

RESOURCES OVERVIEW AND SCRUTINY PANEL

THURSDAY 17 JUNE 2010 AT 10.00AM

PRESENT: Councillor Allison (Chairman), Councillors Bainbridge, Boaden, Craig, Hendry, Layden and Watson

ALSO

PRESENT: Councillor J Mallinson – Governance and Resources Portfolio Holder
Councillor Mrs Bowman – Economic Development Portfolio Holder (for part of the meeting)

ROSP.49/10 APOLOGIES FOR ABSENCE

An apology for absence was submitted on behalf of Councillor Bowditch

ROSP.50/10 DECLARATIONS OF INTEREST

There were no declarations of interest submitted at this meeting.

ROSP.51/10 AGENDA

RESOLVED- That report CE.17/10 Property Portfolio Options be considered as agenda item A.6.

ROSP.52/10 MINUTES OF PREVIOUS MEETINGS

RESOLVED –That the minutes of the meetings held on 18 February and 1 April 2010 be agreed as a correct record of the meeting and signed by the Chairman

ROSP.52/10 CALL-IN OF DECISIONS

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

ROSP.53/10 OVERVIEW REPORT AND WORK PROGRAMME

The Acting Scrutiny Manager (Mrs Edwards) presented report OS.09/10 providing an overview of matters related to the Resources Overview and Scrutiny Panel's work. Also included was the latest version of the work programme and details of Forward Plan items relevant to this Panel.

Mrs Edwards reported that:

- Members were reminded of the success of the Development Sessions and asked to consider a date for the next session and any suggestions for subject-review work or areas of knowledge or specialism that each Member had or wished to develop.
- Minute Excerpt EX.060/10 – Corporate Plan and Key Performance Indicators were attached to the report.
- The Forward Plan of Executive key decisions, covering the period 1 June 2010 to 30 September 2010 had been published on 18 May 2010.

RESOLVED – 1) That the Overview Report incorporating the Work Programme and Forward Plan items relevant to this Panel be noted.

2) That a development session would be held in July

3) That the following Forward Plan items would be considered by the Panel at its meeting on 19 July 2010:

KD.016/10 – Medium Term Financial Plan and Capital Strategy 2011/12 – 2015/16

KD.017/10 – Asset Management Plan 2010/2015

4) That Minute Excerpt EX.060/10, Corporate Plan and Key Performance Indicators, was noted.

5) That the Use of Consultants Task and Finish Group continue this year with the same Membership; Councillors Hendry, Layden and Allison.

ROSP.54/10 PROVISIONAL GENERAL FUND REVENUE OUTTURN 2009/10 REPORT

The Assistant Director (Resources) (Mr Mason) submitted report RD.09/10 on the outturn for the 2009/10 General Fund Revenue Budget. He informed Members that the outturn showed that the net underspend for Council services as at 31 March 2010, once committed expenditure totalling £1,480,300 was taken into account, was £887,234. He set out details of requests to carry forward £71,700 in respect of new items of expenditure which, if approved, would result in a final underspend to the Council in 2009/10 of £815,534.

Mr Mason also circulated details of the carry forward requests which had been submitted by Directorates and added that if Members were minded to approve the carry forward requests a recommendation would need to be submitted to the City Council. He added that, due to the level of underspend identified within the report approximately £0.887 million would be returned to the Projects Reserve. That would replenish the usable revenue balances by 31 March 2014 to the minimum required, however there would still be a projected shortfall against that minimum reserve from 2010/11 to 2012/13.

The Executive had on 4 June 2010 considered the report (EX.077/10 refers) and decided:

“That the Executive:

- (1) Noted the net underspend on the General Fund as at 31 March 2010 of £887,234 which included committed expenditure to be met in 2010/11 totalling £1,480,300 which had been approved by the Assistant Director (Resources) under delegated powers.
- (2) Endorsed the carry forward requests for new items of expenditure totalling £71,700 (noted as Category 'B' in Appendix B).
- (3) Recommended the City Council on 29 June 2010 to approve the carry forward requests referred to above, the details of which were set out in Report RD.09/10.”

