BUDGET PROPOSALS 2013/14

EXECUTIVE MEMBER: Councillor Gillian Troughton
LEAD OFFICER: Darienne Law, Head of Corporate Resources
REPORT AUTHOR: Ann Treble, Accountant Financial Management and Treasury
Angela Brown, Finance Manager

SUMMARY:
The budget proposals were considered by the Executive at their meeting on 12th February 2013 and this report summarises the Executive's recommended Budget Proposals for 2013/14 to Council, with respect to:

(i)	Revenue Budget and Reserves Proposals	(Appendix 1)
(ii)	Capital Budget Proposals	(Appendix 2)
(iii)	Treasury Management Strategy	(Appendix 3)

RECOMMENDATION:
It is recommended that Council approve the following recommendations:

1. Revenue Budget 2013/14:

(i) Approve the proposals for increases in Fees and Charges set out in **Appendix 1D**

(ii) Approve the savings proposals for 2013/14 of £1.76m set out in **Appendix 1E,** which seeks to balance the Council's budget and address the 2013/14 projected budget shortfall.

(iii) Approve the use of Earmarked Reserves, as set out in Para 2.6 (iii) and detailed in **Appendix 1G,** which includes the release of £132k for specific projects.

(iv) Approve the impact of the proposals on General Reserves as set out in Para 2.6 (iii) and detailed in **Appendix 1F** which includes a contribution to Reserves of £30k.

(v) Approve the increase in Council Tax of 1.9% for 2013/14 set out in paragraph 2.3, with the implication that the Council will not accept the Council Tax freeze grant of 1% from Government.

(vi) Approve that the decisions on the National Non Domestic Rate return, the calculation of the Collection Fund surplus and the calculation of the Council Tax Base as set out in **Appendix 1A, B and C** remain delegated to the Council's Section 151 Officer.

And that as a result of the above; approves:

(vii) A Copeland Borough Council Net Revenue Budget requirement of £9.986m comprising net expenditure on Services of £10.088m with net contributions from Reserves of £102k (£132k earmarked offset by £30k contribution to unallocated reserves) as set out in Para 2.5, Table 3.

(viii) A combined Net Budget Requirement (inclusive of Parish Precepts of £454) of £10.531m

2. Capital Programme 2013/14:

(i) Approve, in principle, the Capital Programme for 2013/14 at £1,599,524 and future years at £865,000 for 2014/15 and £600,000 for 2015/16 as set out in **Appendix 2A** and summarised in Para 3.1(i). This is subject to a further appraisal of the schemes set out in Para 3.1 (ii), via a PID / Project Brief as appropriate being presented and formally approved by the Executive prior to the commencement of any project.

(ii) Approve the funding of the proposed programme as summarised in Para 3.2, subject to an annual review by the Head of Corporate Resources during the preparation of the annual Statement of Accounts to optimise the use of Council Resources.

3. Treasury Management Strategy 2013/14

(i) Approves the Treasury Management Strategy 2013/14 to 2015/16, incorporating the Annual Investment Strategy 2013/14 and the Minimum Revenue Provision Statement for 2013/14 as set out in **Appendix 3.**

1. INTRODUCTION

1.1. The draft budget proposals were considered by the Executive on 9th January 2013 and were approved at that meeting for the purpose of the statutory consultation period which ended on 7th February. They further considered the reports in details at their meeting of 12th February following which they have made recommendations to Council. This report summarises the main issues with full detailed reports attached as follows:

- **Appendix 1** – Revenue Budget proposals
- **Appendix 2** – Capital Programme
- **Appendix 3** – Treasury Management Strategy

1.2. The budget proposals have been prepared in accordance with the Council's Medium Term Financial Strategy 2012/13 to 2015/16, and the priorities set out in the Council Plan 2011/14, as approved by Council in February 2012.

2. REVENUE BUDGET PROPOSALS 2013/14 (APPENDIX 1)

2.1. Government Grant Settlement 2013/14 and Provisional Settlement 2014/15:

(i) This is a fundamentally different grant system to previous years which makes comparisons with previous years more difficult. The following Table sets out the key figures for the Start – Up Funding Assessment with an adjusted figure for 2012/13 provided by the Government to aid comparison:

Table 1: Calculation of Formula Grant / Start-up Funding Assessment:

	Adjusted Start-Up Funding Assessment 2012/13 £m	Final Start-Up Funding Assessment 2013/14 £m	Provisional Start-Up Funding Assessment 2014/15 £m
Relative Needs Amount		2.254	
Relative Resources Amount		(0.811)	
Central Allocation		3.117	
Floor Damping		0.171	
Grants rolled in: Council Tax Freeze compensation Council Tax Support Funding Homelessness prevention funding		 0.100 0.634 0.050	
Start-up funding assessment	5.786	**5.515**	4.802
Year on Year change		-4.7%	-12.9%
Split: Revenue Support Grant (Amount Guaranteed) Baseline Need (Amount Not Guaranteed) Total		 3.312 2.203 **5.515**	 2.531 2.271 4.802

(ii) **Appendix 1** sets out further details of the Settlement with respect to:

- The new Business Rates Retention (BRR) Scheme **(see (iv) below)**
- The new Council Tax Support (CTS) Scheme
- New Homes Bonus and other Specific Grants

(iii) The impact of the Settlement figures on the Budget Proposals for 2013/14 and projections to 2016/17 are set out in Section 2.5.

(iv) A further announcement has been made by the Government with respect to the funding of the Small Business Rate Relief Scheme which has been extended for a further year (2013/14) and the extension of empty property relief for empty new builds from 1st October 2013. The proposal is to fund the costs of both scheme based on authorities' actual costs. This will be monitored through the year and recorded on the Council's 2013-14 NNDR3 (National Non-Domestic Rates) Return and authorities will then be funded through a S31 Grant. This in effect means that it will be received into the General Fund and not the Collection Fund where the rest of the BRR Scheme is accounted for. It also means that final costs will not be known until mid-2014, however the Government propose to provide an 'advance payment' to authorities based on a proportion of estimated costs. The CBC estimate of the cost of the scheme is c£245k however because of the continued uncertainty on funding levels and timing of payments, this has not yet been built into the budget figures.

2.2 **Medium Term Financial Strategy – Projections to 2015/16**

(i) The proposals for the Budget for 2013/14 have been prepared in accordance with the Council's existing Medium Term Financial Strategy (MTFS) agreed by Council in February 2012 with the financial projections and principles updated as set out in **Appendix 1**.

(ii) The original budget deficit projections set out in the MTFS approved in February 2012 were as set out in the Table below along with the currently anticipated deficit. This is **before the consideration of savings proposals,** as set out in the report and taking into account information known to date and the assumptions set out in Appendix 1:

Table 2 – Revised Budget Deficit Projections 2012/13-2016/17

Year	Projection as per MTFS February 2012 £000	Current Projections February 2013 £000
2012/13	**1,817**	identified
2013/14	**1,045**	**1,730**
2014/15	**608**	**827**
2015/16	**410**	**510**
2016/17		**441**
Total Projected Deficit	**3,880**	**3,508**

2.3 **Council Tax Proposals 2013/14**

(i) The proposed budget for Council Tax purposes has incorporated a recommended increase in Council Tax of 1.9% for 2013/14. This is a reduction over the original MTFS assumptions as the Government has set the excessiveness limit at 2% - i.e. anything above 2% will trigger a referendum.

(iii) The Government has offered a Council Tax Freeze Grant for 2013/14 funded at the level of 1% for a two year period. As in previous years this offer does not equate to an on-going offer of funding and after the two year period the funding will potentially drop out, leaving the Council to find the balance from other sources. Should Council opt to accept the Council Tax Freeze Grant at 1% this would result in a further on-going pressure of approximately £40k.

(iv) The Collection Fund surplus for 2013/14, as set out in Appendix 1B, has been calculated at £345,700 which is distributed in proportion to the precepts raised in the relevant year as follows:

Cumbria County Council	£256,836
Cumbria Police Authority	£44,400
Copeland Borough Council	£44,464

(v) The impact of the Tax Base calculation of 19,540.33, as set out in Appendix 1C, is that the estimated Council Tax income taking account of a 1.9% increase in the tax for 2013/14 is £3.590m.

(vi) The statutory Council Tax Determinations are considered next on the Council Agenda.

2.4 **Fees and Charges**

(i) Fees and Charges Increases are proposed on a service-by-service basis and were included in the information that went out for public consultation. The detailed charging proposals are set out in **Appendix 1D.**

2.5 **Budget and Council Tax Requirement 2013/14**

(i) Table 3 below identifies the Council's net budget for 2013/14, together with initial projections to 2016/17.

(ii) The Council is required to calculate its own Budget Requirement and the Budget Requirement including Parish Councils.
Under the Localism Act 2011, the Council is also required to calculate its Council Tax Requirement.
Both of the above calculations are shown in Table 3 below:

Table 3 – Budget and Council Tax Requirement 2013/14 and Revised Projections to 2016/17

2012/13 Original Budget £000		**2013/14 Budget Proposal £000**	2014/15 **Projected** Budget £000	2015/16 **Projected** Budget £000	2016/17 **Projected** Budget £000
	Net Expenditure	10,362	10,106	10,441	10,806
	New Homes Bonus	-236	-425	-585	-770
	Specific Grants	-38	0	0	0
11,050	**Net Expenditure on Services prior to use of Reserves**	**10,088**	9,681	9,856	10,036
	Contribution to / from (-) Reserves:				
-435	Earmarked Reserves	-132	-104	-54	-34
-221	General Fund Unallocated	30			
10,394	**CBC Net Budget Requirement (A)**	**9,986**	**9,577**	**9,802**	**10,002**
463	Parish Precepts	454			
10,857	Budget Requirement Including Parishes	10,531			
	Funded by:				
-5,527	RSG	-3,312	-2,531	-2,115	-2,404
	Baseline Need	-2,203	-2,271	-2,332	-1,732
-837	PFI Grant	-837	-837	-837	-837
-16	Collection Fund Surplus	-44	0	0	0
-6,380	**Total CBC Funding (B)**	**-6,396**	**-5,639**	**-5,284**	**-4,973**
-463	Parish Precepts	-454			
-6,843	Total funding including Parish	-6,850			
-4,014	**CBC Council Tax Requirement (C)**	**-3,590**	**-3,660**	**-3,730**	**-3,800**
	Remaining Budget Deficit Projection (A-B-C)		**278**	**788**	**1,229**

2.6 **Funding from Reserves**

(i) Revenue Reserves play a key role in the management of the Council's budget. They are used as a contingency against risk, to fund new policy initiatives and to support the Council's Revenue and Capital budget when needed.

(ii) The 2013/14 budget as set out in Table 3 above, shows a contribution of £134k from earmarked Reserves and a contribution to the Unallocated General Fund Reserve of £30k.

(iii) Reserves fall into two main categories:

a) **General Reserves** – The risk based element of this reserve is based on an annual risk assessment of the financial position of the Council. That assessment has taken place and the recommendations of the Head of Corporate Resources on the minimum level of risk based reserve has been set at £2.18m. This reflects the increased risk that the Council faces under the new system of Local Government finance, together with other financial uncertainties such as pensions and superannuation charges as highlighted in the detailed report at Appendix 1.

General Reserves are set out in **Appendix 1F,** with the summary projected balances set out in the Table 4 below. Members should note that these projections take into account the increase in Unallocated Reserve of £30,000 arising from the identification of savings for 2013/14 but do not take account of any potential requirement to take from Reserves from 2014/15 onwards in respect of some of the financial risks set out in the report. The balance has also been adjusted to take account of the request for an additional Earmarked Reserve of £50,000 set out in section (ii) below. The net movement in the Unallocated Reserve is therefore £20,000.

Table 4 – General Reserves Summary

General Reserves	**Balance 31/3/13 £000**	**Balance 31/3/14 £000**	**Balance 31/3/15 £000**	**Balance 31/3/16 £000**
Risk Based Balance	2,180	2,180	2,180	2,180
Unallocated Balance	345	325	325	325
Total	2,525	2,505	2,505	2,505

b) **Earmarked Reserves** – these are reserves set aside for specific purposes. A full review of these reserves has been carried out during 2012 and Members have approved the changes which are reflected in **Appendix 1G.** The Earmarked Reserves released for spending during 2013/14 total £132k and the projected balances taking account of any contributions to the Reserves are set out in the Table 5 below. Members should note that these have been amended to take into account the request for a further Earmarked Reserve for Land Management issues of £50,000.

Table 5 – Earmarked Reserves Summary

Earmarked Reserves	**Balance 31/3/13 £000**	**Balance 31/3/14 £000**	**Balance 31/3/15 £000**	**Balance 31/3/16 £000**
Total Reserves	4,845	4,840	4,736	4,682

3 CAPITAL PROGRAMME PROPOSALS 2013/14 (APPENDIX 2)

3.1 Proposed Capital Programme for 2013/14

(i) The proposed Capital Programme for 2013/14 as set out in **Appendix 2A** is £1,599,524, with provisional programmes totalling £865,000 in 2014/15 and £600,000 in 2015/16.

(ii) The Programme includes a number of projects that are currently approved in principle only and require detailed Programme Initiation Documents (PIDS) to be considered and approved by the Executive prior to progression. These projects are:

- Whitehaven Townscape Heritage
- Disabled Facilities Grants
- Operational Buildings
- Enhancement of ICT Infrastructure
- Copeland Pool
- Land Management and Asset Redemption

3.2 Funding of the Capital Programme 2013/14

(i) The funding of the proposed Capital Programme is set out in Table 6 below:

Table 6: Financing of the proposed 2013/14 - 2015/16 Capital Programme

Programme Funded by:	2013/14 £	2014/15 £	2015/16 £
General Useable Capital Receipts	999,524	265,000	0
Housing Capital Receipts	339,000	339.000	339,000
Other External Funding	261,000	261,000	261,000
TOTAL FINANCING	**1,599,524**	**865,000**	**600,000**

3.3 Capital Resource Projections 2013/14

(i) The forecast Capital Receipt projections for 2013/14 are as set out in Table 7 below, with forecasts to 31st March 2016 set out in Appendix 2:

Table 7 – Forecast Capital Receipts 2013/14

USABLE CAPITAL RECEIPTS	General Capital Receipts (incl VAT Share) £	Housing Capital Receipts (Previously PRTB & RRTB) £	TOTAL £
Forecast **Opening balance** at 1st April 2013 (as at 31st December 2012)	**-1,078,337**	**-1,777,889**	**-2,856,226**
Forecast draw down to fund draft 13/14 capital programme	999,524	339,000	**1,338,524**
Forecast Capital Receipts from sale of assets in year	-515,500	-	**-515,500**
Forecast Capital Receipts from VAT Share Agreement	-364,596	-	**-364,596**
Forecast useable Capital Receipts **closing balance** at 31st March 2014	**-958,909**	**-1,438,889**	**-2,397,798**

4 TREASURY MANAGEMENT STRATEGY 2013/14 (APPENDIX 3)

4.1 The Treasury Management Strategy is set out in Appendix 3. This incorporates the Annual Investment Strategy and the Minimum Revenue Provision (MRP) Statement.

4.2 The documents as set out meet the requirements of the Local Government Act 2003, the CIPFA Prudential Code and Treasury Management Code and the DCLG MRP Guidance and Investment Guidance.

5 STATUTORY BUDGET CONSULTATION 2013/14

5.1 The statutory budget consultation ran from 10th January 2013 to 7th February 2013.

5.2 In addition to the statutory consultation, a full consultation exercise on the Service Review options was undertaken during 2012 and a report on the outcome considered by Members. These savings proposals as summarised in Appendix 1E, total £1.760m in 2013/14 will be used to reduce the £1.730m identified budget deficit for 2013/14 to a small surplus of £30k which will contribute to the savings required for 2014/15.

6. RISKS

6.1 There are always risks associated with setting a budget as many budget assumptions can change if forecasts used in the process prove to be inaccurate. This year the budget process has proved particularly challenging not only because of the scale of the cuts but also that key information from the Government was delayed.

6.2 The financial Settlement from Government of £5.515m is made up of £3,312m (Revenue Support Grant) and £2.203m (Baseline Needs Grant). The Revenue Support Grant is a guaranteed cash receipt, but the receipt of Baseline Needs Funding is dependent upon the collection of NNDR £15.891m (of which we retain £2.203m). Should we fail to collect at this level the level of cash receipt will differ from that included in the MTFS projections, subject to a national Safety Net. The potential maximum loss to the Council is limited to £165,000. In addition the risk to the other changes the Government has enacted; principally the Council Tax Support Scheme and the new technical changes to Empty Properties and Second Homes, sits with the Council.

6.3 The settlement figures for 2014/15 onwards have been included as per the CLG website at £4,802k with future years assuming reductions in line with the announcements made in the Chancellors 2010 Autumn Statement pending further details which are hoped to be received in the first half of 2013. There is a risk that this is worse than currently projected.

6.4 Electricity North West has indicated to other district councils within Cumbria including Eden that current footpath lights are unusable and will need to be replaced. This council has in excess of 1200 such lighting structures and so any replacement / charges from NW Electricity for disconnection could be considerable. Further information is being sought but figures per light vary from £600 - £1000.

6.5 There is a risk relating to the financing of Discretionary Housing Payments (DHPs) which provide customers with further financial assistance when a local authority considers that help with housing costs is needed. The expectation is that requests for DHP's will increase next year due to the Welfare Reform changes. The Government has provided additional funding of up to £155m for 2013/14 and up to £125m for 2014/15 and the CBC share in 2013/14 would be in the region of £95k. The CBC Overall Limit for DHP's is set is £235k and so potentially there could be in the region of an additional £140k required in 2013/14. Further work is being undertaken to determine the Council's policy and position on offering support where appropriate and the position will be monitored carefully during the year.

6.6 As set out in a separate report, the Council holds a risk-based reserve of £2.18m, with an Unallocated General Fund balance of £345k.

7 REPORT OF THE HEAD OF CORPORATE RESOURCES

7.1 In setting the budget requirement in February 2013, the Council is required under Section 25 of the Local Government Act 2003 to consider the formal advice of the statutory s151 Responsible Officer, the Head of Corporate Resources, on the robustness of the estimates included in the budget and adequacy of reserves.

7.2 In a report to Executive on 18 December 2012, the Head of Corporate Resources recommended a level of £2.180m be set as the minimum level deemed acceptable for Council purposes and the budget proposals set out in this report incorporate that level.

7.2 If the balance on the General Fund is projected to fall below the recommended risk-based level, then priority will be placed on restoring the balance in subsequent budget and out-turn recommendations. Temporary dips below the target may be acceptable provided that the minimum amount is not likely to be breached and there is a robust plan to restore balances to the target level.

7.3 The main risks to the robustness of the estimates is the achievement of the savings identified by the Transformation Programme together with the identification of further savings to meet the further projected budget deficit to 2016/17. There are also considerable risks to the base budget for 2013/14 onwards from the unpredictability of the new grant funding system and other risks set out in Section 6 above. These things will be monitored carefully by the Corporate Leadership Team (CLT) throughout 2013/14 and mitigations where appropriate will be sought including the temporary use of Reserves.

8 CONCLUSIONS

8.1 The report sets out the budget proposals for 2013/14 for approval by Council on 21st February 2013.

9. STATUTORY OFFICER COMMENTS

9.1 The Monitoring Officer's comments are: No additional comments.

9.2 The Section 151 Officer's comments are: included in the report

9.3 EIA Comments: There are no EIA impacts at this stage. Each of the proposals identified in the budget process has been separately monitored for negative impacts.

9.4 Policy Framework: The Revenue Budget Proposals 2013/14 and the Medium Term Financial Projections are key to the Council's new Corporate Plan and Corporate Policy Framework elsewhere on this agenda. The report refers in detail to the national policy framework and new legislation arising from that - particularly the Local Government Finance Act 2012 which introduces 'localised' Council Tax Benefit and Business Rate Schemes. The report also refers to the potential implications of the Government's Spending Review for 2015/16 which is due to conclude by the end of March 2013 and will be fed into the update of the MTFS. The report highlights the uncertainty and potential challenges still surrounding these aspects of the national policy framework, which the Council will be required to respond to through its own local policy framework.

9.5 Other consultee comments: the consultation process is set out in the report.

10. HOW WILL THE PROPOSALS BE PROJECT MANAGED AND HOW ARE THE RISKS GOING TO BE MANAGED?

10.1 The budget process is a high risk process which is project managed and monitored by CLT. The risks are contained in the Strategic Risk Register and are monitored as part of that process.

11. WHAT MEASURABLE OUTCOMES OR OUTPUTS WILL ARISE FROM THIS REPORT?

11.1 The key measurable outcome is a balanced budget proposal for the Council for 2013/14, which will determine the manpower, financial and other resources it will have available to provide services for the year.

List of Appendices

Appendix 1 – Revenue and Reserves
Appendix 2 – Capital
Appendix 3 – Treasury Management Strategy

List of Background Documents:

Government Settlement announcement December 2012 and February 2013
Public consultation document on savings proposals.
Other reports that have been considered during the budget cycle.

APPENDIX 1

COPELAND BOROUGH COUNCIL

REVENUE BUDGET PROPOSALS 2013/14

APPENDIX 1

Revenue Budget Proposals 2013/14 and Medium Term Financial Projections to 2016/17

EXECUTIVE MEMBER: Councillor Gillian Troughton
LEAD OFFICER: Darienne Law, Head of Corporate Resources
REPORT AUTHOR: Ann Treble, Accountant Financial Management and Treasury
Angela Brown, Finance Manager

The contents of this report were considered by the Executive at their meeting on 12th February 2013, and have been amended for the decisions taken at that meeting. They are now recommended for consideration and approval by Council on 21st February 2013. The recommendations arising from this report are included in the Budget Summary Report.

