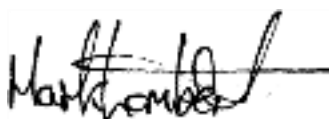


COUNCIL

SUMMONS

To the Mayor and Members of Carlisle City Council

You are summoned to attend the Special Meeting of Carlisle City Council which will be held on **Tuesday, 01 February 2022** at **18:45**, in the **Cathedral Room, Civic Centre, Carlisle, CA3 8QG**



Corporate Director of Governance and Regulatory Services

AGENDA

1. The Mayor will invite the Chaplain to say prayers.
2. The Town Clerk and Chief Executive will open the meeting by calling the roll.
3. **Public and Press**

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

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

4. Declarations of Interest

Members are invited to declare any disclosable pecuniary interests, other registrable interests and any interests, relating to any item on the agenda at this stage.

5. Announcements

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

6. Questions from Members of the Council

Pursuant to Procedure Rule 11.2, the Corporate Director of Governance and Regulatory Services to report that no questions have been submitted on notice by Members of the City Council.

7. Notice of Motion

Pursuant to Procedure Rule 12, the Corporate Director of Governance and Regulatory Services to report that no motions have been submitted on notice by Members of the Council.

8. Treasury Management Strategy Statement, Investment Strategy and Minimum Revenue Provision Strategy 2022/23 7 - 46

Pursuant to Minute EX.09/22 to consider a report of the Corporate Director of Finance and Resources regarding the Council's Treasury Management Strategy, Investment Strategy and Minimum Revenue Provision Strategy for 2022/23.
(Copy Report RD.66/21 herewith and Minute Extracts herewith / to follow)

9. City Council Budget 2022/23 47 - 56

The meeting to consider the City Council's 2022/23 General Fund Revenue Budget and its Capital Budget for 2022/23 and the recommendations of the Executive thereon and to pass appropriate resolutions thereon.

(1) Background Reports

A number of reports which have been considered as background reports to the preparation of the Budget have previously been circulated to all Members under cover of a letter from the Corporate Director of Governance and Regulatory Services dated 12 November 2021.

Members are requested to bring these to the meeting.

A copy of the following background reports were also considered by the meeting of the City Council on 14 September 2021. Members have previously had copies of these reports as part of the book of Budget Reports. If, however, you require a further copy please contact the Democratic Services Section prior to the meeting.

(i). Report RD.36/21 – Medium Term Financial Plan 2022/23 – 2026/27

(ii). Report RD.37/21 – Capital Investment Strategy 2022/23 – 2026/27

(iii). Report GD.58/21 – Asset Management Plan 2022 to 2027

(Copy Minute Extract from the 22 November 2021 Executive meeting in relation to the Budget, together with the Minutes of the special Executive held on 13 December 2021 are enclosed herewith for all Members of the City Council)

The Executive, at their meeting on 20 December 2021, also gave consideration to:

- | | | |
|-----------|--|----------------|
| 9.(1)(iv) | <u>Report RD.52/21 - Budget Update - Revenue Estimates 2022/23 to 2026/27</u> | 57 - 80 |
|-----------|--|----------------|

(Copy Report and Minute Extracts herewith)

- | | | |
|----------|--|----------------|
| 9.(1)(v) | <u>Report RD.55/21 - Revised Capital Programme 2021/22 and Provisional Capital Programme 2022/23 to 2026/27</u> | 81 - 94 |
|----------|--|----------------|

(Copy Report and Minute Extracts herewith)

In addition, the following documentation was circulated to Members of the Executive with the Agenda for the meeting of the Executive on 19 January 2022 and copies are now enclosed for all Members of the City Council:

9.(1)(vi)	<u>Report RD.64/21 - Budget Update - Revenue Estimates 2022/23 to 2026/27</u>	95 - 114
	(Copy Report herewith and Minute Extract to follow)	
9.(1)(vii)	<u>Report RD.65/21 - Revised Capital Programme 2021/22 and Provisional Capital Programme 2022/23 to 2026/27</u>	115 - 126
	(Copy Report herewith and Minute Extract to follow)	
9.(1)(viii)	<u>Report RD.67/21 - Provisional Local Government Finance Settlement</u>	127 - 134
	(Copy Reports herewith and Minute Extract to follow)	
9.(2)	<u>Budget Consultation Feedback</u>	
	Copies of the Minutes of the following Consultation Meetings and feedback from the consultation on the Executive Draft Budget Proposals, have been circulated to Members of the Executive with the Agenda for the meeting of the Executive on 19 January 2022.	
9.(2)(i)	<u>Business and Transformation Scrutiny Panel - 6 January 2022</u>	135 - 138
	(Copy Minute Extract herewith)	
9.(2)(ii)	<u>Minutes - Budget Consultation Meeting with Trade Union Representatives - 10 January 2022</u>	139 - 140
	(Copy Minutes herewith)	
9.(2)(iii)	<u>Budget Consultation Meeting with Non-Domestic Ratepayers / Business Representatives - 10 January 2022</u>	141 - 142
	(Copy Minutes herewith)	
9.(2)(iv)	<u>Consultation Feedback</u>	143 - 146
	(Copy public consultation feedback herewith)	
9.(3)	<u>Recommendations of the Executive</u>	147 - 174
	Copies of the minutes of the meeting of the Executive held on 19 January 2022 which relate to the Council's Budget for 2022/23 and which set out the recommendations of the Executive in respect of its budget proposals are submitted.	

(Copy Minutes to follow and Executive Budget Proposals 2022/23 herewith)

- 9.(4) Procedure 175 - 180**
- The suggested procedure for dealing with the Executive's recommendations and the City Council's Budget is itemised in a Procedure Note for the convenience of Members.
(Copy Note herewith)
- 10. Establishment of 'Cumberland' Council area - Joint Committee 181 - 188**
- Pursuant to Minute EX.15/22 to consider a report of the Corporate Director of Governance and Regulatory Services regarding the establishment of a Cumberland Joint Committee.
(Copy Report GD.07/22 herewith and Minute Extract to follow)
- 11. Operation of the Provisions Relating to Call-in and Urgency 189 - 192**
- Pursuant to Overview and Scrutiny Procedure Rule 15 (i), the Corporate Director of Governance and Regulatory Services to report on the operation of call-in and urgency procedures.
(Copy Report GD.08/22 herewith)
- 12. Communications**
- To receive and consider communications and to deal with such other business as may be brought forward by the Mayor as a matter of urgency, in accordance with Procedure Rule 2.1(xv) to pass such resolution or resolutions thereon as may be considered expedient or desirable.

PART 'B'

To be considered in private

- NIL -

Carlisle City Council

Report to Council

Item
8.

Report details

Meeting Date: 1 February 2022
 Portfolio: Finance, Governance and Resources
 Key Decision: Yes: Recorded in the Notice Ref: KD.10/21
 Policy and Budget Framework: Yes
 Public / Private: Public

Title: TREASURY MANAGEMENT STRATEGY STATEMENT,
 INVESTMENT STRATEGY AND MINIMUM REVENUE
 PROVISION STRATEGY 2022/23

Report of: CORPORATE DIRECTOR OF FINANCE & RESOURCES
 Report Number: RD 66/21

Purpose / Summary:

This report sets out the Council's Treasury Management Strategy Statement for 2022/23, in accordance with the CIPFA Code of Practice on Treasury Management. The Investment Strategy and the Minimum Revenue Provision (MRP) Strategy for 2022/23 are also incorporated as part of the Statement. So too are the Prudential Indicators as required within the Prudential Code for Capital Finance in Local Authorities. The draft version of the Statement was considered by the Executive on 20 December 2021, prior to the consultation period on the draft budget for 2022/23.

Recommendations:

Council is asked to approve the Treasury Management Strategy Statement for 2022/23, which incorporates the Investment Strategy and the MRP Strategy, together with the Prudential Indicators for 2022/23 as set out in Appendix A and the Treasury Management Policy Statement as set out at Appendix D.

Tracking

Executive:	20 December 2021, 19 January 2022
Scrutiny:	BTSP 6 January 2022
Audit Committee:	10 December 2021
Council:	1 February 2022

Carlisle City Council

Report to Executive

Report details

Meeting Date:	19 January 2022
Portfolio:	Finance, Governance and Resources
Key Decision:	Yes: Recorded in the Notice Ref: KD.10/21
Policy and Budget Framework	Yes
Public / Private	Public
Title:	TREASURY MANAGEMENT STRATEGY STATEMENT, INVESTMENT STRATEGY AND MINIMUM REVENUE PROVISION STRATEGY 2022/23
Report of:	CORPORATE DIRECTOR OF FINANCE & RESOURCES
Report Number:	RD 66/21

Purpose / Summary:

This report sets out the Council's Treasury Management Strategy Statement for 2022/23, in accordance with the CIPFA Code of Practice on Treasury Management. The Investment Strategy and the Minimum Revenue Provision (MRP) Strategy for 2022/23 are also incorporated as part of the Statement. So too are the Prudential Indicators as required within the Prudential Code for Capital Finance in Local Authorities.

Recommendations:

The Executive is requested to approve the Treasury Management Strategy Statement for 2022/23, which incorporates the Investment Strategy and the MRP Strategy, together with the Prudential Indicators for 2022/23 as set out in Appendix A and the Treasury Management Policy Statement as set out at Appendix D, for recommendation to Council.

Tracking

Executive:	20 December 2021, 19 January 2022
Scrutiny:	BTSP 6 January 2022
Audit Committee:	10 December 2021
Council:	1 February 2022

1. BACKGROUND

- 1.1 The CIPFA Code of Practice on Treasury Management in Local Authorities was first issued in 1992 and updated in 1996, 2001, 2011 and 2017. The City Council formally adopted this Code in March 2002 and adopted the 2017 revision in February 2018.
- 1.2 CIPFA has consulted on revisions to the Treasury Management Code, and the Prudential Code, throughout 2021 and the new Codes are intended to be implemented by authorities for 2023/24 Treasury Management Strategies.
- 1.3 Under the requirements of the Code, the Council will receive each year the following reports:
 - Annual strategy and plan in advance of the year
 - A mid-year review
 - Annual report after its close.

2. TREASURY MANAGEMENT STRATEGY STATEMENT

- 2.1 As required under the Code, the Treasury Management Strategy Statement (TMSS) for 2022/23, which also incorporates both the Investment Strategy for that year and the Minimum Revenue Strategy, is set out in **Appendix A**. The schedule of approved investment vehicles is contained in **Appendix B** and **Appendix C** includes a summary of current economic forecasts on interest rates that have been utilised in preparing the Strategy.
- 2.2 Also included within Appendix A are the **Prudential Indicators** that must be determined under the requirements of the CIPFA Prudential Code for Capital Finance in Local Authorities. These requirements came into operation on 1 April 2004 under the provisions of the Local Government Act 2003. Part 1 of the Act allows a local authority to borrow money for any purpose that is within its control or for the purposes of the prudent management of its financial affairs. The main purpose for borrowing money is to fund capital expenditure although some short-term borrowing is permitted to cover temporary cash flow needs.
- 2.3 Since 1 April 2004 there has been no statutory limit to the amount that can be borrowed. There is, however, a requirement for full compliance with CIPFA's Prudential Code; the key objectives of which are to demonstrate that the proposed capital investment plans have been assessed by the Council as affordable, prudent and sustainable. Section 3(1) of the Act puts a duty on the Council to determine before the start of the financial year and keep under review the maximum amount that it can afford to borrow. This amount is called the **Authorised Limit** and is discussed in **Appendix A**.

- 2.4 The Prudential Indicators are monitored via the quarterly Treasury Management monitoring reports.
- 2.5 The council recognises its responsibilities in terms of climate change and environmental sustainability and that consideration of these responsibilities may form part of its Investment Portfolio; however, consideration must also be given to ensure the security of principal, portfolio liquidity and return on investment when making investment decisions. Work continues to review the Investment Strategy in line with these recognised responsibilities and this will involve ensuring that counterparties have a relevant environmental strategy that sets out their position on climate responsibilities.

3. RISKS

- 3.1 The Treasury Management function must ensure the security of Council funds at all times over the yield that is gained. It must also ensure it follows the key principles as outlined in the Treasury Management Code of Practice and the Prudential Code.
- 3.2 There is a risk that interest rates could change over the period of the Treasury Management Strategy Statement, particularly in respect of volatile economic situations, but close monitoring of the situation will be maintained, particularly if there are forecast changes to interest rates that could have an impact on borrowing decisions or reduce the availability of counterparties with which the Council can invest its funds.

4. CONSULTATION

- 4.1 The Council has appointed Link Asset Services Treasury Services as its Treasury Advisers and they have been involved in the Strategy and proposals contained within this report.
- 4.2 The draft TMSS was considered by the Audit Committee on 10 December 2021 and by BTSP on 6 January 2022. Their comments will be incorporated into the final version of the Strategy, which will be considered by Council in February.

5. CONCLUSION AND REASONS FOR RECOMMENDATIONS

- 5.1 The Executive is requested to approve the Treasury Management Strategy Statement for 2022/23, which incorporates the Investment Strategy and the MRP Strategy, together with the Prudential Indicators for 2022/23 as set out in Appendix A and the Treasury Management Policy Statement as set out at Appendix D, for recommendation to Council.

6. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

- 6.1 To ensure the Council's investments are in line with the appropriate policies including the Treasury Management Strategy Statement.

Contact details:

Contact Officer: Steven Tickner

Ext: 7280

Appendices attached to report:

Appendix A – Treasury Management Strategy Statement

Appendix B – Approved Investment Instruments

Appendix C – Interest Rate Forecasts

Appendix D – Treasury Management Policy Statement

Note: in compliance with section 100d of the Local Government Act 1972 the report has been prepared in part from the following papers:

- None

Corporate Implications:

Legal - The Council has a fiduciary duty to manage its resources effectively for the benefit of its area and the delivery of its services. Treasury Management is an important part of this function and it is appropriate that the Council has a strategy and takes account of the available specialist internal and external advice. The Treasury Management Strategy forms part of the Budget and Policy framework and, therefore, ultimately requires approval by Council.

Property Services -

Finance - contained within the report.

Equality - not applicable

Information Governance - There are no information governance issues in this report

Treasury Management Strategy Statement

Minimum Revenue Provision Policy Statement and Annual Investment Statement

Carlisle City Council

2022/23

1. INTRODUCTION

1.1 It is a statutory requirement under Section 33 of the Local Government Finance Act 1992, for the Council to produce a balanced budget. In particular, Section 32 requires a local authority to calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This, therefore, means that increases in capital expenditure must be limited to a level whereby increases in charges to revenue from: -

- increases in interest charges caused by increased borrowing to finance additional capital expenditure, and
- any increases in running costs from new capital projects

are limited to a level which is affordable within the projected income of the Council for the foreseeable future.

1.2 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.

1.3 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, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.

1.4 The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

- 1.5 Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day-to-day treasury management activities.
- 1.6 CIPFA defines treasury management as:
“The management of the local authority’s borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”
- 1.7 Revised reporting has been required from 2019/20 due to revisions of the DLUHC Investment Guidance, the DLUHC Minimum Revenue Provision (MRP) Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code. The primary reporting changes included the introduction of a capital investment strategy, to provide a longer-term focus to the capital plans, and greater reporting requirements surrounding any commercial activity undertaken under the Localism Act 2011. The capital investment strategy has been reported separately.
- 1.8 CIPFA have consulted on proposed changes to the Prudential Code and Treasury Management Codes throughout 2021 and published the final versions at the end of 2021. Implementation of the revised Codes will be for the 2023/24 Treasury Management Strategy Statements.
- 1.9 The suggested strategy for 2022/23 in respect of the following aspects of the treasury management function is based upon officers’ views on interest rates, supplemented with leading market forecasts provided by the Council’s treasury consultants. The strategy covers the following issues:
- Treasury limits in force that will limit the treasury risk and activities of the Council;
 - Prudential and Treasury Indicators;
 - Current treasury position;
 - Borrowing requirement;
 - Prospects for interest rates;
 - Borrowing strategy considerations;
 - Debt rescheduling opportunities.
 - Investment Strategy
 - Minimum Revenue Provision Strategy
 - Capital Investment Strategy

2. CAPITAL INVESTMENT STRATEGY

- 2.1 The CIPFA revised 2017 Prudential and Treasury Management Codes requires all local authorities to prepare a Capital Investment Strategy report, which will provide the following:
- a high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
 - an overview of how the associated risk is managed
 - the implications for future financial sustainability
- 2.2 The aim of the Capital Investment Strategy is to ensure that all elected members fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.
- 2.3 The Capital Investment Strategy is reported separately from the Treasury Management Strategy Statement alongside the Medium-Term Financial Plan with non-treasury investments being reported through this document. This ensures the separation of the core treasury function under security, liquidity and yield principles, and the policy and commercialism investments usually driven by expenditure on an asset. The Capital Investment Strategy will show:
- The corporate governance arrangements for these types of activities;
 - Any service objectives relating to the investments;
 - The expected income, costs and resulting contribution;
 - The debt related to the activity and the associated interest costs;
 - The payback period (MRP policy);
 - For non-loan type investments, the cost against the current market value;
 - The risks associated with each activity.
- 2.4 Where a physical asset is being bought, details of market research, advisers used, (and their monitoring), ongoing costs and investment requirements and any credit information will be disclosed, including the ability to sell the asset and realise the investment cash.
- 2.5 Where the Council has borrowed to fund any non-treasury investment, there should also be an explanation of why borrowing was required and why the DLUHC Investment Guidance and CIPFA Prudential Code have not been adhered to.
- 2.6 If any non-treasury investment sustains a loss during the final accounts and audit process, the strategy and revenue implications will be reported through the same procedure as the Capital Investment Strategy.
- ## **3. TREASURY LIMITS 2022/23 TO 2024/25**
- 3.1 It is a statutory duty, under S.3 of the Local Government Act 2003 and supporting regulations, for the Council to determine and keep under review how much it can

afford to borrow. The amount determined is termed the 'Affordable Borrowing Limit'.

- 3.2 The Council must have regard to the Prudential Code when setting its Affordable Borrowing Limit. This essentially requires it to ensure that total capital investment remains within sustainable limits and in particular, that the impact upon its future council tax levels is 'acceptable'. It is important to understand, however, that the Indicators themselves, which are set out in paragraph 6, do not have an inherently right or wrong answer. They are not intended as comparator information between different authorities but are designed to support and record local decision making.

4. USE OF TREASURY CONSULTANTS

- 4.1 The authority has, like most other authorities, employed treasury advisers for specialist advice and assistance for many years. In the case of this authority, this role has long been fulfilled by Link Asset Services.
- 4.2 Link Asset Services provide specialist advice on both borrowing and investment matters. They also supply other relevant information and hold regular client seminars which help provide up to date training in what is an important and continually changing field. That said, it is important to recognise that responsibility for all treasury matters lies solely with the City Council and this responsibility is not delegated to Link Asset Services or any other third party. The Council has regard to the advice and information supplied by Link Asset Services along with advice and information from a variety of other sources. Such advice is valued and the authority is in frequent contact with Link Asset Services but this does not lessen the ultimate responsibility of the City Council in dealing with treasury matters and taking relevant decisions.

5. CURRENT PORTFOLIO POSITION

The Council's treasury portfolio position at 26 November 2021 comprised:

Table 1		Principal £m	£m	Ave Rate %
Fixed Rate Funding	PWL Market	13.0	13.0	1.63
		0.0		
Variable Rate Funding	PWL Market	0	0	0.00
		0		
Other Long Term Liabilities			0	0.00
Gross Debt			13.0	1.63
Total Investments			26.5	0.75

6. PRUDENTIAL AND TREASURY INDICATORS 2022/23 – 2024/25

- 6.1 The Prudential and Treasury Indicators have been based on current projections for capital spending and resources in 2022/23 to 2024/25 (which may be subject to change during the budget process). Prudential Indicators are a requirement of the Prudential Code and will be specific to each local authority's circumstances (it is therefore not possible to benchmark Prudential Indicators). The Council has ensured that future years' capital programmes have been set in accordance with the principles contained within the City Council's Capital Strategy and Asset Management Plan.

PRUDENTIAL INDICATOR AFFORDABILITY INDICATORS		2020/21 actual £000	2021/22 revised estimate £000	2022/23 estimate £000	2023/24 estimate £000	2024/25 estimate £000
Capital Expenditure	(i)	14,172	32,643	36,074	9,527	3,409
Ratio of financing costs to net revenue stream	(ii)	1.19%	4.35%	7.04%	13.43%	12.51%
Net borrowing requirement in year (Internal & External)	(iii)	3,408	21,023	10,334	974	(5,400)
Capital Financing Requirement as at 31 March	(iv)	19,521	40,544	50,878	51,853	46,453
Annual change in Cap. Financing Requirement	(v)	3,408	21,023	10,334	974	(5,400)
Incremental impact of capital investment decisions						
Increase in council tax (band D) per annum (£)	(vi)	2.97	18.19	8.85	0.83	(4.54)

- (i) This is the capital expenditure as per the capital programme
- (ii) This represents how much of the net budget requirement is used for net borrowing (i.e. debt interest paid, + Minimum revenue provision, - interest received)
- (iii) Amount of the capital expenditure required to be funded by borrowing (i.e. not funded from grant, revenue or capital receipts).
- (iv) The total CFR (underlying borrowing requirement) for the Council (cumulative)
- (v) The change in the underlying borrowing requirement each year
- (vi) The change in MRP as a result of the change in the CFR (v *3%) apportioned over the Band D equivalent taxbase.

6.2 The estimates of financing costs include both current capital commitments and the capital programme. In the case of this authority, it is assumed that any support from central government towards the costs of capital expenditure programmes in the next three years will be by means of a capital grant e.g. Disabled Facilities Grant.

6.3 **The Council's Borrowing Need (Capital Financing Requirement)**

6.3.1 The Capital Financing Requirement (CFR) is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is a measure of the Council's indebtedness and so its underlying borrowing need. Any capital expenditure above, which has not immediately been paid for from capital grants, capital receipts or revenue contributions, will increase the CFR as it will be funded from borrowing.

6.3.2 The CFR does not increase indefinitely. The Minimum Revenue Provision (MRP) is a statutory annual charge to the revenue budget which reduces the CFR in line with each asset's life, and so charges the economic consumption of capital assets as they are used.

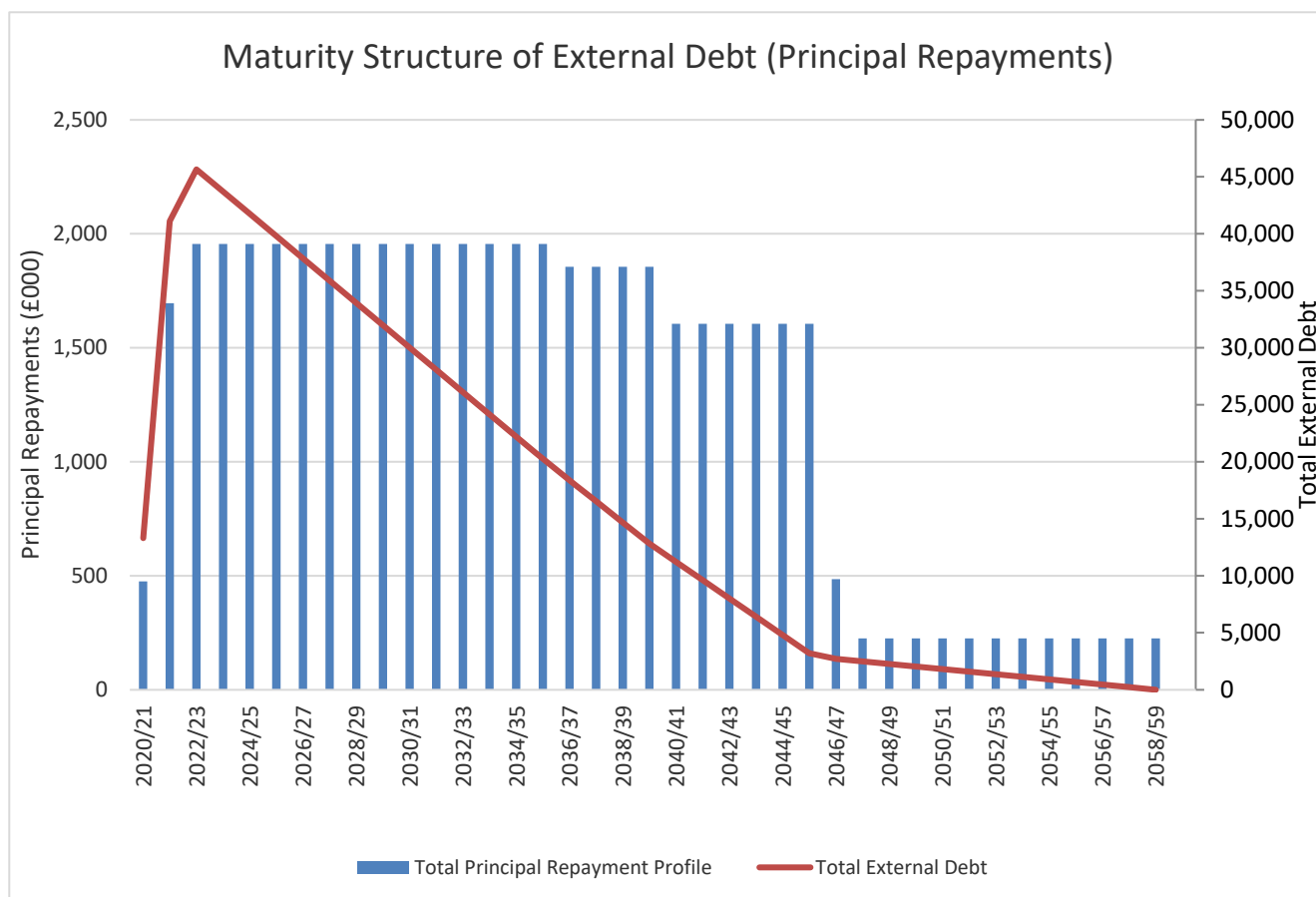
PRUDENTIAL INDICATOR TREASURY MANAGEMENT INDICATORS	2020/21 actual £000	2021/22 revised estimate £000	2022/23 estimate £000	2023/24 estimate £000	2024/25 estimate £000
Authorised Limit for External Debt:					
- Borrowing	44,000	48,000	52,000	52,000	50,000
- Other Long Term Liabilities	100	100	100	100	100
TOTAL	44,100	48,100	52,100	52,100	50,100
Operational Boundary for external debt:					
- Borrowing*	32,500	43,000	47,000	47,000	45,000
- Other Long Term Liabilities	100	100	100	100	100
TOTAL	32,600	43,100	47,100	47,100	45,100
Upper Limit for fixed interest rate exposure:					
- Net principal re. Fixed rate borrowing/investments	100%	100%	100%	100%	100%
Upper Limit for variable rate exposure					
- Net principal re. Variable rate borrowing/investments	100%	100%	100%	100%	100%
Upper Limit for total principal sums invested for over 1 year	50%	50%	50%	50%	50%

Notes:

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

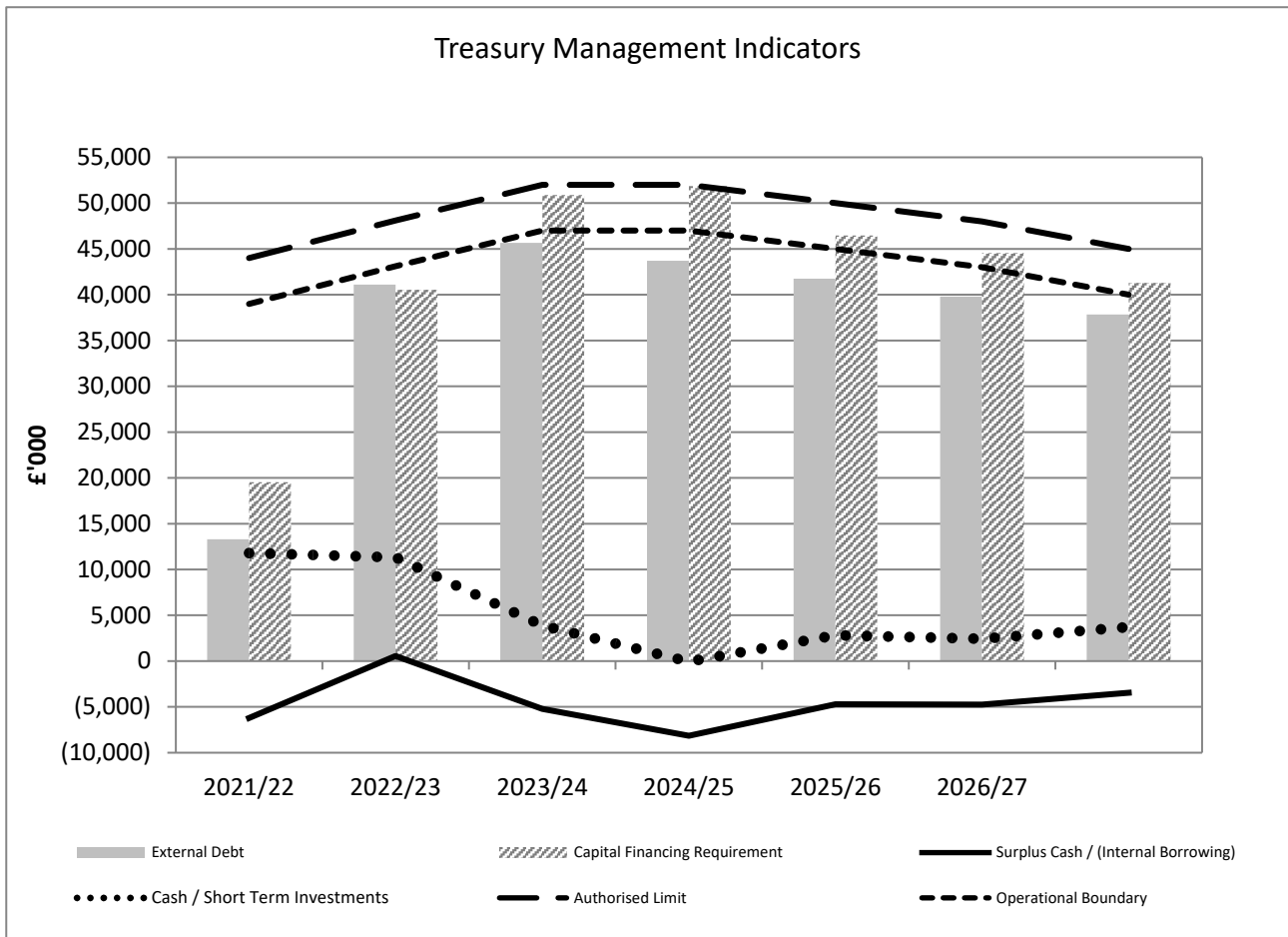
The operational boundary. This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

PRUDENTIAL INDICATOR TREASURY MANAGEMENT INDICATORS	2020/21 actual £000	2021/22 revised estimate £000	2022/23 estimate £000	2023/24 estimate £000	2024/25 estimate £000
External Debt B/Fwd	13,763	13,288	41,093	45,645	43,690
New External Debt (Actual & Planned)	0	29,500	6,507	0	0
External Debt Repaid	(475)	(1,695)	(1,955)	(1,955)	(1,955)
External Debt C/fwd	13,288	41,093	45,645	43,690	41,735



6.3.3 The graph below shows the level of external debt currently forecast against the Capital Financing Requirement. This chart makes assumptions included in the Executive's budget regarding the use of external borrowing. However, funding of capital expenditure could change, for example, if additional assets are sold

generating capital receipts or expenditure requirements change. Therefore, this chart could be subject to change in the future. This shows that external debt is not forecast to rise above the authorised limit over the next five years. However, this is predicated on the assumption that capital receipts can be generated that will be used to fund some of the capital expenditure requirements identified. Should these receipts not be achieved, then the use of borrowing will need to be re-examined. The Medium-Term Financial Plan assumes that external borrowing will be undertaken to support expenditure on major capital schemes. These areas will be closely monitored prior to any further external borrowing being undertaken.



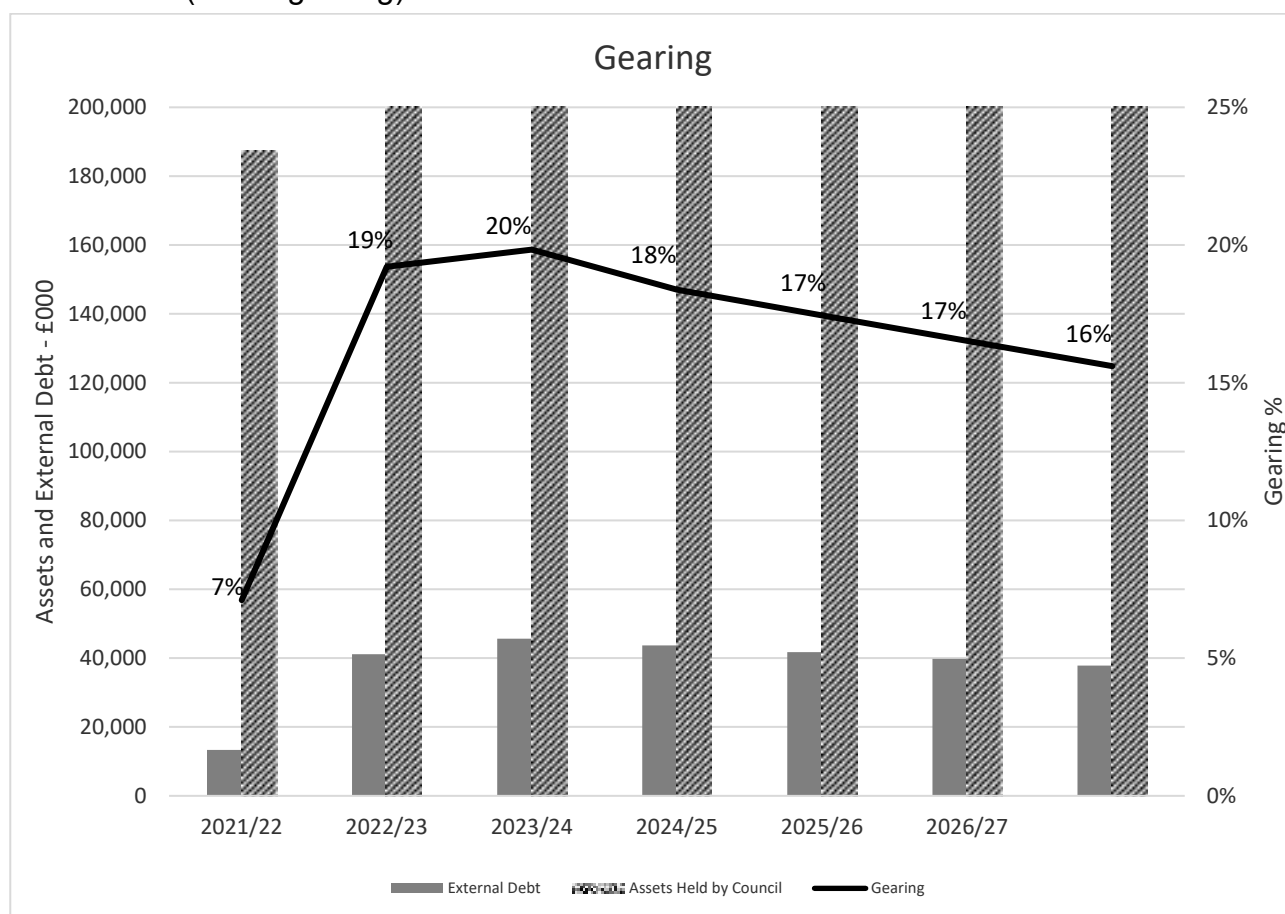
Maturity structure of any fixed rate borrowing during 2022/23	Upper limit	Lower limit
Under 12 months	100%	0%
12 months and within 24 months	100%	0%
24 months and within 5 years	100%	0%
5 years and within 10 years	100%	0%
10 years and above	100%	0%

6.3.4 In respect of its external debt, it is recommended that the Council approves the authorised limits as outlined above for its total external debt, gross of investments, for the next three financial years. The limit separately identifies borrowing from

other long-term liabilities such as finance leases. The Council will be asked to approve these limits and to delegate authority to the Corporate Director of Finance and Resources, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long-term liabilities in accordance with option appraisal and best value for money. Any such change would be reported to the next available Council meeting.

6.3.5 The authorised limit is consistent with the authority's current commitments, plans and proposals for capital expenditure and it's financing. **However, the overall authorised limit is not to be exceeded without prior Council approval.**

6.3.6 In setting the Authorised Limit consideration should be made to the chart below which demonstrates the level of indebtedness against the Council's overall asset base (i.e. its gearing).



