Report.

Note 9: The income achieved from the Enterprise Centre is falling short of the budgetary target and this pressure reflects this shortfall.

Note 10: This pressure will provide funding to undertake the required inquiries into proposals laid out in the Local Plan.

Note 11: There are two posts in Economic Development where there is no funding beyond 2014/15 and this pressure provides funding for these posts to continue.

Note 12: The value of recyclates has dropped therefore achieving the current budgeted level of credit income from the County Council is not going to be possible. It is anticipated that this pressure can be offset by additional income generated from the sale of recyclates when the bring sites service is brought back in house in April 2014. The additional income is included in Schedule 2.

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 2014/15, with projections to 2018/19, be approved as set out in **Schedule 5** below:

Schedule 5 – Summary Net Budget Requirement for Council Tax Purposes

2013/14 Revised £000	Summary Net Budget Requirement	2014/15 Budget £000	2015/16 Proj £000	2016/17 Proj £000	2017/18 Proj £000	218/19 Proj £000
	Recurring Revenue Expenditure					
	Existing Expenditure (Schedule 1)	11,632	11,143	12,166	13,106	13,965
	Budget Reductions (Schedule 2)	(423)	(1,654)	(1,944)	(3,056)	(4,068)
	New Spending Pressures (Schedule 3)	1,489	1,921	2,382	2,599	3,162
11,195	Total Recurring Expenditure	12,698	11,410	12,604	12,649	13,059
	Non Recurring Revenue Expenditure					
948	Existing Commitments (Schedule 1)	179	0	0	0	0
(297)	Budget Reductions (Schedule 2)	(1,214)	0	0	0	0
1,091	Spending Pressures (Schedule 4)	959	56	0	0	0
677	Carry Forward	0	0	0	0	0
13,614	Total Revenue Expenditure	12,622	11,466	12,604	12,649	13,059
	Less Contributions (from)/to Reserves:					
1,012	Recurring Commitments (Note 1) Sub Total	101	914	(173)	(73)	(335)
(948)	- Existing Commitments (Note 2)	(179)	0	0	0	0
(677)	- New Commitments	255	(56)	0	0	0
(1,625)	Sub Total	76	(56)	0	0	0
13,001	Total City Council Budget requirement	12,799	12,324	12,431	12,576	12,724
452	Parish Precepts	463	475	487	499	511
13,453	Projected Net Budget Requirement for Council Tax purposes	13,262	12,799	12,918	13,075	13,235

Note 1: This is the projected contribution 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	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000
Homelessness	66	0	0	0	0
Lanes Income	138	0	0	0	0
Highways Services	89	0	0	0	0
Council Tax Freeze Grant 2013/14	(67)	0	0	0	0
Homelessness Grant	(66)	0	0	0	0
Slippage from 2012/13	19	0	0	0	0
Total	179	0	0	0	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 increase in Council Tax of 1.99% for 2014/15. The detail of this is set out in **Schedule 6** below.

Schedule 6 – Total Funding and Provisional Council Tax Projections

2013/14	Total Funding and Council Tax Impact	2014/15	2015/16	2016/17	2017/18	2018/19
30,808.05 £000	Estimated TaxBase	30,894.00 £000	30,980.20 £000	31,066.63 £000	31,153.31 £000	31,240.23 £000
	Projected Net Budget Requirement for Council Tax Purposes (Schedule 5)					
13,001	- City	12,799	12,324	12,431	12,576	12,724
452	- Parishes	463	475	487	499	511
13,453	Total	13,262	12,799	12,918	13,075	13,235
	Funded by:					
(5,959)	- Council Tax Income	(6,095)	(6,233)	(6,375)	(6,520)	(6,668)
(4,094)	- Revenue Support Grant	(3,066)	(2,363)	(2,235)	(2,140)	(2,041)
(2,913)	- Retained Business Rates	(3,603)	(3,693)	(3,786)	(3,881)	(3,980)
	- Estimated Council Tax					
(35)	Surplus	(35)	(35)	(35)	(35)	(35)
(53)	- Parish CTRS Grant	(54)	(54)	(54)	(54)	(54)
(399)	- Parish Precepts	(409)	(421)	(433)	(445)	(457)
(13,453)	TOTAL	(13,262)	(12,799)	(12,918)	(13,075)	(13,235)
£ 193.43	City Council Tax Band D Council Tax	£ 197.27	£ 201.20	£ 205.20	£ 209.29	£ 213.45
	Increase over Previous year:					
£0.00	£	£ 3.84	£ 3.93	£ 4.00	£ 4.09	£ 4.16
0.0%	%	1.99%	1.99%	1.99%	1.99%	1.99%

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

- Final confirmation of the 2014/15 year settlement figures will be received in January 2014. The Medium Term Financial Plan assumes a reduction in core formula grant funding (RSG) of 38% until 2015/16. This is due to an estimated further reduction of £250,000 from 2015/16.
- The Council Tax Surplus and Taxbase are currently estimated and final figures will be available in the new year.
- The Council has applied to join a Business Rates Pool with the other Councils within Cumbria in order to manage Business Rates. It is expected that this will give greater potential to benefit from any growth in income collected from Business Rates and as such, an estimated additional £600,000 growth is included in this budget process. The DCLG will make a decision on the application in January 2014. Announcements made in the Autumn Statement on 5 December may have an impact upon the considerations around pooling but these will not be known until the final Revenue Support Grant Settlement is announced in January 2014.
- The projections of Council Tax for 2015/16 onwards are indicative only and exclude parish precepts.

SECTION C - CAPITAL PROGRAMME 2013/14 TO 2018/19

1. REVISED CAPITAL BUDGET 2013/14

- 1.1 The Executive recommends that the revised 2013/14 Capital Programme be approved at £7.404m compared to the original budget of £4.760m as set out in the report of the Director of Resources. The increase of £2.644m is due to schemes being re-profiled to future years or schemes being removed from the programme.

2. CAPITAL BUDGET 2014/15 TO 2018/19

- 2.1 The Executive recommends that the estimated Capital Resources available and proposed Capital Programme for 2014/15 to 2018/19 be approved to be financed and allocated as detailed in **Schedule 7 and 8** below:

Schedule 7 – Estimated Capital Resources

Estimated Resources	Note	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000
Capital Grants:						
- DFG	1	(663)	(663)	(663)	(663)	(663)
- Other Grants/Contributions	2	(660)	0	0	0	0
- External Borrowing	3	0	(5,000)	0	0	0
Capital Receipts						
- Generated in Year (General)	4	(260)	(260)	(260)	(260)	(260)
- Generated in year (Asset Business Plan)	5	(3,256)	(1,340)	0	0	0
- Generated in Year (PRTB)	6	(150)	(150)	(150)	(150)	0
Direct Revenue Financing	7	(101)	(101)	(66)	(66)	(34)
TOTAL		(5,090)	(7,514)	(1,139)	(1,139)	(957)

Note 1: Disabled facilities grant (DFG) allocation will be received in the new year, and it has been indicated that this grant will be protected at the 2013/14 levels. A further report will be presented to the Executive once the 2014/15 allocation has been received.

Note 2: Section 106 contributions towards Castle Way and Public Realm Work.

Note 3: External borrowing to fund Leisure Facilities.

Note 4: Capital receipts from the sale of fixed assets, including the sale of the Council's interest in land on the Raffles estate and other specific asset disposals.

Note 5: Capital receipts from the sale of Assets as part of the Asset Management Plan have been reprofiled between years to reflect sales and purchase activity to date.

Note 6: The Preserved Right to Buy (PRTB) sharing arrangement with Riverside Group is for a fifteen year period with the Council being entitled to a pre-agreed reducing percentage of the receipts. Right to Buy sales are predicted to be in line with the original projections.

Note 7: Direct revenue financing in relation to invest to save schemes and Clean Up Carlisle.

Schedule 8 – Proposed Capital Programme

Capital Scheme	App/ Para	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000
Current Commitments:						
Disabled Facilities Grants		863	863	863	863	863
Planned Enhancements to Council Property		350	300	300	300	300
Vehicles & Plant	1/2	220	1,109	1,221	1,113	383
Arts Centre	1	1,015	0	0	0	0
Harraby School Community Campus Contribution		500	500	0	0	0
Old Town Hall / Greenmarket	1	1,400	38	0	0	0
Leisure Facilities (invest to save)	1	0	5,000	0	0	0
Public Realm S.106 works	1	660	0	0	0	0
Total Existing Commitments		5,008	7,810	2,384	2,276	1,546
New Spending Proposals:						
ICT	1/3	210	197	205	204	195
Asset Management Plan	1/4	1,800	0	0	0	0
Sheepmount Road	1/5	30	0	0	0	0
Bitts Park Access	1/6	10	0	0	0	0
CCTV Initiative	1/7	89	0	0	0	0
Enterprise Centre / West Walls	1/8	70	0	0	0	0
Total New Proposals		2,209	197	205	204	195
TOTAL POTENTIAL PROGRAMME		7,217	8,007	2,589	2,480	1,741

Note 1: 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 2: The anticipated additional 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.

Note 3: ICT hardware and software replacement programme.

