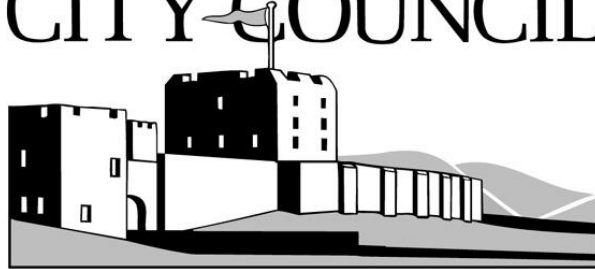


CARLISLE CITY COUNCIL



www.carlisle.gov.uk

Executive Budget Proposals 2018/19 Issued for Consultation 18th December 2017

Councillor C Glover
Leader of the Council

Councillor Dr L Tickner
Portfolio Holder Finance, Governance & Resources

Jason Gooding
Chief Executive

Alison Taylor CPFA
Chief Finance Officer

EXECUTIVE BUDGET PROPOSALS 2017/18 to 2022/23

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

Section	Detail
A	Background and Executive Summary
B	Revenue Budget 2017/18 to 2022/23 <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 2017/18 to 2022/23 <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 2022/23 <ul style="list-style-type: none">• Schedule 10 - Usable Reserves Projections
E	Proposed Budget Discipline and Saving Strategy
F	Draft Statutory Report of the Chief Finance Officer
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 Chief Finance Officer were considered at the Executive meeting of 18th December 2017. All of the detailed reports are available on the Council's website.

1. RD35/17 – Budget Update 2018/19 to 2022/23
2. RD36/17 – Capital Programme 2017/18 – 2022/23
3. RD37/17 – Draft Treasury Management Strategy Statement and Investment Strategy and Minimum Revenue Provision Strategy 2018/19

SECTION A – BACKGROUND AND EXECUTIVE SUMMARY

Council Priorities

The Council's priorities are now encompassed in the Carlisle Plan. This aims to deliver a vision of "improving the health, wellbeing and economic prosperity of the people of Carlisle. We will work in partnership to further establish our position as the regional centre and focus for investment, ensuring that residents can share in the benefits through increased opportunities and greater choice of jobs, range of housing and a quality environment." This will be delivered through priorities which are outlined below and which all have specific actions in order to enable their delivery:

- Support business growth and skills development to improve opportunities and economic prospects for the people of Carlisle
- Further develop sports, arts and cultural facilities to support the health and wellbeing of our residents
- Continue to improve the quality of our local environment and green spaces so that everyone can enjoy living, working in and visiting Carlisle
- Address current and future housing needs to protect and improve residents quality of life
- Promote Carlisle regionally, nationally and internationally as a place with much to offer – full of opportunities and potential

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 Strategy and Asset Management Plan. These strategy 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 Chief Finance Officer 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 now 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 2018/19, proposals to make any revisions or replace the current scheme and as such the continuation of the current scheme is recommended.

Major Financial Challenges facing the Council

The Council is facing many financial challenges over the next five-year planning period and forecast resources are not anticipated to cover the expenditure commitments without transformational savings being identified in accordance with the Council's Savings Strategy (section E).

Some of the main issues are:

- Government Finance Settlement - RSG and NNDR

- Welfare Reform Act
- Transformation
- Stock issue loan refinancing in 2020
- Future borrowing requirements

Summary Budget Proposals

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

- The draft budget proposes an annual **£5** increase per Band D in Council Tax for the City Council for 2018/19 (Parishes Precepts will be an additional charge in the parished rural areas).
- 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	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Original MTFP recurring surplus/(deficit)	75	(616)	(127)	(108)	(218)
Changes to Funding - Business Rates Growth	500	500	0	0	0
Recurring budget reductions (Schedule 2)	29	60	360	452	452
Recurring Budget Increases (Schedule 3)	(415)	(840)	(1,345)	(839)	(728)
Contribution required (from) / to Reserves to fund Recurring Expenditure	189	(896)	(1,112)	(495)	(494)
Original MTFP non-recurring surplus/(deficit)	323	690	585	124	0
Non-Recurring budget reductions (Schedule 2)	12	12	12	0	0
Non-Recurring budget increases (Schedule 4)	(161)	(160)	0	0	0
Contribution required (from) / to Reserves to fund Non-Recurring Expenditure	174	542	597	124	0
Total contribution required (from) / to Reserves	363	(354)	(515)	(371)	(494)

- The above table shows an overall contribution from reserves over the life of the MTFP to fund expenditure with a small contribution to reserves in 2018/19. A strategy as detailed in Section E for ensuring the Council sets a robust budget within the revenue budget has been proposed.
- 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:

This budget consultation should be viewed in the light of the considerable financial challenges faced by the Council and the requirement to make savings to achieve a sustainable budget.