6.3.7 The operational boundary is based upon the same estimates as the authorised limit but without the headroom included within the authorised limit to allow for unusual cash movements. As with the authorised limit, the Council is asked to delegate authority to the Corporate Director of Finance and Resources to effect movement between the separately agreed limits for borrowing and other long-term liabilities. The operational boundary can be exceeded in exceptional circumstances without prior Council approval providing that it remains within the authorised limit.

6.3.8 The City Council's current limits for maximum levels of fixed and variable rate funding are both 100% and this is as recommended by the treasury advisers.

7 PROSPECTS FOR INTEREST RATES

7.1 The Council has appointed Link Asset Services as its treasury adviser and part of their service is to assist the Council to formulate a view on interest rates. The following table gives the Link Asset Services view although it should be noted that there are some differing views among the various economic forecasters regarding the future pattern of these rates:

	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
Bank Rate	0.25%	0.25%	0.50%	0.50%	0.50%	0.75%	0.75%	0.75%	0.75%	1.00%

7.2 The coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings. As shown in the forecast table above, one increase in Bank Rate from 0.10% to 0.25% has now been included in December 2021, a second increase to 0.50% in quarter 2 of 2022/23 and a third one to 0.75% in quarter 4 of 2022/23.

7.3 Significant risks to the forecasts

- COVID vaccines do not work to combat new mutations and/or new vaccines take longer than anticipated to be developed for successful implementation.
- The pandemic causes major long-term scarring of the economy.
- The Government implements an austerity programme that suppresses GDP growth.
- The MPC tightens monetary policy too early – by raising Bank Rate or unwinding QE.
- The MPC tightens monetary policy too late to ward off building inflationary pressures.
- Major stock markets e.g., in the US, become increasingly judged as being over-valued and susceptible to major price corrections. Central banks become increasingly exposed to the “moral hazard” risks of having to buy shares and corporate bonds to reduce the impact of major financial market selloffs on the general economy.

- Geo-political risks are widespread e.g., German general election in September 2021 produces an unstable coalition or minority government and a void in high-profile leadership in the EU when Angela Merkel steps down as Chancellor of Germany; on-going global power influence struggles between Russia/China/US.

7.4 **Forecasts for Bank Rate**

7.4.1 Link are not expecting Bank Rate to go up fast after the initial rate rise; their view is that the supply potential of the economy has not taken a major hit during the pandemic: it should, therefore, be able to cope well with meeting demand after supply shortages subside over the next year, without causing inflation to remain elevated in the medium-term, or to inhibit inflation from falling back towards the MPC's 2% target after the spike up to 5%. Link are therefore forecasting five increases in Bank Rate over the forecast period to March 2025, ending at 1.25%. However, we are far from confident that these forecasts will not need changing within a relatively short timeframe for the following reasons:-

- There are increasing grounds for viewing the economic recovery as running out of steam during the summer and now into the autumn. This could lead into stagflation which would create a major dilemma for the MPC in how to strike a balance between combating inflation and supporting economic growth.
- Will some current key supply shortages spill over into causing economic activity in some sectors to take a significant hit over the next year?
- Rising gas and electricity prices could also pose a potential threat to the supply chain through some energy intensive sections of industry having to close that are no longer economic to run while prices remain so high.
- Rising gas and electricity prices in October and next April and increases in other prices caused by supply shortages, plus increases in taxation next April, are already going to deflate consumer spending power without the MPC having to take any action on Bank Rate to cool inflation and excess demand in the economy compared to supply. Then we have the Government's upcoming budget in October, which could also end up in reducing consumer spending power.
- On the other hand, consumers are sitting on around £200bn of excess savings left over from the pandemic so when will they spend this sum, in part or in total?
- It is estimated that there were around 1 million people who came off furlough on 30th September; how many of those would not have had jobs on 1st October and would, therefore, have been available for filling labour shortages in many sectors of the economy? So, supply shortages which have been driving up both wages and costs, could reduce significantly within the next six months or so and alleviate the MPC's current concerns. However, some key labour shortages will be more difficult to fill due to the need for time to train and qualify.

- There is a risk that there could be further nasty surprises on the Covid front, on top of the flu season this winter, which could depress economic activity.

7.4.2 In summary, with the high level of uncertainty prevailing on several different fronts, it is likely that these forecasts will need to be revised again soon - in line with what the new news is.

7.4.3 It also needs to be borne in mind that Bank Rate being cut to 0.10% was an emergency measure to deal with the Covid crisis hitting the UK in March 2020. At any time, the MPC could simply decide to take away that final emergency cut from 0.25% to 0.10% on the grounds of it no longer being warranted and as a step forward in the return to normalisation. The MPC may also be concerned to protect its inflation fighting credentials and may view that such a small increase would do little to damage growth. There is therefore a significant risk that the first increase could be as early as December 2021. In addition, any Bank Rate under 1% is both highly unusual and highly supportive of economic growth.

7.5 **Forecasts for PWLB rates and gilt and treasury yields**

7.5.1 As the interest forecast table for PWLB certainty rates above shows, there is likely to be a steady rise over the forecast period, with some degree of uplift due to rising treasury yields in the US.

7.5.2 There is likely to be **exceptional volatility and unpredictability in respect of gilt yields and PWLB rates** due to the following factors: -

- How strongly will changes in gilt yields be correlated to changes in US treasury yields (see explanation on the next page)? Over 10 years since 2011 there has been an average 75% correlation between movements in US treasury yields and gilt yields. However, from time to time these two yields can diverge. Lack of spare economic capacity and rising inflationary pressures are viewed as being much greater dangers in the US than in the UK. This could mean that central bank rates will end up rising earlier and higher in the US than in the UK if inflationary pressures were to escalate; the consequent increases in treasury yields could well spill over to cause (lesser) increases in gilt yields. There is, therefore, an upside risk to forecasts for gilt yields due to this correlation. The Link Group forecasts have included a risk of a 75% correlation between the two yields.
- Will the Federal Reserve take action to counter increasing treasury yields if they rise beyond a yet unspecified level?
- Would the MPC act to counter increasing gilt yields if they rise beyond a yet unspecified level?
- How strong will inflationary pressures actually turn out to be in both the US and the UK and so put upward pressure on treasury and gilt yields?
- How will central banks implement their new average or sustainable level inflation monetary policies?

- How well will central banks manage the withdrawal of QE purchases of their national bonds i.e., without causing a panic reaction in financial markets as happened in the “taper tantrums” in the US in 2013?
- Will exceptional volatility be focused on the short or long-end of the yield curve, or both?

7.5.3 The forecasts are also predicated on an assumption that there is no break-up of the Eurozone or EU within our forecasting period, despite the major challenges that are looming up, and that there are no major ruptures in international relations, especially between the US and China / North Korea and Iran, which have a major impact on international trade and world GDP growth.

7.6 **Gilt and treasury yields**

7.6.1 Since the start of 2021, there has been a lot of volatility in gilt yields, and hence PWLB rates. During the first part of the year, US President Biden’s, and the Democratic party’s determination to push through a \$1.9trn (equivalent to 8.8% of GDP) fiscal boost for the US economy as a recovery package from the Covid pandemic was what unsettled financial markets. However, this was in addition to the \$900bn support package already passed in December 2020 under President Trump. This was then followed by additional Democratic ambition to spend up to \$3.5trn on infrastructure and an ‘American families’ plan over the next decade. Financial markets were alarmed that all this stimulus, which is much bigger than in other western economies, was happening at a time in the US when: -

1. A fast vaccination programme has enabled a rapid opening up of the economy.
2. The economy had already been growing strongly during 2021.
3. It started from a position of little spare capacity due to less severe lockdown measures than in many other countries. A combination of shortage of labour caused largely by an enduring fall in the labour participation rate, and supply bottle necks, is likely to stoke inflationary pressures more in the US than in other major western countries.
4. And the Federal Reserve was still providing monetary stimulus through monthly QE purchases.

7.6.2 These factors could cause an excess of demand in the economy which could then unleash stronger and more sustained inflationary pressures in the US than in other western countries: this would imply that interest rates will eventually need to go up higher in the US than elsewhere. The September Federal Reserve minutes revealed that the Federal Reserve is likely to decide at its next meeting to start tapering monthly QE purchases by the end of 2021, reducing the level of purchases each month until they cease around the middle of 2022. These purchases are currently acting as downward pressure on treasury yields and so that pressure will reduce as tapering progresses. As an average since 2011, there has been a 75% correlation between movements in 10-year treasury yields and 10-year gilt yields.

This is a significant upward exposure to the forecasts for longer term PWLB rates. However, gilt yields and treasury yields do not always move in unison.

7.6.3 The balance of risks to medium to long term PWLB rates: -

- There is a balance of upside risks to forecasts for medium to long term PWLB rates.

7.7 **Investment and borrowing rates**

7.7.1 Investment returns are expected to improve in 2022/23. However, while markets are pricing in a series of Bank Rate hikes, actual economic circumstances may see the MPC fall short of these elevated expectations. Borrowing interest rates fell to historically very low rates as a result of the COVID crisis and the quantitative easing operations of the Bank of England and still remain at historically low levels. The policy of avoiding new borrowing by running down spare cash balances has served local authorities well over the last few years.

7.7.2 On 25 November 2020, the Chancellor announced the conclusion to the review of margins over gilt yields for PWLB rates which had been increased by 100 bps in October 2019. The standard and certainty margins were reduced by 100 bps but a prohibition was introduced to deny access to borrowing from the PWLB for any local authority which had purchase of assets for yield in its three-year capital programme. The current margins over gilt yields are as follows: -

- **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB Certainty Rate** is gilt plus 80 basis points (G+80bps)
- **PWLB HRA Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB HRA Certainty Rate** is gilt plus 80bps (G+80bps)
- **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)

7.7.3 Link's long-term (beyond 10 years), forecast for Bank Rate is 2.00%. As some PWLB certainty rates are currently below 2.00%, there remains value in considering long-term borrowing from the PWLB where appropriate. Temporary borrowing rates are likely, however, to remain near Bank Rate and may also prove attractive as part of a balanced debt portfolio.

7.7.4 While this authority will not be able to avoid borrowing to finance new capital expenditure, there will be a *cost of carry*, (the difference between higher borrowing costs and lower investment returns), to any new borrowing that causes a temporary increase in cash balances.

8 **BORROWING STRATEGY**

8.1 The Link Asset Services forecast for the PWLB new borrowing rate (repayment at Maturity) is as follows:

	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24
5 Yr PWLB	1.50%	1.50%	1.60%	1.60%	1.70%	1.80%	1.80%	1.80%	1.90%	1.90%	1.90%
10Yr PWLB	1.80%	1.80%	1.80%	1.90%	2.00%	2.00%	2.00%	2.10%	2.10%	2.20%	2.10%
25Yr PWLB	1.90%	2.00%	2.10%	2.10%	2.20%	2.20%	2.30%	2.30%	2.40%	2.40%	2.40%
50Yr PWLB	1.70%	1.80%	1.90%	1.90%	2.00%	2.00%	2.00%	2.10%	2.10%	2.20%	2.20%

8.2 The Council is, as stated above, expecting to have to borrow externally between 2021 and 2023 to finance capital expenditure on assets. Approval was given as part of the Capital Investment Strategy approved in September 2016, for the Section 151 Officer to undertake external borrowing at a time it was felt to be most appropriate to be used for the repayment or refinancing of the £15million stock issue and/or to fund the capital programme where a borrowing requirement has been identified, taking into account forecasts for potential rises in interest rates and utilising any favourable borrowing rates. It is anticipated that although a combination of capital grants and internal resources will be used to meet most capital commitments in the new financial year there will be a requirement to borrow externally. Nevertheless, the use of external borrowing is planned for in future years. The Corporate Director of Finance and Resources will therefore continue to monitor the interest rate market as regards borrowing opportunities as well as in respect of investment policy.

8.3 Against this background and the risks with the economic forecast, caution will be adopted with the 2022/23 treasury operations. The Corporate Director of Finance and Resources will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

- If it was felt that there was a significant risk of a sharp FALL in long term and short-term borrowing rates (e.g. due to a marked increase in the risks around relapse into recession or of risks of deflation), then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into shorter term borrowings will be considered.
- If it was felt that there was a significant risk of a much sharper RISE in long and short-term rates than that currently forecast, perhaps arising from an acceleration in the rate of increase in central rates in the USA and UK, an increase in world economic activity, or a sudden increase in inflation risks, then the portfolio position will be re-appraised. Most likely, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.

8.4 **Policy on borrowing in advance of need**

8.4.1 The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in

advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds. As part of the Capital Investment Strategy approved by Council in September 2016, approval in principle was given to the Council's S.151 Officer to borrowing in advance of need for the re-financing of the stock issue loan and/or to fund the capital programme where a borrowing requirement has been identified, if interest rates were favourable and would be cost effective over the term of any new loan.

8.5 **External v. Internal Borrowing**

- 8.5.1 This Council currently has differences between gross debt and net debt (after deducting cash balances). This is shown in the graphs at 6.3.
- 8.5.2 The general aim of this Treasury Management Strategy is to reduce the difference between the two debt levels over the next three years in order to reduce the credit risk incurred by holding investments. However, measures taken in the last year have already reduced substantially the level of credit risk (see paragraph 10.2) so another factor which will be carefully considered is the difference between borrowing rates and investment rates to ensure the Council obtains value for money once an appropriate level of risk management has been attained to ensure the security of its investments.
- 8.5.3 The next financial year will likely be one of continued low Bank Rates even though there may well be incremental increases from the current levels. This provides a continuation of the current window of opportunity for local authorities to fundamentally review their strategy of undertaking new external borrowing.
- 8.5.4 Over the next three years, investment rates are expected to continue to be below long-term borrowing rates and so value for money considerations would indicate that value could best be obtained by avoiding new external borrowing by using internal cash balances to finance new capital expenditure or to replace maturing external debt (this is referred to as internal borrowing). This would maximise short term savings.
- 8.5.5 However, short term savings by avoiding new long-term external borrowing in 2022/23 will also be weighed against the potential for incurring additional long-term extra costs by delaying unavoidable new external borrowing until later years when PWLB long term rates are forecast to be significantly higher. By utilising internal cash balances consideration will also need to be given to the availability of cash to service the day-to-day cash flow of the Council. This could require the Council to undertake short-term borrowing to cover cash-flows.

8.5.6 Against this background caution will be adopted with the 2022/23 treasury operations. The Corporate Director of Finance and Resources will monitor the interest rate market and adopt a pragmatic approach to changing circumstances, reporting any decisions to the appropriate decision-making body at the next available opportunity.

9. DEBT RESCHEDULING

9.1 There is unlikely to be much scope for debt rescheduling in either the current financial year or in 2022/23.

10. INVESTMENT STRATEGY

10.1 Principles

10.1.1 The DLUHC and CIPFA have extended the meaning of 'investments' to include both financial and non-financial investments. This report deals solely with financial investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets (e.g. property), are covered in the Capital Investment Strategy.

10.1.2 The Council's investment policy has regard to the following: -

- DLUHC's Guidance on Local Government Investments ("the Guidance")
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the Code")
- CIPFA Treasury Management Guidance Notes 2018

10.1.3 The Council's investment priorities will be security first, portfolio liquidity second and then yield, (return).

10.1.4 The Council will also endeavour to achieve the optimum return on its investments commensurate with proper levels of security and liquidity. Security of principal will always be the primary consideration. The risk appetite of this Council is low in order to give priority to security of its investments.

10.1.5 The above guidance from the DLUHC and CIPFA place a high priority on the management of risk. This authority has adopted a prudent approach to managing risk and defines its risk appetite by the following means (Further details of limits and timescales for all approved investments are shown at **Appendix B**): -

- Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.

- Credit ratings will be used as one means of assessing the credit quality of rated counterparties although it is recognised that reliance should not be placed on credit rating alone. The minimum short-term rating for a bank will be either F1 (Fitch) or P1 (Moody's). For a rated UK building society, a similar rating would be anticipated although the proposed criteria do give authority to the Corporate Director of Finance and Resources to approve, if considered appropriate, the addition of other building societies with both a F2 (Fitch) and a P2 rating (Moody's). This is still a high-quality credit rating but recognises the very strong record of the UK building society movement over many years in protecting the capital of all depositors. The Strategy already allows discretion to the Corporate Director of Finance and Resources to include as counterparties non-credit rated building societies whose assets total at least £1bn. Any such investment would be subject to an assessment of such a society as a suitable counterparty. There are, for example, good reasons why many building societies do not have a credit rating but there are other means of making an appropriate financial judgment.
- **Other information:** ratings will not be the sole determinant of the quality of an institution; 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 achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as “**credit default swaps**” and overlay that information on top of the credit ratings.
- **Other information sources** used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
- This authority has defined the list of **types of investment instruments** that the treasury management team are authorised to use. There are two lists in Appendix B under the categories of ‘specified’ and ‘non-specified’ investments.
 - **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year.
 - **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers before being authorised for use.

- **Non-specified investments limit.** The Council has determined that it will limit the maximum total exposure to non-specified investments as being 50% of the total investment portfolio.
- **Lending limits**, (amounts and maturity), for each counterparty are set. Total investments with any one counterparty or group currently will not exceed £10m to ensure a reasonable spread of investments in terms of counterparties. Investments with Money Market Funds and investments in overseas banks with a sovereign rating of not less than the UK sovereign rating will not exceed £4m.
- **Transaction limits** are set for each type of investment are set.
- This authority will set a limit for the amount of its investments which are invested for **longer than 365 days**.
- Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**.
- This authority has engaged **external consultants**, (see paragraph 4), to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year.
- All investments will be denominated in **sterling**.
- As a result of the change in accounting standards for 2019/20 under **IFRS 9**, this authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (The Ministry of Housing, Communities and Local Government [DLUHC], have recently issued a statutory override for Local Authorities so that the impact of IFRS9 does not affect a Council's General Fund. This override is currently in place for 5-years from 1st April 2018.)
- Due care will be taken to consider the country, group and sector exposure of the Council's investments. In addition:
Country limits:
 - where the country of registration of an institution has an average credit rating (i.e. an average sovereign credit rating) equal to, or better

than that of the UK; it will enable the Council to consider the placement of investments on the same basis applied for UK-registered institutions (i.e. subject to the overarching counterparty criteria as set out at **Appendix B**; and

- where an institution meets the approved counterparty status* but the country of registration has an average credit rating below that of the UK; limit such investments in total to such rated non-UK countries to be no more than £2m of the portfolio.
i.e. it meets the overarching counterparty criteria as set out at **Appendix B**.
- sector limits will be monitored regularly for appropriateness.

10.1.6 Following approval in 2014/15, the Council now makes use of the CCLA Property Fund for longer term investments, and at present has invested £3m into this fund. The anticipated yield from this investment is assumed to be 4.00% in the MTFP.

10.1.7 Any investments with institutions that do not have a credit rating e.g. many smaller building societies or investments for periods over one year would be classed as non-specified investments. **However, it is important to stress that both the specified and non-specified investments in Appendix B are perfectly legal instruments in which the City Council may invest.** This includes for example many building societies as only the larger societies have an individual credit rating although there are other criteria by which a judgement can be made as to their credit quality.

10.2 **Creditworthiness Policy**

10.2.1 This Council applies the creditworthiness service provided by Link Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard & Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- credit watches and credit outlooks from credit rating agencies;
- CDS spreads to give early warning of likely changes in credit ratings;
- sovereign ratings to select counterparties from only the most creditworthy countries.

10.2.2 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 suggested duration for investments. The Council will therefore have consideration to using counterparties within the following durational bands:

Yellow	5 Years *
Dark Pink	5 years for Ultra-Short Dated Bond Funds with a credit score of 1.25
Light pink	5 years for Ultra-Short Dated Bond Funds with a credit score of 1.5
Purple	2 years
Blue	1 year (only applies to nationalised or semi nationalised UK Banks)
Orange	1 year
Red	6 months
Green	100 Days
No Colour	Not to be used

**The Council does not usually invest for longer periods than 2-years, however if it were to it would follow the same creditworthiness policy provided by Link Asset Services*

10.2.3 The Link Asset Services' creditworthiness service uses a wider array of information other than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue preponderance to just one agency's ratings.

10.2.4 All credit ratings will be monitored weekly. The Council is alerted to changes to ratings of all three agencies through its use of the Link Asset Services' creditworthiness service.

- if a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
- in addition to the use of credit ratings the Council will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a daily basis via its Passport website, provided exclusively to it by Link Asset Services. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

10.2.5 Sole reliance will not be placed on the use of this external service. In addition, this Council will also use market data and market information, information on any external support for banks to help support its decision-making process.

10.3 **Investment Strategy**

10.3.1 With bank base rate forecast for a first increase in Bank Rate in late 2021.

However, the September 2021 Monetary Policy Committee (MPC) meeting minutes indicated that their concerns over the sudden recent rise in multiple inflationary pressures could well mean that an earlier increase in Bank Rate is now possible ahead of the start of the financial year covered by this Strategy. The view of Link Asset Services is that bank rate will be at the following levels:

	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
Bank Rate	0.25%	0.25%	0.50%	0.50%	0.50%	0.75%	0.75%	0.75%	0.75%	1.00%

10.3.2 The Council has historically outperformed bank rates in its investment returns.

Therefore, the suggested budgeted average investment earnings currently included in the MTFP projections are as follows:

	Investment Balances	CCLA Property Fund
2022/23	0.83%	4.00%
2023/24	1.08%	4.00%
2024/25	1.33%	4.00%

10.3.3 Clearly, these projections can only be best estimates at this stage and the risk is to the downside i.e. if the economic recovery is slower than expected, then interest rates are likely to rise more slowly. At this stage, the budget for 2022/23 has assumed an average yield of 0.83% on its investments (excluding CCLA Property Fund) in the next financial year. This allows for the fact that there are some higher value, longer term investments placed and there will be some shorter dated instant access investments placed. This forecast will, however, be reviewed further during the budget cycle. The anticipation of interest yielded from investing in the Property Fund is estimated at 4.00% in the MTFP.

10.3.4 In this situation, the authority will continue to try and seek value in its investments by placing them out for longer periods where possible e.g. six months to one year, to meet future cash flow needs, subject to retaining some sums for shorter periods to meet liquidity requirements and also to take advantage of any particular investment opportunities. Much of the basic framework of the authority's cash flows is already known for the next financial year and use will be made of this information in determining investment periods. The money market is monitored daily and use will be made of a plurality of sources of financial information in determining investment opportunities. All investments will be placed only with institutions that conform to the criteria set out in the Investment Strategy. However, should the council use internal cash balances to support the capital programme rather than undertaking external borrowings this will have a significant impact on the investment returns achieved, but will be offset by reduced costs of borrowing.

10.3.5 The investment income budget will, as ever, be carefully monitored in the coming financial year and reported to members via the regular Treasury Transactions reports.

10.4 **End of Year Investment Report**

In line with current practice, the Council will receive a report on its investment activity as part of the Annual Treasury Report at the end of the financial year. It should also be noted that best practice now requires a mid-year report on the treasury function. This has long been the practice within the City Council where quarterly reports are presented to the Executive. In addition, the Audit Committee has taken on the role of the 'strategic committee' that oversees treasury matters.

11. **THE MINIMUM REVENUE PROVISION STRATEGY**

11.1 The Council implemented the new Minimum Revenue Provision (MRP) guidance in 2008/09 and will assess their MRP for 2022/23 in accordance with the main recommendations contained within the guidance issued by the Secretary of State under section 21(1A) of the Local Government Act 2003. Furthermore, the Council revised its MRP Policy in 2017/18 to provide for MRP on a 3% straight Line basis going forward.

11.2 The Council is currently forecasting to undertake additional external borrowing in 2022/23 to facilitate the delivery of its capital programme. Current estimates include this borrowing on a principal and interest repayment basis. Any principal repaid would be a cash outflow for the Council and cash would be replenished through the charging of MRP from the General Fund to reduce the underlying borrowing requirement.

11.3 The Council is obliged to make proper provision for the repayment of its outstanding debt liabilities. Capital expenditure is generally expenditure on assets which have a life expectancy of more than one year e.g. land, buildings, vehicles etc. It would usually be impractical to charge the entirety of such expenditure, which is often funded by borrowing, to the revenue account in the year it was incurred. Instead, this is spread over a longer period to try and match the years over which these assets will benefit the community. The manner of spreading these costs is through the Minimum Revenue Provision (MRP). Until recently, the MRP was calculated according to detailed and complex regulations. It is now determined under Guidance.

11.4 The only statutory duty that a local authority has under the new MRP regime is '*to determine for the current financial year an amount of minimum revenue provision that it considers to be prudent*'. The Guidance, which authorities must 'have regard to' provides four options for calculating the MRP. It is important to realise, however,

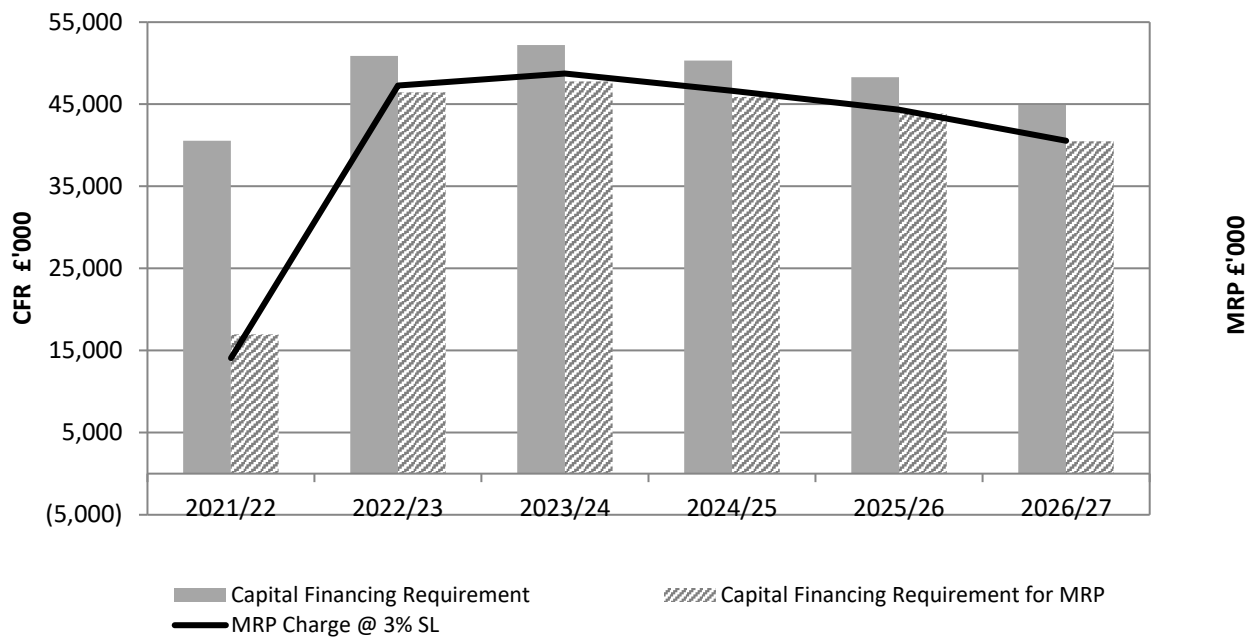
that there is no obligation to follow any of these options and that it is up to each authority to decide upon the most appropriate method of making a prudent provision, having had regard to the Guidance.

- 11.5 Using the 3% Straight Line method for calculating the MRP charge more reflects an average life of Council assets of 33 years and since it has a mix of short life assets such as vehicles (typical life 5-10 years) and long-life assets such as land and buildings (typical life 40-50+ years) this is still deemed to be a prudent approach to take.
- 11.6 In 2021/22, the opening CFR was £19.521million.
- 11.7 In 2018/19 the Council implemented a recommendation from Link Asset Services to review its CFR for MRP purposes in relation to what is known as 'Adjustment A'. The purpose of Adjustment A was to ensure that the starting point for calculating MRP under the new system in 2004 did not significantly vary the level of liability that would have arisen had the previous system of capital controls remained unchanged.
- 11.8 The MRP review undertaken by (then) Capita Asset Services identified a misstatement in the basis of calculation of Adjustment A which indicated that the value originally assessed in 2004/05 to be understated. The Council's reassessed Adjustment A figure is £4.426 million. This misstatement related to the inclusion of revenue expenditure (premiums on the early repayment of debt) being included in the original Adjustment A calculation which the Code states should be excluded from the calculation.
- 11.9 Therefore when calculating MRP for future years, the actual Capital Financing requirement should be reduced by this Adjustment A figure and then MRP charged at 3% of the reduced figure.
- 11.10 The CFR and MRP charges currently included in the MTFP and budget projections are as follows (The MRP charge calculated for 2022/23 is chargeable in 2023/24 and so on):

	2022/23 £000	2023/24 £000	2024/25 £000
Opening CFR	19,521	40,544	50,878
Closing CFR	40,544	50,878	52,192
Adjustment A	4,426	4,426	4,426
Adjustment Assets Under Construction	19,165	0	0
CFR for MRP Purposes	16,953	46,452	47,766
MRP Charge @ 3%	509	1,394	1,433
Adjustments to MRP for historical Overpayments	(241)	(241)	(241)
Actual MRP charge	268	1,153	1,192
Voluntary MRP	0	0	0
Actual MRP charge	268	1,153	1,192

- 11.11 MRP is a statutory requirement for local authorities to charge to their revenue account for each financial year a prudent amount for the principal cost of their debt in that financial year. It impacts upon the CFR, one of the Council's prudential indicators.
- 11.12 The CFR is a measure of the Council's underlying debt liability, resulting from historic capital expenditure which has been financed from borrowing. Amending the MRP as proposed will lead to an increase in the short to medium term CFR compared to current projections. This is because the MRP reduces the CFR each year, so a decrease in the amount of reduction causes an increase in the current projected CFR.
- 11.13 When an amount previously set aside for debt liability in the budget is released and then used for another revenue purpose the Authority will have less cash. This is likely to lead to a reduction in external investments and with thus lead to a reduction in interest income.
- 11.14 The regulations allow the Authority to review its policy every year and set a policy that it considers prudent at that time. The impact of a revised MRP policy will be kept under regular review in order to ensure that the annual provision is prudent.
- 11.15 As the MRP policy has to be considered by the Executive and approved by Council each year there will be an opportunity to revisit any decision at least annually or make additional voluntary payments.
- 11.16 The chart below shows the anticipated CFR in future years as well as the CFR for MRP Calculation purposes.

CFR and MRP charges



APPROVED INVESTMENT INSTRUMENTS

Specified Investments

All such investments will be sterling denominated, with **maturities up to maximum of 1 year**, meeting the minimum 'high' rating criteria where applicable.

- All UK banks and building societies with a minimum specified 'high' credit rating shall have a **maximum of £6m** as the counterparty limit (**individual Transaction Limit for fixed term investments £2m, for instant access and call accounts £6m**).
- Investments with Lloyds Group banks, HSBC, Santander and Goldman Sachs shall have a maximum of **£10m** as the counterparty limit.
- All overseas banks with a sovereign rating of not less than the UK sovereign rating and a minimum individual credit rating, shall have a **maximum of £4m** as the counterparty limit (**individual Transaction Limit for fixed term investments £2m, for instant access and call accounts £4m**).
- Where an institution meets the approved counterparty status but the country of registration has an average credit rating below that of the UK; limit such investments in total to such rated non-UK countries to be no more than **£2m** as the counterparty limit. (**individual Transaction Limit for fixed term investments £2m, for instant access and call accounts £2m**).
- UK building societies that are not credit rated shall have a maximum of **£2m** as the counterparty limit. (**individual Transaction Limit for fixed term investments £2m, for instant access and call accounts £2m**).
- MMFs shall have a maximum counterparty limit of **£4m** (**Individual Transaction limit of £4m**).

Fixed Term Deposits with fixed rates and maturities:-	Minimum 'High' Credit Criteria	Use
Debt Management Agency Deposit Facility	Government backed	In-house
Term deposits – local authorities	--High level of security	In-house
Term deposits – U K banks**	Short-term F1 (Fitch) or P1(Moodys)	In-house
Term Deposits – UK building societies**	Short Term F1 (Fitch) or P1 (Moodys) or as determined by the Chief Finance Officer	In-house
Term Deposits – Non UK Banks	Sovereign Rating (not less than UK) Short Term F1 (Fitch) or P1 (Moodys) or as determined by the Chief Finance Officer	In-house
Fixed term deposits with variable rate and variable maturities: -	Minimum 'High' Credit Criteria	Use
Callable deposits	Short-term F1 (Fitch) or P1 (Moodys)	In-house
Certificates of deposits issued by UK banks and building societies	Short-term F1 (Fitch) or P1 (Moodys)	In-house buy and hold
UK Government Gilts	Government backed	In-house buy and hold

Bonds issued by multilateral development banks	AAA	In-house on a 'buy-and-hold' basis.
Bonds issued by a financial institution which is guaranteed by the UK government	AAA	In-house on a 'buy-and-hold' basis.
Collective Investment Schemes structured as Open Ended Investment Companies (OEICs): -	Minimum 'High' Credit Criteria	Use
1. Money Market Funds	Short-term AAA	In-house
2. Enhanced Cash Funds	Short-term AAA	In-house
3. Government Liquidity Funds	Short-term AAA	In-house

** If forward deposits are to be made, the forward period plus the deal period should not exceed one year in aggregate.

Non-Specified Investments:

A maximum of 50% will be held in aggregate in non-specified investments

1. Maturities of ANY period.

	Minimum Credit Criteria	Use	Max % of total investments	Max. maturity period
Term deposits with non credit rated UK Building Societies	As approved by the S151 Officer. Minimum asset base of £1bn	In-house	50	364 days
Ultra-Short Dated Bond Funds with a credit score of 1.25	AAA	In-house	50	Liquid
Ultra-Short Dated Bond Funds with a credit score of 1.5	AAA	In-house	50	Liquid

2. Maturities in excess of 1 year

	Minimum Credit Criteria	Use	Max % of total investments	Max. maturity period
Term deposits – local authorities	Any authority	In-house	50	3 Years
Term deposits – UK banks and building societies	Long-term A (Fitch) or A2 (Moody's)	In-house	50	3 Years
Fixed term deposits with variable rate and variable maturities	Minimum Credit Criteria	Use	Max % of total investments	Max. maturity period
Certificates of deposits issued by UK banks and building societies	Long-term A (Fitch) or A2 (Moody's)	In house on a 'buy and hold basis'	50	3 Years
UK Government Gilts	Government backed	In house on a 'buy and hold basis'	50	3 Years
Bonds issued by multilateral development banks	AAA	In-house on a 'buy-and-hold' basis.	50	3 Years
Bonds issued by a financial institution which is guaranteed by the UK government	AAA	In-house on a 'buy-and-hold' basis.	50	3 Years
Collective Investment Schemes structured as Open Ended Investment Companies (OEICs)	Minimum Credit Criteria	Use	Max % of total investments	Max. maturity period
1. Bond Funds	Long-term AAA	In-house	50	3 Years
2. Gilt Funds	Long-term AAA	In-house	50	3 Years

3. Approved Property Funds

	Use	Max % of total investments	Max. maturity period
CCLA Property Fund	In-house as determined by the S151 Officer	50	No maximum

The Council uses Fitch (primarily) or Moody's ratings to derive its counterparty criteria. All credit ratings will be monitored monthly. The Council is alerted to changes in credit ratings

through its use of the Link Asset Services creditworthiness service. If a downgrade results in the counterparty/investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.

INTEREST RATE FORECASTS

The data below shows a variety of forecasts published by Link Asset Services and Capital Economics. The forecast within this strategy statement has been drawn from these diverse sources and officers' own views. Revised forecasts will be provided when they become available. The rates shown below for PWLB borrowing include the 20bps reduction for the Certainty Rate.

