

# CARLISLE CITY COUNCIL



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## **Executive Budget Proposals 2019/20 Issued for Consultation 10<sup>th</sup> December 2018**

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## **EXECUTIVE BUDGET PROPOSALS 2018/19 to 2023/24**

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

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<b>B</b>	<b>Revenue Budget 2018/19 to 2023/24</b> <ul style="list-style-type: none"><li>• Schedule 1 - Existing Net Budgets</li><li>• Schedule 2 - Proposed Budget Reductions</li><li>• Schedule 3 - Recurring Budget Increases</li><li>• Schedule 4 - Non-Recurring Budget Increases</li><li>• Schedule 5 - Summary Net Budget Requirement</li><li>• Schedule 6 - Total Funding and Provisional Council Tax</li></ul>
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<b>G</b>	<b>Glossary of Terms</b>

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 10<sup>th</sup> December 2018. All of the detailed reports are available on the Council's website.

1. RD29/18 – Budget Update 2019/20 to 2023/24
2. RD30/18 – Capital Programme 2018/19 – 2023/24
3. RD31/18 – Draft Treasury Management Strategy Statement and Investment Strategy and Minimum Revenue Provision Strategy 2019/20

## **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 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 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 2019/20, 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 – Business Rates Retention and Fair Funding Review
- Achievement of Savings Strategy
- Further reductions in Government Grant e.g. New Homes Bonus, Housing Benefit Admin Grant
- Future borrowing requirements
- Commercial and Investment Opportunities

### 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 2019/20 (Parish 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	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
Original MTFP recurring surplus/(deficit)	(642)	(664)	(52)	(58)	(163)
Changes to Funding - Business Rates Growth	350	0	0	0	0
Changes to Funding - Additional Taxbase	92	148	207	268	334
Recurring budget reductions (Schedule 2)	0	156	639	976	1,346
Recurring Budget Increases (Schedule 3)	(839)	(1,180)	(614)	(1,125)	(1,230)
<b>Contribution required (from) / to Reserves to fund Recurring Expenditure</b>	<b>(1,039)</b>	<b>(1,540)</b>	<b>180</b>	<b>61</b>	<b>287</b>
Original MTFP non-recurring surplus/(deficit)	641	696	223	(36)	0
Non-Recurring budget reductions (Schedule 2)	0	0	0	0	0
Non-Recurring budget increases (Schedule 4)	(945)	(253)	(150)	112	0
<b>Contribution required (from) / to Reserves to fund Non-Recurring Expenditure</b>	<b>(304)</b>	<b>443</b>	<b>73</b>	<b>76</b>	<b>0</b>
<b>Total contribution required (from) / to Reserves</b>	<b>(1,343)</b>	<b>(1,097)</b>	<b>253</b>	<b>137</b>	<b>287</b>

- The above table shows a contribution from reserves in 2019/20 and 2020/21 with a small contribution to reserves over the following three years of the MTFP to fund expenditure. 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:**

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 14<sup>th</sup> January 2019**.

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 **5<sup>th</sup> February 2019**.

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 above address.

## **SECTION B - REVENUE BUDGET 2018/19 to 2023/24**

### **1. REVISED REVENUE BUDGET 2018/19**

- 1.1 The Executive recommends that the Council's revised net budget for 2018/19 be approved totalling £13.600m compared to the original budget of £11.385m. The increase of £2.215million can be summarised as follows:

<b>Detail:</b>	<b>£000</b>	<b>£000</b>
<b>Original Net Budget</b>		11,385
Carry Forward Requests from 2017/18 (See note 1.2)		711
		<b>12,096</b>
Non-Recurring Expenditure:		
Central Plaza	650	
Planning Services Reserve	(58)	
Revenue Grants Reserve	701	
Prosecutions Reserve	15	
Building Control Reserve	35	
Cremator Reserve	(44)	
Car Park Enhancements Reserve	107	
Promoting Carlisle Reserve	10	
Carry Forward Reserve	55	
City Centre Reserve	33	
<b>Total Changes</b>		<b>1,504</b>
<b>Revised Net Budget</b>		<b>13,600</b>