If you wish to make any comment on the Executive's draft budget proposals as set out in this document please send them to the Chief Executive at the Civic Centre, Carlisle, CA3 8QG by **9am on 15th January 2018**.

Following this, the consultation responses will be considered by the Executive in January, culminating in the Executive's final a budget proposal to Council on **6th February 2018**.

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 Chief Finance Officer at the above address.

SECTION B - REVENUE BUDGET 2017/18 to 2022/23

1. REVISED REVENUE BUDGET 2017/18

- 1.1 The Executive recommends that the Council's revised net budget for 2017/18 be approved totalling £11.989m compared to the original budget of £11.038m. The increase of £0.951million can be summarised as follows:

Detail:	£000	£000
Original Net Budget		11,038
Carry Forward Requests from 2016/17 (See note 1.2)		490
		11,528
Non-Recurring Expenditure:		
IT Renewals Reserve	214	
Leisure Reserve	31	
Revenue Grants Reserve	96	
Building Control Reserve	32	
Cremator Reserve	(41)	
GLL Reserve	69	
Promoting Carlisle Reserve	10	
General Carry Forward Reserve	50	
Total Changes		461
Revised Net Budget		11,989

- 1.2 The increased budget for 2017/18 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 2017/18 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. REVENUE BUDGET 2018/19 to 2022/23

2.1 Existing Net Budgets

The Executive recommends that the net budgets for 2018/19 to 2022/23 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	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
City Council					
- Recurring (schedule 5)	11,217	11,921	11,700	11,970	12,337
- Non-Recurring (Sch. 5 note 2)	(323)	(690)	(585)	(124)	0
Parish Precepts	544	558	572	586	600
Total	11,438	11,789	11,687	12,432	12,937

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	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Expenditure Reductions/Increased Income:						
Building Control Discretionary Charges	1	(23)	(23)	(23)	(11)	(11)
Bring Site Savings	2	(18)	(49)	(49)	(49)	(49)
Revenue Contribution to Capital	3	0	0	0	(92)	(92)
Tullie House Grant	4	0	0	(300)	(300)	(300)
Total Expenditure Reductions/Increased Income		(41)	(72)	(372)	(452)	(452)
TOTAL BUDGET REDUCTION PROPOSALS		(41)	(72)	(372)	(452)	(452)
Split:						
Recurring		(29)	(60)	(360)	(452)	(452)
Non-Recurring		(12)	(12)	(12)	0	0

Note 1: This relates to new discretionary charges for Building Control services

Note 2: A revenue contribution was made to the capital programme for five years to repay the capital cost of a bring site vehicle. The capital is fully repaid from 2018/19 therefore a saving will accrue. The vehicle is now included in the capital vehicle replacement plan and funded through the Rethinking waste project.

Note 3: A revenue contribution was made to the capital programme for five years to repay the capital cost of the market hall roof works. The capital is fully repaid from 2020/21 therefore a saving will accrue.

Note 4: A recent productivity report, jointly commissioned with Tullie House Museum & Art Gallery Trust, identified that up to £300,000 per annum could be saved from the subsidy currently provided to the Trust, effective from 2020/21.

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	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Homelessness Resources	1	60	60	60	60	60
Information Governance Manager	2	56	56	56	56	56
Legal Services Support	3	29	29	29	29	29
Land Charges income Shortfall	4	30	30	30	30	30
Information Technology Security	5	86	86	86	86	86
Treasury Management	6	(12)	134	396	454	298
Borrowing Costs - Leisure Development	7	0	0	568	545	522
Leisure Contract Subsidy	8	106	385	60	(481)	(413)
Apprentices	9	60	60	60	60	60
Total Recurring Budget Pressures		415	840	1,345	839	728

Note 1: This provides for additional staff resources (2FTE) for the homelessness service to ensure effective and safe operational delivery of a 24-hour service.

Note 2: New Data Protection Regulations come into force on 1 April 2018 with increased requirements to ensure information and data is managed securely and appropriately with increases in the potential for fines and data breaches.