1. INDIVIDUAL FORECASTS

Link Group Interest Rate 20.12.21													
	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
3 month ave earnings	0.30	0.50	0.50	0.60	0.70	0.80	0.90	0.90	1.00	1.00	1.00	1.00	1.00
6 month ave earnings	0.50	0.60	0.60	0.70	0.80	0.90	1.00	1.00	1.10	1.10	1.10	1.10	1.10
12 month ave earnings	0.70	0.70	0.70	0.80	0.90	1.00	1.10	1.10	1.20	1.20	1.20	1.20	1.20
5yr PWLB	1.50	1.50	1.60	1.60	1.70	1.80	1.80	1.80	1.90	1.90	1.90	2.00	2.00
10 yr PWLB	1.70	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10	2.20	2.30
25 yr PWLB	1.90	2.00	2.10	2.10	2.20	2.20	2.30	2.30	2.30	2.40	2.40	2.50	2.50
50 yr PWLB	1.70	1.80	1.80	1.90	2.00	2.00	2.10	2.10	2.10	2.20	2.20	2.30	2.30
Bank Rate													
Link	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
Capital Economics	0.50	0.75	0.75	1.00	1.25	1.25	1.25	1.25	-	-	-	-	-
5yr PWLB Rate													
Link	1.50	1.50	1.60	1.60	1.70	1.80	1.80	1.80	1.90	1.90	1.90	2.00	2.00
Capital Economics	1.80	1.90	2.10	2.20	2.30	2.30	2.40	2.40	-	-	-	-	-
10yr PWLB Rate													
Link	1.70	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10	2.20	2.30
Capital Economics	2.00	2.10	2.20	2.30	2.30	2.40	2.50	2.50	-	-	-	-	-
25yr PWLB Rate													
Link	1.90	2.00	2.10	2.10	2.20	2.20	2.30	2.30	2.30	2.40	2.40	2.50	2.50
Capital Economics	2.20	2.30	2.50	2.70	2.70	2.70	2.80	2.80	-	-	-	-	-
50yr PWLB Rate													
Link	1.70	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.20	2.20	2.30	2.30
Capital Economics	1.90	2.00	2.20	2.40	2.50	2.60	2.70	2.90	-	-	-	-	-

TREASURY MANAGEMENT POLICY STATEMENT

Carlisle City Council defines treasury management as:

“The management of the organisation’s borrowings, investments and cash flows, including its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”

Carlisle City Council regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the authority, and any financial instruments entered into to manage these risks.

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

Investment Policy

The Council will manage its investments in line with the criteria set out in section 10 of the TMSS with the security of investment being paramount. The Council’s investments will be placed in line with those outlined in Appendix B of the TMSS.

Borrowing Strategy

The Council will manage its borrowings in line with the criteria set out in section 8 of the TMSS with the emphasis being on external borrowing only being taken when absolutely necessary and ensuring it offers the best value for money.

**EXCERPT FROM THE MINUTES OF THE
AUDIT COMMITTEE
HELD ON 10 DECEMBER 2021**

AUC.67/21 DRAFT TREASURY MANAGEMENT STRATEGY STATEMENT, INVESTMENT STRATEGY AND MINIMUM REVENUE PROVISION STRATEGY 2022/23

The Corporate Director of Finance and Resources submitted report RD.53/21 which set out the Council's draft Treasury Management Statement for 2022/23 in accordance with the CIPFA Code of Practice on Treasury Management. The Investment Strategy and the Minimum Revenue Provision (MRP) for 2022/23 were incorporated into the Statement, as were the Prudential Indicators as stipulated on the Prudential Code for Capital Finance in Local Authorities.

The report had previously been considered by the Executive and the Business and Transformation Scrutiny Panel. The Committee considered the report on an annual basis, there were no significant changes over the last year, the report provided an updated commentary on the economic forecast.

In relation to the Appendix A - Draft Treasury Management Statement, paragraph 6.1, the Chair suggested it would be helpful to indicate in the table which of the heading areas were within acceptable levels.

The Corporate Director of Finance and Resources responded that in relation to those items there were no targets or standard levels, however, she agreed some additional narrative would be useful and undertook to incorporate some in the final version of the Statement.

RESOLVED - That the Draft Treasury Management Statement, Investment Strategy and Minimum Revenue Provision Strategy 2022/23 be received.

EXCERPT FROM THE MINUTES OF THE EXECUTIVE HELD ON 20 DECEMBER 2021

EX.155/21 DRAFT TREASURY MANAGEMENT STRATEGY STATEMENT, INVESTMENT STRATEGY AND MINIMUM REVENUE PROVISION STRATEGY 2022/23

(Key Decision – KD.10/21)

Portfolio Finance, Governance and Resources

Relevant Scrutiny Panel Business and Transformation

Subject Matter

Pursuant to Minute EX.135/21, the Finance, Governance and Resources Portfolio Holder submitted report RD.53/21 setting out the Council's draft Treasury Management Strategy Statement for 2022/23 in accordance with the CIPFA Code of Practice on Treasury Management. The Investment Strategy and the Minimum Revenue Provision Strategy for 2022/23 were incorporated as part of the Statement, as were the Prudential Indicators as required within the Prudential Code for Capital Finance in Local Authorities.

The report had been considered by the Audit Committee on 10 December 2021 and would be considered by the Business and Transformation Scrutiny Panel on 6 January 2022.

The Finance, Governance and Resources Portfolio Holder moved the recommendation set out within the report and the Leader seconded the recommendation.

Summary of options rejected None

DECISION

That the Executive noted the draft Treasury Management Strategy Statement for 2022/23, which incorporated the Investment Strategy and the Minimum Revenue Provision (MRP) Strategy, together with the Prudential Indicators for 2022/23 as set out in Appendix A and the Treasury Management Policy Statement as set out at Appendix D to Report RD.53/21; and sought comments from the Business and Transformation Scrutiny Panel in January 2022.

Reasons for Decision

To ensure the Council's investments are in line with the appropriate policies including the Treasury Management Strategy Statement

EXCERPT FROM THE MINUTES OF THE EXECUTIVE HELD ON 22 NOVEMBER 2021

Item
9.

EX.127/21 BUDGET PROCESS 2022/23 - 2026/27

The Deputy Leader introduced Agenda item A.1 which constituted the official start of the 2022/23 Budget process. The reports under consideration by the Executive today would proceed to Scrutiny, and come back before the Executive, prior to submission to the Special Council meeting scheduled to take place on 1 February 2022.

EX.128/21 BUDGET UPDATE - REVENUE ESTIMATES 2022/23 TO 2026/27

(Key Decision KD.10/21)

Portfolio Finance, Governance and Resources

Relevant Scrutiny Panel

Health and Wellbeing; Economic Growth; Business and Transformation

Subject Matter

The Deputy Leader submitted report RD.46/21 providing a summary of the Council's revised revenue base estimates for 2021/22, together with base estimates for 2022/23 and forecasts up to 2026/27 for illustrative purposes. The base estimates had been prepared in accordance with the guiding principles for the formulation of the budget over the next five-year planning period as set out in the Medium Term Financial Plan (MTFP) and Charging Policy; Capital Strategy; and Asset Management Plan approved by Council on 14 September 2021.

The report set out known revisions to the MTFP projections, although there were a number of significant factors affecting the budget that were currently unresolved and which would be considered as the budget process progressed (paragraph 1.3 referred).

Details of the outstanding key issues and resource assumptions were set out at Section 4 and details of the income and budget monitoring shortfalls were documented at paragraph 5.7. Section 8 of the report set out the funding requirements for the Local Government Reorganisation.

The Deputy Leader concluded by moving the recommendations as detailed within the report. The Leader seconded them.

Summary of options rejected none

DECISION

That the Executive:

1. Noted the revised base estimates for 2021/22 and base estimates for 2022/23.
2. Noted the current Medium Term Financial Plan projections, which would continue to be updated throughout the budget process as key issues became clearer and decisions were taken.
3. Noted the initial budget pressures, bids and savings which needed to be taken into account as part of the 2022/23 budget process.
4. Noted the review of the earmarked reserves as outlined in paragraph 9 and Appendix F to Report RD.46/21.

Reasons for Decision

To note the Revenue Base Estimates; updated Medium Term Financial Plan projections and budget pressures / savings for consideration as part of the 2022/23 budget process

EX.129/21 REVIEW OF CHARGES 2022/23 - COMMUNITY SERVICES

(Key Decision KD.10/21)

Portfolio Environment and Transport; Culture, Heritage and Leisure

Relevant Scrutiny Panel

Economic Growth; Health and Wellbeing; Business and Transformation

Subject Matter

The Deputy Leader submitted report CS.37/21 setting out the proposed fees and charges for 2022/23 relating to those services falling within the Community Services Directorate. The report proposed a varied approach to the charges for the use of the city centre. To encourage the use of commercial pitches, pavement cafes and Farmers Markets it was proposed to maintain the rates at the current rate and the remainder of charges would increase by 3%. It was also proposed that 10p be added to all tariffs across all car parks and an increase of 10p per day to permit prices.

Details of the other proposed charges in relation to City Centre usage by external organisations; events; digital banner; Old Fire Station; allotments; use of parks; sports pitches; Talkin Tarn; Bereavement Services; Waste Services and Garage charges were also provided.

The original 2021/22 budgets and 2022/23 forecast income levels based upon the current charge structure and forecast volume were as detailed in the table in section 11 of the report. The charges highlighted within the report would result in an anticipated level of income of £2,810,500 against the MTFP target of £3,196,200. That represented a shortfall of £385,700 against the MTFP target.

The Deputy Leader moved and the Leader seconded the recommendations.

Summary of options rejected none

DECISION

That the Executive:

1. Had reviewed the proposed charges as set out in the body of Report CS.37/21 and relevant appendices with effect from 1 April 2022, noting the impact those would have on income generation as detailed within the report.
2. Made the report of proposed charges available to relevant Scrutiny Panels for their review and comment.

Reasons for Decision

To ensure that the City Council's Corporate Charging Policy is complied with.

EX.130/21 REVIEW OF CHARGES 2022/23 - ECONOMIC DEVELOPMENT

(Key Decision KD.10/21)

Portfolio Economy, Enterprise and Housing

Relevant Scrutiny Panel

Economic Growth; Business and Transformation

Subject Matter

The Deputy Leader submitted report ED.39/21 setting out the proposed fees and charges for areas falling within the responsibility of the Economic Development Directorate.

The proposed charges in relation to Planning Services included Development Control income; Building Control income; Building Control Discretionary Charges; Shop Mobility and Investment and Policy Income.

Acceptance of the charges highlighted within the report would result in an anticipated level of income of £656,000 against the Medium Term Financial Plan target of £656,000.

The Deputy Leader then moved the recommendation, which was seconded by the Leader.

Summary of options rejected none

DECISION

That the Executive agreed the charges, for consultation, as set out in Report ED.39/21 and accompanying Appendices, with effect from 1 April 2022; noting the impact those would have on income generation as detailed within the report.

Reasons for Decision

To ensure that the City Council's Corporate Charging Policy is complied with.

EX.131/21 REVIEW OF CHARGES 2022/23 - GOVERNANCE AND REGULATORY SERVICES

(Key Decision KD.10/21)

Portfolio Cross Cutting

Relevant Scrutiny Panel

Health and Wellbeing; Business and Transformation

Subject Matter

The Deputy Leader submitted report GD.55/21 concerning the proposed fees and charges for areas falling within the responsibility of the Governance and Regulatory Services Directorate.

The report set out the proposed charges relative to Environmental Health and Housing; Homeless, Prevention and Accommodation Services; and Legal Services.

The introduction of the proposed charges was forecast to generate income of £802,800 in 2022/23 as summarised in the table at paragraph 5.11.1 of the report.

The Deputy Leader then moved the report, it was seconded by the Leader.

Summary of options rejected none

DECISION

That the Executive agreed for consultation the charges as detailed within Report GD.55/21 and accompanying Appendices, with effect from 1 April 2022; noting the impact those would have on income generation as detailed within the report.

Reasons for Decision

To ensure that the City Council's Corporate Charging Policy is complied with

EX.132/21 REVIEW OF CHARGES 2022/23 - LICENSING

(Key Decision KD.10/21)

Portfolio Finance, Governance and Resources

Relevant Scrutiny Panel Business and Transformation

Subject Matter

The Deputy Leader submitted report GD.82/21 setting out the proposed fees and charges for areas falling within the responsibility of the Licensing Section of the Governance and Regulatory Services Directorate. The Regulatory Panel had responsibility for determining the licence fees, with the exception of those under the Scrap Metal Dealers Act 2013, which fell to the Executive.

The Deputy Leader then moved that the Executive note the charges which had been considered by the Regulatory Panel on 27 October 2021. The fees under the Scrap Metal Dealers Act 2013 fell to the Executive for approval and were included in appendix A of the report. The Leader seconded the recommendation.

Summary of options rejected none

DECISION

That the Executive:

1. Noted the charges which were considered by the Regulatory Panel on 27 October 2021.
2. Approved the charges, for consultation, under the Scrap metal Dealers Act 2013 with effect from 1 April 2022.

Reasons for Decision

To ensure that the City Council's Corporate Charging Policy is complied with and sufficient income is generated to cover the costs associated with administering and enforcing the Council's statutory licensing function.

EX.133/21 REVISED CAPITAL PROGRAMME 2021/22 AND PROVISIONAL CAPITAL PROGRAMME 2022/23 TO 2026/27

(Key Decision KD.10/21)

Portfolio Finance, Governance and Resources

Relevant Scrutiny Panel

Economic Growth; Health and Wellbeing; Business and Transformation

Subject Matter

The Deputy Leader submitted report RD.47/21 detailing the revised Capital Programme for 2021/22, now totalling £29,917,200, together with the proposed method of financing. The summary of the revised programme for 2021/22 showed a potential borrowing requirement in the sum of £28,794,905.

Also summarised was the proposed programme for 2022/23 to 2026/27 in the light of the new capital proposals identified, together with the estimated capital resources available to fund the programme.

The Deputy Leader concluded his presentation by moving the recommendations as detailed within the Corporate Director's report. The Leader seconded the recommendation.

Summary of options rejected none

DECISION

That the Executive:

1. Noted the revised capital programme and relevant financing for 2021/22 as set out in Appendices A and B to Report RD.47/21 including approval of the reduction of £1,894,800 to the 2021/22 capital programme;
2. Had given initial consideration and views on the proposed capital spending for 2022/23 to 2026/27 given in the report in the light of the estimated available resources;
3. Noted that any capital scheme for which funding had been approved by Council may only proceed after a full report, including business case and financial appraisal, had been approved.

Reasons for Decision

To note the details of the revised Capital Programme and relevant financing and make arrangements for the new capital bids to be considered as part of the 2022/23 budget process

EX.134/21 CORPORATE ASSETS - 3 YEAR REPAIR AND MAINTENANCE PROGRAMME 2022/23 TO 2024/25

(Key Decision KD.10/21)

Portfolio Finance, Governance and Resources

Relevant Scrutiny Panel Business and Transformation

Subject Matter

The Deputy Leader submitted report GD.79/21 setting out the repair and maintenance programme budget proposals for the Council's Corporate Property assets for the three year period 2022/23 to 2024/25, required to ensure that the legal responsibilities of the City Council were met.

Local authorities had a duty to manage their property assets, particularly operational assets, in a safe and efficient manner which contributed to the quality of service delivery. The maintenance strategy was fully integrated with the Asset Management Plan and environmental policy. In addition, the Council followed good practice by, where practical, allocating its budget 70% planned maintenance and 30% reactive maintenance.

The report indicated that the proposed 2022/23 revenue maintenance budget amounted to approximately £782,200 spread across a wide range of assets; and that the Council had a capitalised major repairs programme with a provision of £250,000 included in the Capital Programme. The total outstanding maintenance figure on the operational buildings, based on a costed 5 year plan derived from the Condition Surveys, currently stood at just under £2,164,000. That figure omitted the outstanding maintenance works at the Pools due to the impending closure of the facility, however, it was anticipated that the total maintenance figure would rise once costs associated with the Victorian Health Suite and the Sands sports hall roof were known.

Turning to the issue of planned maintenance, the report recorded that the projects detailed at Section 2 reflected the highest priority projects to be funded from capital. The Council had submitted a bid for Public Sector Decarbonisation Scheme funding. The bid totalled £2.1million and if successful would allow energy efficiency improvements to be undertaken to a number of the Council's operational assets.

The Deputy Leader concluded by moving the recommendations set out in the report. The Leader seconded the recommendation.

Summary of options rejected none

DECISION

That the Executive approved:

1. The three-year revenue maintenance programme set out in Appendix A to Report GD.79/21 as part of the budget process.
2. The 2022/23 capital budget of £250,000 and the associated list of capital projects selected to meet the allocated budget.

Reasons for Decision

The Council's property assets require regular repair and maintenance to ensure they provide a safe working environment for their users and occupiers. The recommendations outlined ensured that Council assets were maintained to a standard that supported service provision and ensured the safety and comfort of their users and occupiers.

EX.135/21 TREASURY MANAGEMENT QUARTER 2 2021/22 AND FORECASTS FOR 2022/23 TO 2026/27

(Key Decision KD.10/21)

Portfolio Finance, Governance and Resources

Relevant Scrutiny Panel Business and Transformation

Subject Matter

The Deputy Leader submitted report RD.49/21 providing the regular quarterly report on Treasury Transactions, together with an interim report on Treasury Management as required under the Financial Procedure Rules. The report also discussed the City Council's Treasury Management estimates for 2022/23 with projections to 2026/27 and set out information regarding the requirements of the Prudential Code on local authority capital finance.

Treasury Management projections were reviewed annually to ensure that current interest rate forecasts were updated, and that current and future spending implications were built into the cash flow forecasts model. Average cash balances would need to be amended to reflect revised forecasts for anticipated capital receipts, capital expenditure and use of revenue reserves and that would adjust the final pressure/saving requirement from treasury management. The draft base Treasury Management estimates for 2022/23 with projections for 2026/27 were set out at Appendix C.

The Deputy Leader concluded by moving the recommendation set out in the report. The Leader seconded the recommendation.

Summary of options rejected none

DECISION

That Report RD.49/21 be received and the projections for 2022/23 to 2026/27 be incorporated into the Budget reports considered elsewhere on the Agenda.

Reasons for Decision

To receive the report on Treasury Management and refer it as part of the budget process.

EX.136/21 LOCAL TAXATION 2022/23 - 2026/27

(Key Decision KD.10/21)

Portfolio Finance, Governance and Resources

Relevant Scrutiny Panel Business and Transformation

Subject Matter

The Deputy Leader submitted report RD.48/21 considering aspects of Local Taxation decisions which needed to be made as part of the Budget process for 2022/23 onwards.

Set out within the report were the various considerations, including the levels of Council Tax for the City Council (including Parish Precepts), Council Tax Surplus calculations, Council Tax Base calculations, Local Support for Council Tax including War Widows Pension Disregard, and Business Rate Retention (including Pooling arrangements). A summary of the assumptions made was also provided at Section 4.

The Deputy Leader moved, and the Leader seconded, the recommendations.

Summary of options rejected none

DECISION

That the Executive:

1. Noted the contents of Report RD.48/21 including the current assumptions built into the MTFP with regard to local taxation issues;
2. Approved, for recommendation to Council as part of the budget process, the 2022/23 Local Support for Council Tax scheme as set out in paragraph 2.4, and the War Pensions Voluntary Disregard as set out in paragraph 2.5;
3. Approved the continuation of involvement in the Cumbria Business Rate Pool arrangements for 2022/23, subject to the continuing involvement of the other partners with the final decision on participation being delegated to the Corporate Director of Finance and Resources.

Reasons for Decision

To make recommendations on aspects of Local Taxation decisions required to be made as part of the 2022/23 Budget process.

Executive

Date: Monday, 13 December 2021

Time: 16:03

Venue: Cathedral Room

Present: Councillor Gareth Ellis, Councillor Stephen Higgs, Councillor Mrs Elizabeth Mallinson, Councillor John Mallinson, Councillor Paul Nedved

Also Present: Chair of the Business and Transformation Scrutiny Panel

Officers: Town Clerk and Chief Executive
Corporate Director of Governance and Regulatory Services
Corporate Director of Finance and Resources
Corporate Director of Economic Development

EX.144/21 APOLOGIES FOR ABSENCE

Apologies for absence were submitted on behalf of Councillor Nigel Christian and the Deputy Chief Executive.

EX.145/21 DECLARATIONS OF INTEREST

There were no declarations of interest submitted.

EX.146/21 PUBLIC AND PRESS

RESOLVED – That the Agenda be agreed as circulated.

EX.147/21 BUDGET 2022/23 – FEEDBACK FROM THE SCRUTINY PANELS ON THE DRAFT BUDGET REPORTS

(Key Decision KD.10/21)

Portfolio: Finance, Governance and Resources

Relevant Scrutiny Panel:

Health and Wellbeing; Economic Growth; Business and Transformation

Subject Matter:

The Deputy Leader indicated that the Scrutiny Panels had scrutinised the draft Budget Reports for 2022/23 considered by the Executive on 22 November 2021.

The Executive considered the feedback from the Scrutiny Panel, as detailed within the Panel meeting as follows, copies of which were submitted:

(a) Health and Wellbeing - 25 November 2021 (HWSP.77/21)

The Deputy Leader reported that there were no recommendations from the Panel.

The Chair of the Health and Wellbeing Scrutiny Panel had been invited to speak but was not in attendance today.

(b) Economic Growth - 2 December 2021 (EGSP.77/21)

The Deputy Leader stated that, having scrutinised the Charges Review Report 2022/23 Community Services, the Panel had requested that the Executive consider freezing the first hour of the car parking fees for all council owned car parks along with a review of the Talkin Tarn parking permit policy.

The Vice Chair of the Economic Growth Scrutiny Panel had been invited to address the Executive but was not present at the meeting.

The Deputy Leader reported that the Executive would explore the recommendation from the Scrutiny Panel and hoped to incorporate the proposal into the budget.

(c) Business and Transformation Scrutiny Panel - 7 December 2021 (BTSP.90/21)

The Chair of the Business and Transformation Scrutiny Panel began by expressing the Panel's thanks to officers for producing the budget documentation. He stated that the Panel had endorsed the Economic Growth Scrutiny Panel's recommendation to freeze the car parking charges for the first hour of use and the review of the Talkin Tarn permit policy. The Panel had also recommended to the Executive that the City Council freeze their portion of the Council Tax for 2022/23.

The Deputy Leader thanked the Chair of the Business and Transformation Scrutiny Panel for the recommendations and stated that the Executive would incorporate the proposed freeze on the Council's portion of the Council Tax into the budget if it was possible.

Summary of options rejected None

DECISION

That the Scrutiny Panels be thanked for their scrutiny of the draft Budget reports; and their comments / recommendations, as detailed within the Minutes submitted, be taken into consideration as part of the Executive's deliberations on the 2022/23 Budget.

Reasons for Decision

The views of the Scrutiny Panels be taken into consideration as part of the 2022/23 Budget process.

The Meeting ended at: 16:06

Carlisle City Council

Report to Executive

Item
9.(1)(iv)

Report details

Meeting Date:	20 December 2021
Portfolio:	Finance, Governance and Resources
Key Decision:	Yes: Recorded in the Notice Ref: KD.10/21
Policy and Budget Framework	Yes
Public / Private	Public
Title:	BUDGET UPDATE – REVENUE ESTIMATES 2022/23 TO 2026/27
Report of:	CORPORATE DIRECTOR OF FINANCE & RESOURCES
Report Number:	RD 52/21

Purpose / Summary:

This report provides an update to RD46/21, with a summary of the Council's revised revenue base estimates for 2021/22, together with base estimates for 2022/23 and forecasts up to 2026/27 for illustrative purposes.

Potential new spending pressures, bids and savings are also considered in this report. It should be noted that the figures in this report are indicative and the final position is subject to decisions being taken further in the budget process.

The report also provides an update on the key budget considerations.

Recommendations:

The Executive is requested to:

- (i) note the revised base estimates for 2021/22 and base estimates for 2022/23;
- (ii) note that the estimates in the report are draft and will be subject to the confirmation of Local Government Finance Settlement due in December 2021;
- (iii) note the current MTFP projections, which will continue to be updated throughout the budget process as key issues become clearer and decisions are taken;
- (iv) note the budget pressures, bids and savings which need to be taken into account as part of the 2022/23 budget process;
- (v) Approve the release of amounts from the Operational Risk Reserve for Treasury Management (£600,000) and Covid costs (£500,000) as outlined in paragraph 5.2

- (vi) note the Statutory Report of the S.151 Officer outlining the risks associated with the draft budget figures and that minimum reserves may need to be reviewed in the future depending upon the outcome of the Local Government Finance review.

Tracking

Executive:	20 December 2021
Scrutiny:	BTSP 6 January 2022
Council:	1 February 2022 (Budget Resolution)

1. INTRODUCTION

- 1.1. This report considers the revised base estimates for 2021/22 together with the estimates for 2022/23. The report also sets out any known revisions to the Medium-Term Financial Plan (MTFP) projections.
- 1.2. The base estimates have been prepared in accordance with the guiding principles for the formulation of the budget over the next five-year planning period as set out in the following Policy documents that were approved by Council on 14 September 2021:
 - ◆ Medium Term Financial Plan and Charging Policy
 - ◆ Capital Strategy
 - ◆ Asset Management Plan
- 1.3. Members should be aware that there are a number of significant factors affecting the budget that are currently unresolved. In particular, the following are key to the budget process and details on these will be considered as the budget process progresses:
 - Ongoing impact of COVID-19;
 - Local Government Finance Settlement – announcement due by December 2021;
 - Further expected changes in government grant e.g. New Homes Bonus, Housing Benefit Admin Grant;
 - Future borrowing requirements;
 - Commercial and investment opportunities;
 - Local Government Reorganisation.
- 1.4. The report draws on information contained in a number of reports that are either considered elsewhere on this agenda or have been considered previously by the Executive.
- 1.5. Decisions will need to be made to limit budget increases to unavoidable and high priority issues, together with maximising savings and efficiencies, and potential use of reserves, to enable a balanced budget position to be recommended to Council in February 2022.

2. SUMMARY OF BASE BUDGET ESTIMATES

- 2.1 The base estimates are calculated on the assumption that core services will continue at approved levels incorporating decisions agreed by Council as part of the previous year's budget process and including all subsequent decisions made by Council.
- 2.2 The table below sets out the base level General Fund requirement for 2021/22 and 2022/23 with projections to 2026/27. The 2021/22 variance reflects the use of

earmarked reserves approved since the MTFP was approved in September.

Table 1 – Base Budget Summary

		2021/22 Original £000	2021/22 Revised £000	2022/23 Original £000	2023/24 Proj £000	2024/25 Proj £000	2025/26 Proj £000	2026/27 Proj £000
Net Base Budget Parish Precepts (PP)		13,381 708	16,063 708	12,864 726	12,959 744	13,127 763	13,434 782	13,679 802
Total		14,089	16,771	13,590	13,703	13,890	14,216	14,481
Original MTFP Projections		14,089	15,901	13,590	13,703	13,890	14,216	14,481
Variance		0	870	0	0	0	0	0
Analysis of Variance:								
Non-Recurring:								
Cremator Replacement Reserve			(41)					
Revenue Grants Reserve			380					
Planning Services Reserve			(19)					
Economic Recovery Reserve			50					
LGR Reserve			500					
Total Variance		0	870	0	0	0	0	0

- 2.3 Members will be aware from the revenue monitoring report that there continues to be some income streams that have not fully recovered from the effects of the pandemic and there may be other cost pressures or savings which may have a recurring impact; many of these are in relation to the recovery from the COVID-19 pandemic and the impact it is continuing to have on Council services.

3. OUTSTANDING KEY ISSUES

3.1 Spending Review

The Spending Review (and Budget) for 2022/23 was announced on 27 October. There was confirmation that there would be additional funding available to the Local Government sector of £4.8billion over the forthcoming 3-year period (£1.6billion per year) for social care and other services. Allocations for this funding will likely be included in the Local Government Finance Settlement.

There will also be additional funding of £639million to tackle rough sleeping allocated through the Homelessness Prevention Grant.

There will be £300million funding for local government to implement free, separate food waste collections in every local authority in England from 2025.

Government Settlement Funding Assessment

The Council receives core funding allocations from the Government in relation to Business Rates Baseline Funding and other specific grants. 2021/22 once again saw a one-year settlement so the figures incorporated into this report for 2022/23 onwards are only estimations of the government funding that the Council may receive. Due to the COVID-19 pandemic, reform to the local government funding model (Fair Funding Review & Business Rates Retention) has yet again been put on hold. The draft Local Government Finance Settlement will be announced, as usual, in December and will provide an indication of the funding the Council will receive for 2022/23; it is uncertain whether a 3-year settlement will be provided.

Retained Business Rates

The Business Rate Baseline figure is assumed at an inflationary increase for 2022/23 with reduced projections for growth and pooling built into the MTFP from 2022/23 on the basis that the Business Rates Reforms would have been announced. However, as mentioned above, the reforms of the Retained Business Rates Retention Scheme have again been deferred and DLUHC announced on 10 November that the government has now abandoned plans to allow councils to retain 75% of their business rates as it would conflict with their agenda for 'levelling up'. Instead, the government will now look at the mechanism for redistributing funding to the authorities most in need.

The Council is able to continue to be a member of the Cumbria Business Rates Pool for 2022/23, subject to the agreement of all participating members. The financial aspects of continuing with the Pooling arrangements for 2022/23 are set out further in this report.

The Spending review announced that there will be a freezing of the Business Rates Multiplier for 2022/23 so that there will be no inflationary increase in the amount of rates that are payable by businesses. This multiplier increase is also applied to the Business Rate Baseline level the Council budgets for. It is anticipated that this 'loss' in baseline will be compensated for via a 'Multiplier Grant' as part of the Local Government Finance Settlement.

There will also be a 50% Business rate relief in 2022/23 for retail, hospitality and leisure sector up to a cap of £110,000. The Council will be compensated for this loss of income through a fully funded S31 grant.

The Council will also receive new burdens funding for administrative and IT costs relating to the implementation of the changes announced in the Spending Review.

Council Tax

The Spending Review indicated that the referendum limit will remain as is for Council Tax increases. Currently, district councils are usually given the option of raising Council Tax by the greater of 2% or £5; however, this will be confirmed in December.

Pay Award 2021/22 & 2022/23

The MTFP currently assumes a 2% pay award increase from 2021/22 onwards; however, for 2021/22 there has yet to be an agreement on the level of the pay award. For 2022/23, the Spending Review announced that the freeze on Public Sector pay increases was to be lifted from April 2022. An increase of 1% equates to an additional £161,000 per annum.

The Spending Review confirmed that the National Living Wage was to increase from £8.91 to £9.50 per hour. The Council adopted the foundation living wage and have been paying its grade A staff £9.50 since January 2021. The annual foundation living wage increase has been announced and is now set at £9.90 which the Council will implement in January 2022.

Resource Assumptions

Contributions from balances include all approvals to date but make no assumptions on further contributions from balances to support the budget from 2022/23 onwards. The current resources projections assume:

- A £5 (Band D equivalent) Council Tax increase for 2022/23 onwards.
- A Council Tax deficit for 2022/23 and 2023/24 of £41,000, with a £50,000 surplus from 2024/25. The actual figure for 2022/23 will be available in January.
- Retained business rates are assumed at the Baseline level with an inflationary increase, with an additional sum to be achieved through growth/section 31 grants and from the benefits of Pooling in 2022/23;
- An assumed tax base of 35,013.07 for 2022/23. The final tax base for 2022/23 will not be available until January.
- Parish Precepts are currently being collated but the estimate for 2022/23 is for a total of £726,000. The actual Parish Precept requirement for each Parish will be reported to the Executive in January.

For information, broadly:

- Each 1% (£1.95) movement in Council Tax impacts on the Council by £67,000

- Each £35,000 increase or decrease in expenditure impacts on the Council Tax requirement by £1.

Climate Change

The Council's update Local Environment (Climate Change) Strategy was approved by full Council in the Spring of 2021 following the usual consultation process; the Strategy is supported by an action plan for addressing climate change issues as well individual actions required by the Council for reducing its own carbon footprint. The Council is committed to becoming carbon neutral in the future and there may be a requirement for significant investment in achieving this goal, with recovery through the achievement of efficiency savings and/or by maximising any external grants and contributions available to support the strategy and action plan through the Council's Funding Strategy. However, any carbon reducing schemes will initially have to be funded from resources currently contained within the Council's existing Revenue and Capital budgets; with any new climate change initiatives, following the formal adoption and approval of the Local Environment (Climate Change) Strategy, being supported by robust business cases with a cost benefit analysis provided.

4. POTENTIAL NEW SPENDING PRESSURES/BIDS

- 4.1 In light of the current position in the MTFP, there are some potential new spending pressures and bids that need to be considered.

There may be other pressures on the revenue budget as highlighted within the revenue monitoring reports, which may have a recurring impact; however, officers are reviewing the existing base budget provisions to ensure that the services can be provided within these budgetary provisions and also contribute towards the savings target.

The figures contained within the table overleaf will be subject to review to determine the recurring/non-recurring nature of the pressures in terms of economic recovery. The Treasury Management estimates, which assumes a significant level of external borrowing, will also be reviewed in the light of the Council's cash position, the capital programme expenditure profile and the impact of Local Government Reorganisation in order to mitigate any unnecessary debt liability falling on the new Authority. If any figures are amended these will be reported via the Executive's budget proposals issued for consultation purposes and/or as part of the January suite of budget reports.

Detail		2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Recurring						
ICT	4.2	150	150	150	150	150
Car Parking Income Shortfalls	4.3	300	200	200	150	150
Pest Control Income Shortfalls	4.4	12	13	15	16	18
Developer Contributions	4.5	19	0	0	11	(41)
Lanes Income Shortfalls	4.6	500	400	330	120	50
Gateway 44 Income Shortfalls	4.7	523	487	342	262	262
City Centre Property Income Shortfalls	4.8	0	0	0	190	190
Energy Costs	4.9	180	123	123	123	123
Revenue Financing Capital Programme	4.10	26	26	26	26	26
Treasury Management	4.11	277	430	383	214	126
Total Recurring Pressures		1,987	1,829	1,569	1,262	1,054
Non Recurring						
District Centre Business Support Fund	4.12	40	0	0	0	0
Homelessness Accommodation Income Shortfalls	4.13	102	0	0	0	0
Leisure Contract	4.14	?	?			
Total Non Recurring Pressures		142	0	0	0	0

4.2 ICT – Additional Expenditure - £150,000 recurring bid

This proposal seeks additional revenue funding to invest in ICT and includes additional resources for the IT Helpdesk (£28,600), licence costs for wi-fi improvements (£5,600), network security (£2,700) and telephony (£24,000). A base budget review has also been undertaken that has identified a net budgetary shortfall for current IT costs (£49,300) and a savings requirement of £40,100 that cannot be achieved.

4.3 Car Parking income shortfalls - £300,000 - recurring pressure, reducing to £150,000 recurring pressure

Car parking income is not achieving its budgeted expected levels as a result of lower usage of the car parks.

4.4 Pest Control - £12,000 recurring pressure, rising to £18,000 recurring pressure

This pressure is as a result of removing the domestic charge for the treatment of rats from the Council's charging policy as detailed in report GD55/21 considered by the Executive in November.

4.5 Developer Contributions - £19,000 reprofiling pressure

The MTFP assumes an income stream from developers, particularly from the establishment of the Garden Village. A re-profiling exercise has been undertaken to ensure the MTFP reflects the level of income that can actually be achieved.

4.6 Lanes Income - £500,000 recurring pressure reducing to £50,000 recurring pressure

The economic impact on the high street, both pre-COVID and post COVID and the vacation of Debenhams has resulted in income from the Lanes being severely diminished. There will be a period where increased holding costs of vacant units will be incurred and therefore the Council's share of income will be reduced. This pressure anticipates a slow return to the income levels currently included in the MTFP.

4.7 Gateway 44 - £523,000 recurring pressure, reducing to £262,000 recurring pressure

Covid-19 has had a major impact on the retail sector and although out of town big box retail has fared better than traditional town centre retailing there has still been a hit on rental levels and potential tenants have suffered financial difficulties.

Agreements have been reached with tenants however rental levels are lower than originally anticipated and the extended marketing period has resulted in a longer void period than originally anticipated. The overall income now anticipated to be achieved by 2025/26 taking into account these pressures will still be £615,000, which represents an 11.2% return on the capital investment made.

4.8 City Centre Property Income – Income Shortfall - £190,000 recurring bid from 2025/26

To recognise the loss of rental income from City Centre properties on a recurring basis. The income was removed from the budget in 2021/22 for the years 2021/22 to 2024/25 with an expectation that this income could be recovered from the Borderlands Project, however, this is now unlikely.

4.9 Gas and Electricity Costs – £180,000 – Recurring pressure reducing to £123,000 recurring pressure from 2023/24

This additional cost arising due to the current global situation with wholesale energy costs. The Council procures its energy through the County Council framework and has received notification of a potential 55% increase in gas costs for 2022/23 and 38% in electricity costs, with both reducing to a 25% increase (on 21/22 levels) from April 2023.

4.10 Direct Revenue Financing of capital programme - £26,000 recurring pressure

The waste service contributes revenue financing for the replacement of vehicles, however, there is a shortfall on the available budget that cannot be achieved.

4.11 Treasury Management

Treasury Management projections have been updated to include updates to the Capital programme (contained elsewhere on this agenda) and updated for interest rate forecasts. This projection includes the potential impact on reserves for all the pressures and savings contained in this report together with the updated borrowing costs for the capital programme. It is proposed to release the amount held in the Operational Risk Reserve (£600,000) to partially cover this additional pressure.

