BOROUGH OF BARROW-IN-FURNESS

OVERVIEW AND SCRUTINY COMMITTEE

Meeting:- 31st January, 2013
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 on 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 Substitutes.

6. Confirmation of Minutes of the meeting held on 6th December, 2012 (copy attached).

(R) 7. Scrutiny of the Council Budget for the Year 2013-2014.

(D) 8. Tenants' Participation.

(D) 9. Allotment Review Recommendations.

(D) 10. Street Cleansing.

(D) 11. Efficiency Savings.

NOTE (D) – Delegated
(R) – Referred

<u>Membership of Committee</u>

Councillors Roberts (Chairman)
Doughty (Vice-Chairman)
Biggins
Derbyshire
Hamilton
Husband
Johnston
R. McClure
Murphy
Opie
C. Thomson
M. A. Thomson

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BOROUGH OF BARROW IN FURNESS

OVERVIEW AND SCRUTINY COMMITTEE

Meeting, Thursday, 6th December, 2012
at 2.00 p.m.

PRESENT:- Councillors Roberts (Chairman), Doughty (Vice-Chairman), Biggins, Derbyshire, Hamilton, Husband, Johnston (Minute Nos. 26-27 only), Opie and M. A. Thomson.

23 – Apologies for Absence/Attendance of Substitute Members

Apologies for absence were submitted from Councillors R. McClure, Murphy and C. Thomson.

24 – Minutes

The Minutes of the meeting held on 25th October, 2012 were taken as read and confirmed.

25 – Tenants' Co-Regulation

It was noted that from 1st April 2012, the Housing Communities Agency had taken over the housing regulation role. Co-regulation remained at the heart of the framework which meant having a solid partnership between Tenants, Landlords and those who governed the organisation to deliver positive results for Tenants. Specifically, for the Council, it meant that Councillors who governed housing services were responsible for:-

1. Meeting the standards set out in the framework;
2. Delivering the organisations social housing objectives, including being transparent and accountable; and
3. Supporting Tenants to both shape and scrutinise service delivery and to hold Councillors to account.

The Policy Review Officer reported that to ensure that the Council supported the changes; members of the work group had discussed options with the Housing Manager and had worked closely with representatives from the Tenants' Forum. In addition they had met with a representative from Lancaster City Council to understand their perspective.

Working with representatives from the Tenants' Forum, the work group had developed a governance framework that would consider Tenants' expectations and deliver a robust housing service.

At the last meeting the Policy Review Officer had been requested to obtain information from the Housing Manager in relation to expenditure from the Tenants' Forum Training Budget and the Environmental Improvement Budget. He tabled this information at today's meeting. Members had requested further clarification regarding the information which had been tabled at the meeting and had requested the Policy Review Officer to arrange a separate meeting with the Housing Manager to discuss the budgets.

RESOLVED:- To set up a separate meeting of the work group with the Housing Manager, the Housing Maintenance Manager and the Business Support Manager so that Members could better understand some of the information in the budgets.

26 – Flood Protection

The Policy Review Officer submitted a report advising that the Executive Committee at its meeting on 17th October, 2012 had requested that this Committee added flooding to its current work programme. He advised that the Scrutiny Committee currently had a work programme up to 2015 however; there was capacity to add in additional urgent items.

Members were invited to consider whether or not flooding should be added to the work programme and determine when the review should be carried out.

RESOLVED:- To agree to add flooding to the work programme.

27 – Street Cleansing

The Policy Review Officer provided Members with an update of the scrutiny review into street cleansing. He advised that the Council had been successful with its bid for funding from the Weekly Collection Support Scheme so that the Council could retain the current weekly collection of residual waste for at least five years. In a letter from the Department for Communities and Local Government, the Council had been offered the full £900,000 that it had bid for. The bid had been robustly assessed against strict criteria including; cost effectiveness, environmental benefits and feasibility. The letter stated that the Council's bid was one of those that scored highly enough in its assessment against the published criteria to be awarded the funding.

He reported that the money would be allocated in three tranches, £250,000 in the current year, £400,000 in 2013/14 and a further £250,000 in 2014/15. The funding would be used to offset the reduction in the recycling credit payments that was announced by Cumbria County Council earlier this year (as outlined in Minute No. 22 of the meeting held on 25th October, 2012).

He advised that it was a requirement of the funding that the Council maintained a weekly waste collection for at least five years and it was recommended that this Committee continued to monitor the waste collection service to ensure that happens.

It was suggested that a group be set up to look at alternative ways of collecting waste and that once the new recycling plant was operational a site visit would be appropriate.

RESOLVED:- (i) To note that the Policy Review Officer would set up a group to look at alternative ways of collecting waste and that once the new recycling plant was operational a site visit would be arranged; and

(ii) To agree that this Committee would monitor the waste collection service to ensure that residual waste was collected on a weekly basis for at least five years.

The meeting closed at 2.57 p.m.

Part One

OVERVIEW AND SCRUTINY COMMITTEE	(R) Agenda Item 7
Date of Meeting: 31st January, 2013	
Reporting Officer: Borough Treasurer	

Title: Scrutiny of the Council Budget for the Year 2013-2014

Summary and Conclusions:

The purpose of this report is to consider any items in the Council's Budget for 2013-2014 for comment or scrutiny.

Recommendations:

Members are recommended to raise any issues/responses relating to the budget proposals for 2013-2014.

Report

The Executive Committee on 23rd January, 2013 will consider the budget proposals for 2013-2014 and their recommendations will be before Council in February 2013.

Members of this Committee have the opportunity to scrutinise the budget proposals and raise any concerns to full Council at the meeting in February 2013.

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

Background Papers

Nil

APPENDIX 1

Part One

EXECUTIVE COMMITTEE	(R/D) Agenda Item 8
Date of Meeting: **23rd January, 2013**	
Reporting Officer: **Borough Treasurer**	

Title: Budget Proposals 2013-2014

Summary and Conclusions:

This report presents the revenue budget proposals for 2013-2014. The General Fund is aligned to the Budget Strategy agreed on 24th January 2012; this is the second year of the four year plan. The Housing Revenue Account will be in the second year of self-financing and a balanced budget is proposed. The Capital Programme and Treasury Management Strategy Statement for 2013-2014 are included and the position on reserves and balances.

Recommendations:

To recommend the Council:

(R) 1. Set the revenue budget as £11,054,830 excluding parish precepts, with a 1.9% increase in the borough element of the Council Tax.

(R) 2. Agree to use £219,174 of the financial settlement to balance the 2013-2014 budget.

(R) 3. Agree to add £167,780 of the financial settlement to reserves.

(R) 4. Agree to retain the Neighbourhood Management Team at a cost of £75,870 as set out in Section 6.4.

(R) 5. Agree to the £8,000 increase in professional fees for Environmental Health duties.

(R) 6. Agree to the £5,000 reduction in the Members training budget.

(R) 7. Agree to the addition of £3,500 for membership of the Industrial Communities Alliance.

(R) 8. Agree to end the supply of dog fouling bags, saving £2,000.

(R) 9. Agree the car parking pay and display changes set out in Section 6.11.

(R) 10. Agree the price increase referred to in Section 6.12.

(R) 11. Decline the Council Tax Freeze Grant offered for 2013-2014 referred to in Section 6.13.

(R) 12. Approve the Housing Revenue Account budget and the individual recommendations contained in the report referred in Section B.

(R) 13. Approve the Capital Programme for 2013-2014 to 2015-2016 as referred to in Section C.

(R) 14. Approve the Treasury Management Strategy Statement for 2013-2014 to 2015-2016 as referred to in Section D.

(R) 15. Approve the borrowing Approved Limit for 2013-2014 as £58 million.

(R) 16. Approve the movements in reserves and balances as set out in Section E.

Members are recommended to approve:

(D) 17. Under delegated authority, this committee is asked to agree the proposed budget consultation set out in Section F.

Members are asked to note that the Budget Council is to be held on 26th February, 2013, at 5:30pm.

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 Government support and income from the council tax. The long term aim is to have a sustainable budget level.

Government support in 2010-2011 was £9,084,171 and was projected to be £4,949,312 in 2015-2016. This is a reduction of £4,134,859, or 46%. As the funding available to the General Fund reduces, so must the net expenditure. Reducing the net expenditure means that spend can be reduced and income can be increased, together these reduce the net expenditure.

If no action had been taken and the Budget Strategy was not implemented, then by 2015-2016 the shortfall on the revenue budget would be £5,012,688.

The key components of the Budget Strategy and their current status is:

- Savings from staff pay – the establishment review is complete and the savings achieved.
- Efficiency savings – the savings identified in the Budget Strategy have all been implemented and efficiency savings are identified and realised on an on-going basis.
- Service reductions – the changes identified in the Budget Strategy have all been implemented and the savings achieved.
- Increased income – income has been reprofiled to reflect 2012-2013 which has been used as the new base for taking the income targets forward through the Budget Strategy. The minimum annual increase has been applied for 2013-2014 prices.
- Growth from economic recovery – this appears in the later years of the Budget Strategy but is largely dependent on circumstances beyond the Council's control.
- Annual use of reserve – the Budget Strategy carries a deficit of £600,000 a year that is being funded by the Transition Grant which was put into an earmarked reserve when it was received. At the end of the Budget Strategy and the Transition Grant has run out, there is still £600,000 to find. This means that the net expenditure needs to come down another £600,000, on top of the assumed reductions from the existing key components. The intention is that reductions can be identified during the Budget Strategy period that will lead to a reduction in the core budget by 2015-2016. This is a challenge as each year of the Budget Strategy is reviewed and proposed as the annual budget, there are changes outside the scope of the Budget Strategy that could not be anticipated when it started. Once the revenue budget is agreed to go to Council, the Medium Term Financial Plan will project the Budget Strategy out to 2015-2016 again to determine the revised deficit; this will indicate if any of the budget revisions from 2012-2013 and 2013-2014 have had an impact on the £600,000 deficit.

2. <u>Projected outturn for 2012-2013</u>

The projected outturn for 2012-2013 is a contribution to the General Fund balance of £61,610. This consists of one-off income of £65,810 including a final dividend received and one-off spend of £4,200 including work in default.

The 2012-2013 budget included a contribution to the Restructuring Reserve of £1,309,580. This is now projected to be £839,420, a reduction of £470,160 to take account of the net of revisions in 2012-2013 to income, contracts and treasury management.

3. <u>2013-2014 Settlement</u>

This is the first settlement under the new financial relationship between central and local government. This settlement is also referred to as the Start-Up Funding Assessment because it is the start of the Business Rate Retention scheme. From 2013-2014 Councils will be able to keep half of any increases in business rates to invest locally; shared between the borough Council 40% and

Cumbria County Council 10%. Properties may also come out of rating and those Business Rates would be lost, so there are considerations on both sides for Business Rate Retention. No additional income relating to this has been built into the proposed General Fund revenue budget for 2013-2014.

The provisional settlement for 2013-2014 is £6,843,307 and consists of:

- Revenue Support Grant £4,109,422, of which:
    - Formula Funding £3,524,936
    - 2011-2012 Council Tax Freeze £65,332
    - Council Tax Support funding £462,446
    - Homeless Prevention funding £56,708

- NNDR Baseline Funding £2,733,885, of which:
    - Formula Funding £2,345,044
    - 2011-2012 Council Tax Freeze £43,463
    - Council Tax Support funding £307,652
    - Homeless Prevention funding £37,726

Taking the common items together, the settlement can be broken down as:

- Formula Funding £5,869,980
- 2011-2012 Council Tax Freeze £108,795
- Council Tax Support funding £770,098
- Homeless Prevention funding £94,434

The consultation period for the provisional settlement ends on 15th January, 2013. A final settlement notice will follow once the responses have been considered by the Government.

The Budget Strategy anticipated £6,456,353 of Government support. The settlement is £386,954 higher than the Budget Strategy. It is proposed that £219,174 of this is used to balance the 2013-2014 revenue budget and that the remaining £167,780 is contributed to reserves.

4. Revenue Spending Power

In calculating the financial settlement, the Government first set the Revenue Spending Power. This is the sum of the Council Tax requirement, the Start-Up Funding Assessment (the settlement) and other non-ring-fenced Government grants awarded. The average reduction in spending power is 1.7% with no Council seeing a reduction of more than 8.8% after taking into consideration the Efficiency Support Grant (Section 7).

The Revenue Spending Power for the Council for 2012-2013 was £13.953 million and for 2013-2014 is £11.594 million; a reduction of £2.359 million, 16.9%.

Taking the Efficiency Support Grant into account, the 2013-2014 Revenue Spending Power becomes £12.725 million; a reduction against 2012-2013 of £1.228 million, 8.8%.

5. Proposed budget for 2013-2014

The proposed General Fund revenue budget for 2013-2014 is £11,054,830 and does not include the parish precepts (**Appendix 1**). There is an element of the Council Tax Support funding that is payable to the parishes and this has been estimated as £15,000 until the parish precepts are known. The exact figure will be included when the budget is presented at the Council meeting.

This net revenue budget is higher than the £10,534,479 estimated in the Budget Strategy by £520,351. The elements making up this increase have either been reported in the quarterly finances monitoring report or are to be reported in the next quarterly report. The elements of the increased net revenue budget are:

These items increased the budget by £1,076,621:

- Car parking income is lower by £350,390 for 2013-2014 following the budget reduction already made in 2012-2013.
- Park Leisure Centre income is lower by £237,230 following the budget reduction already made in 2012-2013.
- Crematorium income is lower by £46,540 following a budget reduction made in 2012-2013; this will be reported with the next quarterly finances.
- Recycling reward is lower by a net £18,160 after taking into account the £250,000 Weekly Collection Support Scheme.
- Council Tax was planned to increase by 3.49% in the Budget Strategy and this is now proposed to be 1.9%. The tax base which determines the number of chargeable dwellings has reduced because of the changes to the benefit. Together these cause a reduction in income of £91,480.
- The recoverable fees from council tax and business rate recovery have been reduced by £39,520. These fees are still recovered where they have been applied, but the recovery takes place over a longer period. The budget level for 2012-2013 is too high compared to the projected outturn and the 2011-2012 actual outturn.
- The benefit administration grant that the Council receives from the Department of Works and Pensions has reduced by £82,480.
- An operational budget of £10,000 for the Neighbourhood Management Team for 2013-2014.
- The net of the other increases and the decreases not listed below is £33,041.
- The final item that increases the budget is the movement of the contribution to reserves from the Government grant settlement of £167,780.

