

**BOROUGH OF BARROW-IN-FURNESS**  
**OVERVIEW AND SCRUTINY COMMITTEE**

Meeting:- 30th January, 2014  
at 2.00 p.m. (Committee Room No. 4)

**A G E N D A**

**PART ONE**

1. To note any items which the Chairman considers to be of an urgent nature.
2. To receive notice from Members who may wish to move any delegated matter non-delegated and which will be decided by a majority of Members present and voting at the meeting.

3. Admission of Public and Press

To consider whether the public and press should be excluded from the meeting during consideration of any of the items on the agenda.

4. Declarations of Interest

To receive declarations by Members and/or co-optees of interests in respect of items on this Agenda.

Members are reminded that, in accordance with the revised Code of Conduct, they are required to declare any disclosable pecuniary interests or other registrable interests which have not already been declared in the Council's Register of Interests. (It is a criminal offence not to declare a disclosable pecuniary interest either in the Register or at the meeting).

Members may however, also decide, in the interests of clarity and transparency, to declare at this point in the meeting, any such disclosable pecuniary interests which they have already declared in the Register, as well as any other registrable or other interests.

5. Apologies for Absence/Attendance of Substitute Members.
6. Confirmation of Minutes of the meeting held on 5th December, 2013 (copy attached).
- (R) 7. Scrutiny of the Council Budget for the Year 2014-2015.
- (D) 8. Cultural Services.
- (D) 9. Street Cleansing.
- (D) 10. Fairtrade.

**NOTE (D) – Delegated  
(R) – Referred**

**Membership of Committee**

Councillors Roberts (Chairman)  
Cassidy (Vice-Chairman)  
Derbyshire  
Hamilton  
Husband  
Johnston  
R. McClure  
Maddox  
Opie  
C. Thomson  
M. A. Thomson  
Wall

**For queries regarding this agenda, please contact:**

Sharron Rushton  
Democratic Services Officer  
Tel: 01229 876321  
Email: [srushton@barrowbc.gov.uk](mailto:srushton@barrowbc.gov.uk)

Published: 22nd January, 2014.

# **BOROUGH OF BARROW IN FURNESS**

## **OVERVIEW AND SCRUTINY COMMITTEE**

Meeting, Thursday, 5th December, 2013  
at 2.00 p.m.

PRESENT:- Councillors Roberts (Chairman), Cassidy (Vice-Chairman), Hamilton, Husband, Opie, C. Thomson and M. A. Thomson.

### **21 – Apologies for Absence/Attendance of Substitute Members**

Apologies for absence were submitted from Councillors Derbyshire, R. McClure and Maddox.

### **22 – Minutes**

The Minutes of the meeting held on 24th October, 2013 were taken as read and confirmed.

### **23 – Cultural Services**

The Policy Review Officer provided Members with an update of the scrutiny review into Cultural Services.

The work group had agreed the following Terms of Reference:-

1. Gain a clear understanding of the leisure services the Council provided at its 3 core venues;
2. Examine performance of each venue in terms of costs, income and number of users;
3. Establish what residents expected from its leisure services in terms of provision and cost; and
4. Identify areas where potential improvements in performance value for money and public satisfaction could be achieved.

The work group had now visited the Park Leisure Centre, the Forum and the Dock Museum and discussed opportunities and issues with management and staff.

The Dock Museum Manager had reported that the Museum was in the process of applying for Museum Accreditation. If the application was to be successful then this would allow the Museum to apply for grants.

It was noted that the number of visitors had fallen at the Dock Museum from 75,000 in 2011 to 50,000 in 2013. It was felt that this was a reflection on the restricted opening hours.

The Policy Review Officer would arrange for the Cultural Services Work Group to meet to discuss final details to incorporate into the report.

RESOLVED:- (i) That the information be noted;

(ii) That the Policy Review Officer arrange a meeting for the Cultural Services Work Group; and

(iii) That a number of suggestions be included in the report including the Dock Museum opening on Bank Holidays, marketing the Forum as a Conference Facility and the possibility of introducing a Leisure Card Plus.

## **24 – Street Cleansing**

The Policy Review Officer provided Members with an update of the scrutiny review into street cleansing.

The Council was currently developing a waste management strategy to provide direction for waste collection up to 2021. The Council had engaged with Cumbria County Council and WRAP to obtain their views. It was anticipated that WRAP would start to collect information using Kerbside Analysis Tools (KAT) during the week commencing 9th December, 2013 and that they would be in a position to report to the Council in the first quarter of 2014.

The level of complaints against the street cleansing service had been reduced to less than 10 per week and was being sustained at that level. The main reason for complaints in recent months had been non-delivery of waste containers. The Council now had an appropriate stock of all containers except brown bins. Biffa had substantially cleared the backlog of container deliveries and the Council were now in a position where they should be able to deliver containers within 14 days. It was anticipated that the Council would start taking requests for brown bins in the first quarter of 2014.

RESOLVED:- That the information be noted.

## **25 – Performance Management**

The Policy Review Officer provided Members with the Quarter 1 and Quarter 2 performance figures for the current year and updated Members on the progress being made to update the Council's priorities.

### Key Performance Indicators

Table 1 below shows performance against a selection of existing indicators:-

### Local indicators

| Indicator | Description                                     | Q2 2012/13 | Q2 2013/14 | Change  |
|-----------|---|------------|------------|---|
| 9         | Percentage of Council tax collected             | 57.05      | 56.76      |  |
| 10        | Percentage of NNDR collected                    | 59.88      | 61.20      |  |
| 12        | Average number of days sick per member of staff | 6.05       | 5.37       |  |
| NI 191    | Kilograms of residual waste per household       | 251        | 268        |  |
| NI 192    | % of waste recycled, composted                  | 40.4       | 36.6       |  |
|           | Weight of waste recycled and composted          | 5,685      | 5,159      |  |

The Council Tax collection figure for 2012/13 was marginally lower than the same period in 2011/12.

The NNDR figure had increased compared to last year.

The sickness figure had improved compared to last year.

Residual waste per household had increased for the first time in seven years.

The total waste collected had increased marginally indicating an increase in residual waste and a reduction in recycling.

The percentage of waste recycled was significantly lower and the tonnage was 9% lower which would impact on the future value of the recycling rewards.

The Deputy Executive Director would present the proposed Council's priorities to the Executive Committee on 18th December, 2013.

RESOLVED:- That the information be noted.

The meeting closed at 2.25 p.m.

Part One

|  |                                      |
|--|--------------------------------------|
| <b>OVERVIEW AND SCRUTINY COMMITTEE</b>   | <b>(R)<br/>Agenda<br/>Item<br/>7</b> |
| <b>Date of Meeting: 30th January, 2014</b>   |                                      |
| <b>Reporting Officer: Borough Treasurer</b>  |                                      |
| <b>Title: Scrutiny of the Council Budget for the Year 2014-2015</b>  |                                      |
| <b>Summary and Conclusions:</b>  |                                      |
| The purpose of this report is to consider any items in the Council's Budget for 2014-2015 for comment or scrutiny. |                                      |
| <b>Recommendations:</b>  |                                      |
| Members are recommended to raise any issues/responses relating to the budget proposals for 2014-2015.              |                                      |

**Report**

The Executive Committee on 22nd January, 2014 will consider the budget proposals for 2014-2015 and their recommendations will be before Council in March 2014.

Members of this Committee have the opportunity to scrutinise the budget proposals and raise any concerns to full Council at the meeting in March 2014.

For Members' information the Executive Committee report with the related appendices is attached at **Appendix 1**.

**Background Papers**

Nil

| <b>EXECUTIVE COMMITTEE</b>  |                           | <b>Part One<br/>(R/D)<br/>Agenda<br/>Item<br/>8</b> |
|---|---------------------------|---|
| <b>Date of Meeting:</b>   | <b>22nd January, 2014</b> |   |
| <b>Reporting Officer:</b>   | <b>Borough Treasurer</b>  |   |
| <b>Title: Budget Proposals 2014-2015</b>  |                           |   |
| <b>Summary and Conclusions:</b>   |                           |   |
| <p>This report presents the budget proposals for 2014-2015. The General Fund revenue budget is based on the Budget Strategy agreed on 24<sup>th</sup> January 2012; 2014-2015 will be the third year of the four year plan. The Housing Revenue Account for 2014-2015 is proposed as a balanced budget. The Capital Programme and Treasury Management Strategy Statement for 2014-2015 are also included as is the position on reserves and balances.</p> |                           |   |
| <b>Recommendations:</b>   |                           |   |
| To recommend the Council:   |                           |   |
| <p>(R) 1. To approve the revised 2013-2014 General Fund revenue budget as £12,769,580 together with a contribution to reserves of £414,570;</p>   |                           |   |
| <p>(R) 2. To approve the creation of five Trainee posts, together with the required movements in reserves as set out in Section 3;</p>  |                           |   |
| <p>(R) 3. To set the 2014-2015 General Fund revenue budget as £10,638,490 including £93,640 for parish precepts, together with a contribution to reserves of £116,440 and a 1.9% increase in the borough element of the Council Tax;</p>  |                           |   |
| <p>(R) 4. To agree the items included within the 2014-2015 budget as set out in sections 6.2, 6.6, 6.7 and 6.8;</p>   |                           |   |
| <p>(R) 5. To agree the prices increases referred to in Section 6.11 and that car parking prices are not increased for 2014-2015;</p>  |                           |   |
| <p>(R) 6. To agree the movements in reserves set out in Sections 6.12 and 6.13;</p>   |                           |   |
| <p>(R) 7. To decline the Council Tax Freeze Grant offered for 2014-2015 referred to in Section 6.15;</p>  |                           |   |
| <p>(R) 8. To approve the Housing Revenue Account budget and the individual recommendations contained in the report referred in Section B;</p>   |                           |   |
| <p>(R) 9. To approve the Capital Programme for 2013-2014 to 2016-2017 as referred to in Section D;</p>  |                           |   |

(R) 10. To approve the Treasury Management Strategy Statement for 2014-2015 to 2016-2017 as referred to in Section E together with the borrowing Approval Limit of £55m; and

Members are recommended:

(D) 11. To agree the proposed budget consultation set out in Section F.

## Report

### **A. General Fund**

#### **1. Budget Strategy**

The approved Budget Strategy covers the financial years 2012-2013 to 2015-2016. The Budget Strategy is designed to reduce the Council's core budget to the levels that will be supported by the financial settlement and income from Council Tax. The long term aim is to have a sustainable budget.

If no action had been taken and the Budget Strategy was not implemented, then by 2015-2016 the shortfall on the revenue budget was estimated to be £5m. The Budget Strategy policies were implemented at the start to allow their sustainability to be established over the strategy period. This allowed the early savings to release funds into reserves to control any ups and downs in the assumptions used and to deal with any items outside of the sensitivity analysis of the Medium Term Financial Plan. The reduction achieved in the first two years of the Budget Strategy is £3m and the existing policies will continue to achieve savings by 2015-2016 of £4.4m.

#### **2. Projected outturn for 2013-2014**

The revised budget for 2013-2014 of £12,769,580 is shown in **Appendix 1**. This has increased since the quarter 2 report, by £176,270 'Faster and Further' Efficiency Support Grant that has been awarded to the Council for the performance against the business plan submission and £150,000 for the Weekly Collection Support Scheme allocation for 2013-2014; this has been received into revenue rather than capital.

The original budget for 2013-2014 included a contribution to reserves, for future budget support and restructuring, of £710,620. The revised contribution to reserves for future budget support and restructuring has increased to £1,125,190.

The increase of £414,570 is a result of items set out below; those from the first half of the year have already been reported:

Contributions in (added):

- £603,250 one-off return from the revision to the MMI Scheme of Arrangement provision as highlighted in the closing of the 2012-2013 accounts. Further correspondence has been received and it is now more likely that 28% of the total liability paid and 15% of on-going claims settled will be sufficient. The provision will be reviewed each year end and adjusted accordingly.
- £161,890 continuing saving from capital re-programming earlier in the year and additional investment interest earned.
- £67,700 continuing saving from contract inflation below budget estimates identified in quarter two.

Contributions from (used):

- £149,890 previously agreed one-off transfer for Welfare Support – discretionary housing payments.
- £56,970 previously agreed one-off transfer for Welfare Support – Citizens Advice Bureau and Barrow and District Disability Association.
- £74,380 one-off transfer for Trainees. This is explained in the following paragraph.
- £5,000 one-off subscription to Keep Our Future Afloat (last of a three year commitment) as previously reported.
- £65,720 one-off cost of professional services used during the year to cover staff shortages and fund specific works. The majority of these have already been reported.
- £10,000 continuing cost of works in default as required, this amount has been previously reported.
- £34,000 continuing cost of the loss in recycling rewards due to the reduction in recycling tonnage. This reduction has been reflected in the 2014-2015 budget.
- £22,310 one-off cost of various other items including the 2011-2012 DWP benefit claim settlement, additional NNDR to be paid, less one-off grants received. The majority of these have been reported in the quarterly reports.

The continuing savings and costs are included in the 2014-2015 budget.

Members are asked to approve the 2013-2014 revised budget as £12,769,580 and a contribution of £414,570 to the Restructuring Reserve for 2013-2014.

### **3. Trainees**

When the Budget Strategy was proposed, it was anticipated that the Council would look to introduce trainees by 2015-2016.

With the Pay and Grading review now ended, the reserve that was previously established to cover consultancy fees and protection for downgrading, now becomes available. Rather than add this back into the Restructuring Reserve, it is proposed that the reserve is renamed as the Trainees Reserve and that £74,380 is added to the £175,620 already set aside. This will result in a reserve of £250,000 that will fund five trainees on three year contracts with training and progression built into the contract of employment. There will be an entry level qualification requirement and the trainees would be between 16 and 18 years of age. The Trainees would begin their contract in September 2014 and it is hoped that during the three years, permanent employment in established posts is achieved, however there will be no contractual commitment from the Council to continue employment. To continue for the three year contract the annual examinations must be passed, a single re-sit for each year will be allowed. The Trainees will commence on scale point 8 of the Council's Salary Scale and an incremental advance will be dependent on passing the annual examinations and progress in the workplace. The cost from the reserve for 2014-2015 is £45,850. If the initial trainees are successful in gaining employment during their three years, then additional trainees would be recruited until the reserve is depleted.

Members are asked to approve the reserves and the creation of five Trainee posts on the establishment for a period of three years from the commencement of the contract of employment.