- 1.2 The increased budget for 2018/19 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 2018/19 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 2019/20 to 2023/24**

#### **2.1 Existing Net Budgets**

The Executive recommends that the net budgets for 2019/20 to 2023/24 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	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
City Council					
- Recurring (schedule 5)	12,563	12,304	11,982	12,248	12,615
- Non-Recurring (Sch. 5 note 2)	(641)	(696)	(223)	36	0
Parish Precepts	628	644	660	677	694
<b>Total</b>	<b>12,550</b>	<b>12,252</b>	<b>12,419</b>	<b>12,961</b>	<b>13,309</b>

### **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	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
<b>Expenditure Reductions/Increased Income:</b>						
Leisure Savings	1	0	0	0	0	(309)
Gateway 44 Income	2	0	(125)	(567)	(893)	(893)
Developer Contributions - Carlisle Southern Relief Road	3	0	(31)	(72)	(83)	(144)
<b>Total Expenditure Reductions/Increased Income</b>		<b>0</b>	<b>(156)</b>	<b>(639)</b>	<b>(976)</b>	<b>(1,346)</b>
<b>TOTAL BUDGET REDUCTION PROPOSALS</b>		<b>0</b>	<b>(156)</b>	<b>(639)</b>	<b>(976)</b>	<b>(1,346)</b>
Split:						
Recurring		0	(156)	(639)	(976)	(1,346)
Non-Recurring		0	0	0	0	0

**Note 1:** The recurring impact of the subsidy achieved through the re-letting of the Leisure Services contract and the Sands Centre redevelopment. This reflects the additional saving between 2022/23 and 2023/24 as agreed in the contract.

**Note 2:** The capital programme and treasury management budgets include the costs associated with the Gateway 44 development opportunity and this additional income is included to recognise the income to be generated once the development is fully let which is anticipated to be in 2022/23.

**Note 3:** The estimated contributions to be received from developers as a result of the construction of the Southern Relief Road.

### 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	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
Inflation / Pay Award	1	136	276	276	276	276
Treasury Management	2	576	777	211	722	827
Housing Regeneration	3	38	38	38	38	38
Customer Services Resources	4	14	14	14	14	14
ICT Enhancements	5	15	15	15	15	15
Tullie House ICT	6	60	60	60	60	60
<b>Total Recurring Budget Pressures</b>		<b>839</b>	<b>1,180</b>	<b>614</b>	<b>1,125</b>	<b>1,230</b>

**Note 1:** The increase in the pay award provision for 2018/19 and 2019/20 to 2% was included in the 2018/19 budget on a non-recurring basis, however following confirmation of the pay deal, this has a recurring impact and the overall average pay increase amounted to 2.82% for both years.

**Note 2:** Treasury Management projections have been updated to include updates to the Capital programme and updated for interest rate forecasts. This pressure 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, some of which are offset by additional income, e.g. Gateway 44 and Leisure contract.

**Note 3:** To fund the recurring costs of the Housing Regeneration Officer which was previously funded from an external grant.

**Note 4:** Following a restructure in Customer Services there is a requirement to provide additional resources for front-line staffing to improve the performance of the team and the service provided to customers.

**Note 5:** It is proposed to enhance the Council's remote access infrastructure for improving mobile working arrangements and making them more secure.

**Note 6:** Tullie House no longer utilises the Council's ICT support, and the agreement with the Trust provides for the Council to contribute towards the costs of an external provider.



