CARLISLE
CITY COUNCIL
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AGENDA

Business & Transformation Scrutiny Panel

Thursday, 07 January 2021 AT 16:00
This meeting will be a virtual meeting and therefore will not take place in a physical location.

Virtual Meeting - Link to View

This meeting will be a virtual meeting using Microsoft Teams and therefore will not take place at a physical location following guidelines set out in Section 78 of the Coronavirus Act 2020.

Members of the Business & Transformation Scrutiny Panel

Councillor Bainbridge (Chair) , Councillors Alcroft, Allison, Mrs Birks (Vice Chair), Mrs Bowman, Mitchelson, Paton, Dr Tickner

Substitutes:
Councillors Mrs Atkinson, Betton, Bomford, Mrs Brown, Collier, Ms Ellis-Williams, Mrs Finlayson, Mrs Glendinning, Glover, Mrs McKerrell, McNulty, Meller, Morton, Patrick, Robson, Shepherd, Miss Sherriff, Southward, Tarbitt, Tinnion, Miss Whalen.

PART A

To be considered when the Public and Press are present

Register of Attendance and Declarations of Interest

A roll call of persons in attendance will be taken and Members are invited to declare any disclosable pecuniary interests, other registrable interests and any interests, relating to any item on the agenda at this stage.

Apologies for Absence

To receive apologies for absence and notification of substitutions

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, at its meeting on 5 January 2021, received and adopted the minutes of the Business and Transformation Scrutiny Panel meetings held on 15 October 2020 and 1 December 2020. The Chair will sign the minutes at the first practicable opportunity.
[Copy minutes in Minute Book 47(4)].

A.1 CALL-IN OF DECISIONS

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

A.2 CIVIC CENTRE REINSTATEMENT AND DEVELOPMENT 7 - 18

Portfolio:	Finance, Governance and Resources
Directorate:	Community Services
Officer:	Darren Crossley, Deputy Chief Executive
Report:	CS.01/21 herewith

Background:
The Deputy Chief Executive to submit an update on the progress of the reinstatement of the ground floor of the Civic Centre.

Why is this item on the agenda?
The Chair requested a report on the progress of the Civic Centre reinstatement.

What is the Panel being asked to do?
Review the report and the progress made on the project.

A.3 <u>BUDGET 2021/22</u>

Portfolio: Finance, Governance and Resources
Directorate: Finance and Resources

(1) <u>Executive's response to the first round of budget scrutiny</u> **19 - 22**

To consider the Executive's response to the first round of Budget Scrutiny from their meeting held on 7 December 2020.
(Copy Minutes herewith)

(2) <u>Executive Draft Budget Proposals</u> **23 - 44**

To consider and comment upon the Executive's draft Budget proposals.
(Copy herewith).

(3) <u>Background Information Reports</u> **45 - 62**

(a) Budget Update - Revenue Estimates 2021/22 to 2025/26
Officer: Alison Taylor, Corporate Director of Finance and Resources
Report: RD.42/20 herewith

(b) <u>Revised Capital Programme 2020/21 and Provisional Capital Programme 2021/22 to 2025/26</u> **63 - 74**

Officer: Alison Taylor, Corporate Director of Finance and Resources
Report: RD.43/20 herewith

Background:
The Budget reports are submitted for information.

Why are these items on the agenda?
Annual Scrutiny as part of the Budget process.

What is the Panel being asked to do?
Scrutinise the reports and provide feedback to the Executive.

A.4 DRAFT TREASURY MANAGEMENT STRATEGY STATEMENT, INVESTMENT SRATEGY AND MINIMUM REVENUE PROVISION STRATEGY 2021.22 **75 - 110**

Portfolio: Finance, Governance and Resources

Directorate: Finance and Resources

Officer: Alison Taylor, Corporate Director of Finance and Resources

Report: RD.44/20 herewith

Background:
The Corporate Director of Finance and Resources to submit the Council's Treasury Management Strategy for 2021/22, in accordance with the CIPFA Code of Practice on Treasury Management. The Investment Strategy and Minimum Reserve Position (MRP) Strategy for 2021/22 are also incorporated as part of the Statement.

Why is this item on the agenda?
Annual Scrutiny as part of the Budget process.

What is the Panel being asked to do?
Scrutinise the report and provide feedback to the Executive.

A.5 COVID 19 UPDATE **111 - 126**

Portfolio: Finance, Governance and Resources
Directorate: Finance and Resources
Officer: Alison Taylor, Corporate Director of Finance and Resources
Report: RD.51/20 herewith

Background:
The Corporate Director of Finance and Resources to submit a report setting out

the impact COVID-19 has had on the Council's financial and governance arrangements.

Why is this item on the agenda?
The Panel requested a report that focused on Covid-19 impacts on the Council's financial decisions at their meeting on 15th October 2020.

What is the Panel being asked to do?
Members of the Panel are requested to note the contents of this report.

A.6 <u>OVERVIEW REPORT AND WORK PROGRAMME</u> **127 - 132**

Portfolio: Cross Cutting

Directorate: Cross Cutting

Officer: Rowan Jones, Overview and Scrutiny Officer

Report: OS.01/21 herewith

Background:
To consider a report 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 programme which has been set for the 2020/21 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 Panel being asked to do?
- Note the items (within Panel remit) on the most recent Notice of Executive Key Decisions
- Discuss the Work Programme and prioritise as necessary.

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 - rachel.plant@carlisle.gov.uk

CARLISLE CITY COUNCIL
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Business & Transformation Scrutiny Panel	Agenda Item: A.2

Meeting Date:	7th January 2021
Portfolio:	Finance, Governance and Resources
Key Decision:	KD.
Within Policy and Budget Framework	Yes
Public / Private	Public

Title:	CIVIC CENTRE REINSTATEMENT AND DEVELOPMENT PROJECT
Report of:	Deputy Chief Executive
Report Number:	CS 01/21

Purpose / Summary:
The Purpose of this report is to update to the Business and Transformation Scrutiny Panel on the current progress of the reinstatement of the ground floor of the Civic Centre, and to consider feedback.
The report also provides an update of the measures undertaken to manage or adapt the existing project proposals to deal with:

a) working practices as a result of the COVID -19 pandemic
b) a requirement to update existing infrastructure in the ground floor and basement to manage asbestos, legionella, safety systems, obsolete services and fire safety in these areas, to support increased occupation of the ground floor and meet with current legislation.

The report also finalises proposals for an extension to the Civic Centre public car park.

Recommendations:

That members of the Business and Transformation Scrutiny Panel review this report and the progress made on this project.

Tracking

Executive:	
Scrutiny:	7th January 2021
Council:	

1. BACKGROUND

1.1 As noted in previous reports to Executive and Scrutiny Panels the floods arising from Storm Desmond, December 2015 caused extensive damage to the Civic Centre. The basement and ground floor of the Civic Centre were under water which reached 2.4m above ground level. During the initial clean up phase over 4.72 million litres of water was pumped from the building.

The full background to this report is extensively documented in a report to Executive 28th August 2017 (CS21/17).

1.2 The project includes: a new entrance, reception area and customer contact centre; a new Council chamber and conference facilities, open meeting space for Council staff and partners, additional storage space, office units for potential new partners, toilets and other ancillary accommodation.

1.3 The redesign of the ground floor will seek to improve customers, partners, members and staff usage of the entire site. The work will resolve the current poor access arrangements to the Chamber by bringing this facility to ground floor level. The work will also follow good practise on design for physical access, dementia, sight and hearing loss across the property.

1.4 The reinstatement work now also includes the management of concealed asbestos, additional measures to manage the control of Legionella, improvements to the ground floor and basement safety and security measures and upgrade of existing fire protection measures at basement and ground floor levels to bring them up to current standards for the proposed occupation levels within the building in these areas.

2. PROPOSALS UPDATE

2.1 Ground Floor Accommodation Proposal

The ground floor facilities will now contain the following:

- A new customer entrance to give the building a renewed presence and to assist with access and energy efficiency.
- A new reception zone will create a focal point for all visitors and customers, this includes a waiting area and disabled access toilet.

- A new customer contact centre has been designed to the front elevation of the building with a waiting area, service desks and private interview rooms. The interview rooms have separate access arrangements to ensure safety.
- To the left of reception and through the visitor waiting area is a meeting space and quiet working area for members, staff and partners. Opportunities for wifi enabled agile working will be available in the areas designated.
- An improved delivery area is proposed via the rear of the building and a storage area is planned in this vicinity.
- In addition, there is now also space for additional toilets for the new meeting space.
- There is an additional area under the tower which has been identified for possible partner occupation and benefits from separate access if required.
- The existing space within the former rates hall and beyond has been converted into flexible meeting and conference space with separate kitchen facilities.

2.2 Civic and Conference Facilities:

- The Council Chamber will be relocated to the former contact centre / rates hall. This new, highly flexible space will be used as a modern, fully accessible Council chamber and conference / exhibition centre. It is felt that the extended ceiling height and central location of the hall make this an attractive, open and highly visible place for the Civic and democratic activities of the Council. The new plans will provide a new purpose built and wholly demountable chamber space that could also be used for a full range of other functions and events. These other functions may provide additional income to the Council if marketed and serviced appropriately.

- To the rear of the proposed new chamber is a suite (3) of flexible meeting spaces with full audio-visual equipment provided. These will be used to supplement the new chamber or for separate functions. All the spaces would be serviced by accessible toilets at ground floor level and by a kitchen located adjacent to the meeting rooms.

The existing chamber will be demolished and replaced with additional car parking and a new civic space.

Flood resilience has been a major consideration in these plans, and the project uses materials that will speed up the recovery from any future flooding event. Further investigation has been undertaken into cost effective flood resilient materials and we now intend to use rendered block construction for internal partitions rather than the glazed panels originally envisaged which proved to be extremely costly and not suitable for some of our partner’s conference requirements. The rendered block walls can simply be washed down should flooding ever occur.

Some flood resilience work has already been undertaken with electrical equipment and lift gear being relocated to the upper floors.

With advances in information technology the redevelopment works will now operate via Council and public Wi-Fi systems negating the need for vast amount of cabling and server space.

In addition, all furniture would be designed to be easily moved to the first floor should flooding be anticipated. This demountable approach is a key concept for the ground floor redevelopment and will be brought visibly into the Council’s business continuity plans and procedures.

2.3 Progress Since Council Approval

Since Council approval on 5 May 2020, several strands of work have taken place to deliver a project which is appropriate to the current needs of the Council, including revised working practices put in place to accommodate the risks to the staff, members and the public associated with COVID 19. These elements of work include:

a) Formation of an internal work team to deliver the project
b) Consultation with our stakeholders to confirm their current requirements
c) Detailed development of the design or redesign of the accommodation to suit the needs of the end-users of the building in conjunction with the appointed Flood recovery consultant WYG (Tetratech from 1/1/2021).
d) Replacement of the flat roof covering to the chamber
e) The procurement and completion of an enabling works contract
f) Engaging a Contractor to deliver the main works project in two phases
g) Consideration and review of the proposals for the civic space and car park as part of the proposed phase 2 work.

h) Promote work in other areas or directorates which will need to be in place by the completion of the construction works for the building to function.

2.4 Internal Work Team

The internal work team consist of:

- Project Sponsor - Darren Crossley
- Construction delivery team – Property services capital projects unit consisting of Amanda McCartney, Richard Chandler and Irene Hammond

Additional input has been sought from and provided by:

- Design concept development and property services manager – Mark Walshe
- Health and Safety engagement, particularly on fire safety and staff security and wellbeing – Arup Majhi
- CCC's appointed fire Officer – Tony Stoddart
- Representation from the Building maintenance / facilities team
- Representation from the customer services team led by Matt Ward,
- Representation from the Keepers
- Representation from the IT team on the M & E infrastructure – particularly regarding the AV, chamber function hardware
- Representation on members requirements led by Rachel Plant

Engagement with the above list of stakeholders has taken place either via a series of single-issue workshops conducted via Teams, to confirm the design concept and current user requirements. This work is ongoing as each of the key design elements is revisited to ensure that the design concept and the proposals set out in the contract are still appropriate in view of the increase separation and cleaning regimes required to deal with the risk of spreading Covid -19 and the corresponding use of new technology and software to conduct business. Examples of the design conclusion workshops include topics such as AV requirements, chamber lighting and acoustic panelling, aesthetics of the chamber and small data and power requirements.

A separate tem email address has been set up to deal with and coordinate enquires and repsosnse specific to this project.

2.5 Flat Roof Work

Work was undertaken by the property services facilities team to replace the flat roof covering over the chamber area as the existing covering had reached the end of its life and was allowing water ingress at various locations around the chamber. Additional work has been carried out within the last few weeks to repair corroded and leaking cast iron rainwater pipework in two locations, which was exposed during the strip out works on the ground floor.

2.6 Enabling Works Contract

During the summer months, Story Contracting Ltd were engaged to carry out a five-week duration enabling works contract to allow the staff access to the building to be segregated from the construction works.   The primary aim of this package of work was to make provision for staff to safely enter and leave the building and segregate them from the contractors from a safety and COVID work bubble perspective.

The work also included forming a new staff entrance with access ramp, blocking up rotten and redundant window openings, replacing most of the external basement doors with secure doors, replacing fire doors in the basement, insulating the incoming water main to reduce the risk of Legionella and other temperature sensitive water borne contaminants, partially reinstate fire detection equipment on the ground floor and basement areas, reconfigure the access security in the ground floor and basement, set up revised fire escape routes, investigate the location of any remaining asbestos and locating and condition of any existing exposed services, setting up a new temporary store for deliveries at the rear of the building and set up noise and dust screening, in advance of main works.

2.7 Main Contract Works

The main contract works for the refurbishment and reinstatement of the ground floor and associated services was awarded to Story Contracting Ltd and commenced on 19 October 2020. The programme of works consists of two phases and has an overall duration of 60 weeks. The first phase consists of the refurbishment work to the chamber, customer contact area, meeting area and associated facilities. The second phase consists of the demolition of the Rotunda, the reconfiguration of the drainage and works to the car park.

- The current construction work is primarily concerned with the stripping out of the remaining existing finishes, redundant partitions, encapsulating the asbestos in the chamber ceiling and providing fixing points for the lighting.
- It was also discovered that some of the existing power and data cabling was missing, incorrectly labelled or un-labelled. This has been put right in sections as the first fix electrical work has been progressed on an area by area basis – where feasible.
- Work has commenced on the formation of new openings in the internal concrete walls and the blocking up of the walls for the new offices with the shell work to the interview suite area approximately 70% complete.
- Insulation blockwork has been installed below the window levels in two areas
- Work has also commenced on the installation of the air flow plant at the ground floor.
- Work on the installation of cabling basket in the ceiling void area and fire stopping has commenced at ground floor level.

The construction work is currently on programme.

In addition to the construction work, further detail design work has been carried out with the stakeholder groups and WYG to complete the design work ahead of the construction team. Some of the work is to firm up existing design information whereas other areas are concerned with freezing the design based on current requirements. This is proving to be challenging in terms of timescales for information required compared to information received.

Work has also been undertaken in conjunction with the main contractor to consider the potential impact of a no deal Brexit, as far as possible, to secure materials required early in the New Year which are either imported from or are transported through the EU.

Work is also underway to work with other departments to streamline or adapt existing council processes to make them agile enough to deal with fast decision-making processes and budget considerations required by a capital works project.

2.8 Budget

The approved budget of £3,601,998 for the project is on target.
Additional expenditure anticipated on asbestos removal, additional structural testing, additional small power and data provisions, inflation costs on the

proposed AV chamber equipment has been offset with the saving made on the reduce specification for the compound fencing and the substitution of some rendered areas with painted blockwork.

3. RISKS

3.1 Cooperation and timely response of stakeholders and users' groups to meet construction delivery deadlines, particularly on Customer choice items, or areas which have been reviewed considering COVID-19 working practices.

3.2 Timely development of the detailed design work by WYG to RIBA stage 5 standard and response to technical queries

3.3 Engagement with and management of stakeholders and user groups expectations relative to the approved budget.

3.4 Agility of existing corporate processes and staffing commitments to meet with capital contract and project deadline requirements,

3.5 Fire safety and infrastructure considerations for the levels of occupation from floors 1 – 10.

3.6 The impact of COVID on the project design, delivery period and budget.

3.7 The impact of a possible "no-deal" Brexit on the design, delivery periods and costs of the budget

4. CONSULTATION

4.1 Internally via the City Council's corporate structures and processes.

5. NEXT STEPS

5.1 Develop the proposals for the Civic space and adjacent car park

5.2 Continue and complete the design freeze ahead of the construction work

5.3 Continue with the stakeholder engagement in the project

5.4 Continue the collaboration and development of Council processes to facilitate agile decision making to avoid where possible delays to the contract and / or abortive cost

5.5 Direct the parallel project tasks to ensure that the whole project is fit for purpose, completed on time and within budget constraints

5.6 Pursue the satisfactory delivery of the professional services element of the project.

6. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

6.1 The initiative embraces partnership working with other public sector bodies.

The December 2015 floods have created an opportunity to remodel the Civic Centre to provide a facility that is fit for purpose not only for the City Council but also for several partner organisations. Providing a one-stop centre for information and assistance for the citizens of Carlisle.

The proposals also offer opportunities to create additional revenue streams for the City Council and reduce operating costs.
The generation of additional income may help with the provision and support of front-line services.

Contact Officer:	**Darren Crossley**	**Ext:**	**7004**
Appendices attached to report:	**Appendix A – Ground floor and basement floor plans**		

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

- **None**

CORPORATE IMPLICATIONS:

LEGAL -
FINANCE –
EQUALITY –
INFORMATION GOVERNANCE –

DO NOT SCALE: CONTRACTOR TO CHECK ALL DIMENSIONS AND REPORT ANY OMISSIONS OR ERRORS

Existing windows, doors and infill panels to be removed. Openings to be infilled in cavity masonry construction comprising 2 no. leaves of 100mm concrete blockwork with 120mm Foamglas T3+ insulation to cavity & render finish to match existing pre-cast panels.

Existing concrete blockwork damaged during strip out works following flooding to be carefully removed and replaced with new 100mm 7.3N/mm² concrete blockwork, with 140mm Foamglass Wallboard T3+ insulation. Existing windows, outer leaf, cill and plinth details to be retained. Refer to drawing A095945-3-P0023.

