

# AGENDA

## Business & Transformation Scrutiny Panel

Thursday, 25 July 2019 AT 16:00  
In the Flensburg Room, Civic Centre, Carlisle, CA3 8QG

**\*\*A pre meeting for Members to prepare for  
the Panel will be held at 3.30pm in the  
Flensburg Room\*\***

The Press and Public are welcome to attend for the  
consideration of any items which are public.

### **Members of the Business & Transformation Scrutiny Panel**

Councillor Bainbridge (Chairman) , Councillors Alcroft, Mrs Birks (Vice  
Chairman), McNulty, Mitchelson, Paton, Robson

Substitutes:

Councillors Mrs Atkinson, Mrs Bowman, Mrs Bradley, Mrs Brown, Collier, Mrs  
Ellis-Williams, Mrs Finlayson, Mrs Glendinning, Glover, Mrs McKerrell, Meller,  
Morton, Patrick, Robinson, Rodgeron, Shepherd, Miss Sherriff, Southward,  
Tarbitt, Dr Tickner

## **PART A**

**To be considered when the Public and Press are present**

### **Apologies for Absence**

To receive apologies for absence and notification of substitutions

### **Declarations of Interest**

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

### **Public and Press**

To agree that the items of business within Part A of the agenda should be dealt with in public and that the items of business within Part B of the agenda should be dealt with in private.

### **Minutes of Previous Meetings**

To note that Council, on 16 July 2019, received and adopted the minutes of the meetings held on 28 March 2019, 30 May 2019 and 6 June 2019.

The Minutes will be signed by the Chairman.

Minute Book Volume 46(1)

### **A.1 CALL-IN OF DECISIONS**

To consider any matter which has been the subject of call-in.

### **A.2 OVERVIEW REPORT AND WORK PROGRAMME**

**7 - 10**

Portfolio: Cross Cutting

Directorate: Cross Cutting

Officers: Rowan Jones, Overview and Scrutiny Officer  
Steven O'Keeffe, Policy and Communications Manager

Report: OS.19/19 herewith

**Background:**

To consider a report providing an overview of matters related to the work of the Business and Transformation Scrutiny Panel.

**Why is this item on the agenda?**

The Business and Transformation Scrutiny Panel operates within a work plan which has been set for the 2019/20 municipal year. The Plan will be reviewed at every meeting so that it can be adjusted to reflect the wishes of the Panel and take into account items relevant to this Panel in the latest Notice of Executive Key Decisions.

**What is the Panel being asked to do?**

- Note the items (within the Panel remit) on the most recent Notice of Executive Key Decisions.
- Discuss the work programme and prioritise if necessary.

**A.3 DRAFT ASSET MANAGEMENT PLAN 2020 TO 2025**

**11 -  
28**

Portfolio: Finance, Governance and Resources

Directorate: Governance and Regulatory Services

Officer: Mark Walshe, Property Services Manager

Report: GD.41/19 herewith and Minute Excerpt to follow

**Background:**

The Corporate Director of Governance and Regulatory Services to submit a report setting out the revisions to the Asset Management Plan which has been updated to reflect key issues and changes affecting the management and use of the City's property resource. The Plan also reports on the current position and performance of the portfolio and the Asset Disposal Programme.

**Why is this item on the agenda?**

The matter was included in the Notice of Executive Key Decisions and was considered by the Executive on 22 July 2019.

**What is the Panel being asked to do?**

To note the report and make comments and provide feedback to the Executive in order to inform the way forward for the Council.

#### **A.4 DRAFT MEDIUM TERM FINANCIAL PLAN 2020/21 TO 2024/25**

**29 -  
70**

Portfolio: Finance, Governance and Resources

Directorate: Finance and Resources

Officer: Alison Taylor, Corporate Director of Finance and Resources

Report: RD.16/19 herewith and Minute Excerpt to follow

##### **Background:**

The Corporate Director of Finance and Resources to submit the Council's draft Medium Term Financial Plan for the period 2020/21 to 2024/25 which set out the framework for planning and managing the Council's financial resources.

##### **Why is this item on the agenda?**

The matter was included in the Notice of Executive Key decisions and was considered by the Executive on 22 July 2019.

##### **What is the Panel being asked to do?**

To consider the report and make recommendations back to the Executive for consideration at their meeting on 19 August 2019.

#### **A.5 DRAFT CAPITAL INVESTMENT STRATEGY 2020/21 to 2024/25**

**71 -  
100**

Portfolio: Finance, Governance and Resources

Directorate: Finance and Resources

Officer: Alison Taylor, Corporate Director of Finance and Resources

Report: RD.17/19 herewith and Minute Excerpt to follow

##### **Background:**

The Corporate Director of Finance and Resources to submit the draft Capital Strategy for the period 2020/21 to 2024/25.

##### **Why is the item on the agenda?**

The matter was included in the Notice of Executive Key decisions and was considered by the Executive on 22 July 2019.

**What is the Panel being asked to do?**

To consider the report and make recommendations back to the Executive for consideration at their meeting on 16 August 2019.

**A.6 CORPORATE PROJECTS STATUS REPORT****101 -  
112**

Portfolio: Cross Cutting

Directorate: Corporate Support

Officer: Jason Gooding, Town Clerk and Chief Executive

Report: CE.04/19 herewith

**Background:**

The Town Clerk and Chief Executive to submit an update of corporate projects currently being undertaken in the Council.

**Why is this item on the agenda?**

Monitoring report.

**What is the Panel being asked to do?**

Note and comment on the most recent summary of projects and governance arrangements in place as contained in appendix one, and the actions being taken to support projects issues. At appendix two is a summary of the stand alone IT projects and their current status.

**A.7 CORPORATE RISK REGISTER****113 -  
124**

Portfolio: Finance, Governance and Resources

Directorate: Community Services

Officer: Darren Crossley, Deputy Chief Executive

Report: CS.22/19 herewith

**Background:**

The Deputy Chief Executive to submit an update on the management of the Council's Corporate Risk Register.

**Why is the item on the agenda?**

Monitoring report

**What is the Panel being asked to do?**

Scrutinise and comment on the current Corporate Risk Register as set out in appendix one.

**PART B**

**To be considered when the Public and Press are excluded from the meeting**

- NIL -

Enquiries, requests for reports, background papers etc to:

Rachel Plant, Democratic Services Officer, (01228) 817039 or  
[rachel.plant@carlisle.gov.uk](mailto:rachel.plant@carlisle.gov.uk)

# Business and Transformation Scrutiny Panel

Agenda  
Item:  
  
**A.2**

Meeting Date: 25 July 2019  
Portfolio: Cross-cutting  
Key Decision: No  
Within Policy and  
Budget Framework  
Private/Public Public  
  
Title: Overview Report  
Report of: Overview and Scrutiny Officer  
Report Number: OS.19/19

## Purpose / Summary:

This report provides an overview of matters related to the Scrutiny Panel's work. It also includes the latest version of the work programme.

## Recommendations:

Members are asked to:

- Note the items (within Panel remit) on the most recent Notice of Key Executive Decisions
- Review the current work programme and resolutions and make recommendations for the future work programme

## Tracking

Executive:	Not applicable
Scrutiny:	25/07/19
Council:	Not applicable

## 1. Notice of Key Decisions

**1.1** The most recent Notice of Key Executive Decisions was published on 21<sup>st</sup> June 2019. This was circulated to all Members. The following items fall within the remit of this Panel:

*Items which have been included in the Panel's Work Programme:*

KD.08/19 - The Medium Term Financial Plan (including the Corporate Charging Policy) & the Capital Investment Strategy 2020/21 to 2024/25 (22/07/19)

KD.09/19 - The Asset Management Plan 2019 to 2024 (22/07/19)

*Items which have not been included in the Panel's Work Programme:*

None

## 2. References from Executive

**2.1** None

## 3. Progress on resolutions from previous meetings

**3.1** The following table sets out the meeting date and resolution that requires following up. The status is presented as either "completed", "pending" (date expected), or "outstanding". An item is considered outstanding if no update or progress has been made after three panel meetings. All the completed actions will be removed from the list following the meeting.

	Meeting date	Minute reference	Action	Status
1	14/02/19	BTSP.16/19 3	That the Finance, Governance and Resources Portfolio Holder provide the Panel with a written update on the progress with the rent reviews.	Completed
2	14/02/19	BTSP.17/19	That the Finance, Governance and Resources Portfolio Holder provide the Panel with a written response explaining why Kingstown Industrial Estate and Open Space Improvements were still included in the Capital Programme.	Outstanding
3	30/05/19	BTSP 43/19 a)	2) That the Corporate Director of Finance and Resources provide Members with a briefing note on the repayment of the grant to Ministry of Housing, Communities and Local	Pending



			Government and the impact on the authority.	
4	30/05/19	BTSP 43/19 a)	4) That further details on each of the carry forward requests be circulated to Members prior to the full Council meeting.	Completed
5	30/05/19	BTSP 43/19 b)	2) That the Finance, Governance and Resources Portfolio Holder provide the Panel with a written response regarding the waste receptacle overspend.	Pending
6	30/05/19	BTSP 43/19 c)	2) That the Corporate Director of Finance and Resources provide the Panel with written information on the terms for the CCLA Property Fund and how it was reconciled on the Council's balance sheet.	Pending
7	30/05/19	BTSP 43/19 d)	2) That the Revenues & Benefits Operations Manager provide the Panel with details of the increase in Council Tax discounts.	Pending
8	30/05/19	BTSP 43/19 d)	3) That the Corporate Director of Finance and Resources provide the Panel with written information regarding CVAs.	Pending
9	06/06/19	BTSP 49/19	That a monitoring report which included a range of Key Performance Indicators on the redevelopment project be submitted to the Panel on a quarterly basis should the project be approved on 25 June 2019;	Pending 22/8/19
10	06/06/19	BTSP 49/19	That the Deputy Chief Executive provide the Panel with written details of the liability should the site flood during construction;	Pending
11	06/06/19	BTSP 49/19	That further information on GLL's outreach programme to be circulated to Members.	Pending

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

**4.1** The overview and scrutiny of the Carlisle Plan items that match the panel remit contribute to ongoing policy development.

**Contact Officer: Rowan Jones**

**Ext: 7257**

**Appendices  
attached to report:**

**1. Scrutiny Panel Work Programme 2019-20**

**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:**

**LEGAL -**

**FINANCE –**

**EQUALITY –** This report raises no explicit issues relating to the public sector Equality Duty.

**INFORMATION GOVERNANCE –**

## **APPENDIX: Scrutiny Panel Work Programme 2019-20**

<b>Title</b>	<b>Lead Officer</b>	<b>Meeting Date</b>
End Of Year Performance Report	Gary Oliver	30/05/2019
Outturn Reports	Steven Tickner	30/05/2019
Sickness Absence	Sue Kaveney	30/05/2019
Medium Term Financial Plan and Capital Strategy	Alison Taylor	25/07/2019
Asset Management Plan	Mark Walshe	25/07/2019
Corporate Risk Register	Darren Crossley	25/07/2019
Corporate projects	Jason Gooding	25/07/2019
Budget monitoring	Steven Tickner	22/08/2019
Performance Report	Gary Oliver	22/08/2019
Performance Report	Gary Oliver	03/12/2019
Sickness Absence	Sue Kaveney	03/12/2019
Budget monitoring	Steven Tickner	03/12/2019
Budget setting	Alison Taylor	03/12/2019
Budget setting	Alison Taylor	02/01/2020
Performance Report	Gary Oliver	13/02/2020
Budget monitoring	Steven Tickner	26/03/2020
Corporate Risk Register	Darren Crossley	26/03/2020
Corporate projects	Jason Gooding	26/03/2020
Scrutiny Annual Report	Rowan Jones	26/03/2020

# Business and Transformation Scrutiny Panel

Agenda  
Item:  
**A.3**

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

Title: **DRAFT ASSET MANAGEMENT PLAN 2020 TO 2025**  
Report of: **The Corporate Director of Governance and Regulatory Services**  
Report Number: **GD.41/19**

## Purpose / Summary:

The attached Executive Report (GD.39/19) sets out this year's revisions to the Asset Management Plan which has been updated to reflect key issues and changes affecting the management and use of the City's property resource. The Plan also reports on the current position and performance of the portfolio, and the Asset Disposal Programme.

## Recommendations:

The Panel note the Report and make comments and provide feedback to the Executive in order to inform the way forward for the Council.

## Tracking

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

*The timeframe for the plan has been amended to tie in with the Medium Term Financial Plan and Capital Strategy*

# Report to Executive

Agenda  
Item:

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

Title: Draft Asset Management Plan 2020 to 2025  
Report of: The Corporate Director of Governance and Regulatory Services  
Report Number: GD 39/19

## Purpose / Summary:

The Asset Management Plan is being updated to reflect the key issues and changes affecting the management and use of the City's property resources, and the impact of the Asset Review Business Plan approved by Council in January 2011.