Note 3: Additional resources are required to enable the legal services team to continue to support the growth activities the Council is undertaking.

Note 4: The amount on income collected from Land Charge searches has reduced over the years due to the rise in the number of searches being carried out by Personal Search Companies who can use the Council's data to provide a cheaper service.

Note 5: There are requirements for additional resources to ensure the Council's IT environment remains secure and compliant around taking payments by card and providing resources for IT security.

Note 6: The treasury management projections have been updated to take account of the revised capital programme, including changes to funding. The projections have also considered the latest projections for interest rates, including the long-term investment in the property fund and the re-financing of the Stock Issue in 2020. Treasury Projections are re-calculated during the budget process to take account of contributions to and from reserves.

Note 7: Borrowing costs (interest) for the proposed new leisure facility development are based on the borrowing requirement included in the capital programme and currently assume external borrowing over a 25-year period. Repayment of principal (MRP) is included in the Treasury Management budget pressure in line with the current MRP strategy. Borrowing costs are included for indication only as any external borrowing will only be undertaken when necessary. Alternative sources of funding, such as generation of capital receipts, maximisation of external grants and use of internal cash balances will all be considered and any external borrowing will only be examined when required in terms of length and type of loan and prevailing interest rates at that time. This will be subject to future reports to the Executive with an assessment of the impact on Council Reserves.

Note 8: The new leisure contract has recently been re-tendered and the new contract values agreed. The MTFP includes a recurring saving of £329,000 to be achieved in 2018/19. However, until a new facility is built, there will continue to be a requirement to pay a subsidy to the operator. Once a new facility is built the operator will then pay the Council a concession fee.

Note 9: This provides funding for the salary costs for apprentices. The Council makes use of the apprenticeship levy to fund the training requirements.

Schedule 4 – Non-Recurring Budget Increases

Non-Recurring Budget Pressures/Savings	Note	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Economic Investment Initiatives	1	235	0	0	0	0
<i>Funded from Carry Forward Reserve</i>	1	(235)	0	0	0	0
Sexual Assault Referral Service Grant	2	20	20	0	0	0
Pay Award Provision	3	136	140	0	0	0
Grant to Carlisle Food Bank	4	5	0	0	0	0
Total Non-Recurring Budget Pressures		161	160	0	0	0

Note 1: This relates to economic investment initiatives that the Council wishes to pursue, such as Borderlands, Business Interaction Centre, Development Brief for Morton District Centre, Promotion of Central Plaza redevelopment and promotion of City Centre redevelopment opportunities. It is proposed that this be funded from the earmarked Carry Forward Reserve.

Note 2: Continuation of the grant to match fund sexual assault referral service projects by Cumbria Police.

Note 3: The MTFP includes provision for pay awards at 1% for 2018/19 and 2019/20, then 2% thereafter. This pressure increases the provision to 2% for 2018/19 and 2019/20 following the potential easing of the public sector pay cap.

Note 4: A grant to Carlisle Foodbank to recognise the important work and support being offered to those in need.

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 2018/19, with projections to 2022/23, be approved as set out in **Schedule 5** below:

Schedule 5 – Summary Net Budget Requirement for Council Tax Purposes

2017/18 Revised £000	Summary Net Budget Requirement	2018/19 Budget £000	2019/20 Proj £000	2020/21 Proj £000	2021/22 Proj £000	2022/23 Proj £000
	Recurring Revenue Expenditure					
	Existing Expenditure (Schedule 1)	11,217	11,921	11,700	11,970	12,337
	Budget Reductions (Schedule 2)	(29)	(60)	(360)	(452)	(452)
	New Spending Pressures (Schedule 3)	415	840	1,345	839	728
11,616	Total Recurring Expenditure	11,603	12,701	12,685	12,357	12,613
	Non Recurring Revenue Expenditure					
(931)	Existing Commitments (Schedule 1)	(323)	(690)	(585)	(124)	0
490	Carry Forward	0	0	0	0	0
2	Budget Reductions (Schedule 2)	(12)	(12)	(12)	0	0
351	Spending Pressures (Schedule 4)	161	160	0	0	0
11,528	Total Revenue Expenditure	11,429	12,159	12,088	12,233	12,613
	Less Contributions (from)/to Reserves:					
(151)	Recurring Commitments (Note 1) Sub Total	189	(896)	(1,112)	(495)	(494)
578	Non Recurring Commitments - Existing Commitments (Note 2)	323	690	585	124	0
10	- New Commitments	(149)	(148)	12	0	0
588	Sub Total	174	542	597	124	0
11,965	Total City Council Budget requirement	11,792	11,805	11,573	11,862	12,119
582	Parish Precepts	544	558	572	586	600
12,547	Projected Net Budget Requirement for Council Tax purposes	12,336	12,363	12,145	12,448	12,719

