

**NOTES OF BUDGET CONSULTATION
LARGE EMPLOYERS AFFINITY GROUP
FRIDAY 7 JANUARY 2011 AT 11:00PM**

PRESENT: Councillor Mitchelson and Councillor Mallinson
Maggie Mooney, Jason Gooding, Peter Mason

Representing Large Employers Affinity Group:

Mr P Ashley Clark Door

Mr R Johnston Cumbria Chamber of Commerce

Mr A Wilson Pirelli

1. WELCOME

Councillor Mitchelson welcomed the Trade Union representatives and thanked them for taking the time to attend the meeting and respond to the Executive's draft budget consultation.

Councillor Mitchelson informed the meeting that this was a most difficult and challenging budget for the City Council and its employees. The options open to the Council were limited and he emphasised that the budget consultation should be viewed in that light and the need to ensure that the authority was sustainable in the future.

The various parties then introduced themselves.

2. BUDGET

Dr Gooding outlined the background to and context of the 2011/12 budget, commenting that previously focus had centred upon the Transformation Programme and the need to achieve £3m in savings over three years. Although the achievement of those savings was positive for the City Council, the Government's Comprehensive Spending Review imposed a 26% reduction in Revenue Grants to Local Authorities over the next four years (to be front loaded, so 12% reduction for 2011/12), as a result of which the Council needed to make a further £2.5m savings from the Revenue Budget. In addition, there would be a 45% reduction in Capital Grants.

The options open to the Council were:

- to reduce the discretionary services it provided, which could be done relatively quickly. Discretionary services were, however, valued by the community and defined the local authority;

- in the medium to long-term it would be possible to look at Shared Services, re-modelling of service provision and commissioning of services i.e. at lower costs; and
- to seek to increase income via fees and charges.

Dr Gooding added that strategically, and of considerable importance, was better use of the Council's assets. A Review was underway, the aim of which was to generate income and protect services. It was hoped that between £1 - £1.5 m per annum could be realised through better asset management. The Draft Asset Business Plan would be considered by the City Council on 11 January 2011.

Mr Mason reported that the Executive Budget Proposals issued for consultation were based upon detailed proposals which had been considered by the Executive over the course of the last few months.

The Council was facing many financial challenges over the next five-year planning period and forecast resources were not anticipated to cover the expenditure commitments without a major 'transformational' review of service provision.

Mr Mason then gave a presentation on the 2011/12 Budget, copies of which were tabled at the meeting.

Mr Mason emphasised that this was the toughest budget he had known. The City Council had a good track record in terms of the achievement of efficiencies and could dip into its reserves in the short term when necessary. The principal issues were around the Comprehensive Spending Review; Pension Fund Revaluation; impact of the recession (fees and charges; and Treasury Management); and reduced level of capital resources which meant that the Capital Programme was unaffordable. The impact upon the Council was clearly evidenced in the revised reserves position after Government announcements as set out in his presentation.

Mr Mason then outlined in some detail the position with regard to the Revenue and Capital Budgets. Looking at the projected reserves position, it was clear that the Revenue Reserves would dip in 2012/13 before building up to a healthy position on 2015/16. £1.5m needed to be retained in reserve for emergencies.

In conclusion, Mr Mason advised that the Executive Budget Proposals were based upon Officers' advice and were open to consultation until 9.00 am on 19

January 2011, following which the Executive would consider consultation feedback prior to proposing its response to the budget consultation and recommendations for submission to the City Council on 1 February 2011.

Discussion arose, during which the following questions and issues were raised:

Mr Wilson asked Mr Mason to comment on the environmental enhancements.

Mr Mason stated that they may not happen. There was discussion around the Viaduct car park and Councillor Mitchelson advised that the Council still had an obligation for some of the land.

Mr Wilson asked whether the £1.9m stated in the report was the same as that identified as internal borrowing.