### **4. 2014-2015 Financial Settlement**

Compared to the final 2013-2014 financial settlement, the provisional 2014-2015 financial settlement is:

| <b>Item</b>                | <b>2013-2014</b>  | <b>2014-2015</b>  | <b>Movement</b>                      |
|----------------------------|-------------------|-------------------|--------------------------------------|
| Revenue Support Grant      | £3,987,342        | £2,987,703        | £999,639<br>down 25%                 |
| Business Rate Retention    | £2,652,670        | £2,704,345        | £51,675<br>up 1.9%                   |
| Homeless Prevention        | £94,434           | £93,021           | £1,413<br>down 1.5%                  |
| 2011-2012 Freeze Grant     | £108,795          | £108,309          | £486<br>down 0.4%                    |
| Returned funding (one-off) | -                 | £7,349            | £7,349 up<br>one-off                 |
| <b>Total</b>               | <b>£6,843,241</b> | <b>£5,900,727</b> | <b>£942,514</b><br><b>down 13.8%</b> |

The provisional financial settlement for 2014-2015 provided in January 2013 was for £5.961m. The provisional financial settlement is now £5.901m, plus a

separate grant for the Business Rates cap of £29,587, making £5.931m. This results in a shortfall against the Medium Term Financial Plan of around £30k. This has been reflected in the 2014-2015 proposed budget.

The 2014-2015 financial settlement is issued under consultation and that ends on 15<sup>th</sup> January, 2014. A final settlement notice will then be issued for 2014-2015 and any significant changes will be included in the papers for the Budget Setting report to Full Council.

## **5. Proposed budget for 2014-2015**

The proposed General Fund revenue budget for 2014-2015 is £10,638,490 including £93,640 for parish precepts (**Appendix 1**).

The latest Medium Term Financial Plan estimated the 2014-2015 budget to be:

- Net Revenue Budget £11,073,790
- Total Revenue Financing £10,267,750
- Deficit £797,040
- Less the Budget Setting Support £600,000, leaving £197,040 coming from the Restructuring Reserve.

### Changes in the Net Revenue Budget

| <b>Item</b>  | <b>2014-2015</b>   |
|--|--------------------|
| <b>Current Medium Term Financial Plan</b>                        | <b>£11,073,790</b> |
| Reduced recharges to capital and HRA                             | £185,970           |
| Reduced DWP benefit admin grant                                  | £64,150            |
| Reduced income from parking enforcement                          | £50,630            |
| Reduced recycling reward scheme                                  | £49,840            |
| Cost of agreed re-gradings                                       | £13,110            |
| Additional costs of Individual Electoral Registration            | £7,000             |
| Increased income from property rent                              | (£147,500)         |
| Reduction in estimated inflation on contracts and specifications | (£147,470)         |
| Reduction in software maintenance costs                          | (£23,890)          |
| Increased external interest earned                               | (£23,000)          |
| Soccer Centre net income share                                   | (£13,940)          |
| Net cost from establishment changes                              | £27,510            |
| Net of all other items   | £5,850             |
| <b>Proposed budget</b>   | <b>£11,122,050</b> |

### Changes in the Total Revenue Financing

| <b>Item</b>                               | <b>2014-2015</b>     |
|---|----------------------|
| <b>Current Medium Term Financial Plan</b> | <b>(£10,276,750)</b> |
| Revenue Support Grant                     | £29,710              |
| Business Rate Retention Scheme            | £1,000               |
| Council Tax base and support scheme       | (£167,730)           |

|   |                      |
|---|----------------------|
| New Homes Bonus   | (£127,280)           |
| Council Tax support grant matches loss in DWP admin grant | (£77,720)            |
| 2012-2013 Council Tax surplus                             | (£19,720)            |
| <b>Proposed budget</b>                                    | <b>(£10,638,490)</b> |

There is additional income of £361,740 and a net increase in the Net Revenue Budget of £48,260. This makes the reduction in the use of reserves £313,480. The current Medium Term Financial Plan needed to use £197,040 from reserves and the proposed 2014-2015 budget now results in a contribution to reserves of £116,440.

Members are asked to recommend that the Council set the 2014-2015 General Fund revenue budget at £10,638,490 including £93,640 for parish precepts, together with the contribution of £116,440 to the Restructuring Reserve for 2014-2015.

## **6. Items within the proposed budget**

The following items are included in the 2014-2015 proposed budget:

### **6.1. Trainees**

Paragraph 3 sets out the introduction of five trainees on three year contracts. This will be funded from reserves.

### **6.2. Housing Solutions Officer**

To support the Council's Homelessness Strategy and the Welfare Reform changes, it is proposed that an additional post be added to the Housing Solutions team. This post will be funded from the Homelessness Prevention grant that the Council receives annually. The grant is known for the next two years and grant can be set aside in 2013-2014 to allow a three year contract to be awarded. The post will be retained as long as the grant is received. The post is Scale 6 which is commensurate with the other Housing Solutions Officers already in post.

### **6.3. Director of Resources Restructuring**

The Establishment Report on today's agenda sets out the proposed restructuring from the establishment of the Resources Directorate. The saving for the year is £58,130, however for 2014-2015 this is reduced for the period of transition to £24,800. This is included in the proposed 2014-2015 budget.

### **6.4. Regeneration and the Built Environment Restructuring**

The Establishment Report on today's agenda also sets out the proposed restructuring within the Planning, Development and Environmental Health departments. The net cost of the restructuring is £44,310.

#### 6.5. Soccer Centre

Now that the Soccer Centre has opened a prudent estimate of the income share has been included in the 2014-2015 budget. The income generated by the facility is used to fund the contractors running costs of the Centre and the Council's financing costs. Any income above that is shared and for the Council, the estimated additional income net of property costs is £13,940. It is possible that this figure will be higher as the Centre is proving to be a popular venue.

#### 6.6. Individual Electoral Registration

The estimated additional costs of Individual Electoral Registration are being funded by a Government grant, however the grant awarded at present does not cover the full costs associated with the additional stationery, printing and postage. It is possible that further grant will be secured, but to ensure that sufficient budget is available £7,000 has been added to the budget.

#### 6.7. Medical Referee fees

£1,900 to increase the medical referees fees for the Cremation service. The current fee is £10 per signature and has not been increased for five years. It is proposed that this payment is increased to £12 per signature. This fee is recovered as part of the cremation fees.

#### 6.8. Morecambe Bay branding

£1,000 to contribute to the Morecambe Bay branding partnership as adopted at the Executive Committee of 18<sup>th</sup> December, 2013.

#### 6.9. Council Tax increase

The budget includes an increase in the Barrow Borough Council element of the Council Tax of 1.9% and Band A goes up from £141.93 to £144.63. This is an annual increase of £2.70, or 5 pence a week. 42% of the chargeable dwellings in the borough are in Band A.

The Council Tax Base for the financial year 2014-2015 has been set at:

- The Whole Borough area 17,875.87
  - Barrow unparished 14,394.19
  - Dalton with Newton Town Council 2,204.79
  - Askam and Ireleth Town Council 1,029.11
  - Lindal and Marton Parish Council 247.78

#### 6.10. Car parking pay and display

No increase is proposed for car parking pay and display tickets, contract parking permits or staff parking permits.

### 6.11. Other price increases

Fees and charges have been increased by a minimum of 2.5% or to recover the costs of the service in accordance with the Budget Strategy and these are set out in **Appendix 2**. Building Control prices are set out on a complex schedule; 2.5% will be applied consistently across their pricing structure.

### 6.12. Movements in reserves

The following movements in reserves are included in the proposed 2014-2015 budget for approval:

- £44,920 from the public buildings reserve to fund major works and one-off items:
  - Dock Museum £6,400
  - Park Leisure Centre £11,910
  - Barrow Park £4,640
  - Crematorium £500
  - Duke Street Shops £1,800
  - Barrow Market £6,000
  - Commercial Properties £12,670
  - Town Hall £1,000
- £56,290 from the sports facilities reserve. This has historically been referred to as the Park Vale reserve and Members are asked to rename this as Sports Facilities Reserve. The reserve has been budgeted to be spent as a contribution to the Academy sports facilities in 2014-2015.
- One-off items from the Restructuring Reserve:
  - £10,000 as a budget for dealing with work in default.
  - £2,000 to produce the official street guide during 2014-2015.
  - £1,000 to support the welcome of P&O cruise ship Adonia.

### 6.13. Welfare Support reserve

This Committee on 20<sup>th</sup> March, 2013 agreed to extend the transitional support to the Citizens Advice Bureau and Barrow and District Disability Association (CAB & BDDA). The extension was agreed because of the number of changes from the Welfare Reforms that will have an impact on the number of people needing help and advice. Some of the welfare reform changes have been implemented or have commenced in 2013-2014, but there are still more to follow, in particular Universal Credit.

It is currently anticipated that Universal Credit will be applied in Cumbria during 2016-2017. At that time there will be a Local Services Support Framework which will deliver welfare benefits advice and assistance, to be funded by the DWP. At this point the Council's responsibilities will change as it will no longer be the Housing Benefits administration authority, although the DWP funding may come through the Council so that services are commissioned locally. There are still some decisions to be made and

guidance to be issued for the Universal Credit Local Services Support Framework to be implemented.

Given the timeframe involved and the impact that welfare reform has on residents, Members are asked to consider awarding the full grant to CAB & BDDA for 2014-2015, 2015-2016 and 2016-2017. This would be funded by a new reserve called the Welfare Support reserve.

The Welfare Support reserve would be funded from disaggregating the current 'Grants to External Bodies' reserve, leaving the arts, sports and discretionary relief as it is and transferring the remaining balance into the Welfare Support reserve, £38,040. Also in this reserves would be the additional transition grant agreed in March 2013, £56,970, and the amount set aside for discretionary housing payments in March 2013, £149,890. This totals £244,900.

The cost of awarding the full grant for each year is £56,970. This would leave £73,990 which would remain available to top-up the discretionary housing payments as and when required, until 2016-2017 or until housing benefits administration is no longer the Council's responsibility.

Members are asked to approve the creation of the Welfare Support reserve from the existing reserves as detailed and that full support is awarded to the CAB & BDDA for the next three years. Following this, in 2017-2018, the support would reduce to 50% as originally set out in the Budget Strategy external support policy.

#### 6.14. Other reserve movements

The following reserve movements have been previously agreed or are being credited to revenue as the related expenditure is defrayed:

- £20,000 from the insurance excesses reserve.
- £600,000 from the Budget Setting Support reserve.
- £52,040 from the CCTV reserve.
- £44,610 from the earmarked revenue grants reserve.

#### 6.15. Council Tax Freeze Grant 2014-2015

The Government have proposed a grant worth a 1% council tax rise that would be paid for 2014-2015 and 2015-2016 for a freeze in 2014-2015. The provisional amount for Barrow is £46,131. The budget has been based on a 1.9% increase and as Members are aware, that increase builds into the Council Tax demand year on year. The Council Tax increase for 2014-2015 will generate £72,310 and comparing the offer in terms of the Budget Strategy, the Council would receive grant of £92,262 but would have lost £145,990 by 2015-2016 (the loss would be £75,080 in 2016-2017).

## **7. Revenue Spending Power 2014-2015**

The reduction that has been applied to all local authorities is capped at 6.9%. However, this is a cap on Revenue Spending Power and not the same as the cash grant received.

Compared to 2013-2014 (adjusted) the Revenue Spending Power has been calculated as:

| <b>Item</b>                             | <b>2013-2014</b>   | <b>2014-2015</b>   |
|---|--------------------|--------------------|
| Council Tax excluding parishes          | £3,732,880         | £3,737,650         |
| Revenue Support Grant                   | £3,987,342         | £2,987,703         |
| Business Rate Retention                 | £2,652,670         | £2,704,345         |
| Homeless Prevention                     | £94,434            | £93,021            |
| 2011-2012 Freeze Grant                  | £108,795           | £108,309           |
| Returned funding (one-off)              | -                  | £7,349             |
| Business Rate cap grant                 | -                  | £29,587            |
| Council Tax grant to parishes           | (£17,224)          | (£17,224)          |
| New Homes Bonus                         | £189,801           | £372,858           |
| New Homes Bonus top slice               | £23,173            | £9,526             |
| Benefit admin grants                    | £594,713           | £549,057           |
| New burdens grants                      | £16,402            | £16,402            |
| Efficiency Support Grant                | £1,175,118         | £1,175,118         |
| Indicative 2014-2015 Freeze Grant       | -                  | £46,131            |
| <b>Estimated Revenue Spending Power</b> | <b>£12,558,104</b> | <b>£11,819,832</b> |
| Reduction in 2014-2015                  |                    | £738,272           |
| Reduction in 2014-2015                  |                    | 5.88%              |

The New Homes Bonus top slice is a notional figure and the actual amount to be returned will be notified to the Council in May 2014. The £9,526 is not included in the 2014-2015 proposed budget.

The Efficiency Support Grant is not guaranteed to be awarded and is essentially ring-fenced in its use – it is not for recurring expenditure or running costs. Excluding the Efficiency Support Grant, the Revenue Spending Power for 2014-2015 is £10,644,714. The reduction in 2014-2015 is then £1,913,390, 15.24%. The average reduction is 2.9% (excluding the GLA).

The conditions attached to bidding for the 2014-2015 Efficiency Support Grant are not yet known but it is expected that a further business case will be required to secure the one-off grant.

## **8. 2015-2016 Financial Settlement**

Compared to the provisional 2014-2015 financial settlement, the illustrative 2015-2016 financial settlement is:

| Item                       | 2014-2015         | 2015-2016         | Movement                             |
|----------------------------|-------------------|-------------------|--------------------------------------|
| Revenue Support Grant      | £2,987,703        | £1,984,489        | £1,003,214<br>down 33.6%             |
| Business Rate Retention    | £2,704,345        | £2,778,987        | £74,642<br>up 2.76%                  |
| Homeless Prevention        | £93,021           | £92,990           | £31<br>down 0%                       |
| 2011-2012 Freeze Grant     | £108,309          | £108,272          | £37<br>down 0%                       |
| Returned funding (one-off) | £7,349            | -                 | £7,349 down<br>one-off               |
| <b>Total</b>               | <b>£5,900,727</b> | <b>£4,964,738</b> | <b>£935,989</b><br><b>down 15.9%</b> |

The 2015-2016 financial settlement anticipated in the Medium Term Financial Plan followed the Budget Strategy expectation that the Council's sustainable funding level would be achieved in 2014-2015 and that the financial settlement would then slightly improve (2% up on Revenue Support Grant and Business Rate Retention). The expected financial settlement was £6,076,200 and the illustrative financial settlement is £4,964,740, down by £1,111,460 on the Medium Term Financial Plan. However, in the summer a technical consultation on the financial settlement was issued and outlined the proposed funding reductions that could be expected in this financial settlement. From this it was anticipated that instead of a 2% increase, there would be a 10% decrease in the Revenue Support Grant element. The revised financial settlement for the Medium Term Financial Plan became £5,713,340, down by £362,860.