These items reduced the budget by £556,270:

- Income from the commercial property portfolio is £214,030 higher than estimated in the Budget Strategy. There is a slight increase in 2012-2013 that will be reported with the next quarterly finances.
- The inflation on contracted services was lower than estimated for 2012-2013 and for 2014-2015. There have also been savings realised in 2012-2013 from slight contract variations. This makes contracted services £208,430 lower than estimated in the Budget Strategy.
- The treasury management activities in 2012-2013 have produced a net saving for 2013-2014 of £75,440.
- Reductions in staff travelling and staff training totalling £33,360 have been made in the budget for 2013-2014. These headings relate to the establishment and have not yet been reduced. The reduction reflects the projected outturn for 2012-2013. Staff training was £310 per head in 2011-2012, no adjustment was made in 2012-2013 leaving £380 per head and this reduction brings it back to £290 per head for 2013-2014.
- Staff pay in the proposed budget is £25,010 lower than the Budget Strategy. This is made up of no increase in 2012-2013, a 1% increase in 2013-2014 compared to the Budget Strategy and the financial impact of the establishment in relation to the Neighbourhood Management Team.

6. Items within the proposed budget

The following items are identified separately for Members and as stated are either included in or excluded from the proposed revenue budget of £11,054,830.

6.1. Local Council Tax Support Scheme

The Local Council Tax Support scheme is included in the budget without a contribution from reserves. The Council can apply for £21,181 from the Transition Grant Scheme for 2013-2014 and this has been included within the budget. The net cost of retaining full council tax benefit, under the new local scheme, included in the budget is £28,000. This assumes that the council tax discounts that change from 1st April 2013 will be collected as these cover part of the cost of the local scheme.

6.2. Weekly Collection Support Scheme

The grant from this Scheme at £250,000 for 3 years (beginning 2012-2013) has been included within the budget to mitigate the loss of the recycling reward for 2013-2014.

6.3. 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 £139.28 to £141.93. This is an annual increase of £2.65, or 5 pence a week. 42% of the chargeable dwellings in the borough are in Band A.

6.4. Neighbourhood Management Team

It is proposed that the Neighbourhood Management Team is retained as far as possible and the budget includes an element of staffing for which there is a separate Establishment report (part two) on today's agenda, plus an operational budget of £10,000. This gives a total cost for the service of £75,870. No provision has been made for the retention of the current premises; the service would operate from the Town Hall.

6.5. Environmental Health

£8,000 has been added to the professional fees for the food hygiene and health and safety duties performed by the Environmental Health department. These are statutory services and additional resources are required to ensure that the work is performed as effectively as possible.

6.6. Members training

The Members training budget has been reduced from £10,000 to £5,000. This is in line with the 2012-2013 projected outturn and does not reduce the training that is available.

6.7. Subscription

The £3,500 subscription to the Industrial Communities Alliance has been added into the budget. This subscription has been paid by the Council in previous years from savings identified at the time. As the total supplies and services budget has been reviewed and rationalised, it is unlikely that this cost will be found, so the budget has been included to ensure the continued subscription.

6.8. Community Co-ordinators

For the financial years 2010-2011 to 2012-2013 the budget included funding for two community co-ordinators. As the funding agreement ends in March 2013, this budget has been removed in line with the assumptions in the Budget Strategy.

6.9. Dog fouling bags

The supply of dog fouling bags currently costs £2,000 a year and this item has been removed from the budget for 2013-2014. The service is discretionary.

6.10. Conservation Area partnership

The budget for Conservation Area partnerships £12,000 has been used to pay for various matters in recent years and is no longer included in the core budget.

6.11. Car parking pay and display

The Budget Strategy assumed 10 pence on each tariff every year and an inflationary increase on contract parking. Following a review of the usage of the car parks and the tickets sales for 2012-2013 compared to 2011-2012, the following price increases are proposed:

- The 1 hour tariff will go up by 10 pence to £1.30.
- The 2 hour tariff will go up by 10 pence to £2.30.
- The monthly staff parking charge will go up by £2 to £20.
- The 3 hour tariff on Market Street and Emlyn Street is amended to last 4 hours, with no increase in the £3 charge.
- The 10 hour tariff for Whittaker Street is removed and this becomes a short stay car park.

6.12. Other price increases

Fees and charges have been increased by a minimum of 2.5% 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.

6.13. Council Tax Freeze Grant 2013-2014

The Government have proposed a grant worth a 1% council tax rise that would be paid for 2013-2014 and 2014-2015 for a freeze in 2013-2014. The provisional amount for Barrow is £44,996. 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 2013-2014 will generate £69,600 and comparing the offer in terms of the Budget Strategy, the Council would receive grant of £89,992 but would have lost £212,790 by 2015-2016.

7. Efficiency Support Grant 2013-2014

Where the Revenue Spending Power has reduced more than 8.8%, the Government have awarded an Efficiency Support Grant; 7 Councils have been awarded this grant for 2013-2014. The Council is the 4th biggest loser and has been awarded £1,132,562. There are conditions that the Council must undertake to comply with in the use of the grant and they are awaited.

The grant will be available for 2014-2015 but is dependent upon performance in 2013-2014.

8. 2014-2015 Settlement

The initial draft figures for 2014-2015 show Government support of £5,961,000 which includes £95,000 for homeless prevention and £109,000 as the last year of the 2011-2012 Council Tax Freeze Fund.

The Budget Strategy anticipates £4,961,062 before the changes in Council Tax Support that are now rolled into the Government support figure and are not identified separately after 2013-2014. That means that there is an assumed £904,938 included for Council Tax Support and potential additional grant. Given that £219,174 was required to balance the 2013-2014 budget, any additional grant may be required to support the budget going forward. The projections of the Medium Term Financial Plan will make that position clearer.

The homeless prevention funding is added into the expenditure once it is awarded so that is not additional funding for the General Fund.

B. Housing Revenue Account

The Housing Revenue Account budget was presented to the Housing Management Forum on 17th January, 2013. 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 2013-2014 with a 3.85% rent increase for dwellings and garages.

C. Capital Programme

The Capital Programme was last presented to this committee on 17th October, 2012. The Capital Programme is reported in **Appendix 4** and includes the proposed programme for 2013-2014 to 2015-2016, the variations made to the programme since the last report and the expenditure as at the 31st December, 2012 (quarter 3). The borrowing across the programme has not changed but it has been reprofiled between years to match the project spend profiles. Members are asked to recommend the Capital Programme to Council for approval.

D. Treasury Management

The Treasury Management Strategy Statement is reported in **Appendix 5**. The strategy covers 2013-2014 to 2015-2016 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 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 2013-2014 of £58 million as set out in the strategy report.

E. Reserves and Balances

The core reserves of the Council are those that have been built up from contributions from revenue over time. The expected balance for 2013-2014 is shown in table 4.

Table 4 – Core Reserves

	1/4/2013 £	Movement £	31/3/2014 £
Committed			
Public buildings – major repairs	500,000	-	500,000
VAT – exempt VAT deminimus	250,000	-	250,000
Insurance – MMI	779,544	-	779,544
Insurance – excesses	80,000	(20,000)	60,000
Insurance – uninsured loss	500,000	-	500,000
Pay review	175,625	-	175,625
Earmarked			
Festival fund	9,000	(9,000)	-
Market Hall	50,650	(50,650)	-
Park Vale	56,290	-	56,290
Uncommitted			
General reserve	1,000,000	-	1,000,000
Core reserves	**3,401,109**	**(79,650)**	**3,321,459**

The VAT and insurance lines were previous shown as an amalgamated reserve of £1,144,264 at the 1st April 2012 and have been split out in 2012-2013 to the individual elements:

- £250,000 for the VAT deminimus for exempt supplies (explained below).
- £100,000 for insurance excesses.
- £500,000 for uninsured losses.
- £294,264 for the liability to Municipal Mutual Insurance 'MMI' (explained below).

VAT – exempt VAT deminimus

The VAT deminimus relates to the recovery of VAT reclaimed for exempt services. If the amount of VAT on exempt services goes above the deminimus of 5%, then the VAT must be paid back to HMRC for that year. For 2011-2012 the Council's exempt VAT represented 4.94% of the total VAT reclaimed. The position is under review and it is appropriate to retain this reserve at the moment.

Insurance - MMI

The insurance line for MMI relates to the Council's membership of the Scheme of Arrangement that started in 1994. The aim of the scheme is to use the assets of MMI to meet the liabilities of claims payable that relate to these policies. The expectation was to achieve a solvent run-off, with no contribution from the scheme members. Following a Supreme Court judgement that ruled against MMI in relation to mesothelioma claims, the solvent run-off is no longer achievable. The Council has been notified that a call on the scheme members will be made any time now. This is likely to be around 15% of the claims paid, £233,687.

The total claims paid plus the estimated outstanding claims as of September 2012 was £1,557,910, before any payment is made. The reserve has been held at £294,264 for a number of years, but no call was anticipated. I advise Members that I have earmarked the following funds now because it will be unlikely that funds will be found in future years:

- £351,232 from the General Fund balance, reducing this to the minimum level of £2 million.
- £367,735 from the General Reserve, reducing this to the minimum level of £1 million.

The MMI reserve at 31st March 2014 covers 59% of the current liability assuming the 15% called is paid in 2012-2013. This will be reviewed should another contribution be called for.

Transition Grant

The reserves set up from the Transition Grant are shown in table 5. These are not ring-fenced and are being used to deliver the Budget Strategy.

Table 5 – Transition Grant reserves

	1/4/2013 £	**Movement £**	**31/3/2014 £**
Restructuring reserve	1,084,983	692,870	1,777,853
Budget setting support	1,800,000	(600,000)	1,200,000
Grants to external bodies	241,340	(106,930)	134,410
CCTV	85,386	(50,360)	35,026
Transition Grant	**3,211,709**	**(64,420)**	**3,147,289**

The planned use of the Transition Grant reserves is contained in the Budget Strategy which will be used when the Medium Term Financial Plan is reviewed and updated for 2013-2014.

Restricted reserves

The Council holds ring-fenced funds relating to Government funded industrial units as reserves. The balance at the 31st March 2014 is projected to be £790,333.

Grants that are awarded for specific services and projects are also carried as reserves until they are spent. These grants are used and added to each financial year and it is not possible to project a definite figure, but it is expected that by the 31st March 2014 the balance will be around £3 million.

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.

F. Budget consultation

Once the budget proposals are agreed by this committee, public consultation will commence immediately on the Council's website until 15th February, 2013. This report will be made available via a link on the website with a brief prompt for feedback as follows:

- Do you have any comments in relation to the recommendations contained in the budget report?
- Are there any areas or services that the Council operates where more money should be spent?
- Are there any areas or services that the Council operates where spend should be reduced?

In addition, the Overview and Scrutiny Committee will meet to discuss the budget proposals on 31st January 2013.

The Council will meet on 26th February, 2013, 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 2013-2014.

(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 settlement information

APPENDIX No. 1

General Fund Budget 2013-2014

	Actual Expenditure 2011-2012	Original Budget 2012-2013	Projected Budget 2012-2013	Proposed Budget 2013-2014
Staff pay	5,341,265	4,683,670	4,705,490	4,486,110
Pension accounting	421,896	0	0	0
Staff other costs	793,630	119,740	227,950	106,900
Transport	164,455	124,650	139,030	103,320
Property	1,994,633	2,045,000	2,092,240	1,918,190
Supplies and services	3,653,287	2,706,020	3,348,130	2,486,890
Contracts	6,391,006	6,585,060	6,467,810	6,652,230
Concessionary travel	(15,580)	0	0	0
Benefits	25,942,388	26,555,180	26,598,750	20,445,750
Benefits grants	(26,126,744)	(26,431,880)	(26,431,880)	(20,350,750)
External income	(9,509,063)	(7,594,200)	(7,475,170)	(6,659,380)
Direct Costs	**9,051,173**	**8,793,240**	**9,672,350**	**9,189,260**
Internal recharges	4,327,340	3,270,030	3,265,760	2,864,580
Capital charges	7,069,083	1,942,890	1,942,890	1,816,660
Internal income	(5,188,759)	(4,235,920)	(4,231,650)	(3,826,360)
Indirect Costs	**6,207,664**	**977,000**	**977,000**	**854,880**
Net Expenditure	**15,258,837**	**9,770,240**	**10,649,350**	**10,044,140**
External interest earned	(24,411)	(49,000)	(20,000)	(20,000)
External interest paid	584,644	637,440	584,650	659,050
Minimum Revenue Provision	1,085,674	943,200	935,370	955,660
Items excluded from Council Tax	(5,493,424)	(1,942,890)	(1,944,790)	(1,816,660)
Items included in Council Tax	1,816,189	1,110,810	1,083,730	1,164,870
Movements in reserves	1,204,783	2,682,848	1,813,778	67,770
Movements in the balance	0	0	61,610	0
Net Revenue Budget	**14,432,292**	**13,152,648**	**13,163,698**	**11,054,830**
Budget Funded by:				
Revenue support grant	(1,656,828)	(120,065)	(120,065)	(4,109,420)
NDR pool income	(5,360,118)	(6,193,783)	(6,193,783)	(2,733,890)
Local Services Support grant	(2,657,749)	(2,085,778)	(2,085,778)	0
New homes bonus	(172,065)	(175,226)	(175,226)	(189,800)
New Burdens	0	0	(11,050)	(16,400)
Other Government grants	0	0	0	(250,000)
Council Tax Freeze grant	(108,795)	0	0	0
Collection fund - Barrow	(4,476,737)	(4,602,250)	(4,602,250)	(3,732,880)
Collection fund - surplus	0	0	0	(22,440)
Collection fund - deficit	0	24,454	24,454	0
Total Revenue Financing	**(14,432,292)**	**(13,152,648)**	**(13,163,698)**	**(11,054,830)**