Note 4: Provision for acquisitions in accordance with the Asset Management Plan has been removed and replaced with expenditure budgets for required improvement works.

Note 5: To create safe access and ancillary hard standing areas at Sheepmount.

Note 6: To create permanent hard standing access for vehicles in connection with the events held at Bitts Park.

Note 7: To provide capital funding to support the Cumbria Wide CCTV Initiative.

Note 8: Required improvements to the Enterprise Centre and West Walls.

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	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000
Estimated Resources 31 March 2014	(4,443)				
In Year Impact:					
- Estimated resources available in year (Schedule 7)	(5,090)	(7,514)	(1,139)	(1,139)	(957)
- Proposed Programme (Schedule 8)	7,217	8,007	2,589	2,480	1,741
Year End Position					
- Capital Resources	(2,316)	(1,823)	(373)	968	1,752

The capital resources shown above highlight that there will be a borrowing requirement of £0.959m in 2016/17 that increases to £1.743m by 2018/19. This borrowing requirement will be met in the first instance through 'Internal Borrowing', i.e. running down the Council's cash investments.

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

Council Reserves	Actual 31/03/2013 £000	Revised 31/03/2014 £000	Projected 31/03/2015 £000	Projected 31/03/2016 £000	Projected 31/03/2017 £000	Projected 31/03/2018 £000	Projected 31/03/2019 £000
Revenue Reserves							
General Fund Reserve	(2,542)	(2,111)	(2,288)	(2,600)	(2,600)	(2,600)	(2,565)
Project Reserve	0	0	0	(546)	(373)	(300)	0
Collection Fund	(65)	0	0	0	0	0	0
EEAC Reserve	(56)	(16)	0	0	0	0	0
Transformation Reserve	(495)	0	0	0	0	0	0
Building Control	17	0	0	0	0	0	0
Licensing Reserve	(14)	(14)	(14)	(14)	(14)	(14)	(14)
Cremator Reserve	(143)	0	0	0	0	0	0
Welfare Reform Reserve	(200)	(200)	(200)	(200)	(200)	(200)	(200)
Conservation Fund	(116)	(116)	(116)	(116)	(116)	(116)	(116)
LSVT Warranties	(488)	(488)	(488)	(488)	(488)	(488)	(488)
Total Revenue Reserves	(4,102)	(2,945)	(3,106)	(3,964)	(3,791)	(3,718)	(3,383)
Capital Reserves							
CLL Reserve	(522)	(522)	(522)	(522)	(522)	(522)	(522)
Usable Capital Receipts	(6,679)	(4,083)	(1,956)	(1,463)	(13)	0	0
Set aside Capital Receipts	0	0	0	0	0	0	0
Borrowing Requirement	0	0	0	(5,000)	0	0	0
Potential New Borrowing	0	0	0	0	0	(968)	(1,752)
Asset Investment Reserve (i)	(833)	(408)	(408)	(408)	(408)	(48)	(48)
Lanes Capital Reserve	(354)	(369)	(384)	(399)	(414)	(429)	(444)
Total Capital Reserves	(8,388)	(5,382)	(3,270)	(7,792)	(1,357)	(1,967)	(2,766)
Total Available Council Balances	(12,490)						
Other Reserves (ii)	(96,010)						
Total Reserves	(108,500)						

- (i) The balance on the asset investment reserve is recorded on the balance sheet as £47,643; however capital receipts of £785,023, are held as available resources in the Capital Adjustment Account in respect of the Asset Investment Reserve
- (ii) 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 budgets, which will require additional savings to be identified. 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 redirecting resources. The requirement to identify savings or raise additional income in future years is a continuing and increasing pressure facing the Council.
2. The savings outlined in this document are necessary to ensure that the Council continues to meet the challenges of an approximate 38% reduction in RSG (and significant reductions in other revenue and capital grants) over the five years commencing 2011/12. However due to its success to date in identifying transformational savings, the Council now has a solid financial base in order to set its 2014/15 budget. In the circumstances the Council can adopt a more measured approach in spreading the further savings required over the next 5 years whilst maintaining a safe and healthy financial future for the Council.
3. The savings strategy developed during 2010/11 will continue to concentrate on the following areas to deliver the savings required to produce a balanced longer term budget, however the exact work programme will be dependant on progress with the Transformation programme.
 - Asset Review – this focuses on producing a Development and Investment Plan for the City Council's property portfolio with the aim of delivering additional income or reduced costs on a recurring basis.
 - Service delivery models – As part of the transformation programme, alternative options for service delivery are being considered in order to make significant financial savings whilst still delivering good standards of service. The options under consideration will include shared services and commissioning of services.
 - As part of the transformation programme a review of those services which do not fall within the Council's core priorities or which are not statutory will continue to be undertaken to ensure that services are properly aligned to what the Council wants to achieve.

Additionally the Council will look at:

- (i) Major review of Waste Services;
- (ii) Discretionary funding to major partners, e.g. Tullie House £250,000;
- (iii) One off expressions of interest in voluntary redundancy limited to strict business case criteria effective from 1 April 2014 only, funded in 2014/15 from salary savings
- (iv) Digital by default – Council wide exercise to encourage residents to interact with the Council electronically, e.g. savings in postage, printing, stationery.

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 DIRECTOR OF RESOURCES

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 (Director of Resources) 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 Joint Management Team 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, until recently 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 £4.939million between 2014/15 and 2018/19, in order to meet the expected cuts in grants from central government and other budgetary pressures identified in this budget process. 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 base rates, investment income returns in the medium term are very difficult to predict. The Council is also having to deal with a reduced number of counterparties it is able to place deposits with. Coupled with this is the increasing cost of Minimum Revenue Provision through the reduction in the amount of available capital receipts the Council has. Both of these factors place a significant pressure on the Revenue budget over the next 5 year period.

The main risks to the robustness of the estimates is the impact of the Transformation programme. The use of reserves will be necessary to fund this budget in the short term however it is not acceptable in the

longer term and should only be seen as a short term fix. The proposals to be put in place need to bring reserve levels back to an acceptable level in the following 5 years. This is dependant upon the necessary steps being taken to resolve the ongoing projected deficit, as part of the Transformation programme. Specifically it will require the delivery of the savings proposals identified and continuing work to deliver further savings. 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 also needs to be clarified.

- 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 £2.6m 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. However, given the short term commitments highlighted in the budget proposals, it is necessary that the current General Fund reserve be used to fund the short term deficits. Stringent plans will be required in order to replenish the level of reserves in the following years and the budget proposed must identify the steps necessary to do this.

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 deficit projections must therefore be addressed and the Executive must set out in its Budget Discipline and Saving Strategy how it expects Officers to address the situation in setting the 2014/15 budget and preparing for the 2015/16- budget cycle.

Based on current projections, Council Reserves will fall to below minimum recommended levels in the years 2013/14 to 2014/15. Necessary steps are being taken to resolve the ongoing projected deficit by the delivery of savings proposals currently identified and identification of further savings via the Transformation Programme. It is accepted that the level of reserves will need to reduce until the impact of the transformation is effective and that the £2.6m General Fund Reserve is breached in the short term but that this is replenished over the following 5 years through a stringent savings strategy.

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 2014/15 to 2018/19 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.

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.

COMPREHENSIVE SPENDING REVIEW (CSR) - announcements made by the Government to inform the budget process for future years.

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 (NDR) - 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.

VALUE FOR MONEY – a much-used term that describes a service or product that demonstrates a good balance between its cost, quality and usefulness to the customer. A VFM audit takes into account the economy, efficiency and effectiveness of a local authority service, function or activity.

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.

Resources Overview and Scrutiny Panel

Agenda Item:

A.3 (b)

(i)

Meeting Date: 6 January 2014
 Portfolio: Finance, Governance and Resources
 Key Decision: Yes: Recorded in the Notice Ref:KD30/13
 Within Policy and Budget Framework YES
 Public / Private Public

Title: REVENUE ESTIMATES: SUMMARY OF OVERALL BUDGETARY POSITION 2014/15 TO 2018/19
 Report of: DIRECTOR OF RESOURCES
 Report Number: RD62/13

Purpose / Summary:

This report provides a draft summary of the Council’s revised revenue base estimates for 2013/14, together with base estimates for 2014/15 and updated projections to 2018/19. 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 Resources 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 2014/15 to 2018/19.

Tracking

Executive:	16 December 2013
Overview and Scrutiny:	6 January 2014
Council:	

Report to Executive	Agenda Item:
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Meeting Date: 16 December 2013
 Portfolio: Finance, Governance and Resources
 Key Decision: Yes: Recorded in the Notice Ref:KD30/13
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Recommendations:

The Executive is requested to:

- (i) Note the updated budget projections for 2013/14 to 2018/19 and make 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.
- (ii) Approve, for recommendation to Council as part of the budget process, the 2014/15 Local Support for Council Tax scheme.