4.12 District Centre Business Support Fund – Additional Expenditure - £40,000 - Non-Recurring

This proposal involves the continuation of the pilot project for a further year and will be extended to the district centres and will address the issue of empty shops, which is becoming an increasing problem in the market towns and neighbourhood parades.

4.13 Homeless Accommodation – Income shortfall - £102,000 non-recurring pressure

There is a shortfall in income from homeless accommodation mainly due to reduced capacity and restrictions placed upon the accommodation as a result of COVID-19.

4.14 Leisure Contract - £? non-recurring pressure

This relates to additional subsidy to the Leisure provider as result of delays to the Sands project.

5. SAVINGS AND ADDITIONAL INCOME PROPOSALS

5.1 Further savings/additional income have been identified in the budget process for 2022/23 as follows:

Detail	Note	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Changes to Funding						
Released from Earmarked Reserve - Operational Risk Reserve (Treasury Mgt)	5.2	(277)	(323)	0	0	0
Release from Earmarked Reserve - Operational Risk Reserve (Covid)	5.2	(500)	0	0	0	0
Business Rate Income	5.3	(1,800)	(1,000)	(1,000)	(1,000)	(1,000)
Total Changes to Funding		(2,577)	(1,323)	(1,000)	(1,000)	(1,000)
Savings Proposed						
Flare Data Management System	5.4	(16)	(16)	(16)	(16)	(16)
Total of Savings		(16)	(16)	(16)	(16)	(16)
Total Recurring		(16)	(16)	(16)	(16)	(16)
Total Non-Recurring		0	0	0	0	0

5.2 Released from Earmarked Reserves

It is recommended to release the amounts held in the Operational Risk Reserve for Treasury Management (£600,000) and COVID costs (£500,000). The Treasury Management amount was set aside from savings on interest payments in 2020/21 to be utilised for any additional borrowing costs. It is recommended to release this in line with the Treasury Pressure identified at 4.1.

The amount set aside in the reserve for COVID costs was to be utilised if there were any additional costs incurred in 2021/22 for COVID. However, the additional costs are currently being contained within the overall agreed budget for 2021/22 and the additional funding received from Government. It is therefore recommended to release this reserve to offset the increased pressures identified in 4.1.

5.3 Business Rates Income (including Pooling)

It is recommended that the Council continue to be part of the Cumbria Pooling arrangements in 2022/23 now that the DLUHC has agreed not to revoke the current legislation, and all participating members have initially agreed that the pool continues in its current format. The current MTFP assumes the baseline level of funding from Business Rates as set by Government. On top of this, a recurring £900,000 is included for additional income retained over and above the baseline. Based on historic income levels and those projected in the NNDR1 forms, there is scope to increase this amount. By participating in the pool for 2022/23, there is an expectation of a benefit of approximately £800,000. The level of retained income per the NNDR1 submissions also provides scope to increase the base budget (over the baseline level) by a further £1,000,000 per year. For 2022/23 there would

therefore be an expectation of an additional £1.8m above the current assumptions in the MTFP.

5.4 Replacement of Flare Data Management System – Saving - £16,000 recurring

The capital programme includes provision of £150,000 for the replacement of the system used in regulatory services. However, with Local Government Reorganisation on the horizon, it is deemed not necessary to replace this system at this time. Therefore, there is a saving on the additional revenue costs that would have been incurred from implementing the system.

6. PROJECTED IMPACT ON RESERVES AND BALANCES

6.1 It should be noted that if all of the potential new Savings and Spending Pressures were accepted then reserves may fall below acceptable minimum levels over the five-year period.

6.2 The general principles on each of the Reserves are set out in the Medium-Term Financial Plan. In terms of meeting ongoing revenue expenditure, the general guiding principle which Council approved is that:

‘Wherever possible, reserves should not be used to fund recurring expenditure, but that where it is, this should be made explicit, and steps taken to address the situation in the following years’.

6.3 The Council’s current levels of balances are set out in **Appendix A** and include any impact of the proposed pressures and savings outlined in this report. The Projects Reserve will be used as a first call for any projected revenue budget deficit however, maintaining the current level of reserves is dependent upon the achievement of the transformation savings. A risk-based review of reserve levels has been undertaken and shows that the minimum level of General Fund Reserves should be £3.1million due to uncertainties around future funding from Business Rates; however, this level will be reviewed during this budget process.

Summarised Position	2021/22 Original £000	2021/22 Revised £000	2022/23 Original £000	2023/24 Proj £000	2024/25 Proj £000	2025/26 Proj £000	2026/27 Proj £000
Total Projected Expenditure	13,381	16,063	12,864	12,959	13,127	13,434	13,679
Total Projected Resources	(13,381)	(16,063)	(12,393)	(12,721)	(13,146)	(13,486)	(13,832)
Projected (Surplus) / Shortfall <u>excluding</u> savings and new spending	0	0	471	238	(19)	(52)	(153)
Less:							
New Saving Proposals							
- Recurring	0	0	(16)	(16)	(16)	(16)	(16)
- Non Recurring	0	0	0	0	0	0	0
- Business Rates	0	0	(1,800)	(1,000)	(1,000)	(1,000)	(1,000)
- Released from Earmarked Reserves	0	0	(777)	(323)	0	0	0
(See Para 6)							
Add:							
New Spending Pressures							
- Recurring	0	0	1,987	1,829	1,569	1,262	1,054
- Non Recurring	0	0	142	0	0	0	0
- Funding	0	0	0	0	0	0	0
(See Para 5)							
Potential Budget (Surplus) / Shortfall	0	0	7	728	534	194	(115)
Potential (Surplus) / Shortfall Analysis:							
- Recurring	0	0	414	778	344	194	(115)
- Non Recurring	0	0	(407)	(50)	190	0	0

7. SUMMARY FINANCIAL OUTLOOK AND BUDGET DISCIPLINE 2022/23 to 2026/27

- 7.1 The current budget projections for the next five-year period are challenging and continue to show the requirement for substantial savings to be achieved in order to enable the Council to contain its ongoing commitments within available resources over the lifetime of the MTFP.
- 7.2 Notification of Government general and specific grants is received on an individual basis late in the budget process which makes forward planning difficult. The impact of a further one-year settlement for 2022/23 also adds to the challenges of securing a balanced 5-year MTFP.

- 7.3 In terms of expenditure pressures, the significant issue affecting the budget is the uncertainty regarding local government funding in terms of the transfer of any new burdens.
- 7.4 The deferral of the Fair Funding Review and the Business Rate Retention Reviews increases the uncertainty in terms of future funding especially from 2023/24 onwards; however, the scope to remain within the Cumbria Pooling arrangements for 2022/23 will provide an opportunity, albeit temporary, in terms of increased financial support to the revenue budget from pooling and growth.
- 7.5 The City Council needs to establish as part of its budgetary process the financial discipline to be followed by member and officers in the ensuing financial years, and the Executive will make recommendations in this respect in December.
- 7.6 Under section 25 of the Local Government Act 2003 the Council's S.151 Officer is required to prepare a statutory report which considers the robustness of the estimates and the adequacy of reserves and which determines levels of borrowing. A full report will be prepared and included within the Executive's draft budget proposals for consultation purposes.
- 7.7 **Local Government Reorganisation**
Local Government Reorganisation for Cumbria is now progressing, and the Programme Board have agreed that there will be a requirement to establish funding for the transition costs. For the six District Council's this could be as much as £1.576m each. Although the Council set aside £500,000 in earmarked reserves for LGR at the end of 2020/21, this will be retained in order to fund any costs which the Council may incur itself and therefore outwith the eligibility criteria for the Cumbria Wide Implementation Reserve. Therefore £1.6million is needed to ensure that funds are available to support the implementation work and it is proposed that this be funded from existing earmarked reserves – this will be subject to approval by full Council in January 2022.

The Council will be approving its budget for 2022/23 in February 2022, so any information provided in this report for 2023/24 onwards is for illustrative purposes only, which will become the responsibility of the new Cumberland Council.

8. RISKS

- 8.1 As outlined above the Council has a statutory responsibility to set a balanced budget and failure to do this could lead to unfunded financial pressures on the Council.

9. CONSULTATION

- 9.1 The Business and Transformation Scrutiny Panel will consider this report on 6 January 2022, and their views fed back to the Executive on 19 January. Public consultation will take place between 20 December and 18 January and the budget resolution will then be issued by the Executive on 19 January.

10. CONCLUSION AND REASONS FOR RECOMMENDATIONS

- 10.1 The Executive is requested to:
- (i) note the revised base estimates for 2021/22 and base estimates for 2022/23;
 - (ii) note that the estimates in the report are draft and will be subject to the confirmation of Local Government Finance Settlement in December 2021;
 - (iii) note the current MTFP projections, which will continue to be updated throughout the budget process as key issues become clearer and decisions are taken;
 - (iv) note the budget pressures, bids and savings which need to be taken into account as part of the 2022/23 budget process;
 - (v) Approve the release of amounts from the Operational Risk Reserve for Treasury Management (£600,000) and Covid costs (£500,000) as outlined in paragraph 5.2
 - (vi) note the draft Statutory Report of the S.151 Officer outlining the risks associated with the draft budget figures and that minimum reserves may need to be reviewed in the future depending upon the outcome of the Local Government Finance review.

11. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

- 11.1 To ensure that a balanced budget is set.

Contact details:

Contact Officer: Steven Tickner

Ext: 7280

Appendices attached to report:

- Appendix A – Council Reserves
- Appendix B – Draft Statutory report of S.151 Officer

Note: in compliance with section 100d of the Local Government Act 1972 the report has been prepared in part from the following papers:

- None

Corporate Implications:

Legal - The Council has a fiduciary duty to manage its resources properly and for the benefit of its community. In doing so it is required to take account of the advice it receives from its Corporate Director of Finance and Resources. The Council must have a balanced budget to deliver its services and also achieve and sustain an appropriate level of reserves.

Property Services - There are no Property implications

Finance - contained within the body of the report

Equality - This report raises no explicit issues relating to the public sector Equality Duty.

Information Governance - There are no information governance implications.

COUNCIL RESERVES

Analysis of Council Reserves	Outturn 31 March 2021 £000	Projected 31 March 2022 £000	Projected 31 March 2023 £000	Projected 31 March 2024 £000	Projected 31 March 2025 £000	Projected 31 March 2026 £000	Projected 31 March 2027 £000
Revenue Reserves							
General Fund Reserve	(3,100)	(3,100)	(3,100)	(2,728)	(2,194)	(2,000)	(2,115)
Projects Reserve	(1,708)	(363)	(356)	0	0	0	0
Carry Forward Reserve	(628)	(628)	(628)	(628)	(628)	(628)	(628)
	(5,436)	(4,091)	(4,084)	(3,356)	(2,822)	(2,628)	(2,743)
Cremator Replacement Reserve	(1,196)	(887)	13	13	13	13	13
Economic Recovery Reserve	(50)	0	0	0	0	0	0
Operational Risk Reserve - Covid19	(500)	(500)	0	0	0	0	0
Operational Risk Reserve - Treasury Mgt	(600)	(600)	(323)	0	0	0	0
Operational Risk Reserve - Savings	(1,600)	(1,600)	(1,600)	(1,600)	(1,600)	(1,600)	(1,600)
Operational Risk Reserve - LGR	(500)	0	0	0	0	0	0
Building Control Reserve	(24)	(24)	(24)	(24)	(24)	(24)	(24)
Planning Services Reserve	(206)	(225)	(225)	(225)	(225)	(225)	(225)
Waverley Viaduct Reserve	(30)	(30)	(30)	(30)	(30)	(30)	(30)
Revenue Grants Reserve	(2,141)	(1,761)	(1,761)	(1,761)	(1,761)	(1,761)	(1,761)
Council Tax Hardship Grant Reserve	(359)	0	0	0	0	0	0
Council Tax Income Guarantee Scheme Reserve	(69)	0	0	0	0	0	0
Business Rates S.31 Grant Reserve	(9,463)	0	0	0	0	0	0
Prosecutions Fund Reserve	(35)	(35)	(35)	(35)	(35)	(35)	(35)
City Centre Reserve	(5)	(5)	(5)	(5)	(5)	(5)	(5)
Flood Reserve	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Apprentice Reserve	(96)	(96)	(96)	(96)	(96)	(96)	(96)
Total Revenue Reserves	(22,314)	(9,858)	(8,174)	(7,123)	(6,589)	(6,395)	(6,510)
Capital Reserves							
Usable Capital Receipts	0	0	0	0	0	0	0
Unapplied capital grant	(126)	(3)	(3)	(3)	(3)	(3)	(3)
Lanes Capital Reserve	(90)	(105)	(120)	(135)	(150)	(165)	(180)
Total Capital Reserves	(216)	(108)	(123)	(138)	(153)	(168)	(183)
Total Usable Reserves	(22,530)	(9,966)	(8,297)	(7,261)	(6,742)	(6,563)	(6,693)
Other Technical Reserves (i)	(105,815)						
Total All Reserves	(128,345)						

DRAFT STATUTORY REPORT OF S.151 OFFICER

1. In setting its Budget Requirement, the Council is required under the Local Government Act 2003 (Section 25) to consider:
 - (i) The formal advice of the statutory responsible financial officer (Corporate Director of Finance and Resources) on the robustness of the estimates included in the budget and the adequacy of the reserves for which the budget provides;
 - (ii) The Council has to determine what levels of borrowing, if any, it wishes to make under the Prudential Code that governs local authority borrowing.

2. **Robustness of the Estimates**

Whilst relevant budget holders are responsible for individual budgets and their preparation, all estimates are scrutinised by Financial Services staff, the Senior Management Team and the Strategic Financial Planning Group prior to submission to members.

The Council's revenue and capital budgets are integrated in that the financial impact of the proposed capital programme is reflected in the revenue estimates.

The Council has no history of overspending against budget, indeed, there has tended to be a degree of underspending. However improved budget monitoring backed up by specific action where appropriate and base budget procedures have proven effective in addressing this issue.

There are risks however involved in projecting budgets particularly over the medium term and the year-end position will never exactly match the estimated position in any given year. Areas of specific risk in the current five-year period under consideration are:

- The Savings programme was expected to achieve savings of £0.5million by 2021/22, increasing by £0.700million in 2022/23 and a further £0.850million in 2023/24 in order to meet the expected cuts in grants from central government and other budgetary pressures identified in the previous budget process. However, based upon the pressures and savings identified within this draft budget, there may be further savings required. This will ensure that a balanced 5-year budget is produced and where Council reserves are replenished over the longer term (subject to the impact of LGR).
- The level of interest receipts and return on Treasury Management activities are subject to market rates. Members are advised of this risk every year and it should be noted that in the current economic climate with low and relatively static base rates, investment income returns in the medium term continue to prove challenging. The Council is also having to deal with a reduced number of counterparties it is able to place deposits with.

The main risk to the robustness of the estimates is the outcome of Spending Review 2021 and likely one-year settlement for 2022/23. The implementation of Local Government Reorganisation in Cumbria will also impact on the level of earmarked reserves held by the Council, and the 5-year MTFP has been prepared in order to achieve financial sustainability for the new organisation post April 2023.

There will be a requirement to use reserves in the short term; however, proposals must put in place to ensure that reserves will rise over the following 5-year period to minimum levels.

The delivery of the savings proposals identified and continuing work to deliver further savings will also be important to maintaining reserves at prudent levels. Regular budget monitoring, particularly in the area of the Savings programme is imperative during this period. The level of the Council's future Capital Programme in taking account of a significant reduction in capital receipts is fully funded but includes a borrowing requirement over the five-year period. The Capital Programme includes plans to sell further assets that can be utilised to reduce the overall borrowing requirement for future capital investment decisions.

- Central contingencies – there have been no contingency budgets built into the existing estimates. This means that any unforeseen expenditure that cannot be contained within existing budgets will require a supplementary estimate to cover any costs. The budget proposals will significantly limit the capability to deal with any of these events and these may have to be found from within other budgets and reserves should the need arise.

2. Adequacy of Reserves

The level and usage of the Council's Reserves is undertaken annually as part of the Medium-Term Financial Plan.

The appropriateness of the level of reserves can only be judged in the context of the Council's longer-term plans and an exercise has been undertaken to review the level of reserves through the use of a risk assessment matrix. The findings of this exercise suggested that the minimum level should be set at £3.1million as a prudent level of General Fund Reserves which will be required as a general working capital/ contingency to cushion the Council against unexpected events and emergencies.

The Council's policy on reserves is that wherever possible reserves should not be used to fund recurring expenditure, but that where it is, this should be made explicit and steps taken to address the situation in the following years. The Executive sets out in its Budget Discipline and Saving Strategy on how it expects Officers to address the 2022/23 budget pressures in setting the 2022/23 budget and principles to be adopted.

Based on current projections, Council Reserves as at 31st March 2023 will be maintained at prudent levels. It is accepted that the level of reserves is reliant on the delivery of the transformation savings and achievement of income targets and government funding.

3. Determination of Borrowing

The new Prudential Accounting regime enables the Council to borrow subject to meeting criteria of affordability. The draft Prudential Indicators have been established and these will be finalised for Council approval once decisions on the overall Capital Programme have been made.

For the period under review the need for borrowing will be kept under consideration and will be dependent on the level of capital receipts being generated and the potential of future capital projects. Due to projects currently under consideration, the capital programme for 2022/23 to 2026/27 will require the use of Prudential Borrowing (including internal borrowing) to sustain levels depending on the levels of capital receipts that can be generated in the future. If borrowing is required, full option appraisals will be carried out. The financial sustainability and level of debt for the new Unitary Authority will be a consideration especially in terms of the timing of any external borrowing undertaken.

EXCERPT FROM THE MINUTES OF THE EXECUTIVE HELD ON 20 DECEMBER 2021

EX.153/21 BUDGET UPDATE - REVENUE ESTIMATES 2022/23 TO 2026/27

(Key Decision KD.10/21)

Portfolio Finance, Governance and Resources

Relevant Scrutiny Panel

Health and Wellbeing; Economic Growth; Business and Transformation

Subject Matter

Pursuant to Minute EX.128/21, the Finance, Governance and Resources Portfolio Holder submitted report RD.52/21 providing an update to the Corporate Director of Finance and Resources' report to the Executive of 22 November 2021 (RD.46/2).

Summarised within the report were the revised revenue base estimates for 2021/22, together with the base estimates for 2022/23 and forecasts up to 2026/27 for illustrative purposes.

The report drew Members' attention to the fact that a number of significant factors affecting the budget were currently unresolved. In particular, the following were key to the budget process and details thereon would be considered as the budget progressed.

- Ongoing impact of COVID-19
- Local Government Finance Settlement – announcement due by December 2021
- Further expected changes in government grant e.g. New Homes Bonus, Housing Benefit Administration Grant
- Future borrowing requirements
- Commercial and investment opportunities
- Local Government Reorganisation

Set out at Section 3 was an overview of the outstanding key issues and resource assumptions, with details of the potential new spending pressures/bids that needed to be considered also provided at Section 4.

The Council's current levels of balances set out at Appendix A included any impact of the proposed pressures and savings outlined in the report. The Projects Reserve would be used as a first call for any projected revenue budget deficit however, maintaining the current level of reserves was dependent upon the achievement of the transformation savings. A risk-based review of reserve levels had been undertaken and showed that the minimum level of General Fund Reserves should remain at £3.1million due to uncertainties around future funding from Business Rates; however that would be reviewed during the budget process.

The Finance, Governance and Resources Portfolio Holder concluded by moving the recommendations as detailed within the report. The Leader seconded them.

Summary of options rejected none

DECISION

That the Executive:

- (i) noted the revised base estimates for 2021/22 and base estimates for 2022/23;
- (ii) noted that the estimates in the report were draft and would be subject to the confirmation of Local Government Finance Settlement due in December 2021;
- (iii) noted the current MTFP projections, which would continue to be updated throughout the budget process as key issues become clearer and decisions were taken;
- (iv) noted the budget pressures, bids and savings which needed to be taken into account as part of the 2022/23 budget process;
- (v) Approved the release of amounts from the Operational Risk Reserve for Treasury Management (£600,000) and Covid costs (£500,000) as outlined in paragraph 5.2 of report RD.52/21
- (vi) notes the Statutory Report of the S.151 Officer outlining the risks associated with the draft budget figures and that minimum reserves may need to be reviewed in the future depending upon the outcome of the Local Government Finance review.

Reasons for Decision

To ensure that a balanced budget is set.

EXCERPT FROM THE MINUTES OF THE BUSINESS AND TRANSFORMATION SCRUTINY PANEL HELD ON 6 JANUARY 2022

(3)(a) BUDGET UPDATE - REVENUE ESTIMATES 2022/23 TO 2026/27

The Corporate Director of Finance and Resources submitted report RD.52/21 which provided an update to report RD.46/21. The report summarised key budget considerations, the Council's revised revenue base estimates for 2021/22, together with base estimates for 2022/23, forecasts up to 2026/27 for illustrative purposes. Potential new spending pressures, bids and savings were also set out in the report in an indicative manner, the final position being subject to decisions taken further in the budget process.

The Executive had considered the matter on 13 December 2021 (EX.153/21 refers) and decided:

"That the Executive:

- (i) Noted the revised estimates for 2021/22 and base estimates for 2022/23;
- (ii) Noted the estimates in the report are draft and will be subject to the confirmation of the Local Government Finance Settlement due in December 2021;
- (iii) Noted the current MTFP projections, which would continue to be updated throughout the budget process as key issues become clearer and decisions were taken;
- (iv) noted the budget pressures, bids and savings which needed to be taken into account as part of the 2022/23 budget process;
- (v) Approved the release of amounts from the Operational Risk Reserve for Treasury Management (£600,000) and Covid costs (£500,000) as outlined in paragraph 5.2 of report RD.52/21
- (vi) notes the Statutory Report of the S.151 Officer outlining the risks associated with the draft budget figures and that minimum reserves may need to be reviewed in the future depending upon the outcome of the Local Government Finance review."

In considering the report, Members raised the following comments and questions:

- Why had additional subsidy for the Leisure contract been included in the budget? Was it a local or national issue?

The Corporate Director of Finance and Resources explained that additional subsidy had been removed from the budget. The amount was not yet known and would therefore be dealt with outwith the budget process. The additional subsidy was unique to Carlisle due to the delay in the redevelopment of the Sands Centre.

- Would the increase in car parking during the recovery from Covid and the Christmas period improve the car parking shortfall income?

The Corporate Director of Finance and Resources clarified that the figures used for the shortfall were based on pre covid figures and there was a shortfall at that time. The shortfall would go forward as a recurring pressure.

- Did the level of external debt figures include the value of Gateway 44?

The Corporate Director of Finance and Resources confirmed that Gateway 44 had been included in the balance sheet from 2020/21.

RESOLVED - That the Panel had scrutinised report RD.52/21 and made comments on the revised base estimates for 2021/22 and the proposed overall budgetary position for 2022/23.

Carlisle City Council

Report to Executive

Item
9.(1)(v)

Report details

Meeting Date:	20 December 2021
Portfolio:	Finance, Governance and Resources
Key Decision:	Yes: Recorded in the Notice Ref: KD.10/21
Policy and Budget Framework	Yes
Public / Private	Public
Title:	Revised Capital Programme 2021/22 and Provisional Capital Programme 2022/23 to 2026/27
Report of:	Corporate Director of Finance and Resources
Report Number:	RD 55/21

Purpose / Summary:

The report details the revised capital programme for 2021/22 together with the proposed method of financing as set out in Appendices A and B.

The report also summarises the proposed programme for 2022/23 to 2026/27 in the light of new capital proposals identified and summarises the estimated capital resources available to fund the programme.

Recommendations:

The Executive is asked to:

- (i) Note the revised capital programme and relevant financing for 2021/22 as set out in Appendices A and B;
- (ii) Give initial consideration and views on the proposed capital spending for 2022/23 to 2026/27 given in the report in the light of the estimated available resources;
- (iii) Note that any capital scheme for which funding has been approved by Council may only proceed after a full report, including business case and financial appraisal, has been approved.

Tracking

Executive:	20 December 2021
Scrutiny:	BTSP 6 January 2022
Council:	1 February 2022 (Budget Resolution)

1. Background

- 1.1. This report details the revised capital programme for 2021/22 together with the proposed methods of financing as set out in paragraph 3 and **Appendix A and B**.
- 1.2. The report also details the capital spending proposals for 2022/23 to 2026/27, together with the potential resources available to fund the programme. Members are asked to give initial consideration to the spending proposals.
- 1.3. The guiding principles for the formulation of the capital programme over the next five-year planning period are set out in the following policy documents that were approved by Council on 14 September 2021:
 - Capital Investment Strategy 2022-23 to 2026-27 (Report RD37/21)
 - Asset Management Plan (Report GD58/21)
- 1.4. A Corporate Programme Board of senior officers, (the SMT Transformation sub-group) continues to take the lead on the prioritisation of investment and the monitoring and evaluation of schemes. This is to improve performance monitoring and business case analysis of capital projects.

2. Capital Resources

- 2.1 There are several sources of capital resources available to the Council to fund capital expenditure, the main ones being:
 - Borrowing (Prudential Code - see paragraph 6.2)
 - Capital Grants e.g. DFG, specific capital grants
 - Capital Receipts e.g. proceeds from the sale of assets
 - Council Reserves e.g. Projects Reserve
- 2.2 In accordance with the Capital Investment Strategy, the Corporate Director of Finance and Resources will make recommendations on the most effective way of financing the Capital Programme to optimise the overall use of resources.
- 2.3 It should be noted that capital resources can only be used to fund capital expenditure and cannot, with the exception of the Council's own Reserves, be used to fund revenue expenditure. There are strict definitions of what constitutes capital expenditure.
- 2.4 It should also be noted that the resources available to support the capital programme can only be estimated during the year. The final position is dependent in particular on how successful the Council has been in achieving Capital Receipts from the sale of assets against its target i.e. the more capital receipts generated, the less is required to be taken from Borrowing and Council Reserves (and vice versa).

- 2.5 The cost of externally borrowing £1m to fund the capital programme will result in a charge to the revenue account in the next full year of approximately £50,000. This is made up of £20,000 for the cost of the interest payable (2% of £1m equates to £20,000) and a principal repayment provision of 3% of the outstanding sum (3% of £1m equates to £30,000).

3. Revised Capital Programme 2021/22

- 3.1 The capital programme for 2021/22 totalling £28,057,900 was approved by Council on 20 July 2021 as detailed in the 2020/21 out-turn report (RD16/21).
- 3.2 The revised capital programme for 2021/22 now totals £30,378,800 as detailed in **Appendix A** subject to the relevant approvals by Executive and Council for the changes.
- 3.3 **Appendix B** details the revised anticipated resources available and their use to fund the capital programme. These have been revised to take account of revised projections and valuations of asset sales.
- 3.4 A summary of the revised programme for 2021/22 is shown below:

Summary Programme	£	Appx
2021/22 Original Capital Programme	28,057,900	A
Other adjustments	2,320,900	
Revised Capital Programme (Sept 2021)	30,378,800	A
Estimated Capital Resources available	(1,583,895)	B
Potential Borrowing Requirement	28,794,905	

4. Capital Spending Proposals 2022/23 to 2026/27

- 4.1 The existing and capital spending proposals are summarised in the following table. It should be noted that new spending proposals that cannot be funded from external sources such as grants, or from 'new' capital receipt generation will incur a borrowing requirement.

Capital Scheme	App/ Para	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
<u>Current Commitments:</u>						
Vehicles & Plant	4.2	1,221	1,772	1,680	1,166	888
Planned Enhancements to Council Property	4.3	250	250	250	250	250
Disabled Facilities Grants	4.4	1,900	1,900	1,900	1,900	1,900
ICT Infrastructure	4.5	76	131	101	101	101
Leisure Facilities	4.6	3,450	0	0	0	0
Recycling Containers	4.7	45	45	45	45	45
Crematorium Infrastructure	4.8	900	0	0	0	0
Future High Street Fund	4.9	3,653	4,325	0	0	0
Flare Data Management System	4.10	150	0	0	0	0
Carlisle Southern Relief Road	4.11	5,000	0	0	0	0
Total Existing Commitments		16,645	8,423	3,976	3,462	3,184
<u>New Spending Proposals:</u>						
Vehicles and Plant	4.2	(35)	360	(541)	0	325
ICT Infrastructure	4.5	334	(131)	(26)	0	0
Crematorium Infrastructure	4.8	875	875	0	0	0
Flare Data Management System	4.10	(150)	0	0	0	0
Sands Car Park Resurfacing	4.12	210	0	0	0	0
Swifts Car Park Resurfacing	4.13	200	0	0	0	0
Total New Spending Proposals		1,434	1,104	(567)	0	325
Total Potential Programme		18,079	9,527	3,409	3,462	3,509

- 4.2 The anticipated budgets for replacement of the Council's vehicle fleet. An initial review of the current replacement plan has been undertaken and the revised figures are included in the table above.
- 4.3 The allocation for planned enhancements to council properties is retained at the current level of £250,000, with further details provided in GD79/21 considered by Executive on 22 November 2021.
- 4.4 Disabled facilities grant allocation will not be known until early into 2022/23, although it has been assumed for the purpose of this report that the grant will be protected at the 2021/22 levels. This grant will be awarded via the County Council's Better Care Fund.
- 4.5 This is the anticipated budgets for improvements and developments to the Council's ICT infrastructure following a review of requirements.

- 4.6 This is the continuation of the provision of new leisure facilities at the Sands Centre.
- 4.7 An allocation for the replacement of the Council's stock of recycling and waste containers.
- 4.8 To provide new infrastructure for the crematorium including replacement cremators. The current commitment of £900,000 in 2022/23 is funded from the amounts set aside in the Cremator Replacement Earmarked Reserve.

The new spending proposal (£1.75m) for the replacement of the cremators refers to replacing gas powered cremators with electric powered ones which will help to reduce the amount of CO2 produced from the crematorium. Replacement on a like for like basis with gas powered cremators would require additional funding of approximately £300,000 - £400,000. The additional spend also provides additional funding to upgrade the building facilities at the crematorium. Further reports will be required on the project that will detail the most appropriate solution for the replacement of the cremators. The additional spend will require an additional borrowing requirement, however, the annual borrowing cost could be met from the annual sum currently set aside to the cremator reserve over a 23-year period.

- 4.9 This is a funding application to the Future High Streets Fund which seeks to redevelop and improve the area around the Greenmarket and Market Square in Carlisle City Centre. The project is part funded through the FHSF grant, with an overall funding requirement from the Council of £390,000.
- 4.10 The allocation for a new data management system that is used in Environmental Health and Private Sector Housing is no longer required with Local Government Reorganisation on the horizon.
- 4.11 The Council's contribution to the Carlisle Southern Link Road project.
- 4.12 The Sands redevelopment project does not provide for any enhancement of the car park once the project is complete. This proposal seeks to provide funding to carry out resurfacing and enhancement work to the car park that will enhance the overall site once the project is completed.
- 4.13 As detailed above, the Swifts car park will serve as an overflow car park for the Sands and as such enhancement work is required to improve the standard of the surface.

As the budget process progresses, there may be further bids that come to light once full business cases are developed. There are also external bids for grant funding

which have been submitted, or are in the process of being submitted, which if successful, will require the Capital Programme to be grossed up and to recognise the grant award, examples include The Towns Deal (£19.7m), The Public Sector Decarbonisation Scheme (£1.87m) and The Sustainable Warmth (LAD3) and Home Upgrade (HUG1), a county wide scheme totalling £19.955m.

5. Potential Capital Resources Available

5.1 The table below sets out the estimated revised resources available to finance the capital programme for 2022/23 to 2026/27.

Source of Funding	Para	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Capital Grants:						
• Disabled Facilities Grant	5.2	(1,900)	(1,900)	(1,900)	(1,900)	(1,900)
• General Grants/Contributions	5.3	(3,429)	(4,325)	0	0	0
Capital Receipts:						
• Generated in year	5.4	(286)	(101)	(4,653)	(1,145)	(2,585)
receipts used to fund resources		112	0	0	0	0
Direct Revenue Financing / Invest to Save	5.5	(1,962)	(1,062)	(1,062)	(1,062)	(1,062)
TOTAL RESOURCES		(7,465)	(7,388)	(7,615)	(4,107)	(5,547)

5.2 Disabled facilities grant allocation will not be known until early 2022/23, although it has been assumed for the purpose of this report that the grant will be protected at the 2021/22 levels. However as mentioned earlier this grant will be awarded via the County Council's Better Care Fund and there is still some uncertainty as to what the allocation will be.

5.3 General grants and contributions identified as funding streams for projects. This relates to the Future High Street Fund projects.

5.4 Capital receipts from the sale of fixed assets. A review of the asset disposal programme has been undertaken and a reprofiling of disposals between 2022/23 and 2026/27 has been incorporated into the table above.

5.5 Direct revenue financing in relation to invest to save schemes and use of earmarked reserves.

6. Summary Provisional Capital Programme 2022/23 to 2026/27

6.1 A summary of the estimated resources compared to the proposed programme year on year is set out below:

Source of Funding	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Estimated in year Resources available (para 5.1)	(7,465)	(7,388)	(7,615)	(4,107)	(5,547)
Proposed Programme (para 4.1)	18,079	9,527	3,409	3,462	3,509
Projected (Surplus)/Deficit	10,614	2,139	(4,206)	(645)	(2,038)
Cumulative surplus/deficit b/fwd	28,795	39,409	41,548	37,342	36,697
Cumulative year end surplus/deficit	39,409	41,548	37,342	36,697	34,659
Borrowing undertaken previously	14,000	14,000	14,000	14,000	14,000
Cumulative deficit i.e. overall borrowing needed to support the capital programme	53,409	55,548	51,342	50,697	48,659

- 6.2 The Prudential Code gives authorities freedom to borrow to fund capital schemes subject to the over-riding principles of Affordability, Prudence and Sustainability. Whilst these freedoms could significantly impact on the capital resources available to the Authority, the principles referred to in effect mean that the Council is limited by the ongoing cost of any borrowing (i.e. the cost of prudential borrowing falls to be met from the General Fund recurring expenditure). The Prudential Code requires authorities to develop their own programmes for investment in fixed assets, based upon what the authority and local taxpayers can afford, and subject to a full Business Case and Options appraisal process.

The table above shows that there continues to be a borrowing requirement from 2022/23. In order to reduce the exposure of the council to a borrowing requirement the following steps could be examined during the course of this budget process:

- Continuous review of the asset disposal programme;
- Fundamental review of existing capital programme to ensure schemes are still required and are accurate;
- Maximisation of the use of grants and contributions from external sources;
- Providing an additional recurring revenue contribution to the capital programme;
- Invest to save schemes that can repay the capital investment over a period of time.

Climate Change

The Council's update Local Environment (Climate Change) Strategy was approved by full Council in the Spring of 2021 following the usual consultation process; the Strategy is supported by an action plan for addressing climate change issues as

well individual actions required by the Council for reducing the its own carbon footprint. The Council is committed to becoming carbon neutral in the future and there may be a requirement for significant investment in achieving this goal, with recovery through the achievement of efficiency savings and/or by maximising any external grants and contributions available to support the strategy and action plan through the Council's Funding Strategy. However, any carbon reducing schemes will initially have to be funded from resources currently contained with the Council's existing Revenue and Capital budgets; with any new climate change initiatives, following the formal adoption and approval of the Local Environment (Climate Change) Strategy, being supported by robust business cases with a cost benefit analysis provided.

7. Risks

- 7.1 The ongoing impact of issues identified will be monitored carefully in budget monitoring reports and appropriate action taken.
- 7.2 The main risk to the Council is the overall cost of COVID-19 in terms of additional costs and delays to supplies.
- 7.3 The Government are likely to issue a supplementary Statutory Instrument which may limit the award of contracts for both revenue (£100,000) and capital projects (£1million) without the approval of the Shadow Authorities from April 2022.

8. Consultation

- 8.1 Scrutiny Panels considered the requests for their areas of responsibility at their meetings in November and December. Feedback of any comments on the proposals were made to the Executive in December prior to the Executive issuing their draft budget proposals for wider consultation.
- 8.2 The Business and Transformation Scrutiny Panel will consider this report on 6 January 2022, and their views fed back to the Executive on 19 January. Public consultation will take place between 20 December and 18 January and the budget resolution will then be issued by the Executive on 19 January.

9. Conclusion and reasons for recommendations

- 9.1 The Executive is asked to:
 - (i) Note the revised capital programme and relevant financing for 2021/22 as set out in Appendices A and B;
 - (ii) Give initial consideration and views on the proposed capital spending for 2022/23 to 2026/27 given in the report in the light of the estimated available resources;

- (iii) Note that any capital scheme for which funding has been approved by Council may only proceed after a full report, including business case and financial appraisal, has been approved.

10. Contribution to the Carlisle Plan Priorities

- 10.1 The Council's capital programme includes a range of positive projects that will directly benefit the people of Carlisle.