SUMMARY

The report provides details of the Revenue Budget proposals for 2013/14 incorporating the final grant settlement figures received from Government on 4th February. Separate reports have also been prepared setting out proposals for 2013/14 on the Capital Programme (Appendix 2) and the Treasury Management Policy Statement (Appendix 3) considered elsewhere on the agenda.

The report also provides updated financial projections for 2013/14 to 2016/17. These projections will be updated again in the Medium Term Financial Strategy which will be updated in preparation for the 2014/15 budget process, and presented to Council following any updates available from the results of the Government's spending review for 2015/16 which is anticipated in April / May 2013.

The proposals in this report have been subject to the statutory budget consultation which ended on 7th February 2013.

1. INTRODUCTION

1.1. The draft budget proposals were considered by the Executive on 9th January 2013 and were approved at that meeting for the purpose of the statutory consultation period which ended on 7th February. This report details the final budget proposals following the consultation. Following consideration of this report the Executive will recommend the final budget proposals to Council on 21st February 2013.

1.2. The budget proposals have been prepared in accordance with the Council's Medium Term Financial Strategy 2012/13 to 2015/16, and the priorities set out in the Council Plan 2011/14, as approved by Council in February 2012. This report contains updated financial projections to 2016/17 and these will be updated again as part of the update of the

Medium Term Financial Strategy for the next four year period. This will be presented to Council following indications on the 2015/16 spending review from the Government which is anticipated in April / May 2013.

1.3. The Revenue Budget Proposals contained in this report must be considered alongside the Capital, Reserves and Treasury Management proposals and separate reports on these areas are considered elsewhere on this agenda. Together these reports make up the suite of 2013/14 budget proposals that will be made to Council on 21st February.

1.4. Since the Council re-set its timetable for the budget process to take into account slippages caused by delays in Government announcements, a further Government announcement was made affecting Parish Councils in that they will be affected by the impact of the Council Tax Support scheme in their Parish area. This involved a significant amount of work and because of this uncertainty Parish Councils indicated they might not be in a position to provide CBC with their precept demands until February which in turn would affect CBC's ability to set the Council Tax on 21st February (Note: This does not affect the Council's ability to set its own budget on 21st February, just the setting of the Council Tax). This is because we have a statutory duty to include the Parish precepts in the Council's Council Tax report albeit we have no responsibility with regards to the actual precepts set by Parishes. We have worked closely with the Parishes to assist them in providing the information as soon as possible, and at the time of writing there are two parish precepts awaited. Indications from one are that their figures will be confirmed immediately after their meeting on 12th February, and Members are alerted to the fact that given these timescales it will be difficult to turn the information around in time for the report deadlines for the Council meeting on 21st February. We have had no word yet from the other but are continuing to try to contact them. The risk remains that a separate Council meeting might be required to set the Council Tax. It should be noted that the final date for setting the Council Tax is 11th March each year.

2. GOVERNMENT GRANT SETTLEMENT 2013/14 AND 2014/15

2.1. As Members have previously been informed, the Government has enacted changes to the system of Local Government Finance which are the biggest changes that have been seen for many years. The changes are set out in the Local Government Finance Act 2012 (LGFA) which received Royal Assent on 31st October 2012. The legislation in particular includes significant changes to the existing Business Rates and Council Tax Benefit Schemes. Both of these Schemes form part of a wider Government agenda aimed at giving Local Government 'increased financial autonomy and a greater stake in the economic future of their area'. As both of these Schemes have become 'localised' under the new arrangements, the risk attached to any downturn in growth has been significantly transferred from Central Government to Local Government.

2.2 The 2013/14 and 2014/15 provisional finance settlement figures were 'announced' late on 19th December albeit much of the detailed information was received at a later date. The provisional headline figures for Copeland were included in the previous report considered by the Executive on 9th January. It was noted that Copeland's total grant settlement was £5,515k for 13/14, however as there had been a fundamental change to the settlement allocations, and amounts were in different categories, it was not easy to make like-for-like comparisons with previous years.

2.3 Following the provisional settlement announcement there was a period allowed for consultation on the figures with written responses required by 15th January 2013. The final settlement figures for 2013/14 together with the provisional figures for 2014/15 were received on 4th February 2013. There has been very little change between the provisional and final settlement figures. This report incorporates the final figures received on 4th February.

2.4 As previously identified, this is a fundamentally different system in many respects which makes comparisons with previous years more difficult. Some of the key features of the new system are explained in the paragraphs below:

(i) One of the fundamental changes to the new finance system is that the settlement figures no longer provide guaranteed funding levels which have been the case with the finance grant system up to 2012/13. Rather the figures represent a starting point for authorities and ultimately the level of Business Rates actually collected by authorities will determine the total funding received. Under the proposed system, a start-up funding assessment is determined for each authority. This is determined in the same way as Formula Grant was previously determined i.e. using the four block model to determine a level of need and then taking into account specific grant changes. The start-up funding assessment is then split between Revenue Support Grant (RSG) and Business Rates Retention (BRR), the latter expressed as Baseline Need. The RSG is a guaranteed payment for the year whilst the Baseline Need is not. The relevant figures are as shown in the Table 1 below:

APPENDIX 1

Table 1: Calculation of Formula Grant / Start-up Funding Assessment:

	Adjusted *Start-up funding assessment 2012/13 £m	Final Start-up funding assessment 2013/14 £m	Provisional Start-up funding assessment 2014/15 £m
Relative Needs Amount		2.254	
Relative Resources Amount		(0.811)	
Central Allocation		3.117	
Floor Damping		0.171	
Grants rolled in: Council Tax Freeze compensation Council Tax Support Funding Homelessness prevention funding		 0.100 0.634 0.050	
Start-up funding assessment	5.786	**5.515**	4.802
Year on Year change		-4.7%	-12.9%
Split: Revenue Support Grant (Amount Guaranteed) Baseline Need (Amount Not Guaranteed) Total		 3.312 2.203 **5.515**	 2.531 2.271 4.802

Notes:
*To make the comparison with earlier years' figures easier, the Government have provided an adjusted figure for 2012/13.
It should be noted that the Government's announcement of the provisional settlement figures made comparisons of an authority's 'spending power'. This is a measurement that the Government favour and brings into account such things as Council Tax income generated by an authority, New Homes Bonus, impact of transitional grants and other special grants. This is the reason that different percentages have been quoted (i.e. depending on which measure is being used).

(ii) Details of the Business Rates Retention (BRR) Scheme are detailed in **Appendix A** including information on how the Business Rates Baseline has been set for 2013/14 and the estimate of Business Rate income submitted to the Government for 2013/14. It should be noted that final regulations are still awaited for some aspects of the Scheme. In particular as set out in the Appendix, Members are asked to confirm that the completion of the NNDR1 (National Non-Domestic Rate) return will continue to be delegated to the Section 151 officer and recommend to Council that this practice continues under the new system. Members will also note that the indication from the completion of the NNDR1 return is that Copeland may well hit the safety net for the new Business Rate Retention Scheme. The maximum loss of income to the Authority from this eventuality is £165k and provision for this is built into Reserves.

A further anticipated change to the Council's funding is that the Chancellor has announced that:

- The Government will extend the temporary doubling of the Small Business Rate Relief for a further 12 months from April 2013
- The Government is also proposing to exempt all newly built commercial property completed between October 2013 to September 2016 from Empty Property Rates for the first 18 months

Both of these initiatives will be funded outside the new Rates Retention Scheme and a (S31) grant announcement is awaited. For Copeland the amount anticipated would be in the region of £245k, however there is some uncertainty as to whether this grant will interact with the safety net payment. For this reason the potential grant has not been built into the budget figures at this time until the grant announcement is made and the Government clarify the position on the safety net payments.

(iii) Details of the Council Tax Support (CTS) Scheme (previously referred to as the Localised Support for Council Tax scheme - LSCT), were approved by Council on 22nd January 2013, and are now being implemented. Briefly, claimants will see little change to the system and will continue to be supported at their current level. The main change for the Council is that whereby in the past the full cost of the benefits granted to claimants were met by the Government, under the new localised discount scheme the Council meets the cost which is c. 90% funded by a Government Grant. The grant allocated to CBC totals £634k of which an amount of £66k will be allocated to the Parish Councils to compensate them for the impact on their tax base for the claimants in their area. The Council is also entitled to claim a transitional grant of £17,076 for 2013/14 for meeting certain criteria in setting its CTS scheme.

The grant allocated to the Council is now fixed and in future years this grant will not be identifiable within the Baseline Needs amount. Because the grant is now fixed, the full risk of any increase in claimants or collection issues will be met by the Council and the other precepting authorities including the County, Police and Parishes in proportion to their Council Tax precepts.

An additional grant has also been allocated to CBC for 2013/14 and 2014/15 of £52,750 and £73,280 respectively, for Council Tax Support New Burdens Funding in recognition of the additional costs falling on Councils from the new localised scheme. An award was also made in 2012/13 of £84,000 and this was utilised to bring in additional resources to ensure the new scheme was implemented smoothly and also to fund the changes required to the software systems. It is intended that the grants for 2013/14 and 2014/15 will be utilised to ensure the new scheme is monitored carefully for financial and claimant impact and also to undertake the review of the scheme and recommend any changes for 2014/15.

(iv) New Homes Bonus – This grant is a key part of the Governments housing growth strategy and is based on the Council Tax of additional homes and empty homes brought back in to use, together with a premium for affordable homes. It is currently paid for 6 years; although there is no indication what changes might come out of the next spending review. It is anticipated that the changes that the Council approved on 22nd January 2013 to reduce discounts on empty homes will see the number of empty homes in the area decrease and thereby increase the element of New Homes Bonus the Council will receive for future years. It should be noted however that we are still awaiting Government 'guidance' on when we can apply the Empty Homes Premium and we will need to receive this shortly to ensure we have time to do the assessments and send the correct Council Tax demands out.

The final allocation of New Homes Bonus for 2013/14 was received on 1st February and Copeland will receive £217,381; this includes instalments from years 1, 2, and 3 of £14,968, £18,478 and £183,936 respectively. In addition to this an amount of £500m was retained by Central Government from overall local authority funding to cover the remainder of the New Homes Bonus allocations. As the amount required was not as much as originally thought the unused portion will be returned to local government pro-rata to their start-up funding assessment. The amount for Copeland is £18,673 for 2013/14.

(v) PFI Credit Grant – There have been no changes to the level of grant for 2013/14 and the assumption for the period of the MTFS projections is that this grant will continue at a level of £836,828 p.a.

(vi) In addition to the main settlement figures, and the grants identified above, details of specific grants for 2013/14 only have been received and these grants are as follows:

• Community Right to Bid Grant	£7,855
• Community Right to Challenge Grant	£8,547
• Efficiency Support in Rural Areas	£5,208
Total	**£21,610**
• Welfare Reform Grant	£10,925 (matched by additional exp)

2.5 The impact of the settlement figures on our budget for 2013/14 and projections to 2016/17 are set out in Section 4. It should be noted that no information is yet available on the settlement figures from 2015/16 onwards but the Government has announced a spending review for 2015/16 which it intends to conclude by the end of March 2013. Whilst Ministers have stressed the review will only cover 2015/16 there are indications that the implications of the review will be felt into the future. The implications from this review will be fed into the update of the Medium Term Financial Strategy for the next four year period and which will be presented to Council during the first half of 2013.

3. MEDIUM TERM FINANCIAL STRATEGY - PROJECTIONS TO 2015/16

3.1 The proposals for the Budget for 2013/14 have been prepared in accordance with the Council's existing Medium Term Financial Strategy (MTFS) agreed by Council in February 2012 with the financial projections updated in a report to the Executive in October 2012.

3.2 The Council has been aware of the need to significantly reduce its costs since the 2010/11 budget report was approved by Council on 2 March 2010. The 2010 Comprehensive Spending Review announced later that year proved to be the toughest on record with the grant settlement for Local Government as a whole being particularly severe and resulting in savings being required from the Council's on-going base budgets estimated at c. £4.5m over a four year period. This equated to a reduction of over 30% of the Council's base budget and presents a significant challenge to the Authority in maintaining services in the light of the unprecedented cuts in funding.

3.3 The recent announcement from the Government in the December 2012 Autumn Statement, and the settlement figure for 2013/14 and 2014/15 shows that the level of cuts are set to continue for the period of the next MTFS and beyond.

3.4 A considerable amount of work has been carried out each year on a continuing basis to enable the Council to continue to set a balanced budget as required by legislation whilst meeting its statutory duties.

3.5 The MTFS projections were based on broad assumptions and Members confirmed or amended these assumptions at their meeting on 9th January 2013 for the purpose of setting the budget for 2013/14 as follows:

(i) Inflation:

- 1% increase proposal for 2013/14 – in each of the previous 2 years this was included at zero. The cost of the 1% provision is estimated as £65,000. Members should note that with RPI at 2.6% at September 2012 (and at 5.6% at September 2011), and with CPI at 2.7% in December 2012 that current supplies and services budgets will continue to sustain a real terms cut.
- 1% increase on general inflation for 2014/15
- 2% increase on general inflation for 2015/16 onwards
  (NB. Each 1% addition on general inflation equates to c. £65,000)
- 5% average on Contracts (as set out in individual contracts)

(ii) Salaries:

- 1% proposal for 2013/14. To meet the expected national pay award.
- 1% for 2014/15 to 2016/17. To meet the expected national pay award
  (N.B. Each 1% addition on salaries equates to c. £80,000)

(iii) Pensions Contributions:

- Current contribution rate 20.1%
- The next revaluation is effective from 2014/15. **No increase** has currently been assumed pending the Government's pension proposals being finalised. Members approved an increase in the Risk Based Reserve to £160k for pensions following the Review of Reserves report received from Head of Corporate Resources in December 2012.

(iv) Treasury Management:

- 1.25% assumed for 2013/14 financial year and for period of current MTFS. Currently investment returns are falling due in part to the amount of Government funding given to the banks for loans, who no longer therefore need Local Authority cash deposits. It is unlikely that this rate will be achieved unless there is a significant turnaround in the UK economy, and so provision for a further drop has been provided at £25,000 and an increased provision is also included in Reserves.

(v) Council Tax Projections:

- Recommended at 1.9% for 2013/14
- Assumed at 1.9% for 2014/15 onwards for forward planning purposes only.

- Originally the MTFS projections contained projected increases of 2.5% over the period of the MTFS but this has been amended as the 'capping' limit for excessive Council Tax rises has recently been set by the Government at 2%. Anything above 2% will trigger a referendum. Members should note that whilst CBC are not proposing an increase that would trigger a referendum, it would be responsible for making arrangement for holding a referendum if any of the Precepting Authorities (i.e. the County or Police authorities) exceeded their limits. The cost of the referendum would fall to the authority triggering the referendum. This currently does not include the Parish Councils who are not subject to council tax referendums in 2013/14, but this decision will be reviewed by the Government for 2014/15.

- The reduction in Council Tax levels from 2.5% to 1.9% results in an additional pressure of c. £20k in 2013/14 for CBC. This reduction is on-going and has a cumulative impact for future years.

- The Government have offered a Council Tax Freeze Grant for 2013/14 funded at the level of a 1% for a two year period. As in previous years this offer does not equate to an on-going offer of funding and after the two year period the funding will potentially drop out, leaving the Council to find the balance from other sources.

Should Council opt to accept the Council Tax Freeze Grant at 1% this would result in a further pressure of approximately £40k in 2013/14.
For information each 1% increase in Council Tax equates to c. £40,000.

- The impact of a 1.9% increase on Band D and Band B (highest number of properties in borough) are detailed below:

Band D – currently £180.27 p.a.	£183.70
Annual Increase in Council Tax	£3.43
Cost per week	£0.07
Cost per instalment	£0.34
Band B – currently £140.21 p.a.	£142.87
Annual Increase in Council Tax	£2.66
Cost per week	£0.05
Cost per instalment	£0.27

- The calculation of the Collection Fund Surplus and also the setting of the Council Tax Base for 2013 are set out in **Appendices B and C.** Both of these decisions are delegated to the Section 151 officer to determine and Members are asked to confirm this decision under the new financial arrangements and recommend this to Council. The impact of the Collection Fund surplus is that there is a surplus available of £44k additional income for 2013/13. The impact of the Tax Base calculation is that the estimated Council Tax income taking account of a 1.9% increase in the tax is £3.590m. Both of these figures have been fed into the projections.

(vi) Income:

- Increases in Fees and Charges are being proposed on a service-by-service basis and were included in the information that went out for public consultation. The proposals are set out in **Appendix D.**

(vii) Members' expenses:

- These have currently been cash limited and there has been no inflation provision included within the budget for a fourth year.

(viii) Government Settlement:

- The final settlement for 2013/14 has now been received together with the provisional settlement for 2014/15 and these figures as set out in Section 2 of this report have been built into the budget proposals in this report. The Government has announced a spending review for the 2015/16 settlement and this is anticipated to conclude shortly. Pending any further details, a reduction in the Revenue Support Grant as **currently** indicated by the Government's Control Totals, released as part of the 2010 Autumn Statement, with a projected increase in New Homes Bonus in line with current indications on growth.

3.6 The **original** budget deficit projections set out in the MTFS approved in February 2012 were as set out below in the Table below along with the currently anticipated deficit, **before the consideration of savings proposals,** as set out in the report and taking into account information known to date and the assumptions set out above:

Table 2 – Revised Budget Deficit Projections 2012/13-2016/17

Year	Projection as per MTFS February 2012 £000	Current Projections February 2013 £000
2012/13	**1,817**	
2013/14	**1,045**	**1,730**
2014/15	**608**	**827**
2015/16	**410**	**510**
2016/17		**441**
Total Projected Deficit	**3,880**	**3,508**

4 DETAILED BUDGET PROPOSALS 2013/14

4.1 Table 3 below details the original 2013/14 budget as projected in February 2012 in the MTFS and the latest revision incorporating the government grant settlement figures:

APPENDIX 1

Table 3 – Detailed Budget Projections 2013/14

	2013/14 original Projections per MTFS	2013/14 Current budget projections	Note at Para
	£	£	
Base budget	10,614,861	10,614,860	
Add on 'gap' from 12/13		48,500	4.2(i)
Budget Reductions			
Savings not on-going into later years	42,000	297,000	4.2(ii)
Budget Increases			
Salary Movements	177,000	185,900	4.2(iii)
Identified Spending Pressures	11,500	674,500	4.2(iv)
Increases for inflation	206,372	118,500	4.2(v)
Impact of Settlement:			
Homelessness grant removed from baseline as included in settlement figure below		36,050	
Original New Homes bonus projection removed from baseline as included in settlement figure below		15,000	
	11,051,733	11,990,310	
Funding from Reserves			
Earmarked Reserves	84,000	132,000	
Total Spending	11,135,733	12,122,310	
Rounded Total Spending (£'000)	11,135	12,122	
	£'000	**£'000**	
FUNDING			
RSG/NNDR (2012/13 system)	4,955		2.4(i)
New System - RSG		3,312	2.4(i)
New System - Baseline Need		2,203	2.4(ii)
New Homes Bonus		236	2.4(iv)
Other Specific Grants		21	2.4 (vi)
PFI Grant	837	837	2.4(v)
Council Tax	4,114	3,590	3.5(v)
Additional grant 1 year only c tax scheme adoption		17	2.4(iii)
Council Tax "Freeze" Grant **(in settlement fig 13/14)**	100		
Council Tax Collection Fund Surplus		44	3.5(v)
Earmarked Reserves	84	132	
Total Funding	**10,090**	**10,392**	
Shortfall	**1,045**	**1,730**	4.2(viii)

4.2 The main reasons for the movement between the original February 2012 projections and the current projections as at January 2013 were set out in detail in the report to the Executive on January 9th, being: -

(i) Increase in Gap

£000	
330	Saving review saving to be made
100	Vacancy management saving to be made
8.5	Management Review (residual)
438.5	
	Less:
-80	1% pay award allocated but not required
-86	Waste and open Spaces Restructure FYE
-120	Round Restructure FYE
-64	Housing Restructure FYE
-40	Net Director Saving
48.5	'Increased Gap'

(ii) Savings options proposed in 2012/13 which are not on-going into later years

£000	
42	In original MTFS
75	Permanent Saving on PFI contract (whilst one off windfall saving was made on insurance this is applicable to 2013/14 only)
25	Saving on vehicles contract not made – the increase in inflation
25	Saving on contracts (general) not made
50	Saving on NCL estimated not made (saved £50k of £100K target)
40	Loss of contract income from CCC (grass cutting)
15	Additional income car parks not realised
25	Treasury Management reduced investment income
297	Savings not on-going

(iii) Salary Movements

Further work has been carried out on the salaries and the figure has increased slightly over that originally projected. The figures incorporate a 1% pay award provision and take account of increments. The figures do not at this stage take any account of any additional superannuation payments that the Council may need to meet if more people 'opt in' to the superannuation scheme following the recent changes to the rules on pensions (i.e. employees will be automatically opted into the scheme and then will need to opt back out). Currently there are a large number of employees not in the Superannuation Scheme, and the cost to the Council if they were all to 'opt in' would be in the region of £230,000. Currently this risk is held in reserves.