Tracking

Executive:	16 December 2013
Overview and Scrutiny:	6 January 2014
Council:	4 February 2014

1. INTRODUCTION

- 1.1. This report summarises the budget projections and matters to be considered in respect of the net budget requirement for the Council for the period 2013/14 to 2018/19.
- 1.2. In particular, it advises on the Council's core revenue budgets for 2014/15 together with projections to 2018/19, and considers the potential impact of the new savings and new spending pressures currently under consideration and the potential impact on overall revenue projections and reserves. It is clear, even at this stage of the budget process, that all of the pressures currently identified cannot be accommodated without identifying additional savings. Decisions will need to be made to limit budget increases to unavoidable and high priority issues, together with maximising savings and efficiencies.
- 1.3. It should also be noted that there are still a large number of significant issues affecting the projections that are not yet known. 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 NNDR
 - Welfare Reform Act
 - Triennial Revaluation of the Pension Fund
 - Transformation
- 1.4. The report draws on information contained in a number of reports that have been considered by the Executive and Overview and Scrutiny Panels over the course of the financial year. The principal budget reports have been listed in **Appendix A**.
- 1.5. The Executive will issue its budget for consultation purposes on 16 December. Following this it will consider the final consultation feedback, together with the final Government Grant settlement figure (if available) on 15 January and will subsequently recommend a budget to Council on 4 February 2014.

2. GENERAL FUND BUDGET PROJECTIONS 2013/14 REVISED TO 2018/19

- 2.1 The budget projections as currently forecast are summarised in the following table. Further details are contained in the notes following the table and Appendices listed:

Summarised Position	2013/14 Original £000	2013/14 Revised £000	2014/15 Original £000	2015/16 Proj £000	2016/17 Proj £000	2017/18 Proj £000	2018/19 Proj £000
Total Projected Expenditure (See 3.1 & Appendix B)	13,884	14,066	12,274	11,618	12,653	13,605	14,476
Total Projected Resources (See 3.2 & Appendix C)	(13,884)	(14,066)	(12,698)	(12,487)	(12,606)	(12,764)	(12,925)
Projected (Surplus) / Shortfall excluding savings and new spending	0	0	(424)	(869)	47	841	1,551
Less:							
New Saving Proposals							
- Recurring	0	0	(1,023)	(2,254)	(2,544)	(3,656)	(4,668)
- Non Recurring	0	0	(1,214)	0	0	0	0
(See Para 4 & Appendix D)							
Add:							
New Spending Pressures							
- Recurring	0	0	1,489	2,171	2,632	2,849	3,412
- Non Recurring	0	0	959	56	0	0	0
(See Para 5 & Appendix E)							
Potential Budget Shortfall (See para 2.2)	0	0	(213)	(896)	135	34	295
Potential Shortfall Analysis:							
- Recurring			(137)	(953)	135	34	295
- Non Recurring			(76)	56	0	0	0

2.2 It should be noted that the potential shortfall projected above is the projected position that would occur only if all of the new Savings and Spending Pressures were accepted. The Executive are asked to consider the issues in this report and make proposals on the savings, new spending pressures and use of reserves as set out in this report in order to issue a draft budget for consultation purposes.

2.3 It should also be noted that these projections are subject to Council Tax base and Surplus, Disabled Facilities Grant, all of which will be notified, in early 2014.

3. CURRENT PROJECTIONS

3.1 Total Existing Projected Expenditure

The total existing expenditure commitments from the 2013/14 budget and any subsequent approvals by Council are set out in **Appendix B**. The following should be noted:

- The forward year projections at this stage exclude the new spending and saving proposals being put forward for consideration as part of the current years budget deliberations.
- The current requirement for each Parish Precept for 2014/15 will not be known until January when Parishes are expected to set their precepts. This will be affected by the decisions to include Parishes in the implications for the Localisation of Support for Council Tax scheme. The allocations for 2013/14 allocations are set out in **Appendix F**.

3.2 Local Support for Council Tax

The Local Support for Council Tax Scheme (“The Council Tax Reduction Scheme” or CTRS) is required to be approved annually as part of the Budget Process. It is not proposed to make any changes to the reductions given to recipients of the discount scheme for 2014/15, and Executive are required to recommend the scheme to be in place for 2014/15 for approval to Council.

The estimated cost the Council absorbing the 10% reduction in CTRS is £125,000. This is funded from technical changes to discount rates for empty properties and Council Tax Base growth (i.e. number of Band D equivalent properties).

3.3 Total Projected Resources

The figures set out in **Appendix C** include an estimated figure for the Local Government Finance Settlement. The draft figures are expected to be announced by the Secretary of State in December 2013 which will be confirmed in January 2014.

Contributions from balances include all approvals to date, but make no assumptions on further contributions from balances to support the budget from 2014/15 onwards.

The resources also assume for projection purposes:

- An illustrative 2.6% Council Tax increase for 2014/15, with a 1.99% increase from 2015/16 onwards.
- Council Tax Surplus of £35,000 for 2014/15 onwards. The actual figure for 2014/15 will be available in January.
- An assumed taxbase of 30,894.00 (the actual for 2014/15 will not be available until January).

For information, broadly:

- Each 1% (£1.95) movement in Council Tax impacts on the Council by £67,000
- Each 1% movement in RSG/NNDR grant will impact by £91,000.

- Each £35,000 increase or decrease in expenditure impacts on the Council Tax Requirement by £1.

4. SAVING PROPOSALS (see Appendix D)

- 4.1 The saving proposals were presented to the Executive at its meeting of 18 November (RD54/13), supported by individual charges review reports. At that meeting the Executive requested that the savings and individual charging reports be forwarded to the relevant Overview and Scrutiny Panels as part of the budget consultation process.

5. NEW SPENDING PRESSURES (see Appendix E)

- 5.1 The Executive at its meeting of 18 November (RD53/13) considered the new spending pressures. At that meeting the Executive requested that the spending pressures be forwarded to the relevant Overview and Scrutiny Panels as part of the budget consultation process.
- 5.2 This report considers the revenue pressures only. Report RD65/13 considered elsewhere on this agenda gives details of any capital bids submitted, although any recurring expenditure resulting from the acceptance of Capital bids will fall to be met from revenue budgets, and initial projections on the impact have been made.

6. PROJECTED IMPACT ON REVENUE BALANCES

- 6.1 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'.

- 6.2 The Council's overall levels of balances are set out in **Appendix G** and have currently been adjusted assuming withdrawal to support all of the current budget proposals. The Projects Reserve has been used as a first call for the current projected revenue budget deficit as set out in paragraph 2.1. The revised movement of the reserve is as follows and clearly shows the projected call on reserves is unsustainable given the current pressures and replenishment is dependent upon the achievement of the transformation savings. A risk based review of reserve levels has been undertaken and shows a prudent level of reserves to be £2.6million.

Balance as at:	Projected Deficit £000	Recurring Revenue Requirement £000	Non Recurring Revenue Requirement £000
31/03/2014	(2,111)	(137)	(76)
31/03/2015	(2,324)	(952)	56
31/03/2016	(3,220)	135	0
31/03/2017	(3,085)	34	0
31/03/2018	(3,051)	295	0
31/03/2019	(2,756)	0	0

7. MEDIUM TERM OUTLOOK AND BUDGET DISCIPLINE 2013/14 to 2018/19

- 7.1 The current budget projections for the next five-year period are challenging and indicate that substantial savings will be required to enable the Council to contain its ongoing commitments within available resources.
- 7.2 Notification of Government general and specific grants i.e. RSG, NNDR, etc is received on an individual basis late in the budget process. This makes forward financial planning more difficult. The figures incorporated into this report are based on the 2013/14 Local Government Finance Settlement confirmed by the Secretary of State in January 2013. The settlement was for 2013/14 and 2014/15, however, further reductions for 2015/16 onward have only been estimated in the MTFP.
- 7.3 In terms of expenditure pressures, there are significant issues affecting the budget.
- 7.4 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 table recommendations in this respect at this meeting.
- 7.5 Under section 25 of the Local Government Act 2003 the Section 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 H**. At this stage it should be noted that the current projected revenue deficit requires further substantial savings to be identified to meet the ongoing projected shortfall and that the impact on reserves is not sustainable.

8. CONSULTATION

- 8.1 The Executives draft budget will be issued for consultation on 16 December. The consultation feedback, together with the final Government Grant settlement (if

available), will be considered by the Executive on 15 January, following which the Executive will make final budget recommendations to Council on 4 February 2014.

9. CONCLUSION AND REASONS FOR RECOMMENDATIONS

9.1 The Executive is requested to:

- (i) Note the updated budget projections for 2014/15 to 2018/19 and make 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.
- (ii) Approve, for recommendation to Council as part of the budget process, the 2014/15 Local Support for Council Tax scheme.

10. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

10.1 To ensure that a balanced budget is set.

Contact Officer: Steven Tickner Ext: 7280

Appendices attached to report:

- Appendix A – Principal Reports considered during the budget process**
- Appendix B – Existing Expenditure Commitments**
- Appendix C – Resource Projections**
- Appendix D – Savings Proposals**
- Appendix E – New Spending Pressures**
- Appendix F – Parish Precepts 2014/15**
- Appendix G – Council Reserves**
- Appendix H – Draft Statutory Report of Director of Resources**
- Appendix I – Risk Assessment of Level of Reserves**

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 – not applicable

Economic Development – not applicable

Governance – 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 Director of Resources. The Council must have a balanced budget to deliver its services and also achieve and sustain an appropriate level of reserves.