The Plan will also report on the current position and performance of the Portfolio, and the Asset Disposal Programme.

## Recommendations:

The Executive notes the position and approves the update to the Draft Asset Management Plan in order for it to proceed for consideration by the Business and Transformation Scrutiny Panel, back to the Executive and then full Council.

## Tracking

Executive:	22nd July 2019
Scrutiny:	25 <sup>th</sup> July 2019
Executive:	19 <sup>th</sup> August 2019
Council:	10 <sup>th</sup> September 2019

*The timeframe for the plan has been amended to tie in with the Medium Term Financial Plan and Capital Strategy*

## **1. BACKGROUND**

- 1.1. The Council's property assets are one of the essential resources used to carry out our day to day business, generating income to support services, and delivering economic development goals and housing opportunities.
- 1.2. The Asset Management Plan (AMP) outlines how the Council's strategies and policies for its property portfolio are used to support corporate priorities and directorate service plans.
- 1.3. The AMP outlines the overall performance of the asset base, what it is costing and producing, and how it is being used and reviewed. It also takes account of, and links into, the Council's Medium Term Financial Plan (MTFP) and the Capital Strategy (CS), which provides guidance on the Capital Programme and use of resources. The AMP is part of the Council's Budget.
- 1.4. For a number of years, the Council has been working towards the recommendations within the Asset Review Business Plan, approved by Council in January 2011. Along with the redefining of the Portfolio, the Business Plan proposed staffing and management structures should be realigned to provide the appropriate resources, skills and experience to run each category of asset. This has happened in the context of service transformation and is continually evolving.
- 1.5. An appraisal of the property portfolio identified a requirement to rationalise and consolidate assets and a programme of disposals has taken place to re-engineer the investment portfolio. A revised Disposal Programme was approved by the Executive in December 2018 with the aspiration to generate £10m in capital receipts.
- 1.6. Because of service transformation the Council has been looking at its operational assets. The Accommodation Review aims to more efficiently and cost effectively meet future service delivery, identifying savings and opportunities to generate additional income.
- 1.7. The AMP is reviewed annually and updated, along with the MTFP and CS, all documents forming part of the Council's Budget (Article 4 of the Constitution).

## **2. PROPOSALS**

- 2.1 The AMP provides a succinct document that reflects;
  - The Asset Review Business Plan & Disposal Programme – progress on the implementation and the impact on the Portfolio and its future management,
  - Structural changes in the portfolio – the makeup of the operational and non-operational assets, current capital worth and rental levels,

*The timeframe for the plan has been amended to tie in with the Medium Term Financial Plan and Capital Strategy*

- Performance of the assets and how these are constantly reviewed and challenged,
- Condition of the Portfolio – the standard of our properties, current maintenance requirements, suitability and sustainability for future use, and the steps which are being taken to improve energy efficiency,
- Accommodation Review – the outcomes, achievements and next steps to improve the use and efficiency of our operational property portfolio,
- Capital Schemes and Maintenance Budget – where the money is going,
- Property acquisitions – what has been done to reinvest in assets to produce income, maintain service delivery, support economic development initiatives and deliver services,
- Future Asset Management Options at our Kingstown and Parkhouse estates,
- How our Economic Development property portfolio is being managed to support economic growth, and
- An update on recovery of flood affected assets.

### **3. RISKS**

- 3.1 By having an Asset Management Plan the Council can ensure that it uses its assets efficiently and that they support the Council's priorities.

### **4. CONSULTATION**

- 4.1 Internally via the Council's corporate structures and processes. The Draft Plan will go to Business and Transformation Overview & Scrutiny Panel on 25<sup>th</sup> July for consideration, comment and feedback.

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

- 5.1. To update the Council's Asset Management Plan and the position of the property portfolio in the light of the Asset Review Business Plan and Disposal Programme and other corporate initiatives.

*The timeframe for the plan has been amended to tie in with the Medium Term Financial Plan and Capital Strategy*

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

- 6.1 The proper management of the Council's property resource makes an essential contribution the achievement of the Council's action plans and priorities.

**Contact Officer:** Mark Walshe

**Ext:** 7427

**Appendices** Draft Asset Management Plan 2020 - 2025  
**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:**

**LEGAL -** The Council has a fiduciary duty to properly manage its assets and the Asset Management Plan is a vital part of this process. It is also a designated budget document in accordance with the Council's Budget & Policy framework and, as such, as the report indicates, it is required to follow the usual route of consideration by Scrutiny and, thereafter, recommendation by the Executive to the Council.

**FINANCE –** The Asset Management Plan provides details on the Council's asset portfolio and the issues around the management of these assets. This will be used to inform the Medium Term Financial Plan and budget setting process for 2020/21 to 2024/25.

**EQUALITY –**

**INFORMATION GOVERNANCE –**

*The timeframe for the plan has been amended to tie in with the Medium Term Financial Plan and Capital Strategy*



*Managing property as a resource for the City*

## ASSET MANAGEMENT PLAN

2020 – 2025



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*The timeframe for the plan has been amended to tie in with the Medium Term Financial Plan and Capital Strategy*

## **1. The Council**

1.1 Carlisle City Council delivers services to around 108,000 people and for the year 2019/20 has a net revenue budget of £13.010 million and capital expenditure budget of £23,192 million. The Council uses its property resources to deliver services, either directly or through the rental income it earns, and improve the quality of life for local people.

1.2 The Council's asset base produces a rental income of around £4.5 million per annum, from its non-operational property, with a net asset value, taking account of depreciation, of circa £85 million.

## **2. Purpose, Aims and Objectives**

2.1 The Asset Management Plan sets out the Council's approach to managing its land and property assets and aligns to Council's policies and strategies, particularly the Carlisle Plan, Directorate and Service Plans, the Medium Term Financial Plan and Capital Strategy.

2.2 The aim is to own assets which are fit for purpose and sustainable, to enable services to be delivered effectively and with equality of access, and to meet the strategic objectives outlined below;

1. Identify all property the Council owns or uses, maintaining accurate records, establishing its value and the function it performs, ensuring a reliable and accurate property management system is in place.
2. Make services aware of the costs of occupying property, maximising the use of the asset base, identifying 'expensive' and 'obsolete' assets.
3. Respond to changing property needs for service delivery improvements, identifying improvements to assets or the asset base to enhance service delivery, disposing of assets no longer required for operational purposes and acquiring new assets to support service delivery.
4. Generate capital for investment purposes aligned to corporate objectives.
5. Ensure a healthy and safe environment for property users.
6. Apply "Green Design" principles to construction, refurbishment and maintenance projects and encourage environmentally sustainable management of operational properties.

7. Encourage community and partnership use of assets by identifying opportunities for shared services, liaising with partners and working with the community.
8. Contribute to the Council's Medium-Term Financial Plan and Capital Strategy, identifying investment opportunities.
9. Provide sustainable planned maintenance programmes for a 5-year period by undertaking and reviewing condition surveys.

### **3. Property Strategies and Principles**

3.1 The Council has developed the following strategies and principles;

- **Operational Property Investment Principles** – Investment will be made where a property is required for the medium or long-term use, enhances service delivery, improves environmental sustainability, improves utilisation, increases efficiency, adds value, and addresses statutory obligations.
- **Non-Operational Property Strategy** – to own property that supports the growth of Carlisle and the Economic Development Strategy, provides a sustainable income stream, is a key component of the Medium-Term Financial Plan.
- **Non-Operational Property Investment Principles** - commercial property will only be held where it provides an acceptable financial return, there is potential to deliver economic development objectives, it contributes to the delivery of other Council priorities, it addresses legal or contractual liabilities and obligations.
- **Surplus Property Strategy** – the Council will dispose of surplus assets on a freehold or leasehold basis at best consideration. Disposals at less than best consideration may be agreed subject to the necessary statutory and Council approvals.
- **Surplus Property Principles** - operational and non-operational property will be sold unless occupied for service provision, used to deliver social, housing, economic or environmental benefits meeting agreed priorities, or it is a long-term strategic investment.
- **Property Acquisition Strategy** - the Council will acquire assets; that improve service delivery, assist with delivery of Economic Development policy, develop opportunities to assemble sites to deliver Council objectives, improve the financial returns and deliver the Asset Review Business Plan.

## ASSET MANAGEMENT PLAN 2020-2025

- **Property Acquisition Principles** - property will only be acquired where whole life costings and option appraisal exercises are undertaken and meet set target criteria around risk, income returns and yields.

### 4. Value for money

4.1 There is a Council-wide approach to managing assets as a corporate resource, using assets to help to deliver social, environmental and economic outcomes for local communities.

4.2 Collaborating with partner organisations on strategic asset management planning is an important requirement. The Council will continue to develop its strategic approach to working with other bodies to identify opportunities for shared use and alternative options for the management and ownership of its assets.

### 5. The Portfolio and Current Performance

#### 5.1 Gross Asset Value as at 31 March 2019

	Operational assets		Non-operational assets		Total
	Community Assets	Land & Buildings	Investment	Surplus	
No of assets	72	69	51	13	205
Total income	-	£4,218,000*	£4,311,000**	£33,000	£8,562,000
Capital value	£4,076,000	£30,665,000	£85,038,000	£884,000	£120,663,000
Capital Expenditure	£30,347	£455,295	£6,169	230	£492,041
Outstanding Maintenance		£2,587,300	£2,000,000	-	£4,587,300

\* Income from operational assets (ie car parks, crematorium, Civic Centre rents)

\*\* Rental income from investment assets

The total capital spend on property assets in 2018/19 was £2.22 million.

The figure for the outstanding maintenance on the operational buildings is based on a costed 5-year plan. The condition surveys were completed as planned in the summer of 2018. The information which has been derived from the surveys has been considered to assess the current condition of the portfolio, whilst further having regard to the work undertaken during the same financial period. As anticipated in the Asset Management Plan 2018-2022, the outstanding maintenance has increased from circa £2,300,000 to £2,587,300. The increase is as a result of the completion of the survey programme, but also following the continual assessment of repair, which has brought forward some

## ASSET MANAGEMENT PLAN 2020-2025

maintenance work within the 5 year programme. The Pools continue to be removed from the programme given the impending Sands Centre development scheme.

We are currently spending £150,000 p.a. to address this as detailed below, with an additional £100,000 per annum having been allocated for a five year period in a bid to reduce the risk of major long-term capital expenditure being required.

Non-operational outstanding maintenance relates primarily to historical infrastructure costs associated with our industrial estate ground rent portfolio. We are currently in the process of reviewing the non-operational maintenance liability and anticipate that the level of outstanding maintenance will reduce given the asset disposals and investment undertaken at Durranhill and Kingstown Industrial Estates.

### 5.2 Outstanding Maintenance

	19/20	20/21	21/22	22/23	23/24	24/25
<b>Total Revenue Budget</b>	£731,200	£745,900	£760,700	£776,000	791,500	807,400
<b>Capital Schemes Special Projects</b>	£150,000	£150,000	£150,000	£150,000	£150,000	£150,000
<b>Additional Budget</b>	£100,000	£100,000	£100,000	£100,000	£100,000	£0.00
<b>Ratio Planned: Reactive Maintenance</b>	76 : 24	76 : 24	76 : 24	76 :24	76:24	76:24

Based upon the final condition surveys, the annual planned maintenance programme has been further developed for the operational assets. As discussed above, there is unplanned maintenance currently assessed at £2,587,700 for the portfolio of operational buildings. The planned delivery programme to reduce this, incorporates a degree of flexibility to respond to the demands of service delivery, asset review, and other circumstances which may arise during the programme. Members approved a 3 year programme of planned and reactive maintenance on 12 November 2018 (report reference GD.78/18).

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In condition category terms the split is:-

<b>Condition Category</b> (as a % of Gross Internal Area Operational Property)			<b>Sustainable Criteria</b>
	<b>2018-23</b>	<b>2019-24</b>	
<b>A. (Excellent)</b>	<b>29.5%</b>	<b>0.73%</b>	<b>Yes</b>
<b>B. (Good)</b>	<b>60%</b>	<b>89.42%</b>	<b>Yes</b>
<b>C. (Mediocre)</b>	<b>10%</b>	<b>9.85%</b>	<b>Review</b>
<b>D. (Poor)</b>	<b>0.5%</b>	<b>0%</b>	<b>No</b>

The table above shows the condition categories of the operational portfolio as reported last year and this current year. The table more accurately reflects the position following completion of the condition surveys. Whilst there has been a reduction in the amount of floor space which is classed as excellent, there has been an overall increase in the amount within categories A & B from 89.5% to 90.15%. There is currently no floor space within class D and a reduction in that within class C. The movement shows the improvement in the quality of the floor space following the proactive management regime of those assets in need of review or outside the acceptable range. The condition is continually reviewed and for over 90% of the portfolio classed as either excellent or good, is a testimony to the proactive management regime, which would otherwise leave the portfolio falling short of that required to provide the Council's services.