(iv) **Identified Spending Pressures**

This increase is primarily due to pressures that have been reported during the year through budget monitoring or where government and legislative changes have resulted in cost pressures:

£000	
11.5	In original MTFS
340	Loss of recycling credits from Cumbria County Council
40	Estimate of net deficit on implementation of Council Tax Support Scheme and Empty / Second Homes discounts.
50	Contribution to Reserve and payment of 50% of Mercury Abatement to Government
60	Requirement in base budget for IT services due in part to Microsoft charges increasing by 36%.
10	Adoption of living wage (CBC staff only)
52	Loss of Housing Benefit Admin subsidy
30	Additional cost for 'sweepings' disposal
35	Increase in property maintenance
10	Contribution to District Council Elections Reserve
7	Contribution to PFI Reserve
29	Contractual increase on RB Shared Service
674.5	Total identified spending pressures

(v) **Increases for inflation**

The budget proposals include the increases for inflation in accordance with the principles set out in paragraph 3.5 (i).

(vi) **Council Tax**

The budget proposals include an increase of 1.9% for 2013/14 as set out in paragraph 3.5 (v).

(vii) **Government Settlement**

The Government settlement for 2013/14 has now been received as set out in detail in Section 2 of the report.

(viii) **Budget shortfall**

The identified budget gap is proposed to be met as set out below:

Funding of Budget Shortfall 2013/14

	£000's
Shortfall	**1,730**
Funded by:	
Savings proposals (Appendix D)	-1,760
Unallocated General Fund Balance	0
Surplus 2013/14	**-30**

A full consultation exercise on the Service Review options was undertaken during 2012 and a report on the outcome considered by Members. These savings proposals as summarised in Appendix D, total £1.760m in 2013/14 will be used to reduce the £1.730m gap to a small surplus of £30k which will contribute to the savings required for 2014/15.

4.3 Impact of settlement and other changes on 4 year MTFS projections now stand as set out in the following Table:

Table 4 – Detailed Budget Proposal 2013/14 and Revised Projections 2013/14-2016/17

	2013/14 Budget Proposal	2014/15 revised	2015/16 revised	2016/17
	£	£	£	£
Base budget	10,614,860	10,230,310	10,002,310	10,387,310
Add on 'gap' from 12/13	48,500			
Budget Reductions				
Savings not on-going into later years	297,000	1,000		
Savings proposals (Appendix D)	-1,760,000	-549,000		
Budget Increases				
Salary and Contribution costs	185,900	200,000	200,000	200,000
Identified Spending Pressures	674,500	0		0
Increases for inflation	118,500	120,000	185,000	185,000
Settlement update				
Homelessness grant removed from baseline as included in settlement figure below	36,050			
Original New Homes bonus projection removed from baseline as included in settlement figure below	15,000			
	10,230,310	10,002,310	10,387,310	10,772,310
Funding from Reserves				
Earmarked Reserves	132,000	104,000	54,000	34,000
Total Spending	10,362,310	10,106,310	10,441,310	10,806,310

Rounded Total Spending (£'000)	10,362	10,106	10,441	10,806
FUNDING NOW SPLIT	**£'000**	**£'000**	**£'000**	**£'000**
RSG	3,312	2,531	2,115	2,404
Baseline need	2,203	2,271	2,332	1,732
New homes bonus	236	425	585	770
PFI Grant	837	837	837	837
Council Tax	3,590	3,660	3,730	3,800
Collection Fund Surplus	44			
Additional grant 1 year only CTS scheme	17			
Specific Grants	21			
Earmarked Reserves	132	104	54	34
General Reserves	(30)			
	10,362	9,828	9,653	9,577
Remaining Shortfall to Identify	**0**	**278**	**788**	**1,229**

5 FUNDING FROM RESERVES

5.1 Revenue Reserves play a key role in the management of the Council's budget. They are used as a contingency against risk, to fund new policy initiatives and to support the Council's Revenue and Capital budget when needed.

5.2 The general principles on the use of Reserves are set out in detail in the Medium Term Financial Strategy 2012 to 2015/16 as approved by Council in February 2012 and which will be updated shortly in preparation for the 2014/15 budget cycle. The overarching principle is that reserves will only be used to finance non-recurring spending or to cover transitional costs. If in exceptional circumstances the use of reserves is proposed to support recurring expenditure, it will be dependent on a strategy being in place to replace the use of reserves with mainstream base funding.

5.3 Reserves fall into two main categories:

(i) **General Reserves** – The risk based element of this reserve is based on an annual risk assessment of the financial position of the Council. That assessment has taken place and the recommendations of the Head of Corporate Resources on the minimum level of risk based reserve has been set at £2.18m. This reflects the increased risk that the Council faces under the new system of Local Government finance set out in Section 2 of the report, together with other financial uncertainties such as pensions and superannuation charges as highlighted in the report.

General Reserves are set out in **Appendix F,** with the summary projected balances are set out in the Table below. Members should note that these projections take into account the increase in Unallocated Reserve of £30,000 set out in this report but do not take account of any potential requirement to take from Reserves from 2014/15 onwards in respect of some of the financial risks set out in the report. They have also not been adjusted to take account of the request for an additional Earmarked Reserve set out in section (ii) below.

General Reserves	Balance 31/3/13 £000	Balance 31/3/14 £000	Balance 31/3/15 £000	Balance 31/3/16 £000
Risk Based Balance	2,180	2,180	2,180	2,180
Unallocated Balance	345	375	375	375
Total	2,525	2,555	2,555	2,555

(ii) **Earmarked Reserves** – these are reserves set aside for specific purposes. A full review of these reserves has been carried out during 2012 and Members have approved the changes which are reflected in **Appendix G.** The projected Balances are set out in the Table below. Members should note that these will be amended to take into account the request for a further Earmarked Reserve set out below, if approved.

Earmarked Reserves	Balance 31/3/13 £000	Balance 31/3/14 £000	Balance 31/3/15 £000	Balance 31/3/16 £000
Total Reserves	4,845	4,790	4,686	4,632

A further request for an Earmarked Reserve of £50,000 to be set up for Land Management issues is now made. The Reserve would provide funds on a contingency basis for the Council's liabilities on its own land where subsidence occurs. This was previously held in the capital programme; however the types of expenditure are for fencing, monitoring of movement and barrier shrub planting and are not eligible for capital financing and there is currently no provision in the Revenue budget.

If this Earmarked Reserve is approved, the General Fund Unallocated Balance will reduce correspondingly from £375k to £325k.

6 STATUTORY BUDGET CONSULTATION 2013/14

6.1 The statutory budget consultation ran from 10th January 2013 to 7th February 2013. There have been no issues raised during that consultation that have changed any of the proposals.

7. RISKS

7.1 There are always risks associated with setting a budget as many budget assumptions can change if forecasts used in the process prove to be inaccurate. This year the budget process has proved particularly challenging not only because of the scale of the cuts but also that key information from the Government was delayed.

7.2 The settlement from Government of £5.515m is made up of £3,312m (Revenue Support Grant) and £2.203m (Baseline Needs Grant). The Revenue Support Grant is a guaranteed cash receipt, but the receipt of Baseline Needs funding is dependent upon the collection of NNDR £15.891m (of which we retain £2.203m). Should we fail to collect at this level the level of cash receipt will differ from that included in the MTFS projections, subject to a national Safety Net. The potential maximum loss to the Council is limited to £165,000. In addition the risk to the other changes the Government has enacted; principally the Council Tax Support Scheme and the new technical changes to Empty Properties and Second Homes, sits with the Council.

7.3 The settlement figures for 2014/15 onwards have been included as per the CLG website at £4,802k with future years assuming reductions in line with the announcements made in the Chancellors 2010 Autumn Statement pending further details which are hoped to be received in the first half of 2013. There is a risk that this is worse than currently projected.

7.4 Electricity North West has indicated to other district councils within Cumbria including Eden that current footpath lights are unusable and will need to be replaced. This council has in excess of 1200 such lighting structures and so any replacement / charges from NW Electricity for disconnection could be considerable. Further information is being sought but figures per light vary from £600 - £1000.

7.5 There is a risk relating to the financing of Discretionary Housing Payments (DHPs) which provide customers with further financial assistance when a local authority considers that help with housing costs is needed. The expectation is that requests for DHP's will increase next year due to the Welfare Reform changes. The Government has provided additional funding of up to £155m for 2013/14 and up to £125m for 2014/15 and the CBC share in 2013/14 would be in the region of £95k. The CBC Overall Limit for DHP's is set is £235k and so potentially there could be in the region of an additional £140k required in 2013/14. Further work is being undertaken to determine the Council's policy and position on offering support where appropriate and the position will be monitored carefully during the year.

7.6 As set out in a separate report, the Council holds a risk-based reserve of £2.18m, with an Unallocated General Fund balance of £345k.

8 REPORT OF THE HEAD OF CORPORATE RESOURCES

8.1 In setting the budget requirement in February 2013, the Council is required under Section 25 of the Local Government Act 2003 to consider the formal advice of the statutory s151 Responsible Officer, the Head of Corporate Resources, on the robustness of the estimates included in the budget and adequacy of reserves. In a report to Executive on 18 December 2012, the Head of Corporate Resources recommended a level of £2,180,000 be set as the minimum level deemed acceptable for Council purposes.

8.2 If the balance on the General Fund is projected to fall below the recommended risk-based level, then priority will be placed on restoring the balance in subsequent budget and out-turn recommendations. Temporary dips below the target may be acceptable provided that the minimum amount is not likely to be breached and there is a robust plan to restore balances to the target level.

9 CONCLUSIONS

9.1 The position of the budget and the MTFS projections as set out in this report outline the budget proposals for consideration for 2013/14 and once approved will form the basis of the recommendation to Council on 21st February. It also provides a forecast for a further 3 years to 2016/17.

10. STATUTORY OFFICER COMMENTS

10.1 The Monitoring Officers comments are: No additional comments.

10.2 The Section 151 Officers comments are: included in the report

10.3 EIA Comments: There are no EIA impacts at this stage

10.4 Policy Framework: The Revenue Budget Proposals 2013/14 and the Medium Term Financial Projections are key to the Council's new Corporate Plan and Corporate Policy Framework elsewhere on this agenda. The report refers in detail to the national policy framework and new legislation arising from that - particularly the Local Government Finance Act 2012 which introduces 'localised' Council Tax Benefit and Business Rate Schemes. The report also refers to the potential implications of the Government's Spending Review for 2015/16 which is due to conclude by the end of March 2013 and will be fed into the update of the MTFS. The report highlights the uncertainty and potential challenges still surrounding these aspects of the national policy framework, which the Council will be required to respond to through its own local policy framework.

10.5 Other consultee comments: the consultation process is set out in the report.

11. HOW WILL THE PROPOSALS BE PROJECT MANAGED AND HOW ARE THE RISKS GOING TO BE MANAGED?

11.1 The budget process is a high risk process which is project managed and monitored by the Corporate Leadership Team (CLT). The risks are contained in the Strategic Risk Register and are monitored as part of that process.

12. WHAT MEASURABLE OUTCOMES OR OUTPUTS WILL ARISE FROM THIS REPORT?

12.1 The key measurable outcome is a balanced budget proposal for the Council for 2013/14, which will determine the manpower, financial and other resources it will have available to provide services for the year.

List of Appendices

Appendix A – Business Rates Scheme and Calculation of NNDR1 2013/14
Appendix B – Collection Fund Surplus Calculation 2013/14
Appendix C – Council Tax Base Calculation 2013/14
Appendix D – Fees and Charges schedules
Appendix E – Savings Proposals
Appendix F – Unallocated and Risk Based Reserves
Appendix G – Earmarked Reserves

List of Background Documents:

Government Settlement announcement December 2012 and February 2013
Public consultation document on savings proposals.
Other reports that have been considered during the budget cycle.

APPENDIX 1

APPENDIX 1A

BUSINESS RATES RETENTION (BRR) SCHEME

1. BACKGROUND:

1.1 The Local Government Finance Act 2012 (LGFA) introduces significant changes to the funding arrangements for Local Government, including the retention of a proportion of the Business Rates collected locally from April 2013.

1.2 Previously Business Rates were collected by local authorities and paid over to Central Government. The Government then used this income to fund the grant payments to local authorities, with no direct link between the business rates collected and the funding received for an area. The risk of appeals and reductions in collection rates were borne by the Government, and similarly the rewards for increases in yield.

1.3 The reforms introduced will see Local Government sharing in the risks and rewards of changes to the Business Rates collected.

1.4 The Government provide local authorities with a Non Domestic Rates Baseline (NDRB) which is a forecast of what they expect the authority to collect. Any growth above this baseline will be shared between the Government and the authority. Copeland's NDRB was announced as part of the settlement at £15.891m.

1.5 Based on the NDRB and a funding assessment undertaken by the Government, a Baseline Need is also determined. The Baseline Need is the amount of funding that will actually be retained, with the difference between that and the NDRB being paid to the Government as a Tariff. Copeland's Baseline Need has been assessed at £2.203m and therefore the tariff is £13.688m.

1.6 The retained element of Business Rates i.e. the Baseline Need of £2.203m will be subject to a safety net for any reductions in Business Rates collected and authorities will be protected at 92.5% of their Baseline Need. For Copeland the safety net is therefore £2.038m capping the potential risk at £165k.

1.7 Any income generated over the Baseline Need will be shared between the Government and the local authorities by way of a levy. For Copeland this levy is 50% of any additional income generated.

1.8 Levies will not be payable until after the end of 2013-14 on the basis of the out-turn figures. It is anticipated that safety net payments will be made on the basis of the NNDR1 Return made at the end of January.

1.9 Both the NDR Baseline and the Baseline Need will be increased in line with inflation each year. It is the Government's intention that they will not 'reset' the scheme until 2020

2. CALCULATION OF BUSINESS RATES TAXBASE:

2.1. The Business Rates Retention regulations require that the NNDR1 (National Non Domestic Rates Return) is completed by authorities by 31st January 2013. This form estimates the Business Rates income split between the amounts to be retained by Copeland Borough Council (40%), Central Government (50%) and Cumbria County Council (10%).

2.2. The basic methodology for calculating the tax base is as follows:

- The rateable value of properties are obtained from the Valuation Office valuation List and multiplied by the business rate multiplier announced by the Government (0.462p)
- Adjustments are made for mandatory and discretionary discounts
- Adjustments are made for bad debt provisions, based on historical and current collection rates
- Adjustments are made for estimated growth
- Adjustment is made for the estimated impact of appeals of rateable values

2.3 For Copeland Borough Council the estimated tax collectable for 2013/14 based on the above methodology is a shown below:

NNDR 1 Return 2013/14:	**£**
Gross Yield calculated	44,666,468.15
Mandatory Relief	-2,086,766.80
Discretionary Relief	-108.80
Cost of Collection allowance	-113,007.77
Estimate for losses in collection	-220,000.00
Estimate for Growth	0
Estimate for appeals	-8,443,631.34
Rate Retention Adjustments	-38,124.44
Net Yield before transitional arrangements *	***33,764,829.00**
Transitional arrangements adjustment	-86,014.76
Net Yield after transitional arrangements	33,678,814.00
* Split:	
Central Government (50%)	16,882,415.00
Copeland Borough Council (40%)	13,505,932.00
Cumbria County Council (10%)	3,376,483.00

2.4 Members will note that the estimated NDR Baseline above is forecast to be considerably below the Government's forecast of £15.891m. This is due to the impact of appeals which the Government have recently issued further guidance on. Copeland has a number of large appeals pending with the Valuation Office; however when they will be dealt with is not known and this has had to be estimated. It should be noted however that if the forecasts set out above hold good and Copeland's income does fall below that forecast by the Government, then Copeland will hit the safety net. As detailed above the loss to be suffered will be capped at £165k. Currently provision for this eventuality is held in Reserves given the unknown of when appeals will be dealt with by the valuation office and their likelihood of success. If indeed Copeland does prove to be at the Safety Net then the impact of this may need to be budgeted for in the base in future years. The Government has also issued information that they will allow the cost of appeals to be spread over 5 years – under the current projections for CBC there would be no benefit in doing this i.e. on the assumption we will be at the Safety Net it will be better to take the impact of the full cost in one year. The actual accounting treatment will be determined at the year-end once we have the final out-turn figures for NNDR to determine the best approach to maximise Copeland's financial position.

3. NOTIFICATION OF TAXBASE

3.1. Copeland Borough Council must notify the Government of the Net Yield anticipated for 2013/14 by 31st January 2013, by return of the NNDR1 return, certified by the Section 151 Officer and this has been done.

3.2. For the avoidance of doubt, the completion of the NNDR1 return has in the past been delegated to the Section 151 officer and Members are asked to recommend to Council that this practice continues under the new system.

3.3. Following the receipt of the NNDR1 return the Government will prepare a schedule of payments detailing the central share, tariff and top up payments and Safety Net payments on account. Given that Copeland's return indicates that the Safety Net will be hit, then an 'on account payment in advance' may be received, but there is no confirmation of this as yet.

4 ACCOUNTING ISSUES

The NNDR income and expenditure is accounted for in the Collection Fund and currently this is a very straightforward exercise given the current simple system. Under the new arrangements the accounting will become much more complex and surpluses and deficits on the NNDR portion of the Collection Fund will occur similar to that of the current Council Tax system. More information is awaited from CIPFA on exactly how the new system will be accounted for. Information on the current Council Tax system is set out in **Appendix B** for information.

SETTING OF COLLECTION FUND SURPLUS / DEFICIT

1. COLLECTION FUND SURPLUS

1.1 How does a surplus or deficit occur?

The income from Council Tax less the precept payments to the County Council, Police Authority, Copeland Borough Council and Parishes are summarised in the Collection Fund. If the actual number of properties or the allowances for exemptions, discounts or appeals / collection rates vary from those used in the Council Tax Base (see Section 2 below) then a surplus or deficit will arise. In 2011/12 and 2012/13 a surplus has arisen and this is shared between the Major Preceptors, being Cumbria County Council, the Police Authority and Copeland Borough Council in proportion to the precepts for the respective year.

1.2 Calculation and Declaration of Surplus

In 2012/13 the Collection Fund is estimated to achieve a projected surplus of £345,700 which is calculated as follows:

Council Tax Surplus – Estimate at 15/1/13	£
Expenditure	35,187,271
Income	(35,233,154)
Net Surplus	(45,883)
Surplus B/F from 2011/12	(299,817)
Total Estimated Surplus	**(345,700)**

The relevant share of the total of £345,700 per Major Preceptors is:

Cumbria County Council	£256,836
Police Authority	£44,400
Copeland Borough Council	£44,464

This represents the amount that each preceptor will take into account when calculating the Council Tax for 2013/14.

The declaration of the Surplus is currently delegated to the s151 officer and members are asked to request Council to re-affirm this delegation.

APPENDIX 1C

SETTING OF COUNCIL TAX BASE 2013/14

1. On an annual basis all local authorities are required to calculate a Council Tax Base which is used to set the level of Council Tax. The process is governed by the Local Authorities (Calculation of Tax Base) Regulations 1992.

2. The Tax Base is set having regard to:
   - The Valuation List
   - Current exemption, reductions and discounts
   - Discretionary discounts
   - Expected collection rates

3. The basic methodology for calculating the Tax Base is:

   - Calculations are made of the relevant amount for the year in respect of the valuation bands shown in the Council's valuation list. For each band this represents the estimated full year equivalent number of chargeable dwellings listed in the band after taking into account the impact of disabled band reductions and discounts.
   - The relevant amounts for each band are then aggregated and expressed as an equivalent number of Band D dwellings.
   - The Council then multiplies this aggregate of relevant amounts by its estimate of its collection rate for the year (98%). The resulting figure is the Council Tax Base for the year.
   - The rules for calculating the tax base for parish councils are the same, and the same estimated collection rate must be used.

4. During 2012 the Government consulted on technical reforms to Council Tax and announced changes that local authorities could consider in relation to Second Homes and certain Empty Property categories. Copeland Borough Council considered and approved their proposals in relation to these reforms at their meeting on 22nd January 2013. The policy objective of the proposals was to bring empty properties back into use for housing purposes. These local discounts and exemptions are taken into account in setting the tax base calculation.

5. During 2012 the Government also implemented proposals for local Council Tax Support Schemes. Under the Government Regulations for the scheme, the previous 'benefit'

granted to claimants has now become a 'discount' on the Council Tax. This in turn serves to reduce the Council Tax Base. Copeland Borough Council considered and approved their local Council Tax Support Scheme at their meeting on 22nd January 2013.

6. One of the principles in approving the schemes under sections 2 and 3 above is that the reduced tax base resulting under the CTS scheme will be compensated for in part by reductions in discounts for empty and second homes. It is estimated that there will be a net cost of the two schemes taken together of in the region of £40,000 in 2013/14, but this is dependent on a number of factors including collection rates, number of claimants, number of empty properties etc and so will be monitored carefully throughout the year (see impact on Council Tax Para 8 below).

7. The estimate of the collection rate is at the Council's discretion and has been reviewed in the light of the potential negative impact of the new localised schemes set out above. Following the review the decision is that the collection rate be maintained at 98%, as previous years actual collection have been higher than this (98.2% 2011/12) and therefore this is still considered a prudent estimate, but will be monitored carefully.

8. The total Tax Base calculated in accordance with the Regulations for 2013/14 at 98% collection is 19,540.33. This compares to a total of 22,264.80 in 2012/13, a reduction of 12%. The impact of this on the projected Council Tax income is that based on a 1.9% increase in Council Tax (which increases the Band D Council Tax from £180.27 to £183.70) multiplied by the new Tax Base gives a total income of £3.590m. This together with the CTS grant of £634k gives a total of £4.224m against the previous estimate of £4.090m; an increase of £134k overall. It should be stressed that any actual increase or decrease in the Council Tax position will be reflected in the Collection Fund surplus or deficit calculation at the year-end as set out in Appendix B.

9. The notification of the tax base must be made to the major precepting bodies within the period 1st December to 31st January. The notification was made by the S151 Officer under current delegations.