Local Environment – not applicable

Resources – contained within the report.

PRINCIPAL REPORTS CONSIDERED DURING THE BUDGET PROCESS TO DATE

Report Ref	Date	Title
RD36/13	10/09/13	Medium Term Financial Plan (incorporating the Corporate Charging Policy) 2014/15 to 2018/19
RD37/13	10/09/13	Capital Strategy 2014/15 to 2018/19
RD40/13	10/09/13	Asset Management Plan 2013 -2018
RD51/13	18/11/13	Revenue Base Estimates and Updated MTFP Projections 2014/15 to 2018/19
RD56/13	18/11/13	Provisional Capital Programme 2014/15 to 2018/19
RD53/13	18/11/13	Summary of New Revenue Spending Pressures
RD54/13	18/11/13	Summary of Savings Proposals
GD50/13	18/11/13	Charges Review – Licensing
GD55/13	18/11/13	Charges Review – Governance
CD53/13	18/11/13	Charges Review – Community Engagement
ED35/13	18/11/13	Charges Review – Economic Development
LE30/13	18/11/13	Charges Review – Local Environment
RD55/13	18/11/13	Treasury Management 2013/14 to 2018/19
RD58/13	18/11/13	Corporate Assets – 3 Year Repair and Maintenance Programme
RD62/13	16/12/13	Revenue Estimates: Summary of Overall Budgetary Position 2014/15 to 2018/19
RD65/13	16/12/13	Capital Estimates: Summary of Overall Budgetary Position 2014/15 to 2018/19
RD63/13	16/12/13	Draft Treasury Management Strategy Statement and Investment Strategy and Minimum Revenue Provision Strategy 2014/15

EXISTING EXPENDITURE COMMITMENTS

EXPENDITURE PROJECTION	2013/14		2014/15 Estimate £000	2015/16 Proj £000	2016/17 Proj £000	2017/18 Proj £000	2017/18 Proj £000
	Original Estimate £000	Revised Estimate £000					
Core Expenditure:							
Core Base Expenditure	6,934	6,934	5,684	4,323	4,083	4,218	4,218
Treasury Management	178	178	495	519	841	706	706
Inflation Projection	5,176	5,176	5,951	6,746	7,563	8,399	9,258
2013/14 agreed Savings	(1,501)	(1,501)	(855)	(1,368)	(1,336)	(1,340)	(1,340)
2013/14 agreed Spending	589	589	545	923	1,015	1,123	1,123
2013/14 Budget Changes	(181)	(181)	(188)	0	0	0	0
Total Core Expenditure	11,195	11,195	11,632	11,143	12,166	13,106	13,965
Non Recurring Exp:							
Pre 2012/13 approvals	104	104	0	0	0	0	0
Treasury Management	662	662	0	0	0	0	0
2013/14 agreed Savings	(297)	(297)	(133)				
2013/14 agreed Spending	1,091	1,091	293	0	0	0	0
Carry Forwards	677	677	19	0	0	0	0
Use of Earmarked Reserves	0	182	0	0	0	0	0
Total non Recurring Expenditure	2,237	2,419	179	0	0	0	0
Total City Council Budget Requirement	13,432	13,614	11,811	11,143	12,166	13,106	13,965
Parish Council Precepts	452	452	463	475	487	499	511
Total Requirement	13,884	14,066	12,274	11,618	12,653	13,605	14,476

RESOURCE PROJECTIONS

RESOURCES PROJECTION	2013/14 Original Estimate £000	2013/14 Revised Estimate £000	2014/15 Estimate £000	2015/16 Proj £000	2016/17 Proj £000	2017/18 Proj £000	2018/19 Proj £000
Projected External Finance:							
- Revenue Support Grant	(4,094)	(4,094)	(3,066)	(2,613)	(2,485)	(2,390)	(2,291)
- Retained Business Rates	(2,913)	(2,913)	(3,003)	(3,093)	(3,186)	(3,281)	(3,380)
- Surplus on Collection Fund	(35)	(35)	(35)	(35)	(35)	(35)	(35)
- C/Tax for Parish Precepts	(399)	(399)	(409)	(421)	(433)	(445)	(457)
- Parish Council Tax Grant	(53)	(53)	(54)	(54)	(54)	(54)	(54)
- Council Tax Yield	(5,959)	(5,959)	(6,131)	(6,271)	(6,413)	(6,559)	(6,708)
Total Income based on 0.0% Tax increase Projections	(13,453)	(13,453)	(12,698)	(12,487)	(12,606)	(12,764)	(12,925)
Plus Approved Contributions from Balances:							
- Pre 2013/14 non recurring commitments	(766)	(766)	0	0	0	0	0
- 2013/14 non recurring commitments	0	0	0	0	0	0	0
- Pre 2010/11 recurring Carry Forwards	1,012	1,012	0	0	0	0	0
- Reprofiling	(677)	(677)	0	0	0	0	0
- Use of Earmarked Reserves	0	0	0	0	0	0	0
- Use of Earmarked Reserves	0	(182)	0	0	0	0	0
Total Use of Reserves	(431)	(613)	0	0	0	0	0
Total Projected Resources	(13,884)	(14,066)	(12,698)	(12,487)	(12,606)	(12,764)	(12,925)

SAVING PROPOSALS

Detail	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000
Expenditure Reductions					
Pay Award Savings 2014/15 & 2015/16	(223)	(454)	(466)	(478)	(490)
Inflation Savings	(200)	(200)	(200)	(200)	(200)
Invest to Save Schemes Completing	0	0	(35)	(35)	(35)
New Transformation Savings Required (Cumulative)	(1,000)	(1,000)	(1,000)	(2,100)	(3,100)
Total Savings	(1,423)	(1,654)	(1,701)	(2,813)	(3,825)
Increased Income					
New Homes Bonus 2011/12	0	0	(243)	(243)	(243)
New Homes Bonus 2014/15	0	?	?	?	?
Bring Site Recyclate Income	(64)	0	0	0	0
Housing Benefit Admin Grant	(150)	0	0	0	0
Total Additional Income	(214)	0	(243)	(243)	(243)
Retained Business Rates & Pooling	(600)	(600)	(600)	(600)	(600)
Changes to Funding	(600)	(600)	(600)	(600)	(600)
Total Savings	(2,237)	(2,254)	(2,544)	(3,656)	(4,668)
Split:					
Recurring	(1,023)	(2,254)	(2,544)	(3,656)	(4,668)
Non Recurring	(1,214)	0	0	0	0

NEW SPENDING PRESSURES

Detail	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000
Recurring					
Revenue Support Grant	0	250	250	250	250
Total Changes to Funding	0	250	250	250	250
Treasury Management	1,020	1,364	1,220	1,437	1,592
Asset Review Income	342	430	785	785	785
Pension Fund Revaluation	?	?	?	?	?
Pensions Auto Enrolment	127	127	127	127	127
Additional National Insurance Costs	0	0	250	250	250
New Homes Bonus 2012/13 Ceasing	0	0	0	0	408
Total Recurring Pressures	1,489	1,921	2,382	2,599	3,162
Total Recurring Spending Pressures	1,489	2,171	2,632	2,849	3,412
Non-Recurring					
Apprentice Scheme	32	56	0	0	0
Car Parking Income Shortfall	170	0	0	0	0
New Homes Refuse & Recycling Scheme	58	0	0	0	0
Plastic & Card Recycling Income Shortfall	67	0	0	0	0
Rapid Response Team	87	0	0	0	0
Green Box recycling income shortfall	53	0	0	0	0
Events	130	0	0	0	0
Development Control Income Shortfall	45	0	0	0	0
Enterprise Centre rentals shortfall	40	0	0	0	0
Local Plan Inquiry	175	0	0	0	0
Continuation of Temporary posts ending	38	0	0	0	0
Bring Sites Recycling Income shortfall	64	0	0	0	0
Total Non Recurring	959	56	0	0	0

PARISH PRECEPTS 2014/15

Parish Council	Precepts Paid 2013/14 £	Precepts Requested 2014/15 £	Percentage Increase
Arthuret	36,201		-100.00
Beaumont	5,290		-100.00
Bewcastle	3,441		-100.00
Brampton	70,355		-100.00
Burgh-by-Sands	12,596		-100.00
Burtholme	1,724		-100.00
Carlatton & Cumrew	1,566		-100.00
Castle Carrock	4,244		-100.00
Cummersdale	5,656		-100.00
Cumwhitton	3,407		-100.00
Dalston	39,528		-100.00
Denton Upper	1,005		-100.00
Farlam	2,985		-100.00
Hayton	14,350		-100.00
Hethersgill	5,673		-100.00
Irthington	4,875		-100.00
Kingmoor	7,117		-100.00
Kingwater	979		-100.00
Kirkandrews-on-Esk	6,392		-100.00
Kirklington	1,840		-100.00
Midgeholme	0		0.00
Nether Denton	3,051		-100.00
Nicholforest	3,426		-100.00
Orton	3,315		-100.00
Rockcliffe	2,462		-100.00
Scaleby	4,862		-100.00
Solport & Stapleton	2,640		-100.00
Stanwix Rural	37,666		-100.00
St Cuthbert Without	21,415		-100.00
Walton	4,526		-100.00
Waterhead	981		-100.00
Westlinton	1,873		-100.00
Wetheral	83,911		-100.00
TOTAL	399,352	0	-100.00