### **5.3 Energy Efficiency**

A programme of energy efficiency and renewable energy projects has been carried out with significant investment in former years. Over the last year the focus has been incorporating energy efficiency measures as part of the flood reinstatement works and we will continue to do this where possible. Projects are being considered to incorporate whole place energy efficiency measures where possible, in addition to that required to meet current building regulation standards.

The solar photovoltaic arrays at the Civic Centre and Sands Centre continue to be successful in terms of electricity generation and income received from the feed in tariff.

The operational and investment portfolio has been assessed to produce up to date Display Energy Certificates (DECS) or Energy Performance Certificates (EPCS) as

## ASSET MANAGEMENT PLAN 2020-2025

required. This exercise was completed to assess and consider the implications of the Minimum Energy Efficiency Standards (MEES) which could impact on the sale and let ability of the non operational assets and provide a benchmark from which to improve the CO2 emissions of the publicly funded buildings.

The data is being interpreted and considered as part of the asset management of the property portfolio and will impact on the long term use, maintenance and ownership of the assets.

### 5.4 Capital Works and Repairs

The programme of works identified in the Capital Major Repairs Programme is initially shaped by a 5-year maintenance plan produced from condition surveys and adjusted each year to keep abreast with new legislation. The Council has a legal duty to maintain its properties and the programme is required to meet those statutory duties. Report GD.78/18 was presented to the Executive on the 12<sup>th</sup> November 2018 with proposals for capital investment for planned major repairs.

The capital schemes special project fund for the programme 2019/20 has been allocated as follows:-

PROPERTY	PROJECT	COST
Civic Centre	First Floor Sky Lights over block floor and offices	£15,000
Civic Centre	Flat Roof Repairs over former Rates Hall/Customer contact centre	£20,000
Civic Centre	10 <sup>th</sup> floor window replacement	£10,000
Bousteads Grassing	Resurfacing work	£10,000
Bousteads Grassing	Office re-roof	£20,000
Cemeteries	Resurfacing work	£30,000
Morton Community Centre	Car Park Resurfacing	£10,000
Currock Community Centre	Flat Roof Renewal	£15,000
Tullie House	Plant upgrade works	£20,000
<b>TOTAL</b>		<b>£150,000</b>

## ASSET MANAGEMENT PLAN 2020-2025

The additional works capital works have been allocated as:

PROPERTY	PROJECT	COST
<b>Year 1 (2019/20)</b>		
Civic Centre	Committee room corridor window replacement	£20,000
Civic Centre	Flat roof covering	£50,000
BIC, Paternoster Row	Lift Upgrade	£20,000
Monuments	Clean and Refurbish	£10,000
<b>TOTAL</b>		<b>£100,000</b>

### 6. Continuous Review and Challenge

The Council continuously reviews and challenges how to best use its asset portfolio;

1. The Council holds a significant, numerous and diverse portfolio of assets across the city, which generates considerable income and which has an important impact on the local economy. The Council uses property well to meet its aims and is planning future investment and development to allow it to continue to do this.
3. The Council has a highly rationalised operational portfolio, however the significant level of maintenance yet to be carried out will present challenging issues going forward. New investment in assets such as the Sands will help alleviate issues by removing older, poorly functioning assets such as the current Pools facility.
4. The accommodation review and Asset Review Business Plan is an ongoing programme that will continue to deliver efficiency benefits.
5. The Council has a diverse and mixed non-operational portfolio which, through rationalisation, is becoming more efficient but has considerable further potential. This potential will be further explored and actions taken to realise efficiencies with the resources currently available.
6. The Council is taking a more commercial approach to the management of the portfolio in order to strategically balance the need for operational assets, income generation and economic development, in support of the local economy, the protection of public services and other priority objectives.
7. The Transformation Programme has identified the need for further rationalisation and consolidation of the operational property to improve access to public services and efficiency. The accommodation review will address these needs.



## **6.1 Accommodation Review**

An Accommodation Review of both back office and front public facing service delivery assets is ongoing. This comprises an analysis of accommodation needs and the existing provision, exploring future solutions and implementing the most beneficial models for the Authority.

It seeks to deliver effective and efficient accommodation that suits the needs of each service, establish a more corporate approach to accommodation, make more effective use of space, improve the working environment and make the accommodation as productive as possible.

The redevelopment of the ground floor of the Civic Centre post flood has reflected the changing business requirements of the City Council and sought to embrace modern ways of working whilst also incorporating flood resilience where possible. The new multi-functional chamber and enhanced parking facilities will also provide income generating opportunities.

The challenges going forward are:

To complete the redevelopment of the ground floor.

To maximise space utilisation in the Civic Centre embracing modern ways of working and to encourage take up of vacant space by our public-sector partners as part of the One Public Estate Programme to minimise occupation costs. The appointment of a programme manager will assist with this aspiration and discussions are being progressed with a number of partners who have accommodation requirements.

To maximise the revenue generation opportunities presented by the ground floor redevelopment.

## **6.2 Asset Review Business Plan**

An asset review and investigation into the options for the development of a new approach to the management and use of the portfolio was concluded in 2010 with the adoption by Council of an Asset Review Business Plan (Report Ref. CE 39/10 refers).

Implementation of the Business Plan has taken place over the past 5 years with management structures and resource capacity to deliver the 3 portfolio areas and the overarching strategic asset management put into place. These changes took place within the context of the Transformation Programme and are constantly evolving as priorities and needs change.

### **6.3 Disposal Programme**

In December 2018 a revised disposal programme was approved by the Executive with the aspiration of generating £10m to assist with funding major developments such as the Sands Centre and Gateway 44 scheme. Additional staff resources have been engaged to deliver this 5 year programme and these have just commenced work on the project.

The project follows on from the previous disposals programme which successfully delivered over £10m of capital receipts.

### **6.4 Reinvestment Options**

The Business Plan envisages capital receipts will be used to generate additional revenue and support purchases in the economic development and operational property portfolios.

Opportunity purchases into the Economic Development portfolios have been completed to consolidate the Council's existing property ownership and land holdings in Rickergate with the acquisition of property in the Warwick Street area, in preparation for redevelopment.

We continue to look for opportunities to enhance income generating opportunities for the City Council.

### **6.5 Chancerygate – Kingstown and Parkhouse**

Chancerygate, the Council's appointed managing agents for their Kingstown & Parkhouse assets, continue to make good progress with the management and development of our portfolio north of the City. The Gateway 44 bulky goods retail scheme has now obtained planning consent and a tender process has been completed for the build contract, pre-lets are being agreed with tenants and works will shortly be commencing on site. The intention is that the Council will develop the scheme and retain as a long-term investment. Progress continues to be made with the programme of rent reviews following a successful third-party determination.

### **6.6 Economic Development Portfolio**

The assets within this portfolio are directed towards supporting and creating opportunities for the growth of the City using employment, housing and retail development land.

The Borderlands Growth Deal presents a once in a lifetime opportunity for the growth of the city with Carlisle seen as the "beating heart" of the Borderlands region. Schemes have been developed that would see the improvement of the station along with

developments at the Citadel and Caldew Riverside. The City Council has significant land holdings that could assist in the delivery of these transformational projects and we are working closely with our colleagues at Cumbria County Council and Network Rail to move the projects forward. The Sands Centre redevelopment frees up the former Pools site to be transformed into a new multi-storey car park for the station enhancing its position as a HS2 compliant station.

St Cuthbert's Garden Village scheme continues to make good progress, with the proposals recently refined to focus on smaller settlements rather than one large one.

The funding announcement for the Southern relief road opens up further opportunities for growth of the City. We are currently developing proposals for the Morton District Centre which will encompass both a retail element and employment land.

### **6.7 Flood Affected Assets**

We are currently out to tender on the proposals to redevelop the ground floor of the Civic Centre and we are looking to review options for replacement of Bitts Park Pavilion and enhancement of the park facilities. Where possible flood resilience measures have been incorporated in the reinstatement works to minimise the effect of any future flooding incidents.

## **7. Conclusion**

The Council has a highly rationalised and suitable service occupied portfolio although a significant maintenance requirement that needs to be addressed. However, we are not complacent and will continue to look for opportunities to rationalise our operational portfolio where possible.

The Council has a significant commercial portfolio, which is generating substantial rental income however we will continue to look for opportunities to unlock development potential and create investment assets within our portfolio, as evidenced at Gateway 44, whilst also supporting our aspirations for Economic Growth.

The Council is looking at opportunities for rationalising the portfolio and sharing accommodation with other public bodies and partner organisations.

Performance measures, which are being improved upon, are in place to evaluate asset use in relation to corporate objectives.

The Council's asset base is continually being challenged and reviewed with additional efficiency measures implemented where appropriate.

## **ASSET MANAGEMENT PLAN 2020-2025**

The Council is looking at ways in which it can improve and re-model the way in which it delivers its property management services producing further cost and efficiency savings.

# 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

**Contact Officer:** Steven Tickner

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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 Apprenticeship 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>

# Business & Transformation Scrutiny Panel

Agenda  
Item:

**A.5**

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 CAPITAL INVESTMENT STRATEGY 2020/21 - 2024/25  
Report of: CORPORATE DIRECTOR OF FINANCE AND RESOURCES  
Report Number: RD17/19

## Summary:

The Council's draft Capital Strategy for the period 2020/21 to 2024/25 was considered by the Executive on 22 July 2019.

## 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 Capital Programme and use of Capital Resources 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 CAPITAL INVESTMENT STRATEGY 2020/21 - 2024/25  
Report of: CORPORATE DIRECTOR OF FINANCE AND RESOURCES  
Report Number: RD17/19

## Purpose / Summary:

The Council's draft Capital Investment Strategy is intended to direct the Council's Capital Programme and the allocation of resources for the five-year period 2020/21 to 2024/25. The guidance in this strategy complements and supplements the Medium Term Financial Plan.

Following consideration by the Executive, the Business and Transformation Scrutiny Panel will consider the draft on 25 July, with final recommendations to Council on 10 September 2019.

## Recommendations:

The Executive is asked to:

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

## Tracking

Executive:	22 July 2019
Overview and Scrutiny:	25 July 2019
Executive	19 August 2019
Council:	10 September 2019



## **1. BACKGROUND**

- 1.1 The Capital Investment Strategy is a key policy document, providing guidance on the Council's Capital Programme and the use of capital resources. The Strategy supplements guidance contained in the Medium Term Financial Plan (MTFP).
- 1.2 The Capital Investment Strategy is reviewed annually alongside the MTFP, starting with the assumptions made in the Budget Resolution approved by Council on 20 February 2019. This position has been updated to reflect any known changes since that date. The Strategy also incorporates the requirements under the Prudential Code 2017 to link capital investment with treasury management activity and service objectives.

## **2. KEY MESSAGES**

- 2.1 The Capital Investment Strategy shows the starting position for the 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. The Capital Programme and the financing of the programme are going to play an important role in shaping future budget considerations due to:
- The re-profiling of asset sales that was undertaken in 2018 and which will be updated as part of the budget process will have a significant impact on the revenue budget through the requirement to fund the capital programme with a borrowing requirement;
  - Additional Capital investment decisions will likely require revenue funding, either as a direct contribution from revenue reserves or through borrowing costs.
- 2.2 Although there is a forecast borrowing requirement to fund the capital programme, there are some factors that will also need consideration. These are:
- Asset sales generating receipts over current estimate levels will reduce any borrowing requirement;
  - The ability to make a recurring revenue contribution to fund the capital programme will reduce any borrowing requirement;
  - A review of the current programme may relieve some of the expenditure pressures.
- 2.3 The Authorised Limit and Operational Boundary shown in the Draft Capital Investment Strategy at paragraph 4.4 will be reviewed during the consultation process and recommendations will be incorporated into the final versions to be considered by Council in September 2019 on adjusting the limits in line with the current projections for the CFR.

### **3. RISKS**

- 3.1 The Capital Investment Strategy contains risk analysis of the issues that could potentially affect the budget and financial planning position.

### **4. CONSULTATION**

- 4.1 The draft Capital Investment Strategy has been considered by the Senior Management Team and the Portfolio Holder for Finance, Governance and Resources.
- 4.2 The Business and Transformation Scrutiny Panel will consider the report on 25 July 2019 and recommendations made to full Council on 10 September.

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

- 5.1 The Executive is asked to:  
Comment on the draft Capital Investment Strategy for consideration by the Business and Transformation Scrutiny Panel on the 25 July 2019.

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

- 6.1 The Capital Investment Strategy contains the current capital programme and how this aims to enhance the Carlisle area through the development of new infrastructure to both improve service delivery and provide additional facilities in the area.

**Contact Officer: Steven Tickner**

**Ext: 7280**

**Appendices**                      **Appendix 1 – Capital Investment Strategy 2020/21 to 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 fiduciary duty to manage its resources correctly. The Capital Investment Strategy is an important part of the budgetary process and seeks to ensure a

planned and coordinated approach to the delivery of projects within the parameters of our financial resources.

