COUNCIL

SUMMONS

To the Mayor and Members of Carlisle City Council

You are summoned to attend the Special Meeting of Carlisle City Council which will be held on **Tuesday, 04 February 2014 at 18:45**, in the **Council Chamber, Civic Centre, Carlisle, CA3 8QG**

Director of Governance

AGENDA

1. The Mayor will invite the Chaplain to say prayers.

2. The Town Clerk and Chief Executive will open the meeting by calling the roll.

3. **Public and Press**

   To determine whether any of the items of business within Part A of the Agenda should be dealt with when the public and press are excluded from the meeting.

   To determine whether any of the items of business within Part B of the Agenda should be dealt with when the public and press are present.

4. **Declarations of Interest**

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.

5. **Announcements**

(i) To receive any announcements from the Mayor
(ii) To receive any announcements from the Leader of the Council
(iii) To receive any announcements from Members of the Executive
(iv) To receive any announcements from the Town Clerk and Chief Executive

6. Questions from Members of the Council

Pursuant to Procedure Rule 11.2, the Town Clerk and Chief Executive to report that no questions have been submitted on Notice by Members of the City Council.

7. Notice of Motion

Pursuant to Procedure Rule 12, the Town Clerk and Chief Executive to report that no motions have been submitted on notice by Members of the Council.

8. Treasury Management Strategy Statement 2014/15 **7 - 32**

Pursuant to Minute EX.04/14, to consider a report of the Director of Resources regarding the Council's Treasury Management Strategy Statement, Investment Strategy and Minimum Revenue Provision Strategy for 2014/15.
(Copy Report RD.71/13 and Minute Extracts herewith/to follow)

9. City Council Budget 2014/15

The meeting to consider the City Council's General Fund Revenue Budget and its Capital Budget for 2014/15 and the recommendations of the Executive thereon and to pass appropriate resolutions thereon.

(1) Background Reports

A number of reports which have been considered as background reports to the preparation of the Budget have previously been circulated to all Members under cover of letters from the Director of Governance dated 8 November and 6 December 2013. Members are requested to bring these to the meeting.

A copy of the following background reports were also considered by the meeting of the City Council on 10 September 2013. Members have previously had copies of these reports as part of the book of Budget Reports. If, however, you require a further copy please contact the Committee Services Section prior to the meeting.

(i) Report RD.36/13 - Medium Term Financial Plan 2014/15 to 2018/19
(ii) Report RD.37/13 - Capital Strategy 2014/15 to 2018/19
(iii) Report RD.40/13 - Asset Management Plan 2013-2018

(2) Executive Reports

In addition, the following reports have been circulated to Members of the Executive with the Agenda for the meeting of the Executive on 15 January 2014 and copies are now enclosed for all Members of the City Council:

(i) Revenue Estimates: Summary of Overall Budgetary Position 2014/15 - 2018/19 — 33 - 54

(Copy Report RD.69/13 herewith)

(ii) Provisional Capital Programme 2014/15 to 2018/19 — 55 - 66

(Copy Report RD.70/13 herewith

(3) Budget Consultation Feedback

Copies of the Minutes of the following Consultation Meetings, detailing the feedback from the consultation on the Executive Draft Budget Proposals, have been circulated to Members of the Executive with the Agenda for the meeting of the Executive on 15 January 2014. Copies are now enclosed for all Members of the City Council.

(i) **Resources Overview and Scrutiny Panel - 6 January 2014** **67 - 72**

(Copy Minute Extract of item relating to consideration of Executive Draft Budget Proposals herewith)

(ii) **Consultation Meeting with Large Employers Affinity Group - 8 January 2014** **73 - 78**

(Copy Minutes herewith)

(iii) **Consultation Meeting with Trade Union Representatives - 8 January 2014** **79 - 82**

(Copy Minutes herewith)

(iv) **Consultation Feedback** **83 - 98**

Details

(4) **Recommendations of the Executive** **99 - 112**

Copies of those Minutes of the meeting of the Executive held on 15 January 2014 which relate to the Council's Budget for 2014/15 and which set out the recommendations of the Executive in respect of its budget proposals are submitted.
(Copy Minute Extracts EX.01/14, EX.02/14, EX.03/14 and EX.06/14 herewith)

[Amended Executive Budget Proposals for 2014/15 circulated under cover of a letter from the Director of Resources dated 24 January 2014]

(5) **Procedure** **113 - 118**

The suggested procedure for dealing with the Executive's recommendations and the City Council's Budget is itemised in a Procedure Note for the convenience of Members.
(Copy Note herewith)

10. **Decisions taken as a Matter of Urgency** **119 - 122**

Pursuant to Overview and Scrutiny Procedure Rule 15(i), the Director of Governance to report on decisions taken as urgent decisions and dealt with as a matter of urgency without the need for call-in.

It is a requirement under the above Procedure Rule 15(i) for decisions taken as a matter of urgency to be reported to the next available meeting of the City Council.
(Copy Report GD.09/14 herewith)

11. Communications

To receive and consider communications and to deal with such other business as may be brought forward by the Mayor as a matter of urgency, in accordance with Procedure Rule 2.1(xiv) to pass such resolution or resolutions thereon as may be considered expendient or desirable.

PART 'B'
To be considered in private

CARLISLE
CITY COUNCIL
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# Report to Council	Agenda Item:

Meeting Date:	4 February 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:	RD71/13

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. The draft version of the Statement was considered by the Executive on 16 December 2013, prior to the consultation period on the draft budget for 2014/15.

The Council will be requested to adopt the revised Code and the revised Treasury Management Policy Statement within the Code.

This revised report was approved by the Executive on 15 January 2014, and was received by the Audit Committee on 24 January.

Recommendation:-

Council is asked to approve the Treasury Management Strategy Statement for 2014/15, which incorporates the Investment Strategy and the MRP Strategy, together with the Prudential Indicators for 2014/15 as set out in Appendix A.

Tracking

Executive:	**16 December 2013, 15 January 2014**
Overview and Scrutiny:	**6 January 2014**
Audit Committee	**24 January 2014**
Council:	**4 February 2014**

CARLISLE CITY COUNCIL
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Report to Executive	Agenda Item:

Meeting Date:	15 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:	RD71/13

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. The draft Statement was considered by the Executive on 16 December 2013 prior to the consultation period on the budget proposals for 2014/15. It has also been considered by the Resources Overview & Scrutiny Panel and the Audit Committee will consider it on 24 January 2014.

Recommendations:

The Executive is asked to approve, for recommendation to Council on 4 February, the Treasury Management Strategy Statement for 2014/15, which incorporates the Investment Strategy and the MRP Strategy, together with the Prudential Indicators for 2014/15.

Tracking

Executive:	**16 December 2013, 15 January 2014**
Overview and Scrutiny:	**6 January 2014**
Audit Committee:	**24 January 2014**
Council:	**4 February 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. CONCLUSION AND REASONS FOR RECOMMENDATIONS

The Executive is asked to approve, for recommendation to Council on 4 February, the Treasury Management Strategy Statement for 2014/15, which incorporates the Investment Strategy and the MRP Strategy, together with the Prudential Indicators for 2014/15.

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 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		
	Market	15.0	15.0	8.76
Variable Rate Funding	PWLB	0		
	Market	0	0	0.00
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 £000	2013/14 revised estimate £000	2014/15 estimate £000	2015/16 estimate £000	2016/17 estimate £000
Capital Expenditure	4,798	7,404	7,217	8,007	2,589
Ratio of financing costs to net revenue stream	9.08%	8.04%	11.93%	13.50%	14.54%
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. 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%**

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 (Moodys). 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 (Moodys). 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 <u>Investment Strategy</u>

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 <u>Regulatory Method (Option 1)</u>
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 <u>Capital Financing Requirement Method (Option 2)</u>
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.

APPENDIX B

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 PI (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.

<u>Non-Specified Investments</u>:

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 (Moodys)	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 (Moodys)	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 Moodys 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.

APPENDIX C

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.

EXCERPT FROM THE MINUTES OF THE EXECUTIVE HELD ON 15 JANUARY 2014

EX.04/14 ****TREASURY MANAGEMENT STRATEGY STATEMENT, INVESTMENT STRATEGY AND MINIMUM REVENUE PROVISION STRATEGY 2014/15**
(Key Decision – KD.030/13)

(In accordance with Paragraph 15(i) of the Overview and Scrutiny Procedure Rules, The Mayor had agreed that call-in procedures should not be applied to this item)

Portfolio Finance, Governance and Resources

Relevant Overview and Scrutiny Panel Resources

Subject Matter

Pursuant to Minute EX.153/13, the Finance, Governance and Resources Portfolio Holder submitted report RD.71/13 setting out the Council's Treasury Management Strategy Statement for 2014/15 which had been prepared in accordance with the CIPFA Code of Practice on Treasury Management. He added that the Investment Strategy and Minimum Revenue Provision Strategy for 2014/15 were also incorporated as part of the Statement, as were the Prudential Indicators as required within the Prudential Code for Capital Finance in Local Authorities.

The Portfolio Holder advised that those requirements came into operation on 1 April 2004 under the provisions of the Local Government Act 2003. Part 1 of the Act allowed a local authority to borrow money for any purpose that was within its control or for the purposes of the prudent management of its financial affairs. Since 1 April 2004 there had been no statutory limit to the amount that could be borrowed. There was, however, a requirement for full compliance with CIPFA's Prudential Code; the key objectives of which were to demonstrate that the proposed capital investment plans had been assessed by the Council as affordable, prudent and sustainable. Section 3(1) of the Act placed a duty on the Council to determine before the start of the financial year and keep under review the maximum amount that it could afford to borrow. That amount was called the Authorised Limit and was discussed at Appendix A to the report.

The Finance, Governance and Resources Portfolio Holder reminded Members that the draft Statement had been considered by the Executive on 16 December 2013 prior to the consultation period on the budget proposals for 2014/15. It had also been considered by the Resources Overview and Scrutiny Panel and would be considered by the Audit Committee on 24 January 2014.

The Finance, Governance and Resources Portfolio Holder then moved the recommendation, which was seconded by the Leader.

Summary of options rejected None

DECISION

That the Treasury Management Strategy Statement for 2014/15, which incorporated the Investment Strategy and Minimum Revenue Provision Strategy, together with the Prudential Indicators for 2014/15 as set out in Appendix A, be approved for submission to the City Council on 4 February 2014.

Reasons for Decision

To recommend the Treasury Management Strategy Statement, Investment Strategy and Minimum Revenue Provision Strategy for 2014/15 to the City Council

CARLISLE CITY COUNCIL
www.carlisle.gov.uk

Report to Council	Agenda Item: 9(2)(i)

Meeting Date:	4 February 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:	RD69/13

Purpose / Summary:
This report provides a summary of the Council's revised revenue budget for 2013/14 together with the revenue budget for 2014/15 and updated projections to 2018/19.

Members should note that there is still some outstanding information on confirmation of Government Grant allocations. Depending upon the timing of any announcements the final figures will be revised in the Executive's budget proposals presented to Council on 4 February.

Recommendations:
The Council is asked to note the contents of the report, noting that the financial implications are reflected in the Executive's budget proposals considered elsewhere on the Council agenda.

Tracking

Executive:	**15 January 2014**
Council:	**4 February 2014**

CARLISLE CITY COUNCIL
www.carlisle.gov.uk

Report to Executive	Agenda Item:

Meeting Date:	15 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:	RD69/13

Purpose / Summary:

This report provides an update to RD62/13, which was considered by the Executive on 16 December. The report has been amended to mirror the Executive's draft budget proposals which were issued for consultation purposed on 16 December and has been updated to take account of any further known changes since that date.

Members should note that there is still some outstanding information particularly on Government Grant allocations. Depending upon the timing of any announcements the final figures will be revised in the Executive's budget proposals presented to Council on 4 February 2014.