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

- *The residual balance of savings highlighted at revised estimate stage was £349,300, was there more details available on what this figure was?*

Mr Mason agreed to give the Panel a written response.

- *The figures for the car parking appeared to show an improvement in the revenue position, was there a reason it had overachieved.*

Mr Mason explained that the Council had been reducing the income budget for car parking and added that he would have to investigate the matter further and provide a written response.

- *Was there a strategy to address the issue of the supplementary estimates? Members were concerned that the supplementary estimates of almost £1m invariably came out of reserves when they were already below the regulatory limit.*

The Finance Portfolio Holder responded that supplementary estimates were not an ideal way of working and he would much prefer for everything to be budgeted for but understood that this was not always possible. Last year's supplementary estimates had been exceptionally high but it was the Council's intention to ensure that supplementary estimates would be the exception and only in extreme circumstances.

He added that the Council was trying to replenish the reserves and agreed that the supplementary estimates had to be reduced. If the Council was hit with unavoidable expenditure issues then the Council would have to try and find the money from existing budgets.

Mr Mason added that supplementary estimates were usually corporate projects and this would be reviewed in August/September and he added that

there was a specific paragraph in the budget papers that set out the Council's position on supplementary estimates.

The Strategic Director and Deputy Chief Executive (Dr Gooding) reminded the Panel that only full Council could approve supplementary estimates case by case.

Members had concerns that they were not involved in projects from the very beginning and only saw them when the supplementary estimates came to Council.

- *A Member asked if the Highways Claimed Rights were fully funded?*

The Treasury and Insurance Manager (Mr Steele) responded that the Council received a lump sum for Highways Claimed Rights which included administration allowances. The Council had to fund the insurance premium.

- *What was the recurring cost of £80,000 for highways for?*

The Portfolio Holder responded that the County Council had a specific budget for winter maintenance and the City Council chose to 'top up' the maintenance within the City which resulted in a recurring cost.

Mr Mason added that the Council was exceeding the payment and needed to either look at reducing the service or reducing the cost.

- *What were 'De Minimis' Capital receipts?*

Mr Mason explained that they were receipts of less than £10,000, which were allowed to be treated as revenue receipts under the regulations.

RESOLVED – 1) That the Assistant Director (Resources) provide a written response to the Panel to questions regarding the residual balance of savings and the car parking revenue position.

2) The Panel sought assurance that the review of the supplementary estimates would be rigorous.

ROSP.55/10 PROVISIONAL CAPITAL OUTTURN 2009/10 AND REVISED CAPITAL PROGRAMME 2010/11

The Assistant Director (Resources) (Mr Mason) submitted report RD.10/10 on the Provisional Outturn for the Council's Capital Budget, together with details of the revised Capital Programme for 2010/11. He informed Members that the outturn showed that the net underspend for Council services as at 31 March 2010 once committed expenditure totalling £1,459,100 was taken into account was £73,614. He added that some schemes had resulted in underspends (after carry forward requests) in the year, the main ones being summarised in the report.

He set out the position with regard to carry forward requests on the Capital Programme. He also identified for Members the resources which had been used to fund the 2009/10 Capital Programme and detailed the 5 year Capital Programme for the period 2010/11 to 2014/15. He reported that the total for 2010/11 was £12,803,500 based upon the programme agreed by Council in February 2010, the commitments carried forward from 2009/10 of £1,459,100; £6,000 included from 2011/12; and £4,200 of other adjustments relating to additional external contributions and direct revenue funding identified to fund the early replacement of a vehicle in 2010/11.

Mr Mason commented that it had been recognised that the carry forwards from 2009/10 had increased the 2010/11 capital programme to £12.8m and a further review was recommended to ensure that the Council had the capacity to deliver that level of capital programme. To that end, the 2010/11 programme needed to be reviewed by Project Officers to ensure schemes could be completed in line with both the projected budget and projected timescales. He also outlined the proposed funding arrangements for the revised 2010/11 programme.