## **Schedule 4 – Non-Recurring Budget Increases**

<b>Non-Recurring Budget Pressures/Savings</b>	<b>Note</b>	<b>2019/20 £000</b>	<b>2020/21 £000</b>	<b>2021/22 £000</b>	<b>2022/23 £000</b>	<b>2023/24 £000</b>
Economic Investment Initiatives	1	250	0	0	0	0
Borderlands Inclusive Growth Deal	2	50	0	0	0	0
Borderlands Project Officer	3	53	53	0	0	0
Asset Disposal Refresh Staffing	4	112	112	112	0	0
<i>Asset Disposal Refresh - Financed from Capital Receipts</i>	4	0	(112)	(112)	(112)	0
Elections	5	80	0	0	0	0
Savings Re-profiling	6	400	0	0	0	0
Tullie House Core Funding	7	0	200	150	0	0
<b>Total Non-Recurring Budget Pressures</b>		<b>945</b>	<b>253</b>	<b>150</b>	<b>(112)</b>	<b>0</b>

**Note 1:** This pressure relates to economic investment initiatives that the Council wishes to pursue, such as Business Support, Carlisle Ambassadors, St Cuthberts Garden Village, Business Improvement District, promotion of Central Plaza redevelopment opportunities.

**Note 2:** In order to progress the schemes and detailed business cases for the development of the Borderlands Initiative, additional funding is required to support the joint working of the various partners.

**Note 3:** To fund the continuation of the Project Officer post, for a further 2 years, to support the development of the detailed business cases and progression of the growth deal.

**Note 4:** The asset disposal programme has been refreshed and has identified assets the Council can dispose of. This will require additional staffing resource to manage this process and realise these sales. It is anticipated that these costs can be offset against the realised capital receipts (up to a maximum of 4% of the receipt) making the pressure self-financed once receipts are realised.

**Note 5:** As the City Council will be holding a full election in May 2019. Additional expenditure will be incurred in administering this compared to the normal third of all seats contended.

**Note 6:** This pressure reprofiles £400,000 of the required recurring savings (£1.237million) into 2020/21. For 2019/20 this can be offset by additional funding expected from Business Rate Retention.

**Note 7:** This pressure reprofiles the Tullie House core funding subsidy savings in line with the Tullie House Business Plan 2019/20 to 2021/22.

### **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 2019/20, with projections to 2023/24, be approved as set out in **Schedule 5** below:

## **Schedule 5 – Summary Net Budget Requirement for Council Tax Purposes**

<b>2018/19 Revised £000</b>	<b>Summary Net Budget Requirement</b>	<b>2019/20 Budget £000</b>	<b>2020/21 Proj £000</b>	<b>2021/22 Proj £000</b>	<b>2022/23 Proj £000</b>	<b>2023/24 Proj £000</b>
	<b>Recurring Revenue Expenditure</b>					
	Existing Expenditure (Schedule 1)	12,563	12,304	11,982	12,248	12,615
	Budget Reductions (Schedule 2)	0	(156)	(639)	(976)	(1,346)
	New Spending Pressures (Schedule 3)	839	1,180	614	1,125	1,230
<b>11,466</b>	<b>Total Recurring Expenditure</b>	<b>13,402</b>	<b>13,328</b>	<b>11,957</b>	<b>12,397</b>	<b>12,499</b>
	<b>Non Recurring Revenue Expenditure</b>					
(323)	Existing Commitments (Schedule 1)	(641)	(696)	(223)	36	0
711	Carry Forward	0	0	0	0	0
(154)	Budget Reductions (Schedule 2)	0	0	0	0	0
396	Spending Pressures (Schedule 4)	945	253	150	(112)	0
<b>12,096</b>	<b>Total Revenue Expenditure</b>	<b>13,706</b>	<b>12,885</b>	<b>11,884</b>	<b>12,321</b>	<b>12,499</b>
	<b>Less Contributions (from)/to Reserves:</b>					
<b>502</b>	Recurring Commitments (Note 1) Sub Total	<b>(1,039)</b>	<b>(1,540)</b>	<b>180</b>	<b>61</b>	<b>287</b>
81	Non Recurring Commitments - Existing Commitments (Note 2)	641	696	223	(36)	0
(711)	- New Commitments	(945)	(253)	(150)	112	0
<b>(630)</b>	Sub Total	<b>(304)</b>	<b>443</b>	<b>73</b>	<b>76</b>	<b>0</b>
<b>11,968</b>	<b>Total City Council Budget requirement</b>	<b>12,363</b>	<b>11,788</b>	<b>12,137</b>	<b>12,458</b>	<b>12,786</b>
613	Parish Precepts	628	644	660	677	694
<b>12,581</b>	<b>Projected Net Budget Requirement for Council Tax purposes</b>	<b>12,991</b>	<b>12,432</b>	<b>12,797</b>	<b>13,135</b>	<b>13,480</b>