The increased shortfall in core funding of £748,600 takes the Budget Strategy gap from £5.012m to £5.761m, increasing the deficit from £0.6m to £1.349m. However, the financial settlement papers state: *"The Government has also developed an illustrative spending power for 2015-16. As 2015-16 is the first year of a new spending round a large number of grant allocations are only indicative and are likely to change. The Efficiency Support Grant will be at least the same in 2015-16 as 2014-15 but eligibility for the grant and final amounts are only illustrative at this time and will be subject to final calculations that will be made in Autumn 2014 and on LA performance."*

## **9. Revenue Spending Power 2015-2016**

The illustrative Revenue Spending Power shows that the reduction that has been applied to all local authorities has been capped at 6.9%, but the cap has not yet been set.

Compared to the 2014-2015 (adjusted) Revenue Spending Power, 2015-2016 has been calculated as:

| Item                                    | 2014-2015          | 2015-2016          |
|---|--------------------|--------------------|
| Council Tax excluding parishes          | £3,737,650         | £3,742,428         |
| Revenue Support Grant                   | £2,987,703         | £1,984,489         |
| Business Rate Retention                 | £2,704,345         | £2,778,987         |
| Homeless Prevention                     | £93,021            | £92,990            |
| 2011-2012 Freeze Grant                  | £108,309           | £108,272           |
| Returned funding (one-off)              | £7,349             | -                  |
| Business Rate cap grant                 | £29,587            | £29,587            |
| Council Tax grant to parishes           | (£17,224)          | (£17,224)          |
| New Homes Bonus                         | £372,858           | £555,915           |
| New Homes Bonus top slice               | £9,526             | £24,221            |
| Benefit admin grants                    | £77,713            | -                  |
| New burdens grants                      | £16,402            | -                  |
| Efficiency Support Grant                | £1,175,118         | £1,175,118         |
| Indicative 2014-2015 Freeze Grant       | £46,131            | £46,131            |
| Indicative 2015-2016 Freeze Grant       | -                  | £46,190            |
| <b>Estimated Revenue Spending Power</b> | <b>£11,348,488</b> | <b>£10,567,104</b> |
| Reduction in 2015-2016                  |                    | £781,384           |
| Reduction in 2015-2016                  |                    | 6.89%              |

The Efficiency Support Grant was set up as a two year grant to move authorities to their future sustainable funding level. Adding the grant into 2015-2016 has allowed the core funding to be reduced; core funding is used for revenue which represents the Council's ongoing service delivery costs. Again, the Efficiency Support Grant is not guaranteed to be awarded and is ring-fenced. Excluding the Efficiency Support Grant, the Revenue Spending Power for 2015-2016 is £9,391,986. The reduction in 2015-2016 is then £1,956,502, 17.24%. The average reduction is 1.8% (excluding the GLA).

If the Efficiency Support Grant ends as originally indicated, then the Revenue Spending Power could be reduced by the notional 6.9% cap, or £783,050.

## 10. Medium Term Financial Strategy

The impact of the financial settlement on 2015-2016 will be reflected in the Medium Term Financial Plan. However, to highlight the impact using 2014-2015 as an illustration, the funding for the next three years is shown below:

|                                   | 2014-15        | 2015-16        | 2016-17        | 2017-18        |
|-----------------------------------|----------------|----------------|----------------|----------------|
| Net Revenue Budget                | £11.1m         | £11.1m         | £11.1m         | £11.1m         |
| Total Revenue Financing           | (£10.6m)       | (£10.6m)       | (£10.6m)       | (£10.6m)       |
| <b>Deficit</b>                    | <b>£0.5m</b>   | <b>£0.5m</b>   | <b>£0.5m</b>   | <b>£0.5m</b>   |
| Plus reduction in settlement      |                | £0.8m          | £0.8m          | £0.8m          |
| <b>Illustrative deficit</b>       | <b>£0.5m</b>   | <b>£1.3m</b>   | <b>£1.3m</b>   | <b>£1.3m</b>   |
|                                   |                |                |                |                |
| Budget Setting Support            | (£0.6m)        | (£0.6m)        | -              | -              |
| Restructuring Reserves            | £0.1m          | (£0.7m)        | (£1.3m)        | (£1.3m)        |
| <b>Total movement in reserves</b> | <b>(£0.5m)</b> | <b>(£1.3m)</b> | <b>(£1.3m)</b> | <b>(£1.3m)</b> |

| <b>Illustrative reserve balances</b> | <b>31/3/15</b> | <b>31/3/16</b> | <b>31/3/17</b> | <b>31/3/18</b> |
|--------------------------------------|----------------|----------------|----------------|----------------|
| Budget Setting Support               | £0.6m          | -              | -              | -              |
| Restructuring Reserves               | £2.7m          | £2.0m          | £0.7m          | (£0.6m)        |
| <b>Total movement in reserves</b>    | <b>(£0.5m)</b> | <b>(£1.3m)</b> | <b>(£1.3m)</b> | <b>(£1.3m)</b> |

The reserves required to fund the same budget level for the three years following 2014-2015 is £3.3m based on this illustration. The Restructuring Reserve stands at £2.7m as estimated for 31<sup>st</sup> March 2014.

Members are asked to agree that the Medium Term Financial Strategy be to continue the Budget Strategy aim to eliminate the deficit in the core budget. This will require the continued use of reserves to set the pace of change and achieve long term financial resilience.

The fully revised Medium Term Financial Plan will be presented to this Committee following the Budget Setting for 2014-2015.

Some of the options that will potentially be available to meet the deficit reduction challenge will be estimated in the Medium Term Financial Plan and include the Cumbria Business Rates Pool, reducing external interest payments, reviewing contracts, further efficiency savings and cost cutting measures. However there will also be inflation pressures on the budget to take into account and the potential 2014-2015 award of Efficiency Support Grant will be needed to pay for the required changes.

## **B. Housing Revenue Account**

The Housing Revenue Account budget was presented to the Housing Management Forum on 16<sup>th</sup> January, 2014. The report is attached as **Appendix 3** and Members are asked to consider the report and recommend the Housing Revenue Account budget to Council for approval.

The Housing Revenue Account is a balanced budget for 2014-2015 with a 3.7% rent increase for dwellings and garages.

## **C. Reserves and Balances**

The projected reserves and balances at 31<sup>st</sup> March are:

| <b>Reserve</b>                 | <b>31/3/2013</b> | <b>31/3/2014</b> | <b>31/3/2015</b> |
|--------------------------------|------------------|------------------|------------------|
| VAT exemption                  | £250,000         | £250,000         | £250,000         |
| Insurance excesses             | £79,730          | £59,730          | £39,730          |
| Uninsured losses               | £500,000         | £500,000         | £500,000         |
| Public buildings               | £725,000         | £465,510         | £420,590         |
| Trainees (ex. pay and grading) | £175,620         | £250,000         | £204,150         |
| Cremator relining              | £45,500          | £45,500          | £45,500          |
| Festival Fund                  | £12,420          | -                | -                |
| Market Refurbishment           | £50,650          | -                | -                |

|                                 |                   |                   |                   |
|---------------------------------|-------------------|-------------------|-------------------|
| Sports Facilities               | £56,290           | £56,290           | -                 |
| Grants to External Bodies       | £240,740          | £57,650           | -                 |
| Welfare Support                 | -                 | £244,900          | £187,930          |
| CCTV                            | £137,770          | £87,410           | £35,370           |
| Budget Setting Support          | £1,800,000        | £1,200,000        | £600,000          |
| Restructuring                   | £1,455,560        | £2,580,750        | £2,684,190        |
| Specific Grants (ring-fenced)   | £1,070,550        | £572,460          | £527,850          |
| Woodbridge Haven (ring-fenced)  | £22,430           | -                 | £43,360           |
| James Freel Close (ring-fenced) | £494,650          | £422,480          | £567,000          |
| General Reserve                 | £1,000,000        | £1,000,000        | £1,000,000        |
| <b>Total</b>                    | <b>£8,116,910</b> | <b>£7,792,680</b> | <b>£7,105,670</b> |

| <b>Summary</b>  | <b>31/3/2013</b>  | <b>31/3/2014</b>  | <b>31/3/2015</b>  |
|-----------------|-------------------|-------------------|-------------------|
| Committed       | £5,529,280        | £5,797,740        | £4,967,460        |
| Ring-fenced     | £1,587,630        | £994,940          | £1,138,210        |
| General Reserve | £1,000,000        | £1,000,000        | £1,000,000        |
| <b>Total</b>    | <b>£8,116,910</b> | <b>£7,792,680</b> | <b>£7,105,670</b> |

The General Fund balance at 31<sup>st</sup> March, 2014 is expected to be £2m and this is not expected to change during 2014-2015.

#### Level of reserves and balances

In accordance with Section 25 of the Local Government Act 2003, I confirm that I am satisfied that the budget assumptions and estimates are robust, and that I consider the level of reserves held by the Council to be adequate.

#### **D. Capital Programme**

The Capital Programme was last presented to this Committee on 16<sup>th</sup> October, 2013, and the variations made to the programme are attached at **Appendix 4**. The Capital Programme is reported in **Appendix 5** and includes the programme for 2013-2014 to 2016-2017.

2016-2017 has been added to the programme and an indicative £500,000 has been included as borrowing. The revenue impact of this will be included in the Medium Term Financial Plan. The capital financing for the programme is included in the Treasury Management and Prudential Indicators.

The programme requires £626k of usable capital receipts to be fully funded. The projects in future years will not be commissioned until sufficient funding is in place as usual.

Members are asked to recommend the Capital Programme to Council for approval.

## **E. Treasury Management**

The Treasury Management Strategy Statement is reported in **Appendix 6**. The strategy covers 2014-2015 to 2016-2017 and is based on a low risk, prudent approach providing adequate security and liquidity before considering investment return. The strategy is based on the current treasury management portfolio and the proposed Capital Programme. The impact of the strategy is included in the General Fund and Housing Revenue Account budgets and is in line with the Budget Strategy & Medium Term Financial Plan and self-financing for the HRA.

Members are asked to recommend that Council approve and adopt Treasury Management Strategy Statement and the indicators that it sets out. Members are asked to specifically approve the Authorised Limit for 2014-2015 of £55m as set out in the strategy report.

## **F. Budget consultation**

Once the budget proposals are agreed by this committee, public consultation will commence immediately on the Council's website and with stakeholders until 19<sup>th</sup> February, 2014. This report will be made available via a link on the website with the feedback prompt:

- Do you have any comments in relation to the recommendations contained in the budget report?

In addition, the Overview and Scrutiny Committee will meet to discuss the budget proposals on 30<sup>th</sup> January, 2014.

The Council will meet on 4<sup>th</sup> March, 2014, to consider the results of the consultation process and recommend any amendments as necessary. At this meeting, the Council is to approve the budgets and set the Council Tax for 2014-2015.

### **(i) Legal Implications**

It is a statutory requirement to set the budgets, prudential indicators and the Council Tax.

### **(ii) Risk Assessment**

The recommendation has no significant implications. The latest available information and available trends have been used in setting the budget.

### **(iii) Financial Implications**

The financial implications are included in the report.

(iv) Health and Safety Implications

The recommendation has no significant implications.

The recommendation has no detrimental impact the built environment or public realm.

(v) Equality and Diversity

The recommendation has no detrimental impact on service users showing any of the protected characteristics under current Equalities legislation.

(vi) Health and Well-being Implications

The recommendation has no adverse effect on the Health and Wellbeing of users of this service.

Background Papers

Budget preparation files

DCLG financial settlement information

**General Fund  
Budget 2014-2015**

Appendix 1

|   | Actual<br>2012-2013 | Original<br>2013-2014 | Revised<br>2013-2014 | Budget<br>2014-2015 |
|---|---------------------|-----------------------|----------------------|---------------------|
| Staff pay   | 4,601,324           | 4,486,110             | 4,503,040            | 4,676,750           |
| Pension accounting                                  | 259,087             | 0                     | 0                    | 0                   |
| Staff other costs                                   | 173,799             | 106,900               | 266,570              | 109,180             |
| Transport   | 104,883             | 103,320               | 108,360              | 102,460             |
| Property  | 2,051,500           | 1,930,040             | 2,091,050            | 2,037,940           |
| Supplies and services                               | 4,664,131           | 2,575,390             | 2,596,560            | 2,585,170           |
| Contracts   | 6,459,773           | 6,655,090             | 6,575,150            | 6,704,460           |
| Benefits  | 26,830,321          | 20,445,750            | 20,566,660           | 21,142,050          |
| Benefits grants                                     | (27,052,968)        | (20,350,750)          | (20,290,590)         | (21,069,070)        |
| External income                                     | (8,300,336)         | (6,666,480)           | (6,978,220)          | (6,858,750)         |
| <b>Direct Costs</b>                                 | <b>9,791,514</b>    | <b>9,285,370</b>      | <b>9,438,580</b>     | <b>9,430,190</b>    |
| Internal recharges                                  | 2,938,053           | 2,864,580             | 2,836,160            | 2,734,840           |
| Capital charges                                     | 13,462,792          | 1,816,660             | 3,574,800            | 1,594,570           |
| Internal income                                     | (3,658,145)         | (3,826,360)           | (3,791,710)          | (3,470,870)         |
| <b>Indirect Costs</b>                               | <b>12,742,700</b>   | <b>854,880</b>        | <b>2,619,250</b>     | <b>858,540</b>      |
| <b>Net Expenditure</b>                              | <b>22,534,214</b>   | <b>10,140,250</b>     | <b>12,057,830</b>    | <b>10,288,730</b>   |
| External interest earned                            | (38,130)            | (20,000)              | (55,000)             | (48,000)            |
| External interest paid                              | 584,643             | 659,050               | 584,650              | 584,650             |
| Minimum Revenue Provision                           | 935,369             | 955,660               | 903,170              | 959,280             |
| Capital expenditure financed from revenue resources | 2,215,591           | 0                     | 1,726,530            | 0                   |
| Items excluded from Council Tax                     | (12,898,949)        | (1,816,660)           | (3,574,800)          | (1,594,570)         |
| Items included in Council Tax                       | 889,721             | 1,164,870             | 1,164,870            | 1,135,410           |
| Movements in reserves                               | (599,321)           | 85,520                | (37,670)             | (687,010)           |
| <b>Net Revenue Budget</b>                           | <b>13,623,138</b>   | <b>11,168,690</b>     | <b>12,769,580</b>    | <b>10,638,490</b>   |
| <b>Budget Funded by:</b>                            |                     |                       |                      |                     |
| Revenue support grant                               | (120,065)           | (4,109,380)           | (4,109,380)          | (3,113,620)         |
| NDR pool income                                     | (6,193,783)         | (2,733,860)           | (2,733,860)          | (2,787,120)         |
| New homes bonus                                     | (161,028)           | (212,970)             | (212,970)            | (372,860)           |
| New Burdens   | (121,218)           | (16,400)              | (94,710)             | (94,120)            |
| Local Services Support Grant                        | (113,470)           | 0                     | 0                    | 0                   |
| Weekly Collection Support Scheme                    | (250,000)           | (250,000)             | (400,000)            | (250,000)           |
| Other Government grants                             | (2,085,778)         | 0                     | (1,372,580)          | (29,590)            |
| Collection fund - Barrow                            | (4,577,796)         | (3,823,640)           | (3,823,640)          | (3,971,460)         |
| Collection fund - surplus                           | 0                   | (22,440)              | (22,440)             | (19,720)            |
| <b>Total Revenue Financing</b>                      | <b>(13,623,138)</b> | <b>(11,168,690)</b>   | <b>(12,769,580)</b>  | <b>(10,638,490)</b> |