The Executive had on 4 June 2010 considered the report (EX.078/10 refers) and decided:

- “(1) That the Executive noted the net underspend on the Capital Programme as at 31 March 2010 of £73,614 which included committed expenditure to be met in 2010/11 totalling £1,459,100 which had been approved under delegated powers by the Assistant Director (Resources).
- (2) That the Executive recommended the City Council on 29 June 2010 to agree the use of the Sheepmount Reserve in 2009/10 to fund expenditure on Sheepmount Drainage.
- (3) That the revised Capital Programme for 2010/11, as detailed in Appendix B to Report RD.10/10 be recommended to the City Council on 29 June 2010 for approval.
- (4) That the Executive noted the reduction of the Regional Housing Pot capital grant in 2010/11, noting that steps had been taken to mitigate the impact of the reduction on the capital programme by re-profiling the Housing Strategy scheme over five years.”

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

- *They had some concerns regarding the revenue implications of the capital programme as a result of the proposed Sands development which had been displayed in the deputy Chief Executive's office.*

The Portfolio Holder responded that if the Council provided the funding on the scale suggested it was anticipated that Carlisle Leisure Limited would operate with a smaller grant than they were currently receiving. This was one issue,

among many, that had to be considered when determining whether the Council could afford to proceed or not.

- *Would the Council have to consider borrowing to fund the Sands development?*

The Portfolio Holder stated that it was an enormous undertaking for the Council to commit to a project of this scale in the current climate. If it was necessary for the Council to consider a loan for the project then the Council would have to give serious consideration to their commitment and would require a robust business plan.

Members commented that the project appeared to be well developed and added that the Council had obviously invested in the development of the scheme.

Dr Gooding reminded the Panel that full Council had agreed a supplementary estimate to carry out the design work for the development so costings could be carried out. The Council had not committed to the completion of the scheme as there were a number of issues for Members to consider before a commitment to the scheme was made. He added that the University were committed to the development and it had been an integral part of their business plan.

The Portfolio Holder added that if the University could not go ahead then the Council could proceed with a smaller scheme but he hoped that this would not happen as the full scheme was more desirable. The total amount needed for the project was £15m, £5m from the University and £10m from the Council. The money from the University was to provide facilities that they specifically needed so the scheme could go ahead without these.

- *There should be a thorough assessment of the capital programme to ensure that it is more realistic. There was concern that some of the projects were made public and therefore expectations were raised before there had been any agreement on how they could be progressed. Members felt that a piece of task and finish work should be carried out that looked at what the Council sought to do from the capital programme point of view.*

RESOLVED – That the Panel explore the possibility of a Task and Finish Group on major projects at their Development Session in July.

ROSP.56/10 TREASURY MANAGEMENT OUTTURN 2009/10

The Treasury and Insurance Manager (Mr Steele) presented report RD.13/10 providing the annual report on Treasury Management, as required under both the Financial Procedure Rules and the CIPFA Code of Practice on Treasury Management. He also submitted the regular report on Treasury Transactions for the period 1 January 2010 to 31 March 2010. He drew Members' attention to developments in the Money Markets over the previous twelve months and

their effect on the Council's investments, together with the various performance statistics included within the report.

The Executive had on 4 June 2010 considered the report (EX.079/10 refers) and decided:

- “(1) That Report RD.13/10 be received and recommended to the City Council for approval.
- (2) That the City Council be requested to approve an amendment to the Investment Strategy to raise the counterparty limit with the Lloyds/TSB Group and the RSB Group from £4m to £6m.”

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

- *Members congratulated Mr Steele and his team for ensuring that the actual outturn on treasury management stayed very close to the estimate during such difficult times.*

The Portfolio Holder agreed and informed the Panel that Mr Steele was due to retire in August and that this would be his last meeting.

- *The report suggested that the maximum counterparty limit with the RBS Group and Lloyds Banking Group only be raised from £4m to £6m. Had any consideration been given to the possibility of the two Groups being moved back to private banks during the term of deposit?*

Mr Steele agreed that it was possible that the banks would be sold off gradually over several years and if that happened then the Council would have to review its position. He added that if the limit was increased to £6m the Council did not necessarily have to go to that limit.