APPENDIX No. 2

Fees & Charges				
Cemetery & Crematorium		**Charges 2012/2013**	**Charges 2013/2014**	**Increase**
Sale of Grave		£440.00	£450.00	2.27%
Interment for 1		£420.00	£431.00	2.62%
Interment for 2		£420.00	£431.00	2.62%
Interment for 3		£450.00	£462.00	2.67%
Extra depth	Internment of ashes	£160.00	£165.00	3.13%
	Non resident fee	£200.00	£205.00	2.50%
Headstone		£80.00	£82.00	2.50%
Full Kerb		£80.00	£82.00	2.50%
Headstone & Kerb		£100.00	£103.00	3.00%
Vase/small headstone		£25.00	£26.00	4.00%
Crem kerbs		£25.00	£26.00	4.00%
Tablet		£25.00	£26.00	4.00%
Add ins		£25.00	£26.00	4.00%
Grave Maintenance	Rate 1	£250.00	£256.00	2.40%
	Rate 2	£150.00	£154.00	2.67%
	Planting twice yearly	£250.00	£256.00	2.40%
	2nd year heather payment	£150.00	£154.00	2.67%
Book of Remembrance	2 lines	£25.00	£26.00	4.00%
	5 lines	£40.00	£41.00	2.50%
	5 lines & emblem	£70.00	£72.00	2.86%
	8 lines	£60.00	£62.00	3.33%
	8 lines & emblem	£90.00	£93.00	3.33%
White Memorial Card		£20.00	£21.00	5.00%
Coloured Memorial Card		£40.00	£41.00	2.50%
Leather Bound Booklet		£60.00	£62.00	3.33%
Additional Fee for Emblem (cards/books)		£40.00	£41.00	2.50%
Cremation	Resident	£620.00	£636.00	2.58%
	Non Resident	£620.00	£636.00	2.58%
	Environmental surcharge	£50.00	£52.00	4.00%
	Memorial service	£100.00	£103.00	3.00%
	Body parts	£15.00	£16.00	6.67%
Cremation Grave		£150.00	£155.00	3.33%
Interment of Ashes	Resident	£160.00	£165.00	3.13%
	Non-resident	£200.00	£205.00	2.50%
Plastic urn		£20.00	£21.00	5.00%
Wooden casket		£40.00	£41.00	2.50%
Scattering of ashes		£20.00	£21.00	5.00%
Memorial Plaques	Green slate tablet & plaque	£160.00	£164.00	2.50%

Fees & Charges				
Cemetery & Crematorium		**Charges 2012/2013**	**Charges 2013/2014**	**Increase**
	Bronze plaque	£100.00	£103.00	3.00%
	Renewal fee - 10 years	£30.00	£31.00	3.33%
	Rose & plaque	£120.00	£123.00	2.50%
	Memorial tree	£80.00	£82.00	2.50%
	Perspex plaque	£35.00	£36.00	2.86%
	Memorial seat	£440.00	£451.00	2.50%
	Seat plaque	£80.00	£82.00	2.50%
Miscellaneous	Records search fee	£15.00	£16.00	6.67%
	Scattering of ashes from away	£20.00	£21.00	5.00%
	Plastic urn	£20.00	£21.00	5.00%
	Wooden casket	£40.00	£41.00	2.50%

Fees & Charges

Forum 28

		Hourly Rate					Conference Hire		
		Charges 2012/2013	**Charges 2013/2014**	**Increase**			**Charges 2012/2013**	**Charges 2013/2014**	**Increase**
Main Hall	Subsidised - Sun	£35.00	£36.00	2.86%		Subsidised - half day	£115.00	£118.00	2.61%
	Subsidised - Sun-Tue	£60.00	£61.50	2.50%		Subsidised - full day	£180.00	£184.50	2.50%
	Subsidised - Wed-Sat	£50.00	£51.25	2.50%		Commercial - half day	£150.00	£153.75	2.50%
	Commercial	£120.00	£123.00	2.50%		Commercial - full day	£250.00	£256.25	2.50%
		Evening Hourly Rate					**Conference Hire**		
		Charges 2012/2013	**Charges 2013/2014**				**Charges 2012/2013**	**Charges 2013/2014**	
Rydal Suite	Subsidised - Wed - Sat only	£25.00	£25.75	3.00%		Subsidised - half day	£90.00	£92.25	2.50%
						Subsidised - full day	£130.00	£133.25	2.50%
	Commercial - Wed-Sat only	£75.00	£77.00	2.67%		Commercial - half day	£100.00	£102.50	2.50%
						Commercial - full day	£150.00	£153.75	2.50%
Studio	Subsidised - Wed - Sat only	£20.00	£20.50	2.50%		Subsidised - half day	£80.00	£82.00	2.50%
						Subsidised - full day	£120.00	£123.00	2.50%
	Commercial - Wed-Sat only	£60.00	£61.50	2.50%		Commercial - half day	£90.00	£92.25	2.50%
						Commercial - full day	£140.00	£143.50	2.50%
Ante Room	Subsidised - Wed - Sat only	£20.00	£20.50	2.50%		Subsidised - half day	£80.00	£82.00	2.50%
						Subsidised - full day	£120.00	£123.00	2.50%
	Commercial - Wed-Sat only	£60.00	£61.50	2.50%		Commercial - half day	£90.00	£92.25	2.50%
						Commercial - full day	£140.00	£143.50	2.50%

Fees & Charges

Forum 28

		Hourly Rate				Conference Hire		
		Charges 2012/2013	**Charges 2013/2014**	**Increase**		**Charges 2012/2013**	**Charges 2013/2014**	**Increase**
Grasmere Suite	Subsidised - Wed - Sat only	£20.00	£20.50	2.50%	Subsidised - half day	£80.00	£82.00	2.50%
					Subsidised - full day	£120.00	£123.00	2.50%
	Commercial - Wed-Sat only	£60.00	£61.50	2.50%	Commercial - half day	£90.00	£92.25	2.50%
					Commercial - full day	£140.00	£143.50	2.50%
Green Room	Subsidised - Wed - Sat only	£15.00	£15.50	3.33%	Subsidised - half day	£60.00	£61.50	2.50%
					Subsidised - full day	£80.00	£82.00	2.50%
	Commercial - Wed-Sat only	£45.00	£46.25	2.78%	Commercial - half day	£70.00	£71.75	2.50%
					Commercial - full day	£90.00	£92.25	2.50%

Fees & Charges			
Dock Museum	**Charges 2012/2013**	**Charges 2013/2014**	**Increase**
Hall Hire	£130.00	£133.50	2.69%

Fees & Charges				
Leisure Centre		**Charges 2012/2013**	**Charges 2013/2014**	**Increase**
Casual Swim	Junior / Senior Citizen	£3.00	£3.10	3.33%
	Leisure Card - Junior / Snior Citizen	£2.40	£2.50	4.17%
	Leisure Card - Adult	£3.60	£3.70	2.78%
	Adult	£4.60	£4.70	2.17%
Family Swim	Leisure Card	£8.80	£9.00	2.27%
	Junior / Senior Citizen/Adult	£10.80	£11.10	2.78%
Swimming Lessons	Junior	£53.50	£54.80	2.43%
(10 week course)	Adult	£68.50	£70.20	2.48%
Aquarobics	Adult	£4.90	£5.00	2.04%
	Leisure Card - Adult	£3.90	£4.00	2.56%
	Junior/Senior Citizen	£3.40	£3.50	2.94%
	Leisure Card - Junior/Senioe Citizen	£2.50	£2.60	4.00%
Badminton Tennis Peak	Junior / Senior Citizen	£5.00	£5.10	2.00%
	Leisure Card - Junior/Senior Citizen	£4.10	£4.20	2.44%
	Leisure Card - Adult	£5.30	£5.50	3.77%
	Adult	£7.00	£7.20	2.86%
Badminton Off Peak	Junior / Senior Citizen	£4.00	£4.10	2.50%
	Leisure Card - Junior/Senior Citizen	£3.40	£3.50	2.94%
	Leisure Card- Adult	£3.80	£3.90	2.63%
	Adult	£5.00	£5.10	2.00%
Table Tennis	Adult (per table)	£5.00	£5.10	2.00%
	Leisure Card - Adult	£3.80	£3.90	2.63%
	Junior/Senior Citizen	£4.00	£4.10	2.50%
	Leisure Card - Junior/Senior Citizen	£3.40	£3.50	2.94%

Fees & Charges				
Leisure Centre		**Charges 2012/2013**	**Charges 2013/2014**	**Increase**
Climbing Wall	Junior / Senior Citizen	£2.50	£2.60	4.00%
	Leisure Card - Junior/Senior Citizen	£2.00	£2.10	5.00%
	Adult	£3.50	£3.60	2.86%
	Leisure Card - Adult	£2.50	£2.60	4.00%
5 a side court (casual)	Junior	£24.00	£24.60	2.50%
	Adult	£35.00	£35.90	2.57%
5 a side court (Series non-vatable)	Adult	£29.20	£29.90	2.40%
	Junior	£16.70	£17.10	2.40%
Rollerskating including skate hire	Junior	£2.50	£2.60	4.00%
	Adult	£3.50	£3.60	2.86%
Sports Hall Party	Junior	£65.00	£66.60	2.46%
Club Pulse - Casual Use	Adult - Peak	£5.50	£5.60	1.82%
	Adult - Off Peak	£4.00	£4.10	2.50%
	Induction	£25.00	£25.60	2.40%
Club Max - Casual Use	Junior	£2.50	£2.60	4.00%
Spin Cycling	Adult	£4.90	£5.00	2.04%
	Leisure Card - Adult	£3.90	£4.00	2.56%
	Senior Citizen	£3.40	£3.50	2.94%
	Leisure Card - Senior Citizen	£2.50	£2.60	4.00%

Fees & Charges				
Leisure Centre		**Charges 2012/2013**	**Charges 2013/2014**	**Increase**
Fitness Classes (in Dance Mats)	Adult	£4.90	£5.00	2.04%
	Leisure Card - Adult	£3.90	£4.00	2.56%
	Junior/Senior Citizen	£3.40	£3.50	2.94%
	Leisure Card - Junior/Senior Citizen	£2.50	£2.60	4.00%
	Dance Mat Party	£50.00	£51.25	2.50%
Sports Courses - per session (Gymnastics, trampolining, climbing)	Junior	£5.35	£5.50	2.80%
	Adult	£6.85	£7.00	2.19%
Climbing Wall	Adult	£3.50	£3.60	2.86%
	Lesure Card - Adult	£2.50	£2.60	4.00%
	Junior	£2.50	£2.60	4.00%
	Leisure Card - Junior	£2.00	£2.10	5.00%
Soft Play	Child sessions	£2.50	£2.60	4.00%
	Soft Play Party	£65.00	£66.60	2.46%
	Sensory Room - (30 minutes)	£2.70	£2.80	3.70%
Miscellaneous Hire	Commrercial hire - court - series	£8.90	£9.10	2.25%
	Commercial hire - court - casual	£10.20	£10.50	2.94%
	School hire - court - series	£3.50	£3.60	2.86%
	School hire - court - casual	£4.20	£4.30	2.38%
	Studio hire - 2 hrs	£16.00	£16.40	2.50%
	Studio hire - half day	£21.30	£21.90	2.82%
	Studio hire - full day	£35.00	£35.90	2.57%
Leisure Card	Leisure Card - in Borough	£18.10	£18.60	2.76%
	Leisure Card - out Borough	£22.30	£22.90	2.69%
	Leisure Card - Junior	£10.00	£10.30	3.00%

Fees & Charges				
Leisure Centre		**Charges 2012/2013**	**Charges 2013/2014**	**Increase**
Leisure Pool Hire - 45 mins - casual	Leisure pool only	£48.60	£49.80	2.47%
	Leisure pool with flume and waves	£63.60	£65.20	2.52%
Leisure Pool Hire - 45 mins - series	Leisure pool only	£40.50	£41.50	2.47%
	Leisure pool with flume and waves	£53.00	£54.30	2.45%
Leisure Pool Party		£75.00	£76.90	2.53%
Training Pool Hire	Club hire - 45 mins	£50.00	£51.25	2.50%
	Club hire - 60 mins	£66.60	£68.25	2.48%
	Pool hire - 45 mins	£60.00	£61.50	2.50%
	Pool hire - 60 mins	£80.00	£82.00	2.50%
	Lane hire - 45 mins - casual	£10.00	£10.25	2.50%
	Lane hire - 60 mins - casual	£13.30	£13.65	2.63%
	Lane hire - 45 mins - series	£8.30	£8.50	2.41%
	Lane hire - 60 mins - series	£11.10	£11.40	2.70%
School Swimming	Leisure Pool - half hour with instructor	£37.00	£37.90	2.43%
	Leisure Pool - half hour without instructor	£27.00	£27.70	2.59%
	Training Pool - half hour with 1 instructor	£50.00	£51.25	2.50%
	Training Pool - half hour with 2 instructors	£60.00	£61.50	2.50%
	Training Pool - half hour without instructor	£40.00	£41.00	2.50%

Fees & Charges				
Barrow Park		**Charges 2012/2013**	**Charges 2013/2014**	**Increase**
Bowling	OAP Green Hire	£10.00	£10.25	2.50%
	Evening Green Hire	£17.00	£17.50	2.94%
Allotments				
Band A		£43.00	£44.00	2.33%
Band B		£86.00	£88.15	2.50%
Band C		£129.00	£132.20	2.48%
Band D		£172.00	£176.30	2.50%
Band E		£215.00	£220.40	2.51%
Garages		£86.00	£88.15	2.50%

Fees & Charges				
Indoor Market		**Charges 2012/2013**	**Charges 2013/2014**	**Increase**
Stall	Single	£39.72	£40.71	2.49%
	Double	£75.66	£77.55	2.50%
Miscellaneous	Promotional space	£0.00	£10.00	N/A
	Stockroom	£16.47	16.88	2.49%
Outdoor Market				
Small stall	Day	£10.00	£10.50	5.00%
	3 days - paid in advance	£25.00	£26.50	6.00%
Medium stall	Day	£12.50	£13.00	4.00%
	3 days - paid in advance	£31.25	£32.75	4.80%
Small /medium/corner	Non-market day per day	£5.00	£5.50	10.00%

Fees & Charges			
Land Charges	**Charges 2012/2013**	**Charges 2013/2014**	**Increase**
Full search	£95.00	£97.50	2.63%
LLC1 Form	£44.00	£45.00	2.27%
Con 29 Form (Part 1)	£51.00	£52.50	2.94%
Parcel of land full official search	£19.00	£19.50	2.63%
Parcel of land con 29 only	£17.00	£17.50	2.94%
Con 29 part II optional enquiries	£10.00	£10.50	5.00%
Part II Optional Enquiry No 22 when submitted with Part I	£18.00	£18.50	2.78%
Verification of information NOT supplied by Barrow Borough Council	£18.60	£19.00	2.15%

Fees & Charges				
Estates	**Charges 2012/2013**	**Charges 2013/2014**	**Increase**	
Grazing - per acre	£170.00	£200.00	17.65%	
Legal Fees	£65.00	£75.00	15.38%	
Stable Licence Fee	£65.00	£100.00	53.85%	
Charges have been reviewed against the current market.				