| <b>Fees &amp; Charges</b> |                    |                              |                              |                   |
|---------------------------|--------------------|------------------------------|------------------------------|-------------------|
|                           |                    |                              |                              |                   |
| <b>Allotments</b>         |                    | <b>Charges<br/>2013/2014</b> | <b>Charges<br/>2014/2015</b> | <b>% Increase</b> |
|                           |                    |                              |                              |                   |
| Allotment Small Plot      | 40 to 200 sq yards | £44.00                       | £45.00                       | 2.27%             |
| Allotment Standard Plot   | 201-400 sq yards   | £88.15                       | £90.50                       | 2.67%             |
| Allotment Large Plot      | 401-600 sq yards   | £132.20                      | £135.50                      | 2.50%             |
| Allotment Very Large Plot | 601-800 sq yards   | £176.30                      | £180.70                      | 2.50%             |
|                           |                    |                              |                              |                   |
| Garage Plots              |                    | £88.15                       | £90.35                       | 2.50%             |



| Fees & Charges                             |                         |                      |                      |            |
|--|-------------------------|----------------------|----------------------|------------|
| Cemetery & Crematorium                     |                         | Charges<br>2013/2014 | Charges<br>2014/2015 | % Increase |
| Sale of Grave                              |                         | £450.00              | £461.00              | 2.44%      |
| Interment for 1                            |                         | £431.00              | £442.00              | 2.55%      |
| Interment for 2                            |                         | £431.00              | £442.00              | 2.55%      |
| Interment for 3                            |                         | £462.00              | £474.00              | 2.60%      |
| Headstone                                  |                         | £82.00               | £84.00               | 2.44%      |
| Full Kerb                                  |                         | £82.00               | £84.00               | 2.44%      |
| Headstone & Kerb                           |                         | £103.00              | £106.00              | 2.91%      |
| Small Headstone                            |                         | £26.00               | £27.00               | 3.85%      |
| Vase                                       |                         | £26.00               | £27.00               | 3.85%      |
| Crem kerbs                                 |                         | £26.00               | £27.00               | 3.85%      |
| Small Headstone & Crem Kerbs               |                         | £26.00               | £27.00               | 3.85%      |
| Standard Tablet                            |                         | £26.00               | £27.00               | 3.85%      |
| Small Tablet                               | 6" x 10" by tree        | £11.00               | £12.00               | 9.09%      |
| Additional Inscription                     |                         | £26.00               | £27.00               | 3.85%      |
| Grave Maintenance                          | Planting twice yearly   | £300.00              | £314.00              | 4.67%      |
|  | 2nd year heather        | £180.00              | £189.00              | 5.00%      |
|  | Rate 1                  | £256.00              | £262.40              | 2.50%      |
|  | Rate 2                  | £154.00              | £157.85              | 2.50%      |
| Book of Remembrance                        | 2 lines                 | £30.00               | £32.40               | 8.00%      |
|  | 5 lines                 | £48.00               | £50.40               | 5.00%      |
|  | 5 lines & emblem        | £84.00               | £88.80               | 5.71%      |
|  | 8 lines                 | £72.00               | £76.80               | 6.67%      |
|  | 8 lines & emblem        | £108.00              | £114.00              | 5.56%      |
| White Memorial Card                        |                         | £24.00               | £26.80               | 11.67%     |
| Coloured Memorial Card                     |                         | £48.00               | £50.40               | 5.00%      |
| Leather Bound Booklet                      |                         | £72.00               | £76.80               | 6.67%      |
| Additional Fee for Emblem<br>(cards/books) |                         | £48.00               | £50.40               | 5.00%      |
| Cremation                                  | Resident                | £636.00              | £652.00              | 2.52%      |
|  | Non Resident            | £636.00              | £652.00              | 2.52%      |
|  | Environmental surcharge | £52.00               | £53.00               | 1.92%      |
|  | Memorial service        | £103.00              | £106.00              | 2.91%      |
|  | Body parts              | £16.00               | £16.50               | 3.13%      |
| Cremation Grave                            |                         | £155.00              | £159.00              | 2.58%      |
| Interment of Ashes                         | Resident                | £165.00              | £170.00              | 3.03%      |
|  | Non-resident            | £165.00              | £170.00              | 3.03%      |
| Plastic urn                                |                         | £21.00               | £21.50               | 2.38%      |
| Wooden casket                              |                         | £41.00               | £42.00               | 2.44%      |
| Scattering of ashes                        |                         | £21.00               | £21.50               | 2.38%      |

| <b>Fees &amp; Charges</b>         |                             |                              |                              |                   |
|-----------------------------------|-----------------------------|------------------------------|------------------------------|-------------------|
|                                   |                             |                              |                              |                   |
| <b>Cemetery &amp; Crematorium</b> |                             | <b>Charges<br/>2013/2014</b> | <b>Charges<br/>2014/2015</b> | <b>% Increase</b> |
|                                   |                             |                              |                              |                   |
| <b>Memorial Plaques</b>           | Green slate tablet & plaque | £192.00                      | £201.60                      | 5.00%             |
|                                   | Bronze plaque               | £120.00                      | £127.20                      | 6.00%             |
|                                   | Renewal fee - 10 years      | £36.00                       | £38.40                       | 6.67%             |
|                                   | Rose & plaque               | £144.00                      | £151.20                      | 5.00%             |
|                                   | Memorial tree               | £96.00                       | £100.80                      | 5.00%             |
|                                   | Perspex plaque              | £42.00                       | £44.40                       | 5.71%             |
|                                   | Memorial seat               | £528.00                      | £554.40                      | 5.00%             |
|                                   | Seat plaque                 | £96.00                       | £100.80                      | 5.00%             |
|                                   |                             |                              |                              |                   |
| <b>Miscellaneous</b>              | Records search fee          | £15.00                       | £16.50                       | 10.00%            |
|                                   | Plastic urn                 | £20.00                       | £21.50                       | 7.50%             |
|                                   | Wooden casket               | £40.00                       | £42.00                       | 5.00%             |
|                                   |                             |                              |                              |                   |



| <b>Fees &amp; Charges</b> |  |                              |                              |                   |
|---------------------------|--|------------------------------|------------------------------|-------------------|
|                           |  |                              |                              |                   |
| <b>Dock Museum</b>        |  | <b>Charges<br/>2013/2014</b> | <b>Charges<br/>2014/2015</b> | <b>% Increase</b> |
|                           |  |                              |                              |                   |
| Hall Hire                 |  | £133.50                      | £136.85                      | 2.51%             |

| <b>Fees &amp; Charges</b> |                                       |                              |                              |                   |
|---------------------------|---------------------------------------|------------------------------|------------------------------|-------------------|
| <b>Leisure Centre</b>     |                                       | <b>Charges<br/>2013/2014</b> | <b>Charges<br/>2014/2015</b> | <b>% Increase</b> |
| Casual Swim               | Junior / Senior Citizen               | 3.10                         | 3.10                         | 0.00%             |
|                           | Leisure Card - Junior / Snior Citizen | 2.50                         | 2.50                         | 0.00%             |
|                           | Adult                                 | 4.70                         | 4.70                         | 0.00%             |
|                           | Leisure Card - Adult                  | 3.70                         | 3.70                         | 0.00%             |
|                           |                                       |                              |                              |                   |
| Family Swim               | Leisure Card                          | 9.00                         | 9.00                         | 0.00%             |
|                           | Junior / Senior Citizen/Adult         | 11.10                        | 11.10                        | 0.00%             |
|                           |                                       |                              |                              |                   |
| Swimming Lessons          | Junior                                | 54.80                        | 54.80                        | 0.00%             |
| (10 week course)          | Adult                                 | 70.20                        | 70.20                        | 0.00%             |
|                           |                                       |                              |                              |                   |
| Aquarobics                | Junior/Senior Citizen                 | 3.50                         | 3.60                         | 2.86%             |
|                           | Leisure Card - Junior/Senior Citizen  | 2.60                         | 2.70                         | 3.85%             |
|                           | Leisure Card - Adult                  | 4.00                         | 4.10                         | 2.50%             |
|                           | Adult                                 | 5.00                         | 5.10                         | 2.00%             |
|                           |                                       |                              |                              |                   |
| Badminton Tennis Peak     | Junior / Senior Citizen               | 5.10                         | 5.20                         | 1.96%             |
|                           | Leisure Card - Junior/Senior Citizen  | 4.20                         | 4.30                         | 2.38%             |
|                           | Leisure Card - Adult                  | 5.50                         | 5.60                         | 1.82%             |
|                           | Adult                                 | 7.20                         | 7.40                         | 2.78%             |
|                           |                                       |                              |                              |                   |
| Badminton Off Peak        | Junior / Senior Citizen               | 4.10                         | 4.20                         | 2.44%             |

| <b>Fees &amp; Charges</b>           |                                      |                              |                              |                   |
|-------------------------------------|--------------------------------------|------------------------------|------------------------------|-------------------|
| <b>Leisure Centre</b>               |                                      | <b>Charges<br/>2013/2014</b> | <b>Charges<br/>2014/2015</b> | <b>% Increase</b> |
|                                     | Leisure Card - Junior/Senior Citizen | 3.50                         | 3.60                         | 2.86%             |
|                                     | Leisure Card- Adult                  | 3.90                         | 4.00                         | 2.56%             |
|                                     | Adult                                | 5.10                         | 5.20                         | 1.96%             |
| Table Tennis                        | Adult (per table)                    | 5.10                         | 5.20                         | 1.96%             |
|                                     | Leisure Card - Adult                 | 3.90                         | 4.00                         | 2.56%             |
|                                     | Junior/Senior Citizen                | 4.10                         | 4.00                         | -2.44%            |
|                                     | Leisure Card - Junior/Senior Citizen | 3.50                         | 3.60                         | 2.86%             |
| 5 a side court (casual)             | Junior                               | 24.60                        | 25.20                        | 2.44%             |
|                                     | Adult                                | 35.90                        | 36.80                        | 2.51%             |
| 5 a side court (Series non-vatable) | Junior                               | 20.50                        | 21.00                        | 2.44%             |
|                                     | Adult                                | 29.90                        | 30.60                        | 2.34%             |
| Rollerskating including skate hire  | Junior                               | 2.60                         | 2.70                         | 3.85%             |
|                                     | Adult                                | 3.60                         | 3.70                         | 2.78%             |
| Sports Hall Party                   | Junior                               | 66.60                        | 68.25                        | 2.48%             |
| Club Pulse - Casual Use             | Adult - Peak                         | 5.60                         | 5.70                         | 1.79%             |
|                                     | Adult - Off Peak                     | 4.10                         | 4.20                         | 2.44%             |
|                                     | Induction                            | 25.60                        | 26.25                        | 2.54%             |
| Club Max - Casual Use               | Junior                               | 2.60                         | 2.70                         | 3.85%             |

| <b>Fees &amp; Charges</b>   |  |                              |                              |                   |
|---|--|------------------------------|------------------------------|-------------------|
| <b>Leisure Centre</b>   |  | <b>Charges<br/>2013/2014</b> | <b>Charges<br/>2014/2015</b> | <b>% Increase</b> |
| Spin Cycling  | Adult                                      | 5.00                         | 5.10                         | 2.00%             |
|   | Leisure Card -<br>Adult                    | 4.00                         | 4.10                         | 2.50%             |
|   | Senior Citizen                             | 3.50                         | 3.60                         | 2.86%             |
|   | Leisure Card -<br>Senior Citizen           | 2.60                         |                              |                   |
| Fitness Classes<br>(inc Dance Mats)   | Adult                                      | 5.00                         | 5.10                         | 2.00%             |
|   | Leisure Card -<br>Adult                    | 4.00                         | 4.10                         | 2.50%             |
|   | Junior/Senior<br>Citizen                   | 3.50                         | 3.60                         | 2.86%             |
|   | Leisure Card -<br>Junior/Senior<br>Citizen | 2.60                         |                              |                   |
| Sports Courses -<br>per session<br>(Gymnastics,<br>trampolining,<br>climbing) | Junior                                     | 5.50                         | 5.60                         | 1.82%             |
|   | Adult                                      | 7.00                         | 7.00                         | 0.00%             |
| Climbing Wall   | Adult                                      | 3.60                         | 3.70                         | 2.78%             |
|   | Leisure Card -<br>Adult                    | 2.60                         | 2.65                         | 1.92%             |
|   | Junior                                     | 2.60                         | 2.65                         | 1.92%             |
|   | Leisure Card -<br>Junior                   | 2.10                         | 2.15                         | 2.38%             |
| Soft Play   | Child sessions                             | 2.60                         | 2.70                         | 3.85%             |
|   | Soft Play Party                            | 66.60                        | 68.00                        | 2.10%             |
|   | Sensory Room -<br>(30 minutes)             | 2.80                         | 2.90                         | 3.57%             |
| Miscellaneous<br>Hire   | Commercial hire -<br>court - series        | 9.10                         | 9.30                         | 2.20%             |
|   | Commercial hire -<br>court - casual        | 10.50                        | 10.80                        | 2.86%             |

