

Your Reference:

Our Reference: CWH/AMO
Enquiries to: Mr C W Howey
Direct Dial: 01768 212213
Email: clive.howey@eden.gov.uk
Date: 15 February 2018



Town Hall, Penrith, Cumbria CA11 7QF
Tel: 01768 817817

E-Mail: adrian.waite@awics.co.uk

Mr A Waite
P O Box 17
Appleby-in-Westmorland
Cumbria
CA16 6YL

Dear Mr Waite

Budget Consultation

Thank you for your letter of 9 January 2018, in response to the Budget Consultation for the Council's budget for 2018-2019. Before answering your questions, I would state that I have delayed responding purposefully until the Council has concluded its budget setting for the forthcoming financial year. Your letter included some points which I believe will now be answered should Council agree the recommendations presented on 15 February 2018.

Revenue Reserves

You are correct in your statement that the Council benefits from high levels of revenue reserves. This has always been referred to in previous budget reports and the Council's policy has always been clear that the reserves should be kept in hand until the Council has a balanced budget.

Your also refer to earmarked reserves and I would state that the recommendations regarding the Council's trading company, Heart of Cumbria Limited, will seek to use a significant proportion of those reserves in future years. I would also comment that it is prudent for the Council to maintain a high level of reserves as this has, in the past, allowed the Council to plan in advance for anticipated changes in revenue funding. Reference to the report to be considered by Council on 15 February 2018 will show that there is significant uncertainty around Central Government funding from the year 2020, in particular, the Business Rates Retention Scheme, New Homes Bonus and the Second Homes income which is secured from Cumbria County Council. The agreement for the Second Homes funding is due to expire in 2019. Officers from the District Councils are negotiating with Cumbria County Council for this agreement to be continued.

Council Tax

The reasons for the proposal to freeze Council Tax in 2018-2019 have been explained in the budget reports. One of the reasons for this decision, which is largely political, is that the Council benefits from the high level of Revenue Reserves to which you refer to in your letter. This, combined with the effect on some Parishes from the abolition of Special Expenses in 2018-2019, were the main reasons for the Council Leader making this recommendation. Again, reference to the reports being considered on 15 February 2018 will show it is likely that increases in Council Tax in future years will be recommended.

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C W Howey
Director of Finance



Interest on Balances

The paragraph you quote from the Resources Plan was compiled before the Bank of England's decision to increase the Base Rate to 0.5%. At the time of preparing the budget, the probable effect of the increase in interest rates was taken into account. However, I would point out that the Council has always been deliberately pessimistic on its interest receipt budgets, as to anticipate income which is not subsequently realised would, in my view, be poor financial practice. Furthermore, the Council's financial advisers have indicated that the likelihood of significant interest rate rises during 2018-2019 and future years are, in their opinion, unlikely. However, the Council does review this during every budget setting cycle.

Over-Budgeting

The reason for the over-budgeting provision you refer to is fully explained in the report. However, I can inform you that I do share some of your concerns and, since my appointment as Director of Finance, I have been working with the Council's Resources Portfolio Holder to try to research and correct the underspending which has been experienced in recent years and seek to review this in the future.

Central Services

I am sure you will appreciate that Councils do tend to be heavily reliant on central services. In the previous years you refer to, the reasons for the changes in the budgets were explained. As regards any comment around frontline services, I would refer you to the Council Leader's press announcement on the budget being recommended to Council.

Capital Programme and Prudential Borrowing

The report to be considered by Members on 15 February 2018 does make recommendations about increasing the Capital Programme for the next five years. The report which you refer to regarding the Town Hall revamp has been referred back to Members and officers and a Working Group has been established to review the proposal and how it is funded. I expect that report will be submitted to Members in March 2018 regarding this project and its funding.

The anticipated extra spending in the Capital Programme will be funded from revenue contributions and the use of earmarked reserves, as I have already stated, and I expect this will allay some of your concerns.

Risk Management

The Council's external auditor has given a favourable report on the Council's financial planning and its risk management around this area. I am therefore content with the risk management engaged by the Council with reference to its finances.

Economic Development

The Council is indeed seeking to build an environment to attract higher paid jobs to the District. This is one of the Council's main priorities.

Housing

I have already referred to the proposals around affordable housing in the budget.

Heart of Cumbria Limited

There is a full report to be presented to Council on 15 February 2018, recommending significant funding for the Council's Company, Heart of Cumbria Limited. Many of the points you mention were indeed raised by the Council's external auditor in his report for 2016-2017 and I am confident that all the concerns of the external auditor have now been addressed. Many of the other matters to which you refer are a matter for the Heart of Cumbria Limited Board and I am confident that these are being addressed. Your final comment around introducing greater clarity and transparency is being addressed.

Fair Funding Review

I agree with your comments on this matter. Indeed, the Council intends to engage fully with the Fair Funding Review when further details are known. The Council is an active member of SPARSE and will engage fully with this body and respond to any consultation as appropriate.

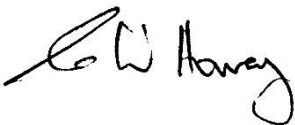
Conclusion

Regarding the conclusions you make, I do hope that I have answered these for you:

- A more significant Capital Programme is being recommended to Members on 15 February 2018;
- The Council does intend to be clear and transparent around the activities of Heart of Cumbria Limited;
- I do aim to correct concerns around project management of the Capital Programme, in consultation with colleagues;
- The revenue budget is reviewed on an annual basis and I do aim to eliminate any budget slack. The Council's Resources Portfolio Holder is committed to this course of action; and
- The decision to freeze Council Tax for 2018-2019 is largely a political matter. The recommendation to freeze Council Tax in 2018-2019 is now likely to be accepted.

I hope that my response has allayed some of your concerns. I would recommend that you read the reports on the Council's agenda for 15 February 2018. I would again like to thank you for taking the time to respond to the Council's Consultation exercise on its budget.

Yours sincerely



C W Howey
Director of Finance