Fees & Charges

Town Hall		**Charges 2012/2013**	**Charges 2013/2014**	**Increase**
Banqueting Hall/Drawing Room/Council Chamber	Subsidised rate - Hourly	£36.80	£37.70	2.45%
	Subsidised rate - Half Day	£88.30	£90.50	2.49%
	Subsidised rate - Full Day	£110.30	£113.00	2.45%
	Non-profit Making Bodies - Hourly	£73.60	£75.40	2.45%
	Non-profit Making Bodies - Half Day	£110.30	£113.00	2.45%
	Non-profit Making Bodies - Full Day	£191.20	£196.00	2.51%
	Commercial Rate - Hourly	£147.10	£150.80	2.52%
	Commercial Rate - Half Day	£220.70	£226.20	2.49%
	Commercial Rate - Full Day	£367.80	£377.00	2.50%
Committee Room No 4/Law Library	Subsidised rate - Hourly	£11.80	£12.10	2.54%
	Subsidised rate - Half Day	£55.20	£56.60	2.54%
	Subsidised rate - Full Day	£80.90	£82.90	2.47%
	Non-profit Making Bodies - Hourly	£23.50	£24.10	2.55%
	Non-profit Making Bodies - Half Day	£55.20	£56.60	2.54%
	Non-profit Making Bodies - Full Day	£80.90	£82.90	2.47%
	Commercial Rate - Half Day CAPITA ONLY	£66.80	£68.50	2.54%
	Commercial Rate - Full Day - CAPITA ONLY	£95.60	£98.00	2.51%

APPENDIX No 3 Part 1

HOUSING MANAGEMENT FORUM	(R) Agenda Item 7
Date of Meeting: 17th January 2013	
Reporting Officer: Jane Coles, Business Support Manager	

Title: Housing Revenue Account

Summary and Conclusion:

The purpose of this report is to agree a Housing Revenue Account Budget for the financial year 2013/14.

The report also provides an Expected Outturn Budget for the current year 2012/13 and information regarding balances.

Recommendations:

Members are asked to:

1. Note information at (1).
2. Note information on balances at (2).
3. Note and agree the information in point 3 and agree 2013/14 budget as shown in **Appendix A**.
4. Agree an increase of 3.85% in line with Rent Restructuring guidelines and note the effect on individual rents as shown at **Appendix B.**
5. Agree an increase of Garage charges of 3.85% point 4.1.
6. Note the information at 4.2 & 4.3

Report

The purpose of this report is to agree a Housing Revenue Account Budget for the financial year 2013/14.

Under Self Financing introduced last year Barrow Borough Council took on additional borrowing of £17.089 million. We are expected to service the cost of that debt and manage and maintain our stock to the Decent Homes Standard from the rents collected from our tenants.

The Settlements Payments Determination 2012/13 was calculated on the assumption that we would continue to bring our rents in line with and converge by 2015/16 and thereafter increase rents by Retail Price Index (RPI) + 0.5%.

We expect that the revised Business Plan (to take account of the actual loan profile and the comprehensive spending review) will indicate significant HRA surpluses in future, assuming that management & maintenance costs remain stable. We will therefore need to review and agree prioritising the possible applications of any surpluses: (1) accelerated debt repayment, (2) increased investment in stock (3) investment projects where the need or the return is clearly identifiable, (4) increased levels of management services to assist with the challenges imposed by Welfare Reform (5) a blend of all 4.

The Report also provides an Expected Outturn Budget for the current year 2012/13 and information regarding balances.

The expected outturn for 2012/13 and proposed HRA Budget for 2013/14 is attached at **Appendix A**.

1. Expected Outturn Budget 2012/13

The outturn for the year forecasts a net surplus of £ 49,640. Key factors are:

- HRA Income will be higher than expectations
- Dwelling rents, other services and charge income are in line with budget
- Right to Buy sales may be higher than budgeted due to this year's raise in the discount available which has an effect on stock levels. We are expecting a stock level of 2,696 by 31st March 2013
- Tenancy terminations have increased by 13% in the last quarter which is mainly attributed to increases in deaths and transfers to the private sector
- Management costs are marginally higher than budget
- Maintenance expenditure is in line with budget

2. Balances on the Expected Outturn for 2012/13

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

2.1 **Balance on the Major Repair Reserve as at 31 March 2012 : <u>£ 1,601</u>**

The above funds are expected to be spent in year and therefore the balance on MRR at year end will be zero

2.2 **Balance on the Housing Revenue Account as at 31 March 2012 : £ 1,521,771**

2.3 **Breakdown of Balance on Account**

Balance on the Housing Revenue Account as at 31 March 2012	:	£ 1,521,771
Forecast Surplus 2012/13	:	£ 49,640
Estimated Balance at year end	:	**£ 1,571,411**

3. Proposed HRA Budget 2013/14

In proposing the budget for 2013/14 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, major repair and maintenance expenditure. Rents should increase by RPI + 0.5% however, rents are still expected to converge with those of a similar size, type and location by 2015/16, as they did under the Subsidy Determinations, by adding or subtracting a maximum of £2.00 per week to move the property to its 'target rent'. As a result dwelling rents increase by £354,540.

3.2 We face many challenges with the introduction of the various Welfare Reforms, Universal Credit and loss of Direct Payments. The greatest risk is to our income collection which could reduce by as much as 2% unless we provide sufficient resource to pursue non payers and provide assistance for those with difficulties. We will take a risk based approach to debt cases which means that debts which are escalating are caught at the first opportunity and directed towards an experienced case officer. This means that officers carry a smaller but more complex, challenging and time consuming caseload. I would recommend that we employ an additional full time Income & Debt Recovery officer. We have may provision for this post in the proposed budget as well as increasing the bad debt provision by £114,300.

3.3 I would like to suggest that we carry out General Needs Survey to establish future Housing Needs within the borough at an estimated cost of £30k.

3.4 The budget has allowed for an additional £200k Voluntary Repayment Provision and £390k for investment projects to be considered which either address a need highlighted in the recent Tenant's STAR Survey to improve the appearance and safety of certain neighbourhoods or which will bring about a sustainable improvement in cost to tenants / HRA.

4 Dwelling Rents

4.1 The effect for this authority is as follows:

Calculation for 2013/14
RPI in September 2012= 2.6%
+ 0.5% = 3.1% increase to Barrow Borough Council rents

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

	52 Weeks	48 Weeks
2012/13	£68.65	£74.37
2013/14	£71.29	£77.23
+/-	£2.64	£2.86
Increase	**3.85%**	**3.85%**

Average Rent increase over 48 weeks

£2.86

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 adjusted in line with guidelines and allows a total £1,807 per dwelling based on a stock level of 2,696.

5 Other Charges

5.1 Garage Charges

It is normal practice to recommend that garage rents are increased in line with residential properties. The proposed budget includes a 3.85% increase on garage charges which generates £7,448. The effect on individual garage charges would be as follows:

	2012/13	**+3.85%**	**+5%**
Garage rate 1 (27)	£6.19	£6.43	£6.50
Garage rate 2 (459)	£8.55	£8.88	£8.98
Increase		**£7,448**	**£9,672**

There is a 160 strong waiting list garages with few vacancies and the proposed new rent still appears less than in the private sector.

I would, therefore, suggest you give consideration to increasing current rents by 3.85%.

6 Business Improvement Initiatives

Initiatives for 2013/14 will include:

- Process improvements which streamline and reduce costs on responsive repairs and voids and the effort of administrating and managing the contract.
- Looking at the staffing and management structure for Housing Officers which enable more face to face contact with tenants and their neighbourhoods by eliminating unnecessary admin tasks
- Develop the Information Systems and Technology strategy to support the improvements and reduce IT costs
- Review rents and charges for supported & furnished tenancies and dispersed accommodation.

7 Summary

The proposed HRA budget for 2013/14 is in line with the Settlements Payments Determination and the budgetary and business planning framework it provided for rental income and management, major repair and maintenance expenditure

Recommendations:

Members are asked to:

1. Note information at (1).
2. Note information on balances at (2).
3. Note and agree the information in point 3 and agree 2013/14 budget as shown in **Appendix A.**
4. Agree an increase of 3.85% in line with Rent Restructuring guidelines and note the effect on individual rents as shown at **Appendix B**.
5. Agree an increase of Garage charges of 3.85% point 4.1.
6. Note the information at 4.2 & 4.3

(i) Legal Implications

The recommendation has no legal implications.

(ii) Risk Assessment

The recommendation has no implications.

(iii) Financial Implications

The recommendation has significant financial implications outlined in the body of the report.

(iv) Health and Safety Implications

The recommendation has no implications.

(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

Nil

APPENDIX A

Barrow Borough Council - HRA Budget Subjective Summary

Housing Revenue Account	Actual 2011-12	Original Budget 2012-13	Outturn Budget 2012-13	New Budget 2013-14
INCOME				
Dwelling rents	(8,902,880)	(9,514,990)	(9,514,990)	(9,869,530)
Other rents	(315,228)	(318,350)	(318,430)	(336,800)
Charges for services and facilities	(310,362)	(186,990)	(237,830)	(204,090)
Other income	(26,443)	0	(16,350)	(2,000)
Total Income	**(9,554,913)**	**(10,020,330)**	**(10,087,600)**	**(10,412,420)**
EXPENDITURE				
Repairs and maintenance	2,657,528	2,967,370	2,967,370	2,967,370
Supervision and management	2,496,744	2,371,810	2,387,540	2,338,410
Housing subsidy payable	18,180,463	0	1,900	0
Depreciation and impairment - Dwellings	2,712,100	1,696,920	1,696,920	1,659,770
Depreciation and impairment - Operational assets	202,065	121,350	121,350	127,010
Bad debt provision	79,179	99,180	99,180	213,480
Debt management expenses	18,444	32,970	32,970	15,560
Total Expenditure	**26,346,523**	**7,289,600**	**7,307,230**	**7,321,600**
NET COST OF SERVICES	**16,791,610**	**(2,730,730)**	**(2,780,370)**	**(3,090,820)**
HRA share of Corporate & Democratic Core	72,700	310,860	310,860	348,720
NET COST OF HRA SERVICES	**16,864,310**	**(2,419,870)**	**(2,469,510)**	**(2,742,100)**
Gains and losses on HRA assets	(104,756)	0	(562,480)	0
Interest payable + Voluntary Debt repayment	467,032	2,098,890	2,098,890	2,020,260
Interest on mortgages	(4)	0	0	0
Interest on pension liabilities	785,000	843,000	843,000	785,000
Expected return on pension assets	(627,000)	(582,000)	(582,000)	(627,000)
SURPLUS / DEFICIT ON HRA SERVICES	**17,384,582**	**(59,980)**	**(672,100)**	**(563,840)**
Statutory debits / credits to the HRA				
Accrued leave - reversal	1,369	0	0	0
SF payment reversal	(17,089,000)	0	0	0
Derecognition of non current assets	(87,217)	0	0	0
HRA premiums on early repayment of debts	130,007	45,760	45,760	43,440
HRA discounts on early repayment of debts	(10,071)	(10,080)	(10,080)	(10,080)
HRA net charges for retirement benefits	(321,058)	(261,000)	(261,000)	(158,000)
Gains and losses on sale of fixed assets	98,350	0	558,150	0
Gain on sale of contingent assets	6,406	0	4,330	0
Gain on previous HRA impairment	79,221	0	0	0
Reversal of impairment loss	(1,087,712)	0	0	0
Transfer to MRR	218,240	208,000	208,000	606,150
Transfer from MRR	(121,593)	(121,350)	(121,350)	(127,010)
HRA employer's contribution to pension scheme	314,594	198,650	198,650	209,340
NET (SURPLUS) / DEFICIT	**(483,883)**	**0**	**(49,640)**	**0**

APPENDIX B

Sample Rents 2013-14

Basic Rents Charged

Archetype		No. Beds	Area/Sub Area	Constrained 2012/13 Rent	Constrained 2013/14 Rent	Weekly Difference	% Change
Ground Floor Flat	Low Rise	1	ORM/OR1	£62.53	£64.55	£2.02	3.23%
Upper Floor Flat	Medium Rise	1	CEN/LHI	£63.05	£65.94	£2.89	4.58%
Ground Floor Flat	Medium Rise	1	CEN/CEN	£64.44	£67.68	£3.24	5.03%
Upper Floor Flat	Low Rise	1	WAL/NWA	£65.09	£67.78	£2.69	4.13%
Bungalow	Mid Terrace	1	DAL/DAL	£68.98	£71.58	£2.60	3.77%
Upper Floor Flat	Low Rise	2	ORM/OR2	£70.84	£73.65	£2.81	3.97%
Bungalow	End Terrace	1	WAL/NWA	£70.63	£72.72	£2.09	2.96%
Bungalow	Semi Detached	1	ORM/GRI	£70.63	£72.72	£2.09	2.96%
Upper Floor Flat	Medium Rise	2	ROO/NBN	£72.53	£75.49	£2.96	4.08%
Ground Floor Flat	Medium Rise	2	ROO/NBN	£73.08	£75.87	£2.79	3.82%
Ground Floor Flat	Low Rise	2	ORM/GRI	£73.95	£76.82	£2.87	3.88%
House	End Terrace	2	ORM/OR1	£75.36	£77.80	£2.44	3.24%
House	Mid Terrace	2	CEN/HIN	£76.10	£78.83	£2.73	3.59%
Upper Floor Flat	Low Rise	3	ROO/NBN	£78.25	£81.66	£3.41	4.36%
House	Semi Detached	2	ROO/GGS	£77.77	£80.13	£2.36	3.03%
Bungalow	Semi Detached	2	DAL/DAL	£78.88	£81.30	£2.42	3.07%
Ground Floor Flat	Medium Rise	3	CEN/CEN	£79.50	£81.98	£2.48	3.12%
House	End Terrace	3	ROO/ROO	£81.80	£84.95	£3.15	3.85%
House	Mid Terrace	3	WAL/NWA	£85.61	£89.09	£3.48	4.06%
House	Semi Detached	3	WAL/WAL	£87.44	£90.65	£3.21	3.67%
Bungalow	Mid Terrace	3	ORM/OR2	£87.99	£91.03	£3.04	3.45%
Bungalow	End Terrace	3	ORM/OR2	£88.55	£91.41	£2.86	3.23%
Bungalow	Semi Detached	3	ROO/NBN	£88.55	£91.41	£2.86	3.23%
House	End Terrace	4	ROO/ROO	£89.25	£92.74	£3.49	3.91%
House	Mid Terrace	4	ROO/GGS	£89.78	£94.36	£4.58	5.10%
House	Semi Detached	4	DAL/DAL	£94.95	£98.39	£3.44	3.62%
House	End Terrace	5	ROO/GGS	£97.85	£101.61	£3.76	3.84%
House	Semi Detached	5	ROO/ROO	£105.31	£109.76	£4.45	4.23%

APPENDIX No. 4

Capital Programme

1. Capital Programme as at 31st December 2012

The Capital Programme for 2012-2013 was last reported to the Executive Committee on the 17th October 2012 as £6,796,252 and was fully financed. The revised Capital Programme for 2012-2013 presented in this report as at the 31st December 2012 is £7,445,108. This is an increase of £648,856 caused by a combination of re-profiling, revised funding and new bids.