APPENDIX 1 D

PROPOSED INCREASES IN FEES AND CHARGES

2013/14

February 2013

APPENDIX 1 D

PROPOSED FEES AND CHARGES 2013/14

Page No.	Service	2012/13 Approved Current Base Budget (Income from Fees and Charges only) £	2013/14 Base Proposal (Income from Fees and Charges only)	Price Change Increase / Decrease (-) £	Volume Increase/ Decrease (-) £
2	Beacon & TIC	75,000	85,000	10,000	0
3	Plan Printing	5,000	5,000	0	0
4	Building Control	237,270	237,270	0	0
5	Development Control	303,720	333,720	0	30,000
6	Homelessness	4,288	4,288	0	0
		625,278	**665,278**	**10,000**	**30,000**
7	Allotments	2,112	2,323	211	0
8	Crematorium	666,000	726,000	60,000	0
9	Cemeteries	101,363	131,363	30,000	0
10	Markets	38,961	38,961	0	0
11	Outdoor Facilities	3,000	0	-3,000	0
12 & 13	Car Parks	296,000	356,000	60,000	0
14	Food Safety and Private Water Sampling	7,449	8,000	551	0
15	Health and Safety	545	400	0	-145
16	Environmental Protection	17,800	12,000	0	-5,800
17	Waste	270,000	270,000	0	0
		1,401,118	**1,542,724**	**147,551**	**-5,945**
18	Land Charges	90,431	90,431	0	0
19	Licences	115,442	120,442	5,000	0
20	Licensing Gambling			0	
		205,873	**210,873**	**5,000**	**0**
21	Court Costs	163,400	163,400	0	0
Total Fees and Charges		**2,395,669**	**2,582,275**	**162,551**	**24,055**

2012/13 BASE BUDGET INCOME	75,000
PROPOSED 2013/14 BASE BUDGET INCOME	85,000

PROPOSED FEES & CHARGES 2013/14 (EXCLUDING BLOCK BUSTER)	CURRENT FEES 2012/13	BASE PROPOSAL - 2013/14
	£	£
TICKETS		
Adult	5.50	5.50
Child (5-15)	0.00	1.00
Student	4.00	4.00
Senior	4.00	4.00
Educational Group	0.00	0.00
Adult Group (10+)	3.70	3.70
Child Group (10+)	0.00	0.00
PASSPORTS (Membership)		
Adult	10.00	N/A
Senior	10.00	N/A
Child	0.00	N/A
ROOM HIRE		
Conference Centre (Free for Visiting Schools)	0.00	0.00
Per Hour	17.00	17.00
Per Half Day	60.00	60.00
Full Day	110.00	110.00
LIBRARY (Free for Research)		
Hourly	13.00	13.00
DARKROOM	13.00	13.00
HARBOUR GALLERY (Per Hour - Subject to Availability)	45.00	50.00
4th Floor per hour	45.00	50.00
Learning		
School Visit to the Beacon unguided	0.00	0 or 20.00*
Activity Session per session	40.00	40.00
Pirates Activity session per child	1.50	1.50
Loan Box Hire - per week	15.00	15.00
Talk for adults at The Beacon	30.00	30.00
Outreach talk (1 member of staff)	35.00	35.00
Outreach talk (2 member of staff)	50.00	50.00
Talking Tuesdays per person	3.00	3.50
Child crafts session	3.00	3.50
Museum Research		
If takes more than 30 minutes - charge per hour	14.84	30.00

* Charge for visit if Beacon is closed general public

Charges effective from January 2013 agreed at PDG

PLAN PRINTING

APPENDIX 1 D

2012/13 BASE BUDGET INCOME	5,000
PROPOSED 2013/14 BASE BUDGET INCOME	5,000

PROPOSED FEES & CHARGES 2013/14	CURRENT FEES 2012/13	BASE PROPOSAL - NO INCREASE 2013/14
	£	£
Copy OS Sheet extracts (x8)	25.00	25.00
Detailed file histories, planning, blg regs., env. Health (domestic)	50.00	50.00
Detailed file histories, planning, blg regs., env. Health (business)	100.00	100.00
Copy approval notices, completion notices, and statutory notices	10.00	10.00
Copy planning applications - to interested parties not directly consulted	0.00	0.00

2012/13 BASE BUDGET INCOME	**237,270**
PROPOSED 2013/14 BASE BUDGET INCOME	**237,270**

PROPOSED FEES & CHARGES 2013/14	**CURRENT FEES 2012/13**	**BASE PROPOSAL - INCREASE 2013/14**
	£	**£**
Proposed scheme for the recovery of Building Regulations Charges - January 2012	N/A	3% as attached schedule

The Building (Local Authority Charges) Regulations 2010 authorise Local Authorities in England and Wales to fix and recover charges for the performance of their main building control functions relating to Building Regulations applications, in a charging scheme governed by principles laid down in the Regulations. The Regulations make each Local Authority responsible for setting their own charges and for doing so within the accounting and administrative requirements laid down in the Regulations and CIPFA guidance.

Having ascertained the chargeable costs and chargeable hours attributable to the Council's building control service, it is recommended that fees for Building Regulations applications be increased by 3% to cover the service's fee earning costs for 2013/14.

The following individual changes have also been made to the service's charges to help enable full cost recovery:

Schedule 2: Charges For Small Buildings & Extensions

1. A category has been added for extensions to a dwelling with a floor area of between 60m² but does not exceed 80m² as the service has received a number of applications for this type of project and it has been difficult to negotiate appropriate charges.

2. A category has been added for the conversion of a garage into habitable space as this type of application is becoming increasingly popular and setting a standard charge will save time considering such projects on an ad hoc basis and help to ensure full cost recovery.

Minimum Charges

1. The fee for an unvented hot water system has been increased from £90.72 to £155.74 to ensure full cost recovery as inspections often involve the procurement of specialist advice.

2. The fee for the installation of wood burning stoves has been increased from £90.72 to £155.74 to more accurately reflect the work involved in dealing with this type of application

3. A fee of £197.76 has been introduced for works involving the installation of wet system solid fuel installations/boilers, reflecting the cost of specialist advice required in dealing with this type of application.

Schedule 1: Charges For New Dwellings

Number of dwelling types	Plan Charge	Plan Charge + VAT	VAT	Inspection Charge	Inspection Charge + VAT	VAT	Building Notice Charge	Building Notice Charge + VAT	VAT	Regularisation Charge
1	£ 211.50	£ 253.80	£ 42.30	£ 448.30	£ 537.96	£ 89.66	£ 791.76	£ 950.12	£ 158.35	£ 989.71
2	£ 288.49	£ 346.19	£ 57.70	£ 571.16	£ 685.39	£ 114.23	£ 1,031.59	£ 1,237.90	£ 206.32	£ 1,289.48
3	£ 379.60	£ 455.52	£ 75.92	£ 798.34	£ 958.01	£ 159.67	£ 1,413.53	£ 1,696.23	£ 282.71	£ 1,766.91
4	£ 470.70	£ 564.84	£ 94.14	£ 924.25	£ 1,109.10	£ 184.85	£ 1,673.94	£ 2,008.73	£ 334.79	£ 2,092.42
5	£ 569.39	£ 683.27	£ 113.88	£ 1,135.89	£ 1,363.07	£ 227.18	£ 2,046.34	£ 2,455.61	£ 409.27	£ 2,557.92
6	£ 668.10	£ 801.72	£ 133.62	£ 1,276.54	£ 1,531.85	£ 255.31	£ 2,333.56	£ 2,800.28	£ 466.71	£ 2,916.96
7	£ 685.04	£ 822.05	£ 137.01	£ 1,363.60	£ 1,636.32	£ 272.72	£ 2,458.37	£ 2,950.04	£ 491.67	£ 3,072.96
8	£ 723.42	£ 868.10	£ 144.68	£ 1,589.97	£ 1,907.96	£ 317.99	£ 2,776.07	£ 3,331.28	£ 555.21	£ 3,470.08
9	£ 751.60	£ 901.92	£ 150.32	£ 1,816.36	£ 2,179.63	£ 363.27	£ 3,081.55	£ 3,697.86	£ 616.31	£ 3,851.94
10	£ 759.20	£ 911.04	£ 151.84	£ 2,064.15	£ 2,476.98	£ 412.83	£ 3,388.02	£ 4,065.63	£ 677.60	£ 4,235.03
11	£ 765.70	£ 918.84	£ 153.14	£ 2,261.06	£ 2,713.27	£ 452.21	£ 3,632.11	£ 4,358.54	£ 726.42	£ 4,540.14
12	£ 773.28	£ 927.94	£ 154.66	£ 2,456.63	£ 2,947.95	£ 491.33	£ 3,875.89	£ 4,651.07	£ 775.18	£ 4,844.87
13	£ 779.79	£ 935.75	£ 155.96	£ 2,654.88	£ 3,185.85	£ 530.98	£ 4,121.60	£ 4,945.92	£ 824.32	£ 5,152.00
14	£ 787.39	£ 944.87	£ 157.48	£ 2,816.94	£ 3,380.33	£ 563.39	£ 4,325.20	£ 5,190.24	£ 865.04	£ 5,406.50
15	£ 793.89	£ 952.67	£ 158.78	£ 3,012.51	£ 3,615.01	£ 602.50	£ 4,567.68	£ 5,481.22	£ 913.54	£ 5,709.60
16	£ 801.48	£ 961.78	£ 160.30	£ 3,208.08	£ 3,849.69	£ 641.62	£ 4,811.47	£ 5,773.77	£ 962.29	£ 6,014.34
17	£ 808.02	£ 969.63	£ 161.60	£ 3,403.63	£ 4,084.36	£ 680.73	£ 5,053.99	£ 6,064.79	£ 1,010.80	£ 6,317.48
18	£ 815.58	£ 978.70	£ 163.12	£ 3,599.20	£ 4,319.04	£ 719.84	£ 5,297.74	£ 6,357.29	£ 1,059.55	£ 6,622.18
19	£ 822.09	£ 986.51	£ 164.42	£ 3,750.57	£ 4,500.68	£ 750.11	£ 5,487.19	£ 6,584.63	£ 1,097.44	£ 6,858.99

Variables

VAT	1.2	0.2
Plan price factor	1.03	
Inspection price factor	1.03	
Building Notice price factor	1.2	
Regularisation price factor	1.5	

	Plan Starting Price	Inspection Starting Price
1	£ 205.34	£ 435.25
2	£ 280.09	£ 554.53
3	£ 368.54	£ 775.09
4	£ 456.99	£ 897.33
5	£ 552.81	£ 1,102.80
6	£ 648.64	£ 1,239.36
7	£ 665.09	£ 1,323.88
8	£ 702.35	£ 1,543.66
9	£ 729.71	£ 1,763.45
10	£ 737.09	£ 2,004.03
11	£ 743.40	£ 2,195.20
12	£ 750.76	£ 2,385.08
13	£ 757.08	£ 2,577.55
14	£ 764.46	£ 2,734.89
15	£ 770.77	£ 2,924.76
16	£ 778.14	£ 3,114.64
17	£ 784.49	£ 3,304.50
18	£ 791.83	£ 3,494.37
19	£ 798.15	£ 3,641.33

Schedule 2: Charges For Small Buildings & Extensions

Type of Work	Plan Charge	Plan Charge + VAT	VAT	Inspection Charge	Inspection Charge + VAT	VAT	Building Notice Charge	Building Notice Charge + VAT	VAT	Regularisation Charge
Erection or extension of a detached or attached garage or carport or both, having a floor area not exceeding 40m² in total and intended to be used in common with an existing building, and which is not an exempt building.	£ 148.22	£ 177.86	£ 29.64	£ 151.62	£ 181.94	£ 30.32	£ 359.80	£ 431.76	£ 71.96	£ 449.75
An extension of a dwelling, the total floor area of which is up to 10m².	£ 148.22	£ 177.86	£ 29.64	£ 151.62	£ 181.94	£ 30.32	£ 359.80	£ 431.76	£ 71.96	£ 449.75
Any extension of a dwelling, the total floor area of which exceeds 10m² but does not exceed 40m².	£ 148.22	£ 177.86	£ 29.64	£ 290.70	£ 348.84	£ 58.14	£ 526.70	£ 632.04	£ 105.34	£ 658.37
Any extension of a dwelling, the total floor area of which exceeds 40m² but does not exceed 60m².	£ 148.22	£ 177.86	£ 29.64	£ 438.92	£ 526.70	£ 87.78	£ 704.56	£ 845.48	£ 140.91	£ 880.70
Any extension of a dwelling, the total floor area of which exceeds 60m² but does not exceed 80m².	£ 197.76	£ 237.31	£ 39.55	£ 489.25	£ 587.10	£ 97.85	£ 824.41	£ 989.29	£ 164.88	£ 1,030.52
A loft conversion - alteration of a dwelling to provide one or more rooms in a roof space.	£ 148.22	£ 177.86	£ 29.64	£ 290.70	£ 348.84	£ 58.14	£ 526.70	£ 632.04	£ 105.34	£ 658.37
Conversion of a garage into habitable space.	£ 95.79	£ 114.95	£ 19.16	£ 148.32	£ 177.98	£ 29.66	£ 292.93	£ 351.52	£ 58.59	£ 366.17

Variables

VAT	1.2	0.2
Plan price factor	1.03	
Inspection price factor	1.03	
Building Notice price factor	1.2	
Regularisation price factor	1.5	

Plan Starting Price	Inspection Starting Price
£ 143.90	£ 147.20
£ 143.90	£ 147.20
£ 143.90	£ 282.23
£ 143.90	£ 426.13
£ 192.00	£ 475.00
£ 143.90	£ 282.23
£93	£144

NOTES: Category added in 2013/14 for extensions to a dwelling with a floor area of between 60m² but does not exceed 80m² as the service has received a number of applications for this type of project and it has been difficult to negotiate appropriate charges. Category added in 2013/14 for conversion of a garage into habitable space as this type of application is becoming increasingly popular and setting a standard charge will save time considering such projects on an ad hoc basis and will ensure full cost recovery.

Schedule 3: Charges For All Other Work

Estimated cost of work	Plan Charge	Plan Charge + VAT	VAT	Inspection Charge	Inspection Charge + VAT	VAT	Building Notice Charge	Building Notice Charge + VAT	VAT	Regularisation Charge
£0-£1000	£ 77.87	£ 93.44	£ 15.57	£ -	£ -	£ -	£ 77.87	£ 93.44	£ 15.57	£ 116.80
£1,001 - £2,000	£ 129.78	£ 155.74	£ 25.96	£ -	£ -	£ -	£ 129.78	£ 155.74	£ 25.96	£ 194.67
£2,001 - £5,000	£ 207.65	£ 249.18	£ 41.53	£ -	£ -	£ -	£ 207.65	£ 249.18	£ 41.53	£ 311.47
£5,001 - £10,000	£ 60.10	£ 72.12	£ 12.02	£ 180.29	£ 216.34	£ 36.06	£ 240.39	£ 288.46	£ 48.08	£ 360.58
£10,001 - £20,000	£ 79.81	£ 95.78	£ 15.96	£ 239.44	£ 287.33	£ 47.89	£ 319.26	£ 383.11	£ 63.85	£ 478.89
£20,001 - £30,000	£ 106.42	£ 127.70	£ 21.28	£ 319.26	£ 383.11	£ 63.85	£ 510.81	£ 612.98	£ 102.16	£ 638.52
£30,001 - £40,000	£ 131.46	£ 157.75	£ 26.29	£ 394.37	£ 473.24	£ 78.87	£ 630.99	£ 757.19	£ 126.20	£ 788.74
£40,001 - £50,000	£ 156.49	£ 187.79	£ 31.30	£ 469.48	£ 563.37	£ 93.90	£ 751.17	£ 901.40	£ 150.23	£ 938.96
£50,001 - £60,000	£ 181.53	£ 217.84	£ 36.31	£ 544.59	£ 653.51	£ 108.92	£ 871.34	£ 1,045.61	£ 174.27	£ 1,089.18
£60,001 - £70,000	£ 207.65	£ 249.18	£ 41.53	£ 619.70	£ 743.64	£ 123.94	£ 992.82	£ 1,191.38	£ 198.56	£ 1,241.02
£70,001 - £80,000	£ 231.60	£ 277.92	£ 46.32	£ 694.81	£ 833.77	£ 138.96	£ 1,111.70	£ 1,334.03	£ 222.34	£ 1,389.62
£80,001 - £90,000	£ 256.64	£ 307.97	£ 51.33	£ 769.92	£ 923.90	£ 153.98	£ 1,231.87	£ 1,478.25	£ 246.37	£ 1,539.84
£90,001 - £100,000	£ 281.68	£ 338.01	£ 56.34	£ 845.03	£ 1,014.04	£ 169.01	£ 1,352.05	£ 1,622.46	£ 270.41	£ 1,690.06
£100,001 - £125,000	£ 307.91	£ 369.50	£ 61.58	£ 923.75	£ 1,108.50	£ 184.75	£ 1,478.00	£ 1,773.60	£ 295.60	£ 1,847.50
£125,001 - £150,000	£ 335.36	£ 402.43	£ 67.07	£ 1,006.08	£ 1,207.29	£ 201.22	£ 1,609.73	£ 1,931.67	£ 321.95	£ 2,012.16
£150,001 - £175,000	£ 362.80	£ 435.36	£ 72.56	£ 1,088.41	£ 1,306.09	£ 217.68	£ 1,741.45	£ 2,089.74	£ 348.29	£ 2,176.82
£17,5001 - £200,000	£ 390.25	£ 468.30	£ 78.05	£ 1,170.73	£ 1,404.88	£ 234.15	£ 1,873.18	£ 2,247.82	£ 374.64	£ 2,341.47
£200,001 - £225,000	£ 417.69	£ 501.22	£ 83.54	£ 1,253.07	£ 1,503.68	£ 250.61	£ 2,004.91	£ 2,405.89	£ 400.98	£ 2,506.13
£225,001 - £250,000	£ 445.05	£ 534.06	£ 89.01	£ 1,335.39	£ 1,602.47	£ 267.08	£ 2,136.53	£ 2,563.84	£ 427.31	£ 2,670.66

Variables

VAT	1.2	0.2
Plan price factor	1.03	
Inspection price factor	1.03	
Building Notice price factor	1.2	
Regularisation price factor	1.5	

Plan Starting Price	Inspection Starting Price
£ 75.60	£ -
£ 126.00	£ -
£ 201.60	£ -
£ 58.35	£ 175.04
£ 77.49	£ 232.47
£ 103.32	£ 309.96
£ 127.63	£ 382.88
£ 151.94	£ 455.81
£ 176.24	£ 528.73
£ 201.60	£ 601.65
£ 224.86	£ 674.57
£ 249.17	£ 747.50
£ 273.47	£ 820.42
£ 298.95	£ 896.85
£ 325.59	£ 976.77
£ 352.23	£ 1,056.71
£ 378.88	£ 1,136.64
£ 405.52	£ 1,216.57
£ 432.09	£ 1,296.50

2012/13 BASE BUDGET INCOME	303,720
PROPOSED 2013/14 BASE BUDGET INCOME	333,720

PROPOSED FEES & CHARGES 2013/14 (STATUTORY SET FEES)	CURRENT FEES 2012/13	BASE PROPOSAL 2013/14
	£	£
Discharge of Planning Conditions: Residential domestic Properties	25.00	28.00
Discharge of Planning Conditions: All Other Properties	85.00	97.00
Schedule of Fees for Planning Applications (as amended 22nd November 2012)	see attached	see attached
Application for non-material amendment following a grant of planning permission;		
a) if the appliction is a householder application	25.00	28.00
b) in any other case	170.00	195.00

HOMELESSNESS APPENDIX 1 D

2012/13 BASE BUDGET INCOME	4,288
PROPOSED 2013/14 BASE BUDGET INCOME	4,288

PROPOSED FEES & CHARGES 2013/14	CURRENT FEES 2012/13	BASE PROPOSAL - NO INCREASE 2013/14
	£	£
Homelessness		
Emergency accommodation - All Room Sizes (per night)	At cost	At cost
Temporary Accommodation - Rent per week	At cost	At cost
Temporary Accommodation - Management Fee per week	35.00	35.00

2012/13 BASE BUDGET INCOME	2,112
PROPOSED 2013/14 BASE BUDGET INCOME	2,323

PROPOSED FEES & CHARGES 2013/14	CURRENT FEES 2012/13	BASE PROPOSAL - +10% 2013/14
	£	£
Full Plot	29	32
Half Plot	14.50	16.00
Concession of half price for OAP and unemployed Prices include water supply to site		

REVENUE BUDGET

APPENDIX 1 D

CREMATORIUM PROPOSED 2013/14 FEES AND CHARGES

2012/13 BASE BUDGET INCOME	666,000
PROPOSED 2013/14 BASE BUDGET INCOME	726,000

PROPOSED FEES & CHARGES 2013/14	CURRENT FEES 2012/13	BASE PROPOSAL 2013/14	
	£		
Still born or Child up to 1 month *	0.00	0.00	
Amendment (Regulation) 2000	106.00	116.00	
Child 1 month to 16 years	177.00	195.00	
Person over 16 years (resident)	624.00	680.00	
Person over 16 years (non resident)	742.00	798.00	
Medical Referee/examiners fee (at cost)	25.00	At Cost	
Environmental levy	45.00	45.00	*levy set nationally - may increase in year
OPTIONAL FEES			
Certificate of cremation	30.00	33.00	
Postage of remains UK only	47.00	51.00	
Strewing of remains (from other crematoria & by appointment)	47.00	51.00	
Strewing of remains (those returned)	24.00	26.00	
Use of Vestry (24 hour or part)	49.00	100.00	
URNS AND CASKETS (all including VAT)			
Metal Urn	34.00	20.00	
Wooden Casket	51.00	40.00	
Plastic Urn	14.00	7.00/6.00	
Biodegradable Urn	14.00	8.00/7.00	
BOOK OF REMEMBRANCE - INSCRIPTION CHARGES (all including VAT)			
BOR 2 line entry	65.00	71.00	
BOR 5 line entry	94.00	104.00	
BOR 8 line entry	134.00	149.00	
Min Books 2 line entry	69.00	75.00	
Min Books 5 line entry	78.00	85.00	
Min Books 8 line entry	94.00	102.00	
Cards - Coloured - 2 line entry	34.00	37.00	
Cards - Coloured - 5 line entry	44.00	48.00	
Cards - Coloured - 8 line entry	57.00	62.00	
Cards - White - 2 line entry	30.00	33.00	
Cards - White - 5 line entry	36.00	39.00	
Cards - White - 8 line entry	50.00	54.00	
Additional Charges			
Floral emblem	68.00	74.00	
Badges etc	104.00	113.00	
New Service - Memorial Wall			
Memorial plaque -Bronze (15yrs)	n/a	270.00	
Further 15yrs	n/a	80.00	