The Portfolio Holder added that the Council could possibly earn an extra 1% interest on those investments.

- *Members were aware that the Finance team monitored the possibility of the Council opting out of the £15m loan stock issue, had there been any progress on this?*

Mr Steele explained that the cost of terminating the loan stock issue was too high at the present time but it would continue to be monitored.

RESOLVED – 1) That the Panel record their thanks for the work of the Treasury and Insurance Manager (Mr Steele) and his team. They also wished Mr Steele well for his future.

2) That the Panel were happy with the proposal to increase the maximum counterparty limited with the RBS Group and Lloyds Banking Group from £4m to £6m and were reassured that the situation would be monitored in the future.

**ROSP.57/10 PROVISIONAL OUTTURN POSITION 2009/10 FOR
COUNCIL TAX AND NATIONAL NON DOMESTIC RATES**

The Assistant Director (Resources) (Mr Mason) submitted report RD.14/10 detailing the provisional outturn for 2009/10 in respect of Council Tax and National Non Domestic Rates.

Mr Mason informed the Panel that the Council had managed to improve collection performance so that for the first time ever it was now in the 3rd Quartile when compared to districts nationally. The Council would never be in a position to move into the higher collection quartiles for the reasons set out at Section 3.1 of the report.

The Executive had on 4 June 2010 considered the report (EX.080/10 refers) and noted the provisional outturn position at 31 March 2010 for Council Tax and National Non Domestic Rates.

RESOLVED – That the Panel welcome report RD.14/10.

**ROSP.58/10 ELECTED MEMBERS' ALLOWANCES – PROVISIONAL
OUTTURN FOR 2009/10**

The Assistant Director (Resources) (Mr Mason) submitted report RD.16/10 setting out the amount of allowances paid to Members as part of the Elected Members' Allowances Scheme for 2009/10. He informed Members that £358,534 had been paid in allowances to individual Members which represented an underspend of £8,166. It was the second year where an underspend had occurred. Since it was too early to determine whether or not the underspend was becoming a trend there was no recommendation at that stage to review the Budget for Members' Allowances. The position would, however, be closely monitored during 2010/11 as part of the normal budget monitoring procedures.

The Executive had on 4 June 2010 considered the report (EX.081/10 refers) and noted the overall underspend of £8,166 on Elected Members' Allowances for 2009/10.

RESOLVED – That report RD.16/10 be welcomed.

ROSP.59/10 PROJECT ASSURANCE GROUP

The Strategic Director and Deputy Chief Executive (Dr Gooding) presented report CE.16/10 which set out the most recent summary of significant projects monitored by the Council's Project Assurance Group. He reminded the Panel that the nature of the exception report meant that it focused on the problems

and issues with projects and little was said if a project was progressing in line with agreed plans.

Dr Gooding explained that he was the Chair of the Project Assurance Group and that the Group monitored the Council's projects to ensure they met quality and corporate management standards. He explained that 'significant projects' had a named Senior Management Team member who was responsible for the project and the project had to come within the remit of the Project Assurance Group.

Dr Gooding explained the reasons behind the issues with projects that were highlighted in the report and gave a brief outline of the new projects.

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

- *Members felt that they should be involved in projects at an earlier stage to ensure they had adequate input and suggested that some consideration should be given to having a Member on the Project Assurance Group or to a different way of involving Members.*

It was agreed that should the Panel decide to look at the Capital programme then the perceived Member deficit would be addressed by the Group.

- *Members were impressed with the layout of the report but felt it needed to reflect budget spending and financial context where appropriate. Members also requested that revenue implications be included.*

- *It would be useful for the report to contain timescales for the projects so Members could see what slippage there had been and why.*

- *The report stated that the Housing Strategy 2010-15 budget had been reduced to £720,000, what was the original figure?*

Mr Mason responded that the original amount had been £900,000 over four years and had been reduced to £720,000 over five years. He added that it reflected the Council's statutory obligations plus some additional funds.