The major (over £10,000) variations to the Capital Programme since the last report are as follows:

1.1 Re-Profiling

- Dock Museum: £236,000 has been reprofiled from 2012-2013 into 2013-2014, £230,000 and 2014-2015, £16,000.
- Town Hall: £150,000 has been reprofiled from 2012-2013 into 2013-2014.
- Forge Close / James Freel Close Business Units £60,000 has been reprofiled from 2012-2013 into 2013-2014.
- Marina Village: £1,500,000 has been reprofiled into 2012-2013 from 2013-2014, £700,000, from 2014-2015, £400,000 and from 2015/2016, £400,000
- Asset Investment Fund: £221,850 has been reprofiled from 2012-2013 and £143,150 re-profiled from 2013-2014 into 2014-2015 £160,000 and 2015-2016 £205,000

1.2 Revised Funding

- £105,662 from DCLG for Disabled Facilities Grants
- £27,638 Town Centre Shop Front Grants adjustment re owners contributions
- Capitalised Planned Maintenance Major Repair Reserve funding revised as follows 2012-2013 -£1,601, 2013-2014 £343,906, 2014-2015 -£166,271 and 2015-2016 -£171,709

1.3 Asset Investment Fund

- £229,479 added into Asset Investment Fund from Miscellaneous Properties
- £100,000 added into Asset Investment Fund from Disabled Facilities Grants
- £320,000 added into Asset Investment Fund from Roof Top Car Park

1.4 New Capital Bids

- £25,000 for Ireleth Road Watercourses the Council is the owner of the land beneath Abbey Heights and is responsible for the replacement of collapsed pipes alongside A595 Ireleth Road.
- £30,000 Forum new sound system for main theatre

The capital expenditure as at the 31st December 2012 is £3,039,694 and is set out as Section 5.

The revised Capital Programme for 2012-2013 and future years is set out as Section 6.

2. Capital Programme 2012-2013 to 2015-2016

The summarised Capital Programme is set out in table 1:

Table 1 Investment	**2012-13 £**	**2013-14 £**	**2014-15 £**	**2015-16 £**
Public Housing	1,960,777	2,295,920	1,834,000	1,878,000
Private Housing	629,598	600,000	600,000	600,000
Housing Market Renewal	361,001	1,665,500	284,500	-
Public Buildings	1,128,089	1,274,000	106,000	145,000
Other Public Assets	3,089,672	556,554	990,000	990,000
Community Initiatives	210,054	800,000	-	-
Retentions	15,685	25,000	25,000	25,000
Asset Investment Fund	50,232	338,896	275,000	275,000
Total Capital Programme	**7,445,108**	**7,555,870**	**4,114,500**	**3,913,000**

The proposed financing for the Capital Programme is set out in table 2:

Table 2 Financing	**2012-13 £**	**2013-14 £**	**2014-15 £**	**2015-16 £**
Borrowing	1,224,300	3,719,950	1,550,500	1,305,000
Government Grants	1,978,385	909,000	399,000	399,000
Private Contributions	4,467	150,000	-	-
Reserves	1,906,525	2,295,920	1,834,000	1,878,000
Revenue	44,109	-	-	-
Capital Receipts	2,287,322	481,000	331,000	331,000
Total Capital Programme	**7,445,108**	**7,555,870**	**4,114,500**	**3,913,000**

3. Capital projects

Capitalised Planned Maintenance: The planned maintenance programme aims to continue improvements to ensure the Council satisfies the Government's requirements for Decent Homes. Where there are planned major works to Council dwellings such as rewiring, heating, bathrooms and kitchens, this expenditure is capitalised and financed by the major repairs allowance. This is funded from the Major Repairs Reserve.

Housing IT: This project provides for the updating of the Housing computer system.

Disabled Facilities Grants: These are awarded for essential adaptations to give a disabled person better freedom of movement around the house. This work includes widening doors or installing ramps, providing a specially adapted room in which it is safe to leave a disabled person unattended and improving accessibility and facilities around the home. This project is supported by an annual grant from the DCLG.

Thermal Improvements Grants: These are awarded to improve the thermal efficiency of homes through cavity wall insulation, loft insulation.

Private Sector Housing Condition Survey: Every 5 years the Council collects information about owner occupied and privately rented properties to inform the Housing Strategy and prioritise actions and investment. The current survey is being carried out as a Cumbria-wide exercise.

Central Property Refurbishments: This project is for the refurbishment of Renewal Area properties to a condition fit for their sale on the open market.

North Central Renewal – Demolition: This project is for the demolition of Arthur Street and Marsh Street clearance properties.

Group Repair – Marsh Street, Central Area E &Central Area A and Rawlinson Street Corridor: These are part of the North Central Renewal Area where the Council is committed to a 10 year programme of works. Group repair schemes are major external renovation and refurbishment of whole streets or blocks.

Central Area A includes 107 properties on Thwaite Street, Brewery Street and Whitehead Street. Area E includes 135 properties within the Renewal Area boundary on Arnside Street, Lindal Street, Harrison Street, Lord Street and Silverdale Street. The proposed works would be similar in nature to those already carried out on Sutherland Street (evens) and Marsh Street (odds). The exact specification will be determined to maximise impact following property surveys and will depend on the condition of the property and the budget available.

The Rawlinson Street Corridor between Abbey Road and Greengate Street is on the boundary of the Renewal Area, and is currently a retail area secondary to the Town Centre core. It is also an important secondary thoroughfare. As such the appearance of the corridor is important to the general vibrancy of the Town Centre. The number of viable retail businesses on Rawlinson Street has reduced in recent years, and it may be appropriate for a number of premises to change use from business to residential. The capital scheme proposed will enhance the Town Centre shop front grant scheme in this area, promote appropriate changes in use and provide discretionary grants for residential fabric improvements.

Hindpool Environmental Improvements: These are the Gateways and Key Streets projects which were part of the Hindpool Environmental Improvement Programme that commenced in 2006-2007.

Cemetery: This is the project for the new grave section at Barrow Cemetery.

Crematorium: This project is to replace the monitoring equipment during 2013-2014 and reline the cremators during 2015-2016.

Dock Museum: There are two projects within this heading. One is for the works to the building management system, chiller units and the Dock Gate. The other is for the works required to the land and car parking associated with the sale of the adjacent land.

Forum 28: This project comprises the works to the toilets and motorised lighting bars and sound system for the main theatre.

Leisure Centre: This is the project for the Soccer Centre.

Market Hall: This project is the asbestos removal within the office area of the Market Hall.

Public Conveniences: This project is for the demolition of the Amphitheatre toilet block.

Roof Top Car Park: This is the project looking to resolve the waterproofing issues on the roof top car park. Completion of this project will remove the water ingress to the Market Hall and Offices.

Town Hall: This is a continuing project addressing the refurbishment of the building and fabric.

Play Areas: This is the Dalton Multi Use Games Area project; retentions and any minor incidental costs remain to be paid in 2012-2013.

Barrow Park: This project is to resurface the roads and pathways not included in the Lottery funded works and renew sections of deteriorating fencing.

Playing Fields: This project is the refurbishment of the Tummer Hill changing rooms.

Forge Close & James Freel Business Units: This is the project for the sewer and highway remedial works to enable the adoption by Cumbria County Council and United Utilities.

Waterside Business Park Access Road: This project constructed the access road from Waterside House to Ferry Road and removed the direct access onto Jubilee Bridge; retentions and any minor incidental costs remain to be paid in 2012-2013.

Phoenix Court Business Park: This is the project to expand the capacity of the building to provide extra units for small businesses. Some additional external and internal alterations have been identified.

77-79 Duke Street: This is the project to replace the timber ground floor with concrete and damp proofing works to the ground floor walls.

Town centre shop front grants: This scheme supports the creation of attractive and customer friendly town centres in Barrow and Dalton which enable shopkeepers to work effectively together to market their town centres in order that they can compete effectively with out of town shopping. The scheme is targeted at small retailers in Barrow Town Centre and Dalton Town Centre and is open to small independent businesses only with less than 50 employees. During the original phase of the scheme Council supported 76 applications, some of which are ongoing.

93 Dalton Road: This project purchased the derelict property and has now progressed to demolition and making the site safe and secure.

Miscellaneous properties: This provision within the programme is to allow intervention in the commercial property market in the Borough. The funds would be used where a property of strategic importance to the Council regeneration strategy (for example, adjoining an existing property in Council ownership, to facilitate development or a property in poor condition in a highly prominent position) becomes available. The Executive Director, in consultation with the Chair and Vice Chair of the Executive Committee, has delegated authority to use this funding. The delegation will be exercised when urgent or confidential matters arise, subject to Financial Regulations. Any acquisitions will be reported for information to the next available meeting of the Executive Committee.

Abbey Road THI : Townscape Heritage Initiative Lottery grant programme for the repair and regeneration of eligible buildings of special architectural character

104 Abbey Road and 102 Abbey Road: For 104 Abbey Road the provision in the programme is for the final payment on the project. For 102 Abbey Road there will be work to the front elevation (masonry repairs, including re-pointing all stone and brick in lime and street frontage reinstatement), re-roofing pitched roofs, re-covering flat roofs and the provision of car parking.

School Street Former Presbyterian Church: This project is for the demolition of the property once ownership has transferred to the Council.

Link Road: This project was for the construction of the Link Road; retentions remain to be paid in 2012-2013.

Town Centre Public Realm Phase II; The Ginnell, Furness House Landscaping and The Mall: This project was for the works to enhance the public realm and general environment; retentions paid in 2012-2013.

Marina village: This long-term project is a continuation of the acquisition and demolition of properties in preparation for the Marina village development.

IT equipment & development: This project provides for the updating of the Councils computers and also for the development of systems and hardware to maintain a supportable and robust IT environment.

Refuse & recycling containers: This is a continuing project for the replenishment of the refuse & recycling containers in use throughout the Borough.

Ormsgill Reservoir: This project is for repairs to the reservoir banking and the installation of a depth gauge.

Ireleth Road Watercourse: the Council is the owner of the land beneath Abbey Heights and is responsible for the replacement of collapsed pipes alongside A595 Ireleth Road.

Coastal Defence Work West Shore Park: This is the project for the installation of 20 year temporary sea defences at the West Shore Park. This project is due to commence in 2013-2014.

Rural Regeneration – Piel Island: This is the project for the Ship Inn refurbishment. The remaining works relate to the south west elevation where the visitor centre will be. The visitor centre will house the furniture and exhibits from the Barrow by Design project which is managed by Art Gene.

Rural Regeneration – Roa Island Jetty: This is the project to replace the degrading precast reinforced concrete jetty with a new shorter timber jetty.

Rural Regeneration – Coastal Protection: The Council carried out a condition survey of all coastal defence assets in 2010 which is being used to prioritise capital works to Council maintained defences at three locations in the borough.

Rural Regeneration – Roa Island Car Park: This project is for the acquisition of land to be able to convert the grassed area to car parking spaces.

Retentions: This is a provision for payments that become due once the retention period of a contract has ended and the works are signed off.

Asset Investment Fund: This is the balance of capital resources available to finance the programme. It must be noted that the proposed programme contains a level of usable capital receipts which must be realised before all resources can be committed.

4. Capital Financing

Borrowing: The Councils borrowing is controlled by the Prudential Code which promotes effective financial planning which considers the range of options for revenue funding and capital investment by:

- Establishing whether the Council considers it affordable and prudent to bear additional future revenue costs associated with additional investment;
- Establishing whether the use of existing or new revenue resources to finance capital investment should have precedent over other competing needs for revenue expenditure; and
- Establishing the scope for capital investment to generate future revenue savings or income, taking into account the risks associated with such proposals.

The costs of the borrowing included in the proposed Capital Programme are included in the Medium Term Financial Plan for 2012-2013 to 2015-2016. Throughout the financial year, the variations to the Capital Programme mean that the amount of borrowing required varies as well. However, rather than amend the Prudential Indicator for borrowing with each revised Capital Programme, I will report the actual capital financing to this committee at the end of the year. Borrowing can be reprofiled by the Executive Committee but increases must be agreed by Full Council. The programme presented here has less borrowing for 2012-2013, 2014-2015 and 2015-2016, but increased borrowing in 2013-2014: overall it is the same amount of borrowing, so Full Council approval is not required. Should additional borrowing be required I will report this to Members along with revised Prudential Indicators.

Government Grants:
Disabled facilities grant: This funding is received from the DCLG to be used to help disabled people to live as comfortably and independently as possible in their own homes through the provision of adaptations. Entitlement to a disabled facilities grant is mandatory for eligible disabled people and the grant provides financial assistance for the provision of a wide range of housing adaptations ranging from stair lifts, level access showers and home extensions.
Area Based Grant: This is grant received by the Council in a previous year that is committed to finance the capital programme. It was received as a non-ring fenced revenue grant and is held as an earmarked reserve until it is used to finance the related capital expenditure.
Lottery funding: Lottery funding is project specific and the funding in the programme for 2012-2013 relates to 102 Abbey Road & Abbey Road THI
Arts Council: This funding is for Rural Regeneration – Piel Island for 2012-2013.
DEFRA: This funding is for Coastal Defence Work West Shore Park for 2013-2014.
Cumbria County Council
This is funding for 2012-2013 for:

- Disabled Facilities Grants £133,170;
- Hindpool Environmental Improvements – Key Streets £7,500; and
- Town Centre Public Realm Phase II (The Ginnell) £57,286.

The funding for 2013-2014 is for the Coastal Defence Work West Shore Park.

Private Contributions: This is funding for 2012-2013 towards the Private Sector Housing Condition Survey, where the Council is acting as the lead Cumbria-wide. The funding for 2013-2014 is for the Coastal Defence Work West Shore Park.

HRA major repairs reserve: The major repairs reserve is specific to the HRA and will continue to be used for capital financing for the initial years of the HRA self-financing regime. The annual contribution to the reserve from the HRA represents the capital cost of keeping stock in its current condition. This is the same as using the annual cost of replacing building components as they reach the end of their useful life as a reasonable estimate of depreciation.

Usable capital receipts: The Council generates capital receipts by disposing of surplus land and buildings plus sales under the Right to Buy legislation. Capital receipts may only be used for financing the Capital Programme or may be set aside to repay debt.