| <b>Fees &amp; Charges</b>                   |                                   |                              |                              |                   |
|---|-----------------------------------|------------------------------|------------------------------|-------------------|
| <b>Leisure Centre</b>                       |                                   | <b>Charges<br/>2013/2014</b> | <b>Charges<br/>2014/2015</b> | <b>% Increase</b> |
|   | School hire - court - series      | 3.60                         | 3.70                         | 2.78%             |
|   | School hire - court - casual      | 4.30                         | 4.40                         | 2.33%             |
|   | Studio hire - 2 hrs               | 16.40                        | 16.80                        | 2.44%             |
|   | Studio hire - half day            | 21.90                        | 22.40                        | 2.28%             |
|   | Studio hire - full day            | 35.90                        | 36.80                        | 2.51%             |
|   |                                   |                              |                              |                   |
| <b>Leisure Card</b>                         | Leisure Card - in Borough         | 18.60                        | 18.60                        | 0.00%             |
|   | Leisure Card - out Borough        | 22.90                        | 22.90                        | 0.00%             |
|   | Leisure Card - Junior             | 10.30                        | 10.30                        | 0.00%             |
|   |                                   |                              |                              |                   |
| <b>Leisure Pool Hire - 45 mins - casual</b> | Leisure pool only                 | 49.80                        | 51.00                        | 2.41%             |
|   | Leisure pool with flume and waves | 65.20                        | 66.80                        | 2.45%             |
|   |                                   |                              |                              |                   |
| <b>Leisure Pool Hire - 45 mins - series</b> | Leisure pool only                 | 41.50                        | 42.50                        | 2.41%             |
|   | Leisure pool with flume and waves | 54.30                        | 55.65                        | 2.49%             |
|   |                                   |                              |                              |                   |
| <b>Leisure Pool Party</b>                   |                                   | 76.90                        | 77.00                        | 0.13%             |
|   |                                   |                              |                              |                   |
| <b>Training Pool Hire</b>                   | Club hire - 45 mins               | 51.25                        | 52.55                        | 2.54%             |
|   | Club hire - 60 mins               | 68.25                        | 69.95                        | 2.49%             |
|   | Pool hire - 45 mins               | 61.50                        | 63.00                        | 2.44%             |
|   | Pool hire - 60 mins               | 82.00                        | 84.00                        | 2.44%             |
|   | Lane hire - 45 mins - casual      | 10.25                        | 10.50                        | 2.44%             |
|   | Lane hire - 45 mins - series      | 8.50                         | 8.70                         | 2.35%             |
|   |                                   |                              |                              |                   |

| <b>Fees &amp; Charges</b> |  |                              |                              |                   |
|---------------------------|--|------------------------------|------------------------------|-------------------|
| <b>Leisure Centre</b>     |  | <b>Charges<br/>2013/2014</b> | <b>Charges<br/>2014/2015</b> | <b>% Increase</b> |
| School Swimming           | Leisure Pool - half hour with instructor     | 37.90                        | 38.85                        | 2.51%             |
|                           | Leisure Pool - half hour without instructor  | 27.70                        | 28.40                        | 2.53%             |
|                           | Training Pool - half hour with 1 instructor  | 51.25                        | 52.55                        | 2.54%             |
|                           | Training Pool - half hour with 2 instructors | 61.50                        | 63.00                        | 2.44%             |
|                           | Training Pool - half hour without instructor | 41.00                        | 42.00                        | 2.44%             |
|                           |  |                              |                              |                   |



| <b>Fees &amp; Charges</b> |                    |                              |                              |                   |
|---------------------------|--------------------|------------------------------|------------------------------|-------------------|
|                           |                    |                              |                              |                   |
| <b>Barrow Park</b>        |                    | <b>Charges<br/>2013/2014</b> | <b>Charges<br/>2014/2015</b> | <b>% Increase</b> |
|                           |                    |                              |                              |                   |
| <b>Bowling</b>            | OAP Green Hire     | £10.25                       | £10.50                       | 2.44%             |
|                           | Evening Green Hire | £17.50                       | £18.00                       | 2.86%             |
|                           | 1 hour casual user | £1.25                        | £1.35                        | 8.00%             |
|                           | Child              | £0.50                        | £0.50                        | 0.00%             |
|                           |                    |                              |                              |                   |
| <b>Putting</b>            | Adult              | £1.50                        | £1.60                        | 6.67%             |
|                           | Child              | £1.00                        | £1.00                        | 0.00%             |

| <b>Fees &amp; Charges</b> |                          |                              |                              |                   |
|---------------------------|--------------------------|------------------------------|------------------------------|-------------------|
|                           |                          |                              |                              |                   |
| <b>Indoor Market</b>      |                          | <b>Charges<br/>2013/2014</b> | <b>Charges<br/>2014/2015</b> | <b>% Increase</b> |
|                           |                          |                              |                              |                   |
| Stall                     | Single                   | £40.71                       | £41.75                       | 2.55%             |
|                           | Double                   | £77.55                       | £79.50                       | 2.51%             |
|                           |                          |                              |                              |                   |
| Miscellaneous             | Charity table            | £5.00                        | £5.00                        | 0.00%             |
|                           | Promotional space        | £10.00                       | £10.00                       | 0.00%             |
|                           | Stockroom                | £16.88                       | £17.30                       | 2.49%             |
|                           |                          |                              |                              |                   |
| <b>Outdoor Market</b>     |                          |                              |                              |                   |
|                           |                          |                              |                              |                   |
| Small stall               | Day                      | £10.50                       | £10.75                       | 2.38%             |
|                           | 3 days - paid in advance | £26.50                       | £27.20                       | 2.64%             |
|                           |                          |                              |                              |                   |
| Medium stall              | Day                      | £13.00                       | £13.35                       | 2.69%             |
|                           | 3 days - paid in advance | £32.75                       | £33.60                       | 2.60%             |
|                           |                          |                              |                              |                   |
| Corner stall              | Day                      | £15.00                       | £15.40                       | 2.67%             |
|                           | 3 days - paid in advance | £37.50                       | £38.50                       | 2.67%             |
|                           |                          |                              |                              |                   |
| Small /medium/corner      | Non-market day per day   | £5.50                        | £5.60                        | 1.82%             |

| <b>Fees &amp; Charges</b>  | <b>Charges<br/>2013/2014</b> | <b>Charges<br/>2014/2015</b> | <b>% Increase</b> |
|--|------------------------------|------------------------------|-------------------|
| Land Charges   |                              |                              |                   |
| Full search  | £97.50                       | £99.00                       | 1.54%             |
| LLC1 Form  | £45.00                       | £46.00                       | 2.22%             |
| Con 29 Form (Part 1)   | £52.50                       | £53.00                       | 0.95%             |
| Parcel of land full official search                                | £19.50                       | £20.00                       | 2.56%             |
| Parcel of land con 29 only   | £17.50                       | £18.00                       | 2.86%             |
| Con 29 part II optional enquiries                                  | £10.50                       | £10.75                       | 2.38%             |
| Part II Optional Enquiry No 22 when submitted with Part I          | £18.50                       | £22.00                       | 18.92%            |
| Verification of Information NOT supplied by Barrow Borough Council | £19.00                       | £19.50                       | 2.63%             |

| <b>Fees &amp; Charges</b> |                    |                              |                              |                   |
|---------------------------|--------------------|------------------------------|------------------------------|-------------------|
| <b>Estates</b>            |                    | <b>Charges<br/>2013/2014</b> | <b>Charges<br/>2014/2015</b> | <b>% Increase</b> |
|                           |                    |                              |                              |                   |
|                           | Grazing - per acre | £200.00                      | £205.00                      | 2.50%             |
|                           | Legal Fees         | £75.00                       | £77.00                       | 2.67%             |
|                           | Stable Licence Fee | £100.00                      | £102.50                      | 2.50%             |

| Fees & Charges                               |  |                      |                      |            |  |
|--|--|----------------------|----------------------|------------|--|
|  |  | Charges<br>2013/2014 | Charges<br>2014/2015 | % Increase |  |
| Town Hall                                    |  |                      |                      |            |  |
|  |  |                      |                      |            |  |
| Banqueting Hall/Drawing Room/Council Chamber | Subsidised rate - Hourly                 | £37.70               | £38.70               | 2.65%      |  |
|  | Subsidised rate - Half Day               | £90.50               | £92.80               | 2.54%      |  |
|  | Subsidised rate - Full Day               | £113.00              | £115.80              | 2.48%      |  |
|  |  |                      |                      |            |  |
|  | Non-profit Making Bodies - Hourly        | £75.40               | £77.30               | 2.52%      |  |
|  | Non-profit Making Bodies - Half Day      | £113.00              | £115.80              | 2.48%      |  |
|  | Non-profit Making Bodies - Full Day      | £196.00              | £200.00              | 2.04%      |  |
|  |  |                      |                      |            |  |
|  | Commercial Rate - Hourly                 | £150.80              | £154.60              | 2.52%      |  |
|  | Commercial Rate - Half Day               | £226.20              | £231.90              | 2.52%      |  |
|  | Commercial Rate - Full Day               | £377.00              | £386.50              | 2.52%      |  |
|  |  |                      |                      |            |  |
| Committee Room No 4/Law Library              | Subsidised rate - Hourly                 | £12.10               | £12.40               | 2.48%      |  |
|  | Subsidised rate - Half Day               | £56.60               | £58.00               | 2.47%      |  |
|  | Subsidised rate - Full Day               | £82.90               | £85.00               | 2.53%      |  |
|  |  |                      |                      |            |  |
|  | Non-profit Making Bodies - Hourly        | £24.10               | £24.70               | 2.49%      |  |
|  | Non-profit Making Bodies - Half Day      | £56.60               | £58.00               | 2.47%      |  |
|  | Non-profit Making Bodies - Full Day      | £82.90               | £85.00               | 2.53%      |  |
|  |  |                      |                      |            |  |
|  | Commercial Rate - Half Day CAPITA ONLY   | £68.50               | £70.20               | 2.48%      |  |
|  | Commercial Rate - Full Day - CAPITA ONLY | £98.00               | £100.00              | 2.04%      |  |

Charges apply Monday - Friday 9.00am till 4.00 pm

Sundays and Bank Holidays - All charges double

30% discount for multiple room hire



|  |   |
|--|---|
| <p><b>HOUSING MANAGEMENT FORUM</b></p>   | <p><b>(R)<br/>Agenda<br/>Item<br/>6</b></p> |
| <p><b>Date of Meeting: 16th January, 2014</b></p>  |   |
| <p><b>Reporting Officer: Jane Coles,<br/>Business Support Manager</b></p>  |   |
| <p><b>Title: Housing Revenue Account 2014/15</b></p> <p><b>Summary and Conclusions:</b></p> <p>The purpose of this report is to agree a Housing Revenue Account Budget for the financial year 2014/15.</p> <p>The report also provides an Expected Outturn Budget for the current year 2013/14 and information regarding balances.</p> <p><b>Recommendations:</b></p> <p>Members are asked to:</p> <ol style="list-style-type: none"> <li>1. Note the information at (1)</li> <li>2. Note the information on balances and Voluntary Repayment Provision at (2)</li> <li>3. Note the information in point (3) and agree 2014/15 budgets as shown in <b>Appendix A.</b></li> <li>4. Agree the Dwelling Rent increase of 3.7% at (4) and note the information in <b>Appendix B.</b></li> <li>5. Agree the Garage increase of 3.7% at (5)</li> <li>6. Note the information at (6)</li> </ol> |   |

**Report**

The purpose of this report is to agree a Housing Revenue Account Budget for the coming financial year 2014/15. Information about the Expected Outturn Budget and balances for the current year is also included.

The current year Outturn and proposed 2014/15 HRA budget is attached at **Appendix A.**

Previous assumptions on rent increases were based on guidance that stated that the annual RPI +0.5% plus an additional uplift to bring Local authority rents up to market (Target) rents by 2015/16 should be used and rents within the HRA 30-year business plan were predicated at 3%.

Guidelines now suggest we should use the annual CPI (2.7%) + 1% to determine future rent increases.

In November we asked and you agreed that we could bring forward convergence to Target (market rents) in 2014/15 and dispense with Target rents in any future rent considerations. Attached at **Appendix B** are examples of the effect of applying the increases to a range of property types.

We also asked and you agreed that Garage rents increase at the same % rate as dwellings

We are expected to manage expenditure incurred in maintaining tenancies and stock from the rents collected and we suggest that any surpluses be applied across the following:

- (1) debt repayment
- (2) increased investment in stock
- (3) investment projects where the need or the return is clearly identifiable

## **1. Expected Outturn Budget 2013/14**

The outturn for the year forecasts a net surplus of £10,370. Key factors are:

- HRA Income will be higher than expectations
- Water charges, Repair and Leasehold Major Work recharges account for the increased revenue under other services and facilities
- Water repayment charges also account for the above budget expenditure
- Right to Buy sales are on course to meet budget expectations leaving a dwellings stock of 2685 by 31<sup>st</sup> March 2014
- Increased time taken to relet voids, particularly 2 bedroom flats, has reduced dwelling rent income
- Tenancy terminations have increased by 40% ytd which is mainly attributed to under/over occupation movement

## **2. Balances on the Expected Outturn for 2013/14**

The above is likely to result in the following movement in balances.

### **2.1 Major Repair Reserve balance as at 31 March 2013 : £130,562**

The above funds are not expected to be spent by year end and will carry forward.