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	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Homelessness	66	66	0	0	0
New Homes Bonus	(333)	(666)	391	391	0
New Homes Bonus	(151)	(145)	(991)	(515)	0
Homelessness Grant	(66)	(66)	0	0	0
Carlisle South Masterplan	135	135	65	0	0
Carlisle South / Garden Village	(50)	(50)	(50)	0	0
Homelessness Grant	66	66	0	0	0
Community Infrastructure Levy	0	(30)	0	0	0
Carry Forward from 2015/16	10	0	0	0	0
Total	(323)	(690)	(585)	(124)	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 an annual £5 increase in Council Tax for 2018/19 per Band D property (This equates to a 2.47% increase). The detail of this is set out in **Schedule 6** below and the impact per Council Tax Band is as follows:

	2017/18 Council Tax £	Proposed Annual Increase £	2018/19 Council Tax £	Weekly Increase
Band A	134.80	3.33	138.13	6 pence
Band B	157.27	3.89	161.16	7 pence
Band C	179.73	4.44	184.18	9 pence
Band D	202.20	5.00	207.20	10 pence
Band E	247.13	6.11	253.24	12 pence
Band F	292.07	7.22	299.29	14 pence
Band G	337.00	8.33	345.33	16 pence
Band H	404.40	10.00	414.40	19 pence

Schedule 6 – Total Funding and Provisional Council Tax Projections

2017/18	Total Funding and Council Tax Impact	2018/19	2019/20	2020/21	2021/22	2022/23
32,927.91 £000	Estimated TaxBase	33,019.78 £000	33,111.90 £000	33,204.29 £000	33,296.93 £000	33,389.82 £000
	Projected Net Budget Requirement for Council Tax Purposes (Schedule 5)					
11,465	- City	11,792	11,805	11,573	11,862	12,119
582	- Parishes	544	558	572	586	600
12,047	Total	12,336	12,363	12,145	12,448	12,719
	Funded by:					
(6,658)	- Council Tax Income	(6,842)	(7,026)	(7,212)	(7,399)	(7,586)
(856)	- Revenue Support Grant	(435)	0	0	0	0
(3,114)	- Retained Business Rates	(3,215)	(3,329)	(3,411)	(3,513)	(3,583)
	- Business Rate					
(1,200)	Growth/Pooling	(1,250)	(1,400)	(900)	(900)	(900)
(137)	- Estimated Council Tax Surplus	(50)	(50)	(50)	(50)	(50)
(30)	- Parish CTRS Grant	(14)	0	0	0	0
(552)	- Parish Precepts	(530)	(558)	(572)	(586)	(600)
(12,547)	TOTAL	(12,336)	(12,363)	(12,145)	(12,448)	(12,719)
£ 202.20	City Council Tax Band D Council Tax	£ 207.20	£ 212.20	£ 217.20	£ 222.20	£ 227.20
£3.77 1.95%	Increase over Previous year: £ %	£ 5.00 2.47%	£ 5.00 2.41%	£ 5.00 2.36%	£ 5.00 2.30%	£ 5.00 2.25%

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

- Final confirmation of the 2018/19-year settlement figures will be received in January 2018.
- The Council Tax Surplus and Taxbase are currently estimated and final figures will be available in the January 2018.
- The Council is continuing to participate in the Cumbria Business Rates Pool with the other Councils within Cumbria in order to manage Business Rates; subject to the decision on the Business Rate pilot for 100% retention.
- The projections of Council Tax for 2018/19 onwards are indicative only and exclude final confirmation of parish precepts.

SECTION C - CAPITAL PROGRAMME 2017/18 TO 2022/23

1. REVISED CAPITAL BUDGET 2017/18

- 1.1 The Executive recommends that the revised 2017/18 Capital Programme be approved at £9.513m compared to the original budget of £9.011m as set out in the report of the Chief Finance Officer.