Contact details:

Contact Officer: Steven Tickner Ext: 7280

Appendices attached to report:

- Appendix A – Revised Capital Programme 2021/22
- Appendix B – Revised Capital Programme 2021/22 – Proposed Financing

Note: in compliance with section 100d of the Local Government Act 1972 the report has been prepared in part from the following papers:

- None

Corporate Implications:

Legal - The Council has a fiduciary duty to manage its resources properly and for the benefit of its community. In doing so it is required to take account of the advice it receives from its Corporate Director of Finance and Resources. The Council must have a balanced budget to deliver its services and also achieve and sustain an appropriate level of reserves.

Property Services - The Council has a significant property portfolio which assists in the management of its resources as detailed in the Asset Management Plan (GD58/21).

Finance - Financial implications are contained within the main body of the report.

Equality - This report raises no explicit issues relating to the public sector Equality Duty.

Information Governance - There are no information governance implications.

REVISED CAPITAL PROGRAMME 2021/22
APPENDIX A

Scheme	Original Capital Programme 2021/22 £	Other Adjustments £	Proposed Savings & Carry Forwards £	Revised Capital Programme 2021/22 £	Note
Sands Centre Redevelopment	16,922,600	0	0	16,922,600	
Civic Centre Development	2,081,600	2,000	0	2,083,600	
Energy Monitoring System	12,000	0	0	12,000	
<i>Savings to fund Civic Centre</i>	<i>(200,000)</i>	<i>200,000</i>	<i>0</i>	<i>0</i>	
Future High Street Fund - Market Square	100,000	357,300	0	457,300	
Future High Street Fund - 6-24 Castle Street	0	170,300	0	170,300	
Future High Street Fund - Central Plaza	0	712,400	0	712,400	
Future High Street Fund - Devonshire Street	0	73,600	0	73,600	
Future High Street Fund - Delivery Costs	0	122,400	0	122,400	
Cemetery Infrastructure	5,700	0	0	5,700	
Skew Bridge Deck	67,000	0	0	67,000	
Towns Deal - Bitts Park Improvements	99,200	68,900	0	168,100	
Planning Software	150,000	0	0	150,000	
Play Area Improvements	189,700	228,500	0	418,200	
Carlisle Citadels	934,700	0	0	934,700	
Towns Deal - Caldew Riverside	842,500	0	0	842,500	
On Street Charging Points Infrastructure	102,800	0	0	102,800	
Gateway 44 Development	896,200	0	0	896,200	
LED Footway Lighting Installation	29,700	0	0	29,700	
Rough Sleeping Initiative	10,000	0	0	10,000	
Planned Enhancements to Council Property	458,800	0	0	458,800	
Vehicles, Plant & Equipment	1,036,600	(594,800)	0	441,800	
Recycling Containers	45,000	64,500	0	109,500	
ICT Infrastructure	313,700	179,900	0	493,600	
Disabled Facilities Grants	3,387,200	0	0	3,387,200	
Empty Property Grants	112,400	0	0	112,400	
Swifts Wildlife Haven	70,000	0	0	70,000	
Bitts Park Water Feature	10,500	0	0	10,500	
Bitts Park Public Realm	0	32,000	0	32,000	
Financials Upgrade	0	80,900	0	80,900	
Footway Lighting Melbourne Park	0	22,200	0	22,200	
Affordable Homes (S106)	0	600,800	0	600,800	
SUB-TOTAL	27,677,900	2,320,900	0	29,998,800	
<u>Capital Reserves to be released</u>					
Creamatorium Infrastructure	350,000	0	0	350,000	
Cemetery Infrastructure	30,000	0	0	30,000	
	380,000	0	0	380,000	
REVISED TOTAL	28,057,900	2,320,900	0	30,378,800	

REVISED CAPITAL PROGRAMME 2021/22 – PROPOSED FINANCING

Source of funding	2021/22 Original £	2021/22 Revised £	Notes
Capital Grants:			
• DFG	2,155,600	2,155,600	
• Future High Street Fund	0	1,436,000	
• General	2,325,600	2,349,900	1
Capital Receipts:			
• B/fwd from previous year	(7,759,005)	(7,759,005)	
• Generated in year	1,491,000	0	2
• Receipts used to fund resources	(112,000)	(112,000)	
• Borrowing Undertaken	0	0	
Capital Contributions			
• General	159,700	1,043,200	3
Direct Revenue Financing	2,098,300	2,470,200	4
TOTAL FINANCE AVAILABLE	359,195	1,583,895	
TOTAL PROGRAMME (SEE APP A)	28,057,900	30,378,800	
PROJECTED (SURPLUS)/DEFICIT IN CAPITAL RESOURCES AVAILABLE	27,698,705	28,794,905	

Notes:

- Capital grant include revised funding for Sands Centre Development (£134,000), Recycling Containers (£24,300), Play Area Improvements (£30,000), Swifts Wildlife Haven (£70,000), On-Street Charging Infrastructure (£102,800), Bitts Park Towns Deal (£89,200), Carlisle Citadels (£934,700), Caldew Riverside Towns Deal (£842,500), Rough Sleeping Initiative (£10,000) and Empty Properties (£112,400).
- Asset Review Receipts have been reprofiled into future years.
- General contributions relate to Play Area Developments (£388,200), Bitts Park Public Realm (£32,000), Footway Lighting Melbourne Park (£22,200) and Affordable Homes (£600,800).
- Changes to Direct Revenue Financing relate to Financials Upgrade (£70,000), Waste Receptacles (£19,000), IT Strategy (£232,400), Civic Centre (£2,000) and Bitts Park Towns Deal (£30,000).

EXCERPT FROM THE MINUTES OF THE EXECUTIVE HELD ON 20 DECEMBER 2021

EX.154/21 REVISED CAPITAL PROGRAMME 2021/22 AND PROVISIONAL CAPITAL PROGRAMME 2022/23 TO 2026/27

(Key Decision – KD.10/21)

Portfolio Finance, Governance and Resources

Relevant Scrutiny Panel Business and Transformation

Subject Matter

Pursuant to Minute EX.133/21, the Finance, Governance and Resources Portfolio Holder submitted report RD.55/21 which provided an update to the Corporate Director of Finance and Resources' report to the Executive of 22 November 2021 (RD.47/21).

The report set out the proposed capital programme for 2022/23 to 2026/27 in the light of new capital proposals identified and summarised the estimated capital resources available to fund the programme.

The resources available to support the capital programme could only be estimated during the year. The final position was dependent, in particular, on how successful the Council had been in achieving Capital Receipts from the sale of assets against its target.

The cost of externally borrowing £1m to fund the capital programme would result in a charge to the revenue account in the next full year of approximately £50,000. That was made up of £20,000 for the cost of the interest payable (2% of £1m equated to £20,000) and a principal repayment provision of 3% of the outstanding sum (3% of £1m equated to £30,000).

The revised capital programme for 2021/22 (Appendix A) now totalled £30,378,800. The revised anticipated resources available and their use to fund the capital programme were depicted at Appendix B.

The Finance, Governance and Resources Portfolio Holder moved the recommendations, which were seconded by the Economy, Enterprise and Housing Portfolio Holder.

Summary of options rejected None

DECISION

That the Executive:

- (i) Noted the revised capital programme and relevant financing for 2021/22 as set out in Appendices A and B of report RD.55/21;
- (ii) Given initial consideration and views on the proposed capital spending for 2022/23 to 2026/27 given in the report in the light of the estimated available resources;
- (iii) Noted that any capital scheme for which funding has been approved by Council may only proceed after a full report, including business case and financial appraisal, has been approved.

Reasons for Decision To ensure that a balanced budget is set

**EXCERPT FROM THE MINUTES OF THE
BUSINESS AND TRANSFORMATION SCRUTINY PANEL
HELD ON 6 JANUARY 2022**

**(3)(b) REVISED CAPITAL PROGRAMME 2021/22 AND PROVISIONAL CAPITAL
PROGRAMME 2022/23 TO 2026/27**

The Corporate Director of Finance and Resources submitted report RD.55/21 which detailed the revised capital programme for 2021/22 together with the proposed method of financing as set out in Appendices A and B. The report summarised the proposed programme for 2022/23 to 2026/27 in the light of new capital proposals identified along with the estimated resources available to fund the programme.

The Executive had considered the matter at its meeting of 13 December 2021 (EX.154/21 referred), and decided:

'That the Executive:

- (i) Noted the revised capital programme and relevant financing for 2021/22 as set out in Appendices A and B of report RD.55/21;
- (ii) Gave initial consideration and views on the proposed capital spending for 2022/23 to 2026/27 given in the report in the light of estimated available resources;
- (iii) Noted that any scheme for which funding had been approved by the Council may only proceed after a full report, including business case and financial appraisal, has been approved.'

RESOLVED - That the revised capital programme for 2021/22 and the proposed overall capital budgetary portion for 2022/23 to 2026/27 (RD.55/21) be noted.

Carlisle City Council Report to Executive

Item
9.(1)(vi)

Report details

Meeting Date:	19 January 2022
Portfolio:	Finance, Governance and Resources
Key Decision:	Yes: Recorded in the Notice Ref: KD.10/21
Policy and Budget Framework	Yes
Public / Private	Public
Title:	BUDGET UPDATE – REVENUE ESTIMATES 2022/23 TO 2026/27
Report of:	CORPORATE DIRECTOR OF FINANCE & RESOURCES
Report Number:	RD 64/21

Purpose / Summary:

This report provides an update to RD46/21 and RD52/21, with a summary of the Council's revised revenue base estimates for 2021/22, together with base estimates for 2022/23 and forecasts up to 2026/27 for illustrative purposes.

Potential new spending pressures, bids and savings are also considered in this report. It should be noted that the figures in this report now incorporate the provisional finance settlement received on 16 December 2021.

Recommendations:

The Executive is requested to:

- note the revised base estimates for 2021/22 and base estimates for 2022/23;
- note that the estimates in the report are provisional and will be subject to the confirmation of the final Local Government Finance Settlement in January/February 2022;
- note the current MTFP projections and the outstanding issues, which will continue to be updated throughout the budget process and be incorporated into the Executive's budget proposals tabled at the meeting, if available;
- note the budget pressures, bids and savings which need to be taken into account as part of the 2022/23 budget process.

Tracking

Executive:	19 January 2022
Scrutiny:	Not applicable
Council:	1 February 2022 (Budget Resolution)

1. INTRODUCTION

- 1.1. This report considers the revised base estimates for 2021/22 together with the estimates for 2022/23. The report also sets out any known revisions to the Medium-Term Financial Plan (MTFP) projections.
- 1.2. The base estimates have been prepared in accordance with the guiding principles for the formulation of the budget over the next five-year planning period as set out in the following Policy documents that were approved by Council on 14 September 2021:
 - ◆ Medium Term Financial Plan and Charging Policy
 - ◆ Capital Strategy
 - ◆ Asset Management Plan
- 1.3. Members should be aware that there are a number of significant factors affecting the budget that are currently unresolved. In particular, the following are key to the budget process and details on these will be considered as the budget process progresses:
 - Ongoing impact of COVID-19;
 - Local Government Finance Settlement – provisional figures announced on 16 December 2021 with final figures due in January/February 2022;
 - Further expected changes in government grant e.g. New Homes Bonus, Housing Benefit Admin Grant;
 - Future borrowing requirements;
 - Commercial and investment opportunities;
 - Local Government Reorganisation.
- 1.4. The report draws on information contained in a number of reports that are either considered elsewhere on this agenda or have been considered previously by the Executive.
- 1.5. Decisions will need to be made to limit budget increases to unavoidable and high priority issues, together with maximising savings and efficiencies, and potential use of reserves, to enable a balanced budget position to be recommended to Council in February 2022.

2. SUMMARY OF BASE BUDGET ESTIMATES

- 2.1 The base estimates are calculated on the assumption that core services will continue at approved levels incorporating decisions agreed by Council as part of the previous year's budget process and including all subsequent decisions made by Council.
- 2.2 The table below sets out the base level General Fund requirement for 2021/22 and 2022/23 with projections to 2026/27. The 2021/22 variance reflects the use of

earmarked reserves approved since the MTFP was approved in September.

Table 1 – Base Budget Summary

		2021/22 Original £000	2021/22 Revised £000	2022/23 Original £000	2023/24 Proj £000	2024/25 Proj £000	2025/26 Proj £000	2026/27 Proj £000
Net Base Budget Parish Precepts (PP)		13,381 708	16,063 708	12,864 726	12,959 744	13,127 763	13,434 782	13,679 802
Total		14,089	16,771	13,590	13,703	13,890	14,216	14,481
Original MTFP Projections		14,089	15,901	13,590	13,703	13,890	14,216	14,481
Variance		0	870	0	0	0	0	0
Analysis of Variance:								
Non-Recurring:								
Cremator Replacement Reserve			(41)					
Revenue Grants Reserve			380					
Planning Services Reserve			(19)					
Economic Recovery Reserve			50					
LGR Reserve			500					
Total Variance		0	870	0	0	0	0	0

- 2.3 Members will be aware from the revenue monitoring report that there continues to be some income streams that have not fully recovered from the effects of the pandemic and there may be other cost pressures or savings which may have a recurring impact; many of these are in relation to the recovery from the COVID-19 pandemic and the impact it is continuing to have on Council services.

3. OUTSTANDING KEY ISSUES

3.1 Spending Review/provisional settlement

The Spending Review (and Budget) for 2022/23 was announced on 27 October. There was confirmation that there would be additional funding available to the Local Government sector of £4.8billion over the forthcoming 3-year period (£1.6billion per year) for social care and other services. Individual allocations for this funding have been confirmed in the Provisional Local Government Finance Settlement announced in December 2021.

There will also be additional funding of £639million to tackle rough sleeping allocated through the Homelessness Prevention Grant.

There will be £300million funding for local government to implement free, separate food waste collections in every local authority in England from 2025.

Government Settlement Funding Assessment

The Council receives core funding allocations from the Government in relation to Business Rates Baseline Funding and other specific grants. The figures incorporated into this report now reflect the provisional funding settlement, announced on 16 December, for 2022/23 with a more detailed report and analysis of what this means for the Council being considered elsewhere on the agenda (RD67/21). Due to the COVID-19 pandemic, reform to the local government funding model (Fair Funding Review & Business Rates Retention) has yet again been put on hold. **The final settlement figures will be available following the consultation process which concludes on 13 January 2022.**

Retained Business Rates

The Business Rate Baseline figure is assumed at an inflationary increase for 2022/23 with reduced projections for growth and pooling built into the MTFP from 2022/23 on the basis that the Business Rates Reforms would have been announced. However, as mentioned above, the reforms of the Retained Business Rates Retention Scheme have again been deferred and DLUHC announced on 10 November that the government has now abandoned plans to allow councils to retain 75% of their business rates as it would conflict with their agenda for 'levelling up'. Instead, the government will now look at the mechanism for redistributing funding to the authorities most in need.

DLUHC has decided not to revoke the existing legislation governing pooling arrangements and therefore the Council is able to continue to be a member of the Cumbria Business Rates Pool for 2022/23, subject to the agreement of all participating members. The financial aspects of continuing with the Pooling arrangements for 2022/23 are set out further in this report.

There will be a freezing of the Business Rates Multiplier for 2022/23 so that there will be no inflationary increase in the amount of rates that are payable by businesses. This multiplier increase is also applied to the Business Rate Baseline level the Council budgets for. This 'loss' in baseline has been compensated for via a 'Multiplier Grant' as part of the provisional Local Government Finance Settlement.

There will also be a 50% Business rate relief in 2022/23 for retail, hospitality and leisure sector up to a cap of £110,000. The Council will be compensated for this loss of income through a fully funded S31 grant.

Council Tax

The Government has proposed that the referendum limit will remain as is for Council Tax increases. District councils will be given the option of raising Council Tax by the greater of 2% or £5. This will be subject to final confirmation in January/February 2022.

Pay Award 2021/22 & 2022/23

The MTFP currently assumes a 2% pay award increase from 2021/22 onwards; however, for 2021/22 there has yet to be an agreement on the level of the pay award. For 2022/23, the Spending Review announced that the freeze on Public Sector pay increases was to be lifted from April 2022. An increase of 1% equates to an additional £161,000 per annum.

The National Living Wage will increase from £8.91 to £9.50 per hour. The Council adopted the foundation living wage and have been paying its grade A staff £9.50 since January 2021. The annual foundation living wage increase has been announced and is now set at £9.90 which the Council will implement in January 2022.

Resource Assumptions

The current resources projections assume:

- A nil (Band D equivalent) Council Tax increase for 2022/23 with a £5 per year increase from 2023/24 onwards as detailed in the Executives' budget proposals .
- A Council Tax deficit for 2022/23 and 2023/24 of £41,000, with a £50,000 surplus from 2024/25. **Under statute, this this figure cannot be calculated until 15 January and further information on the effect any changes will have on the budget will be provided when available.**
- Retained business rates for 2022/23 reflect the provisional local government finance settlement received in December and for future years are assumed at the Baseline level with an inflationary increase, with an additional sum to be achieved through growth/section 31 grants and from the benefits of Pooling in 2022/23;
- An assumed tax base of 35,013.07 for 2022/23. **The final tax base for 2022/23 will not be available until mid-January and further information will be provided when available.**
- Parish Precepts are currently being collated but the estimate for 2022/23 is for a total of £726,000. **The actual Parish Precept requirement for each Parish will be incorporated into the Executive's budget proposals tabled in January.**

For information, broadly:

- Each 1% (£1.95) movement in Council Tax impacts on the Council by £67,000
- Each £35,000 increase or decrease in expenditure impacts on the Council Tax requirement by £1.

Local Environment Strategy

The Council's update Local Environment (Climate Change) Strategy was approved by full Council in the Spring of 2021 following the usual consultation process; the Strategy is supported by an action plan for addressing climate change issues as well individual actions required by the Council for reducing its own carbon footprint. The Council is committed to becoming carbon neutral in the future and there may be a requirement for significant investment in achieving this goal, with recovery through the achievement of efficiency savings and/or by maximising any external grants and contributions available to support the strategy and action plan through the Council's Funding Strategy. However, any carbon reducing schemes will initially have to be funded from resources currently contained within the Council's existing Revenue and Capital budgets; with any new climate change initiatives, following the formal adoption and approval of the Local Environment (Climate Change) Strategy, being supported by robust business cases with a cost benefit analysis provided.

4. POTENTIAL NEW SPENDING PRESSURES/BIDS

- 4.1 In light of the current position in the MTFP, there are some potential new spending pressures and bids that need to be considered.

There may be other pressures on the revenue budget as highlighted within the revenue monitoring reports, which may have a recurring impact; however, officers are reviewing the existing base budget provisions to ensure that the services can be provided within these budgetary provisions and also contribute towards the savings target.

The figures contained within the table overleaf have been subject to review to determine the recurring/non-recurring nature of the pressures in terms of economic recovery. The Treasury Management estimates, which assumes a significant level of external borrowing, will continue to be reviewed in the light of the Council's cash position, the capital programme expenditure profile and the impact of Local Government Reorganisation in order to mitigate any unnecessary debt liability falling on the new Authority. If any further figures are amended these will be reported via the Executive's budget proposals issued in January.

Detail		2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Recurring						
ICT	4.2	160	160	160	160	160
Pest Control Income Shortfalls	4.3	12	13	15	16	18
Developer Contributions	4.4	19	0	0	11	(41)
Gateway 44 Income Shortfalls	4.5	523	487	342	262	262
Energy Costs	4.6	180	123	123	123	123
Revenue Financing Capital Program	4.7	26	26	26	26	26
Treasury Management	4.8	277	430	383	214	126
Total Recurring Pressures		1,197	1,239	1,049	812	674
Non Recurring						
District Centre Business Support Fun	4.9	40	0	0	0	0
Homelessness Accommodation	4.10	102	0	0	0	0
Income Shortfalls						
Car Parking Income	4.11	300	200	200	0	0
Reprofiling of savings target	4.12	1,200	0	0	0	0
Lanes Income	4.13	500	400	330	0	0
Carlisle Local Focus Hub	4.14	55	55	0	0	0
Total Non Recurring Pressures		2,197	655	530	0	0

4.2 ICT – Additional Expenditure - £160,000 recurring bid

This proposal seeks additional revenue funding to invest in ICT and includes additional resources for the IT Helpdesk (£38,700), licence costs for wi-fi improvements (£5,600), network security (£2,700) and telephony (£24,000). A base budget review has also been undertaken that has identified a net budgetary shortfall for current IT costs (£49,300) and a savings requirement of £40,100 that cannot be achieved.

4.3 Pest Control - £12,000 recurring pressure, rising to £18,000 recurring pressure

This pressure is as a result of removing the domestic charge for the treatment of rats from the Council's charging policy as detailed in report GD55/21 considered by the Executive in November.

4.4 Developer Contributions - £19,000 reprofiling pressure

The MTFP assumes an income stream from developers, particularly from the establishment of the Garden Village. A re-profiling exercise has been undertaken to ensure the MTFP reflects the level of income that can actually be achieved.

4.5 Gateway 44 - £523,000 recurring pressure, reducing to £262,000 recurring pressure

Covid-19 has had a major impact on the retail sector and although out of town big box retail has fared better than traditional town centre retailing there has still been a hit on rental levels and potential tenants have suffered financial difficulties.

Agreements have been reached with tenants however rental levels are lower than originally anticipated and the extended marketing period has resulted in a longer void period than originally anticipated. The overall income now anticipated to be achieved by 2025/26 taking into account these pressures will still be £615,000, which represents an 11.2% return on the capital investment made.

4.6 Gas and Electricity Costs – £180,000 – Recurring pressure reducing to £123,000 recurring pressure from 2023/24

This additional cost arising due to the current global situation with wholesale energy costs. The Council procures its energy through the County Council framework and has received notification of a potential 55% increase in gas costs for 2022/23 and 38% in electricity costs, with both reducing to a 25% increase (on 21/22 levels) from April 2023.

4.7 Direct Revenue Financing of capital programme - £26,000 recurring pressure

The waste service contributes revenue financing for the replacement of vehicles, however, there is a shortfall on the available budget that cannot be achieved.

4.8 Treasury Management

Treasury Management projections have been updated to include updates to the Capital programme (contained elsewhere on this agenda) and updated for interest rate forecasts. This projection includes the potential impact on reserves for all the pressures and savings contained in this report together with the updated borrowing costs for the capital programme. It is proposed to release the amount held in the Operational Risk Reserve (£600,000) to partially cover this additional pressure over 2022/23 (£277,000) and 2023/24 (£323,000).

4.9 District Centre Business Support Fund – Additional Expenditure - £40,000 - Non-Recurring

This proposal involves the continuation of the pilot project for a further year and will be extended to the district centres and will address the issue of empty shops, which is becoming an increasing problem in the market towns and neighbourhood parades.

4.10 Homeless Accommodation – Income shortfall - £102,000 non-recurring pressure

There is a shortfall in income from homeless accommodation mainly due to reduced capacity and restrictions placed upon the accommodation as a result of COVID-19.

4.11 Car Parking income shortfalls - £300,000 – non-recurring pressure, reducing to £200,000 non-recurring pressure

Car parking income is not achieving its budgeted expected levels as a result of lower usage of the car parks, especially during the pandemic. However, it has been assumed that the economy will recover, and income targets will also recover by 2025/26. This pressure also absorbs the proposal, following budget scrutiny, that parking charges be frozen for the first hour and also that a review of the use of permits at Talkin Tarn is undertaken.

4.12 Reprofiting of savings target

The current MTFP assumes a recurring savings requirement to be found by 2023/24 of £2.050million. This continues to be the case; however, the reprofiling of this target, now means that no in year savings are required for 2022/23.

4.13 Lanes Income - £500,000 non-recurring pressure reducing to £330,000 non-recurring pressure

The economic impact on the high street, both pre-COVID and post COVID and the vacation of Debenhams has resulted in income from the Lanes being severely diminished. There will be a period where increased holding costs of vacant units will be incurred and therefore the Council's share of income will be reduced. This pressure anticipates a slow return to the income levels currently included in the MTFP.

4.14 Carlisle Local Focus Hub

In parallel with this year's preparations for agreeing a revenue budget, work has been undertaken to establish the potential for developing the Carlisle Local Focus Hub and better aligning this with the Carlisle and Eden Community Safety Partnership strategic requirements.

It is proposed that a two-year fixed term post be created to manage the Local Focus Hub and support the transition of the Carlisle and Eden Community Safety Partnership as the new unitary arrangements are brought into being. The costs of this fixed-term post are approximately £55,000 including all on costs. A further report to Executive will confirm the details of these proposals in early 2022.

5. SAVINGS AND ADDITIONAL INCOME PROPOSALS

5.1 Further savings/additional income have been identified in the budget process for 2022/23 as follows:

Detail	Note	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Changes to Funding						
Released from Earmarked Reserve - Operational Risk Reserve (Treasury Mgt)	5.2	(277)	(323)	0	0	0
Release from Earmarked Reserve - Operational Risk Reserve (Covid)	5.2	(500)	0	0	0	0
Council Tax Freeze 2022/23	5.3	175	176	179	180	183
Business Rate Income	5.4	(1,800)	(1,000)	(1,000)	(1,000)	(1,000)
Business Rates Multiplier Compensation	5.5	(97)	(98)	(100)	(102)	(104)
Business Rates Baseline	5.6	66	67	68	70	71
Total Changes to Funding		(2,433)	(1,178)	(853)	(852)	(850)
<u>Expenditure Reductions / Increased Income</u>						
Flare Data Management System	5.7	(16)	(16)	(16)	(16)	(16)
Lower Tier Services Grant	5.8	(150)	0	0	0	0
Rural Services Grant	5.9	(193)	0	0	0	0
Services Grant 2022/23	5.10	(230)	0	0	0	0
New Homes Bonus	5.11	(1,022)	0	0	0	0
Total of Savings		(1,611)	(16)	(16)	(16)	(16)
Total Recurring		(16)	(16)	(16)	(16)	(16)
Total Non-Recurring		(1,595)	0	0	0	0

5.2 Released from Earmarked Reserves

It is recommended to release the amounts held in the Operational Risk Reserve for Treasury Management (£600,000) and COVID costs (£500,000). The Treasury Management amount was set aside from savings on interest payments in 2020/21 to be utilised for any additional borrowing costs. It is recommended to release this in line with the Treasury Pressure identified at 4.1.

The amount set aside in the reserve for COVID costs was to be utilised if there were any additional costs incurred in 2021/22 for COVID. However, the additional costs are currently being contained within the overall agreed budget for 2021/22 and the additional funding received from Government. It is therefore recommended to release this reserve to offset the increased pressures identified in 4.1.

This has the impact of releasing £777,000 in 2022/23 and £323,000 in 2023/24.

5.3 Council Tax Freeze 2022/23

This reduction to the funding is as a result of the Executive's decision to freeze Council Tax at 2021/22 levels for 2022/23 as detailed in their draft Budget issued for Consultation.

5.4 Business Rates Income (including Pooling)

It is recommended that the Council continue to be part of the Cumbria Pooling arrangements in 2022/23 now that the DLUHC has agreed not to revoke the current legislation, and all participating members have initially agreed that the pool continues in its current format. The current MTFP assumes the baseline level of funding from Business Rates as set by Government. On top of this, a recurring £900,000 is included for additional income retained over and above the baseline. Based on historic income levels and those projected in the NNDR1 forms, there is scope to increase this amount. By participating in the pool for 2022/23, there is an expectation of a benefit of approximately £800,000. The level of retained income per the NNDR1 submissions also provides scope to increase the base budget (over the baseline level) by a further £1,000,000 per year. For 2022/23 there would therefore be an expectation of an additional £1.8m above the current assumptions in the MTFP.

5.5 Business Rate Multiplier Compensation

There is an increase in the Business Rate Multiplier compensation given to the Council in the draft Local Government Finance Settlement as a result of the decision not to apply any inflationary uplift to business rates.

5.6 Business Rates Baseline

As a result of there being no inflationary uplift to business rates, the baseline position subsequently does not increase by inflation as had been assumed in the MTFP.

5.7 Replacement of Flare Data Management System – Saving - £16,000 recurring

The capital programme includes provision of £150,000 for the replacement of the system used in regulatory services. However, with Local Government Reorganisation on the horizon, it is deemed not necessary to replace this system at this time. Therefore, there is a saving on the additional revenue costs that would have been incurred from implementing the system.

5.8 **Lower Tier Services Grant**

An un-ringfenced grant will be received to support Councils with responsibility for lower tier services such as homelessness, planning, recycling and refuse collections and leisure services.

5.9 **Rural Services Grant**

A further allocation of the Rural Services Delivery Grant as outlined in the draft Local Government Finance Settlement for 2022/23.

5.10 **Services Grant 2022/23**

A new one-off un-ringfenced grant will be received to support Councils delivery of front-line services. Allocations for future years will be determined after consultation with the sector.

5.11 **New Homes Bonus**

A one-year allocation of New Homes Bonus has been provided for 2022/23, with no legacy payments expected in subsequent years; however all previously announced legacy payments for previous years will be honoured in the 2022/23 allocations and these are already included in the MTFP.

6. **PROJECTED IMPACT ON RESERVES AND BALANCES**

6.1 It should be noted that if all of the potential new Savings and Spending Pressures were accepted then reserves may fall below acceptable minimum levels over the five-year period.

6.2 The general principles on each of the Reserves are set out in the Medium-Term Financial Plan. In terms of meeting ongoing revenue expenditure, the general guiding principle which Council approved is that:

‘Wherever possible, reserves should not be used to fund recurring expenditure, but that where it is, this should be made explicit, and steps taken to address the situation in the following years’.

6.3 The Council’s current levels of balances are set out in **Appendix A** and include any impact of the proposed pressures and savings outlined in this report. The Projects Reserve will be used as a first call for any projected revenue budget deficit however, maintaining the current level of reserves is dependent upon the achievement of the transformation savings from 2023/24. A risk-based review of reserve levels has been undertaken and shows that the minimum level of General Fund Reserves should be £3.1million due to uncertainties around future funding from Business Rates.

Summarised Position	2021/22 Original £000	2021/22 Revised £000	2022/23 Original £000	2023/24 Proj £000	2024/25 Proj £000	2025/26 Proj £000	2026/27 Proj £000
Total Projected Expenditure	13,381	16,063	12,864	12,959	13,127	13,434	13,679
Total Projected Resources	(13,381)	(16,063)	(12,393)	(12,721)	(13,146)	(13,486)	(13,832)
Projected (Surplus) / Shortfall <u>excluding</u> savings and new spending	0	0	471	238	(19)	(52)	(153)
Less: New Saving Proposals							
- Recurring	0	0	(16)	(16)	(16)	(16)	(16)
- Non Recurring	0	0	(1,595)	0	0	0	0
- Business Rates	0	0	(1,800)	(1,000)	(1,000)	(1,000)	(1,000)
- Business Rates Baseline / Multiplier	0	0	(31)	(31)	(32)	(32)	(33)
- Released from Earmarked Reserves	0	0	(777)	(323)	0	0	0
(See Para 6) Add: New Spending Pressures							
- Recurring	0	0	1,197	1,239	1,049	812	674
- Non Recurring	0	0	2,197	655	530	0	0
- Council Tax Freeze	0	0	175	176	179	180	183
(See Para 5)							
Potential Budget (Surplus) / Shortfall	0	0	(179)	938	691	(108)	(345)
Potential (Surplus) / Shortfall Analysis:							
- Recurring	0	0	(232)	333	(29)	(108)	(345)
- Non Recurring	0	0	53	605	720	0	0

7. SUMMARY FINANCIAL OUTLOOK AND BUDGET DISCIPLINE 2022/23 to 2026/27

- 7.1 The current budget projections for the next five-year period are challenging and continue to show the requirement for substantial savings to be achieved in order to enable the Council to contain its ongoing commitments within available resources, notwithstanding the on-going impact of COVID-19 and LGR in Cumbria, over the lifetime of the MTFP.

- 7.2 Notification of Government general and specific grants is received on an individual basis late in the budget process which makes forward planning difficult. The impact of a further one-year settlement for 2022/23 also adds to the challenges of securing a balanced 5-year MTFP.
- 7.3 In terms of expenditure pressures, again notwithstanding the impact of COVID-19 on the Council's budgets and economic recovery in general and the impact of LGR, the significant issue affecting the budget is the uncertainty regarding local government funding in terms of business rate retention and any burdens which may transfer as a result.
- 7.4 The deferral of the Fair Funding Review and the Business Rate Retention Reviews increases the uncertainty in terms of future funding especially from 2023/24 onwards; however, the scope to remain within the Cumbria Pooling arrangements for 2022/23 will provide an opportunity, albeit temporary, in terms of increased financial support to the revenue budget from pooling and growth.
- 7.5 The City Council needs to establish as part of its budgetary process the financial discipline to be followed by member and officers in the ensuing financial years, and the Executive made recommendations in this respect in December.
- 7.6 Under section 25 of the Local Government Act 2003 the Council's S.151 Officer is required to prepare a statutory report which considers the robustness of the estimates and the adequacy of reserves and which determines levels of borrowing.
- 7.7 **Local Government Reorganisation**
Local Government Reorganisation for Cumbria is now progressing, and the Programme Board have agreed that there will be a requirement to establish funding for the transition costs. For the six District Councils this could be as much as £1.576m each. Although the Council set aside £500,000 in earmarked reserves for LGR at the end of 2020/21, this will be retained in order to fund any costs which the Council may incur itself and therefore outwith the eligibility criteria for the Cumbria Wide Implementation Reserve. Therefore up to £1.6million is needed to ensure that funds are available to support the implementation work and it is proposed that this be funded from existing earmarked reserves – this was approved by full Council in January 2022.

The Council will be approving its budget for 2022/23 in February 2022, so any information provided in this report for 2023/24 onwards is for illustrative purposes only, which will become the responsibility of the new Cumberland Council.

8. RISKS

- 8.1 As outlined above the Council has a statutory responsibility to set a balanced budget and failure to do this could lead to unfunded financial pressures on the Council.

9. CONSULTATION

- 9.1 The Business and Transformation Scrutiny Panel considered the Executive's budget proposals issued for consultation at their meeting on 6 January 2022, and their views are considered elsewhere on this agenda. Public consultation has also taken place between 20 December and 17 January and the budget resolution taking into account any consultation feedback will be tabled by the Executive on 19 January.

10. CONCLUSION AND REASONS FOR RECOMMENDATIONS

- 10.1 The Executive is requested to:
- note the revised base estimates for 2021/22 and base estimates for 2022/23;
 - note that the estimates in the report are provisional and will be subject to the confirmation of the final Local Government Finance Settlement in January/February 2022;
 - note the current MTFP projections and the outstanding issues, which will continue to be updated throughout the budget process and be incorporated into the Executive's budget proposals tabled at the meeting, if available;
 - note the budget pressures, bids and savings which need to be taken into account as part of the 2022/23 budget process.

11. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

- 11.1 To ensure that a balanced budget is set.

Contact details:

Contact Officer: Steven Tickner

Ext: 7280

Appendices attached to report:

- Appendix A – Council Reserves
- Appendix B – Draft Statutory report of S.151 Officer

Note: in compliance with section 100d of the Local Government Act 1972 the report has been prepared in part from the following papers:

- None

Corporate Implications:

Legal - The Council has a fiduciary duty to manage its resources properly and for the benefit of its community. In doing so it is required to take account of the advice it receives from its Corporate Director of Finance and Resources. The Council must have a balanced budget to deliver its services and also achieve and sustain an appropriate level of reserves.

Property Services - There are no Property implications

Finance - contained within the body of the report

Equality - This report raises no explicit issues relating to the public sector Equality Duty.

Information Governance - There are no information governance implications.