Recommendations:

The Executive is :

(i) requested to note the draft updated budget projections for 2013/14 to 2018/19, together with the potential use of balances and reserves, in order to recommend a budget to Council on 4 February 2014.

(ii) Requested to approve to Council the continuation of the Local Support for Council Tax scheme, as outlined in Paragraph 3.2.

Tracking

Executive:	**15 January 2014**

1. INTRODUCTION

1.1. This report provides an update to RD62/13, which was considered by the Executive on 16 December and 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. Members should note that this report has been amended to reflect the Executive's draft budget proposals issued on 16 December with other changes detailed in paragraph 2.4 below.

1.2. It should also be noted that there are still a 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

1.3. 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.**

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	13,884	14,066	12,274	11,618	12,653	13,605	14,476
(See 3.1 & Appendix B)							
Total Projected Resources	(13,884)	(14,066)	(13,162)	(12,699)	(12,818)	(12,975)	(13,135)
(See 3.2 & Appendix C)							
Projected (Surplus) / Shortfall <u>excluding</u> savings and new spending	**0**	**0**	**(888)**	**(1,081)**	**(165)**	**630**	**1,341**
Less:							
New Saving Proposals							
- Recurring	0	0	(423)	(1,923)	(2,213)	(3,325)	(4,337)
- Non Recurring	0	0	(1,214)	0	0	0	0
(See Para 4 & Appendix D)							
Add:							
New Spending Pressures							
- Recurring	0	0	1,489	1,921	2,382	2,599	3,162
- Non Recurring	0	0	959	56	0	0	0
(See Para 5 & Appendix E)							
Potential Budget Shortfall (See para 2.2)	**0**	**0**	**(77)**	**(1,027)**	**4**	**(96)**	**166**
Potential Shortfall Analysis:							
- Recurring			(1)	(1,083)	4	(96)	166
- 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 <u>all</u> 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.

2.4 The main changes from the previous report (RD62/13) are shown in the table at **Appendix B**.

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 Empty Property Premium

Revenue Support Grant (RSG) has been reduced from 1 April 2015 to fund New Homes Bonus (NHB). The Government has assumed in its RSG calculations that the Council will lose RSG of £351,000 in 2015/16 against the actual achieved NHB in 2014/15 of £269,000.

New Homes Bonus is calculated on the Council's success in getting new homes built in the district and reducing the number of empty properties (particularly long term empties).

In the circumstances the 2014/15 Council Tax setting report will recommend the introduction of a Council Tax premium of 50% on long term empty properties (over two years empty). Other Authorities in Cumbria have introduced the premium in 2013/14 and the measure has reduced long term empty properties by up to 30% and increased New Homes Bonus significantly.

3.4 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 1.99% Council Tax increase for 2014/15, with a 1.99% increase from 2015/16 onwards. There may be changes to the capping limit for Council Tax Increases (currently 2%) announced in January. Any changes will be reflected in the final budget proposals.
- 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)	(1)	(76)
31/03/2015	(2,188)	(1,083)	56
31/03/2016	(3,215)	4	0
31/03/2017	(3,211)	(96)	0
31/03/2018	(3,307)	166	0
31/03/2019	(3,141)	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

The Executive is :

(i) requested to note the draft updated budget projections for 2013/14 to 2018/19, together with the potential use of balances and reserves, in order to recommend a budget to Council on 4 February 2014.

(ii) Requested to approve to Council the continuation of the Local Support for Council Tax scheme, as outlined in Paragraph 3.2.

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 – Summary of Changes from RD62/13**		

Appendix C – Existing Expenditure Commitments
Appendix D – Resource Projections
Appendix E – Savings Proposals
Appendix F – New Spending Pressures
Appendix G – Parish Precepts 2014/15
Appendix H – Council Reserves
Appendix I – Budget Discipline
Appendix J – Statutory Report of Director of Resources

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.

APPENDIX A

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

Summary of Changes from RD62/13

Summarised Position		2014/15 Estimate £000	2015/16 Proj £000	2016/17 Proj £000	2017/18 Proj £000	2018/19 Proj £000
Potential Budget Shortfall (Per RD62/13)		**(213)**	**(896)**	**135**	**34**	**295**
Changes per Executive's draft budget proposals:						
New Homes Bonus		0	(269)	(269)	(269)	(269)
Reduction in anticipated Income from Business Rates Pooling due to Government changes in Business Rates		100	100	100	100	100
Council Tax Increase reduced from 2.6% to 1.99%		36	38	38	39	40
Revised Potential Budget (Surplus)/ Shortfall		**(77)**	**(1,027)**	**4**	**(96)**	**166**

APPENDIX C

EXISTING EXPENDITURE COMMITMENTS

EXPENDITURE 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	2017/18 Proj £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)	(2,363)	(2,235)	(2,140)	(2,041)
- Retained Business Rates	(2,913)	(2,913)	(3,003)	(3,093)	(3,186)	(3,281)	(3,380)
- Business Rates Pooling	0	0	(500)	(500)	(500)	(500)	(500)
- 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)	(6,095)	(6,233)	(6,375)	(6,520)	(6,668)
Total Income based on 1.99% Tax increase Projections	**(13,453)**	**(13,453)**	**(13,162)**	**(12,699)**	**(12,818)**	**(12,975)**	**(13,135)**
Plus Approved Contributions from Balances:							
- Pre 20013/14 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	1,012	1,012	0	0	0	0	0
Carry Forwards	(677)	(677)	0	0	0	0	0
Reprofiling	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)**	**(13,162)**	**(12,699)**	**(12,818)**	**(12,975)**	**(13,135)**

APPENDIX E

SAVING PROPOSALS

Detail	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000
Retained Business Rates & Pooling	(500)	(500)	(500)	(500)	(500)
Changes to Funding	**(500)**	**(500)**	**(500)**	**(500)**	**(500)**
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	(269)	(269)	(269)	(269)
Bring Site Recyclate Income	(64)	0	0	0	0
Housing Benefit Admin Grant	(150)	0	0	0	0
Total Additional Income	**(214)**	**(269)**	**(512)**	**(512)**	**(512)**
Total Savings	**(2,137)**	**(2,423)**	**(2,713)**	**(3,825)**	**(4,837)**
Split:					
Recurring	**(923)**	**(2,423)**	**(2,713)**	**(3,825)**	**(4,568)**
Non Recurring	**(1,214)**	**0**	**0**	**0**	**0**

APPENDIX F

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
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**

APPENDIX G

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
Kirklinton	1,840		-100.00
Midgeholme	0		0.00
Nether Denton	3,051		-100.00
Nicholforest	3,426		-100.00
Orton	3,315		-100.00
Rockliffe	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**

Parish Precepts are still awaited from most parishes as meetings are being held throughout January to set precept levels

APPENDIX H

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)	(2,188)	(2,600)	(2,600)	(2,600)	(2,600)
Projects Reserve	i	0	0	0	(615)	(611)	(707)	(541)
Sub Total		**(2,542)**	**(2,111)**	**(2,188)**	**(3,215)**	**(3,211)**	**(3,307)**	**(3,141)**
Collection Fund		(65)						
EEAC Reserve		(56)	(16)	0	0	0	0	0
Transformation Reserve		(495)	0	0	0	0	0	0
Building Control		17						
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)**	**(3,006)**	**(4,033)**	**(4,029)**	**(4,125)**	**(3,959)**
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
Borrowing Requirement		0	0	0	(5,000)	0	0	0
Potential Borrowing Requirement		0	0	0	0	0	(968)	(1,752)
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)**	**(3,270)**	**(7,792)**	**(1,357)**	**(1,967)**	**(2,766)**
Total Available Council Balances		**(12,490)**	**(8,327)**	**(6,276)**	**(11,825)**	**(5,386)**	**(6,092)**	**(6,725)**
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.

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.

1. The savings outlined in this document are necessary to ensure that the Council continues to meet the challenges of approximately 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.

2. 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.

3. 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.

4. 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.

APPENDIX J

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.

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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 Councils 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.

Report to Council	Agenda Item: 9(2)(ii)

Meeting Date:	4 February 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:	RD70/13

Purpose / Summary:

The report provides details of the revised capital programme for 2013/14 together with the proposed method of financing.
The report summarises the implications of this review on the proposed programme for 2013/14 to 2018/19 in light of the capital bids submitted to date for consideration. It summarises the estimated and much reduced capital resources available to fund the programme.

Recommendations:

The Council is asked to note the contents of the report noting that the financial implications of the report are reflected in the Executive's budget proposals considered elsewhere on the agenda.

Tracking

Executive:	**16 December 2013, 15th January 2014**
Overview and Scrutiny:	**6 January 2014**
Council:	**4 February 2014**

CARLISLE CITY COUNCIL
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# Report to Executive	Agenda Item:

Meeting Date:	15 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:	RD70/13

Purpose / Summary:

The report provides an update to RD65/13, which was considered by the Executive on 16 December and has been updated to reflect the Executive's budget proposals together with any other known changes.

The report summarises the implications of the changes on the proposed programme for 2014/15 to 2018/19 in light of the capital pressures identified, and also summarises the estimated capital resources available to fund the programme.

Recommendations:

The Executive is asked to:

(i) Make recommendations to Council 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, and to approve carry forwards (£710,000) from 2013/14 into 2014/15;

(ii) Recommend 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 by the Executive, following detailed consideration by the Corporate Programme Board.

Tracking

Executive:	**16 December 2013, 15th January 2014**
Overview and Scrutiny:	**6 January 2014**
Council:	**4 February 2014**

1. BACKGROUND

1.1 This report provides an update to RD65/13 which was considered by the Executive on 16 December and summarises the revised capital programme for 2013/14 and proposed capital programme for 2014/15 to 2018/19, together with the proposed methods of financing.

1.2 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
Current Commitments:						
Vehicles & Plant	4.3	220	1,109	1,221	1,113	383
Planned Enhancements to Council Property	4.4	350	300	300	300	300
Disabled Facilities Grants		863	863	863	863	863
Arts Centre		1,015	0	0	0	0
Harraby School and Community Campus Capital Contribution		500	500	0	0	0
Old Town Hall/Greenmarket		1,400	38	0	0	0
Leisure Facilities		0	5,000	0	0	0
Public Realm Work S106	4.4	660	0	0	0	0
Total Existing Commitments		**5,008**	**7,810**	**2,384**	**2,276**	**1,546**
New Spending Proposals						
ICT Shared Service	4.5	210	197	205	204	195
Asset Management Plan	4.6	1,800	0	0	0	0
Sheepmount Road	4.7	30	0	0	0	0
Bitts Park Access	4.8	10	0	0	0	0
CCTV Initiative	4.9	89	0	0	0	0
Enterprise Centre / West Walls	4.10	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**

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 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 ICT hardware and software replacement programme.

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

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

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

4.9 To provide capital funding to support the Cumbria Wide CCTV Initiative

4.10 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 (RD71/13).

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 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)	7,217	8,007	2,589	2,480	1,741
Projected (Surplus)/Deficit	**2,127**	**493**	**1,450**	**1,341**	**784**
Cumulative B/Fwd Balance	**(4,443)**	**(2,316)**	**(1,823)**	**(373)**	**968**
Cumulative year end Position • Capital (Surplus) / Deficit	**(2,316)**	**(1,823)**	**(373)**	**968**	**1,752**

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's draft budget was 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) Make recommendations to Council 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, and to approve carry forwards (£710,000) from 2013/14 into 2014/15;

(ii) Recommend 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 by the Executive, following detailed consideration by the Corporate Programme Board.

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** **Ext: 7270**

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

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

REVISED CAPITAL PROGRAMME 2013/14 **APPENDIX A**

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 Accomodation 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.