**Finance** – contained within the report

**Equality** – Strategy includes expenditure forecast for Disabled Facility Grants

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

# Draft Capital Investment Strategy

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Carlisle City Council

2020/21 to 2024/25

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## 1.0 Introduction

- 1.1 The Capital Investment Strategy is a key policy document for the Council and provides guidance on the Capital Programme and the use of capital resources and Asset Management Plans. The strategy reflects the links to other Council plans and is based on the guidance in the Medium-Term Financial Plan (MTFP). The Capital Investment Strategy is written following guidance included in the Prudential Code (2017) and is required to be approved by Full Council.

The objectives of the Capital Investment Strategy are to:

- Provide an overview of the governance process for approval and monitoring of capital expenditure;
- Provide a longer-term view of capital expenditure plans;
- Provide an overview of asset management planning;
- Provide expectations around debt and use of internal borrowing to support capital expenditure;
- Define the authority's approach to commercial activities including due diligence and risk appetite;
- Defines the available knowledge and skills to the authority in relation to capital investment activities.

- 1.2 Capital spending is strictly defined and is principally incurred in buying, constructing or improving physical assets such as buildings, land and vehicles, plant and machinery. It also includes grants and advances to be used for capital purposes. The Council's policy on capitalisation is included in the Accounting Policies of the Statement of Accounts. The policy states that items of vehicle, plant and equipment over £5,000 will be capitalised and expenditure on land, buildings and other structures over £20,000 will be capitalised. Expenditure under these limits is deemed to be a revenue cost.

### 1.3 **Evaluation and Monitoring of Capital Projects**

The evaluation and monitoring of capital projects is important to enable the Council to determine:

- If projects have met their individual objectives for service provision,
- If projects have been delivered on time and to budget, or whether lessons need to be learned to improve processes in the future,
- If projects have contributed to the overall aims and objectives of the Council.

1.4 To assist with these processes, the Council has a series of procedures in place as a capital project develops. These consist of: -

- Consideration of all aspects of a capital project by the Transformation Sub-Group, comprising senior officers of the Council, whose purpose is to lead on the prioritisation of capital investment through the consideration of business cases and the ongoing monitoring and evaluation of individual capital projects. All proposals for investment will be submitted to members for consideration as part of the normal budget process.
- The development of a risk-assessed project plan for every project, which is subject to regular monitoring against key milestones by a nominated project officer.
- Changes to capital budgets, scheme costs, the inclusion or removal of individual schemes and information on remedial action needed to bring projects back on track are reported to Council as required.
- The Senior Management Team and the Executive receive quarterly monitoring reports on the Capital Programme to review progress on the delivery of projects. This process also includes the evaluation of completed capital projects to assess if their individual aims and objectives have been met, and makes recommendations where necessary to improve the delivery of similar projects in the future.
- The Council's Business and Transformation Scrutiny Panel also critically examines the performance in delivering capital projects on a quarterly basis.

#### 1.5 **Current Asset Portfolio**

The Council holds a significant asset portfolio that supports both its operational activities and non-operational activities from which it receives significant rental income.

The rental income it receives is used to support Council services and provides a significant proportion of the income it receives. The income from rentals on the non-operational asset portfolio is 63% of what the Council receives in funding from Council Tax.

Asset Category	Valuation 31/03/19 £000	Rental Income £000	Other Income £000	Total Income 19/20 £000
Investment Property	85,038	4,311	0	4,311
Surplus Assets	884	33	0	33
Land & Buildings	30,665	177	4,218	4,395
Infrastructure	5,223	0	0	0
Community Assets	4,076	0	0	0
Dwellings	201	0	0	0
Vehicles Plant & Equipment	6,224	0	0	0
Heritage	19,502	0	0	0
Assets Under Construction	1,470	0	0	0
<b>TOTAL</b>	<b>153,283</b>	<b>4,521</b>	<b>4,218</b>	<b>8,739</b>

### Investment Property (Non-Operational)

These assets include Industrial Estates, land held for capital appreciation and rental income, Lanes Shopping Centre

### Surplus Assets (Non-Operational)

These assets include land held that do not generate significant rental incomes or are held for capital appreciation

### Assets Held for Sale (Non-Operational)

This relates to assets that have been identified for sale and are in the process of being disposed at the Balance Sheet date.

### Land & Buildings (Operational)

These are operational properties that are used to deliver council services and include Council accommodation, community centres, car parks and hostels

### Infrastructure (Operational)

These assets include bridges and footpaths

### Community Assets (Operational)

These assets include parks and open spaces

### Dwellings (Operational)

These assets are primarily homeshares used by the homelessness service



**Vehicles, Plant and Equipment (Operational)**

These assets are used in the delivery of Council services and include all Council owned vehicles, IT equipment, play equipment and green spaces equipment

**Heritage (Operational)**

These assets relate to items of heritage and include the Tullie House Museum Collection and statues and monuments.

**Assets Under Construction (Non-Operational)**

These are assets that are in the course of construction but have not yet been completed.

The assets held on the balance sheet are offset by the long-term debt currently held on the balance sheet. As at 31 March 2019, this totalled £15million, which represents a debt cover ratio of 9.78%.

## 2.0 Financial Principles supporting the Capital Strategy

2.1 Capital expenditure is to be incurred in line with Financial Procedure Rules as follows:

- The Corporate Director of Finance and Resources is responsible for ensuring that a capital programme is prepared on an annual basis for consideration by the Executive before submission to the Council (2.14);
- Capital Programme – Key controls and responsibilities of the Corporate Director of Finance and Resources and Corporate Directors (B.51 – B66).

2.2 The key principles to be applied to the Capital Investment Strategy are set out below:

- Capital resources are held corporately and are allocated according to the priorities set out in the Carlisle Plan (i.e. there is no automatic ring-fencing of resources for specific purposes with the exception of the repayment of Renovation grants);
- Capital receipts will be allocated in accordance with Council priorities;
- Specific repayments of Renovation Grants will be reinvested in the programme and be used to support Private Sector Renewal Grants;
- Income generated from the sale of vehicles, plant and equipment will be reinvested in the programme and be used initially to fund future replacements;
- The Council will seek to maximise the use of grants and external funding;
- The Council is committed to deliver capital investment with partners to maximise benefits where this fits with Council priorities;
- Redirection of capital resources from one project to another will be contained within existing budgets, unless increases can be justified through the budget process;
- Capital budgets are generally cash-limited i.e. no provision is made for inflation which effectively means that over time there is a real reduction in the value of resources allocated to specific capital projects;
- Council Tax increases will be limited to fair and reasonable levels. This requires a full assessment of the revenue consequences of capital projects and their respective methods of finance;
- Any shortfall against the capital receipts forecast to be received will have significant implications on the ability to deliver the forecast levels of investment without incurring borrowing;

- 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);
- Review the Asset Review Business Plan to see if any asset sales can be re-profiled and whether expected proceeds require revisions;
- The reinstatement works for flood affected assets are likely to increase the capital programme but will be funded mainly from insurance settlements;
- In order to reduce the exposure of the council to a borrowing requirement the following steps should continue to be examined:
  - Review of existing capital programme to ensure that schemes are still required and are accurate;
  - Maximisation of the use of grants and contributions from external sources;
  - Providing a recurring revenue contribution to the capital programme;
  - Invest to save schemes that can repay the capital investment over a period of time.

Capital Investment Assumptions:

- *The current capital programme is forecast to utilise all forecast capital receipts 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.*

## 2.3 **Carlisle Plan and Other Council Strategies, Plans and Policies**

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

The Capital Strategy 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.

The Capital Investment Strategy 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 Medium Term Financial Plan, which provides information on the proposed revenue budget and considerations that will impact on future budgets.
- 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 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.
- 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.

### 3.0 Capital Expenditure

#### 3.1 Capital Investment Priorities

The Capital Investment Strategy needs to ensure that any capital investment decisions are both affordable and achieve the priorities as set out in the Carlisle Plan. The Council is at a point where capital resources have become scarce and as such any investment in assets is likely to have implications on the revenue budget.

The Capital Investment Strategy must therefore recognise the implications of capital investment decisions and ensure that they are in line with Council priorities and financing requirements are robustly evaluated and understood.

The current capital programme includes provision for investment in new Leisure facilities at £25.5million primarily funded from borrowing that will be offset by a reduction in the subsidy payable on the Leisure contract. The programme also includes provision for Gateway 44 investment and Carlisle Southern Relief Road.

Other capital investment opportunities may present themselves over the lifetime of the MTFP with initiatives progressing for Garden Village and Borderlands. Each will be subject to further business cases on investment opportunities and the benefits that could be made from those investments.

All business cases will be subject to the usual due diligence to ensure that they afford the best value for money for the Council, align with its core priorities and do not expose the Council to unnecessary risk that could put future delivery of services in jeopardy. Further details on the Council's attitude to risk and due diligence is given at section 5 (Commercial Activity).

The table below shows the current capital resources at the end of 2018/19 before any new decisions around capital investment are made.

	Budget	Forecasts				
	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Borrowing Requirement B/Fwd	1,875					
Estimated resources available in year (Table 3)	(7,322)	(8,272)	(3,848)	(2,554)	(2,393)	(2,351)
Proposed Programme (Table 2)	23,192	13,454	5,897	8,555	1,933	1,933
<b>(Surplus Capital Resources) / Borrowing Requirement - Cumulative</b>	<b>17,745</b>	<b>22,927</b>	<b>24,976</b>	<b>30,977</b>	<b>30,517</b>	<b>30,099</b>

Table 1: Current Capital resources

### 3.2 **Current Expenditure Forecast**

The Council approved the current forecast for the period 2019/20 to 2023/24 in February 2019 and details are shown below adjusted for the outturn from 2018/19 and also for decisions made in relation to capital investment between April and June 2019.

	Budget	Forecasts				
	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Disabled Facilities Grants	3,179	1,467	1,467	1,467	1,467	1,467
Vehicles Plant & Equipment	1,725	647	1,486	1,297	0	0
Property Enhancements	330	250	250	250	250	250
ICT Strategy	117	83	83	116	171	171
Recycling Containers	45	45	45	45	45	45
Play Area Developments	35	0	0	0	0	0
Old Town Hall/Greenmarket	380	0	0	0	0	0
Gateway 44	6,459	0	0	0	0	0
Play Areas - Green Gyms	33	0	0	0	0	0
Tennis Facility - Bitts Park	94	0	0	0	0	0
Planning Software	150	0	0	0	0	0
Cemetery Infrastructure	11	0	0	0	0	0
Open Space Improvements	85	0	0	0	0	0
Minor Works Grants	23	0	0	0	0	0
Affordable Homes	50	0	0	0	0	0
Asset Purchase	150	0	0	0	0	0
Flood Reinstatement	(68)	0	0	0	0	0
Carlisle Southern Relief Road	0	0	0	5,000	0	0
Civic Centre Digital Banner	20	0	0	0	0	0
Leisure Facilities	10,374	10,962	2,566	380	0	0
<b>Total Programme</b>	<b>23,192</b>	<b>13,454</b>	<b>5,897</b>	<b>8,555</b>	<b>1,933</b>	<b>1,933</b>

Table 2: Current Capital Programme

### 3.3 Current Resource Forecasts

The Council's capital programme can be financed, (or paid for), through a variety of sources and the Corporate Director of Finance and Resources will make recommendations on the most effective way of financing the Capital Programme to optimise the overall use of resources. The availability of staff resources to deliver the approved programme will need to be considered during the budget process. Table 3 shows the estimated level of capital resources, which will be generated over the next five years.

	Budget	Forecasts				
	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Capital Grants & Contributions	4,035	1,467	1,467	1,467	1,467	1,467
Capital Receipts (Asset Review)	1,700	5,787	1,455	161	0	0
Revenue Financing	1,587	1,018	926	926	926	884
<b>Total Resources Receivable in Year</b>	<b>7,322</b>	<b>8,272</b>	<b>3,848</b>	<b>2,554</b>	<b>2,393</b>	<b>2,351</b>
Borrowing Requirement (in Year)	15,870	5,182	2,049	6,001	(460)	(418)

Table 3: Current Proposed Resources

There is a further £136,000 held within capital grants unapplied account that are not currently allocated to fund specific projects and are therefore not included within the figures above or the opening balances. These can only be utilised on projects linked to the original grant allocations.

#### 3.3.1 Capital Grants

The Council receives one primary capital grant from central government to support its role in providing Disabled Facilities Grants. For 2019/20 the Council has budgeted to receive £1,467,300 which will increase to £1,899,800 now that the 2019/20 allocation has been confirmed. There have been changes to the way the grant is now distributed with the funding being provided to the County Council as the Better Care provider who then allocate funding to the District Councils. Future year's allocations may therefore be subject to change as part of this change in procedure.