COUNCIL RESERVES

Analysis of Council Reserves		Outturn 31 March 2021 £000	Projected 31 March 2022 £000	Projected 31 March 2023 £000	Projected 31 March 2024 £000	Projected 31 March 2025 £000	Projected 31 March 2026 £000	Projected 31 March 2027 £000
Revenue Reserves								
General Fund Reserve		(3,100)	(3,100)	(3,100)	(2,704)	(2,013)	(2,121)	(2,466)
Projects Reserve		(1,708)	(363)	(542)	0	0	0	0
Carry Forward Reserve		(628)	(628)	(628)	(628)	(628)	(628)	(628)
		(5,436)	(4,091)	(4,270)	(3,332)	(2,641)	(2,749)	(3,094)
Cremator Replacement Reserve		(1,196)	(887)	13	13	13	13	13
Economic Recovery Reserve		(50)	0	0	0	0	0	0
Operational Risk Reserve - Covid19	(i)	(500)	(500)	0	0	0	0	0
Operational Risk Reserve - Treasury Mgt	(i)	(600)	(600)	(323)	0	0	0	0
Operational Risk Reserve - Savings		(1,600)	0	0	0	0	0	0
Operational Risk Reserve - LGR		(500)	0	0	0	0	0	0
Building Control Reserve		(24)	(24)	(24)	(24)	(24)	(24)	(24)
Planning Services Reserve	(ii)	(206)	(225)	(225)	(225)	(225)	(225)	(225)
Waverley Viaduct Reserve		(30)	(30)	(30)	(30)	(30)	(30)	(30)
Revenue Grants Reserve		(2,141)	(1,761)	(1,761)	(1,761)	(1,761)	(1,761)	(1,761)
Council Tax Hardship Grant Reserve		(359)	0	0	0	0	0	0
Council Tax Income Guarantee Scheme Reserve		(69)	0	0	0	0	0	0
Business Rates S.31 Grant Reserve		(9,463)	0	0	0	0	0	0
Prosecutions Fund Reserve		(35)	(35)	(35)	(35)	(35)	(35)	(35)
City Centre Reserve		(5)	(5)	(5)	(5)	(5)	(5)	(5)
Flood Reserve		(4)	(4)	(4)	(4)	(4)	(4)	(4)
Apprentice Reserve		(96)	(96)	(96)	(96)	(96)	(96)	(96)
Total Revenue Reserves		(22,314)	(8,258)	(6,760)	(5,499)	(4,808)	(4,916)	(5,261)
Capital Reserves								
Usable Capital Receipts		0	0	0	0	0	0	0
Unapplied capital grant		(126)	(3)	(3)	(3)	(3)	(3)	(3)
Lanes Capital Reserve		(90)	(105)	(120)	(135)	(150)	(165)	(180)
Total Capital Reserves		(216)	(108)	(123)	(138)	(153)	(168)	(183)
Total Usable Reserves		(22,530)	(8,366)	(6,883)	(5,637)	(4,961)	(5,084)	(5,444)
Other Technical Reserves	(iii)	(105,815)						
Total All Reserves		(128,345)						

- (i) These reserves are to be released to General Fund in 2022/23 and 2023/24
- (ii) Economic Growth Scrutiny Panel requested that consideration be given to this reserve being used to enhance planning enforcement and tree preservation matters
- (iii) These reserves are of a technical nature and are not cash backed. They are not available either to fund expenditure or to meet future commitments.

DRAFT STATUTORY REPORT OF S.151 OFFICER

1. In setting its Budget Requirement, the Council is required under the Local Government Act 2003 (Section 25) to consider:
 - (i) The formal advice of the statutory responsible financial officer (Corporate Director of Finance and Resources) on the robustness of the estimates included in the budget and the adequacy of the reserves for which the budget provides;
 - (ii) The Council has to determine what levels of borrowing, if any, it wishes to make under the Prudential Code that governs local authority borrowing.

2. **Robustness of the Estimates**

Whilst relevant budget holders are responsible for individual budgets and their preparation, all estimates are scrutinised by Financial Services staff, the Senior Management Team and the Strategic Financial Planning Group prior to submission to members.

The Council's revenue and capital budgets are integrated in that the financial impact of the proposed capital programme is reflected in the revenue estimates.

The Council has no history of overspending against budget, indeed, there has tended to be a degree of underspending. However improved budget monitoring backed up by specific action where appropriate and base budget procedures have proven effective in addressing this issue.

There are risks however involved in projecting budgets particularly over the medium term and the year-end position will never exactly match the estimated position in any given year. Areas of specific risk in the current five-year period under consideration are:

- The Savings programme is expected to achieve savings of £2.050million by 2023/24 in order to meet the expected cuts in grants from central government and other budgetary pressures identified in the previous budget process. This will ensure that a balanced 5-year budget is produced and where Council reserves are replenished over the longer term (subject to the impact of LGR).
- The level of interest receipts and return on Treasury Management activities are subject to market rates. Members are advised of this risk every year and it should be noted that in the current economic climate with low and relatively static base rates, investment income returns in the medium term continue to prove challenging. The Council is also having to deal with a reduced number of counterparties it is able to place deposits with.

The main risk to the robustness of the estimates contained within the 5-year MTFP is the continued uncertainty regarding the Fair Funding Review and Business Rates Retention Review. Economic recovery following COVID-19 and the impact this has on costs and inflationary assumptions is also a significant risk. The implementation of Local Government Reorganisation in Cumbria will also impact on the level of earmarked reserves held by the Council, and the 5-year MTFP has been prepared in order to achieve financial sustainability for the new organisation post April 2023.

There will be a requirement to use reserves in the short term; however, proposals must put in place to ensure that reserves will rise over the following 5-year period to minimum levels to inform and sustain the new Unitary Council.

The delivery of the savings proposals identified and continuing work to deliver further savings will also be important to maintaining reserves at prudent levels. Regular budget monitoring, particularly in the area of the Savings programme is imperative during this period. The level of the Council's future Capital Programme, taking account of a significant reprofiling in capital receipts, is fully funded but includes a significant borrowing requirement over the five-year period. The Capital Programme includes plans to sell further assets that can be utilised to reduce the overall borrowing requirement for future capital investment decisions.

- Central contingencies – there have been no contingency budgets built into the existing estimates. This means that any unforeseen expenditure that cannot be contained within existing budgets will require a supplementary estimate to cover any costs. The budget proposals will significantly limit the capability to deal with any of these events and these may have to be found from within other budgets and reserves should the need arise.

2. Adequacy of Reserves

The level and usage of the Council's Reserves is undertaken annually as part of the Medium-Term Financial Plan.

The appropriateness of the level of reserves can only be judged in the context of the Council's longer-term plans and an exercise has been undertaken to review the level of reserves through the use of a risk assessment matrix. The findings of this exercise suggested that the minimum level should be set at £3.1million as a prudent level of General Fund Reserves which will be required as a general working capital/ contingency to cushion the Council against unexpected events and emergencies.

The Council's policy on reserves is that wherever possible reserves should not be used to fund recurring expenditure, but that where it is, this should be made explicit, and steps taken to address the situation in the following years. The Executive sets out in its Budget Discipline and Saving Strategy on how it expects Officers to address the 2022/23 budget pressures in setting the 2022/23 budget and principles to be adopted.

Based on current projections, Council Reserves as at 31st March 2023 will be maintained at prudent levels. It is accepted that the level of reserves is reliant on the delivery of the transformation savings and achievement of income targets and government funding.

3. Determination of Borrowing

The Prudential Accounting regime enables the Council to borrow subject to meeting criteria of affordability. The draft Prudential Indicators have been established and these will be finalised for Council approval once decisions on the overall Capital Programme have been made.

For the period under review the need for borrowing will be kept under consideration and will be dependent on the level of capital receipts being generated and the potential of future capital projects. Due to projects currently under consideration, the capital programme for 2022/23 to 2026/27 will require the use of Prudential Borrowing (including internal borrowing) to sustain levels depending on the levels of capital receipts that can be generated in the future. If borrowing is required, full option appraisals will be carried out. The financial sustainability and level of debt for the new Unitary Authority will be a consideration especially in terms of the timing of any external borrowing undertaken.

Carlisle City Council Report to Executive

Item
9.(1)(vii)

Report details

Meeting Date:	19 January 2022
Portfolio:	Finance, Governance and Resources
Key Decision:	Yes: Recorded in the Notice Ref: KD.10/21
Policy and Budget Framework	Yes
Public / Private	Public
Title:	Revised Capital Programme 2021/22 and Provisional Capital Programme 2022/23 to 2026/27
Report of:	Corporate Director of Finance and Resources
Report Number:	RD 65/21

Purpose / Summary:

The report provides an update to RD47/21 and RD55/21 and sets out the proposed capital programme for 2022/23 to 2026/27 in the light of new capital proposals identified and summarises the estimated capital resources available to fund the programme.

Recommendations:

The Executive is asked to:

- (i) Note the revised capital programme and relevant financing for 2021/22 as set out in Appendices A and B;
- (ii) Give initial consideration and views on the proposed capital spending for 2022/23 to 2026/27 given in the report in the light of the estimated available resources;
- (iii) Note that any capital scheme for which funding has been approved by Council may only proceed after a full report, including business case and financial appraisal, has been approved.

Tracking

Executive:	19 January 2022
Scrutiny:	Not applicable
Council:	1 February 2022 (Budget Resolution)

1. Background

- 1.1. This report details the revised capital programme for 2021/22 together with the proposed methods of financing as set out in paragraph 3 and **Appendix A and B**.
- 1.2. The report also details the capital spending proposals for 2022/23 to 2026/27, together with the potential resources available to fund the programme. Members are asked to give initial consideration to the spending proposals.
- 1.3. The guiding principles for the formulation of the capital programme over the next five-year planning period are set out in the following policy documents that were approved by Council on 14 September 2021:
 - Capital Investment Strategy 2022-23 to 2026-27 (Report RD37/21)
 - Asset Management Plan (Report GD58/21)
- 1.4. A Corporate Programme Board of senior officers, (the SMT Transformation sub-group) continues to take the lead on the prioritisation of investment and the monitoring and evaluation of schemes. This is to improve performance monitoring and business case analysis of capital projects.

2. Capital Resources

- 2.1 There are several sources of capital resources available to the Council to fund capital expenditure, the main ones being:
 - Borrowing (Prudential Code - see paragraph 6.2)
 - Capital Grants e.g. DFG, specific capital grants
 - Capital Receipts e.g. proceeds from the sale of assets
 - Council Reserves e.g. Projects Reserve
- 2.2 In accordance with the Capital Investment Strategy, the Corporate Director of Finance and Resources will make recommendations on the most effective way of financing the Capital Programme to optimise the overall use of resources.
- 2.3 It should be noted that capital resources can only be used to fund capital expenditure and cannot, with the exception of the Council's own Reserves, be used to fund revenue expenditure. There are strict definitions of what constitutes capital expenditure.
- 2.4 It should also be noted that the resources available to support the capital programme can only be estimated during the year. The final position is dependent in particular on how successful the Council has been in achieving Capital Receipts from the sale of assets against its target i.e. the more capital receipts generated, the less is required to be taken from Borrowing and Council Reserves (and vice versa).

- 2.5 The cost of externally borrowing £1m to fund the capital programme will result in a charge to the revenue account in the next full year of approximately £50,000. This is made up of £20,000 for the cost of the interest payable (2% of £1m equates to £20,000) and a principal repayment provision of 3% of the outstanding sum (3% of £1m equates to £30,000).

3. Revised Capital Programme 2021/22

- 3.1 The capital programme for 2021/22 totalling £28,057,900 was approved by Council on 20 July 2021 as detailed in the 2020/21 out-turn report (RD16/21).
- 3.2 The revised capital programme for 2021/22 now totals £32,657,400 as detailed in **Appendix A** subject to the relevant approvals by Executive and Council for the changes.
- 3.3 **Appendix B** details the revised anticipated resources available and their use to fund the capital programme. These have been revised to take account of revised projections and valuations of asset sales.
- 3.4 A summary of the revised programme for 2021/22 is shown below:

Summary Programme	£	Appx
2021/22 Original Capital Programme	28,057,900	A
Other adjustments	4,599,500	
Revised Capital Programme (Dec 2021)	32,657,400	A
Estimated Capital Resources available	(3,862,495)	B
Potential Borrowing Requirement	28,794,905	

4. Capital Spending Proposals 2022/23 to 2026/27

- 4.1 The existing and capital spending proposals are summarised in the following table. It should be noted that new spending proposals that cannot be funded from external sources such as grants, or from 'new' capital receipt generation will incur a borrowing requirement.

Capital Scheme	App/ Para	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
<u>Current Commitments:</u>						
Vehicles & Plant	4.2	1,221	1,772	1,680	1,166	888
Planned Enhancements to Council Property	4.3	250	250	250	250	250
Disabled Facilities Grants	4.4	1,900	1,900	1,900	1,900	1,900
ICT Infrastructure	4.5	76	131	101	101	101
Leisure Facilities	4.6	3,450	0	0	0	0
Recycling Containers	4.7	45	45	45	45	45
Crematorium Infrastructure	4.8	900	0	0	0	0
Future High Street Fund	4.9	3,653	4,325	0	0	0
Flare Data Management System	4.10	150	0	0	0	0
Carlisle Southern Relief Road	4.11	5,000	0	0	0	0
Carlisle Sustainable Warmth	4.12	17,745	0	0	0	0
Total Existing Commitments		34,390	8,423	3,976	3,462	3,184
<u>New Spending Proposals:</u>						
Vehicles and Plant	4.2	(35)	360	(541)	0	325
ICT Infrastructure	4.5	334	(131)	(26)	0	0
Crematorium Infrastructure	4.8	875	875	0	0	0
Flare Data Management System	4.10	(150)	0	0	0	0
Sands Car Park Resurfacing	4.13	210	0	0	0	0
Swifts Car Park Resurfacing	4.14	200	0	0	0	0
Total New Spending Proposals		1,434	1,104	(567)	0	325
Total Potential Programme		35,824	9,527	3,409	3,462	3,509

- 4.2 The anticipated budgets for replacement of the Council's vehicle fleet. An initial review of the current replacement plan has been undertaken and the revised figures are included in the table above.
- 4.3 The allocation for planned enhancements to council properties is retained at the current level of £250,000, with further details provided in GD79/21 considered by Executive on 22 November 2021.
- 4.4 Disabled facilities grant allocation will not be known until early into 2022/23, although it has been assumed for the purpose of this report that the grant will be protected at the 2021/22 levels. This grant will be awarded via the County Council's Better Care Fund.
- 4.5 This is the anticipated budgets for improvements and developments to the Council's ICT infrastructure following a review of requirements.

- 4.6 This is the continuation of the provision of new leisure facilities at the Sands Centre.
- 4.7 An allocation for the replacement of the Council's stock of recycling and waste containers.
- 4.8 To provide new infrastructure for the crematorium including replacement cremators. The current commitment of £900,000 in 2022/23 is funded from the amounts set aside in the Cremator Replacement Earmarked Reserve.

The new spending proposal (£1.75m) for the replacement of the cremators refers to replacing gas powered cremators with electric powered ones which will help to reduce the amount of CO2 produced from the crematorium. Replacement on a like for like basis with gas powered cremators would require additional funding of approximately £300,000 - £400,000. The additional spend also provides additional funding to upgrade the building facilities at the crematorium. Further reports will be required on the project that will detail the most appropriate solution for the replacement of the cremators. The additional spend will require an additional borrowing requirement, however, the annual borrowing cost could be met from the annual sum currently set aside to the cremator reserve over a 23-year period.

- 4.9 This is a funding application to the Future High Streets Fund which seeks to redevelop and improve the area around the Greenmarket and Market Square in Carlisle City Centre. The project is part funded through the FHSF grant, with an overall funding requirement from the Council of £390,000.
- 4.10 The allocation for a new data management system that is used in Environmental Health and Private Sector Housing is no longer required with Local Government Reorganisation on the horizon.
- 4.11 The Council's contribution to the Carlisle Southern Link Road project.
- 4.12 A successful bid for grant funding for a county wide scheme totalling £19.955m across 2021/22 and 2022/23 for Sustainable Warmth (LAD3) and Home Upgrade (HUG1).
- 4.13 The Sands redevelopment project does not provide for any enhancement of the car park once the project is complete. This proposal seeks to provide funding to carry out resurfacing and enhancement work to the car park that will enhance the overall site once the project is completed.

- 4.14 As detailed above, the Swifts car park will serve as an overflow car park for the Sands and as such enhancement work is required to improve the standard of the surface.

As the budget process progresses, there may be further bids that come to light once full business cases are developed. There are also external bids for grant funding which have been submitted, or are in the process of being submitted, which if successful, will require the Capital Programme to be grossed up and to recognise the grant award, examples include The Towns Deal (£19.7m) and The Public Sector Decarbonisation Scheme (£1.87m).

5. Potential Capital Resources Available

- 5.1 The table below sets out the estimated revised resources available to finance the capital programme for 2022/23 to 2026/27.

Source of Funding	Para	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Capital Grants:						
• Disabled Facilities Grant	5.2	(1,900)	(1,900)	(1,900)	(1,900)	(1,900)
• General Grants/Contributions	5.3	(21,174)	(4,325)	0	0	0
Capital Receipts:						
• Generated in year receipts used to fund resources	5.4	(286) 112	(101) 0	(4,653) 0	(1,145) 0	(2,585) 0
Direct Revenue Financing / Invest to Save	5.5	(1,962)	(1,062)	(1,062)	(1,062)	(1,062)
TOTAL RESOURCES		(25,210)	(7,388)	(7,615)	(4,107)	(5,547)

- 5.2 Disabled facilities grant allocation will not be known until early 2022/23, although it has been assumed for the purpose of this report that the grant will be protected at the 2021/22 levels. However as mentioned earlier this grant will be awarded via the County Council's Better Care Fund and there is still some uncertainty as to what the allocation will be.
- 5.3 General grants and contributions identified as funding streams for projects. This relates to the Future High Street Fund and Sustainable Warmth (LAD3 and HUG1) projects.
- 5.4 Capital receipts from the sale of fixed assets. A review of the asset disposal programme has been undertaken and a reprofiling of disposals between 2022/23 and 2026/27 has been incorporated into the table above.
- 5.5 Direct revenue financing in relation to invest to save schemes and use of earmarked reserves.

6. Summary Provisional Capital Programme 2022/23 to 2026/27

6.1 A summary of the estimated resources compared to the proposed programme year on year is set out below:

Source of Funding	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Estimated in year Resources available (para 5.1)	(25,210)	(7,388)	(7,615)	(4,107)	(5,547)
Proposed Programme (para 4.1)	35,824	9,527	3,409	3,462	3,509
Projected (Surplus)/Deficit	10,614	2,139	(4,206)	(645)	(2,038)
Cumulative surplus/deficit b/fwd	28,795	39,409	41,548	37,342	36,697
Cumulative year end deficit i.e. overall borrowing needed to fund the capital programme	39,409	41,548	37,342	36,697	34,659
Borrowing undertaken previously	(14,000)	(14,000)	(14,000)	(14,000)	(14,000)
Cumulative deficit i.e. additional borrowing needed to support the capital	25,409	27,548	23,342	22,697	20,659

6.2 The Prudential Code gives authorities freedom to borrow to fund capital schemes subject to the over-riding principles of Affordability, Prudence and Sustainability. Whilst these freedoms could significantly impact on the capital resources available to the Authority, the principles referred to in effect mean that the Council is limited by the ongoing cost of any borrowing (i.e. the cost of prudential borrowing falls to be met from the General Fund recurring expenditure). The Prudential Code requires authorities to develop their own programmes for investment in fixed assets, based upon what the authority and local taxpayers can afford, and subject to a full Business Case and Options appraisal process.

The table above shows that there continues to be a borrowing requirement from 2022/23. In order to reduce the exposure of the council to a borrowing requirement the following steps could be examined during the course of this budget process:

- Continuous review of the asset disposal programme;
- Fundamental review of existing capital programme to ensure schemes are still required and are accurate;
- Maximisation of the use of grants and contributions from external sources;
- Providing an additional recurring revenue contribution to the capital programme;
- Invest to save schemes that can repay the capital investment over a period of time.

Local Environment Strategy

The Council's update Local Environment (Climate Change) Strategy was approved by full Council in the Spring of 2021 following the usual consultation process; the Strategy is supported by an action plan for addressing climate change issues as well individual actions required by the Council for reducing the its own carbon footprint. The Council is committed to becoming carbon neutral in the future and there may be a requirement for significant investment in achieving this goal, with recovery through the achievement of efficiency savings and/or by maximising any external grants and contributions available to support the strategy and action plan through the Council's Funding Strategy. However, any carbon reducing schemes will initially have to be funded from resources currently contained with the Council's existing Revenue and Capital budgets; with any new climate change initiatives, following the formal adoption and approval of the Local Environment (Climate Change) Strategy, being supported by robust business cases with a cost benefit analysis provided.

7. Risks

- 7.1 The ongoing impact of issues identified will be monitored carefully in budget monitoring reports and appropriate action taken.
- 7.2 The main risk to the Council is the overall cost of COVID-19 in terms of additional costs and delays to supplies.
- 7.3 The Government are likely to issue a supplementary Statutory Instrument which may limit the award of contracts for both revenue (£100,000) and capital projects (£1million) without the approval of the Shadow Authorities from April 2022.

8. Consultation

- 8.1 The Business and Transformation Scrutiny Panel considered the Executive's budget proposals issued for consultation at their meeting on 6 January 2022, and their views are considered elsewhere on this agenda. Public consultation has also taken place between 20 December and 17 January and the budget resolution taking into account any consultation feedback will be tabled by the Executive on 19 January.

9. Conclusion and reasons for recommendations

- 9.1 The Executive is asked to:
 - (i) Note the revised capital programme and relevant financing for 2021/22 as set out in Appendices A and B;
 - (ii) Give initial consideration and views on the proposed capital spending for 2022/23 to 2026/27 given in the report in the light of the estimated available resources;

- (iii) Note that any capital scheme for which funding has been approved by Council may only proceed after a full report, including business case and financial appraisal, has been approved.

10. Contribution to the Carlisle Plan Priorities

10.1 The Council's capital programme includes a range of positive projects that will directly benefit the people of Carlisle.

Contact details:

Contact Officer: Steven Tickner

Ext: 7280

Appendices attached to report:

- Appendix A – Revised Capital Programme 2021/22
- Appendix B – Revised Capital Programme 2021/22 – Proposed Financing

Note: in compliance with section 100d of the Local Government Act 1972 the report has been prepared in part from the following papers:

- None

Corporate Implications:

Legal - The Council has a fiduciary duty to manage its resources properly and for the benefit of its community. In doing so it is required to take account of the advice it receives from its Corporate Director of Finance and Resources. The Council must have a balanced budget to deliver its services and also achieve and sustain an appropriate level of reserves.

Property Services - The Council has a significant property portfolio which assists in the management of its resources as detailed in the Asset Management Plan (GD58/21).

Finance - Financial implications are contained within the main body of the report.

Equality - This report raises no explicit issues relating to the public sector Equality Duty.

Information Governance - There are no information governance implications.

REVISED CAPITAL PROGRAMME 2021/22
APPENDIX A

Scheme	Original Capital Programme 2021/22 £	Other Adjustments £	Proposed Savings & Carry Forwards £	Revised Capital Programme 2021/22 £	Note
Sands Centre Redevelopment	16,922,600	0	0	16,922,600	
Civic Centre Development	2,081,600	16,700	0	2,098,300	
Energy Monitoring System	12,000	0	0	12,000	
<i>Savings to fund Civic Centre</i>	<i>(200,000)</i>	<i>200,000</i>	<i>0</i>	<i>0</i>	
Future High Street Fund - Market Square	100,000	357,300	0	457,300	
Future High Street Fund - 6-24 Castle Street	0	170,300	0	170,300	
Future High Street Fund - Central Plaza	0	712,400	0	712,400	
Future High Street Fund - Devonshire Street	0	73,600	0	73,600	
Future High Street Fund - Delivery Costs	0	122,400	0	122,400	
Cemetery Infrastructure	5,700	0	0	5,700	
Skew Bridge Deck	67,000	0	0	67,000	
Towns Deal - Bitts Park Improvements	99,200	68,900	0	168,100	
Planning Software	150,000	0	0	150,000	
Play Area Improvements	189,700	247,400	0	437,100	
Carlisle Citadels	934,700	0	0	934,700	
Towns Deal - Caldew Riverside	842,500	0	0	842,500	
On Street Charging Points Infrastructure	102,800	0	0	102,800	
Gateway 44 Development	896,200	0	0	896,200	
LED Footway Lighting Installation	29,700	0	0	29,700	
Rough Sleeping Initiative	10,000	0	0	10,000	
Planned Enhancements to Council Property	458,800	0	0	458,800	
Vehicles, Plant & Equipment	1,036,600	(594,800)	0	441,800	
Recycling Containers	45,000	64,500	0	109,500	
ICT Infrastructure	313,700	179,900	0	493,600	
Disabled Facilities Grants	3,387,200	0	0	3,387,200	
Empty Property Grants	112,400	0	0	112,400	
Swifts Wildlife Haven	70,000	0	0	70,000	
Bitts Park Water Feature	10,500	0	0	10,500	
Bitts Park Public Realm	0	32,000	0	32,000	
Financials Upgrade	0	80,900	0	80,900	
Footway Lighting Melbourne Park	0	22,200	0	22,200	
Affordable Homes (S106)	0	600,800	0	600,800	
Asset Review - Demolition costs	0	35,000	0	35,000	
Sustainable Warmth Competition	0	2,210,000	0	2,210,000	
SUB-TOTAL	27,677,900	4,599,500	0	32,277,400	
<u>Capital Reserves to be released</u>					
Creamatorium Infrastructure	350,000	0	0	350,000	
Cemetery Infrastructure	30,000	0	0	30,000	
	380,000	0	0	380,000	
REVISED TOTAL	28,057,900	4,599,500	0	32,657,400	

REVISED CAPITAL PROGRAMME 2021/22 – PROPOSED FINANCING

Source of funding	2021/22 Original £	2021/22 Revised £	Notes
Capital Grants:			
• DFG	2,155,600	2,155,600	
• Future High Street Fund	0	1,436,000	
• Sustainable Warmth Competition	0	2,210,000	
• General	2,325,600	2,349,900	1
Capital Receipts:			
• B/fwd from previous year	(7,759,005)	(7,759,005)	
• Generated in year	1,491,000	0	2
• Receipts used to fund resources	(112,000)	(112,000)	
• Borrowing Undertaken	0	0	
Capital Contributions			
• General	159,700	1,066,800	3
Direct Revenue Financing	2,098,300	2,515,200	4
TOTAL FINANCE AVAILABLE	359,195	3,862,495	
TOTAL PROGRAMME (SEE APP A)	28,057,900	32,657,400	
PROJECTED (SURPLUS)/DEFICIT IN CAPITAL RESOURCES AVAILABLE	27,698,705	28,794,905	

Notes:

- Capital grant include revised funding for Sands Centre Development (£134,000), Recycling Containers (£24,300), Play Area Improvements (£30,000), Swifts Wildlife Haven (£70,000), On-Street Charging Infrastructure (£102,800), Bitts Park Towns Deal (£89,200), Carlisle Citadels (£934,700), Caldew Riverside Towns Deal (£842,500), Rough Sleeping Initiative (£10,000) and Empty Properties (£112,400).
- Asset Review Receipts have been reprofiled into future years.
- General contributions relate to Play Area Developments (£397,100), Bitts Park Public Realm (£32,000), Footway Lighting Melbourne Park (£22,200), Affordable Homes (£600,800) and Civic Centre (£14,700).
- Changes to Direct Revenue Financing relate to Financials Upgrade (£70,000), Waste Receptacles (£40,200), IT Strategy (£190,800), Civic Centre (£2,000), Bitts Park Towns Deal (£68,900), Play Area Developments (£10,000) and Asset Review Demolition costs (£35,000).

Carlisle City Council Report to Executive

Item
9.(1)(viii)

Report details

Meeting Date:	19 January 2022
Portfolio:	Finance, Governance and Resources
Key Decision:	Yes: Recorded in the Notice Ref: KD.10/21
Policy and Budget Framework	Yes
Public / Private	Public
Title:	PROVISIONAL LOCAL GOVERNMENT FINANCE SETTLEMENT 2022/23
Report of:	CORPORATE DIRECTOR OF FINANCE AND RESOURCES
Report Number:	RD67/21

Purpose / Summary:

This report provides an analysis of the Provisional Finance Settlement received for 2022/23 and the impact it has on the Council's Revenue budget.

Recommendations:

The Executive is requested to:

- (i) note the updated budget projections, in respect of the Provisional Finance Settlement, which was received on 16 December, noting that the overall financial impact was incorporated into the Executive's budget proposals for consultation purposes and also forms part of the Revenue report considered elsewhere on the agenda; and
- (ii) delegate responsibility to the Corporate Director of Finance and Resources to respond, if required, to the Local Government Finance Settlement consultation document, following consultation with the Portfolio Holder for Finance, Governance and Resources.

Tracking

Executive:	19 January 2022
Scrutiny:	n/a
Council:	1 February 2022 (Budget Resolution)

1. INTRODUCTION

- 1.1 This report provides an analysis of the 2022/23 Provisional Finance Settlement received from Central Government on 16 December 2021. A consultation document which outlines the government's approach in allocating funding for the local government finance settlement has also been provided, which seeks views by 13 January 2022.
- 1.2 The Department for Levelling Up, Housing and Communities (DLUHC) has proposed the referendum limits for 2022/23; and for District Councils, this is 2% or £5, whichever is the greater.
- 1.3 Members should also note that the DLUHC has confirmed the continuation of Cumbria's Business Rate Pool for 2022/23, but as this is integral to the provisional finance settlement, pool members have 28 days (from 16 December) to decide whether they formally wish to be designated as part of the pool.

2. UPDATED BUDGET PROJECTIONS

- 2.1 The amendments to the revenue budget as a result of the provisional finance settlement are as follows:

Draft Local Government Finance Settlement

Provisional figures were received on 16 December and are broadly in line with expectations contained within the MTFP for 2022/23 in respect of the baseline figure; however other one-off grants have been provided for which no budgetary provision was made. It should also be noted that no figures beyond 2022/23 have been provided with only a 1-year settlement announced. The provisional finance settlement for 2022/23 is open for consultation until 13 January 2022, with final figures being provided after that date. Details of the changes following receipt of the draft settlement are provided below.

Settlement Funding Assessment

The Settlement Funding Assessment (SFA) relates to the Retained Business Rates Baseline only, with the table below showing the differences in the Settlement Funding Assessment figures:

	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
MTFP		Estimated			
Business Rate Baseline	3,402	3,470	3,539	3,610	3,682
	3,402	3,470	3,539	3,610	3,682
Draft Settlement (Dec 2021)					
Business Rate Baseline	3,336	3,403	3,471	3,540	3,611
	3,336	3,403	3,471	3,540	3,611
Additional Contribution from/(to) Reserves	66	67	68	70	71

The Business Rate baseline allocation for 2022/23 shows a reduction of £66,000 when compared to the MTFP assumptions. This is a result of the baseline being frozen at 2021/22 levels. No provisional settlement figures have been provided beyond 2022/23; however, the two reviews on (i) the reform of the Business Rates Retention Scheme, and (ii) the approach to measuring the relative needs and resources of local authorities, used to determine new baseline funding allocations, will inform these allocations, once completed. The assumptions for 2023/24 onwards have been revised with an assumed 2% increase using the 2022/23 figures as the base, inclusive of the business rate multiplier compensation grant (see table later in this report). It is expected that the allocations for 2023/24 for all the Cumbrian Councils will be used to determine the overall funding 'pot' for the new unitary authorities in Cumbria thus ensuring that LGR has no detrimental financial impact on all the other local government authorities. These allocations will not be known until December 2022.

Other Funding

New Homes Bonus

Draft New Homes Bonus figures have also been included in the settlement announcement. The national baseline for housing growth remains at 0.4% for 2022/23 below which allocations will not be made.

The settlement provides an indication of the overall allocations the Council can expect to receive from New Homes Bonus. The table below shows how these estimates compare to the MTFP assumptions.

	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
MTFP					
New Homes Bonus included in MTFP	351	0	0	0	0
	351	0	0	0	0
Draft Settlement (Dec 2021)					
New Homes Bonus	1,373	0	0	0	0
	1,373	0	0	0	0
Additional Contribution from/(to) Reserves	(1,022)	0	0	0	0

A one-year allocation has been provided for 2022/23, with no legacy payments expected in subsequent years; however all previously announced legacy payments for previous years will be honoured in the 2022/23 allocations.

Rural Services Delivery Grant

Confirmation of the Rural Services Delivery Grant as set out below:

	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
MTFP					
Rural Services Delivery Grant	0	0	0	0	0
	0	0	0	0	0
Draft Settlement (Dec 2021)					
Rural Services Delivery Grant	193	0	0	0	0
	193	0	0	0	0
Additional Contribution from/(to) Reserves	(193)	0	0	0	0

Compensation Grant – Business Rate Multiplier Change

Similar to previous years, the Council will also receive a compensation grant in respect of the business rate multiplier change.

	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
MTFP					
Business Rate Multiplier Compensation	177	181	185	189	193
	177	181	185	189	193
Draft Settlement (Dec 2021)					
Business Rate Multiplier Compensation	274	279	285	291	297
	274	279	285	291	297
Additional Contribution from/(to) Reserves	(97)	(98)	(100)	(102)	(104)

Lower Tier Services Grant

An un-ringfenced grant will be received to support Councils with responsibility for lower tier services such as homelessness, planning, recycling and refuse collections and leisure services.

	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
MTFP					
Lower Tier Services Grant	0	0	0	0	0
	0	0	0	0	0
Draft Settlement (Dec 2021)					
Lower Tier Services Grant	150	0	0	0	0
	150	0	0	0	0
Additional Contribution from/(to) Reserves	(150)	0	0	0	0

Services Grant

A new un-ringfenced grant will be received to support Councils with delivery of front-line services. There will be £822million distributed to local authorities and DLUHC will work with the sector for how to distribute from 2023/24 onwards.

	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
MTFP					
Services Grant	0	0	0	0	0
	0	0	0	0	0
Draft Settlement (Dec 2021)					
Services Grant	230	0	0	0	0
	230	0	0	0	0
Additional Contribution from/(to) Reserves	(230)	0	0	0	0

The figures for all of these funding streams have been provided by the DLUHC up to 2022/23 only; therefore, any figures beyond this are indicative only.

Council Tax Referendum Limit

The draft settlement also confirms that District Council's will be able to raise Council Tax by the greater of 2% or £5. The Executive's budget proposals currently assume a nil increase for 2022/23 only.

Overall Spending Power

All of the elements described above together with the income raised from Council Tax make up what is known as the Council's Spending Power. Within the settlement the Government makes an assumption as to how much will be raised through Council Tax; however, the precise figure is not known until each Council sets their own Council tax levels and calculates their Tax Bases.

The table below shows the overall effect of the settlement on the Council's Spending Power.

Core Spending Power of Local Government 2022/23 LG FINANCE SETTLEMENT					
	2018-19 £000	2019-20 £000	2020-21 £000	2021-22 £000	2022-23 £000
Settlement Funding Assessment	3,657	3,282	3,335	3,335	3,336
Compensation for under-indexing the business rate multiplier	74	107	134	174	274
Council Tax	6,905	7,183	7,487	7,794	7,978
New Homes Bonus and returned funding	1,606	1,565	1,492	747	1,373
Rural Services Delivery Grant	184	184	184	193	193
2022/23 Services Grant	-	-	-	-	230
Lower Tier Services Grant	-	-	-	389	150
Core Spending Power	12,426	12,321	12,632	12,632	13,534
Change over the Spending Review period (£ 000's)					1,108
Change over the Spending Review period (% change)					8.9%

The overall effect of the Draft Settlement is that for 2022/23, there will be an additional contribution to reserves of £1,626,000.

2.2 Housing Benefit/Local Council Tax Support Administration Subsidy

The allocation for Housing Benefit Administration subsidy and other grant allocations are still awaited from the Department for Work & Pensions (DWP) and the Localised Council Tax Support Administration Subsidy allocation for 2022/23 from DLUHC is also still to be advised.

2.4 Other Areas of Funding

Funding has been announced in respect of the Homelessness Prevention Grant of £198,863 for 2022/23 and Domestic Abuse new burdens funding of £7,568.

At the time of writing the Chancellor has just announced a funding package of £1bn to support business impacted by Omicron with a one-off grant of up to £6,000 (RV dependent) for the hospitality and leisure sector; funding for discretionary grants administered by local authorities; £30million for Cultural Recovery Fund and changes to Statutory Sick pay for small/medium businesses. Further guidance and advice is awaited.

3. **CONSULTATION**

- 3.1 Business and Transformation Scrutiny Panel considered the Executive's draft budget proposals on 7 January 2021.

4. **CONCLUSION AND REASONS FOR RECOMMENDATIONS**

- 4.1 The Executive is requested to note the updated budget projections, in respect of the Provisional Finance Settlement, which was received on 16 December, noting that

the overall financial impact was incorporated into the Executive's budget proposals for consultation purposes and also forms part of the Revenue report considered elsewhere on the agenda.

5. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

5.1 To ensure that a balanced budget is set.

Contact details:

Contact Officer: Steven Tickner

Ext: 7280

Appendices attached to report:

- None

Note: in compliance with section 100d of the Local Government Act 1972 the report has been prepared in part from the following papers:

- None

Corporate Implications:

LEGAL – The Council has a fiduciary duty to manage its resources properly and for the benefit of its community. In doing so it is required to take account of the advice it receives from its chief finance officer, the Corporate Director of Finance and Resources. The Council must have a balanced budget to deliver its services and also achieve and sustain an appropriate level of reserves.