COUNCIL RESERVES

Council Reserves	Actual 31/03/13 £000	Revised 31/03/14 £000	Proj 31/03/15 £000	Proj 31/03/16 £000	Proj 31/03/17 £000	Proj 31/03/18 £000	Proj 31/03/19 £000
Revenue Reserves							
General Fund Reserve	(2,542)	(2,111)	(2,324)	(2,600)	(2,600)	(2,600)	(2,600)
Projects Reserve i	0	0	0	(620)	(485)	(451)	(156)
Sub Total	(2,542)	(2,111)	(2,324)	(3,220)	(3,085)	(3,051)	(2,756)
Collection Fund	(65)						
EEAC Reserve	(56)	(16)	0	0	0	0	0
Transformation Reserve	(495)	(313)	0	0	0	0	0
Building Control	17						
Licensing Reserve	(14)	(14)	(14)	(14)	(14)	(14)	(14)
Cremator Reserve	(143)						
Welfare Reform Reserve	(200)						
Conservation Fund	(116)	(126)	(126)	(126)	(126)	(126)	(126)
LSVT Warranties	(488)						
Total Revenue Reserves	(4,102)	(2,580)	(2,464)	(3,360)	(3,225)	(3,191)	(2,896)
Capital Reserves							
CLL Reserve	(522)	(522)	(522)	(522)	(522)	(522)	(522)
Usable Capital Receipts	(6,679)	(4,083)	(2,045)	(1,552)	(102)	0	0
Borrowing Requirement	0	0	0	(5,000)	0	0	0
Potential Borrowing							
Requirement	0	0	0	0	0	(879)	(1,663)
Set Aside Capital Receipts	0	0	0	0	0	0	0
Asset Investment Reserve ii	(833)	(408)	(408)	(408)	(408)	(48)	(48)
Lanes Capital Reserve	(354)	(369)	(384)	(399)	(414)	(429)	(444)
Total Capital Reserves	(8,388)	(5,382)	(3,359)	(7,881)	(1,446)	(1,878)	(2,677)
Total Available Council Balances	(12,490)	(7,962)	(5,823)	(11,241)	(4,671)	(5,069)	(5,573)
Other Reserves iii	(96,010)						
Total Reserves	(108,500)						

(i) refer to paragraph 6.2 for further details;

(ii) The Balance on the asset investment reserve as recorded on the balance sheet is £47,643, however capital receipts of £785,023, are held as available resources in the Capital Adjustment account for Asset Investment Reserve.

(iii) 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.

DRAFT STATUTORY REPORT OF DIRECTOR OF RESOURCES

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 (Director of Resources) 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 Joint Management Team 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, until recently 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 £4.939million between 2014/15 and 2018/19, in order to meet the expected cuts in grants from central government and other budgetary pressures identified in this budget process. 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 base rates, investment income returns in the medium term are very difficult to predict. The Council is also having to deal with a reduced number of counterparties it is able to place deposits with. Coupled with this is the increasing cost of Minimum Revenue Provision through the reduction in the amount of available capital receipts the Council has. Both of these factors place a significant pressure on the Revenue budget over the next 5 year period.

The main risks to the robustness of the estimates is the impact of the Transformation programme. The use of reserves will be necessary to fund this budget in the short term however it is not acceptable in the longer term and should only be seen as a short term fix. The proposals to be put in place need to bring reserve levels back to an acceptable level in the following 5 years. This is dependant upon the necessary steps being taken to resolve the ongoing projected deficit, as part of the Transformation programme. Specifically it will require the delivery of the savings proposals identified and continuing work to deliver further savings. 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 also needs to be clarified.

- 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 £2.6m 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. Details of the Risk Assessment are shown in **Appendix I**. However, given the short term commitments highlighted in the budget proposals, it is necessary that the current General Fund reserve be used to fund the short term deficits. Stringent plans will be required in order to replenish the level of reserves in the following years and the budget proposed must identify the steps necessary to do this.

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 deficit projections must therefore be addressed and the Executive must set out in its Budget Discipline and Saving Strategy how it expects Officers to address the situation in setting the 2014/15 budget and preparing for the 2015/16-budget cycle.

Based on current projections, Council Reserves will fall to below minimum recommended levels in the years 2013/14 to 2014/15. Necessary steps are being taken to resolve the ongoing projected deficit by the delivery of savings proposals currently identified and identification of further savings via the Transformation Programme. It is accepted that the level of reserves will need to reduce until the impact of the transformation is effective and that the £2.6m General Fund Reserve is breached in the short term but that this is replenished over the following 5 years through a stringent savings strategy.

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 2014/15 to 2018/19 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.

RISK ASSESSMENT OF LEVEL OF RESERVES - 2014/15

APPENDIX I

Potential Risk	Risk Score	Weighting	Financial Exposure (£000)	Balance Required (£000)	Comment (Basis of Financial Exposure)
Base Budget Contingency for inflation or other unanticipated rise.	4	50%	118	59	Assumed at 1% of Net Revenue Budget
Underachievement of Charges Income targets and spending exceeds budgets	4	50%	214	107	Estimate of 5% Charges Income forecasts for 2013/14
Underachievement of Investment Income	4	50%	250	125	1% of exposure of average balance of £25m
Civil Emergencies	6	75%	170	128	Bellwin scheme cuts in at 0.2% of Net Budget (£28,800) and provides for up to 85% of eligible costs (assume £1m cost - not covered by insurance)
Insurance Excesses	2	25%	25	6	Based on 5% of insurance premia payments
Fall in Rental Income from Property	6	75%	225	169	5% of Rental Income (assumed at £4.5m for 2013/14)
Transformation not met	1	25%	1,354	339	
Changes to existing government funding regimes	6	75%	218	164	Safety Net Threshold for Business Rates
Additional Redundancy Costs	4	50%	200	100	Not met from Transformation Reserve
Dependence on reserves and general balances	3	50%	718	359	General Fund Reserve Balance - Audit Commission Guidance states prudent level is 5% of Net Revenue Expenditure
Emergency Contingency		100%	1,000	1,000	Emergency contingency fund - Council practice to allocate £1m for any unforeseen emergencies
TOTALS			4,492	2,555	Retained at £2.6million
Maximum Risk Based Reserve Balances				4,492	
Minimum Risk Based Reserve Balances				1,123	
Current Level of Reserves (Projected as at 31/03/13) (General Fund)				2,542	Retained at £2.6million
Projected Shortfall/(Excess)of Current Reserve Balance over Risk Based Reserves				-13	

Resources Overview and Scrutiny Panel

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

Meeting Date: 6 January 2014
Portfolio: Finance, Governance and Resources
Key Decision: Yes: Recorded in the Notice Ref: KD30/13
Within Policy and Budget Framework YES
Public / Private Public

Title: PROVISIONAL CAPITAL PROGRAMME 2014/15 TO 2018/19
Report of: DIRECTOR OF RESOURCES
Report Number: RD65/13

Purpose / Summary:

The report provides an update to RD56/13, which was considered by the Executive on 18 November. The report details the revised capital programme for 2013/14 together with the proposed method of financing as set out in Appendices A and B. The report also summarises the proposed programme for 2014/15 to 2018/19 in light of the capital pressures identified, and summarises the estimated capital resources available to fund the programme.

Questions for / input required from Scrutiny:

Members are asked to note the report and make comments on the proposed capital programme.

Recommendations:

Members of the Resources Overview and Scrutiny Panel are asked to note the proposed Capital Programme and Resources for 2014/15 to 2018/19.

Tracking

Executive:	16 December 2013
Overview and Scrutiny:	6 January 2014
Council:	4 February 2014

Report to Executive

Agenda
Item:

Meeting Date: 16 December 2013
 Portfolio: Finance, Governance and Resources
 Key Decision: Yes: Recorded in the Notice Ref:KD30/13
 Within Policy and Budget Framework YES
 Public / Private Public
 Title: PROVISIONAL CAPITAL PROGRAMME 2014/15 TO 2018/19
 Report of: DIRECTOR OF RESOURCES
 Report Number: RD65/13

Purpose / Summary:

The report provides an update to RD56/13, which was considered by the Executive on 18 November. The report details the revised capital programme for 2013/14 together with the proposed method of financing as set out in Appendices A and B.