- *The Old Town Hall project had been discussed and supported by the Environment and Economy Overview and Scrutiny Panel and there had been real enthusiasm for the project. The report showed that there was now a requirement for a supplementary estimate to make up a shortfall of £200,000, Members felt that the project should move forward but that the funding should have been budgeted for sooner and should not be funded using a supplementary estimate.*

The Economic Development Portfolio Holder explained that the Council was exploring other areas to fund the shortfall. A bid had been made to the NWDA but the outcome was not yet known.

Members questioned whether a review of the capital programme should be carried out to ensure that the Council prioritised its capital projects. They also questioned whether this was a good time to look at the Carlisle Renaissance project, how it worked and was resourced.

Dr Gooding reminded Members that officers could not set the priorities for the Council; they were working to find ways of spending less money while comfortably dealing with fewer resources available. He added that there were still questions to be discussed with regard to Carlisle Renaissance but it was clear that the Transformation project had to reduce the revenue budget by £3m.

A Member added that the capital programme had been driven by the capability of drawing in funding but that had stopped and the Council needed to be 'clear sighted' when looking at the capital programme and corporate projects.

RESOLVED – 1) That the Panel establish how Members could be involved in the review of capital projects at their development session in July.

2) That future Project Assurance Group progress reports be presented to the Panel on a bi-annual basis and include project timescales, budgetary information and revenue implications.

ROSP.60/10 EXECUTIVE ARRANGEMENTS

The Assistant Solicitor (Mr Brown) submitted report GD.31/10 informing Members of the requirement, under the Local Government and Public Involvement in Health Act 2007, for every authority which operated a Leader and Cabinet model of Executive to change its executive arrangements in accordance with a statutory timetable. Although the City Council already operated a 'Strong Leader' model, the legislation required that appropriate resolutions be made by the Council as there were differences between the new regime and the existing one.

Mr Brown explained that the new Leader and Cabinet Executive (England) Model was very similar to the old 'Strong Leader' model, but was different in three key respects which could not be achieved under the old legislation, details of which were provided. In the new model, the Leader must be elected for a four year term of office (or up until the Leader's ordinary term of office as a Councillor expired where the Council held elections by thirds or halves, and the Leader was elected at a time when he/she had less than four years still to run). That was possible under the old model but it was normal for the Leader to be elected for a one year term of office.

Mr Brown further reported that the alternative form of executive arrangement was for the Council to hold elections for a Directly Elected Mayor who would hold office for a term of four years. In that instance, as the Mayor would have been directly elected, there would be no option for the Council to remove him/her during the period of office. The Mayor would appoint his/her own

Cabinet consisting of between two and nine Councillors and allocate all executive functions.

The main differences between the two models were:

- there was a different means of election for each
- unlike the Leader, the Mayor could not be removed from office by the Council or the controlling Group
- under the Leader and Cabinet model the executive recommended the budget and strategic policies to Council, which may approve, amend or overturn them by a simple majority. Under the Mayor and Cabinet model the Executive submitted the budget and strategic policies to the Council which could only amend or overturn them by a two thirds majority.

Under the legislation there were differing timetables for the differing types of local authority. The City Council, as a non-metropolitan district, must pass the relevant resolution by 31 December 2010 and implement the change three days after the next local elections (i.e. May 2011). The change to the new Strong Leader model may only be made in accordance with the statutory timetable.

The Executive had on 4 June 2010 considered the report (EX.083/10 refers) and decided:

“That the Executive, having regard to the requirements of the Local Government and Public Involvement in Health Act 2007 with respect to executive arrangements, recommended to the City Council that:

- (1) Council indicates it is minded to continue to operate the Leader and Cabinet Executive, subject to the new requirements imposed by the said Act and pending the outcome of consultation;
- (2) Officers be authorised to carry out appropriate consultation on executive arrangements, indicating the Council's preferred model, as stated in (1), and also including reference to the alternative option provided for in the 2007 Act. The consultation should include information about the differences between the available options and also the implementation timetable; and
- (3) Following consideration of the consultation response, proposals be reported to a future meeting of the City Council, no later than 31 December 2010, for the Council to resolve as to the form of executive arrangements to be operated by Carlisle City Council.”