Mr Mason advised that it was short term borrowing and although the Council had never borrowed internally before it was a cheaper option and the most cost effective. Councillor Mitchelson advised that the short term borrowing could be ended by the potential sales from the asset business plan.

Mr Johnston stated that he believed everything else in the budget was prudent and that the Council was in a good position, but asked what would be the effect on the economy of the disposal of assets. There was discussion around the potential advantages to businesses on industrial estates if some of the land was sold, but Mr Johnston was aware that it was important that there were no negative public relation issues as a result of any sales.

Councillor Mitchelson advised that the Council were consulting with businesses on industrial estates in order that any sales would help the economy and employment.

Councillor Mallinson added that it was important that the Council maintained an asset base and was able to demonstrate good reasons for retaining its assets. In the past one of the prime reasons for the retention of assets was to derive income from those assets. It was his belief that the Council must maximise income from its assets and use that to direct and enrich the possibility of making the City more prosperous by encouraging employment and expansion.

Mr Ashley believed that if the Council had a grip on infrastructure costs fewer staff would be needed to pave the way forward for businesses to succeed and that the Council would have a positive responsibility. Mr Johnston advised on a property portfolio he had worked on with Ms Mooney and others to manage processes with the private sector that would get returns but allow investment

leverage from the private sector but that would be monitored by the Council to avoid a private monopoly.

In conclusion Mr Mason stated that if all of the budget proposals happened as expected the right management process would be in place by 2015/16. Mr Mason advised that, following a query from last year's meeting, the carry forwards had been broken down and included planning application, costs of winding down Carlisle Renaissance, legal advice and the business case for the Tullie House Trust and the mothballed Sands Centre scheme. He assured the representatives from the Chamber of Commerce that all carry forwards were committed.

Mr Ashley asked if there was any indication of the timeframe regarding business rates being transferred to the City Council.

Ms Mooney advised that that was part of the financial review announced by Mr Pickles as part of the Localism Bill announced in December to devolve more power to communities. However Ms Mooney was not sure of the timescales involved but believed that it was likely to be later in the year.

Mr Wilson believed that functions such as maintenance and street cleaning could be part of a shared service.

Dr Gooding advised that shared services was a sensitive issue and that Members had strong feelings about services being shared with other authorities. Members agreed that the Council would have to be careful about what was included in such contracts to ensure that the contracts would be affordable.

Mr Johnston believed that given the current budget pressures the move to shared services had to be considered and that drawing up contracts and project management was a management issue and that the Council had to ensure that the right people were drawing up the contracts. Mr Wilson added that the skills of officers within the Council had to evolve to ensure the expertise remained within the Council.

Ms Mooney advised that contracts were drawn up with partners and that the Council were keen to share services with other authorities but that they had to be willing partners for the shared service to succeed. The Deputy Chief Executive believed that it was important for the Council to find a different way of working and that Members would have to accept that it would be necessary to spend money in the difficult economic times to achieve a different set of skills within the authority.

Mr Wilson believed that there were potential pitfalls involved in outsourcing services to the private sector and that the drawing up of contract was important. Mr Wilson believed that there would be genuine savings if the authority went about such matters in the right way.

Mr Johnston stated that to date the Council had been prudent and the Council's assets and how they were managed over the next few years would make changes difficult for the city but that all partners would work together to ensure that Carlisle got through this difficult economic period.

Mr Wilson highlighted that the Council would have to be aware of the pensions liabilities of shared services for the Council and that terms and conditions were more relevant under shared services. He advised that a defined pensions scheme would be more relevant for employees joining a pension scheme once a shared service had been established.

Ms Mooney advised that the Council were using that system for the Tullie House Trust.

Mr Wilson stated that as more people were living to be 100 the demographic changes of the city would need to be taken into consideration and that deferred contributions would get rid of any uncertainty.

Councillor Mitchelson thanked the representatives from the Chamber of Commerce for their input, adding that the Council appreciated the support received from businesses.

(The meeting closed at 12.00)