The report also summarises the proposed programme for 2014/15 to 2018/19 in light of the capital pressures 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 2013/14 as set out in Appendices A and B;
- (ii) Make recommendations to Council to approve reprofiling of £710,000 from 2013/14;
- (iii) Make recommendations on the Provisional Capital Programme for 2014/15 to 2018/19 in light of the capital bids submitted to date together with the estimated available capital resources, for budget consultation purposes;
- (iv) 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:	16 December 2013
Overview and Scrutiny:	6 January 2014

1. BACKGROUND

- 1.1 This report details the revised capital programme for 2013/14 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 2014/15 to 2018/19, together with the potential resources available to fund the programme.
- 1.3 A Corporate Programme Board of senior officers 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 - see paragraph 5.2)
 - Capital Grants e.g. DFG, 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 Director of Resources 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 borrowing £1m to fund the capital programme will result in a charge to the revenue account in the next full year of approximately £85,000. This is made up of £45,000 for the cost of the interest payable (4.50% of £1m equates to £45,000)

and a principal repayment provision of 4% of the outstanding sum (4% of £1m equates to £40,000).

3. REVISED CAPITAL PROGRAMME 2013/14

- 3.1 The capital programme for 2013/14 totalling £4,760,200 was approved by Council on 16 July 2013 as detailed in the 2012/13 out-turn report (RD11/13).
- 3.2 The revised capital programme for 2013/14 now totals £7,403,900 as detailed in **Appendix A**. This is a result of the reprofiling exercise and review of the capital programme that has been carried out and other in year adjustments, and is subject to approval by Council.
- 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 It is anticipated that there will be a significant shortfall on anticipated capital receipts generated during 2013/14, estimated at a net figure of £19 million below the current projections. The reductions relate to the removal of significant capital receipts from the capital programme until more certainty over when they will be realised is available.

Source	Original Updated £	Revised £	Difference £
PRTB Agreement	(150,000)	(150,000)	0
Lovells Sales	(160,000)	(160,000)	0
Asset Sales - General	(500,000)	(500,000)	0
Asset Sales - Asset Review (Reprofiling)	(21,218,000)	(2,218,000)	19,000,000
Anticipated Capital Receipts 2013/14	(22,028,000)	(3,028,000)	19,000,000

- 3.5 A summary of the revised programme for 2013/14 is shown below:

Summary Programme	£	Appx
2013/14 Original Capital Programme	4,760,200	A
Reprofiling (result of review of programme)	(710,000)	
Other adjustments	3,353,700	
Revised Capital Programme (Sept 2013)	7,403,900	A
Estimated Capital Resources available	(11,846,998)	B
Projected (Surplus) capital resources	(4,443,098)	

4. NEW CAPITAL SPENDING PROPOSALS 2014/15 TO 2018/19

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

Capital Scheme	App/ Para	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000
<u>Current Commitments:</u>						
Vehicles & Plant	4.3	279	1,901	200	200	200
Planned Enhancements to Council Property	4.4	350	300	300	300	300
Disabled Facilities Grants	4.5	863	863	863	663	663
Arts Centre		1,015	0	0	0	0
Harraby School and Community Campus Capital Contribution		500	500	0	0	0
Old Town Hall/Greenmarket	4.6	1,400	38	0	0	0
Leisure Facilities		0	5,000	0	0	0
Public Realm Work S106	4.4	360	0	0	0	0
Castle Way S106	4.4	300	0	0	0	0
Total Existing Commitments		5,067	8,602	1,363	1,163	1,163
<u>New Spending Proposals</u>						
Vehicles & Plant	4.3	(59)	(792)	1,021	913	183
Disabled Facilities Grants	4.5	0	0	0	200	200
ICT Shared Service	4.7	210	197	205	204	195
Asset Management Plan	4.8	1,800	0	0	0	0
Sheepmount Road	4.9	30	0	0	0	0
Bits Park Access	4.10	10	0	0	0	0
Enterprise Centre / West Walls	4.11	70	0	0	0	0
Total New Proposals		2,061	(595)	1,226	1,317	578
TOTAL POTENTIAL PROGRAMME		7,128	8,007	2,589	2,480	1,741

4.2 Many of the new spending proposals have not yet been considered by the Corporate Programme Board. Therefore should they be approved for inclusion in the Council's Capital Programme as part of this budget process, the release of any earmarked reserve would be subject to verification of the business case by the Corporate Programme Board and a report to the Executive as appropriate.

Likewise details of the proposals for spend in committed areas will be subject to a full report and Business Case to the Corporate Programme Board before the release of any earmarked reserve.

4.3 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.

4.4 Castle Way S106, Public Realm S106 and Planned Enhancements to Council Properties have been revised upwards in 2014/15 to include carry forwards from 2013/14. The suggested prioritisation for the 2014/15 Planned Enhancements to Council Properties is as follows:

Property	Project	£
Tullie House Museum	Re-cover flat roof over education room	20,000
Tullie House Museum	Renew rooflights at education room area	20,000
Morton Community Centre	Re-cover flat roof over the reception area	30,000
Enterprise Centre	Re-cover flat roofs	60,000
West Walls	Stone repairs	20,000
Civic Centre	Refurbish / rewire floor 3 and 4	150,000
Civic Centre	Carry forward from 2013/14	50,000
	Total	350,000

4.5 Council funding of £200,000 per annum is included until 2016/17; the position will then be reviewed based upon the operational responsibilities and requirements of the service.

4.6 Old Town Hall Phase 2 has been reprofiled as detailed in previous reports to the Executive.

4.7 The current ICT hardware and software replacement programme comes to an end in 2013/14.

4.8 Asset Management Plan expenditure has been removed and replaced with expenditure budgets for required improvement works.

4.9 To create safe access and ancillary hard standing areas at Sheepmount.

4.10 To create permanent hard standing access for vehicles in connection with the events held at Bitts Park.

4.11 Enhancements to the Enterprise Centre and West Walls.

5. POTENTIAL CAPITAL RESOURCES AVAILABLE

5.1 The table below sets out the estimated revised resources available to finance the capital programme for 2014/15 to 2018/19 based on the announcements by Government in the spending review.

Source of Funding	Para	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000
Capital Grants:						
• Disabled Facilities Grant	5.3	(663)	(663)	(663)	(663)	(663)
• General Grants/Contributions	5.4	(660)	0	0	0	0
External Borrowing	5.5	0	(5,000)	0	0	0
Capital Receipts:						
• Generated in year – General	5.6	(260)	(260)	(260)	(260)	(260)
• Generated in year – Asset Business Plan	5.7	(3,256)	(1,340)	0	0	0
• Generated in year – PRTB	5.8	(150)	(150)	(150)	(150)	0
Direct Revenue Financing / Invest to Save	5.9	(101)	(101)	(66)	(66)	(34)
TOTAL		(5,090)	(7,514)	(1,139)	(1,139)	(957)

5.2 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. Further details on the Code can be found elsewhere on the agenda in the Treasury Management Report (RD63/13).

5.3 Disabled facilities grant allocation will not be announced until January 2014, although it has been assumed that this grant will be protected at the 2013/14 levels. A further report will be presented to the Executive once the 2014/15 allocation has been received.

5.4 Section 106 contributions towards Castle Way and Public Realm Work.

5.5 External borrowing to fund Sands Centre.

- 5.6 Capital receipts from the sale of fixed assets, including the sale of the Council's interest in land on the Raffles estate and other specific asset disposals.
- 5.7 Capital receipts from the sale of Assets as part of the Asset Management Plan have been reprofiled between years to reflect sales and purchase activity to date.
- 5.8 The Preserved Right to Buy (PRTB) sharing arrangement with Riverside Group is for a fifteen year period with the Council being entitled to a pre-agreed reducing percentage of the receipts. Right to Buy sales are predicted to be in line with the original projections.
- 5.9 Direct revenue financing in relation to invest to save schemes.

6. SUMMARY PROVISIONAL CAPITAL PROGRAMME 2014/15 TO 2018/19

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

	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000
Estimated in year Resources available (para 5.1)	(5,090)	(7,514)	(1,139)	(1,139)	(957)
Proposed Programme (para 4.1)	7,128	8,007	2,589	2,480	1,741
Projected (Surplus)/Deficit	2,038	493	1,450	1,341	784
Cumulative B/Fwd Balance	(4,443)	(2,405)	(1,912)	(462)	879
Cumulative year end Position					
• Capital (Surplus) / Deficit	(2,405)	(1,912)	(462)	879	1,663

- 6.2 The Council may need to consider additional borrowing from 2017/18 onwards unless the significant receipts removed from the capital programme (see para 3.7) are realised before this time.

7. CONSULTATION

- 7.1 The Executive draft budget will be issued for consultation on 16 December. The consultation feedback will be considered by the Executive on 15 January, following which the Executive will make final budget recommendations to Council on 4 February 2014.

8. CONCLUSION AND REASONS FOR RECOMMENDATIONS

The Executive is asked to:

- (i) Note the revised capital programme and relevant financing for 2013/14 as set out in Appendices A and B;
- (ii) Make recommendations to Council to approve reprofiling of £710,000 from 2013/14;
- (iii) Make recommendations on the Provisional Capital Programme for 2014/15 to 2018/19 in light of the capital bids submitted to date together with the estimated available capital resources, for budget consultation purposes;
- (iv) 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: Peter Mason

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**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 – not applicable

Community Engagement – not applicable

Economic Development – not applicable

Governance – 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 Director of Resources. The Council must have a

balanced budget to deliver its services and also achieve and sustain an appropriate level of reserves.