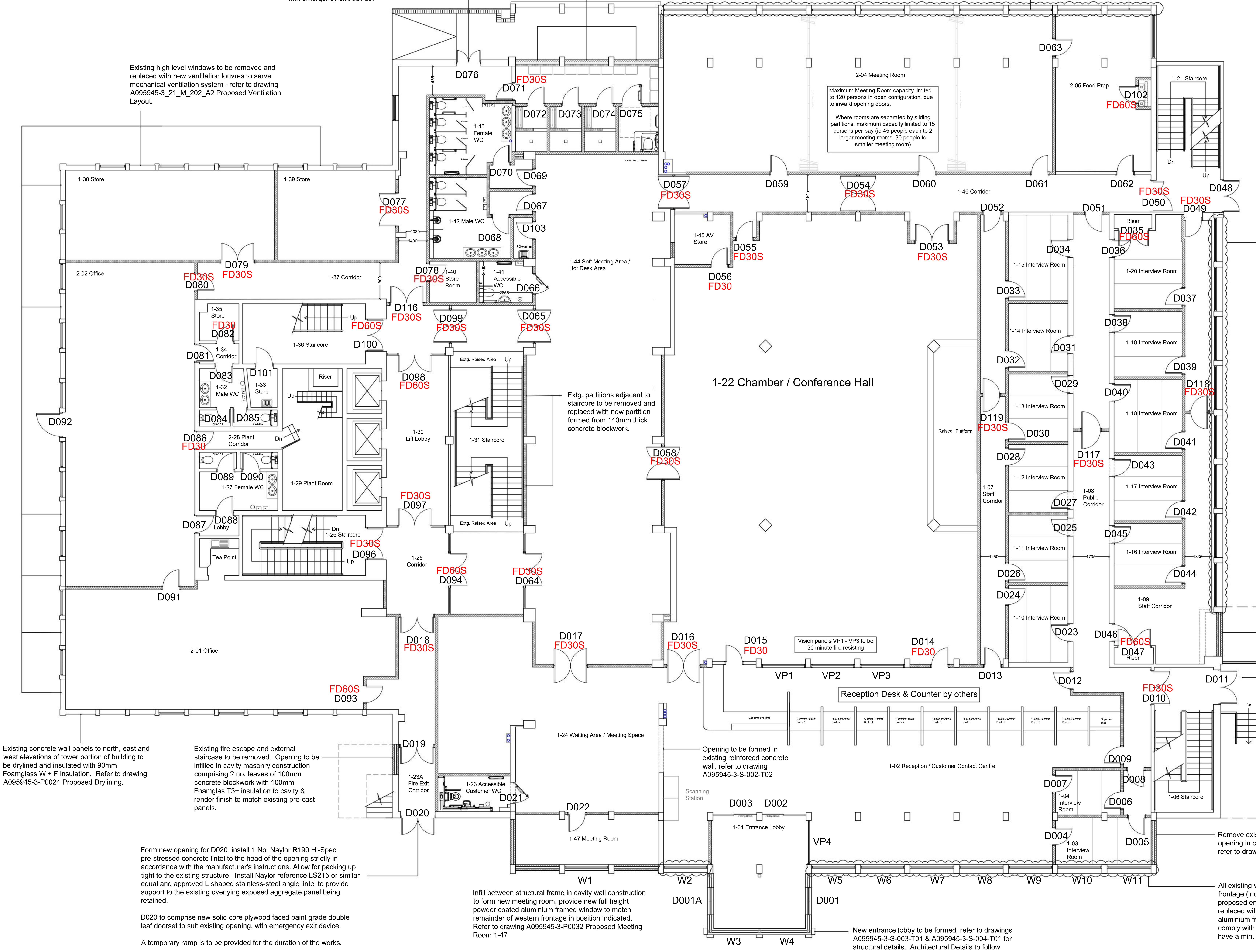
Existing high level windows to be removed and replaced with new ventilation louvres to serve mechanical ventilation system - refer to drawing A095945-3_21_M_202_A2 Proposed Ventilation Layout.

D076 to comprise new solid core plywood faced paint grade double leaf doorset to suit existing opening, with emergency exit device.

Existing high level windows to be removed and replaced with new ventilation louvres to serve mechanical ventilation system - refer to drawing A095945-3_21_M_202_A2 Proposed Ventilation Layout.

General:

- New layout formed using 140mm 7N/mm² concrete blockwork, as indicated (shown cross-hatched); refer to drawing A095945-3-S-005-T02 for proposed blockwork details.
- New sanitaryware to be connected to existing drainage. Refer to drawing A095945-3-E0017 for existing drainage layout, refer to drawing A095945-3-P0034 for proposed drainage layout.
- Refer to drawing A095945-3_21_M_202_A2 Proposed Ventilation Layout.
- New plant deck to accommodate air handling unit to be provided on flat roof adjacent to extg. Rotunda, spanning between existing concrete columns and reinforced concrete wall. Refer to A095945-3-P0042 Proposed Roof Plan & A095945-3-S-001-T01.
- New door openings to be formed in existing reinforced concrete walls for doors D021, D025, D027, D029, D038, D043 and D045. Refer to drawing A095945-3-S-002-T02.



Extg. partitions adjacent to staircore to be removed and replaced with new partition formed from 140mm thick concrete blockwork.

Extg. windows to be temporarily removed and set aside for re-fixing, extg. timber framing and external lining below cill to be removed and replaced with new cavity masonry construction comprising 2 no. 100mm concrete blockwork leaves with 120mm cavity containing Foamglas T3+ insulation. Refer to drawing A095945-3-S0012.

Existing wall shown dashed to be removed, opening to be infilled in cavity masonry construction comprising 2 no. 100mm concrete blockwork leaves with 120mm cavity containing Foamglas T3+ insulation & render finish to match existing pre-cast concrete panels. Refer to drawing A095945-3-S0012.

New concrete steps serving D011 following demolition of Rotunda, with 100mm high brickwork. Steps to have max. rise of 170mm, min. tread 300mm. Circular metal handrail 50mm Ø to be provided to both sides of stair, 1m above pitch line, extending 300mm beyond bottom riser.

Extg. Rotunda to be demolished and car park extended into footprint, refer to drawing A095945-3-21-C-H.01-T2 Civic Car Park General Arrangement & A095945-3-21-C-D100-T2 Civic Car Park Drainage GA

Existing concrete wall panels to north, east and west elevations of tower portion of building to be drylined and insulated with 90mm Foamglass W + F insulation. Refer to drawing A095945-3-P0024 Proposed Drylining.

Existing fire escape and external staircase to be removed. Opening to be infilled in cavity masonry construction comprising 2 no. leaves of 100mm concrete blockwork with 100mm Foamglas T3+ insulation to cavity & render finish to match existing pre-cast panels.

Opening to be formed in existing reinforced concrete wall, refer to drawing A095945-3-S-002-T02

Form new opening for D020, install 1 No. Naylor R190 Hi-Spec pre-stressed concrete lintel to the head of the opening strictly in accordance with the manufacturer's instructions. Allow for packing up tight to the existing structure. Install Naylor reference LS215 or similar equal and approved L shaped stainless-steel angle lintel to provide support to the existing overlying exposed aggregate panel being retained.

D020 to comprise new solid core plywood faced paint grade double leaf doorset to suit existing opening, with emergency exit device.

A temporary ramp is to be provided for the duration of the works.

Infill between structural frame in cavity wall construction to form new meeting room, provide new full height powder coated aluminium framed window to match remainder of western frontage in position indicated. Refer to drawing A095945-3-P0032 Proposed Meeting Room 1-47

New entrance lobby to be formed, refer to drawings A095945-3-S-003-T01 & A095945-3-S-004-T01 for structural details. Architectural Details to follow

Remove existing window and infill opening in cavity wall construction, refer to drawing A095945-3-X0006

All existing windows and infill panels to western frontage (including window on north side of proposed entrance lobby) to be removed and replaced with new full height powder coated aluminium framed double glazed windows, to comply with BS6375 and BS6262. Windows to have a min. U-value of 1.8 W/(m².K)

Existing landscaping arrangement to the Rickergate frontage to be amended to provide level access to new entrances D001 & D001A & new fire escape D020. Refer to drawings A095945-3_LA_05 Landscaping General Arrangement & A095945-3_DT_02 to 05 Details Sheets 1 - 4

0 5 10 15 20

CONSTRUCTION ISSUE

REV	DESCRIPTION	BY	CHK	APP	DATE
20	Construction Issue	DB	DB	DB	23-07-20
19	Updated to reflect revised fire strategy	DB	DB	DB	15-08-19
18	D093 moved, D115 added	DB	DB	DB	03-06-19
17	Showers amended, lobby added back	AH	DC	DC	05-09-18
16	Alterations following meeting on 22-08-18	DB	DC	DC	23-08-18
15	Door D009 moved	DB	DC	DC	02-07-18

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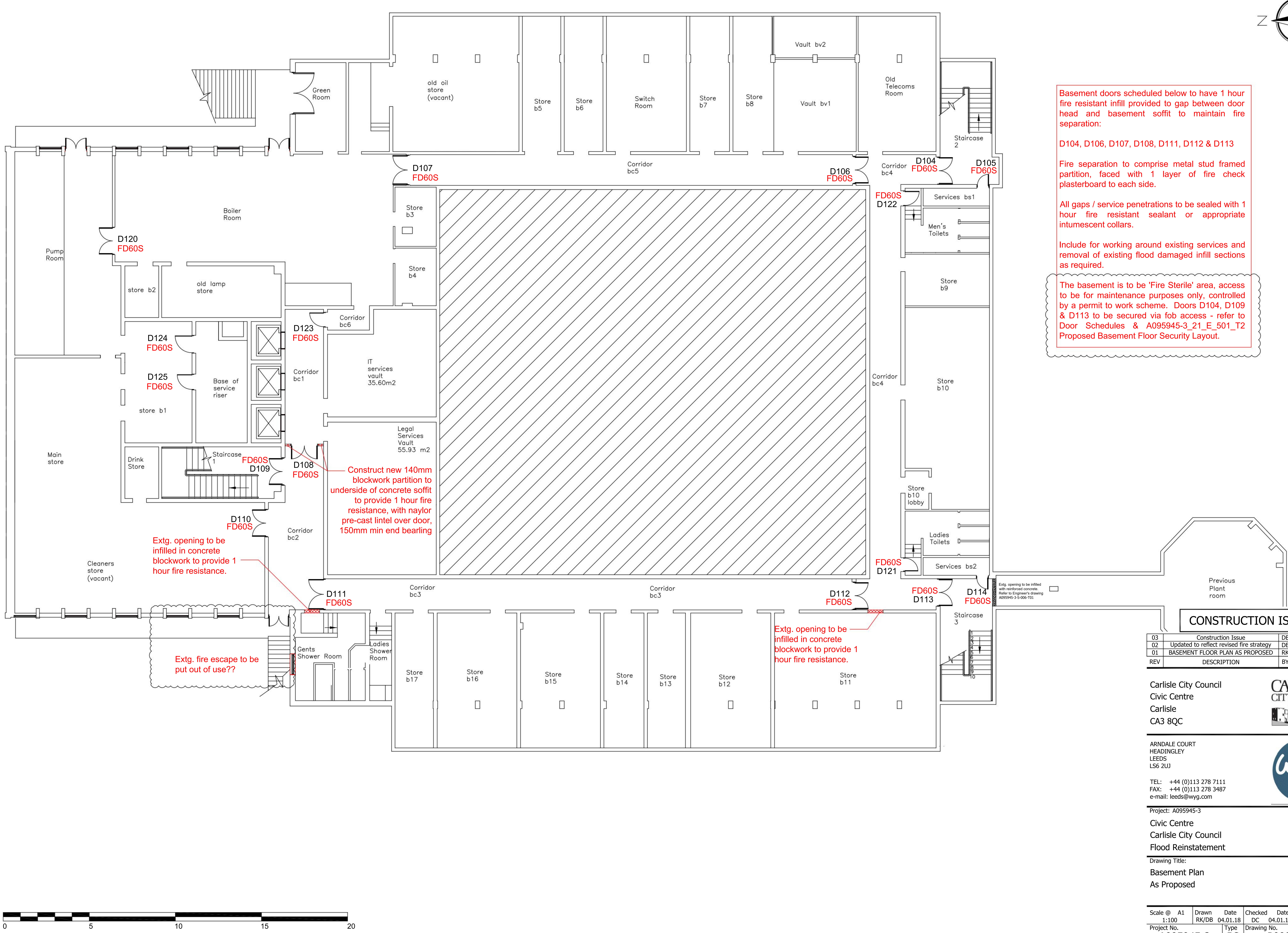
Project: A095945-3
CARLISLE CIVIC CENTRE
CIVIC CENTRE
FLOOD REINSTATEMENT

Drawing Title:
Ground Floor Plan As Proposed
General Arrangement

Scale @ A1	Drawn	Date	Checked	Date	Approved	Date
1:100	RK/DB	04.10.18	DC	04.10.18	DC	04.10.18

Project No.	Type	Drawing No.	Revision
A095945-3	BS	P0001	20

DO NOT SCALE: CONTRACTOR TO CHECK ALL DIMENSIONS AND REPORT ANY OMISSIONS OR ERRORS



Basement doors scheduled below to have 1 hour fire resistant infill provided to gap between door head and basement soffit to maintain fire separation:

D104, D106, D107, D108, D111, D112 & D113

Fire separation to comprise metal stud framed partition, faced with 1 layer of fire check plasterboard to each side.

All gaps / service penetrations to be sealed with 1 hour fire resistant sealant or appropriate intumescent collars.

Include for working around existing services and removal of existing flood damaged infill sections as required.

The basement is to be 'Fire Sterile' area, access to be for maintenance purposes only, controlled by a permit to work scheme. Doors D104, D109 & D113 to be secured via fob access - refer to Door Schedules & A095945-3_21_E_501_T2 Proposed Basement Floor Security Layout.

CONSTRUCTION ISSUE

REV	DESCRIPTION	BY	CHK	APP	DATE
03	Construction Issue	DB	DB	DB	23-07-20
02	Updated to reflect revised fire strategy	DB	DB	DB	15-08-19
01	BASEMENT FLOOR PLAN AS PROPOSED	RK	DC	DC	14.09.18

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wyg

Project: A095945-3
Civic Centre
Carlisle City Council
Flood Reinstatement

Drawing Title:
Basement Plan
As Proposed

Scale @ A1	Drawn	Date	Checked	Date	Approved	Date
1:100	RK/DB	04.01.18	DC	04.01.18	DC	04.01.18

Project No.	Type	Drawing No.	Revision
A095945-3	BS	P0002	03

EXCERPT FROM THE MINUTES OF THE EXECUTIVE HELD ON 7 DECEMBER 2020

EX.138/20 BUDGET 2021/22 – FEEDBACK FROM THE SCRUTINY PANELS ON THE DRAFT BUDGET REPORTS
(Key Decision – KD.25/20)

Portfolio Finance, Governance and Resources

Relevant Scrutiny Panel Health and Wellbeing; Economic Growth; Business and Transformation

Subject Matter

Speaking at the invitation of the Leader, the Deputy Leader indicated that the Scrutiny Panels had scrutinised the draft Budget Reports for 2021/22 considered by the Executive on 9 November 2020.

The Executive would now consider feedback from the Scrutiny Panels, as detailed within the Minutes of the undernoted Panel meetings, copies of which were submitted:

(a) Health and Wellbeing – 19 November 2020 (HWSP.67/20)

The Deputy Leader advised that the substantive resolution from the Panel was that more detailed information be provided with regard to the policy which the City Council would pursue in relation to climate change.

The Deputy Leader reported that information had now been incorporated into the Executive's Budget Proposals, the most significant change being that any carbon reducing schemes would initially have to be funded from resources currently contained in the Council's existing revenue and capital budgets; with any new climate change initiatives following formal adoption and approval of the Local Environment (Climate Change) Strategy being supported by a robust business case and a cost benefit analysis provided.

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

(b) Economic Growth – 26 November 2020 (EGSP.59/20)

The Deputy Leader stated that, having scrutinised the Charges Review Report 2021/22 - Community Services, the Panel had resolved that a review of the parking permit scheme at Talkin Tarn be carried out.

He believed that the Executive would agree that consideration should be given to the strategy governing parking at Talkin Tarn in terms of the management of parking and income received therefrom. Accordingly, certain of those proposals would be reviewed.

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

(c) Business and Transformation – 1 December 2020 (BTSP.73/20)

The Deputy Leader highlighted the Panel's request that the Executive give further consideration to the introduction of a pest control charge for dealing with rats and the impact upon households in the event that they could not meet the charge.

In response, the Deputy Leader could confirm that the Executive had taken that on board and that the Charges Review Report 2021/22 – Governance and Regulatory Services (GD.48/20) had been amended to ensure that the intended discount for senior citizens was available for domestic rat and mice treatments.

The Environment and Transport Portfolio Holder confirmed that he had nothing to add at this time.

The Vice-Chair of the Business and Transformation Scrutiny Panel was pleased to note that the Executive was looking to amend the pest control charges and discounts as alluded to by the Deputy Leader.

She explained that the Scrutiny Panel had also asked that the Executive look at introducing an element of flexibility for waste services charges to assist households that were struggling financially. The feeling at the meeting was that collections from households were increasing. A cost benefit analysis may therefore be useful since, if people were able to dispose of their waste, that may be beneficial from a fly tipping perspective.

The Vice-Chair concluded by questioning whether the Executive was also prepared to look at that issue.

The Deputy Leader replied that investigation into some of those charges would comprise a larger piece of work than could be undertaken within the timescales to date. He did not, however, think that the Executive was opposed to looking into the matter.

The Environment and Transport Portfolio Holder reported that he had discussed the issue with Officers. One alternative to bulky household waste collection was the County Council's household waste sites which took items free of charge. Clearly, however, not everyone could avail themselves of that service.

The Portfolio Holder added that work would be required to try to understand the manner by which a scheme could be put in place, and that the matter was under consideration.

The Vice-Chair thanked the Deputy Leader, and the Environment and Transport Portfolio Holder for their responses.

The Leader wished to place on record his thanks to the Scrutiny Panels for their consideration of the draft Budget Reports and for their comments and recommendations. He was also appreciative of the Vice-Chair's attendance today.

The Executive would give detailed consideration to the issues and recommendations raised prior to putting forward their draft Budget Proposals for consultation on 14 December 2020.

The Leader so moved and the Deputy Leader duly seconded.

Summary of options rejected None

DECISION

That the Scrutiny Panels be thanked for their scrutiny of the draft Budget reports; and their comments / recommendations, as detailed within the Minutes submitted, be taken into consideration as part of the Executive's deliberations on the 2021/22 Budget.

Reasons for Decision

The views of the Scrutiny Panels be taken into consideration as part of the 2021/22 Budget process.

Executive Budget Proposals 2021/22
Issued for Consultation
14th December 2020

Councillor J Mallinson
Leader of the Council

Councillor G Ellis
Portfolio Holder Finance, Governance & Resources

Jason Gooding
Chief Executive

Alison Taylor CPFA
Corporate Director of Finance and Resources

EXECUTIVE BUDGET PROPOSALS 2020/21 to 2025/26

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

Section	Detail
A	**Background and Executive Summary**
B	**Revenue Budget 2020/21 to 2025/26** • Schedule 1 - Existing Net Budgets • Schedule 2 - Proposed Budget Reductions • Schedule 3 - Recurring Budget Increases • Schedule 4 - Non-Recurring Budget Increases • Schedule 5 - Summary Net Budget Requirement • Schedule 6 - Total Funding and Provisional Council Tax
C	**Capital Programme 2020/21 to 2025/26** • Schedule 7 - Estimated Capital Resources • Schedule 8 - Proposed Capital Programme • Schedule 9 - Summary Capital Resource Statement
D	**Council Reserves Projections to 2025/26** • Schedule 10 - Usable Reserves Projections
E	**Proposed Budget Discipline and Saving Strategy**
F	**Draft Statutory Report of the Corporate Director of Finance and Resources**
G	**Glossary of Terms**

These budget proposals are based on detailed proposals that have been considered by the Executive over the course of the last few months. In particular the following reports of the Corporate Director of Finance and Resources were considered at the Executive meeting of 14th December 2020. All of the detailed reports are available on the Council's website.

1. RD42/20 – Budget Update 2021/22 to 2025/26
2. RD43/20 – Capital Programme 2020/21– 2025/26
3. RD44/20 – Draft Treasury Management Strategy Statement and Investment Strategy and Minimum Revenue Provision Strategy 2021/22

SECTION A – BACKGROUND AND EXECUTIVE SUMMARY

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

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

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

Council Tax Reduction Scheme
There is a requirement to approve the Local Support for Council Tax Scheme ("The Council Tax Reduction Scheme" or CTRS) annually as part of the Budget Process. There are no intentions to make any changes to the reductions given to recipients of the discount scheme for 2021/22, nor any proposals to make any revisions or replace the current scheme and as such the continuation of the current scheme is recommended.

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

Some of the main issues are:

- Government Finance Settlement – impact of the 2020 Spending Round, and the deferral of the Business Rates Retention and Fair Funding Reviews;
- Further changes in Government Grant e.g. New Homes Bonus, Housing Benefit Admin Grant;
- Future borrowing requirements;
- Commercial and Investment Opportunities

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

approval of the Local Environment (Climate Change) Strategy, being supported by robust business cases with a cost benefit analysis provided.

Summary Budget Proposals

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

(i) The draft budget proposes an annual **£5** increase per Band D in Council Tax for the City Council for 2020/21 (Parish Precepts will be an additional charge in the parished rural areas).

(ii) Based on current projections, the budget proposed will result in the following requirement to be taken **to/(from)** Council reserves to support Council expenditure over the period as follows:

Additional contribution to / (from) reserves	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Original MTFP recurring surplus/(deficit)	(499)	(95)	(86)	27	(118)
Changes to Funding - Business Rates Growth	1,200	0	0	0	0
Recurring budget reductions (Schedule 2)	535	500	575	547	537
Recurring Budget Increases (Schedule 3)	(900)	(497)	(301)	(301)	(301)
Contribution required (from) / to Reserves to fund Recurring Expenditure	**336**	**(92)**	**188**	**273**	**118**
Original MTFP non-recurring surplus/(deficit)	(34)	45	0	0	0
Non-Recurring budget reductions (Schedule 2)	20	0	0	0	0
Non-Recurring budget increases (Schedule 4)	(217)	(190)	(190)	(190)	0
Contribution required (from) / to Reserves to fund Non-Recurring Expenditure	**(231)**	**(145)**	**(190)**	**(190)**	**0**
Total contribution required (from) / to Reserves	**105**	**(237)**	**(2)**	**83**	**118**

(iii) The above table shows a small contribution to reserves in 2021/22 and a small contribution from reserves over the following two years of the MTFP to fund expenditure. A strategy as detailed in Section E for ensuring the Council sets a robust budget within the revenue budget has been proposed.

(iv) Given the uncertainty over future funding allocations and other financial pressure the Council is facing, the scope to support new recurring spending and initiatives in future years is still very challenging.

Consultation Responses:
Depending upon the timing of the Government's draft financial settlement, due week commencing 14th December 2020, the estimated sums contained within this document may change and therefore the document may be re-issued for consultation purposes.

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

If you wish to make any comment on the Executive's draft budget proposals as set out in this document please send them to the Chief Executive at the Civic Centre, Carlisle, CA3 8QG by **9am on 13th January 2021.**

Following this, the consultation responses will be considered by the Executive in January, culminating in the Executive's final a budget proposal to Council on **2nd February 2021.**

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

SECTION B - REVENUE BUDGET 2020/21 to 2025/26

1. **REVISED REVENUE BUDGET 2020/21**

1.1 The Executive recommends that the Council's revised net budget for 2020/21 be approved totalling £17.532m compared to the original budget of £13.842m. The increase of £3.690million can be summarised as follows:

Detail:	£000	£000
Original Net Budget		13,842
Carry Forward Requests from 2019/20 (See note 1.2)		811
		14,653
Non-Recurring Expenditure:		
Use of Projects Reserve	238	
Planning Services Reserve	(9)	
Revenue Grants Reserve	730	
Flood Reserve	1,944	
Building Control Reserve	9	
Cremator Reserve	(55)	
Carry Forward Reserve	22	
Total Changes		**2,879**
Revised Net Budget		**17,532**

1.2 The increased budget for 2020/21 is principally as a result of the carry forward of budgets from previous years for work not completed at the financial year-end. Although the 2020/21 budget is increased, there is a corresponding decrease for the previous financial year and so there is no impact on the Council's overall financial position.

2. **REVENUE BUDGET 2021/22 to 2025/26**

2.1 **Existing Net Budgets**
The Executive recommends that the net budgets for 2021/22 to 2025/26 submitted in respect of existing services and including existing non-recurring commitment and estimated Parish Precepts are as shown in **Schedule 1** below:

Schedule 1 – Existing Net Budgets

Existing Net Budgets	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
City Council					
- Recurring (schedule 5)	12,719	12,639	12,960	13,183	13,670
- Non-Recurring (Sch. 5 note 2)	34	(45)	0	0	0
Parish Precepts	705	723	741	760	779
Total	**13,458**	**13,317**	**13,701**	**13,943**	**14,449**

2.2 **Proposed Savings and Budget Reductions**

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

Schedule 2 – Proposed Budget Reductions

Proposed Budget Reductions	Note	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Expenditure Reductions/Increased Income:						
Energy Savings	1	(20)	(20)	(20)	(20)	(20)
Budget Savings	2	(200)	(200)	(200)	(200)	(200)
Treasury Management	3	(315)	(280)	(355)	(327)	(317)
Capacity Funding Bid	4	(20)	0	0	0	0
Total Expenditure Reductions/Increased Income		**(555)**	**(500)**	**(575)**	**(547)**	**(537)**
TOTAL BUDGET REDUCTION PROPOSALS		**(555)**	**(500)**	**(575)**	**(547)**	**(537)**
Split:						
Recurring		(535)	(500)	(575)	(547)	(537)
Non-Recurring		(20)	0	0	0	0

Note 1: This is the annual expected saving from the installation of a new energy monitoring system that is included as a new capital project.

Note 2: The current MTFP includes a recurring savings requirement to be found by 2023/24 of £1.850million; however, a revised savings requirement has been calculated that will see savings increase to £1.200million by 2021/22, increasing to £2.050million in 2023/24 which takes account of the pressures and bids and the additional savings identified in this report.

	Cumulative Savings identified as 2020/21 Budget £000	Additional Cumulative Savings Required £000	Reprofiled Savings £000	Revised Cumulative Savings required £000	Revised in Year Savings Required £000
2021/22	(1,000)	(200)	0	(1,200)	(1,200)
2022/23	(1,000)	(200)	0	(1,200)	0
2023/24	(1,850)	(200)	0	(2,050)	(850)
2024/25	(1,850)	(200)	0	(2,050)	0
2025/26	(1,850)	(200)	0	(2,050)	0

Note 3: Treasury Management projections have been revised to include updates to the Capital programme and updated for interest rate forecasts. This projection includes the potential impact on reserves for all the pressures and savings contained in this report together with the updated borrowing costs for the capital programme.

Note 4: This is the use of a Capacity Funding bid to support the creation of the Fixed Term post for a Digital Marketing Officer (Schedule 4).

2.3 **Proposed Budget Increases**

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

Schedule 3 – Recurring Budget Increases

Recurring Budget Pressures	Note	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Leisure Contract	1	617	198	2	2	2
Energy Monitoring System	2	3	3	3	3	3
Replacement of Flare Data Management Sys	3	0	16	16	16	16
Industrial Estate Income	4	55	55	55	55	55
Pay Award	5	93	93	93	93	93
Project Officers Posts	6	132	132	132	132	132
Total Recurring Budget Pressures		**900**	**497**	**301**	**301**	**301**

Note 1: This relates to additional subsidy to the Leisure provider agreed as part of the Sands project by Council in July 2019.

Note 2: The annual maintenance cost of a new energy monitoring system that is included as a new capital project. The system will allow the Council to monitor and manage its energy usage across its properties and will help to deliver commitments around becoming carbon neutral as well as generating a recurring saving of approximately £20,000 per year.

Note 3: This is the annual cost associated with a new Data Management system to be used by Regulatory Services. The capital costs are included in the Capital Programme.

Note 4: To recognise the shortfall of income from industrial estates in line with the Council's asset disposal programme.

Note 5: The 2020/21 pay award was higher than that included in the Medium-Term Financial Plan. This pressure recognises the increased cost of the 2020/21 pay award on the overall wage bill.

Note 6: This is to add permanent officer post for supporting and managing capital projects.

Schedule 4 – Non-Recurring Budget Increases

Non-Recurring Budget Pressures/Savings	Note	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
City Centre Properties Income Shortfall	1	190	190	190	190	0
Digital Marketing Officer	2	27	0	0	0	0
Total Non-Recurring Budget Pressures		**217**	**190**	**190**	**190**	**0**

Note 1: To recognise the loss of rental income from City Centre properties; with the assumption that this funding gap will be replaced by funding received from the Borderlands Project.

Note 2: This is to create a fixed term role with the use of a capacity funding bid (£20,000) to lead on engagement through social media and digital channel. The role will continue to develop innovate approaches to engagement and consultation for the key strategic projects and new strategies/policies.

2.4 **Revised Net Budget Requirement**

As a consequence of the above, the Executive recommends that the Net Budget Requirement for Council Tax Purposes for 2021/22, with projections to 2025/26, be approved as set out in **Schedule 5** below:

Schedule 5 – Summary Net Budget Requirement for Council Tax Purposes

2020/21 Revised £000	Summary Net Budget Requirement	2021/22 Budget £000	2022/23 Proj £000	2023/24 Proj £000	2024/25 Proj £000	2025/26 Proj £000
	Recurring Revenue Expenditure					
	Existing Expenditure (Schedule 1)	12,719	12,639	12,960	13,183	13,670
	Budget Reductions (Schedule 2)	(535)	(500)	(575)	(547)	(537)
	New Spending Pressures (Schedule 3)	900	497	301	301	301
14,527	**Total Recurring Expenditure**	**13,084**	**12,636**	**12,686**	**12,937**	**13,434**
	Non Recurring Revenue Expenditure					
(431)	Existing Commitments (Schedule 1)	34	(45)	0	0	0
811	Carry Forward	0	0	0	0	0
(590)	Budget Reductions (Schedule 2)	(20)	0	0	0	0
3,215	Spending Pressures (Schedule 4)	217	190	190	190	0
17,532	**Total Revenue Expenditure**	**13,315**	**12,781**	**12,876**	**13,127**	**13,434**
	Less Contributions (from)/to Reserves:					
(1,141)	Recurring Commitments (Note 1) Sub Total	**336**	**(92)**	**188**	**273**	**118**
	Non Recurring Commitments					
(2,194)	- Existing Commitments (Note 2)	(34)	45	0	0	0
(811)	- New Commitments	(197)	(190)	(190)	(190)	0
(3,005)	Sub Total	**(231)**	**(145)**	**(190)**	**(190)**	**0**
13,386	**Total City Council Budget requirement**	**13,420**	**12,544**	**12,874**	**13,210**	**13,552**
688	Parish Precepts	705	723	741	760	779
14,074	**Projected Net Budget Requirement for Council Tax purposes**	**14,125**	**13,267**	**13,615**	**13,970**	**14,331**

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

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

Existing Non Recurring Commitment Approvals	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Asset Disposal Refresh Staffing	112	0	0	0	0
Asset Disposal Refresh - financed from Capital Receipts	(112)	(112)	0	0	0
Tullie House Core Funding	150	0	0	0	0
New Homes Bonus	(217)	42	0	0	0
Grants to Third Parties	6	0	0	0	0
Carlisle Ambassadors	25	25	0	0	0
Parking Income (Sands Project)	70	0	0	0	0
Total	**34**	**(45)**	**0**	**0**	**0**

2.5 **Funding and Provisional Council Tax Projections**

As a consequence of the above and having made the appropriate calculations required under Section 32 of the Local Government Finance Act 1992, the Executive is putting forward a proposal for an annual £5 increase in Council Tax for 2021/22 per Band D property (This equates to a 2.30% increase). The detail of this is set out in **Schedule 6** below and the impact per Council Tax Band is as follows:

	2020/21 Council Tax £	Proposed Annual Increase £	2021/22 Council Tax £	Weekly Increase
Band A	144.80	3.33	148.13	6 pence
Band B	168.93	3.89	172.82	7 pence
Band C	193.07	4.44	197.51	9 pence
Band D	217.20	5.00	222.20	10 pence
Band E	265.47	6.11	271.58	12 pence
Band F	313.73	7.22	320.96	14 pence
Band G	362.00	8.33	370.33	16 pence
Band H	434.40	10.00	444.40	19 pence

Schedule 6 – Total Funding and Provisional Council Tax Projections

2020/21	Total Funding and Council Tax Impact	2021/22	2022/23	2023/24	2024/25	2025/26
34,468.61	Estimated TaxBase	34,911.93	35,261.05	35,613.66	35,969.80	36,329.50
£000		**£000**	**£000**	**£000**	**£000**	**£000**
	Projected Net Budget Requirement for Council Tax Purposes (Schedule 5)					
13,386	- City	13,420	12,544	12,874	13,210	13,552
688	- Parishes	705	723	741	760	779
14,074	**Total**	**14,125**	**13,267**	**13,615**	**13,970**	**14,331**
	Funded by:					
(7,487)	- Council Tax Income	(7,757)	(8,011)	(8,269)	(8,532)	(8,799)
(3,335)	- Retained Business Rates	(3,513)	(3,583)	(3,655)	(3,728)	(3,803)
(2,400)	- Business Rate Growth/Pooling	(2,100)	(900)	(900)	(900)	(900)
(134)	Business Rates Multiplier Grant	0	0	0	0	0
(30)	- Estimated Council Tax Surplus	(50)	(50)	(50)	(50)	(50)
(688)	- Parish Precepts	(705)	(723)	(741)	(760)	(779)
(14,074)	**TOTAL**	**(14,125)**	**(13,267)**	**(13,615)**	**(13,970)**	**(14,331)**
	City Council Tax					
£ 217.20	Band D Council Tax	£ 222.20	£ 227.20	£ 232.20	£ 237.20	£ 242.20
	Increase over Previous year:					
£5.00	£	£ 5.00	£ 5.00	£ 5.00	£ 5.00	£ 5.00
2.36%	%	2.30%	2.25%	2.20%	2.15%	2.11%

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

- Estimated figures for the 2021/22 year settlement, with draft figures due in mid-December with final confirmation being received in January 2021.
- The Council Tax Surplus and Taxbase are currently estimated and final figures will be available in January 2021.
- The assumption that the Council is continuing to participate in the Cumbria Business Rates Pool with the other Councils within Cumbria in order to manage Business Rates.
- The projections of Council Tax for 2021/22 onwards are indicative only and exclude final confirmation of parish precepts.

SECTION C - CAPITAL PROGRAMME 2020/21 TO 2025/26

1. **REVISED CAPITAL BUDGET 2020/21**

1.1 The Executive recommends that the revised 2020/21 Capital Programme be approved at £19.390m compared to the original budget of £29.916m as set out in the report of the Corporate Director of Finance and Resources.

2. **CAPITAL BUDGET 2021/22 TO 2025/26**

2.1 The Executive recommends that the estimated Capital Resources available and proposed Capital Programme for 2021/22 to 2025/26 be approved to be financed and allocated as detailed in **Schedule 7 and 8** below:

Schedule 7 – Estimated Capital Resources

Estimated Resources	Note	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Capital Grants:						
- DFG	1	(1,467)	(1,467)	(1,467)	(1,467)	(1,467)
- Other	2	0	(2,446)	0	0	0
Capital Receipts						
- Generated in year (Asset Business Plan)	3	(1,011)	(3,573)	(200)	(200)	(445)
Receipts used to fund resources	3	112	112	0	0	0
Direct Revenue Financing	4	(1,337)	(1,887)	(987)	(987)	(987)
TOTAL		**(3,703)**	**(9,261)**	**(2,654)**	**(2,654)**	**(2,899)**

Note 1: Disabled facilities grant (DFG) allocation will be received in the new year, and it has been assumed that this grant will be protected at the 2016/17 levels. However, this grant will be awarded via the County Council's Better Care Fund and there is still some uncertainty as to what the allocation will be.

Note 2: Capital Grants and contributions from third parties in relation to Future High Street Fund project for Market Square / Greenmarket.

Note 3: Capital receipts from the sale of fixed assets. A review of the asset disposal programme has been undertaken and a reprofiling of disposals between 2021/22 and 2025/26 has been incorporated into the table above.

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

Schedule 8 – Proposed Capital Programme

Capital Scheme		Note	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Vehicles & Plant		1	255	1,221	1,771	1,680	1,166
Planned Enhancements to Council Property		2	250	250	250	250	250
Disabled Facilities Grants			1,467	1,467	1,467	1,467	1,467
ICT Infrastructure		3	101	76	131	101	101
Leisure Facilities		4	15,237	3,450	0	0	0
Recycling Containers		5	45	45	45	45	45
Civic Centre		6	1,021	0	0	0	0
Savings to Fund Civic Centre			(200)	0	0	0	0
Carlisle Southern Relief Road	A	7	0	5,000	0	0	0
Crematorium Infrastructure		8	350	900	0	0	0
Flare Data Management System		9	0	150	0	0	0
Energy Monitoring System		10	12	0	0	0	0
Future High Street Fund - Market Square	A	11	100	2,670	0	0	0
TOTAL POTENTIAL PROGRAMME			**18,638**	**15,229**	**3,664**	**3,543**	**3,029**

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

Note 1: The anticipated budgets for the replacement of the Council's vehicle fleet on the assumption of like for like replacements.

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

Note 3: The provision for expenditure of ICT equipment.

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

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

Note 6: Funding to be identified and vired to support the reinstatement of the Civic Centre Ground floor project from within the overall Capital Programme.

Note 7: This relates to the contribution committed in support of the Housing Infrastructure Fund Bid (HIF) for the development of the Carlisle Southern Relief Road as part of the Garden City initiative. It is envisaged that the cost of this contribution will be recouped through developer contributions once the Garden Village starts being delivered.

Note 8: To provide new infrastructure for the crematorium including replacement cremators. The project is funded from the amounts set aside in the Cremator Replacement Earmarked Reserve.

Note 9: An allocation to provide for a new data management system that is used in Environmental Health and Private Sector Housing.

Note 10: An allocation to provide for an Energy Management System to be installed to monitor energy usage across Council owned property.

Note 11: This project is part of the funding application to the Future High Streets Fund and seeks to redevelop and improve the area around the Greenmarket and Market Square in Carlisle City Centre. The project is part funded through the FHSF grant, with a funding requirement from the Council of £390,000.

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

Schedule 9 – Summary Capital Resource Statement

Summary Programme	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Estimated Borrowing Requirement 31 March 2021	(1,084)				
In Year Impact:					
- Estimated resources available in year (Schedule 7)	(3,703)	(9,261)	(2,654)	(2,654)	(2,899)
- Proposed Programme (Schedule 8)	18,638	15,229	3,664	3,543	3,029
Borrowing Requirement	**13,851**	**19,819**	**20,829**	**21,718**	**21,848**

SECTION D – USABLE RESERVES PROJECTIONS

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

Schedule 10 – Usable Reserve Projections

Analysis of Council Reserves	Outturn 31 March 2020 £000	Projected 31 March 2021 £000	Projected 31 March 2022 £000	Projected 31 March 2023 £000	Projected 31 March 2024 £000	Projected 31 March 2025 £000	Projected 31 March 2026 £000
Revenue Reserves							
General Fund Reserve	(3,100)	(2,502)	(2,607)	(2,370)	(2,368)	(2,451)	(2,569)
Projects Reserve	(907)	0	0	0	0	0	0
Carry Forward Reserve	(654)	(632)	(632)	(632)	(632)	(632)	(632)
	(4,661)	(3,134)	(3,239)	(3,002)	(3,000)	(3,083)	(3,201)
Flood Reserve	(1,948)	(4)	(4)	(4)	(4)	(4)	(4)
Building Control Reserve	(100)	(91)	(91)	(91)	(91)	(91)	(91)
Cremator Reserve	(1,080)	(1,135)	(785)	115	115	115	115
City Centre Reserve	(5)	(5)	(5)	(5)	(5)	(5)	(5)
Revenue Grants Reserve	(1,939)	(1,209)	(1,209)	(1,209)	(1,209)	(1,209)	(1,209)
Planning Services Reserve	(196)	(205)	(205)	(205)	(205)	(205)	(205)
Apprentices Reserve	(78)	(78)	(78)	(78)	(78)	(78)	(78)
Waverley Viaduct Reserve	(30)	(30)	(30)	(30)	(30)	(30)	(30)
Prosecutions Reserve	(36)	(36)	(36)	(36)	(36)	(36)	(36)
Total Revenue Reserves	**(10,073)**	**(5,927)**	**(5,682)**	**(4,545)**	**(4,543)**	**(4,626)**	**(4,744)**
Capital Reserves							
Usable Capital Receipts	0	0	0	0	0	0	0
Unapplied capital grant	(136)	(112)	(112)	(112)	(112)	(112)	(112)
Lanes Capital Reserve	(75)	(90)	(105)	(120)	(135)	(150)	(165)
Total Capital Reserves	**(211)**	**(202)**	**(217)**	**(232)**	**(247)**	**(262)**	**(277)**
Total Usable Reserves	**(10,284)**	**(6,129)**	**(5,899)**	**(4,777)**	**(4,790)**	**(4,888)**	**(5,021)**
Other Technical Reserves (i)	**(90,488)**						
Total All Reserves	**(100,772)**						

(i) These reserves are of a technical nature and are not cash backed. They are not available either to fund expenditure or to meet future commitments.

SECTION E - PROPOSED BUDGET DISCIPLINE AND SAVING STRATEGY

1. The Council has adopted a 5-year financial strategy as set out in its Medium-Term Financial Plan to assist in the integration of financial planning with the priorities set out in the Carlisle Plan. The current medium-term financial projections point to a shortfall in the Council's recurring budgets, requiring the use of reserves and the achievement of identified savings. In addition, the scope for the Council to continue support for initiatives in future years and to redirect resources to priority areas will be dependent on the extent to which the Council is successful in realising savings and maximising income and funding streams. The requirement to achieve savings or raise additional income in future years is a continuing and increasing pressure facing the Council.

2. The Council continues to recognise the challenges of reductions in Central Government funding and uncertainty over other Government funding such as Business Rate Retention (and significant reductions in other revenue and capital grants) together with increased cost pressures. However due to its success to date in identifying savings, the Council now has a solid financial base in order to set its 2021/22 budget.

3. The savings strategy will continue to concentrate on the following areas to deliver the savings required to produce a balanced budget, however the exact work programme will be dependent on progress with the Transformation programme.

    - Asset Strategy – to focus on ensuring the council's asset portfolio maximises the benefit to the Council through income generation or by realising receipts of assets that do not generate a return that can then be utilised to ease pressures in capital and revenue budgets through the most appropriate means, e.g. re-investment in new assets and supporting the capital programme to reduce the Council's borrowing requirement.
    - Service Reviews – A review of services to include their purpose and relevance in achieving the Carlisle Plan priorities, including a review of those services which do not fall within the Council's core priorities or which are not statutory will be undertaken to ensure that services and resources are properly aligned to what the Council wants to achieve.
    - Core Budgets – a review of base budgets, including income generation and a fundamental zero-based budget review of all base budgets, to ensure compliance with best practice on priority and outcome based budgeting and other appropriate budget disciplines.

    Furthermore the Council will develop a Commercialisation Strategy which defines what commercialisation means in Carlisle, risk appetite and potential scope of commercial activity.

4. Members and Officers are reminded that it is essential to maintain a disciplined approach to budgetary matters and as such:

    - Supplementary estimates will only be granted in exceptional circumstances.

    - Proposals seeking virement should only be approved where the expenditure to be incurred is consistent with policies and priorities agreed by the Council.

5. In order to continue the improvements in the links between financial and strategic planning, the Joint Management Team will continue to meet regularly to progress forward planning on these issues.

DRAFT STATUTORY REPORT OF S.151 OFFICER

1. In setting its Budget Requirement, the Council is required under the Local Government Act 2003 (Section 25) to consider:

   (i) The formal advice of the statutory responsible financial officer (Corporate Director of Finance and Resources) on the robustness of the estimates included in the budget and the adequacy of the reserves for which the budget provides;

   (ii) The Council has to determine what levels of borrowing, if any, it wishes to make under the Prudential Code that governs local authority borrowing.

2. Robustness of the Estimates

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

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

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

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

   - The Savings programme was expected to achieve savings of £1million by 2021/22, increasing by £0.850million to £1.850million in 2023/24 in order to meet the expected cuts in grants from central government and other budgetary pressures identified in the previous budget process. However, based upon the pressures and savings identified within this draft budget, a further savings requirement of £0.200million will be required increasing the overall target to £1.200million by 2021/22, and to £2.050million in 2023/24. This will ensure that a balanced budget is produced and where Council reserves are replenished over the longer term.

   - The level of interest receipts and return on Treasury Management activities are subject to market rates. Members are advised of this risk every year and it should be noted that in the current economic climate with low and relatively static base rates, investment income returns in the medium term continue to prove challenging. The Council is also having to deal with a reduced number of counterparties it is able to place deposits with.

   The main risk to the robustness of the estimates is the uncertainty regarding the Fair Funding Review and how, and when, the 75% retention of business rates will be implemented, and the outcome of one-year spending review and financial support for the on-going impact of COVID-19.

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

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

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

3. Adequacy of Reserves

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

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

The Councils policy on reserves is that wherever possible reserves should not be used to fund recurring expenditure, but that where it is, this should be made explicit and steps taken to address the situation in the following years. The Executive sets out in its Budget Discipline and Saving Strategy on how it expects Officers to address the 2021/22 budget pressures in setting the 2021/22 budget and principles to be adopted when preparing the 2022/23 budget cycle.

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

Minimum reserve levels will continue to be monitored closely and will be dependent upon the final outcome of the devolvement of 75% business rates to local authorities and the fair funding review and any risks associated with this devolvement.

4. Determination of Borrowing

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

For the period under review the need for borrowing will be kept under consideration and will be dependent on the level of capital receipts being generated and the potential of future capital projects. Due to projects currently under consideration, the capital programme for 2021/22 to 2025/26 will require the use of Prudential Borrowing (including internal borrowing) to sustain levels depending on the levels of capital receipts that can be generated in the future. If borrowing is required, full option appraisals will be carried out.

SECTION G – GLOSSARY OF TERMS

BUDGET

- **GROSS** – the total cost of providing the council's services before taking into account income from service related government grants and fees and charges for services.

- **NET** – the Council's gross budget less specific government grants and fees and charges, but before deduction the settlement funding assessment and other funding from reserves.

- **ORIGINAL BUDGET** – the budget for a financial year approved by the council before the start of the financial year.

- **REVISED BUDGET** – an updated revision of the budget for a financial year.

- **NET BUDGET REQUIREMENT FOR COUNCIL TAX PURPOSES** – the estimated revenue expenditure on general fund services that needs to be financed from the Council Tax after deducting income from fees and charges, certain specific grants and any funding from reserves.

CAPITAL EXPENDITURE - Expenditure on the acquisition of a fixed asset or expenditure, which adds to and not merely maintains the value of an existing fixed asset.

CAPITAL RECEIPTS – the proceeds from the disposal of land or other assets. Capital receipts can be used to finance new capital expenditure within rules set down by the government, but they cannot be used to finance revenue expenditure.

CONTINGENCY – money set aside in the budget to meet the cost of unforeseen items of expenditure, or shortfalls in income, and to provide for inflation where this is not included in individual budgets.

COUNCIL TAX – the main source of local taxation to local authorities. Council tax is levied on households within its area by the billing authority and the proceeds are paid into its Collection Fund for distribution to precepting authorities and for use by its own General Fund.

DISABLED FACILITIES GRANT (DFG) – individual government grants towards capital spending on providing disabled adaptations to housing.

EXECUTIVE- consists of elected Members appointed by the Leader of the Council to carry out all of the local authority functions which are not the responsibility of any other part of the local authority.

FEES AND CHARGES – income raised by charging users of services for the facilities.

INTEREST RECEIPTS – the money earned from the investment of surplus cash.

NATIONAL NON-DOMESTIC RATE (NNDR) - this is a levy on businesses, based on a national rate in the pound set by the government multiplied by the 'rateable value' of the premises they occupy. Also known as 'business rates', the 'uniform business rate' and the 'non-domestic rate'.

NON-RECURRING EXPENDITURE – items which are in a budget for a set period of time.

PRECEPT – the levy made by precepting authorities on billing authorities, requiring the latter to collect income from council taxpayers on their behalf.

- **PRECEPTING AUTHORITIES** – those authorities which are not billing authorities, ie do not collect the council tax and non-domestic rate. County councils, police authorities and joint authorities are ‘ major precepting authorities’ and parish, community and town councils are ‘local precepting authorities’.

RESERVES – amounts set aside in one year to cover expenditure in the future, which all Authorities must maintain as a matter of prudence. Reserves can either earmarked for specific purposes or general.

RETAINED BUSINESS RATES - collected by billing authorities on behalf of central government and the precepting authorities (Central Government, County Councils and Billing Authority) and redistributed in accordance with a prescribed formula set by the MHCLG taking into account top up and tariffs.

REVENUE EXPENDITURE – day to day running costs of the Authority, including employee costs, premises costs and supplies and services.

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

SUPPLEMENTARY ESTIMATE – an amount, which has been approved by the authority, to allow spending to be increased above the level of provision in the original or revised budget.

TAXBASE – the number of Band D equivalent properties within each Local Authority area used to determine the RSG by the DCLG and to calculate the Council Tax yield by each authority.

VIREMENT – the permission to spend more on one budget head when this is matched by a corresponding reduction on some other budget head i.e. a switch of resources between budget heads. Virement must be properly authorised by the appropriate committee or by officers under delegated powers.

CARLISLE CITY COUNCIL
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Report to Business & Transformation Scrutiny Panel	Agenda Item: A.3 (3) (a)

Meeting Date:	7 January 2021
Portfolio:	Finance, Governance and Resources
Key Decision:	Yes: Recorded in the Notice Ref: KD.25/20
Within Policy and Budget Framework	YES
Public / Private	Public

Title:	BUDGET UPDATE – REVENUE ESTIMATES 2021/22 TO 2025/26
Report of:	CORPORATE DIRECTOR OF FINANCE & RESOURCES
Report Number:	RD 42/20

Purpose / Summary:
This report provides a draft summary of the Council's revised revenue base estimates for 2020/21, together with base estimates for 2021/22 and updated projections to 2025/26. It includes the impact of the new savings and new spending pressures currently under consideration and the potential impact on the Council's overall revenue reserves.

Recommendations:
Members of the Business & Transformation Scrutiny Panel are asked to scrutinise the report and make comments on the revised base estimates for 2020/21 and the proposed overall budgetary position for 2021/22 to 2025/26.

Tracking

Executive:	**14 December 2020**
Scrutiny:	**BTSP 07 January 2021**
Council:	**2 February 2021 (Budget Resolution)**

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Report to Executive	Agenda Item:

Meeting Date:	14 December 2020
Portfolio:	Finance, Governance and Resources
Key Decision:	Yes: Recorded in the Notice Ref: KD.25/20
Within Policy and Budget Framework	YES
Public / Private	Public

Title:	BUDGET UPDATE – REVENUE ESTIMATES 2021/22 TO 2025/26
Report of:	CORPORATE DIRECTOR OF FINANCE & RESOURCES
Report Number:	RD 42/20

Purpose / Summary:

This report provides an update to RD32/20, with a summary of the Council's revised revenue base estimates for 2020/21, together with base estimates for 2021/22 and forecasts up to 2025/26 for illustrative purposes.
Potential new spending pressures, bids and savings are also considered in this report. It should be noted that the figures in this report are indicative and the final position is subject to decisions being taken further in the budget process.
The report also provides an update on the key budget considerations.

Recommendations:

The Executive is requested to:

(i) note the revised base estimates for 2020/21 and base estimates for 2021/22;
(ii) note that the estimates in the report are draft and will be subject to the confirmation of Local Government Finance Settlement in December 2020;
(iii) note the current MTFP projections, which will continue to be updated throughout the budget process as key issues become clearer and decisions are taken;
(iv) note the budget pressures, bids and savings which need to be taken into account as part of the 2021/22 budget process;
(v) note the Statutory Report of the S.151 Officer outlining the risks associated with the draft budget figures and that minimum reserves may need to be reviewed in the future depending upon the outcome of the Local Government Finance review.

Tracking

Executive:	**14 December 2020**
Scrutiny:	**BTSP 07 January 2021**
Council:	**2 February 2021 (Budget Resolution)**

1. INTRODUCTION

1.1. This report considers the revised base estimates for 2020/21 together with the estimates for 2021/22. The report also sets out any known revisions to the Medium-Term Financial Plan (MTFP) projections.

1.2. The base estimates have been prepared in accordance with the guiding principles for the formulation of the budget over the next five-year planning period as set out in the following Policy documents that were approved by Council on 8 September 2020:

- ♦ Medium Term Financial Plan and Charging Policy
- ♦ Capital Strategy
- ♦ Asset Management Plan

1.3. Members should be aware that there are a number of significant factors affecting the budget that are currently unresolved. In particular, the following are key to the budget process and details on these will be considered as the budget process progresses:

- Ongoing impact of COVID-19;
- Local Government Finance Settlement – announcement due by December 2020;
- Further expected changes in government grant e.g. New Homes Bonus, Housing Benefit Admin Grant;
- Future borrowing requirements;
- Commercial and investment opportunities.

1.4. The report draws on information contained in a number of reports that are either considered elsewhere on this agenda or have been considered previously by the Executive.

1.5. Decisions will need to be made to limit budget increases to unavoidable and high priority issues, together with maximising savings and efficiencies, and potential use of reserves, to enable a balanced budget position to be recommended to Council in February 2021.

2. SUMMARY OF BASE BUDGET ESTIMATES

2.1. The base estimates are calculated on the assumption that core services will continue at approved levels incorporating decisions agreed by Council as part of the previous year's budget process and including all subsequent decisions made by Council.

2.2. The table below sets out the base level General Fund requirement for 2020/21 and 2021/22 with projections to 2025/26. The 2020/21 variance reflects the use of earmarked reserves approved since the MTFP was approved in September.

Table 1 – Base Budget Summary

	2020/21 Original £000	2020/21 Revised £000	2021/22 Original £000	2022/23 Proj £000	2023/24 Proj £000	2024/25 Proj £000	2025/26 Proj £000
Net Base Budget	14,653	17,532	12,753	12,594	12,960	13,183	13,670
Parish Precepts (PP)	688	688	705	723	741	760	779
Total	**15,341**	**18,220**	**13,458**	**13,317**	**13,701**	**13,943**	**14,449**
Original MTFP Projections	15,341	17,972	13,176	13,205	13,494	13,707	13,949
Variance	**0**	**248**	**282**	**112**	**207**	**236**	**500**
Analysis of Variance:							
Sands Project			282	112	207	153	345
Developer Contributions			0	0	0	83	155
Non-Recurring:							
Planning Services Reserve		(23)					
Revenue Grants Reserve		286					
Cremator Reserve		(24)					
Building Control Reserve		9					
Total Variance	**0**	**248**	**282**	**112**	**207**	**236**	**500**

2.3. Members will be aware from the revenue monitoring reports that there are a number of income streams that are reporting variances against projected levels in the current financial year and there may be other cost pressures or savings which may have a recurring impact; many of these are in relation to the ongoing COVID-19 pandemic and the impact it is having on Council services. These shortfalls are being reported to MHCLG on a monthly basis to ensure that government is aware of the losses being incurred. It is likely some or all of these pressures may continue into 2021/22, but these are being closely monitored and dialogue is ongoing with MHCLG to ensure that any losses are recovered where possible through grant or compensation from central government.

3. OUTSTANDING KEY ISSUES

3.1. Government Settlement Funding Assessment

The Council receives core funding allocations from the Government in relation to Business Rates Baseline Funding and other specific grants. 2020/21 saw a one-year settlement so the figures incorporated into this report for 2021/22 onwards are only estimations of the government funding that the Council may receive. Due to the COVID-19 pandemic, reform to the local government funding model (Fair Funding Review & Business Rates Retention) has been delayed and the Chancellor has recently announced his Spending Review (SR) for 2021/22 in order to prioritise the response to COVID-19 and to focus on supporting jobs. This will, therefore, provide departmental resources for 2021/22 only. In terms of public services, the SR focused on "giving enhanced support to continue to fight against the virus alongside delivering first class frontline services". The SR also confirmed multi-year capital spending for key programmes. This one-year settlement makes it extremely difficult for the Council to undertake any medium to long term financial planning, with the allocations for 2021/22 expected in mid-December.

3.2. **Retained Business Rates and Council Tax**

The Business Rate Baseline figure is assumed at an inflationary increase for 2021/22 with reduced projections for growth and pooling built into the MTFP from 2021/22 on the basis that the Business Rates Reforms would be implemented in 2021/22. However, as mentioned above, the reforms of the Retained Business Rates Retention Scheme have again been deferred and as a result of this deferral, the MHCLG has decided not to revoke the existing legislation governing pooling arrangements, and therefore the Council is able to continue to be a member of the Cumbria Business Rates Pool for 2021/22, subject to the agreement of all participating members. The financial aspects of continuing with the Pooling arrangements for 2021/22 are set out further in this report.

It is expected that the referendum limit will remain for Council Tax increases, however, District Councils are usually given the option of raising Council Tax by the greater of 3% or £5. This will be confirmed in mid-December.

3.3. **Pay Award 2021/22**

The MTFP currently assumes a 2% pay award increase from 2021/22 onwards; with the agreed pay award for 2020/21 being 2.75%. However, the Spending Review in November 2020 outlined plans to freeze public sector pay for public sector workers earning over £24,000. Those earning below this threshold will be guaranteed at least a £250 increase. There is also an exemption from the freeze for doctors and nurses. Therefore, there is likely to be a small saving on the amounts included in the MTFP. A decrease of 0.75% equates to a saving of £100,000 per annum.

3.4. **Resource Assumptions**

Contributions from balances include all approvals to date but make no assumptions on further contributions from balances to support the budget from 2021/22 onwards. The current resources projections assume:

- A £5 (Band D equivalent) Council Tax increase for 2021/22 onwards.
- A Council Tax Surplus for 2021/22 onwards of £50,000. The actual figure for 2021/22 will be available in January.
- Retained business rates are assumed at the Baseline level with an inflationary increase, with an additional sum to be achieved through growth/section 31 grants and from the benefits of Pooling in 2021/22;
- An assumed tax base of 34,911.93 for 2021/22. The final tax base for 2021/22 will not be available until January.
- Parish Precepts are currently being collated but the estimate for 2021/22 is for a total of £705,000. The actual Parish Precept requirement for each Parish will be reported to the Executive in December.

For information, broadly:

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

4. POTENTIAL NEW SPENDING PRESSURES/BIDS

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

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

Detail		2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Recurring						
Leisure Contract	4.2	617	198	2	2	2
Energy Monitoring System	4.3	3	3	3	3	3
Replacement of Flare Data Management System	4.4	0	16	16	16	16
Industrial Estate Income	4.5	55	55	55	55	55
Pay Award	4.6	93	93	93	93	93
Project Officer Post	4.7	132	132	132	132	132
Total Recurring Pressures		**900**	**497**	**301**	**301**	**301**
Non Recurring						
City Centre Properties Income	4.8	190	190	190	190	0
Digital Marketing Officer	4.9	27	0	0	0	0
Total Non Recurring Pressures		**217**	**190**	**190**	**190**	**0**

4.2 **Leisure Contract Variation – Additional Expenditure - £617,000 recurring bid reducing to £2,000**

This relates to additional subsidy to the Leisure provider agreed as part of the Sands project by Council in July 2019.

4.3 **Energy Monitoring System – Additional Expenditure - £3,000 recurring bid**

This is the annual maintenance cost of a new energy monitoring system that is included as a new capital project in RD43/20. The system will allow the Council to monitor and manage its energy usage across its properties and will help to deliver commitments around becoming carbon neutral as well as generating a recurring saving of approximately £20,000 per year.

4.4 **Replacement of Flare Data Management System – Additional Expenditure - £16,000 recurring bid**

This is the annual cost associated with a new Data Management system to be used by Regulatory Services. The capital costs are included in the Capital report (RD43/20) considered elsewhere on this agenda.

4.5 **Industrial Estate Income – income shortfall £55,000 recurring**

To recognise the shortfall of income from industrial estates in line with the Council's asset disposal programme.

4.6 **Pay Award – Additional Expenditure - £93,000 recurring**
The 2020/21 pay award was higher than that included in the Medium-Term Financial Plan. This pressure recognises the increased cost of the 2020/21 pay award on the overall wage bill.

4.7 **Project Officer Post – Additional Expenditure - £132,000 recurring**
The Council has some significant capital schemes in the pipeline, e.g. new leisure facilities, civic centre refurbishment, Borderlands projects etc. This pressure is therefore to provide dedicated experienced officers who can manage these projects.

4.8 **City Centre Property Income – Income Shortfall - £190,000 reducing to £0 non-recurring bid**
To recognise the loss of rental income from City Centre properties; with the assumption that this funding gap will be replaced by funding received from the Borderlands Project.

4.9 **Digital Marketing Officer – Additional Expenditure - £27,000 non-recurring**
This is to create a fixed term role with the use of a capacity funding bid (£20,000) to lead on engagement through social media and digital channel. The role will continue to develop innovate approaches to engagement and consultation for the key strategic projects and new strategies/policies.

4.10 **COVID-19 Income and Budget Monitoring Shortfalls**
The on-going pressures as a result of COVID-19 are being closely monitored and dialogue is ongoing with MHCLG to ensure that any losses are recovered where possible through grant or compensation from central government.

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

Change) Strategy, being supported by robust business cases with a cost benefit analysis provided.

As well as the base budgets used to support the Environmental Quality function (£232,700), the revenue budget also includes a proposal in relation to an Energy Monitoring System outlined at 4.3 above which will enable the Council to have closer scrutiny of the energy it uses which should help to reduce its climate footprint. The Council has also introduced a concept of fleet challenge, with all vehicle replacements being subject to a review and options undertaken on the type of replacement vehicle, currently within existing budgets.

5. SAVINGS AND ADDITIONAL INCOME PROPOSALS

5.1 Further savings/additional income have been identified in the budget process for 2021/22 as follows:

Detail	Note	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Changes to Funding						
Business Rate Income	5.2	(1,200)	0	0	0	0
Total Changes to Funding		**(1,200)**	**0**	**0**	**0**	**0**
Savings Proposed						
Capacity Funding Bid	5.3	(20)	0	0	0	0
Energy Savings	5.4	(20)	(20)	(20)	(20)	(20)
Treasury Management	5.5	(315)	(280)	(355)	(327)	(317)
Budget Savings	5.6	(200)	(200)	(200)	(200)	(200)
Total of Savings		**(555)**	**(500)**	**(575)**	**(547)**	**(537)**
Total Recurring		**(535)**	**(500)**	**(575)**	**(547)**	**(537)**
Total Non-Recurring		**(20)**	**0**	**0**	**0**	**0**

5.2 Business Rates Pooling

It is recommended that the Council continue to be part of the Cumbria Pooling arrangements in 2021/22 now that the MHCLG has agreed not to revoke the current legislation, and all participating members have initially agreed that the pool continues in its current format. A potential additional sum of £1,200,000 may be factored into the budget as a result on a non-recurring basis.

5.3 Digital Marketing Officer – Additional Income - £20,000 non-recurring

This is the use of a Capacity Funding bid to support the creation of the Fixed Term post for a Digital Marketing Officer as outlined in 4.9 above.

5.4 **Energy Monitoring System – Saving - £20,000 recurring**
This is the annual expected saving from the installation of a new energy monitoring system that is included as a new capital project in RD43/20.

5.5 **Treasury Management**
Treasury Management projections have been updated to include updates to the Capital programme (contained elsewhere on this agenda) and updated for interest rate forecasts. This projection includes the potential impact on reserves for all the pressures and savings contained in this report together with the updated borrowing costs for the capital programme.

5.6 **Budget Savings – Saving - £200,000 recurring**
The current MTFP includes a recurring savings requirement to be found by 2021/22 of £1million rising to £1.850million in 2023/24. This additional saving requirement will increase the savings needed for 2021/22 to £1.2million and the total savings required being £2.050million by 2023/24. Savings will need to be identified by a combination of reviewing:

- base budgets and specifically, non-staffing budgets such as transport costs, supplies and services costs;
- reviewing recurring grants receivable that aren't base budgeted;
- reviewing discretionary services and payments to third parties;
- service and efficiency reviews

6. PROJECTED IMPACT ON REVENUE BALANCES

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

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

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

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

Summarised Position	2020/21 Original £000	2020/21 Revised £000	2021/22 Original £000	2022/23 Proj £000	2023/24 Proj £000	2024/25 Proj £000	2025/26 Proj £000
Total Projected Expenditure	14,653	17,532	12,753	12,594	12,960	13,183	13,670
Total Projected Resources	(14,653)	(17,532)	(12,220)	(12,544)	(12,874)	(13,210)	(13,552)
Projected (Surplus) / Shortfall <u>excluding</u> savings and new spending	**0**	**0**	**533**	**50**	**86**	**(27)**	**118**
Less:							
New Saving Proposals							
- Recurring	0	0	(535)	(500)	(575)	(547)	(537)
- Non Recurring	0	0	(20)	0	0	0	0
- Business Rates	0	0	(1,200)	0	0	0	0
(See Para 6)							
Add:							
New Spending Pressures							
- Recurring	0	0	900	497	301	301	301
- Non Recurring	0	0	217	190	190	190	0
(See Para 5)							
Potential Budget (Surplus) / Shortfall	**0**	**0**	**(105)**	**237**	**2**	**(83)**	**(118)**
Potential (Surplus) / Shortfall Analysis:							
- Recurring	0	0	(336)	92	(188)	(273)	(118)
- Non Recurring	0	0	231	145	190	190	0

7. SUMMARY FINANCIAL OUTLOOK AND BUDGET DISCIPLINE 2021/22 to 2025/26

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

7.2 Notification of Government general and specific grants is received on an individual basis late in the budget process which makes forward planning difficult. The impact of a further one-year settlement for 2021/22 also adds to the challenges of securing a balanced MTFP.

7.3 In terms of expenditure pressures, again notwithstanding the impact of COVID-19 on the Council's budgets and economic recovery in general, the significant issue affecting the budget is the uncertainty regarding local government funding in terms of business rate retention and any burdens which may transfer as a result.

7.4 The deferral of the Fair Funding Review and the Business Rate Retention Reviews increases the uncertainty in terms of future funding especially from 2022/23 onwards; however, the scope to remain within the Cumbria Pooling arrangements for 2021/22 (if all participating authorities agree) may provide an opportunity, albeit temporary, in terms of increased financial support to the revenue budget from pooling and growth.

7.5 The City Council needs to establish as part of its budgetary process the financial discipline to be followed by member and officers in the ensuing financial years, and the Executive will make recommendations in this respect in December.

7.6 Under section 25 of the Local Government Act 2003 the Council's S.151 Officer is required to prepare a statutory report which considers the robustness of the estimates and the adequacy of reserves and which determines levels of borrowing. A full report will be prepared and included within the Executive's draft budget proposals for consultation purposes.

8. RISKS

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

9. CONSULTATION

9.1 The Business and Transformation Scrutiny Panel will consider this report on 7 January 2021, and their views fed back to the Executive on 13 January. Public consultation will take place between 15 December and 12 January and the budget resolution will then be issued by the Executive on 13 January.

10 RECOMMENDATIONS

10.1 The Executive is requested to:

(i) note the revised base estimates for 2020/21 and base estimates for 2021/22;

(ii) note that the estimates in the report are draft and will be subject to the confirmation of Local Government Finance Settlement in December 2020;

(iii) note the current MTFP projections, which will continue to be updated throughout the budget process as key issues become clearer and decisions are taken;

(iv) note the budget pressures, bids and savings which need to be taken into account as part of the 2021/22 budget process;

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

11 CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

11.1 To ensure that a balanced budget is set.

Contact Officer:	**Alison Taylor**	**Ext:**	**7290**
Appendices attached to report:	**Appendix A – Council Reserves** **Appendix B – Draft Statutory Report of S.151 Officer**		

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

- **None**

CORPORATE IMPLICATIONS:

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

Property Services – There are no Property implications

Finance – contained within the body of the report

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

Information Governance – There are no information governance implications.

APPENDIX A

COUNCIL RESERVES

Analysis of Council Reserves	Outturn 31 March 2020 £000	Projected 31 March 2021 £000	Projected 31 March 2022 £000	Projected 31 March 2023 £000	Projected 31 March 2024 £000	Projected 31 March 2025 £000	Projected 31 March 2026 £000
Revenue Reserves							
General Fund Reserve	(3,100)	(2,502)	(2,607)	(2,370)	(2,368)	(2,451)	(2,569)
Projects Reserve	(907)	0	0	0	0	0	0
Carry Forward Reserve	(654)	(632)	(632)	(632)	(632)	(632)	(632)
	(4,661)	(3,134)	(3,239)	(3,002)	(3,000)	(3,083)	(3,201)
Flood Reserve	(1,948)	(4)	(4)	(4)	(4)	(4)	(4)
Building Control Reserve	(100)	(91)	(91)	(91)	(91)	(91)	(91)
Cremator Reserve	(1,080)	(1,135)	(785)	115	115	115	115
City Centre Reserve	(5)	(5)	(5)	(5)	(5)	(5)	(5)
Revenue Grants Reserve	(1,939)	(1,209)	(1,209)	(1,209)	(1,209)	(1,209)	(1,209)
Planning Services Reserve	(196)	(205)	(205)	(205)	(205)	(205)	(205)
Apprentices Reserve	(78)	(78)	(78)	(78)	(78)	(78)	(78)
Waverley Viaduct Reserve	(30)	(30)	(30)	(30)	(30)	(30)	(30)
Prosecutions Reserve	(36)	(36)	(36)	(36)	(36)	(36)	(36)
Total Revenue Reserves	**(10,073)**	**(5,927)**	**(5,682)**	**(4,545)**	**(4,543)**	**(4,626)**	**(4,744)**
Capital Reserves							
Usable Capital Receipts	0	0	0	0	0	0	0
Unapplied capital grant	(136)	(112)	(112)	(112)	(112)	(112)	(112)
Lanes Capital Reserve	(75)	(90)	(105)	(120)	(135)	(150)	(165)
Total Capital Reserves	**(211)**	**(202)**	**(217)**	**(232)**	**(247)**	**(262)**	**(277)**
Total Usable Reserves	**(10,284)**	**(6,129)**	**(5,899)**	**(4,777)**	**(4,790)**	**(4,888)**	**(5,021)**
Other Technical Reserves (i)	**(90,488)**						
Total All Reserves	**(100,772)**						

(i)These reserves are of a technical nature and are not cash backed (i.e. they are not available either to fund expenditure or to meet future commitments.)

APPENDIX B

DRAFT STATUTORY REPORT OF S.151 OFFICER

1. In setting its Budget Requirement, the Council is required under the Local Government Act 2003 (Section 25) to consider:

   (i) The formal advice of the statutory responsible financial officer (Corporate Director of Finance and Resources) on the robustness of the estimates included in the budget and the adequacy of the reserves for which the budget provides;

   (ii) The Council has to determine what levels of borrowing, if any, it wishes to make under the Prudential Code that governs local authority borrowing.

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

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

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

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

   - The Savings programme was expected to achieve savings of £1million by 2021/22, increasing by £0.850million to £1.850million in 2023/24 in order to meet the expected cuts in grants from central government and other budgetary pressures identified in the previous budget process. However, based upon the pressures and savings identified within this draft budget, a further savings requirement of £0.200million will be required increasing the overall target to £1.200million by 2021/22, and to £2.050million in 2023/24. This will ensure that a balanced budget is produced and where Council reserves are replenished over the longer term.

   - The level of interest receipts and return on Treasury Management activities are subject to market rates. Members are advised of this risk every year and it should be noted that in the current economic climate with low and relatively static base rates, investment income returns in the medium term continue to prove challenging. The Council is also having to deal with a reduced number of counterparties it is able to place deposits with.

   The main risk to the robustness of the estimates is the uncertainty regarding the Fair Funding Review and how, and when, the 75% retention of business rates will be implemented, and the outcome of one-year spending review and financial support for the on-going impact of COVID-19.

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

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

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

2. Adequacy of Reserves

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

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

The Councils policy on reserves is that wherever possible reserves should not be used to fund recurring expenditure, but that where it is, this should be made explicit and steps taken to address the situation in the following years. The Executive sets out in its Budget Discipline and Saving Strategy on how it expects Officers to address the 2021/22 budget pressures in setting the 2021/22 budget and principles to be adopted when preparing the 2022/23 budget cycle.

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

Minimum reserve levels will continue to be monitored closely and will be dependent upon the final outcome of the devolvement of 75% business rates to local authorities and the fair funding review and any risks associated with this devolvement.

3. Determination of Borrowing

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

For the period under review the need for borrowing will be kept under consideration and will be dependent on the level of capital receipts being generated and the potential of future capital projects. Due to projects currently under consideration, the capital programme for 2021/22 to 2025/26 will require the use of Prudential Borrowing (including internal borrowing) to sustain levels depending on the levels of

capital receipts that can be generated in the future. If borrowing is required, full option appraisals will be carried out.

Report to Business & Transformation Scrutiny Panel	Agenda Item: A.3 (3) (b)

Meeting Date:	7 January 2021
Portfolio:	Finance, Governance and Resources
Key Decision:	Yes: Recorded in the Notice Ref: KD.25/20
Within Policy and Budget Framework	YES
Public / Private	Public

Title:	REVISED CAPITAL PROGRAMME 2020/21 AND PROVISIONAL CAPITAL PROGRAMME 2021/22 TO 2025/26
Report of:	CORPORATE DIRECTOR OF FINANCE AND RESOURCES
Report Number:	RD 43/20

Purpose / Summary:
This report provides a draft summary of the Council's revised capital programme for 2020/21 together with base estimates for 2021/22 and updated projections to 2025/26.

Recommendations:
Members of the Business and Transformation Scrutiny Panel are asked to scrutinise the report and make comments on the revised capital programme for 2020/21 and the proposed overall capital budgetary position for 2021/22 to 2025/26.

Tracking

Executive:	**14 December 2020**
Scrutiny:	**BTSP 07 January 2021**
Council:	**2 February 2021 (Budget Resolution)**

CARLISLE CITY COUNCIL
www.carlisle.gov.uk

Report to Executive	Agenda Item:

Meeting Date:	14 December 2020
Portfolio:	Finance, Governance and Resources
Key Decision:	Yes: Recorded in the Notice Ref: KD.25/20
Within Policy and Budget Framework	YES
Public / Private	Public

Title:	REVISED CAPITAL PROGRAMME 2020/21 AND PROVISIONAL CAPITAL PROGRAMME 2021/22 TO 2025/26
Report of:	CORPORATE DIRECTOR OF FINANCE AND RESOURCES
Report Number:	RD 43/20

Purpose / Summary:

The report provides an update to RD33/20 and sets out the proposed capital programme for 2021/22 to 2025/26 in the light of new capital proposals identified and summarises the estimated capital resources available to fund the programme.

Recommendations:

The Executive is asked to:

(i) Note the revised capital programme and relevant financing for 2020/21 as set out in Appendices A and B, for recommendation to Council;

(ii) Give initial consideration and views on the proposed capital spending for 2021/22 to 2025/26 given in the report in the light of the estimated available resources, for recommendation to Council;

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

Tracking

Executive:	**14 December 2020**
Overview and Scrutiny:	**BTSP 07 January 2021**
Council:	**2 February 2021 (Budget Resolution)**

1. BACKGROUND

1.1 This report details the revised capital programme for 2020/21 together with the proposed methods of financing as set out in paragraph 3 and **Appendix A and B**.

1.2 The report also details the capital spending proposals for 2021/22 to 2025/26, together with the potential resources available to fund the programme. Members are asked to give initial consideration to the spending proposals.

1.3 The guiding principles for the formulation of the capital programme over the next five-year planning period are set out in the following policy documents that were approved by Council on 8 September 2020:

- Capital Investment Strategy 2021-22 to 2025-26 (Report RD26/20)
- Asset Management Plan (Report GD43/20)

1.4 A Corporate Programme Board of senior officers, (the SMT Transformation sub-group) continues to take the lead on the prioritisation of investment and the monitoring and evaluation of schemes. This is to improve performance monitoring and business case analysis of capital projects.

2. CAPITAL RESOURCES

2.1 There are several sources of capital resources available to the Council to fund capital expenditure, the main ones being:

- Borrowing (Prudential Code - see paragraph 6.2)
- Capital Grants e.g. DFG, specific capital grants
- Capital Receipts e.g. proceeds from the sale of assets
- Council Reserves e.g. Projects Reserve

2.2 In accordance with the Capital Investment Strategy, the Corporate Director of Finance and Resources will make recommendations on the most effective way of financing the Capital Programme to optimise the overall use of resources.

2.3 It should be noted that capital resources can only be used to fund capital expenditure and cannot, with the exception of the Council's own Reserves, be used to fund revenue expenditure. There are strict definitions of what constitutes capital expenditure.

2.4 It should also be noted that the resources available to support the capital programme can only be estimated during the year. The final position is dependent in particular on how successful the Council has been in achieving Capital Receipts from the sale of assets against its target i.e. the more capital receipts generated, the less is required to be taken from Borrowing and Council Reserves (and vice versa).

2.5 The cost of externally borrowing £1m to fund the capital programme will result in a charge to the revenue account in the next full year of approximately £47,000. This is made up of £17,000 for the cost of the interest payable (1.7% of £1m equates to £17,000) and a principal repayment provision of 3% of the outstanding sum (3% of £1m equates to £30,000).

3. REVISED CAPITAL PROGRAMME 2020/21

3.1 The capital programme for 2020/21 totalling £29,915,800 was approved by Council on 14 July 2020 as detailed in the 2019/20 out-turn report (RD14/20).

3.2 The revised capital programme for 2020/21 now totals £19,390,400 as detailed in **Appendix A** subject to the relevant approvals by Executive and Council for the changes.

3.3 **Appendix B** details the revised anticipated resources available and their use to fund the capital programme. These have been revised to take account of revised projections and valuations of asset sales.

3.4 A summary of the revised programme for 2020/21 is shown below:

Summary Programme	£	Appx
2020/21 Original Capital Programme	29,915,800	**A**
Other adjustments	(10,525,400)	
Revised Capital Programme (Sept 2020)	**19,390,400**	**A**
Estimated Capital Resources available	(20,474,013)	**B**
Surplus Capital Resources	**(1,083,613)**	

4. CAPITAL SPENDING PROPOSALS 2021/22 TO 2025/26

4.1 The existing and capital spending proposals are summarised in the following table.

Capital Scheme	App/ Para	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Current Commitments:						
Vehicles & Plant	4.2	1,215	1,159	976	1,851	1,003
Planned Enhancements to Council Property	4.3	250	250	250	250	250
Disabled Facilities Grants	4.4	1,467	1,467	1,467	1,467	1,467
ICT Infrastructure	4.5	101	76	131	101	101
Leisure Facilities	4.6	15,237	3,450	0	0	0
Recycling Containers	4.7	45	45	45	45	45
Civic Centre	4.8	1,021	0	0	0	0
Savings to Fund Civic Centre	4.8	(200)	0	0	0	0
Carlisle Southern Link Road	4.9	0	5,000	0	0	0
Total Existing Commitments		**19,136**	**11,447**	**2,869**	**3,714**	**2,866**
New Spending Proposals:						
Vehicles and Plant	4.2	(960)	62	795	(171)	163
Crematorium Infrastructure	4.10	350	900	0	0	0
Flare Data Management System	4.11	0	150	0	0	0
Energy Monitoring System	4.12	12	0	0	0	0
Future High Street Fund - Market Square	4.13	100	2,670	0	0	0
Total New Spending Proposals		**(498)**	**3,782**	**795**	**(171)**	**163**
Total Potential Programme		**18,638**	**15,229**	**3,664**	**3,543**	**3,029**

4.2 The anticipated budgets for replacement of the Council's vehicle fleet. An initial review of the current replacement plan has been undertaken and the revised figures are included in the table above.

4.3 The allocation for planned enhancements to council properties is retained at the current level of £250,000.

4.4 Disabled facilities grant allocation will not be known until early into 2021/22, although it has been assumed for the purpose of this report that the grant will be protected at the 2016/17 levels. This grant will be awarded via the County Council's Better Care Fund.

4.5 This is the current allocation for improvements and developments to the Council's ICT infrastructure.

4.6 This is the updated profile for the renovation and new build of the Sands Centre as previously agreed by Council in October 2020.

4.7 An allocation for the replacement of the Council's stock of recycling and waste containers.

4.8 Funding to be identified and vired to support the reinstatement of the Civic Centre Ground floor project from within the overall Capital Programme.

4.9 The Council's contribution to the Carlisle Southern Link Road project.

4.10 To provide new infrastructure for the crematorium including replacement cremators. The project is funded from the amounts set aside in the Cremator Replacement Earmarked Reserve.

4.11 An allocation to provide for a new data management system that is used in Environmental Health and Private Sector Housing.

4.12 An allocation to provide for an Energy Management System to be installed to monitor energy usage across Council owned property. This scheme is linked to a revenue saving in the Revenue Budget update report considered elsewhere in the agenda (RD42/20).

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

As the budget process progresses, there may be further bids that come to light once full business cases are developed.

4.14 **Climate Change**

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

Specific schemes included within the current capital programme includes investing over £400,000 in LED street lighting; provision of electric car charging points (Appendix A); Energy Monitoring System outlined at 4.12 above which will enable the Council to have closer scrutiny of the energy it uses which should help to reduce its climate footprint.

5. POTENTIAL CAPITAL RESOURCES AVAILABLE

5.1 The table below sets out the estimated revised resources available to finance the capital programme for 2021/22 to 2025/26.

Source of Funding	Para	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Capital Grants:						
• Disabled Facilities Grant	5.2	(1,467)	(1,467)	(1,467)	(1,467)	(1,467)
• General Grants/Contributions	5.3	0	(2,446)	0	0	0
Capital Receipts:						
• Generated in year – Asset Business Plan	5.4	(1,011)	(3,573)	(200)	(200)	(445)
receipts used to fund resources		112	112	0	0	0
Direct Revenue Financing / Invest to Save	5.5	(1,337)	(1,887)	(987)	(987)	(987)
TOTAL RESOURCES		**(3,703)**	**(9,261)**	**(2,654)**	**(2,654)**	**(2,899)**

5.2 Disabled facilities grant allocation will not be known until early 2021/22, although it has been assumed for the purpose of this report that the grant will be protected at the 2016/17 levels. However as mentioned earlier this grant will be awarded via the County Council's Better Care Fund and there is still some uncertainty as to what the allocation will be.

5.3 General grants and contributions identified as funding streams for projects. The main element of this relates to the Future High Street Fund project for Market Square/Greenmarket (£2.380million).

5.4 Capital receipts from the sale of fixed assets. A review of the asset disposal programme has been undertaken and a reprofiling of disposals between 2021/22 and 2025/26 has been incorporated into the table above.

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

6. SUMMARY PROVISIONAL CAPITAL PROGRAMME 2021/22 TO 2025/26

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

Source of Funding	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Estimated in year Resources available (para 5.1)	(3,703)	(9,261)	(2,654)	(2,654)	(2,899)
Proposed Programme (para 4.1)	18,638	15,229	3,664	3,543	3,029
Projected (Surplus)/Deficit	**14,935**	**5,968**	**1,010**	**889**	**130**
Cumulative surplus/deficit b/fwd	**(1,084)**	**13,851**	**19,819**	**20,829**	**21,718**
Cumulative year end surplus/deficit	**13,851**	**19,819**	**20,829**	**21,718**	**21,848**
Borrowing undertaken previously	**14,000**	**14,000**	**14,000**	**14,000**	**14,000**
Cumulative deficit i.e. overall borrowing needed to support the capital programme	**27,851**	**33,819**	**34,829**	**35,718**	**35,848**

6.2 The Prudential Code gives authorities freedom to borrow to fund capital schemes subject to the over-riding principles of Affordability, Prudence and Sustainability. Whilst these freedoms could significantly impact on the capital resources available to the Authority, the principles referred to in effect mean that the Council is limited by the ongoing cost of any borrowing (i.e. the cost of prudential borrowing falls to be met from the General Fund recurring expenditure). The Prudential Code requires authorities to develop their own programmes for investment in fixed assets, based upon what the authority and local taxpayers can afford, and subject to a full Business Case and Options appraisal process. Further details on the Code can be found elsewhere on the agenda in the Treasury Management Report (RD43/20).

The table above shows that there continues to be a borrowing requirement from 2021/22. In order to reduce the exposure of the council to a borrowing requirement the following steps could be examined during the course of this budget process:

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

7. RISKS

7.1 The ongoing impact of issues raised will be monitored carefully in budget monitoring reports and appropriate action taken.

8. CONSULTATION

8.1 Scrutiny Panels have considered the requests for their areas of responsibility at their meetings in November and December. Feedback of any comments on the proposals have been made to the Executive in December prior to the Executive issuing their draft budget proposals for wider consultation.

9. CONCLUSION AND REASONS FOR RECOMMENDATIONS

The Executive is asked to:

(i) Note the revised capital programme and relevant financing for 2020/21 as set out in Appendices A and B;

(ii) Give initial consideration and views on the proposed capital spending for 2021/22 to 2025/26 given in the report in the light of the estimated available resources;

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

10. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

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

Contact Officer:	**Emma Gillespie**	**Ext:**	**7289**
Appendices attached to report:			

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

- **None**

CORPORATE IMPLICATIONS:

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

PROPERTY – The Council has a significant property portfolio which assists in the management of its resources as detailed in the Asset Management Plan.

FINANCE – Financial implications are contained within the body of the report.

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

INFORMATION GOVERNANCE – There are no information governance implications.

REVISED CAPITAL PROGRAMME 2020/21 **APPENDIX A**

Scheme	Original Capital Programme 2020/21 £	Other Adjustments £	Proposed Savings & Carry Forwards £	Revised Capital Programme 2020/21 £
Sands Centre Redevelopment	16,679,300	(10,644,100)	0	6,035,200
On Street Charging Points Infrastructure	203,700	0	0	203,700
Gateway 44 Development	4,621,900	0	0	4,621,900
Civic Centre Development	2,581,400	0	0	2,581,400
Open Space Improvements	80,700	0	0	80,700
Play Area Improvements	47,800	38,000	0	85,800
Cemetery Infrastructure	5,700	0	0	5,700
Central Plaza	12,300	0	0	12,300
Affordable Homes (S106)	0	50,700	0	50,700
Planning Software	150,000	0	0	150,000
Flood Reinstatement Projects	21,900	0	0	21,900
LED Footway Lighting Installation	203,100	11,700	0	214,800
Rough Sleeping Initiative		50,000	0	50,000
Planned Enhancements to Council Property	396,800	(31,700)	0	365,100
Vehicles, Plant & Equipment	1,532,400	0	0	1,532,400
Recycling Containers	45,000	0	0	45,000
ICT Infrastructure	311,000	0	0	311,000
Disabled Facilities Grants	2,864,600	0	0	2,864,600
Empty Property Grants	23,200	0	0	23,200
SUB-TOTAL	**29,780,800**	**(10,525,400)**	**0**	**19,255,400**
Capital Reserves to be released				
Play Area Improvements	35,000	0	0	35,000
Cemetery Infrastructure	30,000	0	0	30,000
Skew Bridge Deck	70,000	0	0	70,000
	135,000	**0**	**0**	**135,000**
REVISED TOTAL	**29,915,800**	**(10,525,400)**	**0**	**19,390,400**

APPENDIX B

REVISED CAPITAL PROGRAMME 2020/21 – PROPOSED FINANCING

Source of funding	2020/21 Original £	2020/21 Revised £	Notes
Capital Grants:			
• DFG	1,899,800	1,899,800	
• General	2,256,900	2,470,900	1
Capital Receipts:			
• B/fwd from previous year	(2,711,187)	(2,711,187)	
• Generated in year (Asset Review)	2,078,000	1,388,000	2
• Borrowing undertaken	0	14,000,000	
Capital Contributions			
• General	96,700	203,400	3
Direct Revenue Financing	3,223,100	3,223,100	4
TOTAL FINANCE AVAILABLE	**6,843,313**	**20,474,013**	
TOTAL PROGRAMME (SEE APP A)	**29,895,800**	**19,390,400**	
PROJECTED (SURPLUS)/DEFICIT IN CAPITAL RESOURCES AVAILABLE	**23,052,487**	**(1,083,613)**	

Notes:

1. Capital grant include revised funding for Sands Centre Development (£2,134,000), Empty Property Grants (£23,200), Play Area Improvements (£60,000), On-Street Charging Infrastructure (£203,700) and Rough Sleeping Initiative (£50,000).
2. Asset Review Receipts have been reprofiled into future years.
3. General contributions relate to Open Space Improvements (£80,700), Play Area Developments (£24,000), Affordable Homes S106 (£50,700) and Sands Centre (£48,000).
4. There are no changes to Direct Revenue Financing.

CARLISLE CITY COUNCIL
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Report to Business & Transformation Scrutiny Panel	Agenda Item: A.4

Meeting Date:	7 January 2021
Portfolio:	Finance, Governance and Resources
Key Decision:	Yes: Recorded in the Notice Ref: KD.25/20
Within Policy and Budget Framework	YES
Public / Private	Public

Title:	DRAFT TREASURY MANAGEMENT STRATEGY STATEMENT, INVESTMENT STRATEGY AND MINIMUM REVENUE PROVISION STRATEGY 2021/22
Report of:	CORPORATE DIRECTOR OF FINANCE AND RESOURCES
Report Number:	RD 44/20

Purpose / Summary:

This report sets out the Council's Treasury Management Strategy Statement for 2021/22, in accordance with the CIPFA Code of Practice on Treasury Management. The Investment Strategy and the Minimum Revenue Provision (MRP) Strategy for 2021/22 are also incorporated as part of the Statement. So too are the Prudential Indicators as required within the Prudential Code for Capital Finance in Local Authorities.

Recommendations:

Members of the Business and Transformation Scrutiny Panel are asked to scrutinise and make comments on the proposed Treasury Management Strategy for 2021/22

Tracking

Executive:	**14 December 2020, 13 January 2021**
Scrutiny:	**BTSP 7 January 2021**
Audit Committee:	**18 December 2020**
Council:	**2 February 2021**

Report to Executive	Agenda Item:

Meeting Date:	14 December 2020
Portfolio:	Finance, Governance and Resources
Key Decision:	Yes: Recorded in the Notice Ref: KD.25/20
Within Policy and Budget Framework	YES
Public / Private	Public

Title:	DRAFT TREASURY MANAGEMENT STRATEGY STATEMENT, INVESTMENT STRATEGY AND MINIMUM REVENUE PROVISION STRATEGY 2021/22
Report of:	CORPORATE DIRECTOR OF FINANCE AND RESOURCES
Report Number:	RD 44/20

Purpose / Summary:

This report sets out the Council's draft Treasury Management Strategy Statement for 2021/22, in accordance with the CIPFA Code of Practice on Treasury Management. The Investment Strategy and the Minimum Revenue Provision (MRP) Strategy for 2021/22 are also incorporated as part of the Statement. So too are the Prudential Indicators as required within the Prudential Code for Capital Finance in Local Authorities.

Recommendations:

The Executive is asked to note the draft Treasury Management Strategy Statement for 2021/22, which incorporates the Investment Strategy and the MRP Strategy, together with the Prudential Indicators for 2021/22 as set out in Appendix A and the Treasury Management Policy Statement as set out at Appendix D, and to seek comments from the Business and Transformation Scrutiny Panel in January 2021.

Tracking

Executive:	**14 December 2020, 13 January 2021**
Scrutiny:	**BTSP 7 January 2021**
Audit Committee:	**18 December 2020**
Council:	**2 February 2021**

1. BACKGROUND

1.1 The CIPFA Code of Practice on Treasury Management in Local Authorities was first issued in 1992 and updated in 1996, 2001, 2011 and 2017. The City Council formally adopted this Code in March 2002 and adopted the 2017 revision in February 2018.

1.2 Under the requirements of the revised Code, the Council will receive each year the following reports:

- Annual strategy and plan in advance of the year
- A mid-year review
- Annual report after its close.

2. TREASURY MANAGEMENT STRATEGY STATEMENT

2.1 As required under the Code, the Treasury Management Strategy Statement (TMSS) for 2021/22, which also incorporates both the Investment Strategy for that year and the Minimum Revenue Strategy, is set out in **Appendix A**. The schedule of approved investment vehicles is contained in **Appendix B** and **Appendix C** includes a summary of current economic forecasts on interest rates that have been utilised in preparing the Strategy.

2.2 Also included within Appendix A are the **Prudential Indicators** that must be determined under the requirements of the CIPFA Prudential Code for Capital Finance in Local Authorities. These requirements came into operation on 1 April 2004 under the provisions of the Local Government Act 2003. Part 1 of the Act allows a local authority to borrow money for any purpose that is within its control or for the purposes of the prudent management of its financial affairs. The main purpose for borrowing money is to fund capital expenditure although some short-term borrowing is permitted to cover temporary cash flow needs.

2.3 Since 1 April 2004 there has been no statutory limit to the amount that can be borrowed. There is, however, a requirement for full compliance with CIPFA's Prudential Code; the key objectives of which are to demonstrate that the proposed capital investment plans have been assessed by the Council as affordable, prudent and sustainable. Section 3(1) of the Act puts a duty on the Council to determine before the start of the financial year and keep under review the maximum amount that it can afford to borrow. This amount is called the **Authorised Limit** and is discussed in **Appendix A**.

2.4 The Prudential Indicators are monitored via the quarterly Treasury Management monitoring reports.

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

3. CONSULTATION

3.1 The Council has appointed Link Asset Services Treasury Services as its Treasury Advisers and they have been involved in the Strategy and proposals contained within this report.

4. **RISKS**

4.1 The Treasury Management function must ensure the security of Council funds at all times over the yield that is gained. It must also ensure it follows the key principles as outlined in the Treasury Management Code of Practice and the Prudential Code.

4.2 There is a risk that interest rates could change over the period of the Treasury Management Strategy Statement, particularly in respect of BREXIT and the recovery from the COVID-19 pandemic, but close monitoring of the situation will be maintained, particularly if there are forecast changes to interest rates that could have an impact on borrowing decisions or reduce the availability of counterparties with which the Council can invest its funds.

5. CONCLUSION AND REASONS FOR RECOMMENDATIONS

5.1 The Executive is asked to note the Treasury Management Strategy Statement for 2021/22, which incorporates the Investment Strategy and the MRP Strategy, together with the Prudential Indicators for 2021/22 as set out **in Appendix A**. and the Treasury Management Policy Statement as set out at **Appendix D.**

6. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

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

Contact Officer:	**Steven Tickner**	**Ext: 7280**
Appendices attached to report:	**Appendix A – Treasury Management Strategy Statement** **Appendix B – Approved Investment Instruments** **Appendix C – Interest Rate Forecasts** **Appendix D – Treasury Management Policy Statement**	

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

- **None**

CORPORATE IMPLICATIONS:

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

PROPERTY -

FINANCE – contained within the report.

EQUALITY – not applicable

INFORMATION GOVERNANCE – There are no information governance issues in this report

APPENDIX A

Draft Treasury Management Strategy Statement

Minimum Revenue Provision Policy Statement and Annual Investment Statement

Carlisle City Council

2021/22

1. INTRODUCTION

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

- increases in interest charges caused by increased borrowing to finance additional capital expenditure, and
- any increases in running costs from new capital projects are limited to a level which is affordable within the projected income of the Council for the foreseeable future

1.2 The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.

1.3 The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.

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

1.5 Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day to day treasury management activities.

1.6 CIPFA defines treasury management as:
"The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

1.7 Revised reporting was required for the 2019/20 reporting cycle due to revisions of the MHCLG Investment Guidance, the MHCLG Minimum Revenue Provision (MRP) Guidance, the CIPFA Prudential Code and the CIPFA Treasury Management Code. The primary reporting changes included the introduction of a capital investment strategy, to provide a longer-term focus to the capital plans, and greater reporting requirements surrounding any commercial activity undertaken under the Localism Act 2011. The capital investment strategy has been reported separately.

1.8 The suggested strategy for 2021/22 in respect of the following aspects of the treasury management function is based upon officers' views on interest rates, supplemented with leading market forecasts provided by the Council's treasury consultants. The strategy covers the following issues:

- Treasury limits in force that will limit the treasury risk and activities of the Council;
- Prudential and Treasury Indicators;
- Current treasury position;
- Borrowing requirement;
- Prospects for interest rates;
- Borrowing strategy considerations;
- Debt rescheduling opportunities.
- Investment Strategy
- Minimum Revenue Provision Strategy
- Capital Investment Strategy

2. CAPITAL INVESTMENT STRATEGY

2.1 The CIPFA revised 2017 Prudential and Treasury Management Codes requires all local authorities to prepare a Capital Investment Strategy report, which will provide the following:
- a high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed

- the implications for future financial sustainability

2.2 The aim of the Capital Investment Strategy is to ensure that all elected members fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

2.3 The Capital Investment Strategy is reported separately from the Treasury Management Strategy Statement alongside the Medium-Term Financial Plan with non-treasury investments being reported through this document. This ensures the separation of the core treasury function under security, liquidity and yield principles, and the policy and commercialism investments usually driven by expenditure on an asset. The Capital Investment Strategy will show:
- The corporate governance arrangements for these types of activities;
- Any service objectives relating to the investments;
- The expected income, costs and resulting contribution;
- The debt related to the activity and the associated interest costs;
- The payback period (MRP policy);
- For non-loan type investments, the cost against the current market value;
- The risks associated with each activity.

2.4 Where a physical asset is being bought, details of market research, advisers used, (and their monitoring), ongoing costs and investment requirements and any credit information will be disclosed, including the ability to sell the asset and realise the investment cash.

2.5 Where the Council has borrowed to fund any non-treasury investment, there should also be an explanation of why borrowing was required and why the MHCLG Investment Guidance and CIPFA Prudential Code have not been adhered to.

2.6 If any non-treasury investment sustains a loss during the final accounts and audit process, the strategy and revenue implications will be reported through the same procedure as the Capital Investment Strategy.

3. TREASURY LIMITS 2021/22 TO 2023/24

3.1 It is a statutory duty, under S3 of the Local Government Act 2003 and supporting regulations, for the Council to determine and keep under review how much it can afford to borrow. The amount determined is termed the ‘Affordable Borrowing Limit’.

3.2 The Council must have regard to the Prudential Code when setting its Affordable Borrowing Limit. This essentially requires it to ensure that total capital investment remains within sustainable limits and in particular, that the impact upon its future council tax levels is ‘acceptable’. It is important to understand, however, that the

Indicators themselves, which are set out in paragraph 6, do not have an inherently right or wrong answer. They are not intended as comparator information between different authorities but are designed to support and record local decision making.

4. USE OF TREASURY CONSULTANTS

4.1 The authority has, like most other authorities, employed treasury advisers for specialist advice and assistance for many years. In the case of this authority, this role has long been fulfilled by Link Asset Services.

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

5. CURRENT PORTFOLIO POSITION

The Council's treasury portfolio position at 18 November 2020 comprised:

Table 1		Principal £m	£m	Ave Rate %
Fixed Rate Funding	PWLB	13.5		
	Market	0.0	13.5	1.63
Variable Rate Funding	PWLB	0		
	Market	0	0	0.00
Other Long Term Liabilities			0	0.00
Gross Debt			**13.5**	**1.63**
Total Investments			**24.2**	**0.83**

6. PRUDENTIAL AND TREASURY INDICATORS 2021/22 – 2023/24

6.1 The Prudential and Treasury Indicators have been based on current projections for capital spending and resources in 2021/22 to 2023/24. The Council has ensured that future years' capital programmes have been set in accordance with the principles contained within the City Council's Capital Strategy and Asset Management Plan.

PRUDENTIAL INDICATOR AFFORDABILITY INDICATORS	2019/20 actual £000	2020/21 revised estimate £000	2021/22 estimate £000	2022/23 estimate £000	2023/24 estimate £000
Capital Expenditure	8,111	19,390	18,638	15,229	3,664
Ratio of financing costs to net revenue stream	2.97%	4.47%	5.15%	8.28%	13.40%
Net borrowing requirement in year (Internal & External)	1,025	2,431	8,565	14,923	5,731
Capital Financing Requirement as at 31 March	16,113	24,678	39,601	45,332	45,344
Annual change in Cap. Financing Requirement	(1,026)	8,565	14,923	5,731	12
Incremental impact of capital investment decisions					
Increase in council tax (band D) per annum (£)	0.71	7.45	12.82	4.88	0.01

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

6.3 **<u>The Council's Borrowing Need (Capital Financing Requirement)</u>**

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

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

PRUDENTIAL INDICATOR TREASURY MANAGEMENT INDICATORS	2019/20 actual £000	2020/21 revised estimate £000	2021/22 estimate £000	2022/23 estimate £000	2023/24 estimate £000
Authorised Limit for External Debt:					
- Borrowing	44,000	44,000	45,000	50,000	50,000
- Other Long Term Liabilities	100	100	100	100	100
TOTAL	**44,100**	**44,100**	**45,100**	**50,100**	**50,100**
Operational Boundary for external debt:					
- Borrowing*	32,500	39,000	40,000	45,000	45,000
- Other Long Term Liabilities	100	100	100	100	100
TOTAL	**32,600**	**39,100**	**40,100**	**45,100**	**45,100**
Upper Limit for fixed interest rate exposure:					
- Net principal re. Fixed rate borrowing/investments	**100%**	**100%**	**100%**	**100%**	**100%**
Upper Limit for variable rate exposure					
- Net principal re. Variable rate borrowing/investments	**100%**	**100%**	**100%**	**100%**	**100%**
Upper Limit for total principal sums invested for over 1 year	**50%**	**50%**	**50%**	**50%**	**50%**

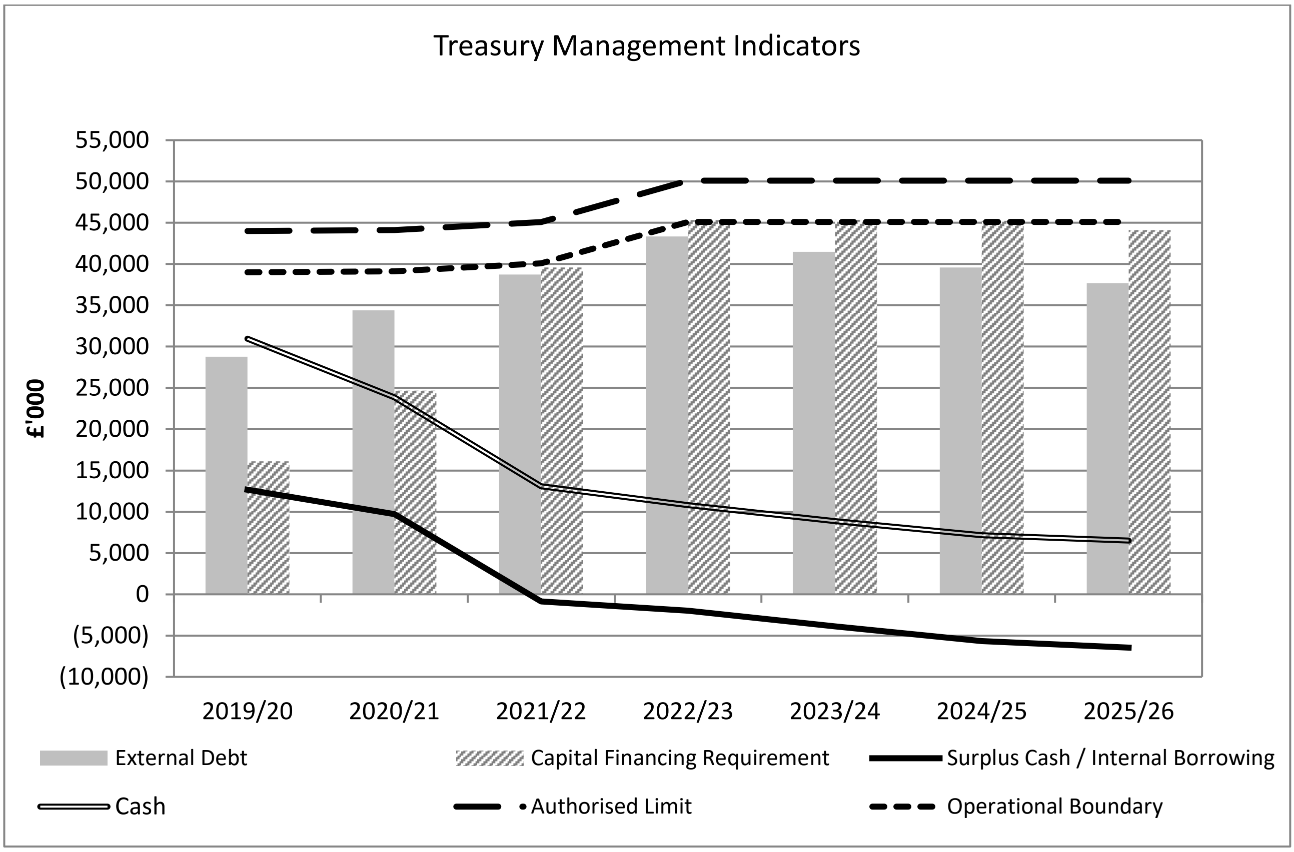
Notes:

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

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

PRUDENTIAL INDICATOR TREASURY MANAGEMENT INDICATORS	2019/20 actual £000	2020/21 revised estimate £000	2021/22 estimate £000	2022/23 estimate £000	2023/24 estimate £000
External Debt B/Fwd	**15,000**	**28,775**	**34,380**	**38,745**	**43,357**
New External Debt (Actual & Planned)	14,000	22,000	6,000	6,507	0
External Debt Repaid	(225)	(16,395)	(1,635)	(1,895)	(1,895)
External Debt C/fwd	**28,775**	**34,380**	**38,745**	**43,357**	**41,462**

6.3.3 The graph below shows the level of external debt currently forecast against the Capital Financing Requirement. This chart makes assumptions included in the Executive's budget regarding the use of external borrowing. However, funding of capital expenditure could change, for example, if additional assets are sold generating capital receipts or expenditure requirements change. Therefore, this chart could be subject to change in the future. This shows that external debt is not forecast to rise above the authorised limit over the next five years. However, this is predicated on the assumption that capital receipts can be generated that will be used to fund some of the capital expenditure requirements identified. Should these receipts not be achieved, then then the use of borrowing will need to be re-examined. The Medium-Term Financial Plan assumes that external borrowing will be undertaken to support expenditure on major capital schemes such as the leisure development, Gateway 44 and the Southern Relief Road project. These areas will be closely monitored prior to any further external borrowing being undertaken.

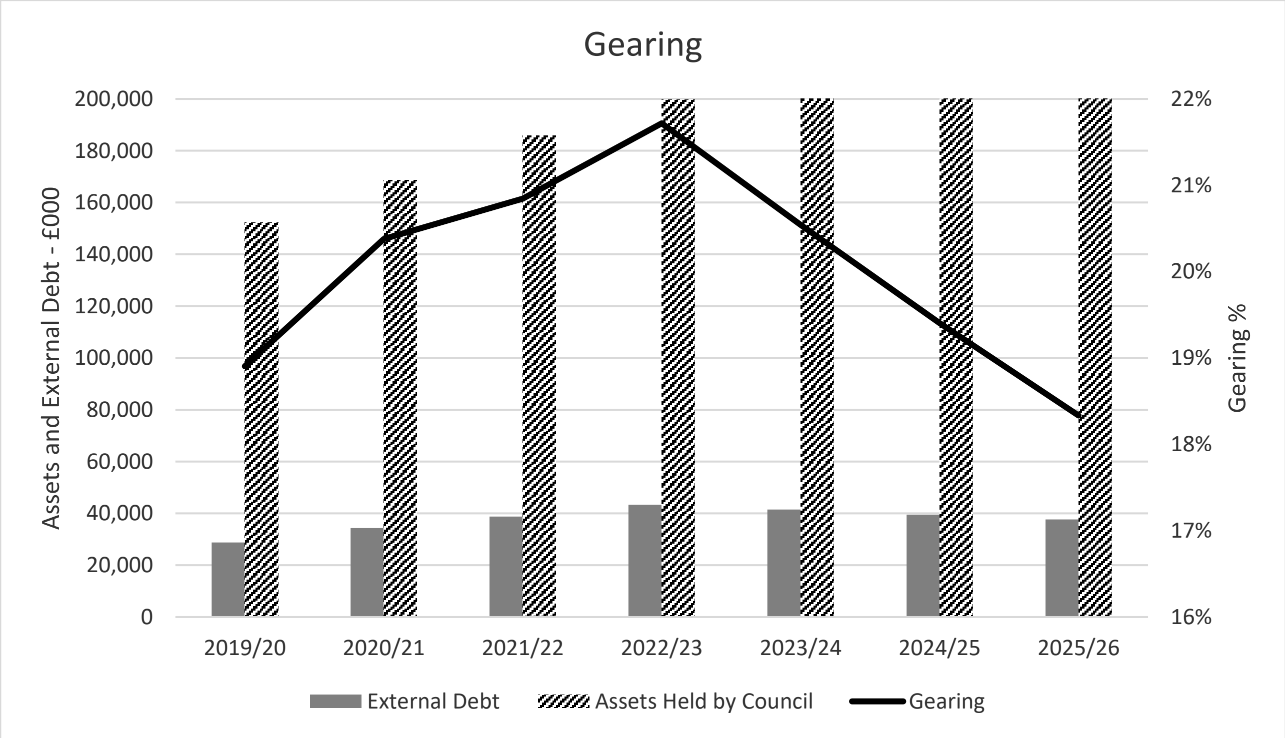


Maturity structure of any fixed rate borrowing during 2020/21	Upper limit	Lower limit
Under 12 months	100%	0%
12 months and within 24 months	100%	0%
24 months and within 5 years	100%	0%
5 years and within 10 years	100%	0%
10 years and above	100%	0%

6.3.4 In respect of its external debt, it is recommended that the Council approves the authorised limits as outlined above for its total external debt, gross of investments, for the next three financial years. The limit separately identifies borrowing from other long-term liabilities such as finance leases. The Council will be asked to approve these limits and to delegate authority to the Corporate Director of Finance and Resources, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long-term liabilities in accordance with option appraisal and best value for money. Any such change would be reported to the next available Council meeting.

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

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



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

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

7. PROSPECTS FOR INTEREST RATES

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

	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Bank Rate	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%

7.2 The coronavirus outbreak has done huge economic damage to the UK and economies around the world. After the Bank of England took emergency action in March to cut Bank Rate to first 0.25%, and then to 0.10%, it left Bank Rate unchanged at its subsequent meetings up to 5th November, although some forecasters had suggested that a cut into negative territory could happen. However, the Governor of the Bank of England has made it clear that he currently thinks that such a move would do more damage than good and that more quantitative easing is the favoured tool if further action becomes necessary. As shown in the forecast table above, no increase in Bank Rate is anticipated as economic recovery is expected to be only gradual and, therefore, prolonged.

7.3 **Bond yields/PWLB rates**

There was much speculation during the second half of 2019 that bond markets were in a bubble which was driving bond prices up and yields down to historically very low levels. The context for that was a heightened expectation that the US could have been heading for a recession in 2020. In addition, there were growing expectations of a downturn in world economic growth, especially due to fears around the impact of the trade war between the US and China, together with inflation generally at low levels in most countries and expected to remain subdued. Combined, these conditions were conducive to very low bond yields. While inflation targeting by the major central banks has been successful over the last 30 years in lowering inflation expectations, the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers. This means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. The consequence of this has been the gradual lowering of the overall level of interest rates and bond yields in financial markets over the last 30 years. Over the year prior to the coronavirus crisis, this has seen many bond yields up to 10 years turn negative in the Eurozone. In addition, there has, at times, been an inversion of bond yields in the US whereby 10 year yields have fallen below shorter term yields. In the past, this has been a precursor of a recession. The other side of this coin is that bond prices are elevated as investors would be expected to be moving out of riskier assets i.e. shares, in anticipation of a downturn in corporate earnings and so selling out of equities.

7.4 Gilt yields had therefore already been on a generally falling trend up until the coronavirus crisis hit western economies during March 2020. After gilt yields spiked up during the financial crisis in March, we have seen these yields fall sharply to unprecedented lows as investors panicked during March in selling shares in anticipation of impending recessions in western economies, and moved cash into safe haven assets i.e. government bonds. However, major western central banks took rapid action to deal with excessive stress in financial markets during March, and started massive quantitative easing purchases of government bonds: this also acted to put downward pressure on government bond yields at a time when there has been a huge and quick expansion of government expenditure financed by issuing government bonds. Such unprecedented levels of issuance in “normal” times would have caused bond yields to rise sharply. Gilt yields and PWLB rates have been at remarkably low rates so far during 2020/21.

7.5 As the interest forecast for PWLB rates shows, there is expected to be little upward movement in PWLB rates over the next two years as it will take economies, including the UK, a prolonged period to recover all the momentum they have lost in the sharp recession caused during the coronavirus shut down period. From time to time, gilt yields, and therefore PWLB rates, can be subject to exceptional levels of volatility due to geo-political, sovereign debt crisis, emerging market developments and sharp changes in investor sentiment, (as shown on 9th November when the first results of a successful COVID-19 vaccine trial were announced). Such volatility could occur at any time during the forecast period.

7.6 **Brexit**

The interest rate forecasts provided by Link in paragraph 7.1 are predicated on an assumption of a reasonable agreement being reached on trade negotiations between the UK and the EU by 31 December 2020. However, as the differences between a Brexit deal and a no deal are not as big as they once were, the economic costs of a no deal have diminished. The bigger risk is that relations between the UK and the EU deteriorate to such an extent that both sides start to unravel the agreements already put in place. So, what really matters now is not whether there is a deal or a no deal, but what type of no deal it could be.

7.7 **Investment and borrowing rates**

- Investment returns are likely to remain low during 2021/22 with little increase in the following two years.

- Borrowing interest rates fell to historically very low rates as a result of the COVID crisis and the quantitative easing operations of the Bank of England: indeed, gilt yields up to 6 years were on negative yields during most of the first half of 2020/21. The policy of avoiding new borrowing by running down spare cash balances has served local authorities well over the last few years. However, the unexpected increase of 100 bps in PWLB rates on top of the then current margin over gilt yields of 80 bps, required an initial major rethink of local authority treasury management strategy and risk management. However, in March 2020, the Government started a consultation process for amending the margins over gilt rates for PWLB borrowing for different types of local authority capital expenditure. *(Please note that Link has concerns over this approach, as the fundamental principle of local authority borrowing is that borrowing is a treasury management activity and individual sums that are borrowed are not linked to specific capital projects.)*

- On 25 November 2020, the Chancellor announced the conclusion to the review of margins over gilt yields for PWLB rates; the standard and certainty margins were reduced by 1% but a prohibition was introduced to deny access to borrowing from the PWLB for any local authority which had purchase of assets for yield in its three year capital programme. The new margins over gilt yields are as follows: -.

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

- While this authority will not be able to avoid borrowing to finance new capital expenditure and to replace maturing debt, there will be a cost of carry, (the difference between higher borrowing costs and lower investment returns), to any new short or medium-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost.

8. BORROWING STRATEGY

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

	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23
5 Yr PWLB	0.80%	0.80%	0.80%	0.80%	0.80%	0.80%	0.80%	0.80%	0.80%	0.80%	0.80%
10Yr PWLB	1.10%	1.10%	1.10%	1.10%	1.10%	1.10%	1.10%	1.10%	1.10%	1.10%	1.10%
25Yr PWLB	1.50%	1.50%	1.60%	1.60%	1.60%	1.60%	1.70%	1.70%	1.70%	1.70%	1.80%
50Yr PWLB	1.30%	1.30%	1.40%	1.40%	1.40%	1.40%	1.50%	1.50%	1.50%	1.50%	1.60%

8.2 The Council is, as stated above, expecting to have to borrow externally between 2020 and 2023 to finance significant capital expenditure on new leisure facilities and other assets. Approval was given as part of the Capital Investment Strategy approved in September 2016, for the Section 151 Officer to undertake external borrowing at a time it was felt to be most appropriate to be used for the repayment or refinancing of the £15million stock issue and/or to fund the capital programme where a borrowing requirement has been identified, taking into account forecasts for potential rises in interest rates and utilising any favourable borrowing rates. It is anticipated that although a combination of capital grants and internal resources will be used to meet most capital commitments in the new financial year there will be a requirement to borrow externally. Nevertheless, the use of external borrowing is planned for in future years. The Corporate Director of Finance and Resources will therefore continue to monitor the interest rate market as regards borrowing opportunities as well as in respect of investment policy.

8.3 Against this background and the risks with the economic forecast, caution will be adopted with the 2021/22 treasury operations. The Corporate Director of Finance and Resources will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

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

8.4 Policy on borrowing in advance of need

8.4.1 The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds. As part of the Capital Investment Strategy approved by Council in September 2016, approval in principle was given to the Council's S.151 Officer to borrowing in advance of need for the re-financing of the stock issue loan and/or to fund the capital programme where a borrowing requirement has been identified, if interest rates were favourable and would be cost effective over the term of any new loan.

8.5 External v. Internal Borrowing

8.5.1 This Council currently has differences between gross debt and net debt (after deducting cash balances). This is shown in the graphs at 6.3.3.

8.5.2 The general aim of this Treasury Management Strategy is to reduce the difference between the two debt levels over the next three years in order to reduce the credit risk incurred by holding investments. However, measures taken in the last year have already reduced substantially the level of credit risk (see paragraph 10.2) so another factor which will be carefully considered is the difference between borrowing rates and investment rates to ensure the Council obtains value for money once an appropriate level of risk management has been attained to ensure the security of its investments.

8.5.3 The next financial year will likely be one of continued low Bank Rates. This provides a continuation of the current window of opportunity for local authorities to fundamentally review their strategy of undertaking new external borrowing.

8.5.4 Over the next three years, investment rates are expected to continue to be below long term borrowing rates and so value for money considerations would indicate that value could best be obtained by avoiding new external borrowing by using internal cash balances to finance new capital expenditure or to replace maturing external debt (this is referred to as internal borrowing). This would maximise short term savings.

8.5.5 However, short term savings by avoiding new long-term external borrowing in 2021/22 will also be weighed against the potential for incurring additional long-term extra costs by delaying unavoidable new external borrowing until later years when PWLB long term rates are forecast to be significantly higher. By utilising internal cash balances consideration will also need to be given to the availability of cash to service the day-today cash flow of the Council. This could require the Council to undertake short-term borrowing to cover cash-flows.

8.5.6 Against this background caution will be adopted with the 2021/22 treasury operations. The Corporate Director of Finance and Resources will monitor the interest rate market and adopt a pragmatic approach to changing circumstances, reporting any decisions to the appropriate decision-making body at the next available opportunity.

9. <u>DEBT RESCHEDULING</u>

9.1 There is unlikely to be much scope for debt rescheduling in either the current financial year or in 2021/22.

10. <u>INVESTMENT STRATEGY</u>

10.1 <u>Principles</u>

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

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

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

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

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

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

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

- Credit ratings will be used as one means of assessing the credit quality of rated counterparties although it is recognised that reliance should not be placed on credit rating alone. The minimum short-term rating for a bank will be either F1 (Fitch) or P1 (Moody's). For a rated UK building society, a similar rating would be anticipated although the proposed criteria do give authority to the Corporate Director of Finance and Resources to approve, if considered appropriate, the addition of other building societies with both a F2 (Fitch) and a P2 rating (Moody's). This is still a high-quality credit rating but recognises the very strong record of the UK building society movement over many years in protecting the capital of all depositors. The Strategy already allows discretion to the Corporate Director of Finance and Resources to include as counterparties non-credit rated building societies whose assets total at least £1bn. Any such investment would be subject to an assessment of such a society as a suitable counterparty. There are, for example, good reasons why many building societies do not have a credit rating but there are other means of making an appropriate financial judgment.

- **Other information:** ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as **"credit default swaps"** and overlay that information on top of the credit ratings.

- **Other information sources** used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.

- This authority has defined the list of **types of investment instruments** that the treasury management team are authorised to use. There are two lists in Appendix B under the categories of 'specified' and 'non-specified' investments.
    - **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year.
    - **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex

instruments which require greater consideration by members and officers before being authorised for use.

- **Non-specified investments limit.** The Council has determined that it will limit the maximum total exposure to non-specified investments as being 50% of the total investment portfolio.

- **Lending limits**, (amounts and maturity), for each counterparty are set. Total investments with any one counterparty or group currently will not exceed £10m to ensure a reasonable spread of investments in terms of counterparties. Investments with Money Market Funds and investments in overseas banks with a sovereign rating of not less than the UK sovereign rating will not exceed £4m.

- **Transaction limits** are set for each type of investment are set.