APPENDIX B

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:

1. Capital grant has been increased to include new funding for Empty Properties and Cenotaph Improvements.
2. Revised projections from Riverside Group for 2013/14 will be provided in a future report to the Executive.
3. The anticipated receipts from the Asset Management Plan have been reduced in line with revised projections.
4. Changes to general receipts relate to S106 Public Realm Works (£660,000). These have been reprofiled into 2014/15 in line with revised projections.
5. Resources have been removed from the capital programme.
6. 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).

Item 9(3)(i)

EXCERPT FROM THE MINUTES OF THE RESOURCES OVERVIEW AND SCRUTINY PANEL HELD ON 6 JANUARY 2014

ROSP.06/14 BUDGET 2014/15

(1) Executive Draft Budget Proposals 2014/15

There was submitted the Executive draft Budget proposals 2014/15 which had been issued for consultation purposes.

The draft Budget proposals comprised –

Section	Detail
A	**Background and Executive Summary**
B	**Revenue Budget 2013/14 to 2018/19** • 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** • Schedule 7 - Estimated Capital Resources • Schedule 8 - Proposed Capital Programme • Schedule 9 - Summary Capital Resource Statement
D	**Council Reserves Projections to 2018/19** • Schedule 10 - Usable Reserves Projections
E	**Budget Discipline and Saving Strategy**
F	**Statutory Report of the Director of Resources**
G	**Glossary of Terms**

The draft Budget proposals were based on detailed proposals that had been considered by the Executive over the course of the last few months. In particular, reports of the Director of Resources considered at the Executive meeting of 16th December 2013.

The Finance, Governance and Resources Portfolio Holder reported that the budget proposals assumed that significant savings must be found within the next five year period; £3.939million in total, with £1.839million to be found by 2015/16 with £2.1million in later years.

The Executive had a history of achieving savings, having identified and achieved approximately £6million since 2010/11. That was due to cuts in funding from central Government.

Despite having to make these savings, which included an approximate 38% reduction in Government grant, due to prudent financial management, the Council had a sound financial base upon which to set its 2014/15 budget. The Executive was still able to deliver on their proposals despite savage cuts.

The Executive's budget:

- Had frozen car parking charges for the third year running
- Maintained the Council's ambitious capital programme including the Arts Centre
- Provided additional funding for Council events in promoting Carlisle
- Maintained the popular 'Clean Up Carlisle' initiative, which had been well received by businesses and the community
- Supported the recruitment and development of four new apprentices for a two year period

It was with some reluctance that the Executive required to recommend a 1.99% increase in Council Tax for 2014/15 after four years of maintaining a council tax freeze.

(2) Background Information reports

(a) Revenue Estimates: Summary of Overall Budgetary Position 2014/15 to 2018/19

The Director of Resources submitted report RD.62/13 summarising the Council's revised revenue base estimates 2013/14, together with base estimates for 2014/15 and updated projections to 2018/19. The report had been updated since the Executive meeting in November 2013 and set out the potential impact of new savings and new spending pressures currently under consideration, together with the potential impact on the Council's overall revenue reserves.

He added that it was clear, even at this stage of the budget process, that all of the pressures currently identified could not be accommodated without identifying additional savings. Decisions would need to be made to limit budget increases to unavoidable and high priority issues, together with maximising savings and efficiencies.

The Director of Resources informed Members that there were still a large number of significant issues affecting the projections that were not yet known, but which were nonetheless key to the Council's budget process including the Government Finance

Settlement – RSG and NNDR; Welfare Reform Act; Triennial Revaluation of the Pension Fund; and Transformation.

The decision of the Executive on 16 December 2013 (EX.151/13) was:

“That the Executive:

1. Noted the updated budget projections for 2013/14 to 2018/19, and made 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.

2. Approved, for recommendation to Council as part of the budget process, the 2014/15 Local Support for Council Tax Scheme.”

(b) Provisional Capital Programme 2014/15 to 2018/19

The Director of Resources submitted report RD.65/13 providing revised details of the capital programme for 2013/14, together with the proposed method of financing. He informed Members that a Corporate Programme Board of senior Officers continued to take the lead on the prioritisation of investment and the monitoring and evaluation of schemes, with a view to improving performance monitoring and business case analysis of capital projects.

The report also summarised the proposed programme for 2014/15 to 2018/19 in light of the capital pressures identified; and summarised the estimated capital resources available to fund the programme.

The decision of the Executive on 16 December 2013 (EX.152/13) was:

“That the Executive:

1. Noted the revised Capital Programme and relevant financing for 2013/14 as set out in Appendices A and B of Report RD.65/13.

2. Recommended that Council approve reprofiling of £710,000 from 2013/14.

3. Made recommendations on the Provisional Capital Programme for 2014/15 to 2018/19 in the light of the capital bids submitted to date, together with the estimated available capital resources for budget consultation purposes.

4. Noted that any capital scheme for which funding had been approved by Council may only proceed after a full report, including business case and financial appraisal, had been approved.”

(c) Treasury Management Strategy Statement, Investment Strategy and Minimum Revenue Provision Strategy 2014/15

The Director of Resources submitted report RD.63/13 setting out the Council's Treasury Management Strategy Statement for 2014/15 in accordance with the CIPFA Code of Practice on Treasury Management.

He informed Members that the Investment Strategy and the Minimum Revenue Provision Strategy for 2014/15 were incorporated as part of the Statement, as were the Prudential Indicators as required within the Prudential Code for Capital Finance in Local Authorities.

The decision of the Executive on 16 December 2013 (EX.153/13) was:

"That the Executive approved the draft Treasury Management Strategy Statement for 2014/15 incorporating the Investment Strategy and Minimum Revenue Provision 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 to Report RD.63/13."

In considering the Executive's draft Budget proposals 2014/15 and supporting reports Members raised the following comments and questions:

- The Executive's budget proposals stated that "the consultation responses will be considered by the Executive and Resources Overview and Scrutiny Panel in January". The Resources Overview and Scrutiny Panel did not get the opportunity to scrutinise the consultation responses as stated in the document. The Panel Members felt that they should be given the opportunity to scrutinise the responses to enable them to give accurate advice on the budget to the Executive or the document itself should be changed to accurately reflect the actual process.

The Director of Resources agreed that the wording in the document was incorrect and that the text actually referred to the scrutiny of the budget documents at this meeting. He explained that the timetable did not allow for the consultation responses to come back to Overview and Scrutiny before the Executive meeting in January. He reminded the Panel that they would have the opportunity to see the consultation responses alongside the Executive's final budget proposal at full Council.

The Town Clerk and Chief Executive added that a special meeting of the Panel could be arranged to consider the consultation responses if the Panel so wished or the Chairman of the Panel could attend the consultation meetings.

- What was the difference between the 1.99% increase in Council Tax and the Council Tax Freeze Grant settlement?

The Director of Resources explained that the Council Tax Freeze Grant was non-recurring and when it stopped there would be a shortfall in income as the Council had not increased the Council Tax for four years

- A Member asked for clarity with regard to the funding for the moving of the swimming pool.

The Director of Resources clarified that it was proposed that the Council would take a 25 year mortgage to move the swimming pool into the Sands Centre so that there was one leisure facility to run. It was hoped that this would result in a saving on the leisure contract that would pay for the mortgage. The business case would also look at the best way of borrowing the £5m and would include looking at internal borrowing.

The Town Clerk and Chief Executive reminded Members that the swimming pool was subject to a business case and approval by Members. If it was possible to borrow the money over 25 years and reduce the management fee by at least £250,000 to off set the mortgage then it would be a feasible business case. If this could not be achieved alternative solutions would have to be considered.

- A Member asked for clarity with regard to the Voluntary Redundancy initiative, the Transformation savings and the Council's reserves.

The Director of Resources reported that there was a saving of £1.89m to be achieved in 2015/16 which was addressed by the 2014/15 budget reports. It was proposed that up to £1m would be achieved through the Voluntary Redundancy initiative, £250,000 achieved from the reduction in grants and further savings achieved by initiatives such as Digital by Default. The Transformation Board would then look to make the necessary savings to achieve any shortfall in the £1.89m savings.

The Director added that Appendix 1 of the Budget proposals gave a detailed overview of how the Council's minimum reserve provision was calculated.

The Finance, Governance and Resources Portfolio Holder added that it was difficult yet necessary for the Council to find creative ways to deliver services and to keep an ambitious capital programme scheme to help Carlisle grow.

- Members valued the Small Scale Community Fund but it had not been included in the Executive's budget proposals.

The Finance, Governance and Resources Portfolio Holder confirmed that the Fund had not been included but it was being considered.

- Was the Voluntary Redundancy initiative on target?

The Director of Resources responded that there had been several applications submitted and significant savings were expected. Some of the applications would impact on services so the £1m target would not be reached. There would be a special Senior Management Team meeting on 13 January and Joint Management Team meeting on 20 January 2014 to discuss the applications.

- A Member asked for clarification with regard to Note 4 of Schedule 8 of the Executive's budget proposals which stated that the provision for acquisitions had been removed from the budget.

The Director of Resources reminded the Panel that the original Asset Management Plan had intended to sell and purchase assets. The Council had sold some assets but had not had the opportunity to make acquisitions which had a good return. The acquisitions had been removed from the Capital Programme until the opportunity to make good acquisitions arose.

- A Member asked if the Business Rates growth was still estimated at £600,000 as set out in Schedule 6 of the budget proposals.

The Director of Resources explained that the estimated additional £600,000 growth from Business Rates had been calculated before the Autumn Statement and this figure had now been amended to £500,000.

- Was the Existing Non Recurring Commitment Approval for the Lanes Income as set out in Schedule 5 a shortfall?

The Director of Resources reported that the £138,000 Lanes income was a shortfall but the Lanes management were negotiating good deals with tenants to keep the units full.

- Did the £170,000 shortfall in car parking income reflect a reduction in usage?

The Director of Resources explained that, on the advice of consultants, the car parking charges had been reduced with the intention that the use of car parks would increase. The changes had stopped the decline but had not resulted in an increase in usage. The Director of Local Environment was to review the car parks charges and usage again in 2014.

The Finance, Governance and Resources Portfolio Holder highlighted national issues with regard to car parking because of the change in patterns of retail.

RESOLVED – 1) That the Director of Resources make the necessary changes to the Consultation Responses section of the Executive's Budget Proposals to accurately reflect the budget consultation process.

2) That the comments and concerns of the Committee as set out above regarding the Executive draft Budget Proposal be forwarded to the Executive for their consideration.

3) That reports RD.62/13, RD.65/13 and RD.63/13 be welcomed.

NOTES OF BUDGET CONSULTATION
LARGE EMPLOYERS AFFINITY GROUP
WEDNESDAY 8 JANUARY 2014 AT 1:00PM

PRESENT: Councillor Mrs Bradley, Economy and Enterprise Portfolio Holder
Councillor Glover, Leader of the Council
Councillor Mrs Martlew, Environment and Transport Portfolio Holder
Councillor Tickner, Finance, Governance and Resources Portfolio Holder
Jason Gooding, Town Clerk and Chief Executive
Peter Mason, Director of Resources

Representing Large Employers Affinity Group:
Mr P Ashley – Clark Door
Mr R Johnston – Cumbria Chamber of Commerce
Mr M Wood – Dodd & Co

1. WELCOME

The Leader welcomed the representatives of the Large Employers Affinity Group and stated that whilst it had been a difficult time for everyone the Council were keen that they were seen to be using resources to deliver front line services and economic growth in the longer term. The Leader believed that Carlisle was doing well compared to the national economic position. He appreciated the members of LEAG attending the meeting which had been useful in the past.

The various parties then introduced themselves.

2. BUDGET

The Director of Resources explained that the Council had to deliver a balanced budget over a 5 year period which would fund services and the Council's commitments and maintain reserves in case of emergencies.