#### 3.3.2 Revenue Contributions and Reserves

The capital programme can also be financed through the use of reserves (both capital and revenue) although revenue contributions will have an overall effect on the General Fund revenue budget

### 3.3.3 Capital Receipts

Capital Receipts arise principally from the sale of Council capital assets.

The sale of assets as part of the Asset Review are now utilised to support the Capital Programme in the Capital Strategy. Sales of £1.7million are included in the Capital programme to be achieved in 2019/20.

### 3.3.4 Borrowing Requirement

The borrowing requirement includes £30.0m (external) borrowing over the next five years for the funding of Leisure Facilities, Gateway 44 project and Carlisle Southern Relief Road and this is to be paid for through a reduction in the Leisure contract fee, increased income and developer contributions. However the final costs and funding requirements will be subject to further reports during the budget process.

## 3.4 Asset Management

A separate Asset Management Plan is produced annually by the Council that outlines the ongoing asset management requirements to maintain the property portfolio. This Plan is considered alongside the MTFP and the Capital Investment Strategy.

The Council also maintains a vehicle Plant and Equipment Replacement Plan which outlines the anticipated replacement lifecycle for the main items of fleet it requires to operate services. This plan is updated annually and is fed into the budget process to determine the capital requirement.



## 4.0 Debt, Borrowing and Treasury Management

### 4.1 Borrowing

Rules on borrowing have been relaxed since the introduction of the Prudential Code in April 2004 with authorities now able to borrow as much as it wishes provided that it can afford the repayments from its revenue budget.

The Council has identified that it may need to borrow £30.0million to fund the current capital programme to support the development of Leisure Facilities, Gateway 44 project and Carlisle Southern Relief Road. The cost of this borrowing is included in the Medium-Term Financial Plan and is also offset by a corresponding savings from the Council's Leisure Contract, increased income and developer contributions.

Borrowing can be undertaken through external loans with, for example, the Public Works Loan Board (PWLB), or can be undertaken by utilising internal resources, i.e. investment balances. This is known as internal borrowing.

The Corporate Director of Finance and Resources is delegated with responsibility for the financing of the capital programme and as such may make borrowing decisions based upon interest rates, the Council's cash flow projections and other economic factors, in order to optimise the overall use of resources. External advice will be sought from the Council's Treasury advisors, Link, if necessary.

In order to reduce the exposure of the council to a borrowing requirement the following steps should be examined when determining proposed capital programmes:

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

Where possible the Council will attempt to avoid using any debt financing for capital projects, however, it recognises that this is not always possible. In cases where debt financing is unavoidable, the Council will consider robust business cases to ensure the servicing of debt costs can be adequately met

from revenue resources without having an adverse impact on service delivery. Where possible, debt will be repaid at the earliest opportunity, and the type of borrowing undertaken will always reflect the need the Council has at the point in time it is taken out. The Council will look to repay all borrowing either before or upon its actual maturity profile.

#### 4.2 **The Capital Financing Requirement**

The Capital Financing Requirement (CFR) represents the Council's underlying need to borrow. This is different to any actual borrowing. If the Council generates the same amount of resources in a year to meet its capital expenditure requirements, then there is no change to the CFR. However, if the Council spends more than the resources it generates in year, the CFR will increase as in effect the Council has created a borrowing requirement to bridge the gap in the resources it needs and the resources it has.

Although the CFR does not necessarily reflect actual borrowing taken from an external source, it can reflect the use of internal cash resources, i.e. internal borrowing.

Where the Council has a positive CFR, i.e. an underlying need to borrow, it must make provision to repay that 'debt', or repay the cash used through internal borrowing. This is known as Minimum Revenue Provision (MRP). The Council's current policy, as set out in the MRP Strategy is to charge MRP on a straight line basis at 3% of the CFR. As MRP is a non-cash transaction it has the effect of increasing the cash balance of the Council.

The current forecast for the CFR and MRP based on the current capital programme is as follows:

	Budget	Forecasts				
	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Total Capital Expenditure	23,192	13,454	5,897	8,555	1,933	1,933
Capital Resources Receivable in Year	(7,322)	(8,272)	(3,848)	(2,554)	(2,393)	(2,351)
MRP & Repayment of Debt	(27)	(12)	(12)	(739)	(898)	(857)
<b>Change in Underlying need to borrow</b>	<b>15,843</b>	<b>5,170</b>	<b>2,037</b>	<b>5,262</b>	<b>(1,358)</b>	<b>(1,275)</b>
CFR Brought Forward	13,682	29,525	34,695	36,732	41,994	40,636
<b>CFR Carried Forward</b>	<b>29,525</b>	<b>34,695</b>	<b>36,732</b>	<b>41,994</b>	<b>40,636</b>	<b>39,361</b>
Adjustment A Revision	(4,426)	(4,426)	(4,426)	(4,426)	(4,426)	(4,426)
Adjustment for Assets Under Construction	(10,374)	(21,336)	0	0	0	0
<b>CFR FOR MRP PURPOSES</b>	<b>14,725</b>	<b>8,933</b>	<b>32,306</b>	<b>37,568</b>	<b>36,210</b>	<b>34,935</b>

Table 6: Capital Financing Requirement

#### 4.3 Investment and Reserve Balances

An important consideration to understand when making capital investment decisions, especially when a borrowing requirement exists is the relationship between the Council's available cash investment balances and its reserves.

At 31 March 2019, the Council had cash and investments of £19.539million. If all revenue and capital budgets are spent in line with the budget and all receipts are received in line with expectations then at 31 March 2020, investment balances would be £19.7million. The following table shows the breakdown of the investment balance and what the cash relates to:

	Outturn	Forecasts					
	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Total Investments	19,536	19,667	18,765	15,351	13,390	13,230	12,953
<i>Made up of:</i>							
General Fund Reserves	4,630	3,710	2,683	3,011	3,217	3,604	3,957
Capital Reserves	381	75	90	105	120	135	150
Earmarked Revenue Reserves	5,159	5,159	5,159	5,159	5,159	5,159	5,159
Provisions	1,849	1,849	1,849	1,849	1,849	1,849	1,849
Collection Fund Adj Account	305	305	305	305	305	305	305
Capital Grants Unapplied	136	136	136	136	136	136	136
Working Capital	5,745	5,745	5,745	5,745	5,745	5,745	5,745
Capital Receipts applied	0	0	0	0	0	0	0
Total Working Capital & Balances	18,205	16,979	15,967	16,310	16,531	16,933	17,301
<b>Surplus Cash/(Cash Deficit)</b>	<b>1,331</b>	<b>2,688</b>	<b>2,798</b>	<b>(959)</b>	<b>(3,141)</b>	<b>(3,703)</b>	<b>(4,348)</b>

Table 7: Investments and Reserves

The figures above are based on assumptions regarding budgets being fully spent with no over/under spends and reserves utilised as per current budget projections.

The surplus/deficit cash position represents how much of any borrowing requirement identified can be met from internal resources (internal borrowing) or how much will need to be met from actual external borrowing up to 2024/25.

This can also be shown when comparing the difference in the CFR (underlying need to borrow) and the actual borrowing level.

	Outturn	Forecasts					
	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
CFR (Underlying Need to borrow)	13,682	29,525	34,695	36,732	41,994	40,636	39,361
Total Borrowing	15,013	32,213	37,493	35,773	38,853	36,933	35,013
<b>(Over)/Under Borrowing Position</b>	<b>(1,331)</b>	<b>(2,688)</b>	<b>(2,798)</b>	<b>959</b>	<b>3,141</b>	<b>3,703</b>	<b>4,348</b>
Less Capital Receipts Applied	0	0	0	0	0	0	0
<b>(Over)/Under Borrowing Position</b>	<b>(1,331)</b>	<b>(2,688)</b>	<b>(2,798)</b>	<b>959</b>	<b>3,141</b>	<b>3,703</b>	<b>4,348</b>

Table 8: Borrowing position

Therefore, the Council is holding £1.331million of cash in its investment balances at 31 March 2019 that can be attributed to the amount of debt it

holds. Where actual debt is greater than the CFR, the Council holds this surplus cash in its investment balances and this is known as over-borrowing.

***As the figures shown above are based on forecast levels of expenditure linked to current budgets and anticipated receipts, actual figures will vary in each year depending upon actual expenditure and income levels.***

#### 4.4 **Authorised Limit and Operational Boundary**

The Authorised Limit and Operational Boundary are set in line with the requirements of the Prudential Code and are included in the Treasury Management Strategy Statement and approved by Council in February each year.

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

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

The limits shown below will be reviewed during the consultation process of the Capital Investment Strategy and recommendations will be made in the final versions to be considered by Council in September 2019 on adjusting the limits in line with the current projections for the CFR.

PRUDENTIAL INDICATOR TREASURY MANAGEMENT INDICATORS	2018/19 actual £000	2019/20 estimate £000	2020/21 estimate £000	2022/23 estimate £000	2021/22 estimate £000	2022/23 estimate £000
<b>Authorised Limit for External Debt:</b>						
- Borrowing	37,500	37,500	37,500	37,500	37,500	37,500
- Other Long Term Liabilities	100	100	100	100	100	100
<b>TOTAL</b>	<b>37,600</b>	<b>37,600</b>	<b>37,600</b>	<b>37,600</b>	<b>37,600</b>	<b>37,600</b>
<b>Operational Boundary for external debt:</b>						
- Borrowing*	32,500	32,500	32,500	32,500	32,500	32,500
- Other Long Term Liabilities	100	100	100	100	100	100
<b>TOTAL</b>	<b>32,600</b>	<b>32,600</b>	<b>32,600</b>	<b>32,600</b>	<b>32,600</b>	<b>32,600</b>

## 5.0 Commercial Activity

- 5.1 The Council has used its asset portfolio to operate in a commercial manner for many years. Much of the investment property portfolio is held on long term leases which provide a guaranteed rental return from the asset with regular rental review built into the terms of each lease. This way of operating therefore provides some certainty about the income levels receivable.

With reductions in funding the Council is having to look at commercial activities to supplement its income and support service delivery. However, to minimise risk of potential loss of income in the longer term it needs to ensure that any investment opportunities are based upon sound decision making that consider the future likelihood of investment income reducing.

Therefore, when making commercial investment decisions the Council will follow the principles set out below:

- Commercial capital investments will only be made to enhance the Council's asset portfolio and will be linked to the delivery of the Carlisle Plan;
- Consideration will be given to the economic development potential of any investment decision;
- Expert advice will be sought to ensure any investment decision is based upon sound market intelligence, forecasts for future investment returns and yields that offer a sound investment return without risking the capital invested;
- Any borrowing linked to investment opportunities is secured upon the potential guaranteed element of the investment return so that any liability can be met from the activity undertaken;
- Investment opportunities will always ensure that the Council's investment is protected as far as possible either through increases in capital value or from guaranteed revenue income;
- Capital investment decision will be subject to the usual governance processes of consideration by Executive, scrutiny by the appropriate panel and Council approval where a budget is required to be established;

## **6.0 Other Long-Term Liabilities**

- 6.1 The Council currently holds a £15million stock issue loan that is due for redemption in 2020. This debt is factored into the Medium Term Financial Plan to be re-financed in 2020 at a lower rate of interest. The loan is currently repayable at 8.75% and the MTFP assumes that the new borrowing will be at a lower interest rate, however, the actual rate achieved will depend on prevailing market rates at the time the loan is re-financed. The MTFP also assumes that any new loan will be taken on a principal repayment term so that the debt repaid fully once the new term ends.



## **7.0 Knowledge and Skills**

7.1 The Council utilises the knowledge and skills of its internal officers when considering capital investment decisions and where necessary it also relies on the expert knowledge of specialist external advisors.

7.2 The Council employs professionally qualified legal, finance and property officers who are able to offer advice and guidance when considering any capital investment decisions.

### **7.3 Finance**

Finance staff are professionally qualified to advise the Council on all financial aspects of capital decisions. They also have the necessary experience of how the Council works having been in post for a number of years. Finance staff also undertake Continuous Professional Development and the Council is an accredited body of the CIPFA (Chartered Institute of Public Finance Accountancy) CPD scheme. They maintain knowledge and skills through regular technical updates from appropriate bodies.

### **7.4 Property**

The City Council's in-house property team is made up of a number of Chartered Surveyors who advise the Council on all property matters. They are all members of the Royal Institution of Chartered Surveyors (RICS) and comply with the RICS's rules in relation to Continuing Professional Development. The Property Services Manager is also an RICS Registered Valuer. The Council is a member of ACES – the Association of Chief Estates Surveyors and Property Managers in the Public Sector. The team have extensive property knowledge and have worked for the Council for a number of years.

### **7.5 Legal**

Legal Staff are professionally qualified as either solicitors or legal executives and are regulated by their respective professional bodies (Solicitors Regulation Body/Institute of Legal Executives). The staff undertake Continuing Professional Development and their rules of conduct require that they have an appropriate level of skill and expertise to deal with the particular matter with which they are dealing. All staff are aware of the operational structure of the Council. They maintain knowledge and skills through regular technical updates from appropriate bodies.

## 7.6 **External Advice**

The Council uses external advisors where necessary in order to complement the knowledge its own officers hold. Some of these advisors are contracted on long term contracts or are appointed on an ad-hoc basis when necessary. The main advisors the Council uses are as follows:

- **Link Asset Services** – Treasury Management, including Cash investments, borrowing and capital financing
- **ChanceryGate** – Property and Asset Management and asset development opportunities in relation to Kingstown Industrial Estate

**APPENDIX A****Capital Programme – Risk Assessment**

<b>Risk</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Mitigation</b>
Capital projects are approved without a full appraisal of the project and associated business case.	Remote	Marginal	Strengthen the role of Transformation Sub-Group when considering capital project appraisals, to include consideration of business cases
Full capital and revenue costs of a project not identified.	Reasonably Probable	Marginal	Capital spending must meet statutory definitions. Financial Services to regularly review spending charged to capital. Appraisals to identify revenue costs, including whole life costs to improve financial planning. This may need to be reviewed if major schemes progress, e.g. Sands
VAT partial exemption rules are not considered.	Reasonably Probable	High	Reduced impact following the decision to elect to tax land and property. To be considered as part of Project Appraisals and assessed by Financial Services.
Capital projects are not delivered to time	Reasonably Probable	High	Significant slippage in the current capital programme. Better project management skills to be introduced through PRINCE 2. Project managers to take more ownership and responsibility for the delivery of projects. The review of the capital programme currently underway will address some of these issues.
Capital projects are not delivered to budget. Major variations in spending impact on the resources of the Council.	Reasonably Probable	Marginal	Improved capital programme monitoring through PRINCE 2 and monthly financial monitoring. Corrective action to be put in place where necessary.
Assumptions on external funding for capital projects are unrealistic	Probable	High	Potential shortfalls arising from changes to external funding have to be met from other Council resources, so assumptions need to be backed by firm offers of funding before projects are submitted for appraisal. Risk increased due to uncertainty around funding, e.g. MHCLG grants
Spending subject to specific grant approvals e.g. housing improvement grants, disabled persons adaptations varies from budget	Remote	Marginal	Specific grants are generally cash limited so variations in projects supported by funding of this nature will be monitored closely to ensure target spend is achieved to avoid loss of grant or restrictions on subsequent years grant funding.
Shortfall in level of capital resources generated from Capital Receipts	Probable	High	Economic downturn will impact - early warning so as not to over commit capital resources.



# Business & Transformation Scrutiny Panel

Agenda  
Item:

**A.6**

Meeting Date: 25<sup>th</sup> July 2019  
Portfolio: CROSS CUTTING  
Key Decision: No  
Within Policy and  
Budget Framework YES  
Public / Private Public

Title: CORPORATE PROJECT STATUS REPORT  
Report of: TOWN CLERK & CHIEF EXECUTIVE  
Report Number: CE 04/19

## Purpose / Summary:

The City Council's Transformation Board's role is to ensure that there are effective governance arrangements in place for the projects that the Council undertakes. This report provides an update against corporate projects currently being undertaken in the Council.

A risk-based audit review of Programme & Project Management has taken place in June 2019 and the outcomes from this are awaited. The scope of the audit is to provide independent assurance over management's arrangements for ensuring effective governance, risk management and internal controls are in place over the service objectives. Members will be kept informed.

## Recommendations:

The Panel is asked to note and comment on the most recent summary of projects and governance arrangements in place as contained in Appendix One, and the actions being taken to support projects with issues. At Appendix Two is a summary of the standalone IT projects and their current status.

## **1. BACKGROUND**

- 1.1** The Transformation Board has a high level advisory and monitoring role in relation to the projects delivered by Carlisle City Council. As requested by the Panel, a six-monthly progress update on projects has been provided by the Transformation Board.

The Corporate Project Status report is now hosted on SharePoint. The use of this system allows us to access live data; a version history is recorded each time the report is updated; work flows can be configured so that should the status of a project change the Programme Office receive a notification etc. Managers are engaged with this change and full training will be provided in the very near future to ensure we get the best use from it.

## **2. PROPOSALS**

### **2.1 Project progress in the last six months**

A summary of the status of current projects within the Council is detailed in Appendix 1. This contains a summary of current project status. The majority of Council projects are progressing to schedule. Those that have issues are indicated with an amber rating, indicating that there are some issues which require attention. There are no projects experiencing major issues, which would have required a red rating.

The key achievements and achievements per project in the last six months are set out below:

#### **Public Realm Improvements**

Carlisle City Council is working with Cumbria County Council regarding the design and delivery of this work.

The Public Realm Strategy will be progressed as part of the City Centre Masterplan. It is worth noting that Phase Two of the programme will be dependant on the approval of the release of the identified budget.

## **E-Purchasing/Ledger Update**

Progress has been made, the system is now configured and super users have been requested from across the directorates in order for training to begin. Next steps include suppliers being notified of the migration to the new system.

The project reports a green RAG status. No emerging risks have been identified for the next period.

## **Digital Information Services projects**

Appendix Two sets out the current status of individual ICT projects. All projects are reporting a green RAG status.

## **Asset Recovery Programme**

A comprehensive update is set out in the relevant section of the project status report plotting progress against each asset that is yet to be fully “recovered”.

The project is reported as having an amber RAG status, indicating that there are some issues which require attention. Officers are aware of the time some of these issues are taking to resolve and additional resources have been allocated to clear the back log of administration.

## **European General Data Protection Regulation (GDPR)**

An update is contained within the Project Status Report of the activities which have been undertaken in the last period. The project is progressing to schedule and no significant risks are posed at this time.

## **St Cuthbert’s Garden Village**

Project risks continue to be monitored and reviewed. A risk register is in place for the programme with a separate risk register in place for Stage 2 Masterplanning and for the emerging St Cuthbert's Local Plan.

The Stage 2 Masterplanning Baseline Report is expected later this month along with the Stage 2 Masterplanning Options Report.

The project is reported as green RAG status with no significant issues or risks to report at this time.

### **Sands Centre Redevelopment**

This scheme was approved to proceed at a Special meeting of the City Council on 25<sup>th</sup> June 2019. A comprehensive update is given in the relevant section of the attached project status report.

The project is reported as having a green RAG status. The project has its own risk register and fortnightly meetings of the project team take place to ensure awareness of issues/sharing of key information etc.

### **Discover England Fund Year Two**

This project is progressing to time and within budget and is reporting a green RAG status rating. A full update is included in the Project Status report.

### **One Public Estate**

No specific issues in relation to this project were reported. Members are asked to note that the Programme is currently going through a change control process with the Regional Programme Managers and Cabinet Office in order to move the funding previously allocated for the Carlisle City Centre Regeneration Project to the Newton Rigg College/Green Garden Village proposal. A feasibility study, funded by the OPE project) will be undertaken in the coming weeks.

The project is reported as having a green RAG status at the current time.

## **3. CONSULTATION**

- 3.1** The Transformation Board met and considered the Project Status report in April and will note the version at today's scrutiny meeting at its meeting in July.

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

- 4.1** The Panel is asked to note the most recent summary of projects, as contained within Appendix 1 and 2 and the actions being taken to progress projects.



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

The Transformation Board works to ensure quality assurance, alignment to key objectives and sound risk management arrangements in the delivery of the Carlisle Plan.

**Contact Officer:**                      **Jason Gooding**    **Ext: 7001**

**Appendices**                      Appendix One: Corporate Project Status report  
**attached to report:**              Appendix Two: ICT Project Status 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:**

## Corporate Programme Board Project status report JUNE/JULY 2019

### Key to Status

**Red** Overdue; Significant issues

**Amber** Some issues

**Green** On schedule; In progress

	Project Title and Description	Project Manager	Directorate	Recent project activity	RAG status	Issues and Emerging risks	Key activities for next period (Inc. mtgs where project is to be considered)	Requests for change
1	Public Realm Improvements	Steven Robinson	Economic Development	June 2019 Ongoing dialogue with Cumbria County Council regarding design and delivery. Public realm improvements included within the Future High Street Fund bid.		The delivery of the phase 2 programme will be dependent on approval for the release of the remaining budget.	Progress development of Public Realm Strategy as part of the City Centre Masterplan	None
2	E-Purchasing / Ledger upgrade	Steven Tickner	Finance and Resources	June 2019 System configured, testing completed, awaiting final Scheme of Delegations from Directors. Super users requested from departments for training to begin and notification of implementation to suppliers will be undertaken following closedown of accounts.			Training to be started and notifying suppliers of intended migration to new system	None
3	Digital Information Services projects	Michael Scott	Corporate Support	See separate items detailing individual projects at Appendix Two of this report			See separate items detailing individual projects at Appendix Two of this report	None
4	Asset Recovery Programme	Darren Crossley	Community Services	June 2019 1) Civic Centre The tender is in circulation on CHEST. The tender is due back at the end of July. Planning applications for phase 1 and phase 2 have been submitted. The planning application for Phase 1 has been approved. The planning application for phase 2 - the demolition of the Rotunda and extended car park work has been deferred. The Building Regulations application has also been submitted. CDM Regs statutory requirements have been chased up and need to be brought up to date. A key element of this is a revised Fire Risk Assessment to be agreed and put in place during the Construction Phase. The final scope and budget is still to be agreed with the new Council, including finishes to the Chamber. 2) Bitts Park Tennis Courts Tender enquiries for the replacement elements have been sent out. Once they have been returned - the costs		1) Civic Centre CCC resources - additional resources have now been provided to clear the backlog of administration. WYG staffing levels and coordination Scope and Consultants cost plan to be reviewed. 2) Bitts Park Tennis Courts CCC resources - additional resources have now been provided to clear the backlog of administration. 3) Bitts Park Pavilion and toilet block CCC resources - additional resources have now been provided to clear the backlog of administration. 4) Bitts Park Lodge CCC resources - additional resources have now been provided to clear the backlog of administration. Ongoing security and maintenance costs.	1) Civic Centre Review of the tender returns and report back to the Senior Management. Engage with stakeholders of the project to confirm scope of works and budget Appoint a contractor and commence the works. 2) Bitts Park Tennis Courts Review of the tender returns and report back to the Senior Management. Engage with Third party expectations of standard of finish Confirm the location of existing utilities 3) Bitts Park Pavilion and toilet block Review of the tender returns and report back to the Senior Management. Confirm budget allocation and scope of work Location of existing utilities 4) Bitts Park Lodge Resolve design team staffing issues Confirm budget allocation and priorities 5) Bitts Park Depot	

Corporate Programme Board    Project status report JUNE/JULY 2019

**Key to Status**  
**Red**    Overdue; Significant issues  
**Amber**    Some issues  
**Green**    On schedule; In progress

	Project Title and Description	Project Manager	Directorate	Recent project activity	RAG status	Issues and Emerging risks	Key activities for next period (Inc. mtgs where project is to be considered)	Requests for change
				and programme will be finalised and submitted for approval. 3) Bitts Park Pavilion and toilet block. Discussions have taken place with the planning department about the demolition of these structures independently of the Bitts Park Lodge redevelopment. Tender enquiries have been sent out for services removal, asbestos survey work and demolition. 4) Bitts Park Lodge Bat Survey completed. WYG have been invited to attend a meeting to agree a cost-effective way forward on this project 5) Bitts Park Depot. Status of the CDM statutory documentation still unclear. The building is back in use. 6) Sheepmount (Upper and Lower buildings) WYG and TAC have completed their contract works and are currently part way through the Defects Correction Period. There is tiling work in the upper building to complete. There is also an issue with pipework to resolve in the lower building and commissioning of the boilers in the upper building to close out. CCC work on the upper building is complete but is awaiting completion of the statutory documentation. This is scheduled to be completed on 10 July 2019.The defects on the athletics track and field have been completed except for a query on the flood damaged grass bank. The grass bank and defects to the artificial pitch area do not appear to have been included in the flood recovery programme. There remains an issue with the pumping equipment and flow rate delivery, on the hot water system. 7) John Street Hostel. Most of the missing Statutory Client copies of the CDM documents have now been tracked down. This is being chased up with WYG to complete, including certification. Ongoing 8) Adriano's The Health and Safety File documentation has been tracked down and is largely		5) Bitts Park Depot CCC resources - additional resources have now been provided to clear the backlog of administration. 6) Sheepmount (Upper and Lower buildings) Continued risks associated with balancing the hot water system. 7) John Street Hostel CCC resources - additional resources have now been provided to clear the backlog of administration. 8) Adriano's Risk of problems in under used area of water system now resolved. 9) Stony Holme CCC resources - additional resources have now been provided to clear the backlog of administration. 10) Botcherby Community Centre CCC resources - additional resources have now been provided to clear the backlog of administration.	Nothing in the period 6) Sheepmount (Upper and Lower buildings) Complete the investigation of the hot water system. Engage with GLL to review management practices Deal with outstanding snags before the end of the Defects correction period. Complete the statutory documentation. 7) John Street Hostel Nothing in the period 8) Adriano's Complete the statutory documentation. 9) Stony Holme Complete the Contract snagging Resurvey and complete the asbestos records 10) Botcherby Community Centre Nothing in the period	

# Corporate Programme Board Project status report JUNE/JULY 2019

## Key to Status

**Red** Overdue; Significant issues

**Amber** Some issues

**Green** On schedule; In progress

	Project Title and Description	Project Manager	Directorate	Recent project activity	RAG status	Issues and Emerging risks	Key activities for next period (Inc. mtgs where project is to be considered)	Requests for change
				complete. Minor pipework modification work was instructed to deal with a potential dead leg problem. This has now been completed but the documentation for the work has yet to be received. 9) Stony Holme. The site has been handed over to the new tenant. There is a further visit to be scheduled to do minor finishes snagging. 10) Botcherby Community Centre Work complete on site. The missing Health and Safety File documentation has been tracked down and an action rests with WYG to complete this task.				
5	European General Data Protection Regulation (GDPR)	Aaron Linden	Governance and Regulatory Services	April – June 2019 Records of Processing Activities uploaded to SharePoint and circulated to managers for finalising. Consideration of appropriate information requests etc. system with ICT. New Data Sharing format progressed. Attendance at ICT course on Office 365 records management capabilities. Ongoing implementation of Corporate Information Governance internal audit recommendations. The Council's Surveillance Camera Policy was agreed at Committee and circulate to relevant staff. Corporate Information Support Officer employed.		Lack of ICT capacity to develop Salesforce to support subject access requests, data protection rights requests and data breaches.	Record of Processing Activity to be published once finalised. Progression and potential procurement of appropriate information requests etc. system. Ongoing implementation of Corporate Information Governance internal audit recommendations. Progression of Surveillance Camera Operating Procedures by service managers. Corporate Information Support Officer to undertake FOI Practitioners Course.	
6	St Cuthbert's Garden Village - Carlisle South Masterplan	Garry Legg	Economic Development	April 19 – July 19LDS approved by Executive 17th June, updating timescales for preparation of St Cuthbert Garden Village Local Plan Land Owner Engagement consultancy support procured (June)Viability and CIL consultancy support procured (April)Sustainability Appraisal and Habitat Regulation Assessment consultancy support		Project risks continue to be monitored and reviewed. A risk register is in place for Stage 2 Master planning and for the emerging St Cuthbert's Local Plan. No risk warrants being reported at the current time.	Land and Property Stakeholder Event at Carlisle Racecourse on 3rd July Receipt of Stage 2 Master planning Baseline Report (July)Receipt of Stage 2 Master planning Options Report (July)Development of strategy for and public engagement on Stage 2 Master planning Options (Aug/Sep)Preparation and submission of	None

Corporate Programme Board    Project status report JUNE/JULY 2019

**Key to Status**  
**Red**    Overdue; Significant issues  
**Amber**    Some issues  
**Green**    On schedule; In progress

	Project Title and Description	Project Manager	Directorate	Recent project activity	RAG status	Issues and Emerging risks	Key activities for next period (Inc. mtgs where project is to be considered)	Requests for change
				procured (April)Attendance at public consultation events across 4 days in June at Carlisle Racecourse and City Centre aligned with consultation by the County Council on the Carlisle Southern Link Road Ongoing engagement including recent event at Carlisle College (May)			2019 Garden Village Programme Capacity Funding bid (July)Co-development of Carlisle Southern Link Road HIF funding award Heads of Terms (Aug)	
7	Sands Centre Redevelopment	Darren Crossley	Community Services	The design is now complete up to the end of RIBA stage 4A i.e. detailed design excluding subcontract specialist design. Work has now started on RIBA stage 4B - specialist subcontract design and RIBA Stage 5 - the planning element of the construction phase. On site survey work has been carried out as far as possible to determine how the two elements of the building can be split apart e.g. where the services are and the condition of the existing internal dividing wall. Survey work still needs to be carried out when the site is handed over e.g. an asbestos R & D Survey and an archaeological survey of the site. The tender price has been updated based on the design and survey work carried out to date. The tender sum has been submitted and reviewed in detail in terms of scope of work and third party stakeholder requirements. Work is ongoing to de-risk the project price and scope of works. The temporary accommodation solution has also been progressed, in order to decant the GLL and NHS operations into alternative buildings prior to the commencement of the demolition phase of the main works.		Emerging risks related to project and overall capital costs. Focus areas include the separation of the two halves of the building, asbestos in the existing building, existing services and archaeological survey results. Project programme Temporary accommodation scope, programme and costs Lease arrangements with third parties and their requirements S73 and change of use applications Sport England compliance requirements Coordination with the Environment Agency and County Council Insurance requirements Designer and contractor Agreement terms CDM Regs activities reviewed and brought up to date.	Completion of the RIBA Stage 4A design development on the main project Issue instructions on the planning and change of use requirements. Lease agreements to be completed with third parties Areas and finishes agreed with NHS. NHS to provide final details on fixtures, fittings and hygiene standards. Heads of Terms and Temporary accommodation to be agreed with them Schedule of CCC actions in circulation and being worked through. Progress by other post holders also reviewed and raised with the individuals where required. Progress dialogue with the Environment Agency to look the impact of their proposals on the Sands Centre construction and occupation phases. S73 – planning application amendment submitted to reflect changes made to the Events space temporary accommodation layout. Queries identified and raised with the scope and content of the Cost Consultants Cost Plan and Tender Sum to be progresses or de-risked as far as possible. Most of the queries relate to historical data or assumptions and an understanding of how this relates to the current project. The Cost consultant is currently dealing with the queries raised. Review of the current programmes and the key decision-making points and impact on handover. CDM Regs activities	None

Corporate Programme Board    Project status report JUNE/JULY 2019

**Key to Status**  
**Red**    Overdue; Significant issues  
**Amber**    Some issues  
**Green**    On schedule; In progress

	Project Title and Description	Project Manager	Directorate	Recent project activity	RAG status	Issues and Emerging risks	Key activities for next period (Inc. mtgs where project is to be considered)	Requests for change
							reviewed and brought up to date. Designers and PD chased up to bring statutory documentation up to date.	
8	Discover England Fund Year Two	Debbie Kavanagh	Economic Development	<p>May / June 2019</p> <p>Claims &amp; Monitoring: The final grant claim and monitoring forms were submitted by Carlisle City Council. The evaluation budget is the only element of the budget from 2018/19 that can be accrued into 2019/20. £35K has been accrued, although we are still waiting for confirmation from VE on how that is drawn down.</p> <p>Evaluation &amp; Dissemination: A Facebook retargeting campaign to evaluate 3 aspects of the project outcomes and objectives has been designed and put in place by London &amp; Partners.</p> <p>Showcase / dissemination Event: planned for 19 September in Alexandra Palace. Conference coordination by The Tourism Business, Save the Date notification and press releases issued.</p> <p>Main Project Delivery: Rail integration with ACP completed. Hotel booking integration with booking.com includes featured hotels completed. Packages available including those by other tour operators. Attractions now bookable.</p> <p>Amplification Activity: continues with press trips and coverage, trade and consumer marketing. Trade partnerships established and continuing to develop.</p>		The project risk register was reviewed at the last Project Board meeting on 25 June 2019 with several risks reducing due to project delivery being achieved. There was one addition to reflect the risk associated with the delivery of a showcase event in September.	The project risk register was reviewed at the last Project Board meeting on 25 June 2019 with several risks reducing due to project delivery being achieved. There was one addition to reflect the risk associated with the delivery of a showcase event in September.	
9	One Public Estate	Darren Crossley	Community Services	<p>June 2019</p> <p>The Carlisle City Centre Regeneration Project has undergone some optioneering around the use of the Citadels site and a revised Strategic Outline Business Case has been submitted to MHCLG.</p>		<p>None at this time.</p> <p>There aren't any specific issues with the OPE Programme; however, it should be noted that the Programme is currently going through a change</p>	Proposed key priorities for the future OPE programme include: Health and leisure service integration in Leisure Centres throughout Cumbria. Work is ongoing with the NHS and Greenwich Leisure Ltd (GLL) to drive this forward. Development of the wider health and	It should be noted that the Programme is currently going through a change control process with the Regional

Corporate Programme Board    Project status report JUNE/JULY 2019

**Key to Status**  
**Red**    Overdue; Significant issues  
**Amber**    Some issues  
**Green**    On schedule; In progress

	Project Title and Description	Project Manager	Directorate	Recent project activity	RAG status	Issues and Emerging risks	Key activities for next period (Inc. mtgs where project is to be considered)	Requests for change
				Following engagement with 17 different partners across the county, a “paper of possibilities” was submitted to the Cumbria Chief Execs Group at the end of May. The 40 possibilities have been categorised into the following 5 themes with nominated sponsors: Economic Growth; Health and Communities; Housing; Public Sector Reform & Efficiency Town/City Centre Regeneration. The sponsors are now working with the OPE Programme Manager to filter and prioritise the possibilities in order to progress them through themed working groups.		control process with the Regional Programme Managers and Cabinet Office in order to move the funding previously allocated for the Carlisle City Centre Regeneration Project to the Newton Rigg College / Green Garden Village proposal, which will be undergoing a feasibility study (paid for out of this OPE funding) within the next few weeks.	social care system, utilising existing and potentially new assets across the county. Develop proposals for town centre regeneration with a particular focus on integrating services wherever possible to reduce running costs, improve customer services and meet housing need across the county. Develop the existing project proposals in Penrith and the West Coast (Whitehaven/Workington) and any new projects identified over the next 6 months in preparation for the phase 8 funding round.	Programme Managers and Cabinet Office in order to move the funding previously allocated for the Carlisle City Centre Regeneration Project to the Newton Rigg College / Green Garden Village proposal.



ICT Services Programme and Project Status Report

Technology Strategy Projects

APPENDIX TWO

Programme	Programme Manager	Project	Reference	Sub-Project	Senior Supplier	Project Manager	Progress Status	RAG Status	Description	Comment	Target Completion Date	Predecessor(s)	Dependant(s)
		Implement Office 365 Services	P0012	Migrate to OneDrive for Business	DS	CL	In-progress	<div></div>	Migrate the contents of user's H: and K: drives to Microsoft's hosted file storage service.	Development of technical infrastructure design underway.	Sep.-2019		
			P0013	Implement Yammer	DS	CL	In-progress	<div></div>	Implement Yammer (internal social network) and Skype for Business (telephone/video calls and conferences.	Development of technical infrastructure design underway.	Dec.-2019		
			P0014	Implement Skype for Business	DS	CL	In-progress	<div></div>		Development of technical infrastructure design underway.	Nov.-2019		
			P0015	Implement SharePoint Online	DS	CL	In-progress	<div></div>	Migrate the Intranet and Project Portal to Microsoft's hosted service.	Development of technical infrastructure design underway.	Nov.-2019		
			P0016	Implement Office 365 Tools	DS	CL	In-progress	<div></div>	Implement Sway, Delve, Flow, PowerApps, etc.	Development of technical infrastructure design underway.	Nov.-2019		
Cloud Services		Document Classification and Control	P0018	Implement Digital Rights Management	DS	CL	In-progress	<div></div>	Implement a service to control the distribution and management of user's documents.	Development of technical infrastructure design underway.	Oct.-2019		
Cloud Hosting	CL	Application Delivery	P0023	Implement application delivery solution	DS	MS	Completed	N/A			Completed		
		Application Hosting	P0024	Personnel/HR Applications	MK	CL	Not Started	N/A	Migrate personnel/HR applications to chosen platform.		Dec.-2019		
			P0025	Planning Applications	MK	CL	In-progress	<div></div>	Migrate planning application to chosen platform.		Dec.-2019		
Master Data Management	CL	Spatial (GIS)	P0036	Dataset Rationalisation	MS	CL	In-progress	<div></div>	Rationalise spatial data and introduce processes to manage that data.	options appraised to deliver corporate GIS via cloud services	Dec.-2019		



# Report to Business & Transformation Scrutiny Panel

Agenda  
Item:  
**A.7**

Meeting Date: Thursday 25<sup>th</sup> July 2019  
Portfolio: Finance, Governance & Resources  
Key Decision: Not Applicable:  
Within Policy and Budget Framework YES  
Public / Private Public

Title: CORPORATE RISK REGISTER  
Report of: Chief Executive's Office Manager  
Report Number: CS 22/19

## Purpose / Summary:

The purpose of this report is to update members of the Business and Transformation Scrutiny Panel on the management of the Council's Corporate Risk Register.

## Recommendations:

1. The Panel is asked to scrutinise and comment on the current Corporate Risk Register, as set out in Appendix 1.

## Tracking

Executive:	Not applicable
Overview and Scrutiny:	Not applicable
Council:	Not applicable

## **1. BACKGROUND**

- 1.1** In accordance with the Council's Risk Management Assurance Framework, the Corporate Risk Register (CRR) has been submitted to the Business and Transformation Scrutiny Panel for monitoring on a six-monthly basis. This report contains the revised current CRR, attached at Appendix 1 for consideration and comment.

## **2. PROPOSALS**

### **2.1 Corporate Risk Register – progress since the last report to Business & Transformation Scrutiny Panel on 28<sup>th</sup> March 2019.**

Members will be aware that the Corporate Risk Management Group (CRMG) is responsible for delivering and reviewing the Risk Management Assurance Framework, maintaining and improving risk management processes as well as monitoring and advising on the Council's Corporate Risk Register.

The CRMG meets quarterly and most recently met on 5<sup>th</sup> June 2019. Special meetings will be called by the Chair should risks be escalated and require an intervention from the CRMG or Senior Management Team.

The CRR was last reviewed by the CRMG at its June meeting. The control strategy narrative as well as assessment dates and target risk scores have been updated since this meeting and an up to date version is attached at Appendix One. The latest CRR now reflects the most up to date version of the Carlisle Plan and includes risks around ICT security, which was requested at a previous meeting of this Scrutiny Panel.

The Council's Risk Management Assurance Framework is now "live" and is available on the City Council's Intranet. Service Managers have been briefed at April's Management Briefing.

The Council's Risk Management sub-group continues to meet every 4-6 weeks. This sub group is chaired by the Council's Corporate Director of Finance & Resources (this postholder is also our Section 151 Officer). The Sub Group focuses on risks at an operational/directorate level. Issues raised here can be escalated to the CRMG if deemed appropriate. The CRMG receive the minutes from the Sub Group for information as a standing item on their agenda.

A review of all operational risk registers throughout the authority is on-going. Penholders for the risk registers are required to attend meetings and present the operational/project risk register that they are responsible for. The Sub Group acts as a “critical friend” ensuring that risks are comprehensive; accurately scored; relevant etc.

Updates of operational risk registers for this period are underway and will have been completed within specified timescales as set out in the City Council’s Risk Management Assurance Framework.

Operational risk registers have been migrated across from Project Server and are now hosted on SharePoint. The new system is user friendly, provides us with greater functionality and the ability to manipulate data to feed into our reporting requirements as well as a dashboard which can show at a glance the number of risks with a red rating; those risk registers which have yet to be updated; those risks which have escalated in the last quarter that might require attention. Risk registers associated with our corporate level projects will also be hosted on SharePoint.

A live demo of the revised system took place at Management Briefing in April 2019 and managers have engaged well with the new system.

### **3. CONSULTATION**

- 3.1 Corporate Risk Management Group meeting on 5<sup>th</sup> June 2019.

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

- 4.1 The Panel is asked to scrutinise and comment on the Corporate Risk Register as set out in Appendix One.

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

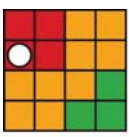
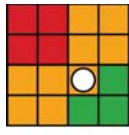
- 5.1 The Corporate Risk Register is reviewed quarterly, it is the strategic risk assessment for the Carlisle Plan.


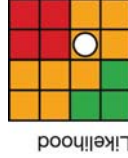
<b>Contact Officer:</b>	<b>Tracey Crilley</b>	<b>Ext: 7114</b>
<b>Appendices</b>	<b>Appendix 1 – Corporate Risk Register</b>	
<b>attached to report:</b>		

**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:**

## Corporate Risk Register – June 2019

The inclusion of the previous and current risk matrices shows the effect that the control strategies have had on risk ratings since the last update. A target risk matrix shows the risk level that the Council is aiming to achieve from the successful implementation of the control strategies and the date for when this will be achieved.


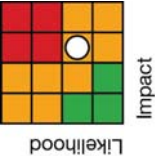
Preparing for the future funding of local government from 2019				
There is a risk that the Government fails to communicate changes to future local government funding from 2019 in a timely manner, meaning that the City Council cannot effectively prepare for these changes.				
Present Matrix	Assessment Date	Present Risk Score	Control Strategy/Mitigating Actions	Target Risk Matrix
 Likelihood Impact	June 2019	12	<p>The Senior Management Team and the Finance &amp; Resources Directorate are focussed on monitoring the development of government/local taxation and grant proposals for District Councils. At present we do not yet have a sufficiently clear picture of post 2019 funding, especially in relation to the retention of Business Rates and Funding for Local Government in general. However, what is clear is that the proposed Business Rates retention scheme will be a 75% rather than a 100% retention scheme.</p> <p>The outcome of two consultations which ended on 21<sup>st</sup> February 2019, A Review of Local Authorities Relative Needs and Resources &amp; The Business Rate Retention Reform, are still awaited. These will help to inform the new baseline funding allocations for 2020/21 onwards. The Spring Statement of 13<sup>th</sup> March 2019 provided details of a Spending Review 2019 which will be concluded alongside the 2019 Autumn Budget which will set departmental budgets, including 3-year budgets for resource spending (covering 2020/21 to 2022/23). Therefore, the impact on the Council's funding streams for 2020/21 onwards may not be known until the Autumn of 2019.</p> <p>The MTFP and Capital Strategy for 2019/20 to 2023/24 was approved by Council in September 2018 and work has commenced on the MTFP for 2020/21 and will include any announcements and guidance issued by Central Government (expected Autumn 219).</p>	 Likelihood Impact
Impact Score	3		Target Risk Date	October 2019
Likelihood Score	4		Target Risk Score	4
Risk Score	12			
			Lead Officer	Alison Taylor
			Portfolio Holder	Finance, Governance & Resources
			Scrutiny Panel	BTSP



REVENUE/CAPITAL/ASSETS				
There is a risk that we fail to fully recognise and manage our operational and investment assets leading to high long-term dilapidation costs and reducing control on future capital decisions				
Present Matrix	Assessment Date	Present Risk Score	Control Strategy/Mitigating Actions	Target Risk Matrix
	June 2019	9	<ul style="list-style-type: none"> <li>The Council has an approved asset management plan which is updated annually in which it sets out its control strategy, including maintenance, of all of its operational and non-operational assets. Further, Council properties are subject to a rolling programme of inspection. The Medium-Term Financial Plan will also give consideration to the capital requirements of this programme.</li> <li>A review of the Council's current operational, investment, regeneration and surplus assets has been completed and we are currently implementing a new cycle of asset management.</li> </ul>	

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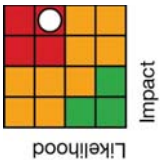
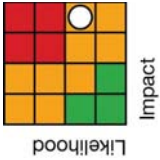
Impact score	3	Target Risk Date	September 2019
Likelihood score	3	Target Risk Score	6
Risk Score	9		

Lead Officer	Mark Lambert
Portfolio Holder	Finance, Governance & Resources
Scrutiny Panel	BTSP

ECONOMIC REGENERATION/DEVELOPMENT				
There is a risk that we fail to effectively prioritise and resource key city regeneration sites and miss the opportunity to take these forward in a progressive manner that meets the Council's aspirations.				
Present Matrix	Assessment Date	Present Risk Scores	Control Strategy/Mitigating Actions	Target Risk Matrix
	June 2019	6	<p>This period has seen the following activities undertaken:</p> <ul style="list-style-type: none"> <li>High level appraisals being undertaken on key regeneration sites across the City Centre to support Borderlands Inclusive Growth Deal project activity</li> </ul>	
Impact score	3		Target Risk Date	June 2019
Likelihood score	2		Target Risk Score	6
Risk Score	6			
			Lead Officer	Jane Meek
			Portfolio Holder	Economy, Enterprise and Housing
			Scrutiny Panel	EGSP

CULTURE & SPORT				
There is a risk that we fail to deliver the required new leisure facilities at the Sands Centre, on time and within budget and therefore do not meet the saving targets identified in the Medium Term Financial Plan.				
Present Matrix	Assessment Dates	Present Risk Score	Control Strategy/ Mitigating Actions	Target Risk Matrix
	June 2019	6	<ul style="list-style-type: none"> <li>The 6<sup>th</sup> March meeting of the full Council approved the progression of the scheme up to the end of RIBA Stage Four which is due for completion in early 2019 which leaves us on track for the proposed programme at this stage.</li> <li>The Council has now used the Scape Framework to procure the services of Wates construction to work with the design team and prepare the final tender for submission to the Council at the end of RIBA Stage Four, early 2019.</li> <li>Final tender details, Sport England approval (subject to signing the Funding agreement) temporary facility costs and venues, planning permissions and contract negotiations are all now progressing towards a decision at a meeting of the full Council on the 9<sup>th</sup> April 2019.</li> <li>The project has now been presented to the appropriate scrutiny panels and the new full Council. This took place on 25 June 2019 and was approved. Work is now underway to progress the project and associated enabling works to the end for RIBA stage 4 (Technical Design) and progress to RIBA stage 5 (Construction).</li> </ul>	
Impact score	3			August 2019
Likelihood score	2			4
Risk Score	6			
			Lead Officer	Darren Crossley
			Portfolio Holder	Culture, Heritage & Leisure
			Scrutiny Panel	HWSP/ BTSP



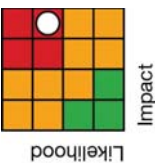
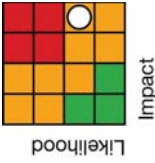
CORPORATE SUPPORT				
There is a risk that unauthorised access is gained to our Information and Technology (I&T) infrastructure.				
Present Matrix	Assessment Dates	Present Risk Score	Control Strategy/Mitigating Actions	Target Risk Matrix
	May 2019	12	<ul style="list-style-type: none"> <li>The recommendations and 'best practice' of the Nation Cyber Security Centre (NCSC) will be implemented by ICT Services.</li> <li>Achieve the NCSC's Cyber Essentials certification.</li> <li>Maintain our compliance with the Payment Card Industry Data Security Standard (PCI-DSS) and Public Sector Network (PSN) Code of Compliance (CoCo)</li> <li>Implement the National Institute of Standards and Technology (NIST) Cybersecurity framework.</li> <li>Develop the specialist skills and implement the latest technology required to protect the council's Information and Technology (I&amp;T) infrastructure.</li> </ul>	

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Impact score	4
Likelihood score	3
Risk Score	12

Target Risk Date	November 2019
Target Risk Score	8

Lead Officer	Jason Gooding
Portfolio Holder	Corporate Support
Scrutiny Panel	BTSP

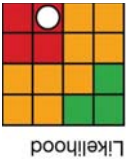
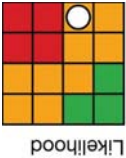
Corporate Support				
There is a risk that critical Information and Technology (I&T) applications or infrastructure become unavailable which impacts on the delivery of council services.				
Present Matrix	Assessment Dates	Present Risk Score	Control Strategy/Mitigating Actions	Target Risk Matrix
	May 2019	12	<ul style="list-style-type: none"> <li>The recommendations and 'best practice' of the Nation Cyber Security Centre (NCSC) will be implemented by ICT Services.</li> <li>Achieve the NCSC's Cyber Essentials certification.</li> <li>Increase the resilience to unplanned events of the council Information and Technology (I&amp;T) Infrastructure.</li> <li>Develop the specialist skills and implement the latest technology required to maintain the council's Information and Technology (I&amp;T) infrastructure.</li> <li>Maintain and test the council I&amp;T Disaster Recovery plans.</li> <li>Ensure that all council services have adequate Business Continuity plans.</li> </ul>	

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Impact score	4	Target Risk Date	December 2019
Likelihood score	3	Target Risk Score	8
Risk Score	12		

Lead Officer	Jason Gooding
Portfolio Holder	Corporate Support
Scrutiny Panel	BTSP

Corporate Support	
There is a risk that our digitally held data becomes unavailable, unreliable or is stolen due to error, negligence or malice	

Present Matrix	Assessment Date	Present Risk Score	Control Strategy/Mitigating Actions	Target Risk Matrix
 Likelihood Impact	May 2019	12	<ul style="list-style-type: none"> <li>The recommendations and 'best practice' of the Nation Cyber Security Centre (NCSC) will be implemented by ICT Services.</li> <li>Achieve the NCSC's Cyber Essentials certification.</li> <li>Maintain our compliance with the Payment Card Industry Data Security Standard (PCI-DSS) and Public Sector Network (PSN) Code of Compliance (CoCo)</li> <li>Implement the National Institute of Standards and Technology (NIST) Cybersecurity framework.</li> <li>Develop the specialist skills and implement the latest technology required to protect the council's Information and Technology (I&amp;T) infrastructure.</li> <li>Develop cybersecurity training for Officers and elected members.</li> </ul>	 Likelihood Impact

Impact score	4	December 2019
Likelihood score	3	8
Risk Score	12	

Lead Officer	Jason Gooding
Portfolio Holder	Corporate Support
Scrutiny Panel	BTSP