REVENUE BUDGET APPENDIX 1 D

CEMETERIES PROPOSED 2013/14 FEES AND CHARGES

2012/13 BASE BUDGET INCOME	101,363
PROPOSED 2013/14 BASE BUDGET INCOME	131,363

PROPOSED FEES & CHARGES 2013/14	CURRENT FEES 2012/13	BASE PROPOSAL 2013/14
	£	£
INTERNMENT FEES		
Still born Child up to 1 month *	0.00	0.00
Child 1 month to 16 years	201.00	261.00
Person 17 years and over	593.00	771.00
Internment in a vault	650.00	845.00
Cremated Remains	160.00	208.00
Strewing of cremated remains	47.00	61.00
Additional Charge Non-Resident of Copeland	314.00	314.00
EXCLUSIVE RIGHT OF BURIAL		
In a grave adjoining main paths	516.00	671.00
Other graves	430.00	559.00
Cremated remains	161.00	209.00
MEMORIAL & INSCRIPTIONS (all including VAT)		
Flat stone not exceeding 600mm x 600 mm	58.00	75.00
Flat stone between 600 mm x 600 mm and 1m x 1m	71.00	92.00
Flat stone exceeding 1m x 1 m	113.00	147.00
Headstone not exceeding 1.5m in height	130.00	169.00
Vase not exceeding 600mm in height	34.00	44.00
Additional inscription	42.00	55.00
MISCELLANEOUS FEES		
Exhumation (not including labour)	1,123.00	1,123.00
Transfer of Exclusive Rights	54.00	60.00
Certified copy of register entry	53.00	60.00
Family tree search fee - Single enquiry to 30 minutes	n/a	20.00
Family tree search fee - Multiple enquiry over 30 minutes	101.00	150.00
TRINITY GARDENS		
Strewing of cremated remains	47.00	61.00
Charge per plaque	47.00	61.00
Inscription - charge per letter of number	7.00	9.00

MARKETS

APPENDIX 1 D

2012/13 BASE BUDGET INCOME	38,961
PROPOSED 2013/14 BASE BUDGET INCOME	38,961

PROPOSED FEES & CHARGES 2013/14	CURRENT FEES 2012/13	BASE PROPOSAL - 2013/14
	£	£
WHITEHAVEN		
Summer:		
Regular	15.00	15.45
Casual	22.50	23.20
Winter:		
Regular	15.00	15.45
Casual	22.50	23.20
EGREMONT		
Summer:		
Regular	15.00	15.45
Casual	22.50	23.20
Winter:		
Regular	15.00	15.45
Casual	22.50	23.20
CLEATOR MOOR (Subject to ongoing review)		
Summer:		
Regular	9.00	9.30
Casual	10.00	10.30
Winter:		
Regular	9.00	9.30
Casual	10.00	10.30

2012/13 BASE BUDGET INCOME | 3,000

PROPOSED 2013/14 BASE BUDGET INCOME | 0

PROPOSED FEES & CHARGES 2013/14	CURRENT FEES 2012/13	BASE PROPOSAL 2013/14
	£	£
PLAYING PITCHES		
Per Season	425.00	0*
Per Match	54.00	0*

*discontinued post service changes

CAR PARKS APPENDIX 1 D

2012-13 Projected car park fees (Net) INCOME **296,000**

2013/14 Projected car park fees (net) INCOME **356,000**

PROPOSED FEES & CHARGES 2013/14 [ALL INCLUDING VAT]	CURRENT FEES 2012/13	BASE PROPOSAL 2013-14
	£	£
SCHOOLHOUSE LANE WHITEHAVEN		
Up to 1 hr	1.20	1.40
Up to 2 hrs	1.60	2.00
Up to 3 hrs	2.20	2.60
Overnight parking	3.70	4.60
SENHOUSE STREET WHITEHAVEN		
Up to 1 hr	1.20	1.40
Up to 2 hrs	1.60	2.00
Up to 3 hrs	2.20	2.60
Up to 4 hrs	3.00	3.50
Overnight parking	3.70	4.60
THE COPELAND CENTRE WHITEHAVEN (weekends only)		
Up to 1 hr	1.20	1.40
Up to 2 hrs	1.60	2.00
Up to 3 hrs	2.30	2.60
Up to 4 hrs	2.90	3.50
Over 4 hours	3.70	4.60
SPORTS CENTRE WHITEHAVEN		
Up to 1 hr	1.20	1.40
Up to 2 hrs	1.60	2.00
Up to 3 hrs	2.20	2.60
Up to 4 hrs	2.90	3.50
Over 4 hrs	3.80	4.60
Overnight parking	3.70	4.60
Season Tickets per month (59bays only)	55.00	60.00
BEACON WHITEHAVEN		
Up to 1 hour	1.20	1.40
Up to 2 hrs	1.60	2.00
Up to 3 hrs	2.20	2.60
Up to 4 hrs	2.90	3.50
Over 4 hrs	3.80	4.60
Overnight parking	3.70	4.60
NORTH SHORE, WHITEHAVEN		
Up to 1 hour	1.20	1.40
Up to 2 hrs	1.60	2.00
Up to 3 hrs	2.20	2.60
Up to 4 hrs	2.90	3.50
Over 4 hrs	3.80	4.60
Overnight parking	3.70	4.60
Monthly car park pass (10 bays only)	55.00	60.00
SOUTH SHORE, WHITEHAVEN (CAR PARK)		
Up to 1 hour	1.20	1.40
Up to 2 hrs	1.60	2.00
Up to 3 hrs	2.20	2.60
Up to 4 hrs	2.90	3.50
Over 4 hours	3.80	4.60
Overnight parking	3.70	4.60
Monthly car park pass(5 bays only)	55.00	60.00
SOUTH SHORE, WHITEHAVEN (BUS BAYS)		
Up to 4 hrs	5.30	6.30
Over 4 hrs	12.40	14.70
Overnight parking	3.60	4.60

PROPOSED FEES & CHARGES 2013/14 [ALL INCLUDING VAT]	CURRENT FEES 2012/13	BASE PROPOSAL 2013-14
	£	£
CHAPEL STREET EGREMONT		
Up to 1 hr	0.70	0.90
Up to 2 hrs	0.90	1.20
Up to 3 hrs	1.10	1.40
Up to 4 hrs	1.40	1.70
Over 4 hrs	2.30	2.80
Monthly Car Passes (25 bays only)	32.00	40.00
BECK GREEN EGREMONT		
Up to 1 hr	0.70	0.90
Up to 2 hrs	0.90	1.20
Up to 3 hrs	1.10	1.40
Up to 4 hrs	1.40	1.70
Over 4 hours	2.30	2.80
ST BEES FORESHORE		
Up to 1 hr	1.10	1.40
Up to 2 hrs	1.50	2.00
Up to 3 hrs	2.10	2.60
Up to 4 hrs	2.70	3.20
Up to 5 hrs	3.40	3.80
Over 5 hrs	3.80	5.00
7 Day Permit	8.50	15.00

FOOD SAFETY AND PRIVATE WATER SAMPLING APPENDIX 1 D

2012/13 BASE BUDGET INCOME	7,449
PROPOSED 2013/14 BASE BUDGET INCOME	8,000

PROPOSED FEES & CHARGES 2013/14	CURRENT FEES 2012/13	BASE PROPOSAL 2013/14
	£	£
FOOD EXPORT CERTIFICATES	45.00	47.00
OTHER FOOD CERTIFICATES		
Condemned Food Certificates	35.00	35.00
Surrender of unsound food - at premise	45.00	45.00
FOOD SAFETY TRAINING (CIEH accredited)		
Foundation	40.00	40.00
Ship Sanitary Certification by Gross Tonnage		
Up to 1000		72.00
1011 to 3000		108.00
3011 to 10000		165.00
10001 to 20000		216.00
200001 to 30 000		273.00
Over 30 000		330.00
Private Water Sampling Costs (Administration & Travelling) (Per ****Maximum fee set in Private Supplies Regulations 2009***		
Sample Collection (Maximum Fee £100)	57.00	65.00 large and commercial premises. 60.00 domestic premises
Analysis Charge for Audit Montoring (large & commercial premises) - rate dependes on parameters analysed **(Maximum fee up to £500) (VAT charge from external laboratory)** ***(* reduced parameters can be tested in 13/14 based on the risk assesment of the private water supply)***	180 - 500	67 - 500 (PLUS VAT)
Analysis Charge for CHECK MONITORING (VAT charge from external laboratory) (Maximum Fee £100)	48.00	48.00 PLUS VAT
Analysis Charge for other private water supplies (single supply domestic premises)(Maximum Fee £25)	25.00	25.00
Investigation Maximum Fee £100)		
Domestic	No charge for up to 1 hour investigation (travel time excluded). Over 1 hour £30 per hour up to a max of £100.	No charge for up to 1 hour on site investigation (travel time excluded). Over 1 hour £30 per hour up to a max of £100.
Commercial	£30 per hour up to a max of £100.	£30 per hour up to a max of £100.
Water supply risk assessment (Maximum Fee £500)		
Domestic	120.00	125.00
Commercial	£130 for first 4 hours then £30 per hour up to a max of £500.	£140 for first 4 hours then £30 per hour up to a max of £500.

HEALTH & SAFETY

2012/13 BASE BUDGET INCOME	**545**
PROPOSED 2013/14 BASE BUDGET INCOME	**400**

PROPOSED FEES & CHARGES 2013/14	**CURRENT FEES 2012/13**	**BASE PROPOSAL 2013/14**
	£	**£**
Training Course (Basic H&S)	40.00	40.00
Skin Piercing Registration	96.00	98.00
Transfer of Registration (For Premises or Individual)	90.00	92.00
Swimming Pool Sampling (VAT charged by external laboratory)	35.00 PLUS VAT	40.00 PLUS VAT

2012/13 BASE BUDGET INCOME	17,800
PROPOSED 2013/14 BASE BUDGET INCOME	12,000

PROPOSED FEES & CHARGES 2013/14	CURRENT FEES 2012/13	BASE PROPOSAL 2013/14
Application for authorisation in accordance with the Environmental Protection Act 1990, Part I, Part B processes (Statutory set fee)	£	£
Application Fee - Standard Process	1,579.00	Statutory - 13/14 fees set in March
Additional fee for operating without a permit	1,137.00	Statutory
Reduced Fees activities (except VRs)	148.00	
PVR I & II	246.00	Statutory
Vehicle Refinishers	346.00	
Reduced Fees activities: additional fee for operating without a permit	68.00	Statutory
Mobile screening and crushing plant	1,579.00	
Mobile screening and crushing plant for 3rd to 7th application	943.00	Statutory
Mobile screening and crushing plant for 8th and subsequent application	477.00	
Where an application for any of the above is for a combined Part B and waste application, add £297 to the above amounts	297.00	Statutory
Annual subsistence Charge		
Standard Process Low	739 (+99)*	Statutory
Standard Processes Medium	1111 (+149)*	
Standard Processes High	1672 (+198)*	Statutory
Reduced fee activities Low	76.00	
Reduced fee activities Medium	151.00	Statutory
Reduced fee activities High	227.00	
PVR I & II combined	108/216/326	Statutory
Vehicle refinishers - Low/Medium/High	218/349/524	
Mobile screening and crushing plant for 1st and 2nd permits (Low/Medium/High)	618/989/1484	Statutory
Mobile screening and crushing plant for 3rd to 7th permits (Low/Medium/High)	368/590/884	
Mobile screening and crushing plant for 8th and subsequent permits (L/M/H)	189/302/453	Statutory
* the additional amount in brackets must be charged where a permit is for a combined Part B and waste installation		
Where a Par B installation is subject to reporting under the E-PRTR regulation add an extra £99 to the above amounts		
Transfer and Surrender		
Standard Process Transfer	162.00	Statutory
Standard Process partial transfer	476.00	Statutory
New operator at low risk reduced fee activity	75.00	Statutory
Surrender: all part B activities	0.00	Statutory
Reduced fee activities: transfer	0.00	Statutory
Reduced fees activities : partial transfer	45.00	Statutory
Temporary transfer to mobiles		
First Transfer	51.00	Statutory
Repeat transfer	10.00	Statutory
Repeat following enforcement or warning	51.00	Statutory
Substantial Change		
Standard Process	1,005.00	Statutory
Standard process where the substantial change results in new PPC activity	1,579.00	Statutory
Reduced Fees activities	98.00	Statutory
Animal Licensing		
Pet Shops	70.00	72.00
Dangerous Wild Animals	160.00	165.00
Riding Establishments (plus independent veterinary fees)	168.00	168.00
Animal Boarding Establishments	122.00	122.00
Dog Breeding	64.00	66.00
Zoo Licence (plus independent veterinary fees)	160.00	163.00
Works In Default		
Non Compliance with works required by Statutory Notice - Arrangement Fee for Works In Default	25% of the works cost	25% of the works cost

2012/13 BASE BUDGET INCOME	270,000
PROPOSED 2013/14 BASE BUDGET INCOME	270,000

PROPOSED FEES & CHARGES 2013/14	CURRENT FEES 2012/13	BASE PROPOSAL 2013/14
Commercial waste fees are available on request		
Bulky Collections	25.00	25.00
Collection Rate per hour for larger jobs to be based on time taken to collect (minimum charge)		
First Hour Rate	70.00	70.00
Second & Subsequent Hours	60.00	60.00
Half Hour Rate	35.00	35.00
Building Cleaning Hourly Rate (Std Mon-Fri)	13.00	13.65

2012/13 BASE BUDGET INCOME **90,431**

PROPOSED 2013/14 BASE BUDGET INCOME **90,431**

PROPOSED FEES & CHARGES 2013/14	CURRENT FEES 2012/13	BASE PROPOSAL - NO INCREASE 2013/14
	£	£
Property Search Fees		
LLC1 only (compiled information)	30.00	30.00
LLC1 additional parcel of land (compiled information)	5.00	5.00
LLC1 only (personal search) (statutory fee)	0.00	0.00
LLC1 additional parcel of land (personal search) (statutory fee)	0.00	0.00
Standard search fee (LLC1 and CON29R enquiries including highway auhority questions) (statutory fee)	105.00	105.00
CON29R search fee (CON29R enquiries including highway authority questions but not LLC1)	85.00	85.00
CON29R additional parcel of land	10.00	10.00
CON29R and LLC1 additional parcel of land	15.00	15.00
CON29O	10.00 (Question 5)	10.00 (Question 5)
CON29O	10.00 each (Questions 4 and 6 to 21)	10.00 each (Questions 4 and 6 to 21)
CON29O	17.00 (Question 22)	17.00 (Question 22)
Extra written enquiries (not including highways questions-refer to Cumbria County Council)	20.00 each	20.00 each
Retrieval and photocopy of previous search	10.00 each	10.00 each
Copies of other documents referred to in any reply	10.00 each	10.00 each
Registration of a light obstruction notice	30.00	30.00
Filing a Lands Tribunal light obstruction certificate	15.00	15.00
Variation or cancellation of a light obstruction notice	15.00	15.00
Inspection of documents relating to a light obstruction notice	10.00	10.00

2012/13 BASE BUDGET INCOME	115,442
PROPOSED 2013/14 BASE BUDGET INCOME	120,442

PROPOSED FEES & CHARGES 2013/14	CURRENT FEES 2012/13	BASE PROPOSAL - 2013/14
Hackney Carriage Vehicle Licence: issue fee	101.00	123.00
Hackney Carriage Vehicle Licence: plate fee	8.00	8.00
Hackney Carriage Vehicle Licence: stripes	11.00 for full set or £2.75 for one	11.00 for full set or £2.75 for one
Private Hire Licence Fee: issue fee	95.00	117.00
Private Hire Licence Fee: plate fee	8.00	8.00
Vehicle Test Fee (per test)	30.00	30.00
Trailer Test Fee	23.00	23.00
Trailer Re-test Fee	11.50	11.50
Trailer Plate Fee	8.00	8.00
Administrative Fee for processing refund or transfer	15.00	15.00
Hackney Carriage Driver Licenc: issue fee	62.00	70.00
Private Hire Carriage Driver Licenc: issue fee	62.00	70.00
Criminal Records Bureau check fee	36.00	36.00
Driver Licence: replacement badge	3.00	3.00
Private hire Operator: issue fee	120.00	180.00
Licensing Act 2003 fees	Statutory	Statutory
Gambling Act 2005 fees	As attached	As attached

Note

Vehicle and operator fees are subject to statutory consultation. This means that neither the Executive or Council can approve the increased fees until this consultation has been carried out. The setting of licensing fees is delegated to the Licensing Committee which will carry out this consultaion during February to April. Council can approve the increase in Driver's Licence Fees.

COPELAND BOROUGH COUNCIL FEES UNDER THE GAMBLING ACT 2005

Type of Premises	Conversion Fast-Track	Conversion Non Fast-Track	Non-Conversion Provisional Statement Premises	Non-Conversion Application All other premises	First Annual		Variation Application	Provisional Statement Application		Re-instatement
Regional Casino			£8,000	£15,000	£15,000	£15,000	£7,500	£15,000	£6,500	£6,500
Large Casino			£5,000	£10,000	£10,000	£10,000	£5,000	£10,000	£2,150	£2,150
Small Casino			£3,000	£8,000	£5,000		£4,000	£8,000		£1,800
Converted Casino	£300	£2,000			£3,000	£3,000	£2,000		£1,350	£1,350
Bingo	£300	£1,000	£500	£1,000	£700	£700 pro-rata min £300	£500	£1,000	£500	£500
Adult Gaming Centre	£300	£800	£500	£1,000	£700	£700 pro-rata min £300	£500	£1,000	£300	£300
Betting (Track)	£300	£1,250	£950	£2,500	£1,000	£1,000 pro-rata min £300	£1,250	£2,500	£950	£950
Family Entertainment Centre	£300	£500	£300	£500	£400	£400 pro-rata min £200	£300	£500	£300	£300
Betting (Other)	£300	£900	£500	£1,000	£500	£500 pro-rata min £200	£500	£1,000	£300	£300
All Premises:		Fee for copy of Licence - £15								
		Fee to accompany notification of change of circumstances - £30								
Small Society Lotteries:		Grant - £40								
		Annual Fee - £20								
										APPENDIX 1 D

BENEFITS APPENDIX 1 D

2012/13 BASE BUDGET INCOME	163,400
PROPOSED 2013/14 BASE BUDGET INCOME	163,400

PROPOSED FEES & CHARGES 2013/14	CURRENT FEES 2012/14	BASE PROPOSAL - NO INCREASE 2013/14
	£	£
COUNCIL TAX AND NNDR COURT COSTS		
Summons costs	60.00	60.00

APPENDIX 1

APPENDIX 1E

Transformation Programme: Savings Realisation	Forecast	
	13/14	14/15
Project	By Mar 2013 £000	By Mar 2014 £000
REDUCE grass cuts & maintenance - Cut pitches and provide goal posts only	14	14
REDUCE grass cuts	68	79
STOP flower displays & maintenance	56	75
STOP shrub beds-Remove 75% of shrub beds and reseed areas	0	16
REDUCE seasonal collection of green waste	41	41
STOP cardboard & plastic recycling	59.5	59.5
REDUCE allotments budget	2	2
STOP subscriptions	10	10
STOP Copeland Matters	16	16
REDUCE Civic Hospitality	9	9
STOP funding JNFs	14	14
STOP CCTV	50	50
REDUCE Training budget	20	20
REDUCE Internal Audit budget	10	20
STOP Christmas lights	0	2
REDUCE Audit Commission fees	30	30
STOP contribution to Environmental Health post at CCC Resiliance Unit	15	15
STOP contribution to Community Safety Coordinator post	15	15
Other Environmental Enforcement - delete post	27	27
REDUCE waste supervision costs	27	27
Building Control - increased income	10	10
STOP Development Strategy; remove post	22.6	22.6
REDUCE Mayoral budget	27	27
STOP concessionary travel	30	30
STOP health & sports development	113	113
STOP Sustainability	40	40
STOP Arts Development	18	18
INCREASE Crematorium fees	60	60
INJCREASE Car parking fees	40	40
INCREASE Private Hire Licensing fees	5	5
INCREASE Cemeteries fees	30	30
INCREASE play area maintenance fees	4	4
Restructure Economic Dev team with Localities team	178	178
CHARGE for additional bins/bin replacements	0	0

APPENDIX 1

CHARGE for collection of green waste	0	0
REDUCE council running costs (Business Basics)	80	164
REDUCE Grants	61.5	82
Reduce NCL costs	287	338
REDUCE Copeland Centre costs	60	150
Change Beacon opening times and then partner – if not close	109	325
CLOSE TIC	60	60
CLOSE Public Toilets seek CAT	11	41
Planning Fees Increase	30	30
Total	**1,760**	**2,309**

RESERVES - GENERAL FUND Appendix F.