The Director of Resources advised that financial reports were presented to Members on a quarterly basis which explained reasons for any changes such as significant shortfalls in income. Income was not picking up at present but if the housing market picked up that would lead to an increase in income from services such as Land Charges. There was also a shortfall in car parking income which had been reviewed three years ago when it was agreed that charges would be reduced. It was anticipated at the time that while income would be reduced usage would increase. In fact usage was maintained and there was no increase in income. The current charges had been maintained for the fourth year which the Executive believed would help business communities.

Council Tax had been frozen in the past and a recommendation to increase Council Tax by 1.99% was currently out for consultation.

A budget pressure of £1.6million would be required by 2018/19 as interest rates had not increased and were not likely to increase significantly in the near future.

With regard to asset management the Director of Resources explained how the Council were managing their assets and advised that all future acquisitions had been taken out of the MTFP. The Pensions Auto Enrolment would require £127,000 and as a result of the Pensions Auto Enrolment all employees were now in the scheme.

The RSG reductions would require £250,000 across the MTFP and the Council had been advised that that would increase to £600,000 from 2016/17 as a result of New Homes Bonuses being paid from the Revenue Support Grant. The Council had been advised that they would receive the New Homes Bonus set at £269,000 per annum. That income stream was not yet included in the draft budget papers

The additional National Insurance Costs of £250,000 would have a big impact on Council resources.

With regard to non-recurring costs the Director of Resources explained that income had reduced as a result of the market dropping out of recycling income. The Rapid Response Team funding was important to the Executive in meeting the Clean City priorities which was important to residents and businesses. A lot of events were planned for the coming year which would bring people into the City. There was a one off cost as a result of a Local Plan inquiry. As a result the recurring revenue pressures were £3.5 million and non-recurring £1 million.

Major reviews were being undertaken in respect of car parking and events and funding would be necessary while the reviews were taking place. As a result some of the non-recurring income may be moved to recurring in future years.

In respect of the revenue budget there would be massive implications to the Council as a result of the Welfare Reform Act. However the start date was being put back and the Council would look at it again when the date for implementation was known.

Transformation savings had been identified for 2014/15 and 2015/16 but savings would also be needed up to 2018/19.

There had been no increase in pay awards for 2-3 years and the Government had advised that a pay award of 1% would be appropriate. Inflation costs were smaller as the organisation was smaller and therefore there was a non-staffing saving. The target for transformation savings was £1 million for 2014/15 and it was anticipated that there would be a £3.1 million reduction over the MTFP in the longer term. Bring sites had been brought back in-house allowing the Council to sell recyclates and raise income. The Retained Business Rates replacing the Non-domestic Business Rates, provided Carlisle grew in line with current trends would realise £500,000 per annum. However that growth could depend upon decisions made by the Chancellor.

The Council had allowed a year to bed down previous cuts to enable Officers to review services following savings made in previous years. It had been agreed that £1 million needed to be saved in 2014/15 on a non-recurring basis and Officers were looking at areas where cuts would not affect services in 2014/15. In 2015/16 the Council would need to save £1.839 million and a major review of Waste Services, currently being undertaken, was one of the issues being looked at to achieve savings.

The reduced funding to Tullie House would bring it in line with other cuts that the Council had been obliged to make. There had been a call for voluntary redundancies and Officers and Members would need to look at the potential impact on services once final figures were known.

Officers were also looking at ways for members of the public to make payments digitally. For example people registering for the first time for Council Tax would make payments and receive accounts on-line with the option for hard copies if required. It would take some time for existing customers to change to on-line payments but savings would be made from 2015/16. It would also be possible for payments of business rates to be made digitally.

The Director of Resources further advised that many of the areas included in the capital budget were in last year's budget. Items such as IT equipment and vehicles had to be replaced on a regular basis and therefore had been added to the capital programme. With regard to CCTV the Director of Resources explained that the police had agreed to pick up the running costs and the Police Commissioner and District Councils would pick up the remaining costs which would equate to £89,000 for Carlisle.

There was discussion about the £15 million loan taken out in 1995. The Director of Resources advised that he reviewed the situation and updated Members every six months. The Leader outlined the options available. In response to a query about the Sands Centre swimming pool the Chief Executive advised that there was no business case at present and that discussions were ongoing.

The Finance, Governance and Resources Portfolio Holder advised that Members were aware that the budget would be challenging but believed that the savings could be delivered and would still promote growth. The Council tried to protect direct services and was of the opinion that if the City looked good people would want to come which would help businesses.

With regard to the £15 million load, the Finance, Governance and Resources Portfolio Holder explained that when the loan was taken up the interest rates were high so the loan was a good deal at the time. The Council could cope with the significant cuts being made provided the City's economy continued to grow. He believed that house building produced a variety of jobs for residents and provided stability. It was in the Council's interest to build new homes but the growth had to be managed as houses would not be built if developers could not sell them. Several pockets of land had been identified on which to build 893 rentable properties.

The Council had seen an improvement in youth employment and the Council currently had two apprentices. The Member hoped that businesses would also provide apprentices for young people.

With regard to Council Tax the Finance, Governance and Resources Portfolio Holder explained that the increase would equate to approximately £4 per household for properties in Band D. Vulnerable people would be supported and safeguarded.

Overall the budget had been reduced by 38% which took expenditure back to the figure of 2003. It was acknowledged that there would be difficult times ahead but over the last few years the Council had made savings and still had a policy of making non-staffing savings where possible.

Car parking charges would be frozen again in 2014/15 and car park usage was linked to a number of other areas such as the way people shop eg through the internet and the use of public transport both of which would result in a reduction in car parking income.

The capital programme included a number of stand alone projects. The proposed Arts Centre would indicate to people that Carlisle was still growing and people liked non statutory services such as events which would bring people into the City.

Clean Up Carlisle was a project that helped the City as a whole. Tullie House would still receive almost a £1 million grant which equated to a 30% reduction. Members were working closely with Officers and businesses and looking at grants that were reliant on partnership working.

Mr Johnston reminded the Group that it had been requested last year the layout of the information could be presented in a manner that would be easier for a member of the public to understand. The Director of Resources stated that a summary had been appended to the report which would be easier to read.

Mr Johnston believed that the Council and businesses could work well together and discussions around income streams were useful. He suggested that the Council should think of innovative ways to manage their assets. The Chief Executive agreed and added that Officers and Members wanted a dynamic way to look at issues such as car parking that would reflect demand and maximise usage. There was flexibility in respect of asset management.

There was some discussion around car parking looking at a number of options and the need for improved signage. The Group acknowledged that internet shopping had an impact on the retail sector of the City and suggested various options. It was also suggested that the members of LEAG could be involved in discussions with the County Council who were currently looking at on-street parking charges. It was agreed that the infrastructure and dynamics needed to be looked at and the members of LEAG would try to work with the County Council. If there were more businesses in the City the income from business rates would increase which could offset the reduction in car parking charges. Modelling of the City Centre would be part of the Carlisle District Local Plan and the City Centre Masterplan. Early indications were that businesses wanted to come into the City if there were the right opportunities. Mr Johnston believed that the issues were not just about parking charges but also about the perception of accessibility and people from outside the City believed it was difficult to park in Carlisle. Carlisle had a good base and Officers and Members needed to look at how that could be developed.

The Economy and Enterprise Portfolio Holder explained that the Carlisle District Local Plan and the City Centre Masterplan made provision for how businesses in Carlisle could expand and recognised that the City did not necessarily yet have the retail floor space and locations which larger national retailers sought. Part of the Masterplan would be to offer the opportunities for the Council to do as much as it could to make those available.

Although it was acknowledged that there were issues in respect of internet shopping Mr Ashley believed that there should be a Carlisle based solution as businesses wished to maintain the vibrancy of the City. The City was trying hard to keep up with trends and there were a number of cafes in the City Centre. However people were not aware of the unique history of the City and that had to be enhanced and augmented by events such as the pageant. Mr Johnston stated that people love Carlisle and that the basics were in place but work was needed on signage particularly in terms of the history of the City. Visitors from all over the world came to Carlisle and Carlisle's history had to be promoted.

It was agreed that there was no need to wait until the next round of budget consultation for discussions to take place and that it would be useful for the Executive and representatives from LEAG to meet on a regular basis.

Mr Johnston queried why the information on the pensions review was not included in the budget documents. The Director of Resources explained that when the documents were prepared that information was not available to Officers. Since preparation of the report it had been determined that there would be no impact on the Council. It was suggested that the Council could introduce a new pension scheme for new employees which could be cheaper than the existing scheme. The options of a new scheme could be part of a recruitment package. The Chief Executive did not believe that it would be possible for the Council to opt out of the national scheme.

It was agreed that it would be useful to have further discussion on issues such as the Carlisle District Local Plan and the City Centre Masterplan as well as other areas such as the Enterprise Centre and car parking. Mr Johnston believed that the Council were doing a good job and gave credit for what had been achieved with the budget available. Finance, Governance and Resources Portfolio Holder explained that Carlisle needed high skilled, high paid jobs and would work with businesses to ensure that would happen.

The Leader thanked the representatives from LEAG for their input into the meeting and looked forward to meeting more frequently in the future.

(The meeting closed at 2.30pm)

Item 9(3)(iii)

BUDGET CONSULTATION – TRADE UNION REPRESENTATIVES
WEDNESDAY 8 JANUARY 2014 AT 3.00 PM

PRESENT: Councillor C Glover (Leader)
Councillor Dr L Tickner (Finance, Governance and Resources Portfolio Holder)
Councillor Mrs E B Martlew (Deputy Leader; and Environment and Transport Portfolio Holder)
Councillor Mrs H Bradley (Economy and Enterprise Portfolio Holder)

Mr C Lexa (UNISON)
Mr M Richmond (UNISON)
Mr D Gow (GMB)

OFFICERS Town Clerk and Chief Executive
Director of Resources

1. APOLOGY FOR ABSENCE

No apologies for absence were submitted.

2. WELCOME

The Finance, Governance and Resources Portfolio Holder welcomed the Trade Union representatives and thanked them for taking the time to attend the meeting and respond to the Executive's draft Budget Proposals 2014/15 issued for consultation.

3. CITY COUNCIL BUDGET 2014/15

The Director of Resources gave a brief presentation highlighting main issues set out in Executive Budget Proposals.

He outlined the background to and context of the 2014/15 budget, emphasising that 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 major 'transformational' savings being identified in accordance with the Council's Savings Strategy.

The Director of Resources gave a further explanation of the following main issues:

- Government Finance Settlement – RSG and NNDR
- Welfare Reform Act
- Triennial Revaluation of the Pension Fund
- Transformation

As part of next year's budget, the Executive was proposing a Council Tax increase of 1.99% for the City Council for 2014/15 (Parish Precepts would be an additional charge in the parished rural areas).

Details of the main changes to the budget for 2014/15 (as set out within the consultation document) reflected the need to make savings of £3.936 million over the next five years. Those would require the Senior Management Team and the Executive to review the services provided by Council and look at where those savings could be found.

The Finance, Governance and Resources Portfolio Holder reported that the budget proposals assumed that significant savings must be found within the next five year period, with £1.839million to be found by 2015/16 with £2.1million in later years.

Despite having to make these savings, which included an approximate 38% reduction in Government grant, due to prudent financial management, the Council had a sound financial base upon which to set its 2014/15 budget. The Executive was still able to deliver on their proposals despite savage cuts.

The Executive's budget:

- Had frozen car parking charges for the third year running
- Maintained the Council's ambitious capital programme including the Arts Centre
- Provided additional funding for Council events in promoting Carlisle
- Maintained the popular 'Clean Up Carlisle' initiative, which had been well received by businesses and the community
- Supported the recruitment and development of four new apprentices for a two year period

He reiterated the Executive's commitment to make non staffing savings first and that compulsory redundancy would only be used as a last resort. The Executive continued to invest in training and development for staff to ensure that the Council could grown their own staff as they were the key resources in delivering services as efficiently as possible.