2. CAPITAL BUDGET 2018/19 TO 2022/23

- 2.1 The Executive recommends that the estimated Capital Resources available and proposed Capital Programme for 2018/19 to 2022/23 be approved to be financed and allocated as detailed in **Schedule 7 and 8** below:

Schedule 7 – Estimated Capital Resources

Estimated Resources	Note	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Capital Grants:						
- DFG	1	(1,467)	(1,467)	(1,467)	(1,467)	(1,467)
- Other	2	(925)	(2,480)	(480)	(210)	0
Capital Receipts						
- Generated in year (Asset Business Plan)	3	(2,754)	0	0	0	0
Direct Revenue Financing	4	(912)	(1,316)	(1,018)	(926)	(926)
TOTAL		(6,058)	(5,263)	(2,965)	(2,603)	(2,393)

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 the 2017/18 levels

Note 2: Capital Grants and contributions from third parties in relation to regeneration schemes, business interaction centre and for new leisure facilities.

Note 3: Receipts from the sale of assets in line with the Asset Business Plan refresh.

Note 5: Direct revenue financing with contributions being made from the revenue budget or other earmarked reserves.

Schedule 8 – Proposed Capital Programme

Capital Scheme		Note	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Current Commitments:							
Disabled Facilities Grants			1,467	1,467	1,467	1,467	1,467
Planned enhancement to Council Property		1	150	150	150	150	150
Vehicles & Plant		2	721	896	647	1,486	1,297
ICT		3	358	48	83	84	116
Play Areas - Green Gyms		4	25	0	0	0	0
Fusehill St Play Area		5	35	0	0	0	0
Planning Software		6	150	0	0	0	0
Regeneration of Botchergate/London Rd	A	7	247	247	247	247	0
Chatsworth Square/Portland Square Townscape Heritage Initiative	A	8	295	290	290	0	0
Cemetery Infrastructure		9	30	0	0	0	0
Recycling Containers		10	45	45	45	45	45
Business Interaction Centre	A	11	510	0	0	0	0
Leisure Facilities	A	12	0	19,467	0	0	0
TOTAL POTENTIAL PROGRAMME			4,033	22,610	2,929	3,479	3,075

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: Provision for expenditure to maintain the enhancement programme on Council operational property

Note 2: The anticipated budgets for the replacement of the Council's vehicle fleet.

Note 3: The provision for expenditure of ICT equipment

Note 4: To provide outdoor gym equipment at Bitts Park and Hammonds Pond.

Note 5: To provide refreshed play facilities at Fusehill Street Play Area. This scheme also attracts £10,00 external contributions.

Note 6: This is an earmarked provision for the replacement of the Council's Planning Software system to ensure the statutory planning register information and development management service is maintained and secured. There may be income from additional planning fees that may contribute to the overall cost.

Note 7: This expenditure is supported by an external funding application for £210,000 for each year of the scheme.

Note 8: This is a project to the Townscape Heritage Initiative (THI) for the Portland Square area for public realm improvements for the areas in Council ownership. An external funding application via the THI for £270,000 for each year of the scheme.

Note 9: A culvert at Fairy Beck within Carlisle Cemetery requires works to ensure that it does not pose a flood risk to the cemetery and surrounding households.

Note 10: To cover expenditure on replacement recycling and refuse containers

Note 11: This relates to the refurbishment and development of the Business Interaction Centre at Paternoster Row/Castle Street following expiry of the lease to the University of Cumbria. This expenditure will be partly funded from an application to the European Regional Development Fund (ERDF) of £300,000 and dilapidation settlement.

Note 12: Capital expenditure for the enhancement work to Leisure Facilities is profiled for 2019/20 to reflect the timeline in relation to proposed scheme considered by Executive in December. Associated costs of the potential external borrowing are included in the revenue budget.