**2.2 Housing Revenue Account balance 31 March 2013 : £1,991,094**

### **2.3 Breakdown of Balance on Account**

Housing Revenue Account as at 31 March 2013 : **£1,991,094**  
(of which the £788k was the Maintenance element)  
Forecast Surplus 2013/14 : **£ 10,370**  
  
Estimated Balance at year end : **£2,001,464**

### **2.4 Voluntary Repayment Provision**

Provision as at 31 March 2013 : **£1,739,934**  
Set Aside for 2013/14 : **£1,069,970**  
  
Provision at year end : **£2,809,904**

## **3. Proposed HRA Budget 2014/15**

In proposing the budget for 2014/15 the following factors have been taken into account:

- 3.1 The Settlements Payments Determination provided a budgetary and business planning framework for rental income and management of tenancy, major repair and maintenance expenditure. However, guidelines now suggest increases in line with the annual CPI of 2.7% + 1% raising gross rent income to £10.46 million (including convergence uplift).
- 3.2 Bringing forward convergence adds another £94k to rent income which is marginally less than it would have been a year later. The additional increase, when applied to individual properties, remains within the £2 limit (Constraint).
- 3.3 The 30 year business plan expects an annual Set Aside of £869,970; however the Set Aside for 2014/15 will be £295,690 higher making a total Set Aside for 2014/15 of £1,165,800.
- 3.4 The Welfare Reforms have had a knock on effect on arrears and loss of rental income because of the increased number of voids. We will need to increase the bad debt provision by £33k.
- 3.5 The net income from water charge collection will be £188,912.
- 3.6 I would like to propose that we open up a training opportunity and career path through Housing Service by way of an apprenticeship. It would be Scale 1 total annual cost of £18,000 and whilst provided for within the proposed budget we would hope to work with Cumbria Housing Partnership to recover some of the cost.

- 3.7 It's necessary to carry out Housing Stock survey to update and inform the programme of major works improvements at an estimated cost of £30k.
- 3.8 The budget has allowed for investment projects to be considered which improve the appearance and safety of certain neighbourhoods and this is further considered within the Maintenance budget elsewhere on this agenda.
- 3.9 There is a further need to employ a Planned Maintenance Project Manager on SO2 at total cost of £33,000 to manage and coordinate the various investment projects and a Mobile Caretaking handyman to carry out minor repairs to voids and around the estates on scale 1 with a total annual cost of £18,000.
- 3.10 The Housing department conducted a walkabout of the estates looking at repairs and overall condition during 2013/14. The Housing Management Chair has asked that bi annual site inspections for the whole forum be organised for 2014/15. Provision has been made within the budget to accommodate the cost.

#### 4 Dwelling Rents

- 4.1 The effect for this authority is as follows:

##### Calculation for 2013/14

CPI in September 2012 = 2.7% + 1% = 3.1% increase to Barrow Borough Council rents

Plus or minus a maximum of £2.00 to move the property to its individual target rent.

|                 | 52 Weeks     | 48 Weeks     | <b>Average Rent increase<br/>over 48 weeks</b> |
|-----------------|--------------|--------------|--|
| 2013/14         | £71.40       | £77.35       |  |
| 2014/15         | £75.34       | £81.62       |  |
| <b>Increase</b> | <b>5.52%</b> | <b>5.52%</b> |  |

Attached at Appendix B are further details of the resultant rents for different property types. Rents on an individual property basis will differ.

- 4.2 The housing Major Repairs and maintenance budget has been increased to allow for additional stock investment and environmental improvements and allows a total £2,075 per dwelling based on a stock level of 2,685.

#### 5 Other Charges

- 5.1 Garage Charges

It was approved by the 28<sup>th</sup> November HMF to apply the same uprate to garage rents. Therefore the proposed budget includes a 3.7% increase on

garage charges which generates £7,547. The effect on individual garage charges would be as follows:

|                     | <b>2012/13</b>  | <b>+3.7%</b>    |
|---------------------|-----------------|-----------------|
| Garage rate 1 (27)  | £6.43           | £6.67           |
| Garage rate 2 (459) | £8.88           | £9.21           |
| <b>Increase</b>     | <b>£203,977</b> | <b>£211,525</b> |

There is a 160 strong waiting list garages with few vacancies and the proposed new rent appear on par with the private sector.

5.2 We have recently reviewed the service and facility charges for supported, furnished and dispersed properties and conclude that they are about right. I suggest that we leave them as is provided we continue to recover their cost.

## **6 Business Improvement Initiatives**

Initiatives for 2014/15 will include:

- Moving the Housing Service to the Town Hall and using the opportunity to redesign our structure, design and processes to fit in and improve service delivery
- Reduce the management effort of administrating and managing the Responsive Repair contract in particular the way that the payments are structured and processed.
- In consultation with tenants develop a more meaningful Rent Strategy which outlines how rent increases are determined in the future and how we can improve our collection and arrears service and processes.
- Maximise the online technology to meet customers' needs.

### (i) Legal Implications

The recommendation has no legal implications.

### (ii) Risk Assessment

The recommendation has no, minor or significant implications.

### (iii) Financial Implications

The recommendation has financial implications as detailed.

### (iv) Health and Safety Implications

The recommendation has no detrimental impact the built environment or public realm.

(v) Equality and Diversity

The recommendation has little impact on users with disabilities and Furness Equality and Diversity Partnership have been consulted.

(vi) Health and Well-being Implications

The recommendation has no adverse effect on the Health and Wellbeing of users of this service.

Background Papers

Nil

**Capital Programme Variations**

| Project                               | Adjustments                   | 2013-14            | 2014-15           | 2015-16           |
|---------------------------------------|-------------------------------|--------------------|-------------------|-------------------|
| <b>Programme at 16th October</b>      |                               | <b>£10,033,282</b> | <b>£3,199,500</b> | <b>£2,898,000</b> |
| North Central Renewal                 | Project variation             | £300               |                   |                   |
| Group Repair - Central Area A & E     | Project variation             | £15,000            |                   |                   |
| Group Repair - Central Area A & E     | Funding from grant reserves   | £122,290           |                   |                   |
| Borrowing reduced                     |                               | -£122,290          |                   |                   |
| Rural Regeneration - Roa Island Jetty | Re-profile budget             | -£183,175          | £183,175          |                   |
| IT Equipment & Development            | ESG funding                   | £105,000           |                   |                   |
| Miscellaneous Properties              | No 11 Smallholding            |                    | £15,000           |                   |
| Roof Top Car Park                     | Revised project               | -£260,937          | £50,000           | £50,000           |
| Roof Top Car Park                     | ESG funding                   | £30,000            |                   |                   |
| Market Hall                           | ESG funding                   |                    | £30,000           |                   |
| Market Hall                           | Funding and profile           | -£22,000           | £130,000          |                   |
| Market Hall                           | Reduced funding from reserves | -£5,350            |                   |                   |
| Market Hall                           | UCR revised funding           | £5,350             |                   |                   |
| Town Hall                             | Funding from reserves         | £34,490            |                   |                   |
| James Freel Close Business Units      | Rounding                      | £1                 |                   |                   |
| Marina Village                        | Revised funding from reserves | -£1,670            |                   |                   |
| Asset Investment Fund                 | Movements in the period       | £17,287            |                   |                   |
| <b>Capital Programme</b>              |                               | <b>£9,767,578</b>  | <b>£3,607,675</b> | <b>£2,948,000</b> |



**Capital Programme 2013-2016**

|   | 2013-14          | 2014-15          | 2015-16          | 2016-17          | Total<br>2013-2016 |
|---|------------------|------------------|------------------|------------------|--------------------|
| Capitalised planned maintenance             | 2,295,920        | 1,834,000        | 1,878,000        | 2,094,000        | 8,101,920          |
| Housing IT                                  | 38,412           | -                | -                | -                | 38,412             |
| <b>Total Investment in public housing</b>   | <b>2,334,332</b> | <b>1,834,000</b> | <b>1,878,000</b> | <b>2,094,000</b> | <b>8,140,332</b>   |
| Disabled facilities grants                  | 600,000          | 600,000          | 600,000          | 600,000          | 2,400,000          |
| Private Sector Housing Condition Survey     | 18,967           | -                | -                | -                | 18,967             |
| <b>Total Investment in private housing</b>  | <b>618,967</b>   | <b>600,000</b>   | <b>600,000</b>   | <b>600,000</b>   | <b>2,418,967</b>   |
| Central Property Refurbishments             | 1,417            | -                | -                | -                | 1,417              |
| North Central Renewal                       | 6,283            | -                | -                | -                | 6,283              |
| Group Repair - Marsh Street                 | 14,181           | -                | -                | -                | 14,181             |
| Group Repair - Central Area A & E           | 1,517,292        | 34,500           | -                | -                | 1,551,792          |
| Rawlinson Street Corridor                   | 200,000          | 100,000          | -                | -                | 300,000            |
| <b>Investment in Housing Market Renewal</b> | <b>1,739,173</b> | <b>134,500</b>   | <b>-</b>         | <b>-</b>         | <b>1,873,673</b>   |
| <b>Total Investment in housing</b>          | <b>4,692,472</b> | <b>2,568,500</b> | <b>2,478,000</b> | <b>2,694,000</b> | <b>12,432,972</b>  |
| Cemetery                                    | 277,310          | -                | -                | -                | 277,310            |
| Crematorium                                 | 56,000           | -                | 45,000           | -                | 101,000            |
| Dock Museum                                 | 233,934          | 6,000            | -                | -                | 239,934            |
| Forum 28                                    | 124,520          | -                | -                | -                | 124,520            |
| Leisure Centre                              | 600,000          | -                | -                | -                | 600,000            |
| Market Hall                                 | 121,629          | 160,000          | -                | -                | 281,629            |
| Public Conveniences                         | 21,082           | -                | -                | -                | 21,082             |
| Roof Top Car Park                           | 180,000          | 50,000           | 50,000           | -                | 280,000            |
| Town Hall                                   | 837,490          | -                | -                | -                | 837,490            |
| <b>Total Investment in Public Buildings</b> | <b>2,451,965</b> | <b>216,000</b>   | <b>95,000</b>    | <b>-</b>         | <b>2,762,965</b>   |
| Craven House                                | 600,000          | -                | -                | -                | 600,000            |
| Play Areas                                  | 6,580            | -                | -                | -                | 6,580              |
| Barrow Park                                 | 43,000           | -                | -                | -                | 43,000             |
| James Freel Close Business Units            | 212,100          | -                | -                | -                | 212,100            |
| Phoenix Court Business Centre               | 6,934            | -                | -                | -                | 6,934              |
| Town Centre Shop Front Grants               | 55,332           | -                | -                | -                | 55,332             |
| Miscellaneous Properties                    | -                | 15,000           | -                | -                | 15,000             |
| Abbey Road THI                              | 7,886            | -                | -                | -                | 7,886              |
| 104 Abbey Road (Cookes Building)            | 35,153           | -                | -                | -                | 35,153             |
| 102 Abbey Road                              | 27,182           | -                | -                | -                | 27,182             |
| School Street Former Presbyterian Church    | 42,855           | -                | -                | -                | 42,855             |

**Capital Programme 2013-2016**

|  | 2013-14          | 2014-15          | 2015-16          | 2016-17          | Total<br>2013-2016 |
|--|------------------|------------------|------------------|------------------|--------------------|
| Link Road  | 78,881           | -                | -                | -                | 78,881             |
| Marina Village                                   | 433,330          | -                | -                | -                | 433,330            |
| IT Equipment & Development                       | 165,000          | 60,000           | 60,000           | 60,000           | 345,000            |
| Refuse and Recycling Containers                  | 12,725           | 290,000          | 40,000           | 40,000           | 382,725            |
| CCTV Equipment                                   | 50,000           | -                | -                | -                | 50,000             |
| <b>Total Investment in other public assets</b>   | <b>1,776,958</b> | <b>365,000</b>   | <b>100,000</b>   | <b>100,000</b>   | <b>2,341,958</b>   |
| Ireleth Road Watercourse                         | 7,695            | -                | -                | -                | 7,695              |
| Coastal Defence Work West Shore Park             | 615,000          | -                | -                | -                | 615,000            |
| Rural Regeneration - Piel Island                 | 10,634           | -                | -                | -                | 10,634             |
| Rural Regeneration - Roa Island Jetty            | -                | 183,175          | -                | -                | 183,175            |
| Rural Regeneration - Coastal Protection          | 27,842           | -                | -                | -                | 27,842             |
| <b>Total Investment in Community Initiatives</b> | <b>661,171</b>   | <b>183,175</b>   | <b>-</b>         | <b>-</b>         | <b>844,346</b>     |
| <b>Retentions</b>                                | <b>25,000</b>    | <b>25,000</b>    | <b>25,000</b>    | <b>25,000</b>    | <b>100,000</b>     |
| <b>Asset Investment Fund</b>                     | <b>160,012</b>   | <b>250,000</b>   | <b>250,000</b>   | <b>255,000</b>   | <b>915,012</b>     |
| <b>Total</b>                                     | <b>9,767,578</b> | <b>3,607,675</b> | <b>2,948,000</b> | <b>3,074,000</b> | <b>19,397,253</b>  |

**Funding of Capital Programme**

|                                       |                  |                  |                  |                  |                   |
|---------------------------------------|------------------|------------------|------------------|------------------|-------------------|
| Borrowing Requirement Non Housing     | 2,677,710        | 435,000          | 390,000          | 500,000          | 4,002,710         |
| DCLG Grant                            | 600,000          | 806,384          | 399,000          | 399,000          | 2,204,384         |
| Area Based Grant                      | 369,000          | -                | -                | -                | 369,000           |
| Lottery                               | 7,886            | -                | -                | -                | 7,886             |
| Arts Council                          | 5,000            | -                | -                | -                | 5,000             |
| DEFRA                                 | 335,000          | -                | -                | -                | 335,000           |
| Cumbria County Council                | 132,286          | -                | -                | -                | 132,286           |
| Private Contributions                 | 150,000          | -                | -                | -                | 150,000           |
| HRA MRR                               | 2,295,920        | 1,834,000        | 1,878,000        | 2,094,000        | 8,101,920         |
| Contributions from Earmarked Reserves | 1,412,860        | 30,000           | -                | -                | 1,442,860         |
| Usable Capital Receipts               | 1,781,916        | 502,291          | 281,000          | 81,000           | 2,646,207         |
| <b>Total</b>                          | <b>9,767,578</b> | <b>3,607,675</b> | <b>2,948,000</b> | <b>3,074,000</b> | <b>19,397,253</b> |

### Treasury Management Strategy Statement

#### 1 INTRODUCTION

##### 1.1 Background

The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

CIPFA defines treasury management as:

*"The management of the local authority's investments and 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."*

##### 1.2 Reporting requirements

The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals.

**Prudential and treasury indicators and treasury strategy** (this report) - The first, and most important report covers:

- the capital plans (including prudential indicators);
- a minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time);
- the treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators; and
- an investment strategy (the parameters on how investments are to be managed).