In considering the report Members understood that a detailed consultation process would be expensive and agreed that the proposed consultation would be sufficient as there could be further changes in the future because of the new Government.

RESOLVED – That the Panel agree that the proposed consultation as set out in report GD.31/10 is sufficient as they recognised that a more extensive consultation could not be carried out due to the expense that this would involve.

ROSP.61/10 PROPERTY PORTFOLIO OPTIONS

The Strategic Director and Deputy Chief Executive (Dr Gooding) presented a summary of the proposed approach for the future of the City Council's Property Portfolio.

Dr Gooding reminded the Panel that the Council had recognised a need to more effectively manage its assets in order to strategically balance the need for operational assets, income generation and economic development. The overall picture appeared to be that the Council's assets were generating income but in order for it to be sustainable, and in order for the City Council to effectively lever economic development, a different approach need to be taken,

Various approaches had been discussed and lengthy considerations of the best course of action for individual assets or groups of assets had been given. Discussion had tended to become focused on operational options rather than the development of a coherent strategic approach. The summary presented in the report had been intended to help develop the tools that authority would need in order to put policy into practice.

Dr Gooding explained that the Council assets were divided into three categories, operational, which were assets which the Council needed in order to carry out its business. Investment, were assets which generated significant income for the authority and strategic which were the most important for the delivery of its strategic objectives. Each one required a management capacity, these would be the 'levers' that the Council could use to deliver strategic objectives. He added that the practical steps that needed to be taken were to secure/define the three management capacities and the relationship they would have with the Senior Management Team and Members.

He explained that, broadly, the plan to address the three management capacities was:

Operational: As part of the Transformation Programme the Council's approach and structures around facilities management and building maintenance were being reviewed. The new structures would explicitly identify roles, responsibilities and arrangements for management of operational assets. The restructure work would be completed before the end of 2010.

Investment: It was proposed to bring in an interim Investment Asset Manager commencing in early July 2010. This would serve two purposes. It would provide the Council with capacity and expertise to deliver some quick

results, and advise around the most appropriate structures and arrangements for effective management of the Investment Portfolio.

Strategic: This function was being explicitly addressed through one of the roles that would be delivered through the Transformation of Economic Development.

Thus the three capacities would be delivered through Resources and Economic Development – providing the Council with the tools to turn policy around asset management into practice, protecting the Council's investments and supporting economic development.

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

- *Members had concerns that 'buying in' advice and support would cost the Council more in the long term and questioned whether it would be more beneficial to employ someone on a contractual basis for a set period of time.*
- *There was concern that a review of the property portfolio may end in an 'asset stripping exercise'.*

Dr Gooding responded that it was not the Council's intention to employ a consultant to manage the assets but external advice would be sought where appropriate. The Council had significant assets and relied on them for revenue budget. The general consensus was that the assets were not performing as well as they could and there was not sufficient proactive management of assets.

- *Members felt that the next update should have some clear timescales and the reports should have direction and an approach that the Council could subscribe to. The Council did need to be careful not to strip assets to raise short term finances, there was a need for strategic thinking for the future..*
- *Members felt strongly that the property portfolio should be a priority for the Council and that investment in the Council's industrial estates should be a priority when managing the assets.*

The Finance Portfolio Holder responded that using external expertise was important in ensuring the future of the Council's assets but the Council did need to be clear what the objectives were. The Council had an excellent large asset base but it was not being exploited as it should be. He agreed that work did need to be carried out on industrial estates and the Council needed to do more to help new and existing tenants as the current model was too rigid for current times. He added that the Council were reliant on income from the assets and it was not as high as it could be but the Council did need to be mindful that any income of receipt would result in a loss in revenue.

- *Had the Council's assets increased since the review began in 2004?*

The Economic Development Portfolio Holder responded that the Council had purchased the leasehold for the 'Border TV' site and demolished the building using funds acquired through Carlisle Renaissance. The land was in the middle of a deprived ward and had good links to the motorway so was an important site.

RESOLVED – That a further report is presented to the next meeting of the Panel outlining clear timescales for the work.

(the meeting ended at 12.47pm)