	2011/12	2012/13				2013/14				2014/15			2015/16		
	Balance Carried forward	Additions in Year	Released from GF in Year	Released to GF in year	Balance Carried forward	Additions in Year	Released from GF in Year	Released to GF in year	Balance Carried forward	Additions in Year	Released in Year	Balance Carried forward	Additions in Year	Released in Year	Balance Carried forward
	£	£	£		£	£	£		£	£	£	£	£	£	£
Base Budget Risks															
Sustainability of Base Budget	-111,870	-91,890			-203,760				-203,760			-203,760			-203,760
Medium Term Financial Plan	-123,230	-221,645			-344,875				-344,875			-344,875			-344,875
Grant Settlement	-590,500	-223,550			-814,050				-814,050			-814,050			-814,050
Vacancy Factor	-33,750	33,750			0				0			0			0
Reduced Fees and Charges	-60,586	-1,740			-62,326				-62,326			-62,326			-62,326
Actuarial Review	0	-166,729			-166,729				-166,729			-166,729			-166,729
Reduced Investment Income	-28,310	-29,190			-57,500				-57,500			-57,500			-57,500
Housing Benefits	-90,525	8,025			-82,500				-82,500			-82,500			-82,500
HGV Licence - Operators Fund	-74,200				-74,200				-74,200			-74,200			-74,200
Fuel Price	-28,850				-28,850				-28,850			-28,850			-28,850
Civil Emergencies	-58,449	-3,032			-61,481				-61,481			-61,481			-61,481
Insurance Excesses	-11,859	1,214			-10,645				-10,645			-10,645			-10,645
Assets and Property	-100,705	7,621			-93,084				-93,084			-93,084			-93,084
Bad Debts recovery		-180,000			-180,000				-180,000			-180,000			-180,000
	-1,312,834	**-867,166**	**0**		**-2,180,000**	**0**	**0**		**-2,180,000**	**0**	**0**	**-2,180,000**	**0**	**0**	**-2,180,000**
General Fund Unallocated	**-2,199,314**	**867,166**	**1,324,706**	**-337,330**	**-344,772**	**0**	**50,000**	**-30,000**	**-324,772**	**0**		**-324,772**	**0**		**-324,772**
Total General Fund	**-3,512,148**	**0**	**1,324,706**	**-337,330**	**-2,524,772**	**0**	**50,000**	**-30,000**	**-2,504,772**	**0**	**0**	**-2,504,772**	**0**	**0**	**-2,504,772**

To EMR

Elections	10,000
NCL	122,000
HR Tribunals	30,000
PFI Reserve	7,000
Housing	10,000
car parking	5,150
crem sinking	9,340
Howbank	20,000
Compens con	20,000
IT reserve	200,000
MMI	440,000
weddicar pla	210,000
(Jan) Building	19,811
	1,103,301
Gen Support	221,405
	1,324,706

Appendix G

EARMARKED RESERVES 2012/13 - 2016/17

Cost Centre	Description	Purpose	Approval	Balance as at 31 March 2012	2012/13 Re-phasing	2012/13 Contributions in year	2012/13 Planned utilisation	2012/13 Release to General Fund	2012/13 Release to another Earmarked Reserve	Balance as at 31 March 2013	2013/14 Contributions in year	2013/14 Planned utilisation	Balance as at 31 March 2014
	CHIEF EXECUTIVE												
80305	Transformation Fund (formely Choosing to Change)	Reserve created from £100,000 transferred from balances 2009/10, £455,000 2010/11 service reviews and the transfer of unused earmarked reserve balances totalling £1.083m in December 2010. Funds the Council's Choosing to Change programme of service reviews.	Executive 22/12/10	-1,266,607	280,000				200,000	-786,607		0	-786,607
80171	Assist in resourcing Nuclear activities	Assist in resourcing Nuclear. £200k provided to match a pressure included in the 2010/11 budget	Executive 16/2/10	-62,877	56,853					-6,024			-6,024
	TOTAL			-1,329,484	336,853	0	0	0	200,000	-792,631	0	0	-792,631
	POLICY & TRANSFORMATION												
80156	IT Review	To provide funds for a review of IT	Executive 23/05/06	-28,866	14,060		14,806			0			0
	TOTAL			-28,866	14,060	0	14,806	0	0	0	0	0	0
	CORPORATE RESOURCES												
80298	2010/11 Carry Forwards	Carry forwards approved by the Executive as part of the 2010/11 out-turn. Used in full 2011/12	Exec 31/5/11	-215,517			215,517			0			0
80304	Audit Shared Services	Amalgamated from 3 reserves: 1.To fund preparation for a shared audit service with Allerdale, Carlisle, Eden and Cumbria CC (£10,000) 2. Set up at the end of 2005/06 to buy in services for computer audits and supplement training (£7,000) 3. Set up at the end of 2007/08 to buy in specialist computer audits (£10,000). Its purpose it to support the Audit Shared Service being operated by Cumbria CC.	Exec 26/5/09, Exec 23/05/06 Exec 12/08/08	-27,000			10,000	17,000		0			0
80148	Revenues & Benefits Shared Service	To provide funds to address any performance issues and implementation on the Revenues and Benefits Shared Service, which are subject to ongoing negotiations with the Shared Service.	Exec 30/05/07	-65,392			20,000			-45,392			-45,392
80120	Legal Services - Taxi Ranks	Set up in 2003-04 for re-siting of taxi ranks	Minute LB113 2003/04	-2,319				2,319		0			0
80024	Mayors Charity Bequest	To be used for specific purposes approved by the Mayor. Balances relate to former mayors charities and do not relate to the current mayors charity account	Transfers carried out in 2007/08 & 2008/09	-12,967						-12,967			-12,967
80077	Members IT Reserve	To fund members IT. Set up at end of 2005-06 from underspending, as take-up of laptops was less than expected	Exec 23/05/06	-7,902					7,902	0			0
80230	Members Induction	Set aside from 2007-08 outturn as a contribution to a round of member personal development plans facilitated by NWEO, scheduled for June 2008	Exec 12/08/08	-12,500					2,500	-10,000			-10,000
	Corporate IT Reserve	New Reserve for Corporate IT needs/Business continuity (from 80077 & 80230 above)		0		-210,402				-210,402			-210,402
80178	Elections Fund	£10k is set aside each year to smooth the costs of district council elections.	Exec 30/07/07	-6,240		-10,000				-16,240	-10,000		-26,240
	Human Resources Employment Tribunals	Created to meet the legal costs of industrial tribunals when needed.	Exec 20/12/11	0		-30,000	30,000			0			0
80198	Asset Management Enabling Fund	To fund costs of property disposal e.g marketing, ground surveys These are classed as revenue and so cannot be funded from capital receipts. When set up this was to be maintained at £75k, to be topped up from deminimis receipts (less than £10k) which are classified as revenue.	Set up prior to 31 March 2006	-56,627			27,000			-29,627			-29,627
80208	PFI Non Conformance Incidents	To meet costs of minor works and contract changes for the Copeland Centre. This for changes outside the scope of the PFI contract and so additional to the budget for the unitary payment. This reserve is built up from performance deductions against the unitary payment made to London & Regional.	Additional £39.4k agreed Exec 29/06/10	-17,586						-17,586			-17,586
80107	Building Maintenance and energy conservation	To meet costs of maintenance not fulfilling definition of capital. From 2009/10 capital ouutum + 2010/11 Q1 monitoring.	Exec 29/06/10 and 24/08/10	-2,000				2,000		0			0
80107	Crematorium Chapel	From 2008-09 outturn, to enable completion of works at Crematorium, subject to outcome of evaluation. This was deferred because of debate with the user group about the scope of the work.Outturn report to Exec 30/06/09 App E.	Exec 30/06/09	-31,000				31,000		0			0
	NCL Contract	To provide funds for repairs and maintenance 2012/13	Exec 20/12/11	0		-122,000	20,000			-102,000		20,000	-82,000
80108	Vertex	This reserve was provided to provide support to Vertex. There has been no requirement to use any of the reserve since 2007/08. Discussions are ongoing in respect of the future use of this reserve.	Set up 2001/02. Last change approved by the Exec 15/01/08	-37,500				37,500		0			0
80137	Environmental Insurance Reserve	Balance on the Environmental Insurance Reserve from GF risk-based reserve	Exec. 20/12/11	-90,000						-90,000			-90,000
80205	Coastal Management	Created from the merger of 3 x GF risk based reserves - Sea Walls, North Shore, Environmental Warranty and part of the Environmental Insurance Reserve.	Exec. 20/12/11	-267,649						-267,649			-267,649
80207	PFI Reserve (former Sinking Fund)	Built up from annual contributions from the revenue budget to smooth payments for the PFI scheme over 25 years. Annual contribution from the revenue budget which should be increased by inflation each year.	Reclassified following RPWG 12/04/12	-1,457,099		-7,000	7,000			-1,457,099	-7,000	7,000	-1,457,099
80204	Pheonix Court (former Sinking Fund)	Set up to smooth maintenance costs for this enterprise centre. Contributions formerly £3,000 p.a but no made since 2005/06	Reclassified following RPWG 12/04/12	-4,289						-4,289			-4,289
80189	Sea Walls (former Sinking Fund)	Started in 2009/10 to build up a fund to pay for works to sea defences. Annual budget contribution £9,270.	Reclassified following RPWG 12/04/12	-27,810				27,810		0			0
	Compensation payments for community asset transfers	Created to meet Authority's potential need to compensate private landowners for delayed disposal of their assets under the Localism Act (needs to be retained at £20k - maximum call in any 1 year)	Exec 18 Dec 2012 (unalloacted and risk based reserves)	0		-20,000				-20,000			-20,000
	Howbank	Created to meet potential costs of rehousing people at howbank following collaspe of shaft Nov 2012	Exec 18 Dec 2012 (unalloacted and risk based reserves)	0		-20,000				-20,000			-20,000
	MMI	Created to met Authority's potential liability from winding up of previous insurer, triggered Nov 2012	Exec 18 Dec 2012 (unalloacted and risk based reserves)	0		-440,000				-440,000			-440,000
	Universal Credit Implications - Revs and Bens	Created to meet the Authority's liablity regarding employees redunandancy as staff cannot be TUPEd under the changes regarding the introduction of Universal Credit.	Exec 18 Dec 2012 (unalloacted and risk based reserves)	0					-200,000	-200,000			-200,000
	Land Management	Created to provido funds on a contingency basis for the Council's liabilies on its own land where subsidence occurs	Executive 12 Feb 2012 (unallocated and risk based reserve)								-50,000		-50,000
	TOTAL			-273,249	0	-859,402	329,517	117,629	-189,598	-2,943,251	-67,000	27,000	-2,983,251
	REGENERATION & COMMUNITIES									0			
80127	Local Development Framework	To fund Local Delivery Framework. Revenue Budget report to Exec 17/02/09 App G. Further £20k carry forward from 09/10 to support LDF, planning enformcement and conservation planning advice. £120k over 3 years to fund contract with NECT.	Council 24/02/09 Exec 24/01/10 Exec 29/06/10	-295,275	164,529		55,118			-75,628			-75,628
80314	Planning Policy- Habitat Evaluation	To meet duties to asess impact of developments on natural habitats. This is from un-ringfenced Habitat Directives grant	Exec 29/06/10	-33,670						-33,670			-33,670
80163	Cleator Moor Business Centre	From 2008-09 outturn, for building work at Cleator Moor Business Centre, funded from previously generated income.	Exec 30/06/09	-3,886						-3,886			-3,886
80296	Dilapidated Buildings	From 2008-09 outturn, to address derelict and dilapidated buildings. This will provide 'seed' funding to recover costs of work in default.	Exec 30/06/09	-40,000					0	-40,000			-40,000
80180	Dangerous Structures	Transferred from GF risk based reserve	Exec 20/12/11	-6,437					0	-6,437			-6,437
80276	Development Strategy Consultants	From 2008-09 outturn, to meet commitments for consultants for housing improvements.	Exec 30/06/09	-30,536				30,536		0			0
	Housing Strategy	To fund the 5-yearly Housing Stock Condition Survey	Exec 20/12/11	0		-10,000				-10,000	-10,000		-20,000
80308	Homelessness Repossession Fund	For activity to reduce repossessions and homelessness	Exec 29/06/10	-22,589						-22,589			-22,589
80159	Local Business Growth Initative	To assist Local Business Growth Initatives	Exec 21/04/09 Exec 29/06/10	-81,131	59,794		9,044	12,293		0			0
80271	Whitehaven Regeneration Scheme	Carried forward from 2007-08 for Whitehaven Regeneration Scheme.	Exec 12/08/08	-9,800				9,800		0			0
80315	Copeland Seaside Coastal Park	For coastal regeneration programme as outlined in Copeland Regeneration report to Exec on 29/06/10.	Exec 29/06/10	-181,864			50,000			-131,864		50,000	-81,864
80197	Working Neighbourhoods	To support Copeland Regeneration Plan.	Exec 12/08/08 and 22/09/09	-481,051	289,542			119,053		-72,456			-72,456
80169	Cultural Services - Ongoing Schemes	Carry forward of outside funding towards arts and cultural projects.	Exec 23/05/06 & 30/05/07	-2,481				2,481		0			0
80321	Regeneration Reserve	To provide funds for consultants dealing with Regeneration projects. Balance derived from savings in staff time dealing with external projects	Council 01/12/11	-81,005			81,005			0			0
80177	Beacon Museum Exhibits	To use (often as match funding) to purchase items for the Beacon museum collection	Procedes 2005/06	-21,014						-21,014			-21,014
80283	Beacon (former Sinking Fund)	Set up as part of the agreements with funding partners to ensure that the Beacon is continually upgraded. The flund has been built up from annual revenue budget surpluses generated at the Beacon	Reclassified following RPWG 12/04/12	-115,994			0			-115,994			-115,994
	TOTAL			-1,406,733	513,865	-10,000	195,167	174,163	0	-533,538	-10,000	50,000	-493,538
	NEIGHBOURHOODS												
80046	Crematorium Donations	Donations from the public via a collection box at the Crematorium made specifically for the purpose of maintaining the crematorium and are ringfenced for that purpose.	No approval	-4,912						-4,912			-4,912
80302	Proceeds from CAMEO tax	Balance of proceeds from CAMEO tax to be used to fund replacement cromators & mercury abatement.	Exec 29/06/10	-52,865						-52,865	-50,000	25,000	-77,865
80206	Recycling	Balance from the Recycling Sinking Fund transferred to earmarked reserves. Used for equipment purchase	Exec 20/12/11	-43,784			15,000			-28,784		10,000	-18,784
80198	Bin Replacement Reserve (former Sinking Fund)	Set up in 2003 to fund the provision/replacement of wheelie bins. Funded from ad-hoc underspends within the revenue budget. Last revenue contribution £44,000 2007/08.	2003/04	-168,440			27,000			-141,440		20,000	-121,440
80193	Catherine Street Car Park	Set up as part of an agreement with Cumbria CC who released the land for the Sports Centre car park. Contributions are made from the revenue budget annually (£5,150) to fund maintenance	Reclassified following RPWG	-77,031		-5,150	20,000			-62,181			-62,181
80203	Crematorium Sinking Fund	Set up to fund improvements to the car park at the Crematorium. Contributions are made annually to the fund equivalent to £10 per cremation	Reclassified following RPWG	-27,790		-9,340	7,000			-30,130			-30,130
	TOTAL			-374,822	0	-14,490	69,000	0	0	-320,312	-50,000	55,000	-315,312
	NUCLEAR PLANNING AND ENERGY												
80274	Development Control - Application Support	To support costs of major planning applications, as required.	Exec 27/05/08 & 12/08/08	-25,758				0		-25,758			-25,758
80294	Building Control - Service Improvement	This is the balance from £110k carried forward from 2007-08 from salaries underspend, for service improvements.	Exec 27/05/08 & 12/08/08	-22,036			2,225	0		-19,811			-19,811
80273	Development Control - Enforcement	Provides funding for 2 years up to 2011-12 for an enforcement officer.	Exec 27/05/08 & 12/08/08	-40,000			14,273	25,727		0			0
	Weddicar Planning	Created to defend planning decision made re windfarm in 2012	Exec 18 Dec 2012 (unalloacted and risk based reserves)			-210,000				-210,000			-210,000
	TOTAL			-87,794	0	-210,000	16,498	25,727	0	-255,569	0	0	-255,569
	GRAND TOTAL			-3,500,948	864,778	-1,093,892	624,988	317,519	10,402	-4,845,301	-127,000	132,000	-4,840,301

4

APPENDIX 2

COPELAND BOROUGH COUNCIL

PROPOSED CAPITAL PROGRAMME FOR 2013/14 – 2015/16

APPENDIX 2

FULL 21 02 13
Item

PROPOSED CAPITAL PROGRAMME FOR 2013/14 – 2015/16

EXECUTIVE MEMBER:	Councillor Gillian Troughton
LEAD OFFICER:	Darienne Law, Head of Corporate Resources
REPORT AUTHOR:	Leanne Barwise, Senior Accounting Officer

WHY HAS THIS REPORT COME TO COUNCIL?

The contents of this report were considered by the Executive at their meeting on 12th February 2013, and have been amended for the decisions taken at that meeting. They are now recommended for consideration and approval by Council on 21st February 2013.
The recommendations arising from this report are included in the Budget Summary Report.

This report presents the proposed Capital Programme for 2013/14-2015/16 and details how the programme will be funded. This includes details of new Capital project outlines developed for inclusion in the Capital Programme 2013/14-2015/16 and the existing Capital Programme of those projects approved in principal for 2013/14 and 2015/16.

The report was previously presented to Executive on 9th January 2013 as part of the statutory budget consultation. It has come to this Full Council meeting as a recommendation from Executive on 12th February 2013 that the Capital Programme 2013/14-2015/16 is formally approved.

1 INTRODUCTION

1.1 Effective asset management planning is a crucial corporate activity to ensure we meet our corporate and service aims, and deliver our core services. This is evidently even more important with the large cuts in Government funding that we are currently facing as an Authority.

1.2 This paper details the draft Capital Project Outlines developed, for inclusion in the Capital Programme for 2013/14 and beyond, as well as the existing Capital Programme of those projects approved in principal for 2013/14 and 2015/16; to give the proposed capital programme for the three years 2013/14-2015/16, and how they will be funded.

1.3 When considering approval of capital projects, we need to ensure that:-

- we would not fail to meet our statutory duties if a scheme was not approved
- urgent projects are given priority to meet legal obligations/avoid litigation claims
- our spending decisions are meeting our key priorities and compliant with the most recent policy framework delivering a priority outcome
- the failure to approve a bid would prove detrimental to the continuity of the service delivery
- all revenue costs/savings as well as capital costs have been considered
- we can establish that although the project may not necessarily link with corporate priorities it will provide positive results to service delivery
- we recognise potential external partnership benefits with public, private or voluntary sector
- consideration has been given to sources of funding available and we have maximised external funding on all projects (where appropriate)

1.4 The project outlines are initially prepared by Project Managers/Heads of Service and reviewed with Finance to ensure the resulting spend is of a capital nature and is therefore appropriate to be included in any considerations for the programme.

1.5 The Capital Control and Working Group produced criteria (in line with the points at 1.3 above) that is now used to prioritise any projects for inclusion in future Capital Programmes and was approved at Executive in December 2012. Both the projects approved in principal for inclusion in 2013/14 and the recently developed project outlines have been subject to the approved criteria and scored by the Capital Control & Working Group. A summary of the results are attached at Appendix B.

2 CAPITAL PROGRAMME PROJECT OUTLINES FOR 2013/14 APPROVED IN PRINCIPAL FEBRUARY 2012

2.1 A number of projects, totalling £1,099,800, were approved in principal for inclusion in the 2013/13 Capital Programme at Council in February 2012. This has now reduced to £962,000, the details of how this is made up can be found in Appendix A and further detailed in 2.2 to 2.7 below:

PROJECT OUTLINES APPROVED IN PRINCIPAL THAT REMAIN UNCHANGED

2.2 The Whitehaven Townscape Heritage Initiative project for £250,000 that was approved in principal in February 2012 is dependent upon successful bidding for external funding for an additional £1.45m. The second phase of the bid is to be submitted at the financial year end with a conclusion as to whether we were successful expected in September 2013. Should this match funding be unsuccessful the scheme in its current state would not proceed and the £250,000 call on CBCs reserves will not be required.

PROJECT OUTLINES APPROVED IN PRINCIPAL THAT REQUIRE ADDITIONAL FUNDING

2.3 £500,000 was approved in principal for Disabled Facilities Grants (DFG's) for 2013/14 which is partially externally funded. As we draw near to the financial year end of 2012/13 it has become apparent that the in-year demand for Disabled Facilities Grants will exceed the £500,000 current years approved budget. Housing have reported to Finance that the revised anticipated commitment level in 2012/13 will increase up to a level £550,000 on DFG's and this trend is expected to continue into 2013/14. A revised Project Outline has therefore been developed for £600,000 for 2013/14. Members are asked to note that these figures are subject to change as it is impossible to predict with certainty either the number or value of referrals that may be received.

2.4 We anticipate external grant income of £261,000 from the Department of Communities and Local Government (DCLG) towards the 2013/14 DFG programme reducing the need to call upon our reserves from £600,000 to £339,000. In the current financial year, we have received an additional £60,000 from Cumbria County Council and a further £80,000 from DCLG, but this income cannot be guaranteed for future years. Any additional income received in year however, will reduce the need to call upon our own capital reserves.