**A treasury management monitoring report** – This will update members with the progress of the capital position, amending prudential indicators as necessary, and whether the treasury strategy is meeting the strategy or whether any policies require revision. This is incorporated into the quarterly finance reports.

**An annual treasury report** – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

### **Scrutiny**

The above reports are required to be adequately scrutinised before being recommended to the Council. This role is undertaken by the Executive Committee.

### **1.3 Treasury Management Strategy for 2014-2015**

The strategy for 2014-2015 covers two main areas:

#### **Capital issues**

- the capital plans and the prudential indicators;
- the minimum revenue provision (MRP) strategy.

#### **Treasury management issues**

- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- policy on use of external service providers.

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, CLG MRP Guidance, the CIPFA Treasury Management Code and CLG Investment Guidance.

### **1.4 Treasury management consultants**

The Council uses Sector as its external treasury management advisors.

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

## **2 THE CAPITAL PRUDENTIAL INDICATORS 2014-2015 – 2016-2017**

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

## 2.1 Capital expenditure

This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need:

| Capital expenditure<br>£000            | 2013-14<br>Estimate | 2014-15<br>Estimate | 2015-16<br>Estimate | 2016-17<br>Estimate |
|--|---------------------|---------------------|---------------------|---------------------|
| Non-HRA                                | 7,434               | 1,774               | 1,070               | 980                 |
| HRA                                    | 2,334               | 1,834               | 1,878               | 2,094               |
| Total                                  | 9,768               | 3,608               | 2,948               | 3,074               |
| <b>Financed by:</b>                    |                     |                     |                     |                     |
| Capital receipts                       | 1,782               | 502                 | 281                 | 81                  |
| Capital grants                         | 1,599               | 807                 | 399                 | 399                 |
| Capital reserves                       | 2,296               | 1,834               | 1,878               | 2,094               |
| Revenue reserves                       | 1,413               | 30                  | -                   | -                   |
| Total                                  | 7,091               | 3,173               | 2,558               | 2,574               |
| <b>Net financing need for the year</b> | <b>2,678</b>        | <b>435</b>          | <b>390</b>          | <b>500</b>          |

## 2.2 The Council's borrowing need (the Capital Financing Requirement)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR. The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need in line with each assets life. The Council is asked to approve the CFR projections below:

| £000                                 | 2013-14<br>Estimate | 2014-15<br>Estimate | 2015-16<br>Estimate | 2016-17<br>Estimate |
|--------------------------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Capital Financing Requirement</b> |                     |                     |                     |                     |
| CFR – Non-HRA                        | 24,874              | 24,350              | 23,795              | 23,367              |
| CFR – HRA                            | 23,289              | 22,123              | 21,254              | 20,383              |
| <b>Total CFR</b>                     | <b>48,163</b>       | <b>46,473</b>       | <b>45,049</b>       | <b>43,740</b>       |
| <b>Movement in CFR</b>               | <b>705</b>          | <b>(1,690)</b>      | <b>(1,424)</b>      | <b>(1,299)</b>      |

| <b>Movement in CFR represented by:</b>     |            |                |                |                |
|--|------------|----------------|----------------|----------------|
| Net financing need for the year (above)    | 2,678      | 435            | 390            | 500            |
| Less MRP/VRP and other financing movements | (1,973)    | (2,125)        | (1,814)        | (1,799)        |
| <b>Movement in CFR</b>                     | <b>705</b> | <b>(1,690)</b> | <b>(1,424)</b> | <b>(1,299)</b> |

### **2.3 Minimum revenue provision (MRP) policy statement**

The Council is required to pay off an element of the accumulated General Fund capital spend each year (the CFR) through a revenue charge (the minimum revenue provision - MRP), although it is also allowed to undertake additional voluntary payments if required (voluntary revenue provision - VRP).

CLG regulations have been issued which require the full Council to approve an **MRP Statement** in advance of each year. A variety of options are provided to councils, so long as there is a prudent provision. The Council is recommended to approve the following MRP Statement.

For capital expenditure incurred before 1 April 2008 or which in the future will be Supported Capital Expenditure, the MRP policy will be:

- **Based on CFR** – MRP will be based on the CFR (option 2);

These options provide for an approximate 4% reduction in the borrowing need (CFR) each year.

From 1 April 2008 for all unsupported borrowing the MRP policy will be:

- **Asset life method** – MRP will be based on the estimated life of the assets, in accordance with the proposed regulations (this option must be applied for any expenditure capitalised under a Capitalisation Direction) (option 3);

These options provide for a reduction in the borrowing need over approximately the asset's life.

There is no requirement on the HRA to make a minimum revenue provision but there is a requirement for a charge for depreciation to be made (although there are transitional arrangements in place). The HRA Business Plan under self-financing includes a voluntary revenue provision to repay the debt on the account.

### **2.4 Use of resources and the investment position**

The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.).

### **2.5 Affordability prudential indicators**

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicators:

## 2.6 Ratio of financing costs to net revenue stream.

This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream.

| %       | 2013-14<br>Estimate | 2014-15<br>Estimate | 2015-16<br>Estimate | 2016-17<br>Estimate |
|---------|---------------------|---------------------|---------------------|---------------------|
| Non-HRA | 12%                 | 13%                 | 15%                 | 14%                 |
| HRA     | 18%                 | 18%                 | 15%                 | 14%                 |

The estimates of financing costs include current commitments and the proposals in this budget report.

## 2.7 Incremental impact of capital investment decisions on council tax.

This indicator identifies the revenue costs associated with proposed changes to the three year capital programme recommended in this budget report compared to the Council's existing approved commitments and current plans. The assumptions are based on the budget, but will invariably include some estimates, such as the level of Government support, which are not published over a three year period.

### Incremental impact of capital investment decisions on the band D council tax

| £                  | 2013-14<br>Estimate | 2014-15<br>Estimate | 2015-16<br>Estimate | 2016-17<br>Estimate |
|--------------------|---------------------|---------------------|---------------------|---------------------|
| Council tax band D | -                   | -                   | -                   | -                   |

## 2.8 Estimates of the incremental impact of capital investment decisions on housing rent levels.

Similar to the council tax calculation, this indicator identifies the trend in the cost of proposed changes in the housing capital programme recommended in this budget report compared to the Council's existing commitments and current plans, expressed as a discrete impact on weekly rent levels.

### Incremental impact of capital investment decisions on housing rent levels

| £                          | 2013-14<br>Estimate | 2014-15<br>Estimate | 2015-16<br>Estimate | 2016-17<br>Estimate |
|----------------------------|---------------------|---------------------|---------------------|---------------------|
| Weekly housing rent levels | -                   | -                   | -                   | -                   |

This indicator shows the revenue impact on any newly proposed changes, although any discrete impact will be constrained by rent controls.

### 3 BORROWING

The capital expenditure plans set out in Section 2 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the the relevant professional codes, so that sufficient cash is available to meet this service activity. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the annual investment strategy.

#### 3.1 Current portfolio position

The Council's treasury portfolio position at 31 March 2013, with forward projections are summarised below. The table shows the actual external debt (the treasury management operations), against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

| £000                                     | 2012-13       | 2013-14       | 2014-15       | 2015-16       | 2016-17       |
|--|---------------|---------------|---------------|---------------|---------------|
|  | Actual        | Estimate      | Estimate      | Estimate      | Estimate      |
| <b>External Debt</b>                     |               |               |               |               |               |
| Debt at 1 April                          | 39,479        | 39,479        | 39,479        | 39,479        | 39,479        |
| Expected change in Debt                  | -             | -             | -             | -             | -             |
| <b>Actual gross debt at 31 March</b>     | <b>39,479</b> | <b>39,479</b> | <b>39,479</b> | <b>39,479</b> | <b>39,479</b> |
| <b>The Capital Financing Requirement</b> | <b>47,458</b> | <b>48,163</b> | <b>46,473</b> | <b>45,049</b> | <b>43,750</b> |
| <b>Under / (over) borrowing</b>          | <b>7,979</b>  | <b>8,684</b>  | <b>6,994</b>  | <b>5,570</b>  | <b>4,271</b>  |

Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2014-15 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

The Borough Treasurer reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

#### 3.2 Treasury Indicators: limits to borrowing activity

**The operational boundary.** This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt.

| Operational boundary<br>£m | 2013-14<br>Estimate | 2014-15<br>Estimate | 2015-16<br>Estimate | 2016-17<br>Estimate |
|----------------------------|---------------------|---------------------|---------------------|---------------------|
| Total                      | 42                  | 42                  | 42                  | 43                  |

**The authorised limit for external debt.** A further key prudential indicator represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term:

1. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although this power has not yet been exercised.

2. The Council is asked to approve the following authorised limit:

| Authorised limit £000 | 2013-14<br>Estimate | 2014-15<br>Estimate | 2015-16<br>Estimate | 2016-17<br>Estimate |
|-----------------------|---------------------|---------------------|---------------------|---------------------|
| Total                 | 55                  | 55                  | 55                  | 55                  |

Separately, the Council is also limited to a maximum HRA CFR through the HRA self-financing regime. This limit is currently:

| HRA Debt Limit £000 | 2013-14<br>Estimate | 2014-15<br>Estimate | 2015-16<br>Estimate | 2016-17<br>Estimate |
|---------------------|---------------------|---------------------|---------------------|---------------------|
| Total               | 36,367              | 36,367              | 36,367              | 36,367              |

### 3.3 Borrowing strategy

The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is relatively high. Against this background and the risks within the economic forecast, caution will be adopted with the 2014-15 treasury operations. The Borough Treasurer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- *if it was felt that there was a significant risk of a sharp FALL in long and short term rates (e.g. due to a marked increase of risks around relapse into recession or of risks of deflation), then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.*
- *if it was felt that there was a significant risk of a much sharper RISE in long and short term rates than that currently forecast, perhaps arising from a greater than expected increase in world economic activity or a sudden increase in inflation risks, then the portfolio position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates were still relatively cheap.*

Any decisions will be reported to the appropriate decision making body at the next available opportunity.

The Council will maintain the current prudent borrowing strategy to support the approach of minimising counterparty risk.

### Treasury management limits on activity

There are three debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs / improve performance. The indicators are:

- Upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments
- Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates;
- Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

The Council is asked to approve the following treasury indicators and limits:

| £m   | 2014-15      | 2015-16      | 2016-17      |
|--|--------------|--------------|--------------|
| <b>Interest rate exposures</b>                                     |              |              |              |
|  | <b>Upper</b> | <b>Upper</b> | <b>Upper</b> |
| <b>Limits on fixed interest rates based on net debt</b>            | 42           | 42           | 43           |
| <b>Limits on variable interest rates based on net debt</b>         | 13           | 13           | 13           |
| <b>Maturity structure of fixed interest rate borrowing 2014-15</b> |              |              |              |
|  | <b>Lower</b> | <b>Upper</b> |              |
| Under 12 months  | 0%           | 20%          |              |
| 12 months to 2 years   | 0%           | 20%          |              |
| 2 years to 5 years   | 0%           | 50%          |              |
| 5 years to 10 years  | 0%           | 75%          |              |
| 10 years and above   | 0%           | 100%         |              |

### 3.4 Policy on borrowing in advance of need

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.

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting.

### **3.5 Debt rescheduling**

As short term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).

The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the treasury strategy;
- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.

All rescheduling will be reported to the Executive Committee, at the earliest meeting following its action

## **4 ANNUAL INVESTMENT STRATEGY**

### **4.1 Investment policy**

The Council's investment policy has regard to the CLG's Guidance on Local Government Investments ("the Guidance") and the revised CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes ("the CIPFA TM Code"). The Council's investment priorities will be security first, liquidity second, then return.

In accordance with the above guidance from the CLG and CIPFA, and in order to minimise the risk to investments, the Council has below clearly stipulated the minimum acceptable credit quality of counterparties for inclusion on the lending list. The creditworthiness methodology used to create the counterparty list fully accounts for the ratings, watches and outlooks published by all three ratings agencies with a full understanding of these reflect in the eyes of each agency. Using the Sector ratings service potential counterparty ratings are monitored on a real time basis with knowledge of any changes notified electronically as the agencies notify modifications.

Further, the Council's officers recognise that ratings should not be the sole determinant of the quality of an institution and that it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate.

The assessment will also take account of information that reflects the opinion of the markets. To this end the Council will engage with its advisors to maintain a monitor on market pricing such as "credit default swaps" and overlay that information on top of the credit ratings.

Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

The aim of the strategy is to generate a list of highly creditworthy counterparties which will also enable diversification and thus avoidance of concentration risk.

The intention of the strategy is to provide security of investment and minimisation of risk.

Investment instruments identified for use in the financial year are listed in paragraph 5 under the 'specified' and 'non-specified' investments categories. Counterparty limits will be as set through the Council's treasury management practices – schedules.

#### **4.2 Creditworthiness policy**

The primary principle governing the Council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle, the Council will ensure that:

- It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the specified and non-specified investment sections below; and
- It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested.

The Borough Treasurer will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council for approval as necessary. These criteria are separate to that which determines which types of investment instrument are either specified or non-specified as it provides an overall pool of counterparties considered high quality which the Council may use, rather than defining what types of investment instruments are to be used.

The minimum rating criteria uses the lowest common denominator method of selecting counterparties and applying limits. This means that the application of the Council's minimum criteria will apply to the lowest available rating for any institution. For instance, if an institution is rated by two agencies, one meets the Council's criteria, the other does not, then the institution will fall

outside the lending criteria. Credit rating information is supplied by Sector, our treasury consultants, on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty (dealing) list. Any rating changes, rating watches (notification of a likely change), rating outlooks (notification of a possible longer term change) are provided to officers almost immediately after they occur and this information is considered before dealing. For instance, a negative rating watch applying to a counterparty at the minimum Council criteria will be suspended from use, with all others being reviewed in light of market conditions.