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	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000
Estimated Borrowing Requirement 31 March 2018	3,867				
In Year Impact:					
- Estimated resources available in year (Schedule 7)	(6,058)	(5,263)	(2,965)	(2,603)	(2,393)
- Proposed Programme (Schedule 8)	4,033	22,610	2,929	3,479	3,075
Borrowing Requirement	1,842	19,189	19,153	20,029	20,711

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 2017 £000	Projected 31 March 2018 £000	Projected 31 March 2019 £000	Projected 31 March 2020 £000	Projected 31 March 2021 £000	Projected 31 March 2022 £000	Projected 31 March 2023 £000
Revenue Reserves							
General Fund Reserve	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)	(2,000)
Projects Reserve	(1,089)	(1,526)	(1,889)	(1,535)	(1,020)	(649)	(155)
	(3,089)	(3,526)	(3,889)	(3,535)	(3,020)	(2,649)	(2,155)
Carry Forward Reserve	(1,105)	(870)					
Flood Reserve	(500)						
Conservation Reserve	0						
Transformation Reserve	(150)						
EEAC Reserve	0						
Building Control Reserve	(187)						
Cremator Reserve	(756)						
Leisure Reserve	(80)						
Economic Investment Reserve	(6)	(241)					
Car Parking Reserve	(107)						
City Centre Reserve	(42)						
Welfare Reform Reserve	(200)						
Repairs & Renewals Reserve	(214)						
Business Rates Volatility Reserve	(110)						
Revenues & Benefits Reserve	(338)						
Revenue Grants Reserve	(865)						
Promoting Carlisle Reserve	(30)						
Prosecutions Reserve	(21)						
Total Revenue Reserves	(7,800)	(4,637)	(3,889)	(3,535)	(3,020)	(2,649)	(2,155)
Capital Reserves							
Usable Capital Receipts	0	0	0	0	0	0	0
Asset Disposal Reserve	0	0	0	0	0	0	0
Unapplied capital grant	(794)	(794)	(794)	(794)	(794)	(794)	(794)
Asset Investment Reserve	(48)	(48)	(48)	(48)	(48)	(48)	(48)
GLL Reserve	(522)	(453)	(453)	(453)	(453)	(453)	(453)
Lanes Capital Reserve	(30)	(45)	(60)	(75)	(90)	(105)	(120)
Total Capital Reserves	(1,394)	(1,340)	(1,355)	(1,370)	(1,385)	(1,400)	(1,415)
Total Usable Reserves	(9,194)	(5,977)	(5,244)	(4,905)	(4,405)	(4,049)	(3,570)
Other Technical Reserves (i)	(103,627)						
Total All Reserves	(112,821)						

- (i) 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 - PROPOSED BUDGET DISCIPLINE AND SAVING STRATEGY

1. The Council has adopted 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 RSG 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 transformational savings, the Council now has a solid financial base in order to set its 2018/19 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 CFR
 - 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.

DRAFT STATUTORY REPORT OF CHIEF FINANCE 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 (Chief Finance Officer) 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 Transformation programme is expected to achieve savings of £3.475million by 2018/19, in order to meet the expected cuts in grants from central government and other budgetary pressures identified in the previous budget process. No new transformation savings are expected over and above this target at this point in time. This will ensure that a balanced budget is produced and Council reserves are maintained at prudent levels.
- 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.
- In line with prudent financial management, illustrative borrowing costs are contained within the MTFP at levels that reflect a significant element of external borrowing; however, these will need to be refined once final decisions have been made regarding the funding of the capital programme and the final schemes being approved.

The main risks to the robustness of the estimates are the impact of the proposed reductions in central government grant and how the 100% retention of business rates will be phased in.

Use of reserves will be necessary to fund the MTFP, with a contribution to reserves in 2018/19; however the proposals put in place continue to maintain reserve levels at an acceptable level over the life of the MTFP.

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 Transformation 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 and specifically a potential external borrowing requirement in 2019/20 to fund new leisure facilities which is an invest to save initiative. However, no capital reserves are available to fund new capital projects other than invest to save initiatives funded from revenue reserves.

- Central contingencies – there have been no contingency budgets built in to 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.

3. 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 £2.0m 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 2018/19 budget pressures in setting the 2018/19 budget and principles to be adopted when preparing the 2019/20 budget cycle.

Based on current projections, Council Reserves 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.

Minimum reserves may need to increase over the medium term depending upon the final outcome of the devolvement of 100% business rates to local authorities. This devolvement is likely to increase the risks to local authorities and as such it may be prudent to hold greater reserves to cope with these risks.

4. 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 2018/19 to 2022/23 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.

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 of RSG 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, ie 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 DCLG 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.

REVENUE SUPPORT GRANT (RSG) – a grant paid by central government to aid local authority services in general, as opposed to specific grants, which may only be used for a specific purpose.

SENIOR MANAGEMENT TEAM (SMT) – a group of senior officers consisting of the Chief Executive, Deputy Chief Executive and 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 RSG by the DCLG 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.