**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	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
Homelessness	66	0	0	0	0
New Homes Bonus	(666)	391	391	0	0
New Homes Bonus	(145)	(991)	(515)	0	0
Homelessness Grant	(66)	0	0	0	0
Carlisle South Masterplan	135	65	0	0	0
Carlisle South / Garden Village	(50)	(50)	0	0	0
Homelessness Grant	66	0	0	0	0
Community Infrastructure Levy	(30)	0	0	0	0
Sexual Assault Referral Service Grant	20	0	0	0	0
Pay Award Provision	140	0	0	0	0
Building Control Discretionary Charges	(12)	(12)	0	0	0
New Homes Bonus	(99)	(99)	(99)	36	0
<b>Total</b>	<b>(641)</b>	<b>(696)</b>	<b>(223)</b>	<b>36</b>	<b>0</b>

## 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 2019/20 per Band D property (This equates to a 2.41% increase). The detail of this is set out in **Schedule 6** below and the impact per Council Tax Band is as follows:

	2018/19 Council Tax £	Proposed Annual Increase £	2019/20 Council Tax £	Weekly Increase
Band A	138.13	3.33	141.47	6 pence
Band B	161.16	3.89	165.04	7 pence
Band C	184.18	4.44	188.62	9 pence
Band D	207.20	5.00	212.20	10 pence
Band E	253.24	6.11	259.36	12 pence
Band F	299.29	7.22	306.51	14 pence
Band G	345.33	8.33	353.67	16 pence
Band H	414.40	10.00	424.40	19 pence

## **Schedule 6 – Total Funding and Provisional Council Tax Projections**

2018/19	Total Funding and Council Tax Impact	2019/20	2020/21	2021/22	2022/23	2023/24
33,326.46 £000	Estimated TaxBase	33,856.35 £000	34,194.91 £000	34,536.86 £000	34,882.23 £000	35,231.05 £000
	Projected Net Budget Requirement for Council Tax Purposes (Schedule 5)					
11,968	- City	12,363	11,788	12,137	12,458	12,786
613	- Parishes	628	644	660	677	694
<b>12,581</b>	<b>Total</b>	<b>12,991</b>	<b>12,432</b>	<b>12,797</b>	<b>13,135</b>	<b>13,480</b>
	Funded by:					
(6,905)	- Council Tax Income	(7,184)	(7,427)	(7,674)	(7,925)	(8,181)
(434)	- Revenue Support Grant	0	0	0	0	0
(3,282)	- Retained Business Rates	(3,379)	(3,411)	(3,513)	(3,583)	(3,655)
	- Business Rate					
(1,250)	Growth/Pooling	(1,750)	(900)	(900)	(900)	(900)
(97)	- Estimated Council Tax Surplus	(50)	(50)	(50)	(50)	(50)
(15)	- Parish CTRS Grant	0	0	0	0	0
(598)	- Parish Precepts	(628)	(644)	(660)	(677)	(694)
<b>(12,581)</b>	<b>TOTAL</b>	<b>(12,991)</b>	<b>(12,432)</b>	<b>(12,797)</b>	<b>(13,135)</b>	<b>(13,480)</b>
£ 207.20	<b>City Council Tax</b> Band D Council Tax	£ 212.20	£ 217.20	£ 222.20	£ 227.20	£ 232.20
£3.77 1.95%	Increase over Previous year: £ %	£ 5.00 2.41%	£ 5.00 2.36%	£ 5.00 2.30%	£ 5.00 2.25%	£ 5.00 2.20%

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

- Final confirmation of the 2019/20-year settlement figures will be received in January 2019.
- The Council Tax Surplus and Taxbase are currently estimated and final figures will be available in the January 2019.
- 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 75% retention.
- The projections of Council Tax for 2019/20 onwards are indicative only and exclude final confirmation of parish precepts.