PROPERTY – not applicable

FINANCE – Contained within the body of the report

EQUALITY – not applicable

INFORMATION GOVERNANCE – not applicable

**EXCERPT FROM THE MINUTES OF THE
BUSINESS AND TRANSFORMATION SCRUTINY PANEL
HELD ON 6 JANUARY 2022**

Item
9.(2)(i)

BTSP.07/22 BUDGET 2022/23

(1) EXECUTIVE'S RESPONSE TO THE FIRST ROUND OF BUDGET SCRUTINY

Minutes of the special meeting of the Executive held on 13 December 2021 were submitted detailing the response of the Executive to the comments made by the Scrutiny Panels in response to the first round of Budget scrutiny.

RESOLVED - That the decisions of the Special Executive held on 13 December 2021 be received.

(2) EXECUTIVE DRAFT BUDGET PROPOSALS

The Executive's draft Budget proposals 2022/23 which had been issued for consultation purposes were submitted for scrutiny by the Panel.

The budget proposals were based on detailed proposals that had been considered by the Executive over the course of the last few months. In particular the reports of the Corporate Director of Finance and Resources which had been discussed at the Executive meeting on 13 December 2021.

The Corporate Director of Finance and Resources detailed a number of updates to the budget documents including the incorporation of recommendations from Scrutiny to freeze the City Council portion of Council Tax for 2022/23, freeze the first hour of car park charges and the review of the Talk Tarn car parking permits. She highlighted areas of reprofiling as well as outstanding items which would be incorporated into the budget for 19 January 2022 Executive meeting if available.

In considering the draft Budget proposals, Members raised the following questions and comments:

- Members noted the vacant properties within the Lanes and asked if the Council was liable for unpaid Business Rates and any losses that the Lanes may experience.

The Corporate Director of Finance and Resources agreed to provide the Panel with a written response.

- A Member highlighted the borrowing requirements in the report and asked if the Council would have to borrow the £1.6million required for the Local Government Reorganisation.

The Corporate Director of Finance and Resources confirmed that there was no additional borrowing requirement for the £1.6million, it would be funded from the Operational Risk Reserve. She acknowledged that there was a significant borrowing requirement for the capital programme due to a lack of available capital grants. It was prudent to budget for the maximum requirement, however reviews of spending profiles and the cash position may reduce the actual borrowing required.

- A Member asked for clarity on the savings position.

The Corporate Director of Finance and Resources explained that the savings requirement had not increased and remained at £2million. It had been possible to reprofile the amount and meet some savings on a non recurring basis but the saving requirement had moved to

2023/24. There was a savings strategy in place and the Council would continue to look for the savings to either achieve in 2022/23 or to inform the new authority.

- The saving strategy included service reviews which reviewed services not in line within the Council's core priorities or which were not statutory. How confident was the budget that it would not impact on the services offered to residents?

The Corporate Director of Finance and Resources highlighted previous work which had been undertaken to identify savings which did not impact on service provision, however, this work would need to be reviewed and updated. She clarified that this budget was based on the current service provision with no cuts to services. All budget pressures and savings had been identified by budget holders and Directors who knew if proposed savings would impact services. She reminded the Panel that £9million in savings had been achieved since 2010/11 without stopping any services.

- What did the Rural Services Grant cover?

The Corporate Director of Finance and Resources agreed to provide a written response.

- Had the cost of additional electric vehicle charging points been factored into the budget for the replacement of Council refuse vehicles with electric vehicles?

The Corporate Director of Finance and Resources reminded the Panel that the Council could not currently replace their refuse vehicles with electric vehicles as there were no suitable options available. When it became a viable option additional electric charging points would be considered as a separate budget report which would set out all the funding options for the authority.

A Member commented that the replacement of electric vehicle batteries would also need to be considered as they could not be recycled. The Finance, Governance and Resources Portfolio Holder responded that the lifetime of a battery would outweigh the time that a refuse vehicle would be in use with the authority as they were replaced regularly.

RESOLVED - That Corporate Director of Finance and Resources provided the Panel with a written response to the following:

- Was the Council was liable for unpaid Business Rates and any losses that the Lanes may experience.
- What the Rural Services Grants covered.

(3) BACKGROUND INFORMATION REPORTS:

(3)(a) BUDGET UPDATE - REVENUE ESTIMATES 2022/23 TO 2026/27

The Corporate Director of Finance and Resources submitted report RD.52/21 which provided an update to report RD.46/21. The report summarised key budget considerations, the Council's revised revenue base estimates for 2021/22, together with base estimates for 2022/23, forecasts up to 2026/27 for illustrative purposes. Potential new spending pressures, bids and savings were also set out in the report in an indicative manner, the final position being subject to decisions taken further in the budget process.

The Executive had considered the matter on 13 December 2021 (EX.153/21 refers) and decided:

"That the Executive:

- (i) Noted the revised estimates for 2021/22 and base estimates for 2022/23;

- (ii) Noted the estimates in the report are draft and will be subject to the confirmation of the Local Government Finance Settlement due in December 2021;
- (iii) Noted the current MTFP projections, which would continue to be updated throughout the budget process as key issues become clearer and decisions were taken;
- (iv) noted the budget pressures, bids and savings which needed to be taken into account as part of the 2022/23 budget process;
- (v) Approved the release of amounts from the Operational Risk Reserve for Treasury Management (£600,000) and Covid costs (£500,000) as outlined in paragraph 5.2 of report RD.52/21
- (vi) notes the Statutory Report of the S.151 Officer outlining the risks associated with the draft budget figures and that minimum reserves may need to be reviewed in the future depending upon the outcome of the Local Government Finance review."

In considering the report, Members raised the following comments and questions:

- Why had additional subsidy for the Leisure contract been included in the budget? Was it a local or national issue?

The Corporate Director of Finance and Resources explained that additional subsidy had been removed from the budget. The amount was not yet known and would therefore be dealt with outwith the budget process. The additional subsidy was unique to Carlisle due to the delay in the redevelopment of the Sands Centre.

- Would the increase in car parking during the recovery from Covid and the Christmas period improve the car parking shortfall income?

The Corporate Director of Finance and Resources clarified that the figures used for the shortfall were based on pre covid figures and there was a shortfall at that time. The shortfall would go forward as a recurring pressure.

- Did the level of external debt figures include the value of Gateway 44?

The Corporate Director of Finance and Resources confirmed that Gateway 44 had been included in the balance sheet from 2020/21.

RESOLVED - That the Panel had scrutinised report RD.52/21 and made comments on the revised base estimates for 2021/22 and the proposed overall budgetary position for 2022/23.

(3)(b) REVISED CAPITAL PROGRAMME 2021/22 AND PROVISIONAL CAPITAL PROGRAMME 2022/23 TO 2026/27

The Corporate Director of Finance and Resources submitted report RD.55/21 which detailed the revised capital programme for 2021/22 together with the proposed method of financing as set out in Appendices A and B. The report summarised the proposed programme for 2022/23 to 2026/27 in the light of new capital proposals identified along with the estimated resources available to fund the programme.

The Executive had considered the matter at its meeting of 13 December 2021 (EX.154/21 referred), and decided:

'That the Executive:

- (i) Noted the revised capital programme and relevant financing for 2021/22 as set out in Appendices A and B of report RD.55/21;
- (ii) Gave initial consideration and views on the proposed capital spending for 2022/23 to 2026/27 given in the report in the light of estimated available resources;

(iii) Noted that any scheme for which funding had been approved by the Council may only proceed after a full report, including business case and financial appraisal, has been approved.'

RESOLVED - That the revised capital programme for 2021/22 and the proposed overall capital budgetary portion for 2022/23 to 2026/27 (RD.55/21) be noted.

BUDGET CONSULTATION MEETING WITH TRADE UNION REPRESENTATIVES
MONDAY 10 JANUARY 2022 AT 2.05 PM

Item
9.(2)(ii)

PRESENT: Councillor J Mallinson (Leader)
Councillor Ellis (Deputy Leader, and Finance, Governance and Resources
Portfolio Holder)

ALSO

PRESENT: 2 x Trade Union Representatives

OFFICERS: Chief Executive
Corporate Director of Finance and Resources

1. APOLOGIES FOR ABSENCE

No apologies for absence were submitted.

2. WELCOME

The Deputy Leader, and Finance, Governance and Resources Portfolio Holder welcomed the Trade Union representatives and thanked them for taking the time to attend the meeting and respond to the Executive's Budget Proposals 2022/23 issued for consultation, the deadline for responses being 9 am on 18 January 2022.

All of those present had been afforded the opportunity to read the documentation prior to the meeting.

3. CITY COUNCIL BUDGET 2022/23

The Executive Budget Proposals 2022/23 were issued for consultation on 13 December 2021. Copies of the Budget Proposals and document entitled 'Have Your Say' had been circulated prior to the meeting.

The Executive Budget Proposals 2022/23 to 2026/27 recorded that the Council was facing many financial challenges over the next five-year planning period and whilst 2022/23 will be the last budget approved for the City Council, the financial sustainability of the new Authority post April 2023 must be a consideration during this budget process. Current forecast resources are not anticipated to cover the expenditure commitments over the 5-year period post LGR without transformational savings being identified in accordance with the Council's Savings Strategy (section E).

The main issues identified were:

- Government Finance Settlement – impact of the 2021 Spending Round, and the deferral of the Business Rates Retention and Fair Funding Reviews;
- Commercial and Investment Opportunities;
- Further changes in Government Grant e.g. New Homes Bonus, Housing
- Benefit Admin Grant;
- Future borrowing requirements;
- Commercial and Investment Opportunities;
- On-going impact of COVID-19 and medium to long term economic recovery;

Speaking at the invitation of the Leader, the Corporate Director of Finance and Resources indicated that she would provide an overview of the background position before moving on to the salient points.

The Corporate Director explained that the proposals set out a balanced budget with reserves slightly more than minimum level required, and she drew the Trade Union Representative's attention to a number of projects set out in schedule 3.

The undernoted issues / questions were raised in discussion:

- A representative asked what level of monies had been allocated to Local Government Reorganisation (LGR)?

The Corporate Director stated that the estimated cost of LGR was £19M which would be borne by the relevant authorities where Cumbria County Council would provide 50% of the monies, with the remaining being split by the existing district authorities. Carlisle City Council's contribution to the Implementation Reserve was anticipated to be up to £1.6M which was funded from an earmarked reserve set up in 2020/21.

The representative further asked whether all existing authority budgets would be pooled together in the unitary authorities.

The Corporate Director explained that LGR would create two unitary authorities; Cumberland and Westmorland and Furness. The new councils' budgets would be created from the existing district councils which would aggregate their budgets; and the disaggregation of Cumbria County Council's to the respective new authorities.

[The meeting ended at 2.14pm]

**BUDGET CONSULTATION MEETING WITH
NON-DOMESTIC RATEPAYERS / BUSINESS REPRESENTATIVES
MONDAY 10 JANUARY 2022 AT 3.15 PM**

Item
9.(2)(iii)

PRESENT: Councillor J Mallinson (Leader / Chair)
Councillor Ellis (Deputy Leader, and Finance, Governance and Resources
Portfolio Holder)

Chief Executive
Corporate Director of Finance and Resources

1. CITY COUNCIL BUDGET 2022/23

The Leader opened the meeting. In the absence of any Non Domestic Rate Payers / Business Representatives, he closed the meeting.

[The meeting ended at 3:16pm]

-----Original Message-----

From:

Sent: 07 January 2022 11:41

To: Communications <Communications@carlisle.gov.uk>

Subject: CITY COUNCIL BUDGET 2022-23

I'm pleased to see that the council is NOT proposing any increase in Residential Rates for the forthcoming year.

As a local resident I am concerned that the use of the Carlisle Enterprise Centre on James Street has fallen dramatically over the last year or so. Two major users have moved out. On speaking to them they have gone to cheaper facilities. I thought the idea of the Enterprise Centre was to encourage start ups with low rents and shared facilities to keep costs down. However if people are moving out because there are cheaper alternatives then something is wrong with the councils strategy.

As with most things 'Council' there seems to be no flexibility for the Centre manager to offer space at lower rents. The centre needs to be at least 75% occupied to make it viable and bring in the return it should to support the Council. 'Something is better than nothing' so let the manager do just that and manage without their hands being tied.

Look forward to some response.

From: >

Sent: 17 January 2022 08:33

To: Communications <Communications@carlisle.gov.uk>

Subject: Budget - Mental Health Services

Good morning,

I wasn't entirely sure where to direct this email as I more wanted to have a discussion about our local Mental Health provisions, however money is most often the limiting factor in the availability of such services, so it seems relevant to mention my suggestion in the context of the budget.

I currently work for Victim Support, as an ISVA (Independent Sexual Violence Advisor) in Carlisle. A large part of my job is referring clients to mental health services & I am appalled by the sheer lack of provisions & the unacceptable wait times for those that do exist. Minimum wait times for first steps have been 3 months, and average wait times for safety net 12 months!

To put it plain & simple, we NEED more services & a greater variety of free/subsidised services. We need these services not just for the good of the community but also to increase productivity & the economic output of our residents.

A 2016 report from the Office of National Statistics said 11.5% (15.8 million hours) of the total number of sick days taken nationwide were due to mental health issues.

The Centre For Mental Health calculated that in 2017, mental ill health in the workforce cost employers £35 Billion nationwide. These costs were broken down into:

£10.6 billion in sickness absence;

£21.2 billion in reduced productivity at work, or 'presenteeism'

£3.1 billion in replacing staff who leave their jobs because of their mental health.

These are but a few statistics I quickly found which briefly indicate the great economic impact mental health issues pose.

I sincerely hope you consider improving mental health provisions in the upcoming budget.

Kind regards

From:

Sent: 17 January 2022 16:13

To: Communications <Communications@carlisle.gov.uk>

Cc: Jason Gooding <Jason.Gooding@carlisle.gov.uk>

Subject: Consultation on Budget 2022-23

Good Afternoon,

Following the period of consultation, which ends today on the budget of Carlisle City Council 2022-23, I hope that the following areas may be given attention:-

1. Capital Investment into play areas- given a number of play areas are requiring upgrading and the importance of play areas as family recreation space, particularly post COVID-19, whether the City Council can allocate additional funding to bring play areas in need up to modern standards.
2. Jubilee - given the recently announced Jubilee weekend, whether the Council can allocate a specific additional amount to the events budget to enable a related series of events to occur, and perhaps an additional supplement to Member's allowances for the part funding of Jubilee events in a Member's ward.
3. Parking - given the present situation of the High Street and the need to attract residents and prospective businesses into the City Centre, whether the present parking offer in the City Centre can be revised with a view to increasing footfall.
4. Whether given present levels of ASB in the City Centre, there could be funding to support groups such as the Carlisle Retailers Against Crime.

Regards

**CARLISLE
CITY COUNCIL**



www.carlisle.gov.uk

Executive Budget Proposals 2022/23
19th January 2022

Councillor J Mallinson
Leader of the Council

Councillor G Ellis
Portfolio Holder Finance, Governance & Resources

Jason Gooding
Chief Executive

Alison Taylor CPFA
Corporate Director of Finance and Resources

EXECUTIVE BUDGET PROPOSALS 2021/22 to 2026/27

This document contains the budget proposals of the City Council's Executive set out as follows.

Section	Detail
A	Background and Executive Summary
B	Revenue Budget 2021/22 to 2026/27 <ul style="list-style-type: none">• Schedule 1 - Existing Net Budgets• Schedule 2 - Proposed Budget Reductions• Schedule 3 - Recurring Budget Increases• Schedule 4 - Non-Recurring Budget Increases• Schedule 5 - Summary Net Budget Requirement• Schedule 6 - Total Funding and Provisional Council Tax
C	Capital Programme 2021/22 to 2026/27 <ul style="list-style-type: none">• Schedule 7 - Estimated Capital Resources• Schedule 8 - Proposed Capital Programme• Schedule 9 - Summary Capital Resource Statement
D	Council Reserves Projections to 2026/27 <ul style="list-style-type: none">• Schedule 10 - Usable Reserves Projections
E	Proposed Budget Discipline and Saving Strategy
F	Statutory Report of the Corporate Director of Finance and Resources
G	Glossary of Terms

These budget proposals are based on detailed proposals that have been considered by the Executive over the course of the last few months. In particular the following reports of the Corporate Director of Finance and Resources were considered at the Executive meeting of 19th January 2022. All of the detailed reports are available on the Council's website.

1. RD64/21 – Budget Update 2021/22 to 2026/27
2. RD65/21 – Capital Programme 2021/22 – 2026/27
3. RD66/21 – Treasury Management Strategy Statement and Investment Strategy and Minimum Revenue Provision Strategy 2022/23

SECTION A – BACKGROUND AND EXECUTIVE SUMMARY

Council Priorities

The Council's priorities are encompassed in the Carlisle Plan, and the Medium-Term Financial Plan must both support and inform the Council's vision for the Carlisle area and the strategic direction set out in the Carlisle Plan. This is to enable resources to be matched against the agreed priorities and any other supporting needs.

Budget Policy Framework

The preparation of the budget proposals is an ongoing process, which starts in the summer with the agreement by Council to the Medium-Term Financial Plan, Corporate Charging Policy, Capital Investment Strategy and Asset Management Plan. These strategic documents set out the Council's policies in guiding the budget process and in particular set out the five-year financial projections that the Council is faced with prior to starting the new budget process.

Approving a Balanced Budget

The Council is obliged to ensure proper financial administration of its affairs in accordance with Section 151 of the Local Government Act 1972. For Carlisle City Council, this is the responsibility of the Corporate Director of Finance and Resources and the Council must consider the advice of the Officer in setting the budget. One of the responsibilities is to ensure that the Council approves a balanced budget meaning that the planned expenditure must not exceed the resources available. Base budgets must be robust and sustainable, and any savings identified must be achievable and the level of Council reserves must be adequate. The Council must determine what levels of borrowing, if any, it wishes to make under the Prudential Code that governs local authority borrowing.

Council Tax Reduction Scheme

There is a requirement to approve the Local Support for Council Tax Scheme ("The Council Tax Reduction Scheme" or CTRS) annually as part of the Budget Process. There are no intentions to make any changes to the reductions given to recipients of the discount scheme for 2022/23, nor any proposals to make any revisions or replace the current scheme and as such the continuation of the current scheme is recommended. Approval is also required to ratify the continued disregard of War widow pensions when determining benefit assessments.

Major Financial Challenges facing the Council

The Council is facing many financial challenges over the next five-year planning period and whilst 2022/23 will be the last budget approved for the City Council, the financial sustainability of the new Authority post April 2023 must be a consideration during this budget process. Current forecast resources are not anticipated to cover the expenditure commitments over the 5-year period post LGR without transformational savings being identified in accordance with the Council's Savings Strategy (section E).

Some of the main issues are:

- Government Finance Settlement – impact of the 2021 Spending Round, and the deferral of the Business Rates Retention and Fair Funding Reviews;

- Further changes in Government Grant e.g. New Homes Bonus, Housing Benefit Admin Grant;
- Future borrowing requirements;
- Commercial and Investment Opportunities;
- On-going impact of COVID-19 and medium to long term economic recovery;
- Local Government Reorganisation

Local Environment Strategy

The Council is committed to becoming carbon neutral in the future and there may be a requirement for significant investment in achieving this goal, with recovery through the achievement of efficiency savings and/or by maximising any external grants and contributions available to support the strategy and action plan through the Council's Funding Strategy. However, any carbon reducing schemes will initially have to be funded from resources currently contained within the Council's existing Revenue and Capital budgets; with any new climate change initiatives, following the formal adoption and approval of the Local Environment (Climate Change) Strategy, being supported by robust business cases with a cost benefit analysis provided.

Summary Budget Proposals

The key issues in this budget proposals document, which is expanded on further in the proposals, are as follows:

- (i) The budget proposes a **0%** annual increase per Band D in Council Tax for the City Council for 2022/23 (Parish Precepts will be an additional charge in the parished rural areas).
- (ii) Based on current projections, the budget proposed will result in the following requirement to be taken **to/(from)** Council reserves to support Council expenditure over the period as follows:

Additional contribution to / (from) reserves	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Original MTFP recurring surplus/(deficit)	(243)	35	209	52	153
Changes to Funding - Increase in TaxBase	34	34	36	37	39
Changes to Funding - Council Tax Surplus	159	0	0	0	0
Changes to Funding - Business Rates Growth	1,800	1,000	1,000	1,000	1,000
Changes to Funding - Council Tax Freeze	(175)	(176)	(179)	(180)	(183)
Changes to Funding - Business Rates Multiplier compensation	97	98	100	102	104
Changes to Funding - Business Rates Baseline	(66)	(67)	(68)	(70)	(71)
Recurring budget reductions (Schedule 2)	16	16	16	16	16
Recurring Budget Increases (Schedule 3)	(1,197)	(1,239)	(1,049)	(812)	(674)
Contribution required (from) / to Reserves to fund Recurring Expenditure	425	(299)	65	145	384
Original MTFP non-recurring surplus/(deficit)	(228)	(273)	(190)	0	0
Non-Recurring budget reductions (Schedule 2)	1,595	0	0	0	0
Non-Recurring budget increases (Schedule 4)	(2,402)	(655)	(530)	0	0
Contribution required (from) / to Reserves to fund Non-Recurring Expenditure	(1,035)	(928)	(720)	0	0
Transfers from Earmarked Reserves	777	323	0	0	0
Total contribution required (from) / to Reserves	167	(904)	(655)	145	384

- (iii) The above table shows a contribution to reserves in 2022/23, with a contribution from reserves for 2023/24 and 2024/25 mainly to fund non-recurring items of expenditure, with a contribution to reserves in 2025/26 and 2026/27. A strategy as detailed in Section E for ensuring the Council sets a robust budget within the revenue budget has been proposed.
- (iv) Given the uncertainty over future funding allocations and other financial pressure the Council is facing, the scope to support new recurring spending and initiatives in future years is still very challenging.

Consultation Responses:

Formal consultation meetings have been held and views sought from council tax payers. The Executive, at their meeting on 19th January 2022, considered the consultation responses, culminating in their final budget proposals to Council on 1st February 2022. Any changes following the consultation have been incorporated into this budget resolution where appropriate.

Although provisional estimates have been included, it should be noted that at this point in time there are still some issues which have not yet been finalised and which may impact on the final budget proposals to Council on 1st February 2022. Any minor changes will be funded from appropriations to/from revenue reserves and details provided for the Council meeting in February or March.

A glossary of terms is included at the end of this document to aid understanding of the proposals. Further details on these proposals including detailed reports are available on the Council's website or by contacting the Corporate Director of Finance and Resources at the Civic Centre, Carlisle, CA3 8QG.

SECTION B - REVENUE BUDGET 2021/22 to 2026/27

1.0 REVISED REVENUE BUDGET 2021/22

- 1.1 The Executive recommends that the Council's revised net budget for 2021/22 be approved totalling £17.740m compared to the original budget of £13.381m. The increase of £4.359million can be summarised as follows:

Detail:	£000	£000
Original Net Budget		13,381
Carry Forward Requests from 2020/21 (See note 1.2)		1,721
Supplementary Estimate - Ec Devt PMO		91
		15,193
Non-Recurring Expenditure:		
Cremator Replacement Reserve	(66)	
Revenue Grants Reserve	510	
Planning Services Reserve	(58)	
Economic Recovery Reserve	50	
LGR Reserve	2,100	
Prosecutions Fund Reserve	2	
Building Control Reserve	9	
Total Changes		2,547
Revised Net Budget		17,740

- 1.2 The increased budget for 2021/22 is principally as a result of the carry forward of budgets from previous years for work not completed at the financial year-end. Although the 2021/22 budget is increased, there is a corresponding decrease for the previous financial year and so there is no impact on the Council's overall financial position.

2.0 REVENUE BUDGET 2022/23 to 2026/27

2.1 Existing Net Budgets

The Executive recommends that the net budgets for 2022/23 to 2026/27 submitted in respect of existing services and including existing non-recurring commitment and estimated Parish Precepts are as shown in **Schedule 1** below:

Schedule 1 – Existing Net Budgets

Existing Net Budgets	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
City Council					
- Recurring (schedule 5)	12,636	12,686	12,937	13,434	13,679
- Non-Recurring (Sch. 5 note 2)	228	273	190	0	0
Parish Precepts	726	744	763	782	802
Total	13,590	13,703	13,890	14,216	14,481

2.2 Proposed Savings and Budget Reductions

The Executive further recommends that the existing budgets set out in **Schedule 1** be reduced by proposals for budget reductions as detailed in **Schedule 2**. Full details of all of the proposals are contained within various reports considered by the Executive at various stages during the budget process to date.

Schedule 2 – Proposed Budget Reductions

Proposed Budget Reductions	Note	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Expenditure Reductions/Increased Income:						
Flare Data Management System	1	(16)	(16)	(16)	(16)	(16)
Lower Tier Services Grant	2	(150)	0	0	0	0
Rural Services Grant	3	(193)	0	0	0	0
Services Grant 2022/23	4	(230)	0	0	0	0
New Homes Bonus	5	(1,022)	0	0	0	0
Total Expenditure Reductions/Increased Income		(1,611)	(16)	(16)	(16)	(16)
TOTAL BUDGET REDUCTION PROPOSALS		(1,611)	(16)	(16)	(16)	(16)
Split:						
Recurring		(16)	(16)	(16)	(16)	(16)
Non-Recurring		(1,595)	0	0	0	0

Note 1: The capital programme includes provision of £150,000 for the replacement of the system used in Regulatory Services. However, with Local Government Reorganisation on the horizon, it is deemed not necessary to replace this system at this time. Therefore, there is a saving on the additional revenue costs that would have been incurred from implementing the system.

Note 2: An un-ringfenced grant will be received to support Councils with responsibility for lower tier services such as homelessness, planning, recycling and refuse collections and leisure services.

Note 3: A further allocation of the Rural Services Delivery Grant as outlined in the draft Local Government Finance Settlement for 2022/23.

Note 4: A new one-off un-ringfenced grant will be received to support Councils delivery of front-line services. Allocations for future years will be determined after consultation with the sector.

Note 5: A one-year allocation of New Homes Bonus has been provided for 2022/23, with no legacy payments expected in subsequent years; however all previously announced legacy payments for previous years will be honoured in the 2022/23 allocations and these are already included in the MTFP.

2.3 **Proposed Budget Increases**

The Executive further recommends that the existing budgets set out in **Schedule 1** be increased by new budget pressures detailed in **Schedules 3 and 4**. Full details of all of the proposals are contained within various reports considered by the Executive at various stages during the budget process to date.

Schedule 3 – Recurring Budget Increases

Recurring Budget Pressures	Note	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
ICT	1	160	160	160	160	160
Pest Control Income Shortfalls	2	12	13	15	16	18
Developer Contributions	3	19	0	0	11	(41)
Gateway 44 Income Shortfalls	4	523	487	342	262	262
Energy Costs	5	180	123	123	123	123
Revenue Financing Capital Programme	6	26	26	26	26	26
Treasury Management	7	277	430	383	214	126
Total Recurring Budget Pressures		1,197	1,239	1,049	812	674

Note 1: This proposal seeks additional revenue funding to invest in ICT and includes additional resources for the IT Helpdesk (£38,600), licence costs for wi-fi improvements (£5,600), network security (£2,700) and telephony (£24,000). A base budget review has also been undertaken that has identified a net budgetary shortfall for current IT costs (£49,300) and a savings requirement of £40,100 that cannot be achieved.

Note 2: This pressure is as a result of not implementing the domestic charge for the treatment of rats in line with the approved Council's charging policy.

Note 3: The MTFP assumes an income stream from developers, particularly from the establishment of the Garden Village. A re-profiling exercise has been undertaken to ensure the MTFP reflects the level of income that can be achieved.

Note 4: Covid-19 has had a major impact on the retail sector and although out of town big box retail has fared better than traditional town centre retailing there has still been a hit on rental levels and potential tenants have suffered financial difficulties. Agreements have been reached with tenants however rental levels are lower than originally anticipated and the extended marketing period has resulted in a longer void period than originally anticipated. The overall income now anticipated to be achieved by 2025/26 taking into account these pressures will still be £615,000, which represents an 11.2% return on the capital investment made.

Note 5: This additional cost arising due to the current global situation with wholesale energy costs. The Council procures its energy through the County Council framework and has received notification of a potential 55% increase in gas costs for 2022/23 and 38% in electricity costs, with both reducing to a 25% increase (on 2021/22 levels) from April 2023.

Note 6: The waste service contributes revenue financing for the replacement of vehicles, however, there is a shortfall on the available budget that cannot be achieved.

Note 7: Treasury Management projections have been updated to include updates to the Capital programme and updated for interest rate forecasts. This projection includes the potential impact on reserves for all the pressures and savings contained in this report together with the updated borrowing costs for the capital programme. It is proposed to release the amount held in the Operational Risk Reserve (£600,000) to cover some of this additional pressure.

Schedule 4 – Non-Recurring Budget Increases

Non-Recurring Budget Pressures/Savings	Note	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
District Centre Business Support Fund	1	40	0	0	0	0
Homelessness Accommodation Income Shortfall	2	102	0	0	0	0
Lanes Income	3	500	400	330	0	0
Reprofiling of savings target	4	1,200	0	0	0	0
Car Parking income	5	425	200	200	0	0
Carlisle Local Focus Hub	6	55	55	0	0	0
Mental Health Group support	7	10	0	0	0	0
Jubilee Celebrations	8	50	0	0	0	0
City Centre Anti- Social Behaviour Action	9	20	0	0	0	0
Total Non-Recurring Budget Pressures		2,402	655	530	0	0

Note 1: This proposal involves the continuation of the pilot project for a further year and will be extended to the district centres and will address the issue of empty shops, which is becoming an increasing problem in the market towns and neighbourhood parades.

Note 2: There is a shortfall in income from homeless accommodation mainly due to reduced capacity and restrictions placed upon the accommodation as a result of COVID-19.

Note 3: The economic impact on the high street, both pre-COVID and post COVID and the vacation of Debenhams has resulted in income from the Lanes being severely diminished. There will be a period where increased holding costs of vacant units will be incurred and therefore the Council's share of income will be reduced. This pressure anticipates a slow return to the income levels currently included in the MTFP.

Note 4: The current MTFP assumes a recurring savings requirement to be found by 2023/24 of £2.050million. This continues to be the case; however, the reprofiling of this target, as set out in the table below, now means that no in year savings are required for 2022/23.

	Cumulative Savings identified as 2021/22 Budget £000	Additional Cumulative Savings Required £000	Reprofiled Savings £000	Revised Cumulative Savings required £000	Revised in Year Savings Required £000
2022/23	1,200	0	(1,200)	0	0
2023/24	2,050	0	0	2,050	2,050
2024/25	2,050	0	0	2,050	0
2025/26	2,050	0	0	2,050	0
2026/27	2,050	0	0	2,050	0

Note 5: Car parking income is not achieving its budgeted expected levels as a result of lower usage of the car parks. This pressure also includes proposals to review the parking offer within Carlisle with a view to increasing footfall in the City Centre.

Note 6: To fund a two-year fixed term post to support the transition of the Carlisle and Eden Community Safety Partnership as the new unitary arrangements in Cumbria are brought into being.

Note 7: To provide funding to continue to support mental health groups and mental health provision in the District.

Note 8: To provide funding to provide a mixture of a city council event and an increase to members small scale community projects to support local community events for Jubilee celebrations.

Note 9: To provide financial support to address anti-social behaviour in the city Centre (subject to a further report back to the Executive).

2.4 **Revised Net Budget Requirement**

As a consequence of the above, the Executive recommends that the Net Budget Requirement for Council Tax Purposes for 2022/23, with projections to 2026/27, be approved as set out in **Schedule 5** below:

Schedule 5 – Summary Net Budget Requirement for Council Tax Purposes

2021/22 Revised £000	Summary Net Budget Requirement	2022/23 Budget £000	2023/24 Proj £000	2024/25 Proj £000	2025/26 Proj £000	2026/27 Proj £000
	Recurring Revenue Expenditure					
	Existing Expenditure (Schedule 1)	12,636	12,686	12,937	13,434	13,679
	Budget Reductions (Schedule 2)	(16)	(16)	(16)	(16)	(16)
	New Spending Pressures (Schedule 3)	1,197	1,239	1,049	812	674
13,284	Total Recurring Expenditure	13,817	13,909	13,970	14,230	14,337
	Non Recurring Revenue Expenditure					
34	Existing Commitments (Schedule 1)	228	273	190	0	0
1,721	Carry Forward	0	0	0	0	0
(764)	Budget Reductions (Schedule 2)	(1,595)	0	0	0	0
3,465	Spending Pressures (Schedule 4)	2,402	655	530	0	0
17,740	Total Revenue Expenditure	14,852	14,837	14,690	14,230	14,337
	Less Contributions (from)/to Reserves:					
564	Recurring Commitments (Note 1)	425	(299)	65	145	384
	Sub Total					
	Non Recurring Commitments					
(2,735)	- Existing Commitments (Note 2)	(228)	(273)	(190)	0	0
(1,721)	- New Commitments	(807)	(655)	(530)	0	0
(4,456)	Sub Total	(1,035)	(928)	(720)	0	0
13,848	Total City Council Budget requirement	14,242	13,610	14,035	14,375	14,721
708	Parish Precepts	726	744	763	782	802
14,556	Projected Net Budget Requirement for Council Tax purposes	14,968	14,354	14,798	15,157	15,523

Note 1: This is the projected contribution (from)/to reserves in relation to recurring expenditure.

Note 2: Non - recurring Revenue commitments arising from existing approved commitments from earlier years are as follows:

Existing Non Recurring Commitment Approvals	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Asset Disposal Refresh - financed from Capital Receipts	(112)	0	0	0	0
New Homes Bonus	42	0	0	0	0
Carlisle Ambassadors	25	0	0	0	0
City Centre Properties Income	190	190	190	0	0
Ec Devt Project Mgt Office	83	83	0	0	0
Total	228	273	190	0	0

2.5 Funding and Provisional Council Tax Projections

As a consequence of the above and having made the appropriate calculations required under Section 32 of the Local Government Finance Act 1992, the Executive is putting forward a proposal for a **0%** increase in Council Tax for 2022/23 per Band D property. The detail of this is set out in **Schedule 6** below and the impact per Council Tax Band is as follows:

	2021/22 Council Tax £	Proposed Annual Increase £	2022/23 Council Tax £	Weekly Increase
Band A	148.13	0.00	148.13	0 pence
Band B	172.82	0.00	172.82	0 pence
Band C	197.51	0.00	197.51	0 pence
Band D	222.20	0.00	222.20	0 pence
Band E	271.58	0.00	271.58	0 pence
Band F	320.96	0.00	320.96	0 pence
Band G	370.33	0.00	370.33	0 pence
Band H	444.40	0.00	444.40	0 pence

Council tax levels for other districts – excluding parish precepts

The table below shows the comparative Band D Council Tax levels for each of the District Council's in Cumbria for 2021/22. As part of the Local Government Reorganisation programme, agreement will be needed as to how these levels will be harmonized for each of the two new Unitary Authorities. Legislation allows for up to an 8-year harmonization period, but the decisions will be made by the new Authorities.

	2021/22 Council Tax - District Council (Band D) £	2021/22 Council Tax - County Council (Band D) £	2021/22 Council Tax County Council (Adult Social Care) (Band D) £	2021/22 Council Tax - Cumbria Police (Band D) £	Overall 2021/22 Council Tax (Band D) £
Allerdale	179.72	1340.93	157.11	272.16	1949.92
Copeland	214.39	1340.93	157.11	272.16	1984.59
Carlisle	222.20	1340.93	157.11	272.16	1992.40
Eden	200.75	1340.93	157.11	272.16	1970.95
South Lakeland	204.54	1340.93	157.11	272.16	1974.74
Barrow	245.41	1340.93	157.11	272.16	2015.61

Schedule 6 – Total Funding and Provisional Council Tax Projections

2021/22	Total Funding and Council Tax Impact	2022/23	2023/24	2024/25	2025/26	2026/27
34,666.41 £000	Estimated TaxBase	35,164.84 £000	35,516.49 £000	35,871.65 £000	36,230.37 £000	36,592.67 £000
	Projected Net Budget Requirement for Council Tax Purposes (Schedule 5)					
13,848	- City	14,242	13,610	14,035	14,375	14,721
708	- Parishes	726	744	763	782	802
14,556	Total	14,968	14,354	14,798	15,157	15,523
	Funded by:					
(7,703)	- Council Tax Income	(7,814)	(8,069)	(8,329)	(8,594)	(8,863)
(3,335)	- Retained Business Rates	(3,336)	(3,403)	(3,471)	(3,540)	(3,611)
(2,700)	- Business Rate Growth/Pooling	(2,700)	(1,900)	(1,900)	(1,900)	(1,900)
(174)	Business Rates Multiplier Grant	(274)	(279)	(285)	(291)	(297)
64	- Estimated Council Tax Surplus	(118)	41	(50)	(50)	(50)
(708)	- Parish Precepts	(726)	(744)	(763)	(782)	(802)
(14,556)	TOTAL	(14,968)	(14,354)	(14,798)	(15,157)	(15,523)
	City Council Tax					
£ 222.20	Band D Council Tax	£ 222.20	£ 227.20	£ 232.20	£ 237.20	£ 242.20
	Increase over Previous year:					
£5.00	£	£ -	£ 5.00	£ 5.00	£ 5.00	£ 5.00
2.30%	%	0.00%	2.25%	2.20%	2.15%	2.11%

It should be noted that the funding projections in **Schedule 6** are based upon:

- The figures above include the draft figures received in Mid-December for the Local Government Finance Settlement. Final confirmation will be received in January/February 2022.
- The Council Tax Surplus and Taxbase have been finalised.
- Parish Precept figures included above are estimated. There is currently 1 Parish yet to supply details of their precept requests.
- The Council is continuing to participate in the Cumbria Business Rates Pool with the other Councils within Cumbria in order to manage Business Rates in 2022/23.
- The projections of Council Tax for 2023/24 onwards are indicative only.