Although substantial savings had to be met, the Carlisle Plan's main theme was to enable Carlisle to grow. There was a need for more housing of all levels in Carlisle and to address this need nineteen sites had been identified to develop housing with partners, this would increase job and training opportunities within the City and encourage investment.

The Finance, Governance and Resources Portfolio Holder added that it was with some reluctance that the Executive required to recommend a 1.99% increase in Council Tax for 2014/15 after four years of maintaining a council tax freeze.

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

Mr Gow asked if there was any opportunity for the City Council to increase the number of apprentices within the authority given the current youth unemployment figures.

The Finance, Governance and Resources Portfolio Holder responded that the Executive was keen to continue the apprentice scheme but they also felt that there was a balance to be achieved between increasing apprentices and the current Voluntary Redundancy initiative. There would be changes to the funding of apprentices and this may result in opportunities to increase the numbers in the future.

The Town Clerk and Chief Executive added that three apprentices had been previously placed within the authority and had since all found full time permanent positions. The scheme had been a good development opportunity for young people but it had also been very useful to develop better managers within the organisation.

There was funding for four more apprentices and managers within the authority had been asked to submit proposals for the placement of the apprentices to ensure they received a good quality and well planned opportunity.

Mr Richmond was very aware of the financial pressure being placed on local government and asked at what point the aspirations of the Council would be under threat and only statutory services remained?

In response the Director of Resources recognised that there would be some changes to services in the future but felt confident that, with good and prudent financial planning, the authority would be well placed for the future.

The Town Clerk and Chief Executive agreed that he was not concerned with regard to the financial viability of the Council in the next decade but there was concern regarding the role the City Council would play in public services as a whole. Changes were happening within the County Council and the Health Service that would affect the City Council and it was not known what the impact of those changes would be.

The Finance, Governance and Resources Portfolio Holder added that the changes to public services would also affect economic growth. The City Council worked closely with partners to help local employment to encourage growth.

The Environment and Transport Portfolio Holder highlighted the growing confidence that the Large Employers Affinity Group had in the City Council and how they had supported the Council's plans and were keen to be partners in development that would manage growth in the City.

The Economy and Enterprise Portfolio Holder informed the group that work had begun on the next Local Plan. The Plan would identify employment land with an emphasis on the M6 corridor and it would also identify potential housing sites, in particular land owned by the City Council for the development of social housing.

Mr Lexa commented that the proposal that the City Council would look to borrow internally was prudent given the current low interest rates.

The Director of Resources explained that the potential internal borrowing was for the replacement of refuse vehicles. This may not be required as a review of Waste Services was being undertaken and it was hoped that this would result in savings that would cover the purchase of the vehicles.

Mr Lexa noted the shortfall in recycling income and asked if this was due to the reduction in the price for recyclates or a reduction in the amount being recycled.

The Finance, Governance and Resources Portfolio Holder responded that recycling was a volatile market and the reduction in the amount being recycled and the low price being given was a national issue.

The Environment and Transport Portfolio Holder explained that kerbside recycling could not be offered to new properties and this would be looked as a part of the wider Waste Review alongside the contracts and service on offer to make it more efficient and to make some financial savings.

In closing the meeting, the Leader emphasised that the Executive would always look at the option to provide services in house and create potential revenue streams where ever possible. The priority for the Executive was to retain committed, talented and dedicated staff to build for the future. He agreed that there were still some difficult decisions to be made but the Council also had to plan for the future.

(The meeting ended at 4.00pm)

EXECUTIVE – 15 JANUARY 2014

RESPONSES TO 2014/15 BUDGET CONSULTATION

1. The way to run local government better is by stopping payments and unverified allowed by receipt expenses to the plethora of Councillors in too many Councils. This edict from the past has resulted in many very old and incompetent people, mainly disinterested men seeing an easy add-on for their pensions, earning loads of money (paid by me!) for doing not a lot, and blocking younger councillors coming in. I am an (almost) 70 year old woman, and believe that local government would be better run if all Councillors were paid only receipted and verified expenses – as was the case in the past, with a cap at the age of 70. That would clear out the rot, and bring in faster and more educated decisions!

But it won't happen, 'cos the old reactionaries love their perks for doing not a lot! Fewer councils, fewer bureaucrats equals lowed local taxes and quicker decisions – I can but dream!

Regards

2. Feedback from the Liberal Democrat Group – copy letter dated 9 January 2014 attached

3. I am trying to comment upon the Council's draft Budget proposals, but I cannot discover any way of doing so online. None of the numerous "results" which the online search produces seem to connect to any response form, so it appears I will have to send my comments in hard copy. As responses have to be in by 9 a.m. on Monday 13 December, and your offices are not open before then, it will have to be delivered through your letterbox at the weekend.

It appears the same method will also be necessary to deliver a collective response (in the form of a petition against the cuts). The act of delivery will be photographically recorded in order to prove that the response was sent in before the deadline which the Council has imposed.

[redacted]

Feedback from [redacted] – copy letter dated 10 January 2014 attached

Petition from the Socialist Party – copy attached

From Councillor:
Trevor Allison
[redacted]

Telephone: [redacted]
Email: trevora@carlisle.gov.uk

City Councillor for:
Dalston Ward

Budget Consultation
Carlisle City Council
communications@carlisle.gov.uk

9th January 2014.

The following represents the collective response of the Liberal Democrat Group to the consultation on the Executive Budget proposals 2013/14 to 2018/19.

1) Reserves

We acknowledge that the administration are intent on producing a balanced budget but are concerned that this will be achieved by allowing reserves, including General reserve, to fall below the recommended lowest limit. The Report of the Director of Resources (the 151 officer) covering three paragraphs, significantly in bold, reflects our concern.

"... the main risks...The use of reserves will be necessary to fund this budget... not acceptable in the long term... proposals .to bring back to an acceptable level in the following 5 years... resolve the ongoing projected deficit, as part of the Transformation programme.
and;
Based on current projections, Council Reserves will fall below minimum recommended levels....level of reserves will need to reduce until the impact of the transformation is effective...the £2.6M General Reserve is breached ... replenishing over the following 5 years through a stringent savings strategy.
and;
..review the need for borrowing ... dependent on the level of capital receipts being generated... and the potential of future capital projects...the capital programme for 2014/15 may require the use of Prudential Borrowing... depending on the level of capital receipts that can be generated in the future...full option appraisals will be carried out."

This is set against a background of Government cuts of 38%, and a continuation in the inexorable decline in revenue income across a number of important areas, including Lanes income (£138K), Car park income (£170K before loss of Cecil Street), shortfall on Asset Review income, Recyclates income (£180K), together with a number of pressures identified in the budget documents. Collectively these represent a very substantial shortfall which compounds the Gov. Cuts. With uncertainty about the Tesco project at Morton, £19M has been taken out the projected capital receipts for 2014/15. We believe that this is a manifestation of a changing pattern of retail trade which is not to the advantage of the council.

2) Pool Project

We support the Pool project and agree that the existing facility is beyond the end of its service life. We note the projected maintenance and staffing savings of the order of £250Kpa. But given the above extremely challenging background and the uncertainty of the capital receipt from the Morton site, we are not able to support the provision for external borrowing of £5M to finance this project. We are already saddled with £1.34M pa in interest charges alone on the £15.1M of existing debt.

At a projected PWLB 25yr rates of around 4.5% and the implications for MRP with a 4% provision for capital repayment, (We are cautious about the use of the flexibility that is now allowed with respect to the MRP) the interest charge before capital repayment, will be £225,000pa.and will be broadly covered by the projected savings.

The Council have typically £25-30M cash on deposit (Treasury Report), currently at around 1.01% interest. The loss of £50,500 pa in interest by funding the pools project from cash deposits, would be offset by the savings of £250,000, giving a net saving as a reduction in cost to the Council, of almost £200,000 pa. Given that the Asset Review is unlikely to achieve its target yield of 7% in the foreseeable future, we would support the use of cash deposits to fund the pool project.

As to its location and operation, other options should be considered not just The Sands Centre. Since the Centre was opened there has been an explosion of private fitness and leisure facilities in Carlisle. Despite the subsidy the Council pay to the Sands and their ability to attract grant funding, the priva both with budget implications;

- Is the Sands the best location? The GVA Retail study suggests that it is not easily accessible and does not promote city centre footfall. In our submission on The Masterplan, we suggested that the Lower Viaduct may be a more appropriate location for a new pool.

- The Municipal Pools are Discretionary not a statutory obligation. The Council could consider commissioning a private operator to run the Council Pool on our behalf if it still achieves the projected saving in staff costs.

3) Sports Facilities

We need to allow for the wider participation of women and girls in traditionally male dominated sports such as football, rugby and cricket, together with better changing facilities and also for people who are disabled. There also appears to be a greater incidence of wet weather, which has highlighted the urgent need for a drainage programme for a number of our pitches. We would support initiatives in these two areas being incorporated into the budget process.

4) Coach Terminus/Interchange in Rickergate. (A Report)

An option for consideration in the City Centre Masterplan is that the existing bus station between Lonsdale Street and Lowther Street be acquired for a city centre department store such as Primark This could contribute to increasing patronage and footfall in the city centre. In our submission, we proposed that a new bus station/interchange be located in Rickergate, without any demolition of the houses there. We offered an option but qualified it by acknowledging the need for a professional assessment of the proposed access route. Subsequent research has revealed that two options for a coach interchange were proposed at the time of the Renaissance. These provided better access and no demolition of any existing properties.

We propose that based on work already done, provision be made in the budget to commission a report on these two options, linked to the acquisition of the existing bus station..

5) Civic Centre. Two reports

We agreed with the Council's decision to decline the invitation to relocate to the new County Council office development in Lower Botchergate. We see no merit in moving to this edge of centre site, when we should be promoting the city centre.
But, we are concerned at the continuing exodus of city centre businesses to Kingmoor, with on site parking as a major attraction, and presumably lower business rates. Against this background; we suggest that provision be made in the budget to commission a report on two aspects of the Civic Centre;

- Refurbishment of the exterior of the building to improve its appearance and energy efficiency.
- Given the ongoing reduction in staff numbers in the Civic Centre, to commission an investigation and report on whether two floors could be vacated and offered for commercial office let. This would require free parking and competitive rents but would also contribute to the Council's rates bill currently around £250K pa net.

6) Members' Allowances.

We consider it would be unfair to increase members' allowances at a time when projected savings in the Council budget through staff reductions, are identified at a nominal £1M plus projected savings of a further £230K from lower than budgeted pay increases. We support a freeze on members' allowances but any real reduction in the cost of supporting 52 Councillors would need a political decision by members which is outside of this consultation.

Yours sincerely

RECEIVED

13 JAN 2013

[redacted]

10 January 2014

Chief Executive
Civic Centre
CARLISLE
CA3 8QG

Carlisle City Council's Budget Consultation

For convenience, my comments on the Budget Consultation document are presented in numbered paragraphs.

1. Issuing the Budget Consultation document on 16 December 2013 with a response deadline of 13 January 2014 is unreasonable in view of the Christmas/New Year period, when people have other things to do.

2. No hard copy version appears to have been issued to the public. A copy "can be seen at the Civic Centre" (is this like an old-fashioned "chained Bible"?), and if you visit the Civic Centre and wait long enough, customer services staff will print one out for you. Cumbria County Council's Budget Consultation document is printed and freely available in libraries. Why is Carlisle City's not?

3. The document is available online, and part of it states that the Council's "Digital by default" strategy is "to encourage residents to interact with the Council electronically", but as far as I could discover, the electronic version of the document (or any of the website's references to the Budget process) does not provide any means of responding electronically, which suggests that the Council intends its "interaction" with the public to be in one direction only. Even if an electronic response was available, "Digital by default" is a highly discriminatory means of communication, incompatible with the Council's duty to provide equality of access to all its citizens. This shows a poor appreciation of the meaning of "democracy".