## **SECTION C - CAPITAL PROGRAMME 2018/19 TO 2023/24**

### **1. REVISED CAPITAL BUDGET 2018/19**

- 1.1 The Executive recommends that the revised 2018/19 Capital Programme be approved at £9.551m compared to the original budget of £7.389m as set out in the report of the Corporate Director of Finance and Resources.

### **2. CAPITAL BUDGET 2019/20 TO 2023/24**

- 2.1 The Executive recommends that the estimated Capital Resources available and proposed Capital Programme for 2019/20 to 2023/24 be approved to be financed and allocated as detailed in **Schedule 7 and 8** below:

#### **Schedule 7 – Estimated Capital Resources**

Estimated Resources	Note	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
Capital Grants:						
- DFG	1	(1,467)	(1,467)	(1,467)	(1,467)	(1,467)
- Other	2	(2,000)	0	0	0	0
Capital Receipts						
- Generated in year (Asset Business Plan)	3	(1,700)	(5,899)	(1,567)	(272)	0
Receipts used to fund resources		0	112	112	112	0
Direct Revenue Financing	4	(1,316)	(1,018)	(926)	(926)	(926)
<b>TOTAL</b>		<b>(6,483)</b>	<b>(8,272)</b>	<b>(3,848)</b>	<b>(2,553)</b>	<b>(2,393)</b>

**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 2018/19 levels

**Note 2:** Capital Grants and contributions from third parties in relation to new leisure facilities.

**Note 3:** Receipts from the sale of assets in line with the Asset Business Plan refresh which will be offset by staffing costs required to deliver the sales.

**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	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
<b>Current Commitments:</b>							
Disabled Facilities Grants			1,467	1,467	1,467	1,467	1,467
Planned enhancement to Council Property		1	250	250	250	250	250
Vehicles & Plant		2	896	647	1,486	1,297	0
ICT		3	103	83	83	116	171
Leisure Facilities	A	4	15,395	2,294	9	0	0
Recycling Containers		5	45	45	45	45	45
Public Realm Improvements	A	6	380	0	0	0	0
Gateway 44		7	6,500	0	0	0	0
Carlisle Southern Link Road	A	8	0	0	0	5,000	0
Play Area Improvements	A	9	35	0	0	0	0
<b>TOTAL POTENTIAL PROGRAMME</b>			<b>25,071</b>	<b>4,786</b>	<b>3,340</b>	<b>8,175</b>	<b>1,933</b>

**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:** 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.

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

**Note 6:** The public realm improvement scheme is reprofiled from 2018/19 into 2019/20 when a report detailing a full breakdown of proposed projects will be presented to the Executive to release the budget.

**Note 7:** The Gateway 44 investment proposal was considered and agreed at Council (with a further report on borrowing options) and is therefore added to the Capital Programme.

**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:** This provides funding to undertake improvements to Council owned play 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	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
Estimated Borrowing Requirement 31 March 2019	4,657				
In Year Impact:					
- Estimated resources available in year (Schedule 7)	(6,483)	(8,272)	(3,848)	(2,553)	(2,393)
- Proposed Programme (Schedule 8)	25,071	4,786	3,340	8,175	1,933
<b>Borrowing Requirement</b>	<b>23,245</b>	<b>19,759</b>	<b>19,251</b>	<b>24,873</b>	<b>24,413</b>

## **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 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	Projected 31 March 2024 £000
<b>Revenue Reserves</b>							
General Fund Reserve	(2,000)	(3,300)	(3,300)	(2,878)	(3,131)	(3,268)	(3,300)
Projects Reserve	(2,773)	(1,330)	(675)	0	0	0	(255)
Carry Forward Reserve	(927)	(620)	0	0	0	0	0
<b>Total General Fund Reserves</b>	<b>(5,700)</b>	<b>(5,250)</b>	<b>(3,975)</b>	<b>(2,878)</b>	<b>(3,131)</b>	<b>(3,268)</b>	<b>(3,555)</b>
<b>Earmarked Reserves</b>							
Flood Reserve	(2,014)	(2,014)	0	0	0	0	0
Transformation Reserve (i)	(150)	(150)	0	0	0	0	0
Building Control Reserve	(150)	(150)	(150)	(150)	(150)	(150)	(150)
Cremator Reserve	(850)	(850)	(850)	(850)	(850)	(850)	(850)
Economic Investment Reserve	(6)	0	0	0	0	0	0
Car Parking Reserve	(107)	0	0	0	0	0	0
City Centre Reserve	(42)	0	0	0	0	0	0
Welfare Reform Reserve (i)	(200)	(200)	0	0	0	0	0
Revenues & Benefits Reserve (i)	(338)	(338)	0	0	0	0	0
Revenue Grants Reserve	(1,920)	(1,920)	(1,920)	(1,920)	(1,920)	(1,920)	(1,920)
Planning Services Reserve	(28)	(28)	(28)	(28)	(28)	(28)	(28)
Promoting Carlisle Reserve	(20)	(20)	0	0	0	0	0
Prosecutions Reserve	(41)	(41)	(41)	(41)	(41)	(41)	(41)
<b>Total Earmarked Reserves</b>	<b>(5,866)</b>	<b>(5,711)</b>	<b>(2,989)</b>	<b>(2,989)</b>	<b>(2,989)</b>	<b>(2,989)</b>	<b>(2,989)</b>
<b>Total Revenue Reserves</b>	<b>(11,566)</b>	<b>(10,961)</b>	<b>(6,964)</b>	<b>(5,867)</b>	<b>(6,120)</b>	<b>(6,257)</b>	<b>(6,544)</b>
<b>Capital Reserves</b>							
Usable Capital Receipts	0	0	0	0	0	0	0
Asset Disposal Reserve	0	0	0	0	0	0	0
Unapplied capital grant	(136)	(136)	(136)	(136)	(136)	(136)	(136)
Asset Investment Reserve (i)	(48)	(48)	(48)	(48)	(48)	(48)	(48)
GLL Reserve	(273)	(273)	(273)	(273)	(273)	(273)	(273)
Lanes Capital Reserve	(45)	(60)	(75)	(90)	(105)	(120)	(135)
<b>Total Capital Reserves</b>	<b>(502)</b>	<b>(517)</b>	<b>(532)</b>	<b>(547)</b>	<b>(562)</b>	<b>(577)</b>	<b>(592)</b>
<b>Total Usable Reserves</b>	<b>(12,068)</b>	<b>(11,478)</b>	<b>(7,496)</b>	<b>(6,414)</b>	<b>(6,682)</b>	<b>(6,834)</b>	<b>(7,136)</b>
<b>Other Technical Reserves (ii)</b>	<b>(106,946)</b>						
<b>Total All Reserves</b>	<b>(119,014)</b>						

- (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 2019/20 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 and a fundamental zero-based budget review of all base budgets, 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 CORPORATE DIRECTOR OF FINANCE AND RESOURCES**

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 Transformation programme is expected to achieve savings of £1.237million by 2019/20, 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. However, base budget savings of £837,000 must be identified and achieved to balance off the anticipated shortfalls in income. This will ensure that a balanced budget is produced and where Council reserves are replenished over the longer term.
- 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 risks to the robustness of the estimates are the impact of the Fair Funding Review and how the 75% retention of business rates will be implemented in 2020.**

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

**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 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. 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 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 £3.3m 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 2019/20 budget pressures in setting the 2019/20 budget and principles to be adopted when preparing the 2020/21 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 75% 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 2019/20 to 2023/24 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.