The criteria for providing a pool of high quality investment counterparties (both specified and non-specified investments) is:

- Banks 1 - good credit quality – the Council will only use banks which:
  - i. are UK banks; and/or
  - ii. are non-UK and domiciled in a country which has a minimum sovereign long term rating of AAAand have, as a minimum, the following Fitch, Moody's and Standard and Poor credit ratings (where rated):
  - i. Short term – F1, P-1,A-1
  - ii. Long term – AA-, Aa3, AA-
  - iii. Viability / financial strength – B (Fitch / Moody's only)
  - iv. Support – 2 (Fitch only)
- Banks 2 – Part nationalised UK banks – Lloyds Banking Group and Royal Bank of Scotland. These banks can be included if they continue to be part nationalised or they meet the ratings in Banks 1 above.
- Banks 3 – The Council's own banker for transactional purposes if the bank falls below the above criteria, although in this case balances will be minimised in both monetary size and time.
- Building societies. The Council will use all societies which:
  - i. meet the ratings for banks outlined above;
  - ii. Have assets in excess of £500 million;or meet both criteria.
- Money market funds
- UK Government (including gilts and the DMADF)
- Local authorities and parish councils
- Supranational institutions

**Country and sector considerations** - Due care will be taken to consider the country, group and sector exposure of the Council's investments. In part, the country selection will be chosen by the credit rating of the sovereign state in Banks 1 above. In addition:

- no more than 10% will be placed with any non-UK country at any time;
- limits in place above will apply to a group of companies;
- sector limits will be monitored regularly for appropriateness.

**Use of additional information other than credit ratings.** Additional requirements under the Code require the Council to supplement credit rating information. Whilst the above criteria relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market information will be applied before making any specific investment decision from the agreed pool of counterparties. This additional market information (for example Credit Default Swaps, negative rating watches/outlooks) will be applied to compare the relative security of differing investment counterparties.

**Time and monetary limits applying to investments.** The time and monetary limits for institutions on the Council's counterparty list are as follows (these will cover both specified and non-specified investments):

|  | Fitch Long term Rating (or equivalent)                 | Money Limit | Time Limit |
|--|--|-------------|------------|
| Limit 1: long term                               | AA-  | £2m         | 5yrs       |
| Limit 2: short term Council's own bank           | F1   | £10m        | 1 year     |
| Limit 3: Short term banks and building societies | <i>F1 or eligible institution with £500m of assets</i> | £3m         | 1 year     |
| Other institutions limit                         | -  | £5m         | 1 year     |
| DMADF  | AAA  | Unlimited   | 1 year     |
| Local authorities                                | -  | £5m         | 1 year     |

The proposed criteria for specified and non-specified investments are shown in paragraph 5 for approval.

#### 4.3 Country limits

The Council has determined that it will only use approved counterparties from countries with a minimum sovereign credit rating of AA+ from Fitch. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

#### 4.4 Investment strategy

**In-house funds.** Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months).

**Investment returns expectations.** Bank Rate is forecast to remain unchanged at present, so the revenue budget is based on achieving a weighted average return of 0.47%.

**Investment treasury indicator and limit** - total principal funds invested for greater than 364 days. These limits are set with regard to the Council's liquidity

requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

The Council is asked to approve the treasury indicator and limit: -

| <b>Maximum principal sums invested &gt; 364 days</b> |                |                |                |
|--|----------------|----------------|----------------|
| <b>£m</b>  | <b>2014-15</b> | <b>2015-16</b> | <b>2016-17</b> |
| Principal sums invested > 364 days                   | £1m            | £1m            | £1m            |

#### **4.5 Investment risk benchmarking**

These benchmarks are simple guides to maximum risk, so they may be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmark is that officers will monitor the current and trend position and amend the operational strategy to manage risk as conditions change. Any breach of the benchmarks will be reported, with supporting reasons in the mid-year or Annual Report.

Security - The Council's maximum security risk benchmark for the current portfolio, when compared to these historic default tables, is:

- **0.1% historic risk of default when compared to the whole portfolio.**

Liquidity – in respect of this area the Council seeks to maintain:

- Liquid short term deposits of at least £2m available with a week's notice.
- Weighted average life benchmark is expected to be 0.15 years, with a maximum of 0.75 years.

Yield - local measures of yield benchmark

- Investments – internal returns above the 7 day LIBID rate

and in addition that the security benchmark for each individual year is:

|                | <b>1 year</b> | <b>2 years</b> | <b>3 years</b> | <b>4 years</b> | <b>5 years</b> |
|----------------|---------------|----------------|----------------|----------------|----------------|
| <b>Maximum</b> | <b>0.03%</b>  | <b>0.12%</b>   | <b>0.10%</b>   | <b>0.08%</b>   | <b>0.06%</b>   |

Note: This benchmark is an average risk of default measure, and would not constitute an expectation of loss against a particular investment.

#### **4.6 End of year investment report**

At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

## **5 TREASURY MANAGEMENT PRACTICE (TMP1) – Credit and Counterparty Risk Management**

The CLG issued Investment Guidance in 2010, and this forms the structure of the Council's policy below. These guidelines do not apply to either trust funds or pension funds which operate under a different regulatory regime.

The key intention of the Guidance is to maintain the current requirement for councils to invest prudently, and that priority is given to security and liquidity before yield. In order to facilitate this objective the guidance requires this Council to have regard to the CIPFA publication Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. This Council adopted the Code on 14/3/2002 and will apply its principles to all investment activity. In accordance with the Code, the Borough Treasurer has produced its treasury management practices (TMPs). This part, TMP 1(5), covering investment counterparty policy requires approval each year.

**Annual investment strategy** - The key requirements of both the Code and the investment guidance are to set an annual investment strategy, as part of its annual treasury strategy for the following year, covering the identification and approval of following:

- The strategy guidelines for choosing and placing investments, particularly non-specified investments.
- The principles to be used to determine the maximum periods for which funds can be committed.
- Specified investments that the Council will use. These are high security (i.e. high credit rating, although this is defined by the Council, and no guidelines are given), and high liquidity investments in sterling and with a maturity of no more than a year.
- Non-specified investments, clarifying the greater risk implications, identifying the general types of investment that may be used and a limit to the overall amount of various categories that can be held at any time.

The investment policy proposed for the Council is:

**Strategy guidelines** – The main strategy guidelines are contained in the body of the treasury strategy statement.

**Specified investments** – These investments are sterling investments of not more than one-year maturity, or those which could be for a longer period but where the Council has the right to be repaid within 12 months if it wishes. These are considered low risk assets where the possibility of loss of principal or investment income is small. These would include sterling investments which would not be defined as capital expenditure with:

1. The UK Government (such as the Debt Management Account deposit facility, UK treasury bills or a gilt with less than one year to maturity).
2. Supranational bonds of less than one year's duration.
3. A local authority, parish council or community council.
4. Pooled investment vehicles (such as money market funds) that have been awarded a high credit rating by a credit rating agency. For category 4 this

covers pooled investment vehicles, such as money market funds, rated F1, P-1, A-1 by Standard and Poor's, Moody's or Fitch rating agencies.

5. A body that is considered of a high credit quality (such as a bank or building society). For category 5 this covers bodies with a minimum short term rating of F1, P-1, A-1 (or the equivalent) as rated by Standard and Poor's, Moody's or Fitch rating agencies.

Within these bodies, and in accordance with the Code, the Council has set additional criteria to set the time and amount of monies which will be invested in these bodies. This criteria is:

|  | Fitch Long term Rating (or equivalent)                 | Money Limit | Time Limit |
|--|--|-------------|------------|
| Limit 1: long term                               | AA-  | £2m         | 5yrs       |
| Limit 2: short term Council's own bank           | F1   | £10m        | 1 year     |
| Limit 3: Short term banks and building societies | <i>F1 or eligible institution with £500m of assets</i> | £3m         | 1 year     |
| Other institutions limit                         | -  | £5m         | 1 year     |
| DMADF  | AAA  | Unlimited   | 1 year     |
| Local authorities                                | -  | £5m         | 1 year     |

**Non-specified investments** –are any other type of investment (i.e. not defined as specified above). The identification and rationale supporting the selection of these other investments and the maximum limits to be applied are set out below. Non specified investments would include any sterling investments with:

|    | Non Specified Investment Category  | Limit (£ or %)  |
|----|--|---|
| a. | <p><b>Supranational bonds greater than 1 year to maturity</b></p> <p>(a) <b>Multilateral development bank bonds</b> - These are bonds defined as an international financial institution having as one of its objects economic development, either generally or in any region of the world (e.g. European Investment Bank etc.).</p> <p>(b) <b>A financial institution that is guaranteed by the United Kingdom Government</b> (e.g. The Guaranteed Export Finance Company {GEFCO})</p> <p>The security of interest and principal on maturity is on a par with the Government and so very secure. These bonds usually provide returns above equivalent gilt edged securities. However the value of the bond may rise or fall before maturity and losses may accrue if the bond is sold before maturity.</p> | <p>AAA long term ratings</p> <p>£10 million</p> <p>1 year</p> |
| b. | <p><b>Gilt edged securities</b> with a maturity of greater than one year. These are Government bonds and so provide the highest security of interest and the repayment of principal on maturity. Similar to category (a) above, the value of the bond may rise or fall before maturity and losses may accrue if the</p>  | <p>£5 million</p> <p>5 years</p>                              |

|    |   |                       |
|----|---|-----------------------|
|    | bond is sold before maturity.   |                       |
| c. | The Council's own banker HSBC   | £20 million           |
| d. | <b>Building societies not meeting the basic security requirements under the specified investments.</b> The operation of some building societies does not require a credit rating, although in every other respect the security of the society would match similarly sized societies with ratings. The Council may use such building societies which have a minimum asset size of £500m, but will restrict these type of investments to £2 m and a time limit of 1 year. | £3 million<br>5 years |
| e. | Any <b>bank or building society</b> that has a minimum long term credit rating of AA-, for deposits with a maturity of greater than one year (including forward deals in excess of one year from inception to repayment).   | £3 million<br>1 year  |
| f. | Any <b>non-rated subsidiary</b> of a credit rated institution included in the specified investment category. These institutions will be included as an investment category subject to the parent bank having the necessary credit rating to qualify in its own right.   | £5 million<br>1 year  |
| g. | Local authorities   | £5 million<br>1 year  |

**The monitoring of investment counterparties** - The credit rating of counterparties will be monitored regularly. The Council receives credit rating information (changes, rating watches and rating outlooks) from Sector as and when ratings change, and counterparties are checked promptly. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principal and interest. Any counterparty failing to meet the criteria will be removed from the list immediately by the Borough Treasurer, and if required new counterparties which meet the criteria will be added to the list.

|   |                              |   |
|---|------------------------------|---|
| <b>OVERVIEW AND SCRUTINY COMMITTEE</b>  |                              | <b>Part One</b><br><b>(D)</b><br><b>Agenda</b><br><b>Item</b><br><b>8</b> |
| <b>Date of Meeting:</b>   | <b>30th January, 2014</b>    |   |
| <b>Reporting Officer:</b>   | <b>Policy Review Officer</b> |   |
| <p><b>Title: Cultural Services</b></p> <p><b>Summary and Conclusions:</b></p> <p>Provide Members with an update of the scrutiny review into Cultural Services.</p> <p><b>Recommendation:</b></p> <p>Members are invited to consider the information and determine how this review should be progressed.</p> |                              |   |

### **Report**

The work group agreed the following Terms of Reference have been recommended:-

1. Gain a clear understanding of the leisure services we provide at our 3 core venues;
2. Examine performance of each venue in terms of costs, income and number of users;
3. Establish what residents expect from our leisure services in terms of provision and cost; and
4. Identify areas where potential improvements in performance value for money and public satisfaction can be achieved.

The work group has now visited the Park Leisure Centre, Forum and the Dock Museum. They will meet before this meeting to discuss how to progress this review and I will provide a verbal update.

### **Background Papers**

Nil

|  |                              |                      |
|--|------------------------------|----------------------|
| <b>OVERVIEW AND SCRUTINY COMMITTEE</b>   |                              | <b>Part One</b>      |
| <b>Date of Meeting:</b>  | <b>30th January, 2014</b>    | <b>(D)</b>           |
| <b>Reporting Officer:</b>  | <b>Policy Review Officer</b> | <b>Agenda Item 9</b> |
| <p><b>Title: Street Cleansing</b></p> <p><b>Summary and Conclusions:</b></p> <p>Provide Members with an update of the scrutiny review into street cleansing.</p> <p><b>Recommendation</b></p> <p>Members are invited to consider the information and determine how this review should be progressed.</p> |                              |                      |

### **Report**

The Council is currently developing waste management strategy to provide direction for waste collection up to 2021. We have engaged with Cumbria County Council and WRAP to obtain their views. We are working with WRAP to Clarify the Council's statutory requirements for the collection of waste and recycling and the best options for waste collection in the Borough. We will use this information to identify proposals for the waste collection service.

The Council has established a Joint Partnership Board with Biffa to provide a forum to discuss potential contract improvements. This will be in addition to the operational meetings which occur on a monthly basis.

### **Background Papers**

Nil

|  |                                       |
|--|---------------------------------------|
| <b>OVERVIEW AND SCRUTINY COMMITTEE</b>   | <b>(D)<br/>Agenda<br/>Item<br/>10</b> |
| <b>Date of Meeting: 30th January, 2014</b>   |                                       |
| <b>Reporting Officer: Policy Review Officer</b>  |                                       |
| <p><b>Title: Fairtrade</b></p> <p><b>Summary and Conclusions:</b></p> <p>Inform Members that if we wish to continue as a Fairtrade town that we need to renew our commitment to the Fairtrade principles.</p> <p><b>Recommendation:</b></p> <p>Members are invited to consider the information and recommend to the Executive Committee that the Borough of Barrow in Furness retains its Fairtrade town status.</p> |                                       |

### Report

The Borough of Barrow in Furness achieved Fairtrade status in 2005 and periodically we have to renew our commitment to continuing as a Fairtrade town.

To retain Fairtrade town status the following five goals must be achieved.

1. The local Council must pass a resolution supporting Fairtrade, and serve Fairtrade coffee and tea at its meetings and in offices and canteens. This is of less relevance to us because we do not have a canteen and there are very few Council meetings where we serve refreshments. **We have agreed that Fairtrade tea and coffee will be available at the Full Council meeting and at Planning Committee**
2. A range of Fairtrade products must be readily available in the area's shops and served in local cafés and catering establishments. **The number required has been significantly exceeded.**
3. Fairtrade products must be used by a number of local work places (estate agents, hairdressers etc.) and community organisations (churches, schools etc.). **The number required has been significantly exceeded.**
4. Attract popular support for the campaign. **A Fairtrade event has been arranged in the Town Hall to take place during Fairtrade fortnight.**

5. A local Fairtrade steering group must be convened to ensure continued commitment to Fairtrade Town status. **A steering group is in place and includes two representatives from the Council.**

There is continuing demand for Fairtrade products in the Borough and it is recommended that we retain our Fairtrade town status.

Background Papers

Nil