The balance of usable capital receipts brought into 2012-2013 was £1,106,322 and these are committed to finance the Capital Programme. The Capital Programme assumes usable capital receipts of:

- 2012-2013 £2,287,322
- 2013-2014 £481,000
- 2014-2015 £331,000
- 2015-2016 £331,000

This totals **£3,430,322** of usable capital receipts over the life of the Capital Programme.

The usable capital receipts that have been secured to the 31st December 2012 are:

- £1,106,322 balance brought forward
- £325,000 sale of Ocean Road shops
- £15,000 sale of land Biggar Bank
- £40,500 sale of 2 council dwellings
- £850,000 sale of land at the Dock Museum
- **£2,336,822 in total**

The usable capital receipts that are anticipated value:

- £102,000 sale of land at Ashburner Way
- £50,000 sale of 62 Sutherland Street
- £45,000 sale of Island Tavern
- **£197,000 in total**

This leaves **£896,500** of usable capital receipts to be realised during the life of the Capital Programme.

Capital receipts are closely monitored as the proposed Capital Programme is reliant on usable capital receipts for financing each year. Where capital receipts are not achieved, projects will be reviewed and prioritised against the financing available.

5. Capital Expenditure as at the 31st December 2012

Project	Budget 2012/2013	Expenditure as at 31/12/2012
Capitalised Planned Maintenance	1,906,525	1,455,950
Housing IT	54,252	6,930
Total Investment in Public Housing	**1,960,777**	**1,462,880**
Disabled Facilities Grants	600,000	379,515
Thermal Improvement Grants	5,131	0
Private Sector Housing Condition Survey	24,467	5,500
Total Investment in Private Housing	**629,598**	**385,015**
Central Refurbishment Property Swaps	16,105	16,105
North Central Renewal - Demolition	48,946	48,945
Group Repair Marsh Street	12,381	903
Group Repair Central Area A & E	300,000	28,317
Rawlinson Street Corridor	50,000	6,369
Hindpool Environmental Improvements - Gateways	-92,000	-92,000
Hindpool Environmental Improvements - Key Streets	25,569	25,569
Investment in Housing Market Renewal	**361,001**	**34,208**
Total Investment in Housing	**2,951,376**	**1,882,103**
Cemetery	32,704	5,394
Dock Museum	242,121	42,232
Forum	60,000	0
Leisure Centre	600,000	319
Market Hall	33,193	15,958
Public Conveniences	10,082	0
Roof Top Car Park	107,671	65,744
Town Hall	42,318	25,205
Total Investment in Public Buildings	**1,128,089**	**154,852**
Play Areas	6,580	0
Barrow Park	43,000	0
Playing Fields	5,898	5,896
Forge Close / James Freel Close Business Units	23,128	7,805
Waterside Business Park Site Entrance	8,367	7,217

Project	Budget 2012/2013	Expenditure as at 31/12/2012
Phoenix Court Business Centre	110,000	102,624
77-79 Duke Street	20,000	18,084
Town Centre Shop Front Grants	185,060	116,365
93 Dalton Road	27,097	27,097
Miscellaneous Properties	40,000	85
Abbey Road THI	1,805	1,805
104 Abbey Road (Cookes Building)	67,380	2,334
102 Abbey Road	347,452	309,139
School Street Former Presbyterian Church	70,000	4,718
Link Road	78,881	2,823
Town Centre Public Realm Phase II (The Ginnell)	4,332	4,332
Furness House Landscaping	4,695	4,695
The Mall	6,645	6,645
Marina Village Land Assembly	1,904,441	149,293
IT Equipment & Development	90,000	54,222
Refuse and Recycling Containers	44,911	44,911
Total Investment in Other Public Assets	**3,089,671**	**870,090**
Ormsgill Reservoir	11,457	9,986
Rural Regeneration – Ireleth Road Watercourse	25,000	0
Rural Regeneration - Piel Island	62,620	52,211
Rural Regeneration - Roa Island Jetty	29,998	6,823
Rural Regeneration - Coastal Protection	25,000	7,810
Rural Regeneration - Roa Island Car Park	55,979	55,819
Total Investment in Community Initiatives	**210,054**	**132,649**
Retentions	**15,685**	**0**
Asset Investment Fund	**50,232**	**0**
Total	**7,445,108**	**3,039,694**

6. Capital Programme for 2012-2013 to 2015-2016

Project	2012/2013	2013/2014	2014/2015	2015/2016
Capitalised Planned Maintenance	1,906,525	2,295,920	1,834,000	1,878,000
Housing IT	54,252	0	0	0
Total Investment in Public Housing	**1,960,777**	**2,295,920**	**1,834,000**	**1,878,000**
Disabled Facilities Grants	600,000	600,000	600,000	600,000
Thermal Improvement Grants	5,131	0	0	0
Private Sector Housing Condition Survey	24,467	0	0	0
Total Investment in Private Housing	**629,598**	**600,000**	**600,000**	**600,000**
Central Property Refurbishments	16,105	0	0	0
North Central Renewal - Demolition	48,946	0	0	0
Group Repair - Marsh Street	12,381	0	0	0
Group Repair - Central Area A & E	300,000	1,365,500	34,500	0
Rawlinson Street Corridor	50,000	300,000	250,000	0
Hindpool Environmental Improvements - Gateways	-92,000	0	0	0
Hindpool Environmental Improvements - Key Streets	25,569	0	0	0
Investment in Housing Market Renewal	**361,001**	**1,665,500**	**284,500**	**0**
Total Investment in Housing	**2,951,376**	**4,561,420**	**2,718,500**	**2,478,000**
Cemetery	32,704	250,000	0	0
Crematorium	0	56,000	0	45,000
Dock Museum	242,121	280,000	6,000	0
Forum 28	60,000	18,000	0	0
Leisure Centre	600,000	0	0	0
Market Hall	33,193	0	0	0
Public Conveniences	10,082	0	0	0
Roof Top Car Park	107,671	420,000	0	0
Town Hall	42,318	250,000	100,000	100,000
Total Investment in Public Buildings	**1,128,089**	**1,274,000**	**106,000**	**145,000**
Play Areas	6,580	0	0	0
Barrow Park	43,000	0	0	0
Playing Fields	5,898	0	0	0
Forge Close / James Freel Close Business Units	23,128	60,000	0	0
Waterside Business Park Access Road	8,367	0	0	0
Phoenix Court Business Centre	110,000	0	0	0
77-79 Duke Street	20,000	0	0	0
Town Centre Shop Front Grants	185,060	0	0	0
93 Dalton Road	27,097	0	0	0
Miscellaneous Properties	40,000	210,000	250,000	250,000
Abbey Road THI	1,805	0	0	0
104 Abbey Road (Cookes Building)	67,380	0	0	0
102 Abbey Road	347,452	0	0	0

Project	2012/2013	2013/2014	2014/2015	2015/2016
School Street Former Presbyterian Church	70,000	0	0	0
Link Road	78,881	0	0	0
Town Centre Public Realm Phase II (The Ginnell)	4,332	0	0	0
Furness House Landscaping	4,695	0	0	0
The Mall	6,645	0	0	0
Marina Village	1,904,441	150,000	600,000	600,000
IT Equipment & Development	90,000	100,000	100,000	100,000
Refuse and Recycling Containers	44,911	36,554	40,000	40,000
Total Investment in Other Public Assets	**3,089,672**	**556,554**	**990,000**	**990,000**
Ormsgill Reservoir	11,457	0	0	0
Ireleth Road Watercourse	25,000	0	0	0
Coastal Defence Work West Shore Park	0	615,000	0	0
Rural Regeneration - Piel Island	62,620	0	0	0
Rural Regeneration - Roa Island Jetty	29,998	160,000	0	0
Rural Regeneration - Coastal Protection	25,000	25,000	0	0
Rural Regeneration - Roa Island Car Park	55,979	0	0	0
Total Investment in Community Initiatives	**210,054**	**800,000**	**0**	**0**
Retentions	**15,685**	**25,000**	**25,000**	**25,000**
Asset Investment Fund	**50,232**	**338,896**	**275,000**	**275,000**
Total	**7,445,108**	**7,555,870**	**4,114,500**	**3,913,000**

Funding of Capital Programme

Borrowing Requirement Non Housing	1,224,300	3,719,950	1,550,500	1,305,000
DCLG Grant	462,423	499,000	399,000	399,000
Area Based Grant	1,164,939	0	0	0
Lottery	141,067	0	0	0
Arts Council	12,000	0	0	0
DEFRA	0	335,000	0	0
Cumbria County Council	197,956	75,000	0	0
Private Contributions	4,467	150,000	0	0
HRA Major Repairs Reserve	1,906,525	2,295,920	1,834,000	1,878,000
Contributions from Revenue	44,109	0	0	0
Usable Capital Receipts	2,287,322	481,000	331,000	331,000
Total	**7,445,108**	**7,555,870**	**4,114,500**	**3,913,000**

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 polices, 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 2013/14
The strategy for 2013/14 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 2013/14 – 2015/16

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans are 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 £000	2011/12 Actual	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate
Non-HRA	4,559	5,484	5,260	2,281	2,035
HRA*	19,201	1,961	2,296	1,834	1,878
Total	23,760	7,445	7,556	4,115	3,913
Financed by:					
Capital receipts	955	2,287	481	331	331
Capital grants	2,297	1,983	1,059	399	399
Capital reserves	2,112	1,907	2,296	1,834	1,878
Revenue	-	44	-	-	-
Net financing need for the year	**18,396**	**1,224**	**3,720**	**1,551**	**1,305**

* Includes the subsidy settlement of £17.089 million.

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	2011/12 Actual	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate
Capital Financing Requirement					
CFR – Non-HRA	24,034	24,323	27,087	27,594	27,837
CFR – HRA	26,099	25,229	24,159	23,289	22,419
Total CFR	**50,133**	**49,552**	**51,247**	**50,883**	**50,256**
Movement in CFR	**17,310**	**(581)**	**1,694**	**(364)**	**(627)**

Movement in CFR represented by:					
Net financing need for the year (above)	18,396	1,224	3,720	1,551	1,305
Less MRP/VRP and other financing movements	(1,086)	(1,805)	(2,026)	(1,915)	(1,932)
Movement in CFR	**17,310**	**(581)**	**1,694**	**(364)**	**(627)**

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.

%	2011/12 Actual	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate
Non-HRA	11%	11%	14%	16%	17%
HRA	6%	16%	20%	17%	16%

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

£	2011/12 Actual	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate	2015/16 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

£	2011/12 Actual	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate	2015/16 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 approporiate 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 2012, 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	2011/12 Actual	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate
External Debt					
Debt at 1 April	39,479	39,479	39,479	43,199	44,050
Expected change in Debt	-	-	3,720	1,551	1,305
Actual gross debt at 31 March	**39,479**	**39,479**	**43,199**	**44,050**	**44,555**
The Capital Financing Requirement	**50,133**	**49,552**	**51,247**	**50,883**	**50,256**
Under / (over) borrowing	**10,654**	**10,073**	**8,048**	**6,833**	**5,701**

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 2013/14 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 £m	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate
Total	45	46	47	48

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	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate
Total	57	58	59	61

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	2011/12 Estimate	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate
Total	26,425	36,367	36,367	36,367

3.3 Prospects for interest rates

The Council has appointed Sector as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table gives the Sector central view.

Annual Average %	Bank Rate	PWLB Borrowing Rates (including certainty rate adjustment)		
		5 year	25 year	50 year
Dec 2012	0.50	1.50	3.70	3.90
March 2013	0.50	1.50	3.80	4.00
June 2013	0.50	1.50	3.80	4.00
Sept 2013	0.50	1.60	3.80	4.00
Dec 2013	0.50	1.60	3.80	4.00
March 2014	0.50	1.70	3.90	4.10
June 2014	0.50	1.70	3.90	4.10
Sept 2014	0.50	1.80	4.00	4.20
Dec 2014	0.50	2.00	4.10	4.30
March 2015	0.75	2.20	4.30	4.50
June 2015	1.00	2.30	4.40	4.60
Sept 2015	1.25	2.50	4.60	4.80
Dec 2015	1.50	2.70	4.80	5.00
March 2016	1.75	2.90	5.00	5.20

The economic recovery in the UK since 2008 has been the worst and slowest recovery in recent history, although the economy returned to positive growth in the third quarter of 2012. Growth prospects are weak and consumer spending, the usual driving force of recovery, is likely to remain under pressure due to consumers focusing on repayment of personal debt, inflation eroding disposable income, general malaise about the economy and employment fears.

The primary drivers of the UK economy are likely to remain external. 40% of UK exports go to the Euozone so the difficulties in this area are likely to continue to hinder UK growth. The US, the main world economy, faces similar debt problems to the UK, but urgently needs to resolve the fiscal cliff now that the the Presidential elections are out of the way. The resulting US fiscal tightening and continuing Eurozone problems will depress UK growth and is likely to see the UK deficit reduction plans slip.

This challenging and uncertain economic outlook has several key treasury mangement implications:

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

3.4 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 2013/14 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	2013/14	2014/15	2015/16
Interest rate exposures			
	Upper	**Upper**	**Upper**
Limits on fixed interest rates based on net debt	46	47	48
Limits on variable interest rates based on net debt	14	15	15
Maturity structure of fixed interest rate borrowing 2013/14			
		Lower	**Upper**
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%

3.5 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.

3.6 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 agengy. 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 divesification 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, 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 AAA

  and 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, parish councils etc
- 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	***F1 or eligible institution with £500m of assets***	**£2m**	**1 year**
Other institutions limit	**-**	**£5m**	**1 year**
DMADF	**AAA**	**Unlimited**	**1 year**
Local authorities	**-**	**£5m**	**1 year**

3. 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 0.5% before starting to rise from quarter 4 of 2014. Bank Rate forecasts for financial year ends (March) are:

- 2012/13 0.50%
- 2013/14 0.50%
- 2014/15 0.75%
- 2015/16 1.75%

There are downside risks to these forecasts (i.e. start of increases in Bank Rate is delayed even further) if economic growth remains weaker for longer than expected. However, should the pace of growth pick up more sharply than expected there could be upside risk, particularly if Bank of England inflation forecasts for two years ahead exceed the Bank of England's 2% target rate.