Local Environment – not applicable

Resources – Contained within the report

Scheme	2013/14 Original July 2013 £	2013/14 Revised Nov 2013 £	Notes
Disabled Facilities Grants	863,000	863,000	
Planned Enhancements to Council Property	300,000	250,000	1
Vehicles, Plant & Equipment	570,500	570,500	
IT Equipment	3,000	3,000	
ICT Shared Service	222,300	222,300	
Public Realm Work S106	370,000	10,000	1
Clean Up Carlisle	20,500	20,500	
Arts Centre	250,000	50,000	1 / 2
Public Realm Work	100,000	100,000	
Paternoster Row	100,000	100,000	
Harraby School & Community Campus Contribution	600,000	600,000	
Castleway S106	346,800	46,800	1
Document Image Processing	13,500	13,500	
PCIDSS	30,600	30,600	
Families Accommodation Replacement	608,600	608,600	
Old Town Hall	298,500	298,500	
Old Town Hall Phase 2	0	62,000	3
Kingstown Industrial Estate	32,900	32,900	
Connect 2 Cycleway	11,700	11,700	
Trinity Church Multi Use Games Area	2,100	2,100	
Play Area Improvements	6,200	6,200	
Castle Street Public Realm Improvements	10,000	10,000	
Asset Review Purchases/Expenditure	0	2,712,500	2
Customer Contact Centre	0	40,000	2
Employee Payment & Resource Management System	0	70,000	2
Empty Homes	0	305,700	2
Bring Sites Vehicle	0	227,000	2
Purple Sacks	0	69,500	2
Cenotaph	0	67,000	2
TOTAL	4,760,200	7,403,900	

Notes:

1. Budget reprofiled to future years.
2. Other variations relate to virements between schemes or additional/reduced contributions as set out in previous Executive reports.
3. Budget brought forward from future years.

REVISED CAPITAL PROGRAMME 2013/14 – PROPOSED FINANCING

Source of funding	2013/14 Original £	2013/14 Revised £	Notes
Capital Grants:			
• DFG	663,000	663,000	
• General	37,900	320,600	1
Capital Receipts:			
• B/fwd from previous year	7,463,798	7,463,798	
• PRTB receipts	150,000	150,000	2
• Generated in year	660,000	660,000	
• Generated in year (Asset Review)	22,218,000	2,218,000	3
Capital Contributions			
• General	716,800	56,800	4
Use of Reserves/Internal Borrowing	45,500	0	5
Direct Revenue Financing	123,000	314,800	6
TOTAL FINANCE AVAILABLE	32,077,998	11,846,998	
TOTAL PROGRAMME (SEE APP A)	4,760,200	7,403,900	
PROJECTED SURPLUS CAPITAL RESOURCES AVAILABLE	27,317,798	4,443,098	

Notes:

- Capital grant has been increased to include new funding for Empty Properties and Cenotaph Improvements.
- Revised projections from Riverside Group for 2013/14 will be provided in a future report to the Executive.
- The anticipated receipts from the Asset Management Plan have been reduced in line with revised projections.
- Changes to general receipts relate to Castle Way S106 (£300,000) and Public Realm Works S106 (£360,000). These have been reprofiled into 2014/15 in line with revised projections.
- Resources have been removed from the capital programme.
- Changes to Direct Revenue Financing relate to Customer Contact Centre (£40,000), Employee Payment and Resource Management System (£14,000), Town Clocks Invest to Save (£3,100), Solar Panels (£15,200), Empty Homes (£50,000) and Purple Sacks (£69,500).

Resources Overview and Scrutiny Panel

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

Meeting Date: 6 January 2014
 Portfolio: Finance, Governance and Resources
 Key Decision: Yes: Recorded in the Notice Ref:KD30/13
 Within Policy and Budget Framework YES
 Public / Private Public

Title: TREASURY MANAGEMENT STRATEGY STATEMENT, INVESTMENT STRATEGY AND MINIMUM REVENUE PROVISION STRATEGY 2014/15
 Report of: DIRECTOR OF RESOURCES
 Report Number: RD63/13

Purpose / Summary:

This report sets out the Council's Treasury Management Strategy Statement for 2014/15, in accordance with the CIPFA Code of Practice on Treasury Management. The Investment Strategy and the Minimum Revenue Provision (MRP) Strategy for 2014/15 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 2014/15.

Tracking

Executive:	16 December 2013
Overview and Scrutiny:	6 January 2014
Council:	

Report to Executive

Agenda
Item:

Meeting Date: 16 December 2013
 Portfolio: Finance, Governance and Resources
 Key Decision: Yes: Recorded in the Notice Ref:KD30/13
 Within Policy and Budget Framework YES
 Public / Private Public

Title: TREASURY MANAGEMENT STRATEGY STATEMENT,
 INVESTMENT STRATEGY AND MINIMUM REVENUE
 PROVISION STRATEGY 2014/15
 Report of: DIRECTOR OF RESOURCES
 Report Number: RD63/13

Purpose / Summary:

This report sets out the Council's Treasury Management Strategy Statement for 2014/15, in accordance with the CIPFA Code of Practice on Treasury Management. The Investment Strategy and the Minimum Revenue Provision (MRP) Strategy for 2014/15 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 approve the Draft Treasury Management Strategy Statement for 2014/15, which incorporates the Investment Strategy and the MRP Strategy, together with the Prudential Indicators for 2014/15 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:	16 December 2013, 15 January 2014
Overview and Scrutiny:	6 January 2014
Audit Committee:	24 January 2014

1. BACKGROUND

- 1.1 The CIPFA Code of Practice on Treasury Management in Local Authorities was first issued in 1992 and updated in 1996 and 2001. 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 for 2014/15, which also incorporates both the Investment Strategy for that year and the Minimum Revenue Strategy, is set out in **Appendix A**. The Strategy Statement was issued as part of the consultation period on the draft budget for 2014/15. The schedule of approved investment vehicles is contained in **Appendix B**. **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. CONSULTATION

3.1 The Council has appointed Capita Asset Services Treasury Services as its Treasury Advisers and they have been involved in the Strategy and proposals contained within this report.

4. RECOMMENDATIONS

4.1 The Executive is asked to approve the Draft Treasury Management Strategy Statement for 2014/15, which incorporates the Investment Strategy and the MRP Strategy, together with the Prudential Indicators for 2014/15 for draft budget consultation purposes as set out in Appendix A and the Treasury Management Policy Statement as set out at Appendix D.

5. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

5.1 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:

Chief Executive's – not applicable

Economic Development – not applicable

Governance – 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.

Local Environment – not applicable

Resources – contained within the report.

Treasury Management Strategy Statement

Minimum Revenue Provision Policy Statement and Annual Investment Statement

Carlisle City Council

2014/15

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. The updates made were minor, and centred around the changes in housing finance, Localism Act and the introduction of General Powers of Competence.
- 1.5 The suggested strategy for 2014/15 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 2014/15 TO 2016/17

2.1 It is a statutory duty, under S.3 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 3, 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 Capita Asset Services Treasury Services.

3.2 Capita 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 Capita Asset Services or any other third party. The Council has regard to the advice and information supplied by Capita 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 Capita Asset Services but this does not 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 2013 comprised:

Table 1		Principal £m	£m	Ave Rate %
Fixed Rate Funding	PWLB	0	15.0	8.76
	Market	15.0		
Variable Rate Funding	PWLB	0	0	0.00
	Market	0		
Other Long Term Liabilities			0	0.00
Gross Debt			15.0	8.76
Total Investments			21.3	0.85

5. **PRUDENTIAL AND TREASURY INDICATORS 2014/15 - 2016/17**

5.1 The Prudential and Treasury Indicators have been based on current projections for capital spending and resources in 2014/15 to 2016/17. 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	2012/13 actual	2013/14 revised estimate	2014/15 estimate	2015/16 estimate	2016/17 estimate
	£000	£000	£000	£000	£000
Capital Expenditure	4,798	7,404	7,128	8,007	2,589
Ratio of financing costs to net revenue stream	9.08%	7.88%	11.94%	14.03%	15.28%
Net borrowing requirement in year	0	0	0	5,000	0
Capital Financing Requirement as at 31 March	6,017	10,701	12,776	18,944	22,435
Annual change in Cap. Financing Requirement	N/A	4,684	2,075	6,168	3,491
Incremental impact of capital investment decisions					
Increase in council tax (band D) per annum (£)	N/A	0.63	14.27	16.81	24.22

5.2 The estimates of financing costs include both current capital commitments and the draft capital programme as presented elsewhere on the agenda. The level of financing costs assumes a total of borrowing no greater than the amount forecast to be supported by revenue support grant. 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.

PRUDENTIAL INDICATOR TREASURY MANAGEMENT INDICATORS	2012/13 actual £000	2013/14 revised estimate £000	2014/15 estimate £000	2015/16 estimate £000	2016/17 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%

* To be reviewed prior to final Treasury Management Strategy Statement being approved by Council in February 2014

Maturity structure of any fixed rate borrowing during 2013/14	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%

5.3 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 Director of Resources, 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.