4. The Summary version (title page and 2 and a half text pages) is so brief that it gives very little indication of the proposals and says nothing on their likely effects. It relates to a 5 year period and shows summary Revenue and Capital Budgets for 2014/15, but does not show current expenditure in 2013/14, so it is impossible to see where the proposed "savings" (cuts) are being made. The subject headings are generally not self-explanatory, and no explanations are provided. This is particularly regrettable in respect of the most significant item – "New Transformation Savings Required" (£1 million).

5. The Summary is smug and self-congratulatory: "due to its success to date in achieving transformational savings [i.e. previous cuts in jobs and services], the Council now has a solid financial base ... Given the Executive's success in delivering savings in previous years, the Executive is confident that the current savings target will be met ...". There is no acknowledgement of any possible adverse effects or suffering that may have resulted from the way this "success" has been achieved, or which may be caused by the continuation of these policies.

6. The full document (title page and 23 pages of text) obviously provides more information, but not any greater clarity. Rather the reverse: the more figures are presented, the less apparent the meaning. The greater length and complexity of the full version only increases the difficulty created by the short period and inconvenient timing of the consultation process.

7. As regards the content of the main document: the Council's priorities, set out in Section A, include "the growth of more high quality and sustainable business and employment opportunities", and "to develop a skilled and prosperous workforce, fit for the future." How does this square with the Council's previous and future reduction in its own workforce?

8. Two of the priorities aim to "work more effectively with partners", but the Council seems to have great difficulty in working with other local government bodies (County, district and parish councils), other public authorities (Police, Health), commercial organisations or voluntary agencies. Its ludicrous handling of major planning issues has been both discreditable to its reputation and costly to the public.

9. The practically meaningless rhetoric continues with the Council's aim to "Address Carlisle's current and future housing needs", yet it has completely failed to address the issue of the "Bedroom Tax", on the grounds that the Council is not a housing provider (though it has representation on the associations which it has allowed to be the actual providers), while at the same time it has to meet its statutory obligations as a housing authority and administrator of housing and related benefits, as well as offering a (non-statutory) benefits advisory service. The greatest housing need is for the restoration of affordable publicly-controlled housing, both by building sufficient and suitable "Council houses" and taking over and renting out unoccupied or unsold private houses (as many councils used to do). It does not appear that the Council has any plans to undertake those tasks!

10. The document says the Council has a responsibility to set a balanced budget. Legally that may be the case, but there are various ways of achieving it. There is reference to the "Prudential Code" regarding borrowing, but, despite the historically low interest rates, you do not appear to be undertaking any borrowing to support the Revenue Budget in 2014/15. However, you will be borrowing heavily (£5 million) in 2015/16 (which equates with the projected expenditure on "Leisure Facilities") as well as drawing very substantially on reserves, which will have to be replenished in later years. (Further comment on this point will be made in paragraph 19.)

11. It is in Section B that the figures for the Revenue Budget and Capital Programme begin to emerge, but this does not enable the public to understand the "savings" being made, as only one of the schedules actually shows the expenditure in 2013/14, thereby providing a comparison with the proposals for 2014/15 and subsequent years. The differing figures in the various schedules make it very difficult to establish the exact overall figure that is to be cut in 2014/15, and certainly not the amounts which are to be cut from particular budget heads. The overall figure which has been publicly announced is £3.939 million over the five-year period, but how much of this is to be cut in 2014/15 is not readily apparent. I am not inclined to believe that this lack of clarity is unintentional!

12. Schedule 2 "Proposed Budget Reductions" is the nearest approach to an explanation of the financial "elephant in the room", but even that is not straightforward. The undefined "New Transformation Savings Required", amount to £1 million in each of the years 2014/15 – 2016/17, then jump to £2.1 million in 2017/18 and £3.1 million in 2018/19, while "Total Budget Reduction Proposals" range from annual amounts of £1.637 million in 2014/15 to £4.068 million in 2018/19. I have not been able to work out how these figures relate to the supposed overall savings of £3.939 million in 5 years. I suspect that not many of the Councillors have a clear idea of the financial wizardry that may explain these apparent anomalies!

13. The various schedules in Section B become increasingly technical and incomprehensible, and the explanatory notes are not much help to the Council Tax payer. While Councillors may be able to seek clarity from their principal officers, the public, who are supposedly being "consulted" on these proposals, do not have the benefit of this expert guidance. The document fails to explain matters in terms which the electorate can readily understand, and is therefore merely a draft budget, not a true consultation document.

14. The only part which the public can easily grasp is schedule 6, showing the increases in Council Tax in 2014/15 and subsequent years, and these appear to be relatively modest. An increase of 1.99% in 2014/15 costs an extra £3.84 at Band D – nothing to worry about then. But when all of the subsequent annual increases at 1.99% are added together over the 5 years, the rise amounts to the more substantial sum of £20.02. These are of course only estimates ("projections"), and the real increases could be higher.

15. This document does not tell us is what services and how many jobs are to be cut in order to achieve the "required savings". When looking at Council Tax, most of the public think only of the charge, and not the services which are to be provided. For many people at the lower end of the Council Tax bands, the cost (the social and economic effect) of lost services and jobs may be much greater than the increase in the tax; whereas those who are on the higher bands (and often less reliant on council services) will derive more financial benefit from freezing Council Tax or keeping it below the rate of inflation. Even a small increase in the Council Tax can therefore act as a reverse redistribution of resources from the poor to the rich.

16. The other part of the budget which is likely to attract some public attention is Section C, the Capital Programme, particularly the proposal to borrow £5 million in 2015/16 "to fund Leisure Facilities", and the use of nearly £4.6 million in 2014/15 – 2015/16 "Capital receipts from the sale of Assets". The budget document does not expand on those matters, but as these topics will no doubt be vigorously discussed in the local newspapers, I am not going to comment on them here.

17. After further tables in Section D, the document goes into a more explanatory mode in Section E to tell us why the "Savings Strategy" is required and how it will be delivered. Except that it does not really explain either of these important matters. It is full of self-satisfied phrases (see paragraph 5 above), but there is no real substance behind the verbose statements about "the transformation programme". When and where is the Council going to spell out just what these mean? How can it reconcile "looking at ... Discretionary funding to ... Tullie House £250,000" with the (laudable) objective to "Develop vibrant sports, arts and cultural facilities, showcasing the City of Carlisle" (as set out in Section A, page 3)? We all remember the fiasco of Carlisle's expensive bid for "City of Culture" status, while failing actually to support arts and culture in the city.

18. One vitally important issue which requires greater clarification is the effect of these "savings" on jobs. How many "One off expressions of interest in voluntary redundancy ..." (whatever that means) will it take to make the kind of projected savings in salaries referred to in the tables? The Council says it will endeavour to avoid compulsory redundancies, but voluntary redundancies and non-filling of "casual vacancies" (arising from "natural wastage" in the workforce) can have a devastating effect on the workload and welfare of the staff who remain in work, even if you do undertake to pay them a "living wage".

19. One final point, the "Draft Statutory Report of Director of Resources" highlights the fact that "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." What a wonderfully apt phrase. It seems that the entire 5 year budget programme is a "short term fix" to enable the current Council leadership (in control since 2012) to appear as competent and responsible guardians of the public purse in order to strengthen their electoral chances in the next 2 years (and their party's at the Parliamentary elections in 2015), in the hope that a change in the national government will assist them to cope with their financial difficulties in subsequent years.

20. In conclusion, my response to this "Budget Consultation document" is that it is not intended to be understood by the public; it is full of complicated tables of figures, without any explanation how the numbers will affect services; and its high-sounding phrases have little or no real substance. Congratulations on an excellent attempt to "pull the wool over the eyes of the public", but some of us are not so easily fooled!

Yours sincerely,

[redacted]

Socialist Party STOP THE CUTS

Carlisle City Council proposes to cut £3.939 million from its budget in 2014/15 and the following years.

We reject these proposals and demand "No More Cuts in Jobs and Services".

We, the undersigned, therefore call upon Carlisle City Council to set a budget to meet the needs of the people of Carlisle, and demand the necessary finance from central government.

Name	Full Address	Signature
[redacted]	[redacted]	

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EXCERPT FROM THE MINUTES OF THE EXECUTIVE HELD ON 15 JANUARY 2014

EX.01/14 BUDGET 2014/15 – CONSIDERATION OF CONSULTATION FEEDBACK
(Key Decision – KD.030/13)

Portfolio Finance, Governance and Resources

Relevant Overview and Scrutiny Panel Resources

Subject Matter

The Leader reported the submission of the following documents in response to consultation on the Executive's draft Budget proposals:

(a) Minutes of the budget consultation meeting with the Large Employers Affinity Group - 8 January 2014
(b) Minutes of the budget consultation meeting with Trade Union representatives - 8 January 2014
(c) Minutes of the Resources Overview and Scrutiny Panel - 6 January 2014

In response, the Finance, Governance and Resources Portfolio Holder commented upon each in turn:

(a) The meeting with the Large Employers Affinity Group had been extremely constructive and quite challenging in nature. The City Council and business representatives shared a common agenda, namely to drive Carlisle forward and manage growth. The Executive was keen to continue to work throughout the year with businesses to develop priorities for the City.

(b) The Trade Unions were aware of the difficult position in which the Council found itself and were supportive of the Executive's budget proposals. The Council recognised that its staff were a very important resource and the Executive was endeavouring to maintain the terms and conditions of the staff, particularly with regard to pensions.

(c) The Resources Overview and Scrutiny Panel had responded with some extremely useful comments in what were challenging areas for the authority.

The Portfolio Holder thanked the above parties for taking the time to input into the budget process, adding that the Executive had taken account of every comment submitted as part of their budget deliberations.

The Leader endorsed the Portfolio Holder's comments. He added that the above mentioned meetings had been very positive, and had resulted in good and challenging feedback to inform the budget proposals.

Copies of the following documentation received in response to the budget consultation process had also been circulated to the Executive prior to the meeting:

- Comments from members of the public
- Comments from the Liberal Democrat Group
- Petition from The Socialist Party – "Stop The Cuts" (signed by 80 persons) calling upon Carlisle City Council to set a budget to meet the needs of the people of Carlisle, and demand the necessary finance from central government

Mr J G Higginson (petitioner) was in attendance at the meeting.

Mr Higginson began by thanking the Executive for giving him the opportunity to speak in support of the petition, which asked them not to carry out any further cuts in jobs or services, and instead to set a Budget to meet the needs of the people of Carlisle District, in opposition to the orders of central government.

The petition was not from a particular interest group, asking the Council to save a particular local facility or service, possibly at the expense of some other facility or service. The petition asked the Council to stop the process of cutting services generally, year after year, in ways which were increasingly damaging to the community which the Council was supposed to represent – which Members had a duty to represent and to champion.

The petition was organised at short notice by Carlisle Socialist Party, and the signatures were mostly obtained on Saturday 11 January 2014 from people who were passing by their stall in the centre of Carlisle and took the trouble to find out why they were there. They were also collecting signatures on a petition to Cumbria County Council and tried to ensure that the Carlisle petition was only signed by Carlisle District residents, but he was afraid there were a few non-Carlisle signatures on the petition. Discounting them, the Party had collected at least 75 valid signatures from residents of Carlisle District in little more than an hour, and Mr Higginson was sure that they could have obtained many more, given time.

Those people were not an organised pressure group and most of them were not members of the Socialist Party and would not necessarily agree with all their policies. But they were quite clear that they wanted the Council to stop following the orders of a government which nobody elected, on an austerity programme which nobody voted for, and which one of the parties now in government said it was opposed to at the general election. The people who signed the petition said "Enough is Enough – No More Cuts in Jobs or Services".