SECTION C - CAPITAL PROGRAMME 2021/22 TO 2026/27

1. REVISED CAPITAL BUDGET 2021/22

- 1.1 The Executive recommends that the revised 2021/22 Capital Programme be approved at £32.643m compared to the original budget of £28.058m as set out in the report of the Corporate Director of Finance and Resources.

2. CAPITAL BUDGET 2022/23 to 2026/27

- 2.1 The Executive recommends that the estimated Capital Resources available and proposed Capital Programme for 2022/23 to 2026/27 be approved to be financed and allocated as detailed in **Schedule 7 and 8** below:

Schedule 7 – Estimated Capital Resources

Estimated Resources	Note	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Capital Grants:						
- DFG	1	(1,900)	(1,900)	(1,900)	(1,900)	(1,900)
- Other	2	(21,174)	(4,325)	0	0	0
Capital Receipts						
- Generated in year (Asset Business Plan)	3	(286)	(101)	(4,653)	(1,145)	(2,585)
Receipts used to fund resources	3	112	0	0	0	0
Direct Revenue Financing	4	(1,962)	(1,062)	(1,062)	(1,062)	(1,062)
TOTAL		(25,210)	(7,388)	(7,615)	(4,107)	(5,547)

Note 1: Disabled facilities grant (DFG) allocation will be received in the new year, and it has been assumed that this grant will be protected at current levels. However, this grant will be awarded via the County Council's Better Care Fund and there is still some uncertainty as to what the final allocations will be.

Note 2: General grants and contributions identified as funding streams for projects. This relates to the Future High Street Fund projects and Sustainable Warmth (LAD3 and HUG1) projects.

Note 3: Capital receipts from the sale of fixed assets. A review of the asset disposal programme has been undertaken and a reprofiling of disposals between 2022/23 and 2026/27 has been incorporated into the table above.

Note 4: Direct revenue financing with contributions being made from the revenue budget or other earmarked reserves.

Schedule 8 – Proposed Capital Programme

Capital Scheme		Note	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Vehicles & Plant		1	1,186	2,132	1,139	1,166	1,213
Planned Enhancements to Council Property		2	250	250	250	250	250
Disabled Facilities Grants			1,900	1,900	1,900	1,900	1,900
ICT Infrastructure		3	410	0	75	101	101
Leisure Facilities		4	3,450	0	0	0	0
Recycling Containers		5	45	45	45	45	45
Crematorium Infrastructure	A	6	1,775	875	0	0	0
Future High Street Fund	A	7	3,653	4,325	0	0	0
Carlisle Southern Relief Road	A	8	5,000	0	0	0	0
Sands Car Park Resurfacing		9	210	0	0	0	0
Swifts Car Park Resurfacing		9	200	0	0	0	0
Cumbria Sustainable Warmth		10	17,745	0	0	0	0
Play Areas		11	250	0	0	0	0
TOTAL POTENTIAL PROGRAMME			36,074	9,527	3,409	3,462	3,509

A: Subject to further reports to the Executive, including a full Business Plan, prior to the release of any earmarked reserve and any expenditure being incurred.

Note 1: The anticipated budgets for the replacement of the Council's vehicle fleet on the assumption of like for like replacements, with smaller electric vehicles being purchased where possible.

Note 2: Provision for expenditure to maintain the enhancement programme on Council operational property in line with the Asset Management Plan priorities.

Note 3: The provision for expenditure of ICT equipment.

Note 4: Capital expenditure for the enhancement work to Leisure Facilities. Associated costs of the external borrowing are included in the revenue budget.

Note 5: To cover expenditure on replacement recycling and refuse containers.

Note 6: To provide new infrastructure for the crematorium including replacement cremators, assuming electric replacement. The project is part funded from the amounts set aside in the Cremator Replacement Earmarked Reserve.

Note 7: This project is part of the funding application to the Future High Streets Fund and seeks to redevelop and improve the area around the Greenmarket and Market Square in Carlisle City Centre. The project is part funded through the FHSF grant, with a funding requirement from the Council of £390,000.

Note 8: This relates to the contribution committed in support of the Housing Infrastructure Fund Bid (HIF) for the development of the Carlisle Southern Relief Road as part of the Garden City initiative. It is envisaged that the cost of this contribution will be recouped through developer contributions once the Garden Village starts being delivered.

Note 9: The Sands redevelopment project does not provide for any enhancement of the car park once the project is complete. This proposal seeks to provide funding to carry out resurfacing and enhancement work to the car park that will enhance the overall site once the project is completed. The Swifts car park will serve as an overflow car park for the Sands and as such enhancement work is required to improve the standard of the surface.

Note 10: A successful bid for grant funding for a county wide scheme totalling £19.955m across 2021/22 and 2022/23 for Sustainable Warmth (LAD3) and Home Upgrade (HUG1).

Note 11: An allocation for Play Areas, urban and rural which can also be used to support exiting schemes in parished areas.

A summary of the estimated resources compared to the proposed programme is set out in **Schedule 9** below:

Schedule 9 – Summary Capital Resource Statement

Summary Programme	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Estimated Borrowing Requirement 31 March 2022	28,795				
In Year Impact:					
- Estimated resources available in year (Schedule 7)	(25,210)	(7,388)	(7,615)	(4,107)	(5,547)
- Proposed Programme (Schedule 8)	36,074	9,527	3,409	3,462	3,509
Borrowing Requirement	39,659	41,798	37,592	36,947	34,909

SECTION D – USABLE RESERVES PROJECTIONS

1. The Executive recommends, as a consequence of Sections A, B and C detailing the Council's Revenue and Capital budgets, the overall use of the Councils usable Reserves as set out in **Schedule 10** below.

Schedule 10 – Usable Reserve Projections

Analysis of Council Reserves		Outturn 31 March 2021 £000	Projected 31 March 2022 £000	Projected 31 March 2023 £000	Projected 31 March 2024 £000	Projected 31 March 2025 £000	Projected 31 March 2026 £000	Projected 31 March 2027 £000
Revenue Reserves								
General Fund Reserve		(3,100)	(3,100)	(3,100)	(2,726)	(2,071)	(2,216)	(2,600)
Projects Reserve		(1,708)	(363)	(530)	0	0	0	0
Carry Forward Reserve		(628)	(628)	(628)	(628)	(628)	(628)	(628)
		(5,436)	(4,091)	(4,258)	(3,354)	(2,699)	(2,844)	(3,228)
Cremator Replacement Reserve		(1,196)	(887)	13	13	13	13	13
Economic Recovery Reserve		(50)	0	0	0	0	0	0
Operational Risk Reserve - Covid19	(i)	(500)	(500)	0	0	0	0	0
Operational Risk Reserve - Treasury Mgt	(i)	(600)	(600)	(323)	0	0	0	0
Operational Risk Reserve - Savings		(1,600)	0	0	0	0	0	0
Operational Risk Reserve - LGR		(500)	0	0	0	0	0	0
Building Control Reserve		(24)	(24)	(24)	(24)	(24)	(24)	(24)
Planning Services Reserve	(ii)	(206)	(225)	(225)	(225)	(225)	(225)	(225)
Waverley Viaduct Reserve		(30)	(30)	(30)	(30)	(30)	(30)	(30)
Revenue Grants Reserve		(2,141)	(1,761)	(1,761)	(1,761)	(1,761)	(1,761)	(1,761)
Council Tax Hardship Grant Reserve		(359)	0	0	0	0	0	0
Council Tax Income Guarantee Scheme Reserve		(69)	0	0	0	0	0	0
Business Rates S.31 Grant Reserve		(9,463)	0	0	0	0	0	0
Prosecutions Fund Reserve		(35)	(35)	(35)	(35)	(35)	(35)	(35)
City Centre Reserve		(5)	(5)	(5)	(5)	(5)	(5)	(5)
Flood Reserve		(4)	(4)	(4)	(4)	(4)	(4)	(4)
Apprentice Reserve		(96)	(96)	(96)	(96)	(96)	(96)	(96)
Total Revenue Reserves		(22,314)	(8,258)	(6,748)	(5,521)	(4,866)	(5,011)	(5,395)
Capital Reserves								
Usable Capital Receipts		0	0	0	0	0	0	0
Unapplied capital grant		(126)	(3)	(3)	(3)	(3)	(3)	(3)
Lanes Capital Reserve		(90)	(105)	(120)	(135)	(150)	(165)	(180)
Total Capital Reserves		(216)	(108)	(123)	(138)	(153)	(168)	(183)
Total Usable Reserves		(22,530)	(8,366)	(6,871)	(5,659)	(5,019)	(5,179)	(5,578)
Other Technical Reserves	(iii)	(105,815)						
Total All Reserves		(128,345)						

These reserves are to be released to General Fund in 2022/23 and 2023/24

- (i) Economic Growth Scrutiny Panel requested that consideration be given to this reserve being used to enhance planning enforcement and tree preservation matters
- (ii) These reserves are of a technical nature and are not cash backed. They are not available either to fund expenditure or to meet future commitments.

SECTION E - BUDGET DISCIPLINE AND SAVING STRATEGY

1. Although LGR is expected to be implemented on 1 April 2023, the Council has continued to adopt a 5-year financial strategy as set out in its Medium-Term Financial Plan to assist in the integration of financial planning with the priorities set out in the Carlisle Plan. The current medium-term financial projections point to a shortfall in the Council's recurring budgets, requiring the use of reserves and the achievement of identified savings. In addition, the scope for the Council to continue support for initiatives in future years and to redirect resources to priority areas will be dependent on the extent to which the Council is successful in realising savings and maximising income and funding streams. The requirement to achieve savings or raise additional income in future years is a continuing and increasing pressure facing the Council.
2. The Council continues to recognise the challenges of reductions in Central Government funding and uncertainty over other Government funding such as Business Rate Retention (and significant reductions in other revenue and capital grants) together with increased cost pressures. However due to its success to date in identifying savings, the Council now has a solid financial base in order to set its 2022/23 budget.
3. The savings strategy will continue to concentrate on the following areas to deliver the savings required to produce a balanced budget, however the exact work programme will be dependent on progress with the Transformation programme.
 - Asset Strategy – to focus on ensuring the council's asset portfolio maximises the benefit to the Council through income generation or by realising receipts of assets that do not generate a return that can then be utilised to ease pressures in capital and revenue budgets through the most appropriate means, e.g., re-investment in new assets and supporting the capital programme to reduce the Council's borrowing requirement.
 - Service Reviews – A review of services to include their purpose and relevance in achieving the Carlisle Plan priorities, including a review of those services which do not fall within the Council's core priorities or which are not statutory will be undertaken to ensure that services and resources are properly aligned to what the Council wants to achieve.
 - Core Budgets – a review of base budgets, including income generation to ensure compliance with best practice on priority and outcome based budgeting and other appropriate budget disciplines.
4. Members and Officers are reminded that it is essential to maintain a disciplined approach to budgetary matters and as such:
 - Supplementary estimates will only be granted in exceptional circumstances.

- Proposals seeking virement should only be approved where the expenditure to be incurred is consistent with policies and priorities agreed by the Council.
5. In order to continue the improvements in the links between financial and strategic planning, the Joint Management Team will continue to meet regularly to progress forward planning on these issues.

STATUTORY REPORT OF S.151 OFFICER

1. In setting its Budget Requirement, the Council is required under the Local Government Act 2003 (Section 25) to consider:
 - (i) The formal advice of the statutory responsible financial officer (Corporate Director of Finance and Resources) on the robustness of the estimates included in the budget and the adequacy of the reserves for which the budget provides;
 - (ii) The Council has to determine what levels of borrowing, if any, it wishes to make under the Prudential Code that governs local authority borrowing.

2. Robustness of the Estimates

Whilst relevant budget holders are responsible for individual budgets and their preparation, all estimates are scrutinised by Financial Services staff, the Senior Management Team and the Strategic Financial Planning Group prior to submission to members.

The Council's revenue and capital budgets are integrated in that the financial impact of the proposed capital programme is reflected in the revenue estimates.

The Council has no history of overspending against budget, indeed, there has tended to be a degree of underspending. However improved budget monitoring backed up by specific action where appropriate and base budget procedures have proven effective in addressing this issue.

However, there are risks involved in projecting budgets particularly over the medium term and the year-end position will never exactly match the estimated position in any given year. Areas of specific risk in the current five-year period under consideration are:

- The Savings programme is expected to achieve savings of £2.050million in 2023/24 in order to meet the expected cuts in grants from central government and other budgetary pressures identified in the previous budget process. This will ensure that a balanced 5-year budget is produced and where Council reserves are replenished over the longer term (subject to the impact of LGR).
- The level of interest receipts and return on Treasury Management activities are subject to market rates. Members are advised of this risk every year and it should be noted that in the current economic climate with low and relatively static base rates, investment income returns in the medium term continue to prove challenging. The Council is also having to deal with a reduced number of counterparties it is able to place deposits with.

The main risk to the robustness of the estimates contained within the 5-year MTFP is the continued uncertainty regarding the Fair Funding Review and Business Rates Retention Review. Economic recovery following COVID-19 and the impact this has on costs and inflationary assumptions is also a significant risk. The implementation of Local Government Reorganisation in Cumbria will also impact on the level of earmarked reserves held by the Council, and the 5-year MTFP has been prepared in order to achieve financial sustainability for the new organisation post April 2023.

There will be a requirement to use reserves in the short term; however, proposals must put in place to ensure that reserves will rise over the following 5-year period to minimum levels to inform and sustain the new Unitary Council.

The delivery of the savings proposals identified and continuing work to deliver further savings will also be important to maintaining reserves at prudent levels. Regular budget monitoring, particularly in the area of the Savings programme is imperative during this period. The level of the Council's future Capital Programme, taking account of a significant reprofiling in capital receipts, is fully funded but includes a significant borrowing requirement over the five-year period. The Capital Programme includes plans to sell assets that can be utilised to reduce the overall borrowing requirement for future capital investment decisions.

- Central contingencies – there have been no contingency budgets built into the existing estimates. This means that any unforeseen expenditure that cannot be contained within existing budgets will require a supplementary estimate to cover any costs. The budget proposals will significantly limit the capability to deal with any of these events and these may have to be found from within other budgets and reserves should the need arise.

2. Adequacy of Reserves

The level and usage of the Council's Reserves is undertaken annually as part of the Medium-Term Financial Plan.

The appropriateness of the level of reserves can only be judged in the context of the Council's longer-term plans and an exercise has been undertaken to review the level of reserves through the use of a risk assessment matrix. The findings of this exercise suggested that the minimum level should be set at £3.1million as a prudent level of General Fund Reserves which will be required as a general working capital/ contingency to cushion the Council against unexpected events and emergencies.

The Council's policy on reserves is that wherever possible reserves should not be used to fund recurring expenditure, but that where it is, this should be made explicit, and steps taken to address the situation in the following years. The Executive sets out in its Budget Discipline and Saving Strategy on how it expects Officers to address the 2022/23 budget pressures in setting the 2022/23 budget and principles to be adopted.

Based on current projections, Council Reserves as at 31st March 2023 will be maintained at prudent levels. It is accepted that the level of reserve is reliant on the delivery of the transformation savings and achievement of income targets and government funding.

3. Determination of Borrowing

The Prudential Accounting regime enables the Council to borrow subject to meeting criteria of affordability. The draft Prudential Indicators have been established and these will be finalised for Council approval once decisions on the overall Capital Programme have been made.

For the period under review the need for borrowing will be kept under consideration and will be dependent on the level of capital receipts being generated and the potential of future capital projects. Due to projects currently under consideration, the capital programme for 2022/23 to 2026/27 will require the use of Prudential Borrowing (including internal borrowing) to sustain levels depending on the levels of capital receipts that can be generated in the future.

Where borrowing is required, full option appraisals will be carried out. The financial sustainability and level of debt for the new Unitary Authority will be a consideration especially in terms of the timing of any external borrowing undertaken.

SECTION G – GLOSSARY OF TERMS

BUDGET

- **GROSS** – the total cost of providing the council's services before taking into account income from service related government grants and fees and charges for services.
- **NET** – the Council's gross budget less specific government grants and fees and charges, but before deduction the settlement funding assessment and other funding from reserves.
- **ORIGINAL BUDGET** – the budget for a financial year approved by the council before the start of the financial year.
- **REVISED BUDGET** – an updated revision of the budget for a financial year.
- **NET BUDGET REQUIREMENT FOR COUNCIL TAX PURPOSES** – the estimated revenue expenditure on general fund services that needs to be financed from the Council Tax after deducting income from fees and charges, certain specific grants and any funding from reserves.

CAPITAL EXPENDITURE - Expenditure on the acquisition of a fixed asset or expenditure, which adds to and not merely maintains the value of an existing fixed asset.

CAPITAL RECEIPTS – the proceeds from the disposal of land or other assets. Capital receipts can be used to finance new capital expenditure within rules set down by the government, but they cannot be used to finance revenue expenditure.

CONTINGENCY – money set aside in the budget to meet the cost of unforeseen items of expenditure, or shortfalls in income, and to provide for inflation where this is not included in individual budgets.

COUNCIL TAX – the main source of local taxation to local authorities. Council tax is levied on households within its area by the billing authority and the proceeds are paid into its Collection Fund for distribution to precepting authorities and for use by its own General Fund.

DISABLED FACILITIES GRANT (DFG) – individual government grants towards capital spending on providing disabled adaptations to housing.

EXECUTIVE- consists of elected Members appointed by the Leader of the Council to carry out all of the local authority functions which are not the responsibility of any other part of the local authority.

FEES AND CHARGES – income raised by charging users of services for the facilities.

INTEREST RECEIPTS – the money earned from the investment of surplus cash.

NATIONAL NON-DOMESTIC RATE (NNDR) - this is a levy on businesses, based on a national rate in the pound set by the government multiplied by the 'rateable value' of the premises they occupy. Also known as 'business rates', the 'uniform business rate' and the 'non-domestic rate'.

NON-RECURRING EXPENDITURE – items which are in a budget for a set period of time.

PRECEPT – the levy made by precepting authorities on billing authorities, requiring the latter to collect income from council taxpayers on their behalf.

- **PRECEPTING AUTHORITIES** – those authorities which are not billing authorities, i.e., do not collect the council tax and non-domestic rate. County councils, police authorities and joint authorities are 'major precepting authorities' and parish, community and town councils are 'local precepting authorities'.

RESERVES – amounts set aside in one year to cover expenditure in the future, which all Authorities must maintain as a matter of prudence. Reserves can either earmarked for specific purposes or general.

RETAINED BUSINESS RATES - collected by billing authorities on behalf of central government and the precepting authorities (Central Government, County Councils and Billing Authority) and redistributed in accordance with a prescribed formula set by the DLUHC taking into account top up and tariffs.

REVENUE EXPENDITURE – day to day running costs of the Authority, including employee costs, premises costs and supplies and services.

SENIOR MANAGEMENT TEAM (SMT) – a group of senior officers consisting of the Chief Executive, Deputy Chief Executive and Corporate Directors.

SUPPLEMENTARY ESTIMATE – an amount, which has been approved by the authority, to allow spending to be increased above the level of provision in the original or revised budget.

TAXBASE – the number of Band D equivalent properties within each Local Authority area used to determine the Funding settlement by the DLUHC and to calculate the Council Tax yield by each authority.

VIREMENT – the permission to spend more on one budget head when this is matched by a corresponding reduction on some other budget head i.e., a switch of resources between budget heads. Virement must be properly authorised by the appropriate committee or by officers under delegated powers.

SUGGESTED PROCEDURE FOR SETTING THE BUDGET AT COUNCIL

1. Background

Item
9.(4)

- 1.1 This note is to advise Members of the procedure which will be adopted for setting the Council's budget at the Special Council Meeting fixed for 1 February next.
- 1.2 The Executive are presenting their budget proposals to Council to consider prior to 8 February, therefore, there is a statutory dispute resolution procedure built into the Council's Budget Procedure Rules which the Council must go through if it wishes to make any amendments to the Executive's budget proposals.
- 1.3 Put simply, any amendments (or "objections" as the Procedure Rules call them) to the Executive's proposals, which the Council might approve at its meeting on 1 February, will not come into effect on that day but will operate as a reference back to the Executive. The Executive will then be required to reconsider its proposals in the light of the Council's objections and report back to a subsequent Council meeting. The Council will then consider the Executive's response and decide whether to agree with what the Executive are proposing or insist on its amendments being made to the budget. Either way, the Council has the final say on the budget resolution.

2. What the Budget Procedure Rules say

- 2.1 The Rules set out the following procedure for dealing with the matter where the Executive submit their budget to Council before 8 February:
 - The Executive refer their budget proposals to the Council for consideration.
 - If the Council accepts them and has no objections to the Executive proposals, i.e. if no proposed amendments to the Executive's budget are agreed by Council, then the decision to accept the Executive's budget will have immediate effect on the night.
 - If, however, the Council raises objections to the Executive's budget proposals, i.e. if it approves proposed amendments which it wishes to make to those proposals, then it must proceed as set out below:

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

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

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

2.2 The Local Authorities (Standing Orders) (England) Regulations 2001, require that any vote taken at a Council's budget decision meeting is a recorded vote.

3. Proposed Procedure on 1 February and any subsequent Council Meeting

3.1 In the light of the above Rules, it is suggested that the meeting on the 1 February should proceed as follows:

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

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

- The Leader will move the receipt of the Minutes of the Executive held on 19 January 2022, which relate to the setting of the City Council budget for 2022/23, and ask the Council to accept that those Minutes and the Reports etc., as outlined on the Council Summons under the item City Council Budget, be dealt with as one item of business as part of setting the General Fund Revenue Budget for 2022/23 and the Council's Capital Budget for 2022/23.
- The Leader or Portfolio Holder for Finance, Governance & Resources will then propose a motion or motions moving the recommendations of the Executive in respect of the General Fund Revenue Budget and the Council's Capital Budget for 2022/23, i.e. the Executive's budget proposals.
- The Mayor will then invite the Leader or Portfolio Holder for Finance, Governance & Resources to speak in support of the motion, followed by the seconder of the motion, who may in accordance with Procedure Rule 14.3 reserve their speech until a later period of the debate.

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

- The Mayor will invite amendments to the Leader's motion and will instruct that any amendments are circulated to all Members of the Council (without speaking thereto). Invitations to propose amendments will be extended in the following Order:
 - The Leader of the Opposition Group (to give notice of the number of amendments the said group is proposing and for each of which there is a seconder).
 - The Leader of the Independent Group (to give notice of the number of amendments the said group is proposing and for each of which there is a seconder).
 - The Leader of the Independent and Liberal Democrat Group (to give notice of the number of amendments the said group is proposing and for each of which there is a seconder).
 - Any other Councillor (amendments not included in the 'Group amendments' and for which there is a seconder).

- 3.4 It would be advisable to have the usual short adjournment to consider the Groups' amendments (if any) and so:
- The Mayor will invite a motion under Procedure Rule 14.10(g) to allow the meeting to adjourn for a short period, to allow time for consideration of any motions and amendments before the Council.
- 3.5 Following the adjournment, the Mayor will ask if there are any further amendments to the motions already moved and, in accordance with Procedure Rule 14.2, the Mayor may require that any amendment is put in writing and handed to them.
- 3.6 The Mayor will then invite the proposer and seconder of each amendment relating to the motion of the Leader to speak. The seconder of any amendment may, in accordance with Procedure Rule 14.3, reserve their speech until a later period of that debate, and debate will continue on each amendment in turn until voting takes place on the amendment, following which any further amendments will be similarly dealt with.
- 3.7 The Leader or Portfolio Holder for Finance, Governance & Resources, as mover of the original motion, has a right to reply at the close of the debate on each amendment, subject to not having previously spoken on the amendment. The mover of the amendment has no such right of reply.
- 3.8 Any amendments or "objections" should be put and voted on in the usual way (recorded vote). If any are carried, then they will operate as a reference back to the Executive to reconsider but will not be binding on the night. If no amendments or "objections" are carried then the Executive's proposals can, once all the amendments have been disposed of, be formally put to the vote and approved on the night as the Council's budget.
- 3.9 If any amendments are carried, it will then be necessary for the Council to set a date for the subsequent Council meeting at which the Executive's response to the proposed amendments will be considered. The Executive will need to meet between the two Council meetings to formulate a response to any proposed amendments and so sufficient time needs to be allowed for this.

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

NOTE

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

Mark Lambert
Corporate Director of Governance and Regulatory Services

January 2022

Carlisle City Council

Report to Council

Item
10.

Report details

Meeting Date:	1February 2022
Portfolio:	Governance, Finance & Resources
Key Decision:	No
Policy and Budget Framework	Yes
Public / Private	Public
Title:	Establishment of 'Cumberland' Council area – Joint Committee
Report of:	Corporate Director of Governance and Regulatory Services
Report Number:	GD.07/22

Purpose / Summary:

The purpose of this report is to recommend, as one of the Councils making up the area which will be covered by the forthcoming Cumberland Council, that a Cumberland Joint Committee is established.

Recommendations:

The Executive recommend to Council that it:

- (1) Agree to the establishment of the Cumberland Joint Committee as detailed in the report and to the terms of reference attached at Appendix 1**
- (2) Delegates the Non-Executive Functions within the Terms of Reference to the Cumberland Joint Committee**
- (3) Delegates to the Corporate Director of Governance and Regulatory Services, in consultation with the Leader and Mayor the making of any minor changes to the terms of reference following consideration by other councils making up the Joint Committee**
- (4) Authorise the Corporate Director of Governance and Regulatory Services to make the necessary amendments to the Councils Constitution and to update the Council's scheme of delegation in Section 2(a) of the Constitution.**

- (5) Receive nominations and make appointments to the positions on the Cumberland Joint Committee in accordance with the political representation / balance calculation.**
- (6) Delegates to the Town Clerk and Chief Executive following consultation with the Leader and the Mayor the authority to agree which of the 'Cumberland' Councils acts as the host authority for the Cumberland Joint Committee.**
- (7) Agrees that this Joint Committee will be/is the Cumberland Joint Committee for the purposes of the forthcoming Cumbria (Structural Changes) Order 2022 (or such similar title that Her Majesty's Government decides).**

Tracking

Executive:	19 January 2022
Scrutiny:	
Council:	1 February 2022

1. Background and Proposals

- 1.1 The Secretary of State (SoS) has made a decision, subject to Parliamentary approval, to implement the proposal for two unitary councils on an East-West geography.
- 1.2 The SoS now intends to seek Parliamentary approval for the necessary secondary legislation to implement the Cumberland and Westmorland and Furness two Unitary Council proposal.
- 1.3 All Councils have received details of the draft Cumbria Structural Changes Order 2022 and this includes specific provisions relating to the Cumberland and Westmorland and Furness Joint Committees.
- 1.4 We are required within 14 days of the coming into force of the Order to establish a Cumberland Joint Committee. It is intended that the Joint Committee proposed in this Report is the Joint Committee for the purposes of the forthcoming (or similarly named, relevant legislation) Cumbria (Structural Changes) Order 2022 and in accordance with the said Order will be dissolved on the day following that on which the shadow authority for Cumberland Council holds its first meeting.
- 1.5 The Monitoring Officers recommend that there is one Host Authority and if there are to be different Council venues for the respective meetings that the Host Authority organises the meetings. The Host Authorities are required to be agreed for Cumberland and Westmorland and Furness.

2.0 Terms of Reference and Membership

- 2.1 Suggested terms of reference are attached at Appendix 1 based on the content of the draft structural changes order. As with any matter going through different Councils' approval processes, there may be changes to this as required by the individual authorities. It is therefore recommended that delegated authority be given to the Corporate Director of Governance & Regulatory Services to make any minor amendments following consultation with the Leader of the Council and the Mayor.

3.0 Membership of the Joint Committee

- 3.1 The structural changes order requires the establishment of 2 Joint Committees, one for the Cumberland area and one for the Westmorland & Furness area. The membership make up is the same for each Joint Committee so for Cumberland the Joint Committee will comprise of 3 persons nominated by the County Council and nine persons nominated by the relevant District Councils (with each of the Cumberland districts nominating three persons).
- 3.2 Since the proposed arrangements include the discharge of non- executive and executive functions it is necessary to consider the application of political balance.
- 3.3 For Carlisle, as we operate Executive arrangements, the appointments are the responsibility of the Council with the agreement of the Executive. At least one of the members appointed to the Joint Committee must be a member of the Executive. For the City Council the political balance of appointments will be two Conservative Members and one Labour Member.
- 3.4 On 19 January 2022, the Executive agreed to the establishment of the Cumberland Joint Committee (as detailed in Report reference GD.02/22) and delegated Executive functions set out in the terms of reference to the said joint committee.
- 3.5 For the County Council political balance requirements do not apply to the appointment of those representatives and the representatives must be members elected for the electoral divisions or wards which are within the relevant areas. This means for the County Council they will appoint members from within the relevant wards for the areas covered by the Joint Committees and political balance rules will not apply.

4.0 Consultation

- 4.1 Consultation has taken place with the LGR Leaders' Oversight Board and the Chief Executives' Programme Board.

5.0 Alternative Options

- 5.1 Members could decide not to proceed with a Joint Committee until the Order is made. However, speed is of the essence and it is considered that this will be more transparent and provide clarity on decision making and ensure that the Council is ready for Local Government Reorganisation.

6.0 Conclusion and reasons for recommendations

- 6.1 The Executive and Council are recommended to agree to the establishment of the Cumberland Joint Committee to comply with the statutory requirements of the forthcoming structural changes order and to facilitate as efficiently as possible, the ongoing Local Government Reorganisation.

Contact details:

Contact Officer: Mark Lambert

Ext:

7019

Appendices attached to report:

- Terms of Reference for the Cumberland Joint Committee

Note: in compliance with section 100d of the Local Government Act 1972 the report has been prepared in part from the following papers:

- None

Corporate Implications:

Legal - By s101 and 102 of the Local Government Act a local authority may arrange for the discharge of any of its functions by a committee and may appoint a Joint Committee for that purpose. Similar provisions are contained in Part IA Chapter II of the Local Government Act 2000 in respect of Executive functions. The Host Authority will be responsible for arranging the meetings of the Cumberland Joint Committee. There will be a requirement to ensure that agendas are published and that we have a suitable platform on which to host the Cumberland Joint Committee and any Scrutiny Committee should it be established

Property Services – No property implications.

Finance - There will be resources required to support the meetings and the Host Authority will need to be resourced appropriately. Appointed members attendance at formal meetings will be an approved duty and as such some additional travel expenses may be

incurred. Expenses of a Joint Committee are defrayed by authorities in such proportions as they may agree so this needs to be covered in the terms of reference.

Equality – None.

Information Governance- None.

Appendix 1

Cumberland Joint Committee

Purpose

1. The formation of an Implementation Team to assist the Joint Committee and if required the Shadow Authority in the discharge of its functions.
2. To prepare, keep under review, receive updates on progress and revise as necessary the Implementation Plan.
 - (i) This to include such plans and timetables as are in the opinion of the Joint Committee necessary to secure the effective, efficient and timely discharge of such of its functions, property, rights and liabilities as relate to Cumberland and its inhabitants.
 - (ii) To agree budgets and plans as are considered necessary or desirable to facilitate the economic, effective, efficient and timely discharge on and after the 1st April 2023 of the functions of the Cumberland Councils.
3. Preparing for and facilitating the economic, effective, efficient and timely transfer to the new Councils of functions, property, rights and liabilities.
4. To consider and recommend a Members Code of Conduct to be adopted by the Shadow Authority at its inaugural Full Council meeting
5. To agree the process for an independent review of a scheme of Members Allowances for the Shadow Authority, including the setting up of an Independent Remuneration Panel and to recommend to the Shadow Authority a scheme of Members Allowances for adoption at its inaugural meeting.
6. To consider and recommend a Constitution and schemes of delegation to be adopted by the Shadow Authority at its inaugural Full Council meeting
7. To agree and undertake the recruitment process for the selection of the posts of Interim Head of Paid Service, Interim Chief Finance Officer (section 151 Officer) and Interim Monitoring Officer for the Shadow Authority and recommend to the Shadow Authority at its inaugural meeting nominations for the three interim statutory Officers
8. To establish and propose a Calendar of Meetings for the Shadow Council for adoption at its inaugural meeting
9. To Manage the transition to the Shadow Authority under the Structural Changes Order
10. To oversee the smooth transition of all matters Civic and Ceremonial
11. The Joint Committee must have regard to:
 - (a) The information supplied to the Secretary of State
 - (b) Have regard to sections 27 and 28 of the Localism Act 2011 in formulating proposals for the codes of conduct to be adopted by the Shadow Authorities.

14/12/2021



Carlisle City Council

Report to Council

Item
11.

Report details

Meeting Date:	1 February 2022
Portfolio:	Cross-cutting
Key Decision:	Not applicable
Policy and Budget Framework	Not applicable
Public / Private	Public
Title:	OPERATION OF THE PROVISIONS RELATING TO CALL-IN AND URGENCY
Report of:	Corporate Director of Governance and Regulatory Services
Report Number:	GD.08/22

Purpose / Summary:

To report on the operation of call-in and urgency since the previous report to Council on 4 January 2022.

Recommendations:

That the position be noted.

Tracking

Executive:	
Scrutiny:	
Council:	1 February 2022

1. Background

- 1.1 Rule 15(i) of the Overview and Scrutiny Procedure Rules deals with the procedure in respect of occasions where decisions taken by the Executive are urgent, and where the call-in procedure should not apply. In such instances the Chair of the Council (i.e. the Mayor) or in her absence the Deputy Chair of the Council must agree that the decision proposed is reasonable in the circumstances and should be treated as a matter of urgency.

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

Furthermore, Regulation 5 of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 prescribes that the intention to hold a meeting in private must be published at least 28 clear days prior to that meeting.

Where the date by which a meeting must be held makes compliance with the regulation impracticable, the Chair of the relevant Scrutiny Panel or the Chairman of the Council may agree that the meeting is urgent and cannot reasonably be deferred.

2. Operation of the Provisions Relating to Call in and Urgency

- 2.1 The Executive, at their meeting held on 19 January 2022, considered the following reports:

RD.64/21 Budget Update - Revenue Estimates 2022/23 to 2026/27

RD.65/21 Revised Capital Programme 2021/22 and Provisional Capital Programme 2022/23 to 2026/27

RD.66/21 Treasury Management Strategy Statement, Investment Strategy and Minimum Revenue Provision Strategy 2022/23

RD.67/21 Provisional Local Government Finance Settlement 2022/23

Executive Response to the Budget Consultation and Recommendations for the 2022/23 Budget

GD.02/22 Establishment of 'Cumberland' Council Area – Joint Committee.

All Members will have received copies of the reports and minutes with the Summons for the Council meeting and will have the opportunity to consider the items at the Council meeting on 1 February 2022.

It was considered that any delay caused by a call-in would prejudice the Council's interests in delaying approval of the matters. The Mayor therefore agreed that the above decisions were urgent and, for the reasons set out above, that the call-in process should not be applied to the decisions..

3. Conclusion and reasons for recommendations

3.1 That the position be noted.

Contact details:

Contact Officer: Rachel Plant

Ext: 7039

Appendices attached to report:

- None

Note: in compliance with section 100d of the Local Government Act 1972 the report has been prepared in part from the following papers:

- Carlisle City Council's Constitution

<https://www.carlisle.gov.uk/Council/Council-and-Democracy/Constitution>

- The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012

Corporate Implications:

Legal - Report is by the Corporate Director of Governance and Regulatory Services and legal comments are included.

Property Services – Not applicable

Finance – Not applicable

Equality – Not applicable

Information Governance- Not applicable