PROJECT OUTLINES APPROVED IN PRINCIPAL AND REDUCED IN VALUE

2.5 £217,000 was approved in principal for Public Buildings for 2013/14. The projects identified as a priority for 2013/14 amount to £112,000 (detailed plan of works to follow this report, prior to spend) and therefore the remaining £105,000 is no longer required can be returned to the Useable Capital Receipts Reserve. It has been agreed at the Capital Control and Working Group that for clarity, these projects should be re-named Operational Buildings in 2013/14.

PROJECT OUTLINES APPROVED IN PRINCIPAL AND NO LONGER REQUIRED

2.6 £80,000 was approved in principal by Council in February 2012 to purchase a new recycling vehicle in 2013/14. This call on our reserves is no longer required due to a change in business needs from a recent department restructure with the termination of the plastic and card kerbside collection service. The £80,000 can be returned to the Useable Capital Receipts Reserve.

2.7 £52,800 was approved in principal for Energy Efficiencies for 2013/14 however it has been agreed that there is no longer an urgent priority to engage in further energy efficiency works throughout the authorities' buildings. The full call on our reserves of £52,800 is no longer required and so can be returned to the Useable Capital Receipts Reserve for allocation to other projects.

3 NEW PROJECT OUTLINES FOR 2013/14

3.1 A total of 3 new project outlines were developed by Heads of Service for consideration as part of the Capital Programme 2013/14, one for Copeland Pool and one for ICT, one for Land Management and a further outline form has been developed for the increase in the funding required for DFG's in 2013/14 (as detailed in 2.3 & 2.4 above).

ENHANCEMENT OF ICT INFRASTRUCTURE – CAPABILITY & CAPACITY

3.2 As Copeland Borough Council is changing the way it operates and the way in which it delivers services we need to develop, extend and provide new ICT tools and services to support the ambitions of the council. This transformation will include a greater focus on the use of ICT to enhance service delivery and enable more of our services to be accessible online. A project outline has been developed amounting to £200,000 which includes the purchase of new systems and the enhancement of existing infrastructure.

COPELAND POOL

3.3 Detailed feasibility work has been carried out over a number of years at Copeland Pool and it was concluded that an extension should be provided to the existing pool facility to accommodate a fitness gym, two multi-purpose activity rooms and additional car parking spaces. A project outline has been developed for £262,524 from our reserves with the remaining £450,000 to be externally funded. It is anticipated that this project will provide a net income stream which will be utilised to support the operation of the pool facility and reduce net costs in line with the proposed reduction in the contract value from Copeland Borough Council to North County Leisure to manage and deliver the Pool service.

LAND MANAGEMENT & ASSET REDEMPTION

3.4 A Land Management PID was developed for a total of £350,000 for 2013/14 and 2014/15. This PID provides a framework for the proactive safety management for the councils land assets where risk can occur. It will allow for an action plan to be established for dealing with future maintenance and unforeseen anomalies and hazards. By pre-approving funding it will aid the council's budgetary framework in estimating future expenditure and necessary risk based reserves thus reducing unexpected financial pressures.

4 FINANCING OF THE CAPITAL PROGRAMME 2013/14 – 2015/16

4.1 Table 1 overleaf shows the sources of funding for draft Capital Programme for the three years 2013-2016. It is important that the funding of the proposed Capital Programme is fully understood and can be demonstrated.

4.2 The proposed 2013/14-2015/16 capital programme expenditure would be financed as follows:

Table 1: Financing of the proposed 2013/14 - 2015/16 Capital Programme

Funded by:	2013/14 £	2014/15 £	2015/16 £
General Useable Capital Receipts	999,524	265,000	0
Housing Capital Receipts	339,000	339.000	339,000
Other External Funding	261,000	261,000	261,000
TOTAL FINANCING	**1,599,524**	**865,000**	**600,000**

5 CAPITAL RESOURCES

5.1 Table 2 overleaf shows the forecast position of the movement (i.e. use and new capital receipts) on usable capital receipts for 2012/13 (table 3 shows 2014/15 and table 4 shows 2015/16) which will be used to fund the capital programme.

5.2 It was approved by Council on 22nd January 2013 that the VAT Share receipts (including any future VAT Share receipts) can be utilised to fund all non-housing related expenditure on both the current and future capital programmes. The tables overleaf show the split of the non-housing reserves (General Capital Receipts) and Housing Reserves (Housing Capital Receipts).

5.3 Members are asked to note that the opening balance figures in Table 2 (and so consequently Tables 3 and 4) are as at 31st December 2013. The Useable Capital Receipts Reserve balances will need to be adjusted by any commitments made in 2012/13 but that will be paid for in 2013/14 (slippage) that occurs between 1st January 2013 and 31st March 2013 but any fluctuation in the opening balances as a result of this, will be matched by an equal adjustment to the draw down (spend) on the reserve, i.e. nil net impact on reserves.

Table 2: Impact of the forecast capital programme spend and receipts for 2013/14 on the Useable Capital Receipts Reserve

USABLE CAPITAL RECEIPTS	General Capital Receipts (incl VAT Share) £	Housing Capital Receipts (Previously PRTB & RRTB) £	TOTAL £
Forecast **Opening balance** at 1st April 2013 (as at 31st December 2012)	**-1,078,337**	**-1,777,889**	**-2,856,226**
Forecast draw down to fund draft 13/14 capital programme	999,524	339,000	**1,338,524**
Forecast Capital Receipts from sale of assets in year	-515,500	-	**-515,500**
Forecast Capital Receipts from VAT Share Agreement	-364,596	-	**-364,596**
Forecast useable Capital Receipts **closing balance** at 31st March 2014	**-958,909**	**-1,438,889**	**-2,397,798**

Table 3: Impact of the forecast capital programme spend and receipts for 2014/15 on the Useable Capital Receipts Reserve

USABLE CAPITAL RECEIPTS	General Capital Receipts (incl VAT Share) £	Housing Capital Receipts (Previously PRTB & RRTB) £	TOTAL £
Forecast **Opening balance** at 1st April 2014	**-958,909**	**-1,438,889**	**-2,397,798**
Forecast draw down to fund draft 14/15 capital programme	265,000	339,000	**604,000**
Forecast Capital Receipts from sale of assets in year	-1,508,000	-	**-1,508,000**
Forecast Capital Receipts from VAT Share Agreement	-360,567	-	**-360,567**
Forecast useable Capital Receipts **closing balance** at 31st March 2015	**-2,562,476**	**-1,099,889**	**-3,662,365**

Table 4: Impact of the forecast capital programme spend and receipts for 2015/16 on the Useable Capital Receipts Reserve

USABLE CAPITAL RECEIPTS	General Capital Receipts (incl VAT Share) £	Housing Capital Receipts (Previously PRTB & RRTB) £	TOTAL £
Forecast Opening balance at 1st April 2015	-2,562,476	-1,099,889	-3,662,365
Forecast draw down to fund draft 15/16 capital programme	-	339,000	339,000
Forecast Capital Receipts from sale of assets in year	-2,289,000	-	-2,289,000
Forecast Capital Receipts from VAT Share Agreement	-711,983	-	-711,983
Forecast useable Capital Receipts closing balance at 31st March 2016	-5,563,459	-760,889	-6,324,348

5.4 The Capital Programme is heavily reliant on the sales of assets and our VAT Share receipts. The timing of both these capital receipts is critical to the funding of the proposed Capital Programme 2013/14-2015/16. Members are reminded that the receipts detailed in tables 2-4 above are the best forecast prediction as of 31st December 2012. Any fluctuation in the timing of these forecast receipts could potentially have a negative impact on the funding of the capital programme 2013/14 and beyond. The current market conditions with regard to property/land sales to realise these capital receipts remains very slow. The assets (predominantly land) will be placed on the market when conditions are favourable and this is kept under constant review by the Estate and Valuations Manager and the Head of Legal Services. It may be the case that some assets will be placed on the market sooner than currently anticipated, with resulting receipts ahead of those detailed in tables 2-4 above. It is not anticipated as at 31st December 2012, that the assets will be offered for sale at later dates, however if this were to happen, the funding of the capital programme would need to be re-examined.

6 CONCLUSION

6.1 The proposed draft Capital Programme 2013/14-2015/16, can be funded from Useable Capital Receipts Reserve utilising the VAT Share receipts as approved at Council on 22nd January 2013 and assuming current forecast capital receipts are realised in the three year period as outlined in paragraph 5 above.

7 STATUTORY OFFICER COMMENTS

7.1 The Monitoring Officer's comments are: no additional comments

7.2 The Section 151 Officer's comments are: Included within the report.

7.3 EIA Comments: Each Capital Bid project outline would reflect on Equality and diversity implications and opportunities where appropriate.

7.4 Policy Framework: The report refers to the need to ensure that spending decisions in relation to the Capital Programme are meeting key priorities, are compliant with the most recent policy framework and are delivering priority outcomes. Each new project outline for 2013/14 explains how it will do this.

7.4 Other consultee comments, if any: no additional comments

8 WHAT ARE THE LEGAL, FINANCIAL AND HUMAN RESOURCES IMPLICATIONS?

8.1 It is imperative that the draft capital programme is considered prior to the year end to ensure that adequate financing is in place before the 2013/14 programme commences. Once commenced, all budgets will be monitored monthly, with exceptions reported through Corporate Leadership Team monthly and Executive quarterly so that management action can be taken to ensure the effective use of resources as planned by the Council.

8.2 The capital programme assumes funding from the sale of assets and external (grant) contributions. There is no assumption at this stage to borrow to finance the programme. Generation of capital receipts presents risks in terms of the timing and value of receipt. The Financial Management and Treasury Accountant and the Estates and Valuations Manager meet regularly to review asset sales.

8.3 The value of the Disabled Facility Grant, which provides external funding for the housing programme, (£261,000) has been estimated for 2013/14, based on current year receipt, as the award will not be made public until March 2013. The value of receipt has been duplicated for the year 2014/15. If the actual grant receipt fluctuates from this estimate this will impact on the use of the Useable Capital Reserve as detailed in tables 2-4.

List of Appendices:
Appendix A – Draft Capital Programme 2013/14 -2015/16
Appendix B – Capital Criteria Scoring Results from Capital Control & Monitoring Group

List of Background Documents: None
Consultees:
Capital Control & Monitoring Group
Heads of Service and Service Managers

Appendix 2
Annex A

APPENDIX A

CAPITAL PROGRAMME BUDGET 13/14, 14/15 & 15/16

BID NO	DEPARTMENT	Expenditure 2013/14: Existing programme March 12 Council £'000	Expenditure 2013/14: Slippage approval sought Exec 12/13 £'000	Expenditure 2013/14: Draft bids submitted Jan 13	Expenditure 2013/14: Updated for Slippage 12/13 Out turn approval sought Exec May 2013	Expenditure 2013/14: TOTAL 13/14 including slippage	Funding 2013/14: UCRR	Funding 2013/14: Housing Reserve	Funding 2013/14: External	Expenditure 2014/15: Existing programme March 12 Council	Expenditure 2014/15: Slippage approval sought Exec 13/14	Expenditure 2014/15: Draft bids submitted Jan 13	Expenditure 2014/15: TOTAL 13/14 including slippage	Expenditure 2015/16: Existing programme March 13 Council	Expenditure 2015/16: Slippage approval sought Exec 14/15	Expenditure 2015/16: Draft bids submitted Jan 13	Expenditure 2015/16: TOTAL 15/16 including slippage	OVERALL TOTAL 13/14-15/16
	Corporate Department:																	
	Chief Executive					-											-	-
						-												-
	Chief Executive Total	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Corporate Resources:																	
	Operational Buildings	217,000		(105,000)		112,000	112,000						-				-	112,000
	Energy Efficiency Measures	52,800		(52,800)		-	-						-				-	-
3	ICT			200,000		200,000	200,000						-				-	200,000
4	Land Management			175,000		175,000	175,000					175,000	175,000				-	350,000
													-					-
	Corporate Resources Total	269,800	-	217,200	-	487,000	487,000	-	-	-	-	175,000	175,000	-	-	-	-	662,000
	Neighbourhoods:																	
	Vehicles	80,000		(80,000)		-				90,000			90,000				-	90,000
	Neighbourhoods Total	80,000	-	(80,000)	-	-	-	-	-	90,000	-	-	90,000	-	-	-	-	90,000
	Regeneration and Community:																	
																	-	-
1	Disabled Facilities Grants	500,000		100,000		600,000		339,000	261,000	600,000			600,000			600,000	600,000	1,800,000
	Whitehaven Townscape Heritage Initiative	250,000				250,000	250,000						-				-	250,000
2	Copeland Pool			262,524		262,524	262,524						-				-	262,524
																		-
	Regeneration and Community Total	750,000	-	362,524	-	1,112,524	512,524	339,000	261,000	600,000	-	-	600,000	-	-	600,000	600,000	2,312,524
	TOTAL CAPITAL PROGRAMME -	1,099,800	-	499,724	-	1,599,524	999,524	339,000	261,000	690,000	-	175,000	865,000	-	-	600,000	600,000	3,064,524

[redacted] scheme.
[redacted] as such.

Annex B.

CAPITAL CRITERIA & SCORING SYSTEM

Suggested Criteria	Summary	Weight	SCORING				NEW BIDS FOR 2013/14 – SCORE AS PER GROUP DISCUSSION				BIDS APPROVED IN PRINCIPAL IN 2012/13 FOR 2013/14 – SCORE AS PER GROUP DISCUSSION	
			1	2	3	4	DFG'S	ICT AGILE WORKING	COPELAND POOL	LAND MANAGEMENT	OPERATIONAL BUILDINGS	W/HAVEN THI
Statutory requirement	We would fail to meet our statutory duties if the scheme was	25	Does not Meet	Partially Meets	Substantially Meets	Fully Meets	100	75	25	50	25	25
Urgent priorities/avoidance of litigation claims	Urgency of investment required to meet legal obligations i.e. avoidance of Corporate Manslaughter and other litigation claims, Health and Safety, Disability Discrimination Act	25	N/A			Definate	100	100	25	100	25	25
New policy framework	A project that specifically complies with the most recent policy framework and delivers a priority outcome.	15	Does not comply			Fully complies	60	15	15	15	15	15
Business need/Avoiding future business interruption	The project is essential to ensure the continuity of the of the service delivery and avoid future potential business interruption	15	Not essential to continuity	partially essesntial to continuity	substantially essential to continuity	Totally essential to continuity	60	60	30	30	30	15
Invest to save	Provision of future revenue savings/additional income from completion of project include payback period	10	No savings/net income	upto 15% savings/income	15%-25% savings/income	Over 25% savings/income	10	40	40	10	20	20
Revenue implications	Delivery and completion of the project would result in a future net revenue cost (see invest to save for positive revenue implications)	10	Under 10k net cost (=score*-1)	£11k to £20k net cost (*-1)	£21k to 50K net cost (*-1)	Over £50k net cost (*-1)	0	0	0	0	0	0
Operational benefits	The project does not necessarily link with corporate priorities but will provide positive benefits to service delivery	10	No positive benefits	Limited positive benefits	Substantial positive benefits	Full positive benefits	40	40	40	30	40	20
Partnership working	External partnership benefits with public, private or voluntary sector	10	No partnership benefits	Limited partnership benefits	Substantial partnership benefits	Full partnership benefits	30	20	40	10	20	30
External match funding/full external funding	Project is part funded or fully funded from externally generated resources	10	None	Up to 33% funded	34% - 66% funded	67%-100% funded	40	10	40	10	10	40
		max score	130	260	390	520	440	360	255	255	185	190

Weighting Criteria: (Weight x score)

COPELAND BOROUGH COUNCIL

TREASURY MANAGEMENT STRATEGY STATEMENT 2013/14 - 2015/16 incorporating

ANNUAL INVESTMENT STRATEGY 2013/14 MINIMUM REVENUE PROVISION STATEMENT 2013/14

APPENDIX 3

TREASURY MANAGEMENT STRATEGY STATEMENT 2013/14 - 2015/16 incorporating ANNUAL INVESTMENT STRATEGY 2013/14 & MINIMUM REVENUE PROVISION STATEMENT 2013/14

EXECUTIVE MEMBER: Cllr Gillian Troughton
LEAD OFFICER: Darienne Law, Head of Corporate Resources
REPORT AUTHORS: Leanne Barwise, Senior Accounting Officer

The contents of this report were considered by the Executive at their meeting on 12th February 2013, and have been amended for any decisions taken at that meeting. They are now recommended for consideration and approval by Council on 21st February 2013.
The recommendations arising from this report are included in the Budget Summary Report.

SUMMARY:
This report was initially presented to Executive on 9th January 2013 for information before being scrutinised at Audit and Governance Committee on 31st January 2013. It was considered at the 12th February 2013 Executive with a recommendation to Council for approval today.

The Audit and Governance Committee on 31st January were satisfied with the approach to Treasury Management set out in the strategy and the Annual Investment Strategy and content with the Minimum Revenue Provision 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.

APPENDIX 3

Treasury Management Policy Statement

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. "

This organisation regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the organisation.

Copeland Borough Council acknowledges that that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to achieving value for money in treasury management and to employing suitable performance measurement techniques, within the context of effective risk management.

The Section 151 Officer ensures that the treasury management function is operated within the criteria set out in this report. The day to day operation of the treasury management function is delegated to the Senior Accounting Officer, Financial Management & Capital/Treasury or another suitably trained officer in their absence.

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 Mid-Year Treasury Management Report – This will update members with the progress of the capital position, amending prudential indicators as necessary, and whether the treasury operation is meeting the strategy or whether any policies require revision. This report was presented to Executive on 13th November 2012. Additionally, this Council will also receive quarterly update 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 Council. This role is undertaken by the Audit 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 - setting out the expected capital activities;
- the MRP strategy – detailing how the Council will pay for capital assets through revenue each year.

Treasury management Issues

- the current treasury position;
- treasury indicators which will 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 (relating purely to Treasury Management); and
- policy on use of external service providers.

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

Some of the areas covered by the Strategy and mentioned in the list above are included within the Treasury Management Strategy Statement 2013/14 for completeness; however it is not envisaged that all of them are required in 2013/14 i.e. borrowing strategy, policy in borrowing in advance of need and debt rescheduling. Although it is deemed at these policies will not be required in 2013/14, they are contained in the strategy and approved should the need arise within the year.

1.4 Training

The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny. This training is undertaken annually (wherever possible) and it is anticipated that the next training session will be incorporated in the Audit Committee meeting on 31st January 2013.

1.5 Treasury Management Consultants

Copeland recently completed a tender exercise for Treasury Management Consultancy services for three years beginning 1st August 2012 which was successfully awarded to Sector Treasury Services Ltd.

The Council recognises that responsibility for the 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.

APPENDIX 3

2. The Capital Prudential Indicators 2013/14 – 2015/16

The Council's capital expenditure plans are the key driver of treasury management activity. The outputs 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 Prudential Indicator

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. Members are asked to approve the capital expenditure forecasts, the detail of which is elsewhere on this agenda for consideration:

Capital Expenditure £000's	2011/12 Actual	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate
Total	1,685	1,907	1,600	865	600

The above financing need excludes other long term liabilities, such as PFI and leasing arrangements which already include borrowing instruments.

The table below summarises the above capital expenditure plans and how these plans are to be financed by capital or revenue resources.

Capital Expenditure £000's	2011/12 Actual	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate
Capital Expenditure:	**1,685**	**1,907**	**1,600**	**865**	**600**
Financed by:					
Capital reserves	1,166	1,425	1,339	604	339
Capital grants	519	482	261	261	261
Revenue	0	0	0	0	0
Net financing need for the year	**0**	**0**	**0**	**0**	**0**

2.2 Prudential Indicator: 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, which will not immediately been paid for, will increase the CFR, note: the above financing indicated that this is not applicable to Copeland.

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 CFR includes any other long term liabilities (e.g. PFI schemes, finance leases) brought onto the balance sheet. Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of schemes include a borrowing facility and so the Council is not required to separately borrow for these schemes. The Council currently has £6.9m of such schemes within the CFR.

The Council is asked to approve the indicative CFR projections below:

£000's	2012/13 Revised Estimate	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate
Total CFR (Incl. PFI and Finance Leases)	8,884	8,333	7,813	7,411
Movement in CFR	0	(551)	(520)	(402)

Net financing need for the year (above)	0	0	0	0
Less MRP/VRP and other financing movements	0	(551)	(520)	(402)
Movement in CFR	**0**	**(551)**	**(520)**	**(402)**

*Figures in brackets in the above table indicate the anticipated level of repayment for PFI/Finance Leases

2.3 Minimum Revenue Provision (MRP) Policy Statement

Authorities are not required to raise Council tax to cover depreciation, impairment losses or amortisation; however they are required to set aside a minimum (prudent) amount of revenue to contribute towards capital expenditure financed by borrowing or credit arrangements. The broad aim of the provision is to ensure that the debt is repaid over the life of the asset.

The Council is required to pay off an element of the historic unfunded 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).

MRP has existed for many years and the charge each year was a fixed rate of 4% of debt. The historical MRP calculation was based on 4% of a defined CFR level. In recent years there has been a move to make the MR charge linked to the asset for which the debt was incurred.

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:

- **Existing practice** - MRP will follow the existing practice outlined in former CLG regulations (option 1); *or*
- **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** (including PFI and finance leases) 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);
- **Depreciation method** – MRP will follow standard depreciation accounting procedures (option 4);

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

Repayments in year for annual PFI or finance leases are substituted as MRP.

2.4 Core Funds and expected investment balances

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 on-going impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year end balances for each resource and anticipated day to day cash flow balances.