The suggested budgeted investment earnings rates for returns on investments placed for periods up to three months during each financial year for the next five years are as follows:

2012/13	0.50%
2013/14	0.50%
2014/15	0.60%
2015/16	1.50%

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: -

Maximum principal sums invested > 364 days			
£m	**2013/14**	**2014/15**	**2015/16**
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:

	1 year	2 years	3 years	4 years	5 years
Maximum	**0.03%**	**0.12%**	**0.10%**	**0.08%**	**0.06%**

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	***F1 or eligible institution with £500m of assets***	**£2m**	**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	**Supranational bonds greater than 1 year to maturity** **(a) Multilateral development bank bonds** - 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.). **(b) A financial institution that is guaranteed by the United Kingdom Government** (e.g. The Guaranteed Export Finance Company {GEFCO}) 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.	AAA long term ratings £10 million 1 year
b	**Gilt edged securities** 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 bond is sold before maturity.	£5 million 5 years
c	The Council's own banker HSBC	£20 million
d	**Building societies not meeting the basic security requirements under the specified investments.** 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.	£2 million 5 years
e	Any **bank or building society** 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).	£2 million 1 year
f.	Any **non rated subsidiary** 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 1 year
g	Local authorities	£5 million 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.

Part One

OVERVIEW AND SCRUTINY COMMITTEE	(D) Agenda Item 8
Date of Meeting: **31st January, 2013**	
Reporting Officer: **Policy Review Officer**	

Title: Tenants' Participation

Summary and Conclusions:

To provide Members with an update of the scrutiny review into Tenants' participation.

Recommendation:

Members are invited to consider the information and determine how this review should be progressed.

Report

The work group met with the Housing Manager and Tenants' representatives and agreed that the Housing Manager would develop the proposal and present it to this Committee. When the proposal is ready I will arrange a meeting to discuss it.

Background Papers

Nil

Part One

OVERVIEW AND SCRUTINY COMMITTEE	(D) Agenda Item 9
Date of Meeting: **31st January, 2013**	
Reporting Officer: **Policy Review Officer**	

Title: Allotment Review Recommendations

Summary and Conclusions:

We have carried out a review of the recommendations from the allotment review which was undertaken in 2011 and the key recommendations have been implemented.

Recommendation:

Members are invited to note the information.

Report

Councillor Doughty and the Policy Review Officer met with the Assistant Director of Community Services to review the implementation of the recommendations made by this Committee following the allotment review in 2011. We were satisfied that the key recommendations had been implemented.

The replacement of water systems was considered but it was decided to apply for capital funding but to carry out repairs when needed. There was not any significant water issues in 2012 and a number of repairs were undertaken which contributed to a reduction in water usage.

There was an increase in the number of tenants paying by direct debit and the Council continue to promote this.

Background Papers

Nil

Part One

OVERVIEW AND SCRUTINY COMMITTEE	(D) Agenda Item 10
Date of Meeting: 31st January, 2013	
Reporting Officer: Policy Review Officer	

Title: Street Cleansing

Summary and Conclusions:

To provide Members with an update of the scrutiny review into street cleansing.

Recommendation:

Members are invited to consider the information and determine how this review should be progressed.

Report

Officers from the Street Care team have met with the Executive Director and have agreed to undertake a review of the recycling service to make it more efficient and cost effective. Data is currently being gathered and assessed to inform how the service can be changed.

The Mechanical Biological Treatment plant (MBT) is still being commissioned and I will arrange a visit when it is operating routinely.

Background Papers

Nil

Part One

OVERVIEW AND SCRUTINY COMMITTEE	(D) Agenda Item 11
Date of Meeting: **31st January, 2013**	
Reporting Officer: **Policy Review Officer**	

Title: Efficiency Savings

Summary and Conclusions:

In December the Secretary of State for Communities and Local Government has published a document suggesting 50 ways to make savings in local government. We have reviewed these savings and identified further savings that the Council could make.

Recommendation:

Members are invited to consider the information and determine how this should be progressed.

Report

The Secretary of State for Communities and Local Government has published a document suggesting 50 ways to make savings in local government (**Appendix 2).**

I have undertaken a review of the suggestions and identified areas where there is the potential for a reduction in the cost of service delivery but these savings will only be small.

There are 33 of the suggestions which we comply with fully, a further 11 where we comply partly but there may be scope for improvement and one that isn't applicable to Barrow Borough Council.

The other six suggestions are detailed in Table 1 below.

Table 1:

	Saving suggestion
1	Share back office services
2	Integrating services with other bodies to share community budgets
23	Share senior staff with other public authorities
34	Stop translating documents into other languages
48	Lease works of art to the private sector

Background Papers

Nil

50 ways to save **APPENDIX 2**

Examples of sensible savings in local government December 2012
Department for Communities and Local Government

Foreword

"Every bit of the public sector needs to do their bit to pay off the budget deficit inherited from the last administration, including local government which accounts for a quarter of all public spending. Councils should focus on cutting waste and making sensible savings to protect frontline services and keep council tax down.

"The Department for Communities and Local Government is practising what it preaches.1 All parts of the public sector need to do more to spread best practice and encourage creative and innovative solutions.

"This document contains practical tips and guidance on making sensible savings, highlighting ways that councillors can challenge officers to deliver savings, and ways that taxpayers can challenge councillors. Some savings are small and easy to deliver, some are very big and take slightly longer to introduce.

"But the message is clear - this is about a change in culture and there is significant potential across both local and central government to save taxpayers' money. These savings will also help councils take up next year's council tax freeze, which offers a further year of practical help with the cost of living to families and pensioners across the country."

The Rt Hon Eric Pickles MP
Secretary of State for Communities and Local Government

This document/publication is also available on our website at www.gov.uk/dclg
If you have any enquiries regarding this document/publication, email contactus@communities.gov.uk or write to us at:
Department for Communities and Local Government
Eland House Bressenden Place London SW1E 5DU Telephone: 030 3444 0000
December 2012
ISBN: 978-1-4098-3767-1

50 sensible savings

1. **Share back office services**: from planning to press, from HR to legal. Does the country really need 350 different business rate collection departments? The Tri-borough initiative in London (Hammersmith & Fulham, Kensington & Chelsea, Westminster) report that they are on track to save £40 million by 2015-16 by combining back office services and management costs. The three authorities estimate that if other councils across the country saved half that amount by sharing services with neighbours, it could deliver potential national savings of £2 billion for councils. Over a third of all local authorities do not share any services at all. The Devon Audit Partnership consists of Devon County Council, Plymouth City and Torbay Councils; since April 2009, the partnership has saved £400,000 on audit costs. Christchurch, East Dorset and North Dorset District Councils now share revenues and benefits service customer access within all three authority areas. The partnership achieved a reduction of £350,000 in staff, systems and support costs in the first year of implementation after a one-off investment of £631,000. DCLG shares services with other Whitehall departments for audit and estates, with the Planning Inspectorate for IT, and is moving to a shared service for legal advice.

   Currently no arrangements in place

2. **Community Budgets - Bring staff and money together**: DCLG wants to roll out Community Budgets across the country. Cheshire West and Chester are introducing a new integrated health and adult social care delivery model that could result in a net reduction in costs of £26 million over five years; a Troubled Families study has also identified savings of £2 million over five years, as well as helping the lives of those families. Essex Community Budget pilot estimates that across their proposals there is the potential to generate cashable savings of nearly £127 million by 2019-20. Greater Manchester predict £183 million of savings over five years (following a £12 million investment) by implementing an intensive support and control package for young adults at risk of short-term custodial sentences, based on an evaluated pilot in Manchester and Salford.

   Currently no arrangements in place

3. **Use transparency to cut waste**: Publish their spending, contracts, tenders over £500 and property data on online, creating an army of armchair auditors to drive out waste and giving more power to councillors and individual to identify waste. Different parts of the same organisation may be buying similar goods and services through different, expensive contracts which online transparency will help

expose. DCLG publishes its contracts over £500 and all its spending over £250.

Expenses and payments are currently published on the website and the information is used in the budget setting process.

4. **Tackle duplicate payments**: Experian's research has estimated that councils waste up to £147 million a year on duplicate payments, by paying bills more than once. For example, Leeds City Council recovered £500,000 in overpayments to suppliers; internal auditing by the London Borough of Islington that involved checking invoices to their top thirty suppliers revealed that ten had been paid twice and two more paid three times; the overpayments totalled £55,000 on that small sample size alone.

   The Council's system does not allow two payments to be made against the same invoice number. As a safeguard data is checked annually as part of the National Fraud Initiative and this would identify duplicate payments.

5. **Clamp down on corporate charge cards**: Introduce greater financial controls on corporate charge cards and credit cards. In DCLG, online transparency and tougher controls have helped cut expenditure on 'Government Procurement Cards' (the government-branded charge card, also used by local councils) by over three-quarters, from £321,076 in 2009-10, to just £70,835 in 2011-12. DCLG cut the number of card holders from 210 in May 2010 to just 26 in November 2012, cancelled the cash withdrawal facility on the card (apart from business continuity users, in the case of a genuine emergency) and introducing new internal checks and audit trails, from pre-approvals to requiring post-transaction reporting.

   The Council does not provide corporate credit cards

6. **Special spending controls**: Review the processes for approving how spending is signed off. In Hammersmith and Fulham, the threshold for where spending needs to be authorised by the council leader has been reduced from £300,000 to £100,000. In Whitehall, special spending controls have been introduced across all information and communication technology spend above £1 million, advertising and marketing, consultancy, property leases and lease extensions and Civil Service recruitment: in turn, spending outside these controls is separately challenged and published online.

   The Council operates systems of "dual spending control" and "absolute budgetary control" to prevent overspending.

7. **Tackle fraud**: The National Fraud Authority has estimated that councils could save £2.2 billion a year by cracking down on fraud and improving their prevention, detection and recovery of council fraud. For example, The London Borough of Ealing has used data matching to check household occupancy in relation to council tax single person discount, and this has resulted in backdated account adjustments of £1.5 million and an annual value of fraudulent claims removed of £600,000. The London Borough of Camden undertake regular verification processes to check for eligibility for concessionary fares; as a result, they will avoid nearly £1 million of inappropriate expenditure on concessionary fares.

   We already share data matching information under the National Fraud Initiative.

8. **Claw back money from benefit cheats**: The London Borough of Croydon used the Proceeds of Crime Act to recover assets in the UK and Nigeria owned by a couple who has been fraudulently claiming benefits, and the Council should receive around £400,000.

   Liberata claws back money on our behalf and uses sanctions and prosecutions against perpetrators.

9. **Get more for less by improving procurement**: Councils spent £58 billion on procuring goods and services in 2011-12. Councils can group together to get better prices thanks to their purchasing power. Innovations like e-auctions can use the internet to get the best price and open up contracts to smaller firms. Procurement experts estimate that councils could save up to 20% on their costs through best practice on their spending. For example, adopting a collaborative approach to all energy procurement, in partnership with local energy providers, has saved Birmingham City Council £4.7 million per year and Gloucestershire County Council £1 million per year.

   The Council uses the Chest and Procurement Plus to make savings

10. **Buy together**: Public Buying Organisations facilitate collective buying of goods and services. For example, through a Public Buying Organisations, the Royal Borough of Kingston-Upon-Thames achieved savings of £75,000 in contracting costs and 26% total cost savings on a £32 million project to expand its primary schools. Hampshire County Council, Surrey County Council, Reading Borough Council, and West Sussex Borough worked together to drive down the costs of constructing 8 primary school extensions by £2 million. North Yorkshire County Council has made savings of approximately £300,000 by buying social care equipment to help people with their daily living

through Yorkshire Purchasing Organisation's 'Assistive Technology' contract.

The Council makes small level savings using the Yorkshire Purchasing organisation and the Cumbria equivalent.

11. **Stop the scope for procurement fraud:** Procurement fraud alone in local government costs £890 million. As referred to in DCLG's *Local Government Transparency Code*, councils should follow the Chartered Institute of Public Finance and Accountancy's steps (Red Book 2 – Managing the Risk of Fraud – Actions to Counter Fraud and Corruption).

    The Council's anti-fraud and whistle blowing policies and the National Fraud Initiative prevent this.

12. **Utilise £16 billion of reserves creatively**: Councils are sitting on £4.1 billion of unallocated (non-school) financial reserves and a further £12.4 billion of earmarked non-school reserves. Many 'earmarked' reserves do not actually have a proper purpose. Make creative use of reserves to address short-term costs, such as restructuring or investing now to realise savings in the longer-term (e.g. 'invest to save' projects). For example, West Lindsey District Council is considering investing £1 million from its reserves to support growth in three market towns in its area.

    The Council uses its reserves as part of the budget strategy.

13. **Improve council tax collection rates**: Every penny of council tax that is not collected means a higher council tax for the law-abiding citizen who does pay on time. There is a total of £2.4 billion of uncollected council tax across England. The council with the biggest single amount of uncollected tax is Liverpool with £114 million of arrears - equivalent to over £500for every dwelling in Liverpool.27 The best authorities collect 99.5%council tax owed, but the worst collect less than 89.6%. For example, in April, Crawley Council announced that they had increased their collection rates for the tenth year running.

    Council tax collection has increased from 95.4% to 96.8% over the last 10 years

14. **Encourage direct debit and e-billing for council tax:** Handling cash and cheques for council tax is expensive to administer. DCLG has made it easier for councils to offer voluntary e-billing for council tax, by removing legal requirements to send voluminous documents by post with council tax bills. Councils can use their legal powers to offer discounts or incentive schemes for e-billing. Broadland District Council

has converted over 3,000 residents to e-billing for council tax, working with the Woodland Trust to plant one tree for every 10 residents who switch.

The Council promote direct debit payments and should consider e-billing.

15. **Close council cash offices**: Instead allow residents to pay bills in local post offices. This is cheaper, more accessible and helps support local post offices. Alternatively, Brent Council is looking at how prepaid bank cards can be used to improve social care direct payments. Brent spends £5 million per annum on direct payments and expects to save 10% from using the prepaid cards to administer this spend.

    The Council has closed its cash offices

16. **Better land and property management**: Make better use of their property assets, including sharing between public bodies. Local 'capital and asset pathfinder' pilots have found that savings of around 20% are possible from a cross-public sector approach. Public sector assets are worth an estimated £385 billion, with almost two thirds owned by councils. The government estimates this could potentially save £35 billion over 10 years through better property management. Further research has suggested that local government could reduce the space that it occupies by 20-30%, with potential savings in running costs of up to £7 billion a year. For example, Wiltshire Council share buildings with Wiltshire Police and are creating community campuses across the county; the programme aims to save £85 million over the next 20 years. Wychaven District Council lease land to Waitrose raising £600,000 a year; it has also regenerated the nearby high street, attracting new businesses to the area and boosted revenues from car parks.

    HMRC have offices in the Town Hall and the police share the neighbourhood management office. The Council's community centres are managed by community groups.

17. **Hot-desking, estate rationalisation and sub-letting**: By moving to hot-desking across the main floors of its headquarters in Eland House, DCLG has freed up space which has been let to other organisations, saving money. The Planning Inspectorate has vacated one floor of its Bristol office that is now being sublet. The Homes and Communities Agency has reduced its accommodation costs by 49% (£6.5 million) through rationalisation of its estates and facilities requirements. Councils should undertake a comprehensive review of accommodation costs and identify savings through rationalisation, sub-letting and early lease breaks. Southwark Borough Council introduced Hot-desking as part of an attempt to develop modern and cheaper office

accommodation. The programme overall has freed up 27 properties and managed to save about £55m.

The Council sublets space to Liberata, continental landscapes and Biffa as part of the contracts or a separate lease. We also have arrangements with Capita, Cumbria Police and Grant Thornton.

18. **Open a ‘pop up’ shop in spare office space:** DCLG has opened up a pop up shop in its reception in Eland House: this can help share costs and support local small firms.

    Sodexho have a “pop up” facility in the Park Leisure Centre and Costa Coffee in the Forum. Additional options could be considered when the Catering Contracts are re-let.

19. **Close subsidised council canteens:** For example, a council review by Stoke on Trent City Council discovered their subsidised canteen was operating at a £71,000 yearly loss. If there are not any nearby shops, local small firms – commercial sandwich deliverers and caterers – will be happy to visit the council offices to have the opportunity to sell their produces. Alternatively, councils can lease some space to a commercial business or allow in a ‘pop up’ operator.

    The Council does not provide a canteen service

20. **Cancel away days in posh hotels and glitzy award ceremonies:** Use a council-owned property to hold any away day. Or borrow a room from a neighbouring council at no cost, and offer a free room to them for their away day. Similarly, stop paying to attend glitzy ‘award ceremonies’ which are just an excuse to make money from local government; councils spend an estimated £1.2 million a year on such ceremonies.

    The Council has reduced attendance at awards ceremonies and these always use standard accomodation

21. **Open a coffee shop in the library**: Lease some space in your local library to a coffee shop. This will generate revenue and encourage more readers into the library: coffee shops are increasingly the norm in commercial bookstores, but not in municipal libraries.

    The Council does not provide library services

22. **Cut senior pay**: The local government Transparency Code opens up middle management and senior pay to greater public scrutiny, and the Localism Act allows councillors via Full Council to set local ‘pay policy

statements' to get senior pay and perks (as well as pay offs) under control. Councils can lead from the top by having their chief executives take a pay cut. Ministers have taken a 5% pay cut and frozen their pay for five years. Chief executives can do the same.

The Council has reduced the cost of senior management

23. **Share senior staff**: Combine chief executives with other councils or other public authorities. For example, Breckland and South Holland District Council share their management team, including chief executive, aiming to reduce senior management overheads by 35%. The estimated on-going saving is £1.1 million per year. Cambridgeshire and Northamptonshire county councils achieved savings of £3.8 million from a budget of £83 million in a single year by merging management positions.

    The Council does not have arrangements for sharing senior staff

24. **Scrapping the chief executive post entirely**: DCLG is making it easier to abolish such posts without councils having to fork out expensive 'golden goodbye' payoffs. For example, Leicester City Council believes it will save £175,000 per year from scrapping the post. Alternatively, Breckland Council, Luton Borough Council and South Holland District Council are currently considering plans to share a council chief executive from January 2013. This initiative aims to demonstrate that a Chief Executive can serve three authorities, even when they are under different political control.

    The Council has replaced the post of chief Executive with an Executive Director on a reduced salary

25. **Introduce a recruitment freeze**: For example, Devon County council's vacancy management strategy introduced a recruitment freeze, except for hard-to-fill vacancies. Of the 1,200 staff leaving the organisation in 2010-11, the Council replaced only 480 with new appointments. The savings from the strategy was estimated at £7 million by the end of 2011-12.

    The Council only replace business critical posts.

26. **Freeze councillor allowances and end councillor pensions**: Councillors should be volunteers, not the bankrolled staff of the municipal state. In Whitehall, even full-time Ministers have cut Ministerial salaries and frozen them for the remainder of the Parliament.

    The Council has frozen Councillors allowances in line with the current freeze on staff pay. It has also reduced the number of committees thereby reducing special responsibility allowance payments.

27. **Cut spending on consultants and agency staff**: Councils spending on procured professional services (including consultants) increased by 50% to £4.5 billion from 2004-05 to 2009-10. Spending on agency workers increased by 46% to £900 million over the same period. By contrast, Lambeth Council reduced the number of agency workers it employed from over 900 in 2009 to under 300 in 2011, saving £18 million in the process.

    The Council has reduced spending on consultants and does not use agency workers

28. **End expensive 'leadership' courses**: Councils could review spending money on sending staff and councillors to expensive "leadership" training courses, such as Common Purpose. Such training courses can often run into tens of thousands of pounds.

    The Council has reviewed and reduced the training budget

29. **Cut spending on head hunters and expensive adverts**: publish job vacancy information online as open data instead. It can cost £5,000 to £10,000 to place an advert in some national outlets. This will not end advertising in the media; local newspapers in particular will remain an important source to advertise jobs to those who may be 'digital excluded' and not have access to the internet. But over time, putting job adverts online will drive down advertising costs, make it easier to compare pay ranges within and across councils, and show local people where their council tax goes.

    The Council has not used these recruitment methods in the last 5 years

30. **Review and reduce absenteeism**: For example, Staffordshire Council reduced the cost of absenteeism by £100,000 a month by providing support for staff with musculoskeletal problems and introducing new absence reporting measures. By developing in-house computer software that brought patterns of absence to managers attention, Fareham Borough Council reduced its average sickness rates from 10.6 days in 2003-04 to 7.2 days in 2010-11, saving 'lost days' worth £446,000.

    The Council has reviewed absenteeism which has delivered short-term improvements which are difficult to sustain

31. **Scrap trade union posts**: Get rid of unnecessary non-jobs such as taxpayer-funded, full-time trade union 'pilgrim' posts. So-called 'facility time' costs an estimated 0.14% of the annual pay bill in the wider public sector, compared to just 0.04% in the private sector. At least 2,840 full time equivalent public sector staff worked on trade union activities or duties at taxpayers' expense in 2010-11 The Civil Service is reducing

its facility time and ending the practice of full-time staff spending all their time on union activities – councils should conduct their own reviews to remove these union posts.

The Council does not employ a full time trade union officer and monitors time spent on trade union activities by union representatives.

32. **Charge for collecting trade union subscriptions**: Councils can exercise existing legal rights to charge trade unions for the collection of trade union subscription fees via the municipal payroll (so-called ‘check off’ arrangements).

The Council has reduced administration costs for the collection trade union subscriptions for further changes would not yield significant savings.

33. **Stop spending money on commercial lobbyists:** Some councils are continuing to hire lobbyists and expensive public affairs consultants despite the guidance in the *Code of Recommended Practice on Local Authority Publicity*

The Council does not use lobbyists or public affairs consultants

34. **Stop translating documents into foreign languages:** Only publish documents in English. Translation undermines community cohesion by encourage segregation. Similarly, do not give community grants to organisations which promote segregation or division in society.

The Council only provides a small number of translated documents

35. **Reduce the number of publications and media monitoring**: Previously, DCLG spent £136,892 in 2008-09 and £113,308 in 2009-10 on newspapers and magazines; this has been cut to £62,074 in 2011-12, including by consolidating seven different sets of newspapers for Ministers each day to just one. DCLG has cut media monitoring spending from £300,000 in 2009-10 to £78,000 in 2011-12.

The Council has reduced the number of publications and does not undertake media monitoring.

36. **Earn more from private advertising**: Include private advertising on council notice boards and examine the scope for private advertising in

the council tax bill yearly mailing and on council property. For example, Nottingham City Council's website, attracting about 200,000 impressions a month, has been able to generate up to £1,500 per month since introducing Google AdSense. Leeds City Council allows businesses to advertise on its payslips, reaching an audience of 35,000 staff.

The Council's income from private advertising is limited to a few publications. Additional options are being considered including the market entrance.

37. **Cease funding 'sock puppets' and 'fake charities'**: Many pressure groups - which do not deliver services or help the vulnerable - are now funded by state bodies. In turn, these nominally 'independent' groups lobby and call for more state regulation and more state funding. A 2009 survey found that £37 million a year was spent on taxpayer-funded lobbying and political campaigning across the public sector. Many of these causes may be worthy, but why should they be funded by taxpayers? Councils should also review their memberships to regional quangos and membership bodies: such residual regional structures are redundant following the abolishing of Regional Development Agencies, Government Offices for the Regions and unelected Regional Assemblies.

    The Council only funds registered charities.

38. **Scrap the town hall Pravda:** Local authority newspapers undermine an independent local press. For example, the Mayor of London cancelled *The Londoner* newspaper, helping save £2.9 million a year. Essex County Council cancelled their newspaper in favour of an online publication; the council spent £526,000 on producing Essex Works in 2009-10 but this fell to £55,000 in 2011-12 after the publication stopped being printed. Councillors can still issue their own local ward newsletters using political party funds to help keep in touch with local residents.

    The Council does not publish a Council newspaper

39. **Stop providing free food and drink for meetings**: DCLG has cut spending on refreshments for meetings from £456,142 in 2009-10 to £32,053 in 2011-12. Guidance to staff now states that refreshments may only be ordered for meetings with external attendees of longer than four hours. Staff should avoid arranging meetings over lunchtime where possible and attendees should normally be asked to bring their own refreshments where practical. Expensive meals on Government Procurement Cards have also been stopped. Also, **ban mineral water at council meetings**: Tap water in refillable bottles costs nothing and

is better for the environment. Manchester council cut 90% in two years off its £93,000 bottled mineral water bill.

The Council has significantly reduced the provision of food and drink at meetings and continues to monitor whether further savings can be made.

40. **Reduce first class travel:** Previously DCLG spent £200,000 a year on first class rail travel in 2009-10; under the new Administration, such spending has been cut to just £17,500 a year in 2011-12.

    The Council does not provide first class travel

41. **Cut mileage payments**: Councils paid out £427 million in mileage allowances in 2009-10. The HMRC Approved Mileage Allowance Payment is currently 45 pence per mile. Some council employees are on terms and conditions where they can able to claim up to 25p per mile more than the prevailing HMRC rate. Councils could cut the mileage rates back to HMRC levels, which North East Lincolnshire has done. DCLG only gives out HMRC rates.

    The Council has reduced mileage allowance payments and it is below the HMRC figure. The number of business miles has also been restricted.

42. **Video conference instead of travel**: South Tyneside Council is embracing the latest video conferencing technology to reduce travel costs. The equipment will also generate income for the council who plan to make the service available to businesses and community groups at competitive rates.

    The Council makes limited use of video conferencing because we have to visit offsite locations to use it and the active use by other local organisations is limited. The Council makes more use of tele-conferencing.

43. **Help the voluntary sector save you money**: The Localism Act gives local community, mutual and voluntary sector groups a Community Right to Challenge to run local services. As outlined in DCLG's Best Value guidance, councils should not only involve voluntary and community groups in budget setting but give organisations, local service users and the wider community the opportunity to offer options for reshaping and reducing the costs of the services provided. The best councils are showing that they can both embrace the Big Society and balance the books at the same time.

The Council uses a number of organisations including CAB for welfare benefits service, the Playing Fields Association for some grounds maintenance service and the Barrow and District Disability Association.

44. **Cut printing costs**: Stop producing glossy brochures. Publish online only, unless local residents ask for a hard copy. Review the leasing costs of photocopiers. For example, Scarborough Borough Council saved £185,000 a year by replacing its printing devices with a far smaller number of cost-effective multifunctional printers.

    Management Board have agreed a plan to reduce printing and photocopying costs and this is being implemented.

45. **End lifestyle and equality questionnaires**: Some councils spend time and money on asking suppliers and residents to fill out intrusive questionnaires about their sexuality, religion and other personal details – be it to take out a library book or make a planning application. Statutory guidance from DCLG has stated that this is simply not necessary. Similarly, councils do not need to routinely spend time and money on Equality Impact Assessments on everything they do.

    The Council continues to carry out equality questions and undertake EqIAs

46. **Sell services**: The new general power of competence for councils in the Localism Act 2011 makes it easier for councils to undertake imaginative and joint ventures. Birmingham City Council has established Acivico, a company to trade in back office services with other public bodies, and made £300,000 income through trading in legal services. Kent County Council's commercial vehicle supplies a range of best value goods and services to other publicly funded organisations; these include local government, education establishments, the care sector and emergency services, with a turnover currently in excess of £600 million per year with over 800 employees. Across the country there are hundreds of council-run MOT test centres which are used to check council vehicles like taxis and buses for their safety and roadworthiness; these centres can also open their doors to the public to provide MOTs to the wider public: this is a far better way of making money from motorists than the lazy way of hiking parking charges.

    The Council does not currently sell services to the public

47. **Hire out the town hall**: For example, Sutton Coldfield Town Hall in Birmingham City Council can be booked for weddings and civil partnerships, conferences, meetings and theatre productions.

The Council hires out the Town hall for wedding and the Forum and Dock for conferences.

48. **Lease works of art not on display**: Many councils own art galleries and museums and have extensive collections which never see the light of day, but merely gather dust in storage.

    The Council doesn't currently lease out art work. We are currently encouraging more departments to display art work rather than keep it in storage.

49. **Save money on computer software**: Use open source software. Conduct a full review of software licences across the whole local authority – can they be consolidated or are open source/free alternatives available.

    The Council is currently expanding the use of open source software and virtual desktops.

50. **And finally… ask your staff for more sensible savings ideas**: Your staff will be the most informed and actually the most enthusiastic about cutting waste. Give a prize for best staff ideas for efficiencies. Allow staff to submit anonymous ideas too. For example, at Surrey County Council, over 300 employee suggestions have saved approximately £500,000, including: reducing travel and meeting costs, for example using more teleconferencing; reducing print and postage costs, and reducing office equipment and stationery costs

    The Council continues to consider all cost saving ideas.

51. Methodological notes

52. Sources of this work include research work by organisations such as independent research organisations, the LGA, local operational/delivery plans and media reports, and are presented at face value. This guide is not a statistical publication.
53. The vast majority of examples report savings that have already been made, although a few refer to predicted saving. Given they are diverse examples based on different timescales, DCLG has not reworked any of the examples, or aggregated these figures to provide a national estimate, or assume that the amount of cost savings reported in one authority will generate the precisely same percentage saving in another authority. However, this guide does show there is significant scope for savings and innovation across local government.

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