Because of the way in which Carlisle City Council had presented its proposed Budget, it was not at all clear exactly what amount of cuts were intended in 2014/15 or any subsequent years, nor exactly what services and facilities would be affected and how many jobs would be lost. But it was clear that the overall level of cuts, nearly £4 million was substantial, and must have damaging effects of the community, especially coming on top of cuts made in previous years.

However, there did not appear to be any acknowledgement in the Executive's so-called budget consultation document of the existing and future effects of those cuts. Instead the tone was smug and self-congratulatory, that they had been so "successful" in carrying out the cuts so far, and they had no doubt that their plans for further cuts would be equally successful. They seemed to be quite happy to play their part in carrying out the government's orders, whatever their local community thought about the cuts.

The Petitioners did not believe that Carlisle City Council, or any other local authority, was responsible for bankrupting the country, so why should the people of Carlisle be made to pay for an economic or financial crisis which was international, and caused by the reckless and irresponsible manner in which those who controlled the nation's economy conducted their business?

Mr Higginson added that you yourselves know who was to blame. Last Friday the local newspaper quoted the opinion of one of Carlisle's most experienced politicians, that "If they (the government) tackled tax loopholes, if they hadn't cut taxes for millionaires, then the cuts wouldn't be necessary." That was said in relation to cuts in the Environment Agency, which threatened the safety of the community – but it applied equally to the cuts in other services, including the ones administered by the Council.

The Executive would say that the cuts they were making were "necessary" because the government insisted they made them, and they had no alternative. He said there was an alternative. There were sufficient resources in the economy not only to avoid those cuts but to reverse them, by investing in jobs and services which people needed, to enable people to be employed and earn a "living wage", instead of having to rely on benefits or sink deeper and deeper into debt – but that alternative could only be achieved by a radical shift in national political and economic policies.

And they believed that as a local Council Members could play a part in bringing that about, by refusing to carry out the orders of the government, by setting a budget to meet the needs of the people of Carlisle, by explaining to them the true causes of the "national deficit", and by assisting them, leading them, to organise against "Austerity".

If local Councils like Carlisle did not fight for the right to make their own decisions and to provide the services which their communities needed then local government ceased to have any meaning.

The petitioners asked the Council to stand up for Carlisle; stand up for local government and democracy, against central government and dictatorship.

The Leader thanked Mr Higginson for his attendance, indicating that he was most welcome to stay for the remainder of the public session should he so wish.

The Finance, Governance and Resources Portfolio Holder also thanked Mr Higginson for his input. Responding to the main points, he indicated that many of the comments and observations were political, rather than financial in nature, and could be resolved at the ballot box.

Setting a balanced budget was a legal requirement and the Executive had taken the advice of the Council's Section 151 Officer with regard to the robustness of the estimates and the adequacy of reserves. His statutory report, prepared in accordance with Section 25 of the Local Government Act 2003, was set out within the consultation document. However, that was not easy bearing in mind that the authority had been subject to an approximate 38% reduction in government grant since the coalition government took power.

The Petitioners were asking the Executive to refuse cuts but that was not possible given the need to ensure proper financial administration of the Council's affairs. The Executive could, however, continue to lobby for the provision of funding.

The Finance, Governance and Resources Portfolio Holder stated, when all was put in context, the Executive was working to the best of their ability to create jobs and to deliver upon the Council's priorities.

Turning to the budget consultation responses received from the public / Liberal Democrat Group, the Finance, Governance and Resources Portfolio Holder stated -

<u>Councillors' Expenses</u> – the Council had a scheme for the payment of expenses pursuant to Section 18 of the Local Government and Housing Act 1989 and the Local Authority (Members' Allowances)(England) Regulations 2003, and Members were paid a basic allowance in accordance with those Regulations. The Executive took the matter seriously and expenditure was not incurred unless required.

<u>Reserves</u> – it was prudent to set a minimum level of reserves and, where possible, revenue reserves should not be used to fund recurring expenditure. For 2014/15 all recurring expenditure had been funded from incoming resources; however reserves had been used to fund non-recurring expenditure thus reducing reserves below the minimum level in 2014/15. The robust savings strategy being progressed ensured that reserves were replenished to above minimum levels in the medium term. The need for prudential borrowing to fund capital schemes was constantly kept under review and was dependent upon the level of other capital receipts and funding received; as always the affordability of any borrowing requirement was a key criteria. The Executive followed Officers' advice on the matter.

<u>Capital Projects</u> – the Executive had not looked at any detailed method of borrowing. The proposed £5m scheme for Leisure Facilities would be an "invest to save" scheme, expected to generate savings of £250,000 per annum. However, any proposal would be subject to further reports to the Executive supported by a full business case and business plan.

Sports Facilities – would be considered as part of the Leisure Facilities proposed project (i.e. out with the budget proposals).

Coach Terminus/Interchange in Rickergate – was a County Council matter. The Executive recognised the benefits of attracting new retail investment into the City Centre, and the need for integrated public transport provisions. However, integration into site specific proposals currently was premature until the completion of the strategic City Centre Master planning / Local Plan exercise and the underlying demand from end users / operators was known.

Civic Centre – it was accepted that the Civic Centre was the most cost effective place to be; and was currently very well maintained and, whilst energy efficiency could always be improved, the current energy efficiency rating was good for a building of that age. The Executive was always looking for opportunities to let space in the Civic Centre and to create revenue.

Members' Allowances – the spend in all areas over the last twelve months was well under budget and the position would continue to be monitored.

In conclusion, the Finance, Governance and Resources Portfolio Holder moved the documentation, indicating that all comments raised in response to the budget consultation process had been taken into consideration by the Executive during their deliberations on the budget.

Consultees would receive a more detailed written response in due course.

The Leader seconded the Portfolio Holder's comments. He was grateful for the time people had taken to respond and for the very helpful feedback provided.

Summary of options rejected   None

DECISION

1. That the Minutes of the consultation meetings with the Large Employers Affinity Group and Trade Union representatives, attached as Appendices A and B; and the Extract from the Minutes of the Resources Overview and Scrutiny Panel be received.

2. That the consultation feedback be received, it being noted that the comments had been taken into account by the Executive when formulating its final recommendations for the City Council's 2014/15 Budget to be submitted later in the meeting.

3. That the Executive had given consideration to the Petition and representations made by Mr Higginson on behalf of the petitioners; which would also be taken into account as part of their budget deliberations.

Reasons for Decision

To take into account consultation feedback when formulating recommendations on the 2014/15 Budget

EXCERPT FROM THE MINUTES OF THE EXECUTIVE HELD ON 15 JANUARY 2014

EX.02/14 ****BUDGET 2014/15 – REVENUE ESTIMATES – SUMMARY OF OVERALL BUDGETARY POSITION 2014/15 TO 2018/19**
(Key Decision – KD.030/13)

(In accordance with Paragraph 15(i) of the Overview and Scrutiny Procedure Rules, The Mayor had agreed that call-in procedures should not be applied to this item)

Portfolio Finance, Governance and Resources

Relevant Overview and Scrutiny Panel Resources

Subject Matter

Pursuant to Minute EX.151/13, the Finance, Governance and Resources Portfolio Holder submitted report RD.69/13 providing an update on the Council's revenue budget position for 2014/15 to 2018/19. He informed Members that the report had been amended to mirror the Executive's draft Budget Proposals which were issued for consultation purposes on 16 December 2013, and updated to take account of any further known changes since that date. He then outlined the changes for the benefit of Members.

The Finance, Governance and Resources Portfolio Holder summarised the General Fund Budget Projections for 2013/14 revised to 2018/19. He added that the potential budget shortfall was the projected position that would occur only if all of the new Savings and Spending Pressures were accepted. He further detailed the projected impact on the Council's revenue balances.

It terms of the medium term outlook and budget discipline, it was recognised that the current budget projections for the next five year period were challenging and indicated that substantial savings would be required to enable the Council to contain its ongoing commitments within available resources.

Members further noted that some information particularly on Government Grant allocations remained outstanding and, depending upon the timing of any announcements, the final figures within the Executive’s budget proposals would be revised for presentation to Council on 4 February 2014.

The Finance, Governance and Resources Portfolio Holder then moved the recommendations, which were duly seconded by the Leader.

Summary of options rejected None

DECISION

That the Executive:

1. Noted the draft updated budget projections for 2013/14 to 2018/19, together with the potential use of balances and reserves, in order to recommend a budget to Council on 4 February 2014.

2. Approved for recommendation to Council the continuation of the Local Support for Council Tax Scheme for 2014/15, as outlined in paragraph 3.2 of Report RD.69/13.

Reasons for Decision

To prepare a draft budget proposal for 2014/15 for recommendation to the City Council

EXCERPT FROM THE MINUTES OF THE EXECUTIVE HELD ON 15 JANUARY 2014

EX.03/14 **BUDGET 2014/15 – PROVISIONAL CAPITAL PROGRAMME 2014/15 TO 2018/19
(Key Decision – KD.030/13)

(In accordance with Paragraph 15(i) of the Overview and Scrutiny Procedure Rules, The Mayor had agreed that call-in procedures should not be applied to this item)

Portfolio Finance, Governance and Resources

Relevant Overview and Scrutiny Panel Resources

Subject Matter

Pursuant to Minute EX.152/13, the Finance, Governance and Resources Portfolio Holder submitted report RD.70/13 on the Council's Capital Programme for 2014/15 - 2018/19. He informed Members that the report had been updated to reflect the Executive's budget proposals together with any other known changes. The report detailed the revised capital programme for 2013/14 and proposed capital programme for 2014/15 to 2018/19, together with the proposed methods of financing.

The Finance, Governance and Resources Portfolio Holder added that the report summarised the implications of the changes on the proposed programme for 2014/15 to 2018/19 in light of the capital pressures identified; together with the capital resources available to fund the programme.

In conclusion, the Finance, Governance and Resources Portfolio Holder moved the recommendations which were seconded by the Leader.

Summary of options rejected None

DECISION

That the Executive:

1. Agreed the Provisional Capital Programme for 2014/15 to 2018/19 in the light of the capital bids submitted to date, together with the estimated available capital resources, for recommendation to Council on 4 February 2014 and approved carry forwards of £710,000 from 2013/14 into 2014/15.

2. Recommended to the City Council that any capital scheme for which funding had been approved by Council may only proceed after a full report, including business case and financial appraisal, had been approved by the Executive, following detailed consideration by the Corporate Programme Board.

Reasons for Decision

To prepare a draft Budget proposal for 2014/15 for recommendation to the City Council

EXCERPT FROM THE MINUTES OF THE EXECUTIVE HELD ON 15 JANUARY 2014

EX.06/14 **EXECUTIVE RESPONSE TO THE BUDGET CONSULTATION AND RECOMMENDATIONS FOR THE 2014/15 BUDGET
(Key Decision – KD.030/13)

(In accordance with Paragraph 15(i) of the Overview and Scrutiny Procedure Rules, The Mayor had agreed that call-in procedures should not be applied to this item)

Portfolio Finance, Governance and Resources

Relevant Overview and Scrutiny Panel Resources

Subject Matter

The Finance, Governance and Resources Portfolio Holder referred to the Executive's Budget proposals for 2014/15, copies of which were tabled at the meeting.

The Finance, Governance and Resources Portfolio Holder informed the meeting that preparation of the budget was an ongoing process, the main issues being as detailed within Reports RD.69/13, RD.70/13 and RD.71/13 considered earlier in the meeting. Although the Executive constantly monitored the position there were certain pressures which they could not dictate, for example income from car parking.