Year End Resources £000's	2011/12 Actual	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate
Fund balances	3,510	2,634	2,555	2,555	2,555
Capital receipts	4,046	2,856	2,397	3,662	6,324
Earmarked reserves	5,569	4,681	4,577	4,473	4,369
Provisions	193	248	248	248	248
Total Core Funds	**13,318**	**10,419**	**9,777**	**10,938**	**13,496**
Working Capital*	1,552	1,552	1,552	1,552	1,552
Under/over borrowing	3,156	2,993	2,993	2,993	2,993
Expected Investments	**18,026**	**14,964**	**14,322**	**15,483**	**18,041**

*Working capital balances shown are estimated year end; these may be higher mid-year

IMPACT OF INVESTMENT FROM CASHFLOWS

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
Ratio	5.43%	7.03%	7.64%	7.37%	6.75%

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 (presented elsewhere on this agenda for consideration) 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.

The proposed Draft Capital Programme 2013/14 has no effect on the revenue budget and indicates no impact on Band D Council tax as shown below:

£	Original 2011/12	Revised Budget 2011/12	Forward Projection 2012/13	Forward Projection 2013/14	Forward Projection 2014/15
Council Tax - Band D	0	0	0	0	0

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 borrowing, against the underlying capital borrowing need (the Capital Financing Requirement - CFR), highlighting an overborrowing position.

£000's	Ref	2011/12 Actual	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate
External borrowing						
Borrowing at 1 April		5,000	5,000	5,000	5,000	5,000
Expected change in borrowing		0	0	0	0	0
Other long-term liabilities (OLTL)		7,366	6,877	6,326	5,806	5,404
Expected change in OLTL		0	(489)	(551)	(520)	(402)
Actual borrowing at 31 March	a	**12,366**	**11,877**	**11,326**	**10,806**	**10,404**
CFR – the borrowing need	b	8,419	8,884	8,333	7,813	7,411
Under / (over) borrowing	b-a	**(3,947)**	**(2,993)**	**(2,993)**	**(2,993)**	**(2,993)**
Investments	c	18,026	14,964	14,322	15,483	18,041
Total investments at 31 March						
Net borrowing*	a-c	(5,660)	(3,087)	(2,996)	(4,677)	(7,637)

*Actual borrowing less investments

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 total borrowing, net of any investments, 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 (shown as net borrowing above). This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

The Section 151 Officer 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 Prudential Indicator

This is the limit beyond which external borrowing 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 borrowing as its purpose is to be used solely as a guideline figure.

Operational boundary £000's	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate
Borrowing	5,000	5,000	5,000	5,000
Other long term liabilities	7,000	7,000	7,000	7,000
Total	**12,000**	**12,000**	**12,000**	**12,000**

The Authorised Limit Prudential Indicator

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

1. This is a 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's	2012/13 Estimate	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate
Borrowing	9,000	9,000	9,000	9,000
Other long term liabilities	8,000	8,000	8,000	8,000
Total	**17,000**	**17,000**	**17,000**	**17,000**

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

Sector have also provided the following narrative:

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

Due to the recent increase in risks within the economic forecast, caution will be adopted with the 2013/14 treasury operations. The Section 151 Officer will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances.

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The Council's debt portfolio contains one remaining Market Loan of £5 million. We continually assess the position of this loan with our Treasury Consultants, Sector, to see whether we are securing the best terms for the Council. At the current time, the advice is to leave this loan in its present form, as the penalty for repaying early would be prohibitive.

Although, at this time it is not anticpated any further borrowing will be necessary, in the unlikely event of a need to borrow, the Section 151 Officer under delegated powers, will take the most approporate form of borrowing depending on the prevailing interest rates at the time.

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

Treasury Management Limits on Activity

We have 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 too restrictive they will impair the opportunities to reduce costs/improve performance. The indicators are:

a) Upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments

b) Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates;

c) 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:

£000's	2013/14	2014/15	2015/16
Interest rate Exposures			
	Upper	**Upper**	**Upper**
Limits on fixed interest rates based on net debt	5,100	5,100	5,100
Limits on variable interest rates based on net debt	5,100	5,100	5,100
a) Limits on fixed interest rates:			
• ***Debt only***	*5,100*	*5,100*	*5,100*
• ***Investments only***	*30,000*	*30,000*	*30,000*
b) Limits on variable interest rates			
• ***Debt only***	*5,100*	*5,100*	*5,100*
• ***Investments only***	*30,000**	*30,000**	*30,000**

c) Maturity Structure of fixed interest rate borrowing 2013/14	Lower	Upper**
Under 12 months	0	100%
12 months to 2 years	0	100%
2 years to 5 years	0	100%
5 years to 10 years	0	100%
10 years to 20 years	0	100%
20 years to 30 years	0	100%
30 years to 40 years	0	100%

*This indicator is based on the number of variable interest rate accounts we hold (previously 4 but currently 6 accounts) multiplied by the monetary limit that we can invest with each institution, which is £5m each.

**This Indicator has changed from last year due to a change in 2011 guidance notes in relation to the "call date" of our £5m LOBO (lenders option, borrower's option) loan. In basic terms, the borrower has the right to request that the principal is repaid upon the date that the interest is repaid, which for Copeland is twice yearly. This is reflected by 100% maturity indicated in every category above. The likelihood of this happening is minimal given the rate of return that we are currently obligated to pay. Additionally, if there are any changes to the current loan agreement, we have the opportunity to repay the principal without any penalties, which would not be financially beneficial to the loan company.

3.5 Single Investment Transaction Limit

Every investment transaction will be subject to a maximum single investment transaction limit of £5m per counterparty.

3.6 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 risks associated will be approved and reported through the standard reporting method. Value for money and the security of such funds will also be considered.

3.7 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, at this moment the cost of repaying our £5m debt is prohibitive.

Any rescheduling decision made by the Section 151 Officer and will be reported to the Council, 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 2011 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 accordacne with 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 what these reflect in the eyes of each agency. Using the Sector ratings service potential counterparty ratings are monitored on a real time basis with knowledge of any changes notified electronically as the agencies notify modifications.

Furthermore the Council's officers recognise that ratings should not be the sole deteminant 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 oder to establish the most robust scrutiny process on the suitability of potential investment counterparties.

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

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

Investment instruments identified for use in the financial year are listed in Appendix C under the 'Specified' Investments (ie investments with maturities of upto a maximum of one year meeting the high quality criteria) and 'Non-Specified' Investments Categories (ie all other investments that do not meet the Specified criteria). Counterparty limits will be as set through the Council's Treasury Management Practices – Schedules.

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4.2 Creditworthiness policy

The primary principle governing the Council's investment criteria is the security of its investments, although the yeild 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 Section 151 Officer will maintain a counterparty list in compliance with the criteria detailed below 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 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) are:

- 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 Poors credit ratings (where rated):

  i. Short term – F1

  ii. Long term – A-

  iii. Viability / financial strength – C (Fitch / Moody's only)

  iv. Support – 4 (Fitch only)

- Banks 2 – Part nationalised UK banks – Lloyds Bank 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.
- Bank subsidiary and treasury operation - The Council will use these where the parent bank has provided an appropriate guarantee or has the necessary ratings outlined above.
- Building Societies – the council will use all societies which:
    i. meet the ratings for banks outlined above and/or
    ii. Have assets which place them in the top ten rated building societies;
- Money Market Funds – AAA
- UK Government (including gilts and the DMADF)
- Local authorities, parish councils etc.
- Supranational institutions

A limit of 50% of the whole portfolio will be applied to the use of Non-Specified investments. We currently hold 100% specified investments.

Additionally, this Council also applies the creditworthiness service provided by Sector. This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the duration for investments.

This alternative methodology goes beyond simply applying the approach suggested by CIPFA of using the lowest rating from all three rating agencies to determine creditworthy counterparties. The Sector creditworthiness service uses a wider array of information than just primary ratings and by using a risk weighted scoring system, does not give undue preponderance to just one agency's ratings.

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 50% of the whole portfolio will be placed outside the UK 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
Banks 1 category high quality	*AA-*	£5m	3yrs
Banks 1 category medium quality	*A-*	£3m	1yr
Banks 2 category – part nationalised	N/A	£7.5m*	1yr
Limit 3 category – Council's banker (not meeting Banks 1)	-	£10k	1 day
Other institutions limit	-	£2m	1yr
DMADF	AAA	unlimited	6 months
Local authorities	N/A	£5m	1yr
Money market Funds	AAA	£5m	liquid

**This may be increased to an ultimate limit of £10m per part nationalised Counterparty for short term investments only and solely with the prior approval of the Section 151 Officer.*

The proposed criteria for Specified and Non-Specified investments are shown in Appendix C for approval.

4.3 Country limits

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

4.4 Investement 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 each financial year end (March) are:

- 2012/2013 0.50%
- 2013/2014 0.50%
- 2014/2015 0.75%
- 2015/2016 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%

Against this view, we expect to be able to achieve rates of approximately 1% on 3 month investments made with the semi nationalised institutions. This is a prudent estimate based on rates currently achieved with these counterparties. It is understood, however, that these rates are not guarenteed and may change at any time.

For its cash flow generated balances, the Council will seek to utilise its business reserve accounts, 28, 60 and 90 day notice accounts, money market funds and short-dated deposits (overnight to three months) in order to benefit from the compounding of interest.

Invesment 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	
Principal sums invested > 364 days	£m 12

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:

- Bank overdraft - £0.5m
- Liquid short term deposits of at least £1m available with a week's notice.
- Weighted Average Life benchmark is expected to be 0.3 years, with a maximum of 1.0 years.

Yield - local measures of yield benchmarks are:

- 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
Maximum	0.1%	0.25%	0.43%

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.

4.7 Scheme of delegation

Please see Appendix E.

4.8 Role of the section 151 officer

Please see Appendix F.

5. Statutory Officer Comments

5.1 The Monitoring Officer's comments are:

5.2 The Section 151 Officer's comments are: Included within the context of this report.

5.3 EIA comments:

5.4 Policy Framework:

5.5 Other Consultee Comments, if any:

List of Background Documents:
Treasury Management Strategy Statement 2012/13

List of Appendices:
Appendix A – Interest Rate Forecast 2013-2016
Appendix B – Economic Background
Appendix C - Treasury Management Practice (TMP1) – Credit and Counterparty Risk Management
Appendix D – Approved Countries for Investment
Appendix E – Treasury Management Scheme of Delegation
Appendix F – The Treasury Management Role of the s151 Officer

APPENDIX 3

APPENDIX A - Interest Rate Forecast 2013/2016

Bank Rate	NOW	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16
Sector's View	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.75%	1.00%	1.25%	1.50%	1.75 %
UBS	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	-	-	-	-	-
Capital Economics	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	-	-	-	-	-

5yr PWLB Rate	NOW	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16
Sector's View	1.75%	1.50%	1.50%	1.50%	1.60%	1.60%	1.70%	1.70%	1.80%	2.00%	2.20%	2.30%	2.50%	2.70%	2.90 %
UBS	1.75%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Economics	1.75%	1.30%	1.30%	1.30%	1.30%	1.30%	1.30%	1.30%	1.50%	1.60%	-	-	-	-	-

10yr PWLB Rate	NOW	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16
Sector's View	2.72%	2.50%	2.50%	2.50%	2.60%	2.60%	2.70%	2.70%	2.80%	3.00%	3.20%	3.30%	3.50%	3.70%	3.90 %
UBS	2.72%	2.80%	3.00%	3.10%	3.20%	3.40%	3.50%	3.60%	3.70%	3.80%	-	-	-	-	-
Capital Economics	2.72%	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%	-	-	-	-	-

25yr PWLB Rate	NOW	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16
Sector's View	3.93%	3.70%	3.80%	3.80%	3.80%	3.80%	3.90%	3.90%	4.00%	4.10%	4.30%	4.40%	4.60%	4.80%	5.00 %
UBS	3.93%	4.00%	4.20%	4.30%	4.40%	4.50%	4.50%	4.50%	4.50%	4.50%	-	-	-	-	-
Capital Economics	3.93%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	-	-	-	-	-

50yr PWLB Rate	NOW	Dec-12	Mar-13	Jun-13	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14	Dec-14	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16
Sector's View	4.11%	3.90%	4.00%	4.00%	4.00%	4.00%	4.10%	4.10%	4.20%	4.30%	4.50%	4.60%	4.80%	5.00%	5.20 %
UBS	4.11%	4.10%	4.30%	4.40%	4.50%	4.60%	4.60%	4.60%	4.60%	4.60%	-	-	-	-	-
Capital Economics	4.11%	3.80%	3.80%	3.80%	3.80%	3.80%	3.80%	3.80%	3.80%	3.80%	-	-	-	-	-

Please note – The current PWLB rates and forecast shown above have taken into account the 20 basis point certainty rate reduction effective as of the 1st November 2012

APPENDIX B - Economic Background

The Global economy

The Eurozone debt crisis has continued to cast a pall over the world economy and has depressed growth in most countries. This has impacted the UK economy which is unlikely to grow significantly in 2012 and is creating a major headwind for recovery in 2013. Quarter 2 of 2012 was the third quarter of contraction in the economy; this recession is the worst and slowest recovery of any of the five recessions since 1930. A return to growth @ 1% in quarter 3 in unlikely to prove anything more than a washing out of the dip in the previous quarter before a return to weak, or even negative, growth in quarter 4.

The **Eurozone sovereign debt crisis** has abated somewhat following the ECB's pledge to buy unlimited amounts of bonds of countries which ask for a bailout. The immediate target for this statement was Spain which continues to prevaricate on making such a request and so surrendering its national sovereignty to IMF supervision. However, the situation in Greece is heading towards a crunch point as the Eurozone imminently faces up to having to relax the time frame for Greece reducing its total debt level below 120% of GDP and providing yet more financial support to enable it to do that. Many commentators still view a Greek exit from the Euro as inevitable as total debt now looks likely to reach 190% of GDP i.e. unsustainably high. The question remains as to how much damage a Greek exit would do and whether contagion would spread to cause Portugal and Ireland to also leave the Euro, though the longer a Greek exit is delayed, the less are likely to be the repercussions beyond Greece on other countries and on EU banks.

Sentiment in financial markets has improved considerably since this ECB action and recent Eurozone renewed commitment to support Greece and to keep the Eurozone intact. However, the foundations to this "solution" to the Eurozone debt crisis are still weak and events could easily conspire to put this into reverse.

The US economy has only been able to manage weak growth in 2012 despite huge efforts by the Federal Reserve to stimulate the economy by liberal amounts of quantitative easing (QE) combined with a commitment to a continuation of ultra low interest rates into 2015. Unemployment levels have been slowly reducing but against a background of a fall in the numbers of those available for work. The fiscal cliff facing the President at the start of 2013 has been a major dampener discouraging business from spending on investment and increasing employment more significantly in case there is a sharp contraction in the economy in the pipeline. However, the housing market does look as if it has, at long last, reached the bottom and house prices are now on the up.

Hopes for a broad based recovery have, therefore, focused on the **emerging markets.** However, there are increasing concerns over flashing warning signs in various parts of the Chinese economy that indicate it may be heading for a hard landing rather than a gradual slow down.

The UK economy

The Government's austerity measures, aimed at getting the public sector deficit into order over the next four years, now look as if they will fail to achieve their objectives within the original planned timeframe. Achieving this target is dependent on the UK economy growing at a reasonable pace but recession in the Eurozone, our biggest trading partner, has depressed growth whilst tax receipts have not kept pace with additional welfare benefit payments. It will be important for the Government to retain investor confidence in UK gilts so there is little room for it to change course other than to move back the timeframe.

Currently, the UK is enjoying a major financial benefit from some of the lowest sovereign borrowing costs in the world as the UK is seen as a safe haven from Eurozone debt. There is, though, little evidence that consumer confidence levels are recovering nor that the manufacturing sector is picking up. On the positive side, growth in the services sector has rebounded in Q3 and banks have made huge progress since 2008 in shrinking their balance sheets to more manageable levels and also in reducing their dependency on wholesale funding. However, availability of credit remains tight in the economy and the Funding for Lending scheme, which started in August 2012, has not yet had the time to make a significant impact. Finally, the housing market remains tepid and the outlook is for house prices to be little changed for a prolonged period.

Economic Growth. Economic growth has basically flat lined since the election of 2010 and, worryingly, the economic forecasts for 2012 and beyond were revised substantially lower in the Bank of England Inflation quarterly report for August 2012 and were then further lowered in the November Report. Quantitative Easing (QE) was increased again by £50bn in July 2012 to a total of £375bn. Many forecasters are expecting the MPC to vote for a further round of QE to stimulate economic activity regardless of any near-term optimism. The announcement in November 2012 that £35bn will be transferred from the Bank of England's Asset Purchase Facility to the Treasury (representing coupon payments to the Bank by the Treasury on gilts held by the Bank) is also effectively a further addition of QE.

Unemployment. The Government's austerity strategy has resulted in a substantial reduction in employment in the public sector. Despite this, total employment has increased to the highest level for four years as over one million jobs have been created in the private sector in the last two years.

Inflation and Bank Rate. Inflation has fallen sharply during 2012 from a peak of 5.2% in September 2011 to 2.2% in September 2012. However, inflation increased back to 2.7% in October though it is expected to fall back to reach the 2% target level within the two year horizon.

AAA rating. The UK continues to enjoy an AAA sovereign rating. However, the credit rating agencies will be carefully monitoring the rate of growth in the economy as a disappointing performance in that area could lead to a major derailment of the plans to contain the growth in the total amount of Government debt over the next few years.

Sector's forward view

Economic forecasting remains difficult with so many external influences weighing on the UK. There does, however, appear to be consensus among analysts that the economy remains relatively fragile and whilst there is still a broad range of views as to potential performance, expectations have all been downgraded during 2012. Key areas of uncertainty include:

- the potential for the Eurozone to withdraw support for Greece at some point if the costs of such support escalate were to become prohibitive, so causing a worsening of the Eurozone debt crisis and heightened risk of the breakdown of the bloc or even of the currency itself;
- inter government agreement on how to deal with the overall Eurozone debt crisis could fragment; the impact of the Eurozone crisis on financial markets and the banking sector;

- the impact of the Government's austerity plan on confidence and growth and the need to rebalance the economy from services to manufactured goods;
- the under-performance of the UK economy which could undermine the Government's policies that have been based upon levels of growth that are unlikely to be achieved;
- the risk of the UK's main trading partners, in particular the EU and US, falling into recession ;
- stimulus packages failing to stimulate growth;
- elections due in Germany in 2013;
- potential for protectionism i.e. an escalation of the currency war / trade dispute between the US and China.
- the potential for action to curtail the Iranian nuclear programme
- the situation in Syria deteriorating and impacting other countries in the Middle East

The focus of so many consumers, corporates and banks on reducing their borrowings, rather than spending, will continue to act as a major headwind to a return to robust growth in western economies.

Given the weak outlook for economic growth, Sector sees the prospects for any changes in Bank Rate before 2015 as very limited. There is potential for the start of Bank Rate increases to be even further delayed if growth disappoints.

Sector believes that the longer run trend is for gilt yields and PWLB rates to rise due to the high volume of gilt issuance in the UK, and the high volume of debt issuance in other major western countries. The interest rate forecast in this report represents a balance of downside and upside risks. The downside risks have already been commented on. However, there are specific identifiable upside risks as follows to PWLB rates and gilt yields, and especially to longer term rates and yields: -

- UK inflation being significantly higher than in the wider EU and US causing an increase in the inflation premium in gilt yields
- Reversal of QE; this could initially be allowing gilts held by the Bank to mature without reinvesting in new purchases, followed later by outright sale of gilts currently held
- Reversal of Sterling's safe haven status on an improvement in financial stresses in the Eurozone
- Investors reverse de-risking by moving money from government bonds into shares in anticipation of a return to worldwide economic growth
- The possibility of a UK credit rating downgrade (Moody's has stated that it will review the UK's AAA rating at the start of 2013).

APPENDIX C - 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 14/12/2010 and will apply its principles to all investment activity. In accordance with the Code, the Section 151 Officer 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 AAA 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 (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:

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 £5m for 3 years £5m for 3 years
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.	£5m
c.	The Council's own banker if it fails to meet the basic credit criteria. In this instance balances will be minimised as far as is possible.	£10k
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 which places them in the top 10 building societies, but will restrict these types of investments to 1 year in length.	£2m for 1 year
e.	Any **bank or building society** that has a minimum long term credit rating of A, for deposits with a maturity of greater than one year (including forward deals in excess of one year from inception to repayment).	Maximum limit of 100% but no more than £12m of investments to have maturities for longer than 1 year at any one

		time
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 institution having a minimum credit rating of A (or equivalent) as rated by the three rating agencies.	£5m for 365 days

Within categories c and d, and in accordance with the Code, the Council has developed additional criteria to set the overall amount of monies which will be invested in these bodies. This criteria is a maximum amount of £18m will be invested over both categories but the length of investments will be limited to the timescale of the guarantee or 1 year whichever is the shorter.

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 Section 151 Officer, and if required new counterparties which meet the criteria will be added to the list.

APPENDIX D - Approved countries for investments

AAA

- Australia
- Canada
- Denmark
- Finland
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland
- U.K.

APPENDIX E - Treasury management scheme of delegation

(i) Full Council

- receiving and reviewing reports on treasury management policies, practices and activities;
- approval of annual strategy.

(ii) Executive

- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices;
- budget consideration and approval;
- approval of the division of responsibilities;
- receiving and reviewing regular monitoring reports and acting on recommendations;
- approving the selection of external service providers and agreeing terms of appointment.

(iii) Audit Committee

- reviewing the treasury management policy and procedures and making recommendations to the Executive/Full Council.

APPENDIX F - The treasury management role of the section 151 officer

The S151 (responsible) Officer

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers.