

# Business & Transformation Scrutiny Panel

Agenda  
Item:

**A.4**

Meeting Date: 25 July 2019  
Portfolio: Finance, Governance and Resources  
Key Decision: Yes: Recorded in the Notice Ref: KD08/19  
Within Policy and Budget Framework YES  
Public / Private Public

Title: DRAFT MEDIUM TERM FINANCIAL PLAN 2020/21 to 2024/25  
Report of: CORPORATE DIRECTOR OF FINANCE AND RESOURCES  
Report Number: RD16/19

## Summary:

The Council's draft Medium Term Financial Plan for the period 2020/21 to 2024/25 was considered by the Executive on 22 July 2019 and sets out the framework for planning and managing the Council's financial resources.

## Questions for / input required from Scrutiny:

To scrutinise, and provide feedback, on the Financial Policies to be adopted by the Council which will inform the budget process over the next five years.

## Recommendations:

Members are asked to consider the report and make any recommendations back to the Executive for consideration at their meeting on 19 August 2019.

## Tracking

Executive:	<b>22 July 2019</b>
Overview and Scrutiny:	<b>25 July 2019</b>
Executive:	<b>19 August 2019</b>
Council:	<b>10 September 2019</b>

# Report to Executive

Agenda  
Item:

Meeting Date: 22 July 2019  
Portfolio: Finance, Governance and Resources  
Key Decision: Yes: Recorded in the Notice Ref:KD08/19  
Within Policy and Budget Framework YES  
Public / Private Public

Title: DRAFT MEDIUM TERM FINANCIAL PLAN 2020/21 to 2024/25  
Report of: CORPORATE DIRECTOR OF FINANCE AND RESOURCES  
Report Number: RD16/19

## Purpose / Summary:

The Medium-Term Financial Plan sets out the current framework for planning and managing the Council's financial resources, to develop its annual budget strategy and update its current five-year financial plan. The Plan links the key aims and objectives of the Council, as contained in the Carlisle Plan, to the availability of resources, enabling the Council to prioritise the allocation of resources to best meet its overall aims and objectives. The MTFP will inform the budget process and will be updated for changes when known.

Following consideration by the Executive and the Business and Transformation Scrutiny Panel, final recommendations will be made to Council on 10 September 2019.

## Recommendations:

The Executive is asked to:

- (i) Comment on the draft MTFP for consideration by the Business and Transformation Scrutiny Panel on the 25 July 2019.

## Tracking

Executive:	<b>22 July 2019</b>
Overview & Scrutiny:	<b>25 July 2019</b>
Executive:	<b>19 August 2019</b>
Council:	<b>10 September 2019</b>

## **1. BACKGROUND**

- 1.1 The Medium-Term Financial Plan (MTFP) is the key policy document to guide the Council's forward financial planning process. The attached report details the current Plan for the period 2020/21 to 2024/25. The MTFP is reviewed annually starting with the assumptions made in the Budget Resolution approved by Council on 20 February 2019. The starting point for the MTFP is to show the impact of the Council Resolution and raise awareness of the issues that are on the horizon that will need to be considered as part of the detailed budget process.
- 1.2 The Corporate Charging Policy has also been reviewed and included within the MTFP. It provides a framework detailing potential policy options for each Charging area. This recognises that different approaches may be required for different services and that there are a variety of influences that need to be acknowledged in charge setting.
- 1.3 The MTFP has been prepared at a time of great uncertainty in respect of the economy, especially in terms of the on-going Brexit debate, and also in terms of the Government's approach to Public Sector Funding in general and particularly for Local Government Funding.

## **2. KEY DATES**

- 2.1 Following consideration of the current MTFP and other key Policy documents by the Executive and Business and Transformation Scrutiny Panel, these will be formally approved by Council on 10 September 2019.
- 2.2 A timetable for the budget process will be prepared and the overall budget position for revenue and capital, and individual reports on spending pressures, saving proposals, and charging reports will be considered by the Executive at its meeting on 18 November. These reports will be scrutinised by the three Scrutiny Panels at the end of November and beginning of December.
- 2.3 Development of the budget consultation documents was undertaken as part of last year's process with improved visuals produced including a 'Have your say' document. This provided more clarity on the budget pressures the Council faced and assisted stakeholders in their understanding of the budget process. Work will continue to improve the more formal reports presented to the Executive and to the Scrutiny Panels as requested by previous Panels.

### **3. KEY MESSAGES**

3.1 The MTFP shows the starting position for budget considerations for the next five years and gives an indication of the likely factors that will have an impact in the budget setting process. Key to these considerations will be:

- Further clarity on the future of local government funding through the Spending Review, Fair Funding Review and any changes to future Business Rate Retention schemes, that may pass on added responsibilities to the Council.
- Achievement of transformation savings;
- Further reductions in government grant as part of the Fair Funding Review, e.g. New Homes Bonus, Housing Benefit Admin Grant;

3.2 As well as some significant pressures, there is scope for some additional savings and additional income opportunities to be considered as part of the budget process too. These considerations are likely to be around:

- Business Rate Retention Growth and Pooling (dependent upon new scheme and resets).
- More commercial and investment opportunities

### **4. RISKS**

4.1 The Medium-Term Financial Plan contains risk analysis of the issues that could potentially affect the budget and financial planning position.

### **5. CONSULTATION**

5.1 The draft MTFP, particularly the Financial Principles, has been considered by the Senior Management Team and the Portfolio Holder for Finance, Governance and Resources.

5.2 The Business and Transformation Scrutiny Panel will consider the MTFP on 25 July, and recommendations made to full Council on 10 September.

5.3 The Budget Process and MTFP are also informed by consultation with wider stakeholders, including residents. Each year the Council consults with the Business Community and also carries out public consultations as appropriate

### **6. CONCLUSION AND REASONS FOR RECOMMENDATIONS**

6.1 The Executive is asked to:

- (i) Comment on the draft MTFP for consideration by the Business and Transformation Scrutiny Panel on the 25 July.

## **7. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES**

7.1 The Medium-Term Financial Plan outlines how the Council will prioritise its financial resources in the delivery of services

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**Appendices** Appendix 1 – Medium Term Financial Plan 2020/21– 2024/25  
**attached to report:**

**Note:** in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers:

- None

### **CORPORATE IMPLICATIONS/RISKS:**

**Legal** – The Council has a legal duty to put in place a balanced budget to the satisfaction of the Council's Section 151 Officer. The Medium-Term Financial Plan is an important part of fulfilling this obligation.

**Finance** – Contained within the MTFP

**Equality** – Corporate Charging Policy includes considerations for the targeting of concessions for named protected characteristic.

**Information Governance** - There are no Information Governance Implications

# Draft Medium-Term Financial Plan

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Carlisle City Council

2020/21 to 2024/25

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## 1.0 Introduction

- 1.1 The overarching policy guidelines of the MTFP are that resources will be redirected to Council priorities via the budget process within the overall caveats that: -
- Redirection of resources towards areas of high priority will be contained within existing budgets, unless increases can be justified and funded through the budget process.
  - Council Tax increases will be limited to fair and reasonable levels, taking account of national guidance from Government.
  - External grants and income will be maximised wherever possible to mitigate the effects of budget increases.
  - Partnership working and funding opportunities will be explored wherever feasible.
- 1.2 The Medium Term Financial Plan sets out how Carlisle City Council will manage its finances to deliver against its corporate priorities, whilst protecting its financial standing and responding to the many challenges it faces.
- 1.3 Economic growth in Carlisle will impact on the income the Council receives and also the support it is able to give to vulnerable residents. Treasury Management income will be limited whilst interest rates remain low, and the available institutions with which the Council can invest with diminishes due to restrictions in bank credit ratings. The effects on the MTFP of any changes to the state of the economy, including the impact of leaving the European Union, will need to be closely monitored in order to react effectively to changing situations. The Government's approach to public sector funding beyond 2019/20 in terms of the Review of Local Authorities Relative Needs and Resources, the Business Rate Retention Reform, and the Comprehensive Spending Review, will be a significant factor for the lifespan of this MTFP.
- 1.4 The Medium-Term Financial Plan provides the corporate financial planning framework to provide strategic direction to the Council for the next five years and to ensure that the financial resources of the Council are directed to achieving the Council's key corporate priorities.



## 2.0 Financial Principles supporting the MTFP

2.1 The key principles to be applied to the Medium Term Financial Plan (MTFP) are set out by theme below:

### Financial Principle 1 – Revenue Budget Strategy

- Guide the integration of financial planning with the priorities set out in the Carlisle Plan to ensure that spending decisions contribute to the achievement of the Council's priorities;
- Guide and be informed by Directorate Service Plans and other relevant strategies and plans of the Council, which set out how resources will deliver the outcomes and priorities specified in the Carlisle Plan;
- Forecast a minimum five -year corporate and financial planning horizon, with longer periods developed where necessary;
- Manage performance management and decision-making procedures to help achieve the best use of available resources;
- Monitor and evaluate proposed and actual spending to ensure that value for money is obtained;
- Review the Council's Reserves and Balances Policy in line with CIPFA and other best practice guidance to ensure that all the reserves held by the Council are still applicable and relevant;
- Achieve a minimum level of General Fund Reserves of £3.1m over the life of the MTFP subject to an annual risk assessment (Appendix A);
- Consider the use of earmarked reserves to support non-recurring expenditure;
- Commitment to minimise staff compulsory redundancies;
- Consider the impact of any other Government Budget initiatives e.g. 75% retention of Business Rates, Business Rate Baseline resets, the Fair Funding Review and any Comprehensive Spending Review implications;
- Consider the impact of the decision to leave the European Union may have on the Council's budgets, e.g. changing forecasts for interest rates, inflation forecasts, pension fund revaluation and changes in legislation;
- Consider the implications of the triennial revaluation of pensions and the potential impact this may have on the budget;
- Consider the implications of the use of financial resources on the levels of Council Tax and other Council charges;
- Services that have a statutory requirement to be self-financing need consideration in the budget process e.g. Licensing, Building Control;

- Consideration to the use of revenue grants received and held in the Revenue Grants Earmarked Reserve to support the revenue budget;
- Consider how the achievement and any re-profiling of transformation savings will affect the overall level of savings to be made.

Revenue Budget Assumptions:

- *Reduction in overall funding from Business Rates of £850,000 for 2020/21 pending notification and implications of revised retentions scheme and baseline reset;*
- *Inflation is assumed in the MTFP at 2% for expenditure and 3% for income;*
- *Pay Award is assumed in the MTFP at 2%.*

Financial Principle 2 – Commercial and Income Generation

- Annual review of the Corporate Charging Policy to identify areas of potential charging and opportunities for increasing income;
- Consider the levels of income achievable as part of Corporate Charging Policy;
- Consider other sources of potential income generation such as advertising and sponsorship;
- Consider the development of a commercialised culture where the charging powers of the organisation are maximised and encouraged;
- Seek to develop investment opportunities to maximise the use of the Council's asset portfolio;
- Consider the funding strategy with a view to maximising external grants and contributions.

Charging/Income Assumptions:

- *Additional income from assets is assumed to offset the balance of £1m saving requirement from asset management in 2019/20 onwards (£420,000) has been achieved to date);*
- *Income from fees and charges currently achieve approximately £5m per annum;*
- *The Corporate Charging Policy assumes that income from fees and charges will increase at 1% above the inflation rate set for expenditure.*

Financial Principle 3 – Council Tax & Business Rates Policy

- Provide value for money to residents through efficient management of council tax collection;

- Determine Council Tax levels that are prudent and retain stability in the Council's financial strength;
- Annual review of the Business Rate Pooling arrangements and whether this should or can continue for 2020/21 onwards depending upon the outcome of the reset of Business Rate Retention scheme;
- Assessment of the impact of business rates retention including impact on Section 31 grants and funding for Small Business Rate Relief and any additional burdens on councils;
- Consider any implications of the Enterprise Zone on the City and potential resources allocated for future projects;
- Annual review and approval of the Council Tax Reduction Scheme (CTRS);
- Consider any likely reductions to Housing Benefit Admin Grant and the impact on the Council with the onset of Universal Credit.

Council Tax and Business Rate Assumptions:

- *Council tax levels currently assumed at a £5 increase per annum (Band D Equivalent) over the lifetime of the MTFP;*
- *Business Rate Retention growth assumed at £900,000 (reduced from £1,750,000 in 2019/20) above the baseline level set by Government in 2020/21 pending the reset and re-design of the Business Rate Retention Scheme.*

Financial Principle 4 – Treasury Management

- Annual review of the Treasury Management budget for revised interest rates, changes to average balances and the effects of capital spending decisions;
- Finalisation of the repayment and/or re-financing options for the Stock Issue debt due to be repaid in 2020;
- Consider appropriate levels of prudential borrowing if required that is affordable, sustainable and within acceptable council tax levels, and delivers objectives aligned to the Council priorities;
- Treasury Management Strategy to achieve the optimum return on investments, with the security of the principal sum always being the primary consideration.

Treasury Management Assumptions:

- *Rate for refinancing stock issue currently included in MTFP at an assumed rate of 2.65% on a principal and interest loan;*
- *Average investment return assumed at 1.33% for 2020/21.*

### Financial Principle 5 – Capital Investment

- As set out in the Capital Investment Strategy;
- Review of capital financing decisions which will likely have a revenue budget impact due to lack of capital resources (E.g. through re-profiling of capital receipts and borrowing);

#### Capital Investment Assumptions:

- *The current capital programme is forecast to utilise all forecast capital receipts (including from Asset Disposal Programme) and includes a borrowing requirement to fund the planned programme.*
- *The Capital programme includes for the £25.5million redevelopment of Leisure Facilities funded from a mixture of capital receipts, earmarked reserves, external grant and borrowing.*

## 3.0 Links to other Strategies

### 3.1 The Carlisle Plan

3.1.1 The Carlisle Plan forms part of the Policy and Budgetary Framework for the Council. These frameworks work together to create the strategic framework.

The key priorities are:

- 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.

3.1.2 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.

3.1.3 The Medium-Term Financial Plan takes account of other Council Plans and Strategies of the Council, which have a potential impact on the use of resources by the Council. Particularly consideration is given to the following key strategies: -

- The Capital Investment Strategy, which provides information on the proposed level of investment in capital projects and the consequent impact on the revenue budget;
- The Treasury Management Strategy Statement, Investment Strategy and Minimum Revenue Provision Strategy, which sets out the assumptions for financing requirements and interest rates and their effect on the revenue budget;
- The Asset Management Plan, which provides forecasts of necessary investment in the Council's land and property portfolio;
- The Procurement and Commissioning Strategy;
- Local Plan/Local Development Framework;

- The ICT Strategy;
- The Organisational Development Plan, which highlights the need for a thorough review of the Council's staffing needs and skill levels to ensure that the Council improves its performance to deliver excellent services to the local community in the future;
- There are also a number of strategies, which set out policy direction for key Council priority areas, and these include the Economic Strategy, and Housing Strategy and Green Infrastructure Strategy
- Directorate Service Plans will be used to inform the budget setting process and identify key strategic and operational objectives and the resources required to deliver those.

## 4.0 Revenue Budget Forecasts

### 4.1 Current Budget Forecast

4.1.1 The Council has well established mechanisms in place for forecasting resources and expenditure over a five-year planning period. Projections will inevitably change over the period of the plan and these forecasts are updated as part of the detailed budget process.

4.1.2 The Council approved the current forecast for the period 2019/20 to 2023/24 in February 2019 and updated for the 2018/19 outturn position and details are shown below together with the base estimate figures for 2024/25.

2019/20 Revised £000	Summary Net Budget Requirement	2020/21 Budget £000	2021/22 Proj £000	2022/23 Proj £000	2023/24 Proj £000	2024/25 Proj £000
<b>13,331</b>	<b>Total Recurring Expenditure</b>	<b>13,245</b>	<b>11,869</b>	<b>12,321</b>	<b>12,397</b>	<b>12,764</b>
	<b>Non Recurring Revenue Expenditure</b>					
290	Existing Commitments	(431)	(61)	(70)	0	0
407	Carry Forward	0	0	0	0	0
<b>14,028</b>	<b>Total Revenue Expenditure</b>	<b>12,814</b>	<b>11,808</b>	<b>12,251</b>	<b>12,397</b>	<b>12,764</b>
	<b>Less Contributions (from)/to Reserves:</b>					
(959)	Recurring Commitments Sub Total	(1,458)	267	136	387	353
(697)	Non Recurring Commitments - Existing Commitments	431	61	70	0	0
<b>12,372</b>	<b>Total City Council Budget requirement</b>	<b>11,787</b>	<b>12,136</b>	<b>12,457</b>	<b>12,784</b>	<b>13,117</b>
638	Parish Precepts	644	660	677	694	711
<b>13,010</b>	<b>Projected Net Budget Requirement for Council Tax purposes</b>	<b>12,431</b>	<b>12,796</b>	<b>13,134</b>	<b>13,478</b>	<b>13,828</b>

Table 1a: Summary Budget Position (Expenditure)

The budget requirement is funded as follows:

2019/20	Total Funding and Council Tax Impact	2020/21	2021/22	2022/23	2023/24	2024/25
33,850.60 £000	Estimated TaxBase	34,189.11 £000	34,531.00 £000	34,876.31 £000	35,225.07 £000	35,577.32 £000
	Projected Net Budget Requirement for Council Tax Purposes (Schedule 5)					
12,372	- City	11,787	12,136	12,457	12,784	13,117
638	- Parishes	644	660	677	694	711
<b>13,010</b>	<b>Total</b>	<b>12,431</b>	<b>12,796</b>	<b>13,134</b>	<b>13,478</b>	<b>13,828</b>
	Funded by:					
(7,183)	- Council Tax Income	(7,426)	(7,673)	(7,924)	(8,179)	(8,439)
(3,282)	- Retained Business Rates	(3,411)	(3,513)	(3,583)	(3,655)	(3,728)
(1,750)	- Business Rate Growth/Pooling	(900)	(900)	(900)	(900)	(900)
(107)	-Business Rate Multiplier Grant	0	0	0	0	0
(50)	- Estimated Council Tax Surplus	(50)	(50)	(50)	(50)	(50)
(638)	- Parish Precepts	(644)	(660)	(677)	(694)	(711)
<b>(13,010)</b>	<b>TOTAL</b>	<b>(12,431)</b>	<b>(12,796)</b>	<b>(13,134)</b>	<b>(13,478)</b>	<b>(13,828)</b>
£ 212.20	<b>City Council Tax</b> Band D Council Tax	£ 217.20	£ 222.20	£ 227.20	£ 232.20	£ 237.20
	Increase over Previous year:					
£5.00	£	£ 5.00	£ 5.00	£ 5.00	£ 5.00	£ 5.00
2.47%	%	2.36%	2.30%	2.25%	2.20%	2.15%

Table 1b: Summary Budget Position (Funding)

4.1.3 The assumptions built into the MTFP that form part of the figures above are detailed at section 7.

## 4.2 **Funding Prospects**

4.2.1 The Council receives core funding from Government each year as part of the Settlement Funding Assessment which comprises of the Business Rates baseline funding level and information on tariffs and top ups. Although the Government set the Business Rates Baseline, the actual funding is received via the Non- Domestic Rates income the Council collects.

4.2.2 As well as the core funding as agreed in the Settlement Funding Assessment, the Council is also the recipient of other support from central government in the form of specific grants. These are included in the budget as income rather than funding and are linked to specific schemes or services. Further details of grants included in the MTFP are given at section 6.3.



#### 4.2.3 Spending Review

It is looking increasingly likely that the Spending Review for 2019, that would have announced the overall funding available to Local Government for the next few years will be deferred until 2020. This means that there may be a 1-year settlement for 2020/21 and could also mean the deferring of the implementation of the Fair Funding Review and Business Rate Retention reset (outlined below). This will increase uncertainties in the Medium-Term Financial Plan with a further delay to future funding and the implications it will have on the Council.

#### 4.2.4 Fair Funding Review

The Government has consulted on the Fair Funding Review for the allocation of funding requirements from 2020. However, it is unlikely that any implications of how this will work, including new formula calculations, will be known and as with the spending review this could be deferred until 2020.

**Therefore, it is very difficult to predict the future potential funding for the Council from Central Government beyond 2019/20.** The Fair Funding Review will also have an impact on and be impacted by revisions to the Business Rates Retention system and also specific grants awarded by central government e.g. New Homes Bonus and Housing Benefit Administration Grant.

#### 4.2.5 Business Rates Baseline

The Council budgets for income from Business Rates at the baseline level as set in the Settlement Funding Assessment. However, the income collected and paid over to the main preceptors (Central Government, Cumbria County Council and Carlisle City Council) is based on the projections in the NNDR1 return to Government. Any difference in these amounts is included in the MTFP as part of the Growth/Pooling amount anticipated of £1,750,000 for 2019/20 falling to £900,000 for 2020/21. **However, uncertainty about the future retained business rates scheme beyond 2020 (and possibly being deferred until 2021) means that there may be resets to the scheme that could erode any additional income above baseline levels that have been built up under the previous scheme. Until full details of a future scheme are known it is prudent not to over-estimate any future income from business rates.**

The Council continues to participate in the Cumbria Business Rates Pool that also enables the County and the Council to retain more of the growth it generates. However, any announcement that local authorities will get to keep more of a share of business rates by 2020 (or 2021) may impact the viability

of pools in the future. Further details on how the future retention schemes will actually work and its specific impact on Carlisle are yet to be understood, but any proposals will likely come with an understanding that local authorities will have to take on additional responsibilities (e.g. absorbing some current one-off grants such as Housing Benefit Administration Grant), which may mean additional cost pressures. Further guidance on this issue is anticipated from the MHCLG to inform the budget process.

4.2.6 The summary of funding included in the Medium-Term Financial Plan is as follows:

	Budget	Forecasts				
	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Business Rates Baseline	(3,389)	(3,411)	(3,513)	(3,583)	(3,655)	(3,728)
% Change		1%	3%	2%	2%	2%
Rates Growth/Pooling	(1,750)	(900)	(900)	(900)	(900)	(900)
% Change		-49%	0%	0%	0%	0%
<b>Total Funding</b>	<b>(5,139)</b>	<b>(4,311)</b>	<b>(4,413)</b>	<b>(4,483)</b>	<b>(4,555)</b>	<b>(4,628)</b>

Table 2: Funding

4.2.7 Council Tax

The MTFP includes Council Tax increases from 2020/21 onwards at £5 per Band D equivalent.

The MTFP assumes an increase in the taxbase of 1.00% per year and the City Council's share of the Collection Fund Surplus is assumed to be a recurring £50,000.

Any increase in the tax base as a result of new housing developments will also mean a requirement to provide services to those households. Although there will be an increase in the amount of funding received through Council Tax, the overall cost of providing council services is greater than the amount received through this, so there will be additional cost pressures that need to be recognised in order to provide services to a growing population.

The MTFP also assumes continuation of the statutory Council Tax Reduction Scheme (CTRS) as the Council's localised scheme. Any support provided

through the Council Tax Reduction Scheme will be fully funded by all the main preceptors on the Collection Fund i.e. the Council, the County Council and the Police & Crime Commissioner. Consideration will need to be given as to whether this scheme is to be continued in the same format or incorporate changes to the level of support provided.

	Budget	Forecasts				
	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Council Tax Base	33,850.60	34,189.11	34,531.00	34,876.31	35,225.07	35,577.32
% Change		1.00%	1.00%	1.00%	1.00%	1.00%
	£000	£000	£000	£000	£000	£000
Council Tax Surplus	(50)	(50)	(50)	(50)	(50)	(50)
% Change		0%	0%	0%	0%	0%
Band D Council Tax	212.20	217.20	222.20	227.20	232.20	237.20
% Change		2.36%	2.30%	2.25%	2.20%	2.15%
<b>Total Yield</b>	<b>(7,183)</b>	<b>(7,426)</b>	<b>(7,673)</b>	<b>(7,924)</b>	<b>(8,179)</b>	<b>(8,439)</b>

Table 3: Council Tax

### 4.3 **Efficiency Strategy**

4.3.1 In order to ensure the Council maintains a minimum level of reserves to the end of the MTFP period, efficiencies are required throughout the period of the plan. The efficiency strategy will concentrate on the following areas:

- 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 and outcome based budgeting and other appropriate budget disciplines.

4.3.2 The savings currently included in the MTFP total £1.237million on a recurring basis:

	<b>Target £</b>	<b>Achieved £</b>	<b>Outstanding £</b>
Net Position up to 2016/17	2,412,000	2,389,000	23,000
Net Position up to 2017/18	1,198,000	690,200	507,800
Net Position up to 2018/19	1,479,000	772,700	706,300
<b>Net Recurring Position</b>	<b>5,089,000</b>	<b>3,851,900</b>	<b>1,237,100</b>

Table 4: Savings

4.3.3 Further savings will be dependent upon future funding settlements, Council Tax increases and changes to income and expenditure levels (pressures and savings) that are outwith the current Medium-Term Financial Plan. Savings will be profiled in the most effective way to ensure that they are achievable, timely and ensure reserves are not adversely affected.

## 5.0 Provisions, Reserves & Balances

5.1 The Council holds balances in order to meet future commitments. The Council policy on the use of reserves is as follows:

- Reserves generally will not be used to fund recurring items of expenditure, but where it does steps will be taken to address the situation.
- Reserves will not become overcommitted.
- The Council benefits from its level of reserves as it is able to: -
  - Meet its capital programme obligations, with borrowing only undertaken where funded from existing revenue budgets;
  - Fund exceptional increases in its net budget requirement without affecting the Council Tax charged to its taxpayers;
  - Ensure that surplus resources are retained for the general benefit of the Council to protect against large increases in Council Tax;
  - Maximise income received from the investment of its reserves to contribute to the budget requirement of the Council, which is a key part of the Council's Treasury Management Strategy.

### 5.2 General Fund

5.2.1 Having undertaken a risk assessment taking into account the risks and working balances required, the balance on the General Fund is currently £3.3m however, this risk assessment indicates that this should broadly equal £3.1million as a prudent level for this reserve. The risk-based assessment of the appropriate level of this reserve is carried out as part of the MTFP process and this is shown at **Appendix A**. The prudent level of reserves may need to be revised in the medium term to reflect the changes circumstances around funding changes retention of business rates.

5.2.2 If the balance in the short-term falls below minimum levels, the Council will top-up the balance to this level from the General Fund Income and Expenditure Account.

5.2.3 If the balance in the short-term exceeds minimum levels then the surplus will be transferred to the Council's Project Reserve.

### 5.3 **Earmarked Reserves**

5.3.1 Earmarked reserves will not be used for recurring items of expenditure, nor become over-committed.

5.3.2 For each earmarked reserve there will be a clear protocol in place setting out:

- The purpose of the reserve.
- How and when the reserve can be used.
- Procedures for the management and control of the reserve.
- Processes for the review of the use of the reserve to ensure that it continues to have an adequate level of funds and remains relevant to the business of the Council.

(Further details of this are shown at **Appendix B**)

5.3.3 The revenue reserves the Council currently holds are as follows:

	31/03/2019 £000	31/03/2020 £000	31/03/2021 £000	31/03/2022 £000	31/03/2023 £000	31/03/2024 £000
General Fund Reserve	3,300	3,150	2,123	2,451	2,657	3,044
Projects Reserve	818	0	0	0	0	0
Carry Forward Reserve	512	560	560	560	560	560
	4,630	3,710	2,683	3,011	3,217	3,604
<b><u>Revenue Earmarked Reserves</u></b>						
Flood Reserve	2,014	2,014	2,014	2,014	2,014	2,014
Transformation Reserve	150	0	0	0	0	0
Cremator Reserve	964	964	964	964	964	964
Welfare Reform Reserve	200	0	0	0	0	0
City Centre Reserve	9	9	9	9	9	9
Economic Investment Reserve	6	6	6	6	6	6
Planning Services Reserve	150	150	150	150	150	150
Revenues & Benefits Reserve	338	0	0	0	0	0
Prosecutions Reserve	36	36	36	36	36	36
Promoting Carlisle Reserve	10	10	10	10	10	10
Revenue Grants Reserve	1,143	1,143	1,143	1,143	1,143	1,143
Apprentices Reserve	54	54	54	54	54	54
Building Control Reserve	85	85	85	85	85	85
	5,159	4,471	4,471	4,471	4,471	4,471
<b>Total Revenue Reserves</b>	<b>9,789</b>	<b>8,181</b>	<b>7,154</b>	<b>7,482</b>	<b>7,688</b>	<b>8,075</b>

Table 5: Revenue Reserves

5.3.4 The MTFP does not assume any use of earmarked reserves.

5.3.5 As well as revenue earmarked reserves, the Council also holds a small number of earmarked reserves for capital purposes. These are as follows:

	31/03/2019 £000	31/03/2020 £000	31/03/2021 £000	31/03/2022 £000	31/03/2023 £000	31/03/2024 £000
<b><u>Capital Earmarked Reserves</u></b>						
Usable Capital Receipts	0	0	0	0	0	0
Unapplied Capital Grant	136	136	136	136	136	136
GLL Reserve	273	273	273	273	273	273
Asset Investment Reserve	48	0	0	0	0	0
Lanes Capital Reserve	60	75	90	105	120	135
<b>Total Capital Reserves</b>	<b>517</b>	<b>484</b>	<b>499</b>	<b>514</b>	<b>529</b>	<b>544</b>

Table 6: Capital Earmarked Reserves

## 5.4 **Provisions**

5.4.1 The Council holds a number of provision balances for items where future commitments are likely and use of these are delegated to the relevant Corporate Director in consultation with the Corporate Director of Finance and Resources.

## 5.5 **Charitable and Other Bequests**

The Council holds a number of bequests for use by the Council. These funds can only be released with the full approval of the Council under the terms set out when the bequest was given. In the first instance it will be the responsibility of the Executive to consider a report outlining proposals for the use of the bequest prior to submission of the request to Council.

## 5.6 **The Responsibilities of the Corporate Director of Finance and Resources**

5.6.1 The Corporate Director of Finance and Resources will review each reserve and its protocol annually and produce a report for the Executive as part of the annual budget process detailing: -

- Compliance with the use of reserves and associated protocols,
- Movements in the level of reserves, including the purposes for which reserves were used during the previous financial year,
- The adequacy of the level of reserves and the effects on the Council's budget requirement,
- Any reserves which are no longer required,

- Proposals to set up new reserves, including purposes, protocols, funding sources and potential impact on the Council's Medium-Term Financial Plan.

5.6.2 The Corporate Director of Finance and Resources will review this policy at least annually and will obtain the approval of the Council for any change required to either the policy or protocols associated with specific reserves.

## 5.7 **Planned Use of Reserves**

5.7.1 When the budget was set in February 2019, it assumed that there would be contributions to and from General Fund Reserve over the life of the MTFP. With the outturn position for 2018/19 now confirmed, the General Fund Reserve and Projects Reserve has been updated as shown in Table 5 above.

5.7.2 The reserves position is also subject to the savings required (as in Table 4) being met as scheduled. Any slippage on savings or any savings made in advance will impact on the contributions to and from reserves.



## 6.0 Income

### 6.1 Fees & Charges

6.1.1 Fees and Charges for individual services generate in the region of £5m p.a. for the City Council. **Appendix C** sets out the Council's approach to the reviewing and setting of fees and charges on an annual basis. The overall aim is to increase the proportion of income raised from users of discretionary services to ensure that they meet the full cost of these services, rather than the costs falling on Council Taxpayers in general.

6.1.2 In the past the income target has been set at 1% above the inflation rate. Each directorate must prepare a Charges Review Report as part of the budget process that must clearly set out the overall policy objective. In the past few years, increases in income from charges have not always resulted in the MTFP target being achieved.

6.1.3 There are certain functions the Council provides where it has little or no control over the charges to be set and where the service is statutorily bound to be self-financing, for example Building Control. This requirement is likely to extend to Licensing in the future and this means that any surplus income generated by raising fees has to be ring-fenced to these functions.

6.1.4 The main areas of fee generating income are shown in the table below:

	2017/18 Actual £000	2018/19 Actual £000	2019/20 Budget £000
Parking	(1,216)	(1,195)	(1,158)
Bereavement Services	(1,623)	(1,596)	(1,528)
Development Control	(842)	(689)	(702)
<b>Total</b>	<b>(3,681)</b>	<b>(3,480)</b>	<b>(3,388)</b>

Table 7: Main areas of Income

### 6.2 Property Rentals

6.2.1 Income received from property rentals is in the region of £4.3 million per annum.

6.2.2 The yield from property rentals included in the MTFP is shown in the following table: -

	2017/18 Actual £000	2018/19 Actual £000	2019/20 Budget £000
The Lanes	(1,105)	(1,080)	(1,225)
The Market	(132)	(132)	(110)
Industrial Estates	(2,522)	(2,784)	(2,539)
Misc Properties	(462)	(363)	(437)
<b>Total</b>	<b>(4,221)</b>	<b>(4,359)</b>	<b>(4,311)</b>

Table 8: Property Income

6.2.4 The MTFP makes no provision for additional rental income from assets via rent reviews. However, there is a saving requirement of £1m included in the MTFP associated with asset management, and it is envisaged that any surplus rentals achieved over current base budgets be set aside against this requirement. To date £420,000 has been achieved against this target.

### 6.3 **Grants & Contributions**

The Council receives grants from various sources as part of its overall funding. Some of these grants are given as part of the Settlement Funding Assessment by MHCLG and as such, these are budgeted only when notification is received.

#### 6.3.1 **New Homes Bonus**

The Council receives central funding in relation to the New Homes Bonus Scheme. The Council receives an allocation of funding under the scheme each year and each allocation will now last for four years. As part of the Local Government Finance Settlement for 2019/20 indicative figures were provided. The MTFP does not assume any new allocations of New Homes Bonus beyond 2020/21; however, it does include the continuation for 4 years of those allocations received in each year. **Revisions to the New Homes Bonus scheme are expected alongside the Fair Funding Review and changes to Business Rates Retention. It should be anticipated that there may be changes to the scheme that reduce the amount of grant that may be awarded in the future.**

Details of allocations included in the MTFP as shown in the table below:

Allocation Year	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
2015/16	(392)					
2016/17	(480)	(480)				
2017/18	(476)	(476)	(476)			
2018/19	(259)	(259)	(259)	(259)		
2019/20		(351)	(351)	(351)	(351)	
2020/21			?	?	?	?
2021/22				?	?	?
2022/23					?	?
<b>Total</b>	<b>(1,607)</b>	<b>(1,566)</b>	<b>(1,086)</b>	<b>(610)</b>	<b>(351)</b>	<b>0</b>

Table 9: New Homes Bonus

### 6.3.2 Housing Benefit Admin Grant

The Council receives grant funding towards Housing Benefit Administration. The Council currently has a recurring budget of £423,500 for this grant. Allocations are received on an annual basis. However, it is likely that this grant will eventually reduce with the onset of Universal Credit and the resultant downsizing of Housing Benefit Administration by the Council. This reduction in grant will need to be considered in line with any reductions in workload associated with any transition.

## 7.0 Assumptions

7.1 The MTFP includes assumptions regarding the main items of income and expenditure. Some of these assumptions have been previously explained, e.g. Government Funding and Council Tax. The following sections provide further details of the assumptions currently included in the MTFP. Any deviation from these assumptions will be included in the budget process for 2020/21 as pressures or savings.

### 7.2 Pay

- Annual increase in MTFP **2%**
- Salary Turnover Savings **£342,100**
- Pension Contribution Rate (Current Service) **15.6%**
- Sensitivity & Risk Analysis:

	Base Level	Sensitivity		
	£000	+/-1%	+/-2%	+/-3%
Pay Award (£000)	13,850	139	277	416
Pension Contribution (£000)	1,805	18	36	54
		Risk		
		High	Medium	Low
<b><u>Pay Award</u></b>				
Likelihood of Change				
Impact of Change				
<b><u>Salary Turnover</u></b>				
Likelihood of Change				
Impact of Change				
<b><u>Pensions</u></b>				
Likelihood of Change				
Impact of Change				

- Key Considerations:
  - Capacity to achieve salary turnover savings will be affected by the savings requirement from Vacancy Management and Voluntary Redundancy
  - Implications of the triennial pension revaluation due for 2020.

### 7.3 **General Inflation**

- Annual increase in MTFP for expenditure **2%**
- Annual increase in MTFP for Income **3%**
- Sensitivity & Risk Analysis:

	Base Level	Sensitivity		
	£000	+/-1%	+/-2%	+/-3%
Expenditure (£000)	9,701	97	194	291
Income (£000)	(4,633)	-46	-93	-139
		Risk		
		High	Medium	Low
<b><u>Pay Award</u></b>				
Likelihood of Change				
Impact of Change				
<b><u>Salary Turnover</u></b>				
Likelihood of Change				
Impact of Change				

- Key Considerations:
  - Inflation level of 2% is set at the Bank of England target for inflation.

#### 7.4 **Investment Income**

- Investment Returns –

	2020/21	2021/22	2022/23	2023/24	2024/25
Investments	1.33%	1.58%	1.83%	1.95%	2.08%
Property Fund	4.50%	4.50%	4.50%	4.50%	4.75%

	Base Level	Sensitivity		
	£000	+/-1%	+/-2%	+/-3%
Treasury Income (£000)	19,536	195	391	586
Property Fund Income (£000)	3,436	34	69	103
		Risk		
		High	Medium	Low
<b><u>Investment Income</u></b>				
Likelihood of Change				
Impact of Change				
<b><u>Property Fund Income</u></b>				
Likelihood of Change				
Impact of Change				
<b><u>Average Balances</u></b>				
Likelihood of Change				
Impact of Change				

- Key Considerations:
  - Use of and Contribution to Reserves will impact on average balances and subsequently investment return achieved.
  - Capital Investment decisions will affect the Capital Financing Requirement and average balances
  - The investment returns used when the budget was set in February 2019 will need to be updated given current guidance on when interest rates are expected to change.

## 7.5 **Borrowing**

- Assumed Borrowing - 2019/20 **£18.0m**
- Assumed Borrowing Rate - 2019/20 **2.25%**

**Borrowing assumptions are based on a Principal (capital) and Interest repayment loan**

- Assumed Capital Financing Requirement (CFR) & Minimum Revenue Provision (MRP):

	2020/21	2021/22	2022/23	2023/24	2024/25
CFR	30,959	30,110	35,190	34,036	33,762
MRP	447	329	530	682	647

	Base Level	Sensitivity		
	£000	+/-1%	+/-2%	+/-3%
Borrowing Rate (£000)	17,467	175	349	524
MRP	447	4	9	13
		Risk		
		High	Medium	Low
<b><u>Increase to Borrowing Rate</u></b>				
Likelihood of Change				
Impact of Change				
<b><u>Increase to CFR</u></b>				
Likelihood of Change				
Impact of Change				

- Key Considerations:
  - Borrowing assumed in MTFP for Leisure facilities, Gateway 44 and Southern Relief Road
  - Any future Capital Programme decisions will likely require a borrowing requirement, either internal or external which will have an impact on the revenue budget
  - Re-profiling of anticipated capital receipts will impact on CFR, and subsequently MRP charge

## 8.0 Appendices

### Appendix A – Risk Assessment of Minimum Level of General Fund Reserve 2019/20

Potential Risk	Financial Impact	Financial Exposure (£000)	Probability	Weighting	Risk Score	Balance Required (£000)	Comment (Basis of Financial Exposure)
Base Budget Contingency for inflation or other unanticipated rise.	2	132	2	50%	4	66	1% of Net Revenue Recurring Budget
Underachievement of Charges Income targets and spending exceeds budgets	3	225	3	75%	9	169	5% Charges Income forecasts for 2019/20
Underachievement of Investment Income	2	95	1	25%	2	24	0.5% of exposure of average balance of £19m
Insurance Excesses	2	500	2	50%	4	250	Based on maximum excess for flood (£500k)
Fall in Rental Income from Property	3	215	1	25%	3	54	5% of Rental Income (assumed at £4.5m for 2019/20)
Transformation not met	4	1,134	2	50%	8	567	Transformation savings still to be agreed
Loss of Income from Retained Business Rates	4	1,154	3	75%	12	866	Safety Net Threshold for Business Rates Retention Scheme + Business Rate Pooling
Additional Redundancy Costs	3	200	2	50%	6	100	Not met from Transformation Reserve
Emergency Contingency	4	1,000	4	100%	16	1,000	Emergency contingency fund - Council practice to allocate £1m for any unforeseen emergencies
<b>TOTALS</b>		<b>4,656</b>				<b>3,095</b>	
Maximum Risk Based Reserve Balances						<b>4,656</b>	
Minimum Risk Based Reserve Balances						<b>1,164</b>	
<b>Current Level of Reserves (Projected as at 31/03/20) (General Fund including carry forward reserve)</b>						<b>3,710</b>	
<b>Projected Shortfall/(Excess) of Current Reserve Balance over Risk Based Reserves</b>						<b>615</b>	



## Appendix B – Reserves & Provisions

### Reserves

Reserve	Balance 31/3/19	Purpose	Conditions of Use	Future of the Reserve
<i>Capital Reserves</i>				
Usable Capital Receipts	0	To provide funds to support the capital programme	Capital receipts can only be used to support capital spending or the repayment of debt. Management of the use of the receipts rests with the Corporate Director of Finance and Resources but approval of their use must be given by Council.	
GLL Reserve	273	To provide funds to purchase equipment from GLL Ltd, should the leisure management contract either not be renewed or be terminated due to breach of contract on the part of GLL Ltd.	Management of the reserve rests with the Deputy Chief Executive but can only be used with the agreement of the Council. Use of the reserve should be accompanied by a report to Council providing details of the circumstances giving rise to the need for support to be provided by the Reserve.	This reserve has been released to provide funding for new leisure facilities
Lanes Capital Reserve	60	To provide funds to meet potential exceptional capital works under the terms of the lease agreement.	Management of the reserve rests with the Corporate Director of Governance and Regulatory Services who will be responsible for developing proposals requiring funding from the reserve. Approval to release funds from the reserve can only be given by the Council.	This reserve is still required
Asset Investment Reserve	48	To provide resources to purchase properties and fund associated revenue costs and to provide resources for investment in the Council's industrial estates to ensure rent yields are maintained/increased.	Management of the reserve rests with the Corporate Director of Governance and Regulatory Services who will be responsible for developing proposals requiring funding from the reserve. Approval to release funds from the reserve can only be given by the Council.	This reserve has been transferred to the Carry Forward Reserve as approved in the 2019/20 budget process

Reserve	Balance 31/3/19	Purpose	Conditions of Use	Future of the Reserve
<i>Revenue Reserves</i>				
General Fund Reserve	3,300	To be a general working capital / contingency to cushion the Council against unexpected events and emergencies	<p>Management of the reserve rests with the Corporate Director of Finance and Resources. The use of the reserve is dependent on judgements taken when setting the Council's revenue budget on: -</p> <ul style="list-style-type: none"> <li>- Cash Flow requirements</li> <li>- Inflation and interest rates</li> <li>- Demand Led Budget Pressures</li> <li>- Efficiency and Productivity Savings</li> <li>- The Availability of funds to deal with major unexpected events or emergencies</li> <li>- Risks arising from significant new funding partnerships, major outsourcing arrangements or major capital developments</li> </ul> <p>Approval to release funds from the reserve can only be given by the Council as part of the budget process, or through consideration of supplementary estimates on an ad-hoc basis</p> <p>Where there is a critical need to access the emergency element of the Fund of £1m on the grounds of protection of persons or property or in any way safeguard the interests of the Council then this can be accessed through agreement with the Leader, Portfolio Holder and Leader of Main Opposition party and will be reported to the next available Council meeting</p>	This reserve is still required and will be increased due to uncertainty regarding the BR retention and other government funding streams

Reserve	Balance 31/3/19	Purpose	Conditions of Use	Future of the Reserve
Projects Reserve	818	The balance at 31 <sup>st</sup> March shall be earmarked to support potential revenue budget shortfalls identified by the Medium-Term Financial Plan. Additions to the balances thereafter can be used either to support revenue budget shortfalls or projects within the Council's capital programme	Management of the reserve rests with the Corporate Director of Finance and Resources. Funding for the Reserve will be provided by windfall gains over and above those required to maintain the General Fund at its approved level and balances on reserves that are no longer needed. Approval to release funds from the reserve can only be given by the Council either as part of the budget process, or through consideration of supplementary estimates on an ad-hoc basis.	This reserve is still required
Carry Forward Reserve	512	To establish a reserve to hold carry forward budgets. Any expenditure in relation to a carry forward listed below will if possible be funded from base budgets but can be called from this reserve if the section is likely to be in an overspend position at year end.	Management of the Reserve rests with Corporate Director of Finance and Resources. Approval to release funds from the reserve can only be given by the Corporate Director of Finance and Resources and/or The Chief Executive.	This reserve was reviewed as part of the 2019/20 budget process
Building Control Reserve	85	To provide funds for improvements to the delivery of the Building Control function.	Management of the reserve rests with the Corporate Director of Economic Development. The balance is ring-fenced by statute to support improvements to the Building Control Service and is not available for general use by the Council. Funding is provided from surpluses generated by the service annually. Approval to release funds from the reserve can only be given by Corporate Director of Economic Development via an Officer Decision Notice	This reserve is still required
Conservation Reserve	0	To purchase historic buildings at risk or fund repairs and / or improvements to historic buildings	Management of the reserve rests with the Corporate Director of Economic Development. Funding is provided from the sale of property. Approval to release	This reserve is still required

Reserve	Balance 31/3/19	Purpose	Conditions of Use	Future of the Reserve
			funds from the reserve can only be given by the Executive of the Council.	
Transformation Reserve	150	To fund any one off costs associated with transformation projects	Management of the reserve rests with the Chief Executive. Approval to release funds from the reserve can only be given by the Executive of the Council.	This reserve has been transferred to General Fund Reserve as approved in the 2019/20 budget process
Cremator Reserve	964	To build up resources to replace cremators when required	Management of the reserve rests with the Deputy Chief Executive. Approval to release funds from the reserve can only be given by the Executive of the Council.	This reserve is still required
Welfare Reform Reserve	200	To meet one off costs associated with the Welfare Reform bill and introduction of Universal Credit	Management of the reserve rests with the Chief Executive. Approval to release funds from the reserve can only be given by the Executive of the Council.	This reserve has been transferred to General Fund Reserve as approved in the 2019/20 budget process
Economic Investment Reserve	6	To enable continued and dedicated project resource to support employment related projects, Business Support and Regeneration Projects.	Approval to release funds from the reserve can only be given by an Officer Decision Notice by The Chief Executive in consultation with the Corporate Director of Economic Development, Portfolio Holder and Corporate Director of Finance and Resources.	This reserve is still required
City Centre Reserve	9	To establish a reserve for the future Festive Lighting Programme.	Approval to release funds from the reserve can only be given by an Officer Decision Notice by The Chief Executive in consultation with the Deputy Chief Executive, Portfolio Holder and Corporate Director of Finance and Resources.	This reserve is still required
Repairs & Renewals Reserve	0	To establish a Repairs and Renewals Fund that can be used for revenue and capital items in the future, e.g. ICT, Vehicles	Approval to release funds from the reserve can only be given by the Executive of the Council.	This reserve is still required
Flood Reserve	2,014	There are likely to be further costs that are not recoverable from insurers and it is proposed to establish a new reserve to contribute to these costs.	Management of the reserve rests with the Corporate Director of Finance and Resources with the use of the Reserve requiring an Officer Decision notice by the Corporate Director of Finance and Resources.	This reserve is still required and will be utilised to support reinstatement of assets

Reserve	Balance 31/3/19	Purpose	Conditions of Use	Future of the Reserve
Prosecutions Reserve	36	For future anticipated Barrister & legal fees	Approval to release funds from the reserve can only be given by an Officer Decision Notice by the Corporate Director of Governance & Regulatory Services in consultation with the Chief Executive, Portfolio Holder & Corporate Director of Finance and Resources.	This reserve is still required
Promoting Carlisle Reserve	10	Promoting Carlisle / Economic Development Initiatives	Approval to release funds from the reserve can only be given by a Portfolio Holder Decision Notice by the Leader in consultation with the Corporate Director of Economic Development & Corporate Director of Finance and Resources.	This reserve is still required
Revenues & Benefits Reserve	338	To hold funds received by the Council from MHCLG and DWP which have not yet been utilised, to assist the Council in meeting its costs for future changes to Revenues and Benefits Service.	Approval to release funds from the reserve can only be given by an Officer Decision Notice by the Chief Executive in consultation with the Portfolio Holder & Corporate Director of Finance and Resources.	This reserve has been transferred to General Fund Reserve as approved in the 2019/20 budget process
Revenues Grants Reserve	1,143	To hold grant funds received by the Council which have not yet been utilised.	Approval to release funds from the reserve only be given by the Corporate Director of Finance and Resources in consultation with the relevant Chief Officer.	This reserve is still required but should be subject to a review to determine if all balances held therein are still required
Planning Services Reserve	150	To establish a reserve for the 20% uplift on the new planning fees which are to be spent on the planning service to improve performance.	Approval to release funds from the reserve can only be given by an Officer Decision Notice by the Chief Executive in consultation with the Corporate Director of Economic Development, Portfolio Holder & Corporate Director of Finance and Resources.	This reserve is still required
Apprenticeship Reserve	54	To establish a reserve for the committed balances from the annual Apprentice Infrastructure budget that will be required in future years of the employment contracts.	Management of the Reserve Rests with the Corporate Director of Finance and Resources. Approval to release funds from the reserve only be given by the Corporate Director of Finance and Resources in consultation with the relevant Chief Officer.	This reserve is still required

Reserve	Balance 31/3/19	Purpose	Conditions of Use	Future of the Reserve
BRR Volatility Reserve	0	To cushion against losses in Business Rate income as a result of being part of the Cumbria Business Rates Pool	Management of the reserve rests with the Corporate Director of Finance and Resources with the use of the Reserve requiring an Officer Decision notice by the Corporate Director of Finance and Resources.	This reserve is still required

### Provisions

Provision	Balance 31/3/19	Purpose	Future of the Provision
Business Rate Appeals	1,321	To provide an amount for settling outstanding appeals made against business rate liabilities by ratepayers. This amount represents the Council's 40% share of total appeals under business rate retention. This amount is charged against the Collection Fund when settled.	The provision is reviewed annually as part of the closure of accounts and adjusted according to the outstanding estimated appeals anticipated.
Insurance Provision	174	To provide an amount for settling outstanding insurance claims taking into account excesses to be paid by the Council and claims to be settled by insurers. The provision at 31 March 2019 also included amounts relating to excess payments due as part of the flood claim.	The provision is reviewed annually as part of the closure of accounts and adjusted according to the outstanding insurance claims at 31 March. Any reductions in to the provision are credited back to general fund and any increases required are charged to general fund as part of the outturn.
Rickergate Ringfenced Account	143	This provision was established to hold the net income received from properties acquired with NWDA funding in Rickergate. Funding was received to acquire the properties and the funding agreement obliged the Council to ring-fence the rental income achieved on the properties pending the final outcome for development of the area. There is therefore a potential obligation to repay these sums if no development occurs.	This provision is reviewed annually and the income generated in the year is added to the balance carried forward. Therefore, the provision is still required.

Provision	Balance 31/3/19	Purpose	Future of the Provision
Land Charges Provision	59	This provision was established to provide a sum to settle claims against the Council for overpaid land charges. A national claim was brought forward that argued that Council's had overcharged for Land Charges in previous years.	This Provision is still required for land and property initiatives
Cemeteries Perpetuity Fund	75	This provision was established to maintain and repair cemetery headstones where owners cannot be contacted.	This Provision is still required
Licencing Appeals	20	This provision was established to provide a sum for settling costs associated with appeals to licensing decisions.	This Provision is still required
Licensing Taxi Plates	7	This provision was established to hold sums paid for Taxi plate deposits	This Provision is still required
Standards Committee Complaints Provision	10	This provision was established to provide a sum for settling costs associated with complaints made from Standards Committee decisions.	This Provision is still required
Property Deposits	3	These provisions hold deposits made to the Council for property (e.g. grazing land), enterprise centre and market by tenants. If tenants vacate deposits are repaid.	This Provision is still required
Market Hall Deposits	8	These provisions hold deposits made to the Council for property (e.g. grazing land), enterprise centre and market by tenants. If tenants vacate deposits are repaid.	This Provision is still required
Enterprise Centre Deposits	10	These provisions hold deposits made to the Council for property (e.g. grazing land), enterprise centre and market by tenants. If tenants vacate deposits are repaid.	This Provision is still required
Bequests	18	These provisions hold balances in relation to bequests made to the Council. The Parker bequest was established in 1954 and was to benefit disabled children and other young residents of the City. The District Nursing Amenity Fund was established to provide amenities for nurses homes and retirement allowances to nurses.	These provisions are still required; however it is recommended that these provisions be reviewed to determine how best they can be utilised in line with their original purpose.



## **Appendix C - Corporate Charging Policy**

This appendix sets out the corporate approach to the setting of fees and charges.

The Corporate Charging Policy applies to those fees and charges that the Council has control over and can set independently of any statutory provision. Any services where charges are set by Government or where services have to be self-financing are excluded from the Corporate Charging Policy.

The Corporate Charging Policy assumes that Income from fees included in the Charging Policy will increase by 1% above the inflation rate set for expenditure. For 2020/21 this equates to a 3% increase. The MTFP assumes that income will increase by 3% although this does not necessarily mean that charges have to increase by 3% as increases in demand could account for additional income.

Each service is required to consider how and to what extent each of the following applies to the fees and charges it proposes to set:

### **1. Objectives of Charge - Set out the principal objective(s) of setting the charge:**

- Recover cost of service provision
- Generate Surplus Income (where permitted)
- Maintain existing service provision
- Fund service improvements or introduction of new service(s);
- Manage demand for service(s)
- Promote access to services for low-income households;
- Promote equity or fairness;
- Achieve wider strategic policy objectives (e.g. encouraging green policies);

### **2. Other factors influencing decisions on whether and how much to charge:**

- The Council's historic approach to charging
- The views of local politicians, service users and taxpayers
- Other councils' and service providers approach to charging
- Levels of central government funding and policy objectives
- The Council's overall financial position
- Changes in demand for services
- Policy on Concessions
- Availability of powers to charge for discretionary services (e.g. pre-application planning advice)
- Central government policy objectives



**3. Targeting Concessions - The following target groups should be considered:**

- Persons over the age of 65
- Unemployed
- Young persons under the age of 18
- Students in full time higher education
- Community Groups
- Those in receipt of supplementary benefits, tax credits, attendance allowance, disability living allowance and other appropriate groups

**4. Trading**

The Council is empowered to sell goods or services to other public bodies or trade commercially through a company with non-public bodies. The objectives should be considered for relevant services (including Building Cleaning and Maintenance, Vehicle Maintenance, Grounds maintenance, Legal Services, Human Resources, IT, Payroll, Planning and Development Services) as follows to:

- Deliver services more strategically on an area-wide basis
- Achieving greater efficiency
- Capitalise on expertise within the council
- Utilise spare capacity
- Generate income
- Support service improvement

**5. Value For Money**

- Has charging been used as a tool for achieving strategic policy objectives?
- Has the optimum use of the power to charge been used?
- Has the impact of charging on user groups been monitored?
- Has charging secured improvements in value for money?
- Has charging been used as a tool to reduce increases in Council Tax?

**Appendix D – Gross Expenditure Breakdown**

	<b>Original Budget 2019/20 £</b>
<b>Expenditure</b>	
Employee Related	15,569,200
Premises Related	3,891,400
Transport Related	1,422,100
Supplies & Services	5,105,100
Third Party Payments	2,648,100
Transfer Payments	26,516,600
Support Services	11,937,400
Capital Financing Costs	2,622,700
Carry forward approvals	406,700
Recharges	(13,970,700)
<b>Total Expenditure</b>	<b>56,148,600</b>
<b>Income</b>	
Government Grants	(1,850,100)
Specific Grants	(27,013,400)
Other Grant/Reimbursements/Contributions	(1,918,700)
Interest	(290,300)
Customer and Client Receipts	(11,048,400)
<b>Total Income</b>	<b>(42,120,900)</b>
<b>Net Budget Requirement</b>	<b>14,027,700</b>
<b>Funded By:</b>	
Council Tax	(7,183,100)
Council Tax Surplus	(50,000)
Retained Business Rates	(3,388,600)
Business Rates Growth/Pooling	(1,750,200)
Reserves	(1,655,800)
<b>Total Funding</b>	<b>(14,027,700)</b>