The Portfolio Holder emphasised that the Council was obliged to ensure proper financial administration of its affairs, i.e. to table a balanced budget. The Council was facing many financial challenges over the next five year planning period, some of the main issues relating to:

- Government Finance Settlement – RSG and NNDR
- The impact of the Welfare Reform Act
- Revaluation of the Pension Fund
- Transformation

The following had been included in the Executive's budget proposals as a result of announcements by Government regarding Council funding and as a result of consultation responses received:

- Draft RSG figures now included that showed decrease in RSG from 2015/16 to fund New Homes Bonus
- New Homes Bonus Allocations for 2014/15 of £269,000 and 2015/16 of £269,000 included

- Small Scale Community Projects included as £40,000 for 2014/15 as requested in the consultation process by Members of the Resources Overview and Scrutiny Panel
- Finalised Taxbase figures included with small increase in Council Tax yield as a result
- Appropriation to Transformation Reserve of £600,000 for transformational costs
- Reduction in Business Rate Pooling estimate from £600,000 to £500,000 due to some minor changes to new reliefs and discounts.

The following were still outstanding and currently still estimated in the Budget Proposals:

- Council Tax surplus still to be calculated as at 15 January 2014
- Parish Precepts still outstanding for some parishes as at 15 January 2014

The position in terms of budget reductions had not changed. In terms of Treasury Management, investment returns were likely to remain relatively low during 2014/15 and beyond making it more difficult to produce a balanced budget.

The Finance, Governance and Resources Portfolio Holder reiterated that the Executive was keen to work with partners and to do what it could on issues including the use of asset review income; building of rented accommodation; and the creation of jobs. He added that car parking charges had been frozen for the third year running, the aim of which was to assist businesses.

The Portfolio Holder also reinforced his previous statement that any capital scheme for which funding had been approved by Council would only proceed after a full report, including business case and financial appraisal, had been approved by the Executive.

The Portfolio Holder expressed grateful thanks to Executive Members, Officers and all those who had contributed to the budget process.

Although the current economic climate was difficult, the Executive had an ambitious programme for the City and would endeavour to manage cuts and lobby for changes to create new revenue streams.

In conclusion, the Finance, Governance and Resources Portfolio Holder looked forward to presenting the Budget proposals to Council on 4 February 2014.

In seconding the recommendation, the Leader indicated that the Local Government Association had highlighted the fact that people were all living in unprecedented times. He commended Officers for their excellent work during what was a very challenging period, adding that the Executive was committed to driving forward growth.

Summary of options rejected A number of options which had been considered as part of the Council's 2014/15 budget deliberations as identified in various reports

DECISION

That the Executive Budget Proposals for 2014/15, attached as Appendix C, be forwarded to the City Council for approval on 4 February 2014.

Reasons for Decision

To produce the Executive's budget proposals for 2014/15 for recommendation to the City Council

Item 9(5)

APPENDIX

SUGGESTED PROCEDURE FOR SETTING THE BUDGET AT COUNCIL

1. Background

1.1 This note is to advise Members of the procedure which will be adopted for setting the Council's budget at the Special Council Meeting fixed for 4 February next.

1.2 The Executive are presenting their budget proposals to Council to consider prior to 8 February, therefore there is a statutory dispute resolution procedure built into the Council's Budget Procedure Rules which the Council must go through if it wishes to make any amendments to the Executive's budget proposals.

1.3 Put simply, any amendments (or "objections" as the Procedure Rules call them) to the Executive's proposals which the Council might approve at its meeting on 4 February will not come into effect on that day but will operate as a reference back to the Executive. The Executive will then be required to reconsider its proposals in the light of the Council's objections and report back to a subsequent Council meeting. The Council will then consider the Executive's response and decide whether to agree with what the Executive are proposing or insist on its amendments being made to the budget. Either way, the Council has the final say on the budget resolution.

2. What the Budget Procedure Rules say

2.1 The Rules set out the following procedure for dealing with the matter where the Executive submit their budget to Council before 8 February :

- The Executive refer their budget proposals to the Council for consideration.
- If the Council accepts them and has no objections to the Executive proposals i.e. if no proposed amendments to the Executive's budget are agreed by Council, then the decision to accept the Executive's budget will have immediate effect on the night.
- If, however, the Council raises objections to the Executive's budget proposals i.e. if it approves proposed amendments which it wishes to make to those proposals, then it must proceed as set out below :

  - it must inform the Leader of its objections and proposed amendments and instruct him to require the Executive to reconsider its budget proposals in the light of the Council's objections and proposed amendments;

  - it must fix a date for a subsequent Council meeting at least 5 working days afterwards, at which the Executive may submit revised budget proposals to reflect the Council's requirements and explain the reasons for any amendments it may make. Alternatively, the Executive may at that subsequent meeting inform the Council that it disagrees with the Council's objections and proposed amendments and the reasons why.

  - When the matter comes back before the Council, it must take into account the Executive's response before reaching a decision. In practice, it can accept any revised proposals which come back from the Executive and which pick up the changes which the Council has said it wishes to see. Alternatively, if the Executive is not prepared to agree to any changes and the Council still wishes the amendments to be made, then it can vote through the budget but with the proposed amendments and so effectively force them on the Executive. Either way, a final decision on the format of the budget will be made at the reconvened Council meeting and the full Council will have the final say.

3. Proposed Procedure on 4 February and any subsequent Council Meeting

3.1 In the light of the above Rules, it is suggested that the meeting on the 4 February should proceed as follows :

3.2 The Executive's budget will be moved by the Leader and seconded in the usual way as follows :

- The Mayor will invite a motion that, in accordance with the provisions of Council Procedure Rule 25.1, Procedure Rule 14.4 be suspended insofar as it relates to the length of speeches by the proposers of any motions or amendments which are seconded for the duration of the budget debate, to enable such speeches to exceed 10 minutes.

- The Leader will move the receipt of the Minutes of the Executive held on 15 January 2014 which relate to the setting of the City Council budget for 2014/15, and ask the Council to accept that those Minutes and the Reports etc as outlined on the Council Summons under the item City Council Budget be dealt with as one item of business as part of setting the General Fund Revenue Budget for 2014/15 and the Council's Capital Budget for 2014/15.

- The Leader will then propose a motion or motions moving the recommendations of the Executive in respect of the General Fund Revenue Budget and the Council's Capital Budget for 2014/15 i.e. the Executive's budget proposals.

3.3 If any Group wishes to raise "objections" i.e. to propose any amendments to the Executive's budget as moved by the Leader then they should be moved and tabled in the usual way as follows :

- The Mayor will invite amendments to the Leader's motion and will instruct that any amendments which are duly seconded are circulated to all Members of the Council (without speaking thereto).

3.4 It would be advisable to have the usual short adjournment to consider the Groups' amendments (if any) and so:

- The Mayor will invite a motion under Procedure Rule 14.10(g) to allow the meeting to adjourn for a short period, to allow time for consideration of any motions and amendments before the Council.

3.5 Following the adjournment, the Mayor will ask if there are any further amendments to the motions already moved and, in accordance with Procedure Rule 14.2, the Mayor may require that any amendment is put in writing and handed to him.

3.6 The Mayor will then invite the Leader to speak in support of his motion, followed by the seconder of the motion, who may in accordance with Procedure Rule 14.3 reserve his/her speech until a later period of the debate.

3.7 The Mayor will then invite the proposer and seconder of each amendment relating to the motion of the Leader to speak. The seconder of any amendment may, in accordance with Procedure Rule 14.3, reserve his/her speech until a later period of that debate, and debate will continue on each amendment in turn until voting takes place on the amendment, following which any further amendments will be similarly dealt with.

3.8 The Leader, as mover of the original motion, has a right to reply at the close of the debate on each amendment, subject to not having previously spoken on the amendment. The mover of the amendment has no such right of reply.

3.9 Any amendments or “objections” should be put and voted on in the usual way. If any are carried, then they will operate as a reference back to the Executive to reconsider but will not be binding on the night. If no amendments or “objections” are carried then the Executive’s proposals can, once all the amendments have been disposed of, be formally put to the vote and approved on the night as the Council’s budget.

3.10 If any amendments are carried, it will then be necessary for the Council to set a date for the subsequent Council meeting at which the Executive’s response to the proposed amendments will be considered. The Executive will need to meet between the two Council meetings to formulate a response to any proposed amendments and so sufficient time needs to be allowed for this.

3.11 At any subsequent Council meeting, the Leader will move the Executive’s budget again, either with the amendments incorporated or without them. If the Executive have accepted the amendments and built them into their revised budget, then it should be that the Council are able to agree the budget as presented. If the Executive have not been able to accept them, then the amendments will need to be voted on in turn (if there is more than one) and dealt with in the usual way. If they are carried, they will be incorporated into the budget; if they are not carried, then they will fall. Either way, the budget must be approved at the reconvened Council meeting.

NOTE

Before any amendment is voted on, the Council will give the Director of Resources an opportunity to address the meeting to explain, if necessary, the affect of the proposed amendment before the vote is taken and may agree to an adjournment to enable Members to consider the Director of Resources’ advice prior to the vote on any amendment.

Mark Lambert
Director of Governance

January 2014

CARLISLE CITY COUNCIL
www.carlisle.gov.uk

Report to Council	Agenda Item: 10

Meeting Date:	4 February 2014
Portfolio:	Cross Cutting
Key Decision:	Not Applicable
Within Policy and Budget Framework	Not Applicable
Public / Private	Public

Title:	OPERATION OF THE PROVISIONS RELATING TO CALL-IN AND URGENCY
Report of:	Director of Governance
Report Number:	GD.09/14

Purpose / Summary:

To report on the operation of call-in and urgency since the previous report to Council on 7 January 2014.

Recommendations:

That the position be noted.

Tracking

Executive:	N/A
Overview and Scrutiny:	N/A
Council:	4 February 2014

1. BACKGROUND

This report has been prepared in accordance with Rule 15(i) of the Overview and Scrutiny Procedure Rules which deals with the procedure in respect of occasions where decisions taken by the Executive are urgent, and where the call-in procedure should not apply. In such instances the Chairman of the Council (i.e. the Mayor) must agree that the decision proposed is reasonable in the circumstances and should be treated as a matter of urgency.

The record of the decision and the Decision Notice need to state that the decision is urgent and not subject to call-in. Decisions, which have been taken under the urgency provisions, must be reported to the next available meeting of the Council together with the reasons for urgency.

2. OPERATION OF THE PROVISIONS RELATING TO CALL IN AND URGENCY

The Executive, at their meeting on 15 January 2014, considered a number of reports and minutes relating to the Council's 2014/15 Budget as follows:

BUDGET 2014/15

(a) Revenue Estimates – Summary of Overall Budgetary Position 2014/15 to 2018/19
(b) Provision of Capital Programme 2014/15 to 2018/19
(c) Treasury Management Strategy Statement, Investment Strategy and Minimum Revenue Provision Strategy 2014/15
(d) Executive Response to the Budget Consultation and Recommendations for the 2014/15 Budget

These items are all to be considered by the Council at its Special Meeting on 4 February 2014. If a call-in were to be received on any of these items, the call-in procedure would overlap the City Council meeting.

The Executive's draft Budget recommendations have been considered by the Resources Overview and Scrutiny Panel. All Members will have received copies of the above Minutes and reports with the Summons for the Special Council Meeting and will have the opportunity to debate the Executive's Budget recommendations at the Council meeting on 4 February 2014. It was considered that any delay caused by a call-in on any of these items would seriously prejudice the Council's interest in progressing the budget.

For the above reason, the Mayor has agreed that the above decisions were urgent and the call-in process should not be applied.

4. CONCLUSION AND REASONS FOR RECOMMENDATIONS

4.1 That the position be noted.

Contact Officer: **Morag Durham** **Ext: 7036**

Appendices attached to report: **None**

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 – None

Community Engagement – None

Economic Development – None

Governance – Compliance with Procedure Rule 15(i) is important in terms of the Council's governance arrangements.

Local Environment – None

Resources - None