- 5.4 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.**
- 5.5 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 Director of Resources 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.
- 5.6 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.
- 5.7 Prudence and Sustainability
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.
- The current minimum level of specified investments is set at 50%. It is recommended that this level be continued into 2014/15.
- 5.8 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 Capita 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 Capita 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:

Year	%
2013/14	0.50%
2014/15	0.50%
2015/16	0.50%
2016/17	1.25%

- 6.2 Until 2013, the economic recovery in the UK since 2008 had been the worst and slowest recovery in recent history. However, growth rebounded in quarter 1 and 2 of 2013 to surpass all expectations. Growth prospects remain strong looking forward, not only in the UK economy as a whole, but in all three main Capita Asset Servicess, services, manufacturing and construction. One downside is that wage inflation continues to remain significantly below CPI inflation so disposbale income and living standards are under pressure, although income tax cuts have ameliorated this to some extent.
- 6.3 A rebalancing of the economy towards exports has started but as 40% of UK exports go to the Eurozone, the difficulties in this area are likely to continue to dampen UK growth. The US, the main world economy, faces similar debt problems to the UK, but thanks to reasonable growth, cuts in government expenditure and tax rises, the annual government deficit has been halved from its peak without appearing to do too much damage to growth.
- 6.4 The current economic outlook and structure of market interest rates and government debt yields have several key treasury mangement implications:
- Although Eurozone concerns have subsided in 2013, Eurozone sovereign debt difficulties have not gone away and there are major concerns as to how these will be managed over the next few years as levels of government debt, in some countries, continue to rise to levels that compound already existing concerns. Counterparty risks therefore remain elevated. This continues to suggest the use of higher quality counterparties for shorter time periods;
 - Investment returns are likely to remain relatively low during 2014/15 and beyond;
 - Borrowing interest rates have risen significantly during 2013 and are on a rising trend. 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 even higher borrowing costs, which are now looming ever closer, where authorities will not be able to avoid new borrowing to finance new capital expenditure and/or to refinance maturing debt, in the near future;
 - There will remain a cost of carry to any new borrowing which causes an increase in investments as this will incur a revenue loss between borrowing costs and investment returns.
- 6.5 This challenging and uncertain economic outlook has several key treasury mangement implications:

- The Eurozone sovereign debt difficulties provide a clear indication of high counterparty risk. This continues to suggest the use of higher quality counterparties for shorter time periods;
- Investment returns are likely to remain relatively low during 2013/14 and beyond;
- Borrowing interest rates continue to be attractive and may remain relatively low for some time. The timing of any borrowing will need to be monitored carefully;
- There will remain a cost of carry – any borrowing undertaken that results in an increase in investments will incur a revenue loss between borrowing costs and investment returns.

7. **BORROWING STRATEGY**

7.1 The Capita Asset Services forecast for the PWLB new borrowing rate is as follows:

	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Mar-16
Bank Rate	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%
5yr PWLB Rate	2.50%	2.50%	2.60%	2.70%	2.70%	2.80%	3.20%
25yr PWLB Rate	4.40%	4.40%	4.40%	4.50%	4.50%	4.60%	5.00%
50yr PWLB Rate	4.40%	4.40%	4.40%	4.50%	4.60%	4.70%	5.10%

7.2 The Council is, as stated above, not currently expecting to have any recourse to borrowing in 2014.15. 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 planned for future years. This is particularly the case in respect of any future major capital projects which are planned to require an element of external borrowing as a part of the total funding package. The Director of Resources 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.

7.4 External v. Internal Borrowing

7.4.1 This Council currently has a difference between gross debt and net debt (after deducting cash balances).

7.4.1 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.

7.4.2 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.

7.4.3 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.

7.4.4 However, short term savings by avoiding new long term external borrowing in 2014/15 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.

7.3.6 Against this background caution will be adopted with the 2014/15 treasury operations. The Director of Resources 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 2014/15. 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.

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 2011 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 Director of Resources.

9.1.6 Total investments with any one counterparty or group currently will not exceed £4m to ensure a reasonable spread of investments in terms of counterparties. Investments with HSBC shall not exceed £6m. However, Lloyds group and RBS Group will not exceed £8m as these establishments are currently funded by a majority shareholding by the UK Government.

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 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 Director of Resources 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 Director to include as counterparties non credit rated building societies whose assets total at least £1bn. There are some six societies in this category. 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.

9.1.9 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.

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

9.2 Investment Strategy

9.2.1 With bank base rate at 0.5% and not generally expected to increase from this level until at least the end of 2016, investment conditions will continue to be difficult. The view of Capita Asset Services is that bank rate will be at the following levels at each year end:

Year	%
2013/14	0.50%
2014/15	0.50%
2015/16	0.50%
2016/17	1.25%

9.2.2 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 has assumed an average yield of 1.0% on its investments 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. Every 0.1% fall in average yield will cost the Council approximately £35,000.

9.2.3 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.

9.2.4 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.

9.3 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 'specialist 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 2014/15 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.
- 10.2 No requirement is currently anticipated to undertake any long term borrowing in either 2013/14 or 2014/15 although the authority will need at this stage to keep its options open. 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.
- 10.4.1 Regulatory Method (Option 1)
This method is based upon the Regulations that were first promulgated in 2003 for the calculation of the MRP. It is based upon 4% of the authority's capital financing requirement (CFR). The CFR is a measure of the authority's level of outstanding debt. From this sum, the authority may subtract (if it is a negative figure) a technical adjustment known as 'Adjustment A'
- 10.4.2 Capital Financing Requirement Method (Option 2)
This is very similar to the regulatory method but it does not take account of Adjustment A.

Option 2 is the method currently approved by the City Council for use in 2013/14. The City Council's Adjustment A was a positive figure and it is allowed in such circumstances to disregard Adjustment A. To use Option 1 would have incurred an increased MRP liability for the City Council.

Options 1 and 2 can be used for borrowing incurred before 1 April 2008, whether supported or unsupported, and for supported borrowing after that date. Supported borrowing is borrowing that is notionally funded within the revenue support grant allocation. The Council may therefore use either option 1 or option 2 but because of the 'Adjustment A' factor, option 2 has previously been recommended.

10.4.3 Asset Life Method (Option 3) and Depreciation Method (Option 4)

One of these methods may be used for new schemes that require the Council to undertake any unsupported borrowing after 1 April 2008. They are fairly similar except that option 3 is based upon the estimated life of an asset whilst option 4 assumes that an asset will still be worth something after its useful life has expired. They can, however, also be used for supported borrowing incurred either before or after that date. To date, this authority has not undertaken any unsupported borrowing.

10.5 The authority has no firm plans at present to undertake any borrowing which is either supported or unsupported. Options 3 and 4, moreover, are particularly appropriate where assets can be identified that match past borrowing decisions. This situation does not apply to the City Council.

10.6 The City Council implemented the new MRP guidance in 2008/09. In that year its MRP charge was Nil because its opening CFR was also Nil. In 2013/14, the opening CFR was £6.0m which will result in an MRP of £240,000 (4% of the CFR) in this financial year. In future years, the CFR will increase to the extent that capital expenditure is not met by capital grant or revenue contributions. This expenditure will, however, be met under current plans by the set aside capital receipts as the Council still possesses the cash represented by these receipts. It is less likely to be funded from borrowing.

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. **A maximum of £4m of the investment portfolio** will be placed with any one counterparty or banking group, or a maximum of **£8m of the investment portfolio for Lloyds Group banks and RBS Group Banks and £6m with HSBC Bank (with £2m being limited to investments less than 1 month in duration)** whether by way of specified or non-specified investments except for building societies without a credit rating where **the limit will be £2m.**

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 Director of Resources	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 Director of Resources. 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

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 Capita 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.

INTEREST RATE FORECASTS

The data below shows a variety of forecasts published by a number of institutions. The first three are individual forecasts including those of UBS and Capital Economics (an independent forecasting consultancy). The final one represents summarised figures drawn from major City banks and academic institutions. 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

Capita Asset Services Interest Rate Forecast 14 November 2013

	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Mar-16
Bank Rate	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%
5yr PWLB Rate	2.50%	2.50%	2.60%	2.70%	2.70%	2.80%	3.20%
25yr PWLB Rate	4.40%	4.40%	4.40%	4.50%	4.50%	4.60%	5.00%
50yr PWLB Rate	4.40%	4.40%	4.40%	4.50%	4.60%	4.70%	5.10%

Capital Economics interest rate forecast – 14 November 2013

	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15
Bank Rate	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%
5yr PWLB Rate	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%
25yr PWLB Rate	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%
50yr PWLB Rate	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%

UBS interest rate forecast (for quarter ends) – 14 November 2013

	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14
Bank Rate	0.50%	0.50%	0.50%	0.50%	0.50%
5yr PWLB Rate	2.38%	-	-	-	-
25yr PWLB Rate	4.25%	4.25%	4.25%	4.25%	4.25%
50yr PWLB Rate	4.40%	4.40%	4.40%	4.40%	4.40%

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.