- This authority will set a limit for the amount of its investments which are invested for **longer than 365 days**.

- Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**.

- This authority has engaged **external consultants**, (see paragraph 4), to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year.

- All investments will be denominated in **sterling**.

- As a result of the change in accounting standards for 2019/20 under **IFRS 9,** this authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (The Ministry of Housing, Communities and Local Government [MHCLG], have recently issued a statutory override for Local Authorities so that the impact of IFRS9 does not affect a Council's General Fund. This override is currently in place for 5-years from 1st April 2018.)

- Due care will be taken to consider the country, group and sector exposure of the Council's investments. In addition:
  Country limits:

- where the country of registration of an institution has an average credit rating (i.e. an average sovereign credit rating) equal to, or better than that of the UK; it will enable the Council to consider the placement of investments on the same basis applied for UK-registered institutions (i.e. subject to the overarching counterparty criteria as set out at **Appendix B**; and
- where an institution meets the approved counterparty status* but the country of registration has an average credit rating below that of the UK; limit such investments in total to such rated non-UK countries to be no more than £2m of the portfolio.
  i.e. it meets the overarching counterparty criteria as set out at **Appendix B**.
- sector limits will be monitored regularly for appropriateness.

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

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

10.2 Creditworthiness Policy

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

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

10.2.2 This modelling approach combines credit ratings, credit Watches and credit Outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The

Council will therefore have consideration to using counterparties within the following durational bands:

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

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

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

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

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

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

10.3 Investment Strategy

10.3.1 With bank base rate forecast to remain at 0.1% until 2023 and with no expectation of significant rises beyond then, investment conditions will continue to be difficult. The view of Link Asset Services is that bank rate will be at the following levels:

	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23
Bank Rate	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%

10.3.2 The Council has historically outperformed bank rates in its investment returns. Therefore, the suggested budgeted average investment earnings currently included in the MTFP projections are as follows:

	Investment Balances	CCLA Property Fund
2021/22	0.30%	4.00%
2022/23	0.30%	4.00%
2023/24	0.30%	4.00%

10.3.3 Clearly, these projections can only be best estimates at this stage and the risk is to the downside i.e. if the economic recovery is slower than expected, then interest rates are likely to rise more slowly. At this stage, the budget for 2021/22 has assumed an average yield of 0.30% on its investments (excluding CCLA Property Fund) in the next financial year. This allows for the fact that there are some higher value, longer term investments placed and there will be some shorter dated instant access investments placed. This forecast will, however, be reviewed further during the budget cycle. The anticipation of interest yielded from investing in the Property Fund is estimated at 4.00% in the MTFP.

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

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

10.4 End of Year Investment Report

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

11. THE MINIMUM REVENUE PROVISION STRATEGY

11.1 The Council implemented the new Minimum Revenue Provision (MRP) guidance in 2008/09 and will assess their MRP for 2020/21 in accordance with the main recommendations contained within the guidance issued by the Secretary of State under section 21(1A) of the Local Government Act 2003. Furthermore, the Council revised its MRP Policy in 2017/18 to provide for MRP on a 3% straight Line basis going forward.

11.2 The Council is currently forecasting to undertake additional external borrowing in 2021/22 to facilitate the delivery of its capital programme. Current estimates include this borrowing on a principal and interest repayment basis. Any principal repaid would be a cash outflow for the Council and cash would be replenished through the charging of MRP from the General Fund to reduce the underlying borrowing requirement.

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

11.4 The only statutory duty that a local authority has under the new MRP regime is *'to determine for the current financial year an amount of minimum revenue provision that it considers to be prudent'*. The Guidance, which authorities must 'have regard to' provides four options for calculating the MRP. It is important to realise, however, that there is no obligation to follow any of these options and that it is up to each authority to decide upon the most appropriate method of making a prudent provision, having had regard to the Guidance.

11.5 Using the 3% Straight Line method for calculating the MRP charge more reflects an average life of Council assets of 33 years and since it has a mix of short life assets such as vehicles (typical life 5-10 years) and long-life assets such as land and buildings (typical life 40-50+ years) this is still deemed to be a prudent approach to take.

11.6 In 2020/21, the opening CFR was £16.113million.

11.7 In 2018/19 the Council implemented a recommendation from Link Asset Services to review its CFR for MRP purposes in relation to what is known as 'Adjustment A'. The purpose of Adjustment A was to ensure that the starting point for calculating MRP under the new system in 2004 did not significantly vary the level of liability that would have arisen had the previous system of capital controls remained unchanged.

11.8 The MRP review undertaken by (then) Capita Asset Services identified a misstatement in the basis of calculation of Adjustment A which indicated that the value originally assessed in 2004/05 to be understated. The Council's reassessed Adjustment A figure is £4.426 million. This misstatement related to the inclusion of revenue expenditure (premiums on the early repayment of debt) being included in the original Adjustment A calculation which the Code states should be excluded from the calculation.

11.9 Therefore when calculating MRP for future years, the actual Capital Financing requirement should be reduced by this Adjustment A figure and then MRP charged at 3% of the reduced figure.

11.10 The CFR and MRP charges currently included in the MTFP and budget projections are as follows (The MRP charge calculated for 2021/22 is chargeable in 2022/23 and so on):

	2021/22 £000	2022/23 £000	2023/24 £000
Opening CFR	24,678	39,601	45,332
Closing CFR	**39,601**	**45,332**	**45,344**
Adjustment A	4,426	4,426	4,426
Adjustment Assets Under Construction	19,655	0	0
CFR for MRP Purposes	**15,520**	**40,906**	**40,918**
MRP Charge @ 3%	**466**	**1,227**	**1,228**
Adjustments to MRP for historical Overpayments	(241)	(241)	(241)
Actual MRP charge	**225**	**986**	**987**
Voluntary MRP	0	0	0
Actual MRP charge	**225**	**986**	**987**

11.11 MRP is a statutory requirement for local authorities to charge to their revenue account for each financial year a prudent amount for the principal cost of their debt in that financial year. It impacts upon the CFR, one of the Council's prudential indicators.

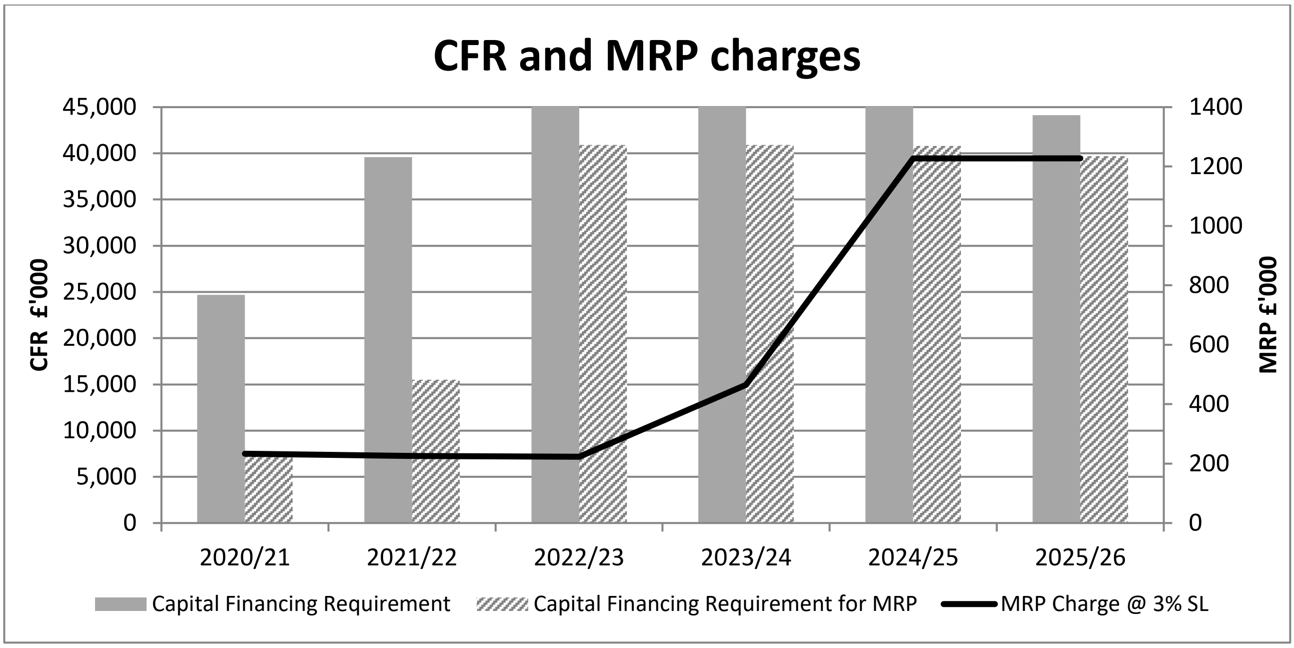
11.12 The CFR is a measure of the Council's underlying debt liability, resulting from historic capital expenditure which has been financed from borrowing. Amending the MRP as proposed will lead to an increase in the short to medium term CFR compared to current projections. This is because the MRP reduces the CFR each year, so a decrease in the amount of reduction causes an increase in the current projected CFR.

11.13 When an amount previously set aside for debt liability in the budget is released and then used for another revenue purpose the Authority will have less cash. This is likely to lead to a reduction in external investments and with thus lead to a reduction in interest income.

11.14 The regulations allow the Authority to review its policy every year and set a policy that it considers prudent at that time. The impact of a revised MRP policy will be kept under regular review in order to ensure that the annual provision is prudent.

11.15 As the MRP policy has to be considered by the Executive and approved by Council each year there will be an opportunity to revisit any decision at least annually or make additional voluntary payments.

11.16 The chart below shows the anticipated CFR in future years as well as the CFR for MRP Calculation purposes.


CFR and MRP charges
CFR £'000
MRP £'000
45,000
40,000
35,000
30,000
25,000
20,000
15,000
10,000
5,000
0
1400
1200
1000
800
600
400
200
0
2020/21
2021/22
2022/23
2023/24
2024/25
2025/26
Capital Financing Requirement
Capital Financing Requirement for MRP
MRP Charge @ 3% SL

APPENDIX B

APPROVED INVESTMENT INSTRUMENTS

Specified Investments

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

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

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

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

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

Non-Specified Investments:

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

1. Maturities of ANY period.

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

2. Maturities in excess of 1 year

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

3. Approved Property Funds

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

The Council uses Fitch (primarily) or Moody's ratings to derive its counterparty criteria. All credit ratings will be monitored monthly. The Council is alerted to changes in credit ratings through its use of the Link Asset Services creditworthiness service. If a downgrade results in the counterparty/investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.

APPENDIX C

INTEREST RATE FORECASTS

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

1. INDIVIDUAL FORECASTS

Link Group Interest Rate View 9.11.20									(The Capital Economics forecasts were done 11.11.20)					
These Link forecasts have been amended for the reduction in PWLB margins by 1.0% from 26.11.20														
	Dec-20	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
6 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
12 month ave earnings	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
5 yr PWLB	0.80	0.80	0.80	0.80	0.80	0.90	0.90	0.90	0.90	0.90	1.00	1.00	1.00	1.00
10 yr PWLB	1.10	1.10	1.10	1.10	1.10	1.20	1.20	1.20	1.20	1.20	1.30	1.30	1.30	1.30
25 yr PWLB	1.50	1.50	1.60	1.60	1.60	1.60	1.70	1.70	1.70	1.70	1.80	1.80	1.80	1.80
50 yr PWLB	1.30	1.30	1.40	1.40	1.40	1.40	1.50	1.50	1.50	1.50	1.60	1.60	1.60	1.60
Bank Rate														
Link	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
Capital Economics	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	-	-	-	-	-
5yr PWLB Rate														
Link	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80	0.80
Capital Economics	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	-	-	-	-	-
10yr PWLB Rate														
Link	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10
Capital Economics	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30	1.30	-	-	-	-	-
25yr PWLB Rate														
Link	1.50	1.50	1.60	1.60	1.60	1.60	1.70	1.70	1.70	1.70	1.80	1.80	1.80	1.80
Capital Economics	1.80	1.80	1.80	1.80	1.80	1.80	1.80	1.80	1.80	-	-	-	-	-
50yr PWLB Rate														
Link	1.30	1.30	1.40	1.40	1.40	1.40	1.50	1.50	1.50	1.50	1.60	1.60	1.60	1.60
Capital Economics	1.70	1.70	1.70	1.70	1.70	1.70	1.70	1.70	1.70	-	-	-	-	-

APPENDIX D

TREASURY MANAGEMENT POLICY STATEMENT

Carlisle City Council defines treasury management as:

> "The management of the organisation's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

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

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

Investment Policy

The Council will manage its investments in line with the criteria set out in section 9 of the TMSS with the security of investment being paramount. The Council's investments will be placed in line with those outlined in Appendix B of the TMSS.

Borrowing Strategy

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

CARLISLE CITY COUNCIL
www.carlisle.gov.uk

# Report to Business & Transformation Scrutiny Panel	Agenda Item: A.5

Meeting Date:	7 January 2021
Portfolio:	Finance, Governance and Resources
Key Decision:	No
Within Policy and Budget Framework	YES
Public / Private	Public

Title:	COVID-19 UPDATE
Report of:	CORPORATE DIRECTOR OF FINANCE & RESOURCES
Report Number:	RD 51/20

Purpose / Summary:

This report provides the Panel with the impact COVID-19 has had on the Council's financial and governance arrangements.

Recommendations:

Members of the Panel are requested to note the contents of this report.

Tracking

Scrutiny:	**BTSP 07 January 2021**

1. INTRODUCTION

1.1 As a result of the pandemic, the Government introduced a series of financial support and grant schemes to provided funding to individuals, businesses and public bodies affected the pandemic. This report is to provide BTSP with an update on the COVID-19 issues that have affected the Council's financial and governance arrangements, with Appendix A listing the support schemes which the Council either had to administer, or those which the Council was a direct beneficiary.

2. INITIAL RESPONSE

2.1 Emergency Decisions

2.1.1 At the outset of restrictions in the UK, and prior to the Government's announcements of Emergency Funding to support local government, the Corporate Director of Finance and Resources released £500,000 from General Fund Reserves to support any additional expenditure that the Council was likely to incur as a result of the pandemic. This General Fund reserve is a general working capital/contingency to cushion the Council against unexpected events and emergencies, with £1million earmarked with the reserve for emergency situations/unexpected events such as COVID-19.

2.1.2 All office-based staff were instructed to begin working from home where possible and arrangements were put in place to ensure that, where needed, additional IT equipment was procured to enable staff to follow this work from home instruction.

2.1.3 Decisions were also taken at the time to change the arrangements for the payment of invoices to suppliers and the recovery of debts from customers:

- For creditor invoices, the decision was made to ensure that all invoices were paid immediately upon receipt (rather than the usual 10 and 28 day timescales). This was to ensure businesses received cash-flow for goods and services as quickly as possible.
- Although debtor invoices continued to be issued, the recovery of all debts was also suspended to ensure that businesses had time to pay invoices to the Council whilst they were also under tight restrictions. The recovery of debtor invoices was subsequently reinstated in July 2020, with 'soft' reminder letters being issued, with normal debt recovery procedures resuming in September 2020.

2.1.4 A decision was also made to help those members of staff who, with the implementation of restrictions, may have had no financial security due to being on casual contracts. The decision was made to put these colleagues on to a 6-month Fixed Term contract up to September 2020.

2.1.5 In terms of supporting partnership working, the Council complied with the Procurement Policy Notices issued by the Cabinet Office (PPN02/20 and PPN04/20) which provided guidance on how the Council could support contractors on an open book approach, and through making payments in advance where there is a continuing service provision. The main contractor impacted by the pandemic was GLL; with the closure of Leisure Centres on 16 March, the impact on GLL's ability to trade was significant.

2.1.6 A working group was quickly established to meet with GLL and determine what the impact could be and what GLL would do to mitigate any financial losses. The furlough scheme enabled GLL to recover a significant proportion of their fixed costs. It was agreed that GLL would work on an open-book basis with the Council to monitor the financial impact and decisions were made to offer additional financial subsidies to GLL should the need arise.

2.1.7 This process worked extremely well and GLL were able to offset much of their lost income through cost savings and the furlough scheme. To date, there has been no requirement to pay any additional subsidies to GLL and work continues to assess the impact on an open-book basis. A new £100million government support scheme has since been announced, subject to a bidding process, to provide financial assistance to Leisure Centres operated by a third party.

2.2 Impact on the Control Environment

2.2.1 With the requirement to work from home being followed, changes were made to a number of systems to ensure appropriate controls were made to the financial transaction certification and approvals processes.

2.2.2 New procedures were put in place for the receipt, scanning and certification of creditor invoices which provided a robust audit trail and ensured appropriate delegations for approval were being followed. This included the ability for managers to be able to certify invoices through email approval. This was developed and implemented quickly and included testing and scrutiny by the Council's internal audit team who were satisfied that the controls put in place were robust.

2.2.3 A similar process was also implemented for payments that are required to be made electronically (BACS), in areas such as payroll and housing benefits. Again, members of the internal audit team were involved in the checking of the process to approve via email.

2.2.4 In order to monitor the additional spend incurred on any COVID related activity, a group of cost centres was established in the Council's financial management system and notifications of the codes were communicated to all staff. These codes are monitored closely as part of both the normal budget monitoring process, by mangers and by SMT, and also to enable completion of the returns to Central Government.

3. FINANCIAL IMPACT & FUNDING RECEIVED

Monthly returns are provided through DELTA to the MHCLG, with the latest return being submitted on 11th December 2020. An assessment of the annual impact is very difficult to predict but as more data is collected each month, the position becomes clearer and therefore the estimates of lost income and additional costs incurred may change. The return is split between additional expenditure incurred and income shortfalls.

3.1 Additional Expenditure

3.1.1 The following table shows a breakdown of the additional expenditure incurred to the end of November 2020:

	April to November £
Staffing / Agency Costs	280,254.97
Cleaning / PPE	97,566.17
Premises Costs	39,284.81
Contractors	21,492
Transport Costs	43,679.40
IT Equipment	23,586.17
Office Supplies	18,052.03
Signage	4,156.33
Miscellaneous	3,513.85
Equipment Rental	2,531.25
Other	112.00
Total	**534,228.98**

3.1.2 As well as this, there is likely to be additional costs incurred on the Sands Project (as previously reported to Executive, BTSP and Council) of £750,000 for this year; and the potential of support for contractors.

3.2 Losses of Income

3.2.1 The most significant element of financial losses has been incurred against income projections.

3.2.2 The Government announced in the summer that there would be a co-funding mechanism to allow recovery of some of these losses by a compensation package whereby the Government would cover 75% of losses beyond 5% of planned income. However, the net losses on a budget head would be claimable which related to sales, fees and charges only with no reimbursement of commercial income through this scheme.

3.2.3 At the start of the restrictions in March 2020, adversely affected budget heads were identified, and monitoring arrangements were put in place to assess the potential losses. The table below provides details of the losses on income incurred to the end of November 2020 from sales, fees and charges. It should be noted that the figures shown are gross income and are before any savings achieved on expenditure as a result of the restrictions.

	Total to End November £	Forecast Year End £
Sales Fees and Charges		
Car Parking income	488,546	**732,819**
Garden Waste	(25,877)	**(25,877)**
Bulky Waste	1,464	**1,464**
Planning fee income	126,928	**190,392**
Building Control Income	47,478	**71,217**
Building Control Client	16,055	**24,083**
Old Fire Station	41,008	**41,008**
Talkin Tarn	37,531	**56,296**
TIC	76,739	**115,108**
Special Events	30,133	**30,133**
Pedestrianisation	22,920	**34,380**
Pest Control	12,278	**18,417**
Land Charges income	17,471	**17,471**
Garage Services	10,298	**15,447**
Customer Contact Service	52,950	**79,425**
Total Sales Fees and Charges	**955,922**	**1,401,783**
Other Income		
Hostels - Water Street	25,998	**38,996**
Hostels - John Street	168,366	**252,548**
Legal Services income	2,591	**3,886**
Total Other Income	**196,955**	**295,430**
Commercial Income		
Commercial Income - Industrial Units	(10,687)	**(16,030)**
Commercial Income - Lanes	134,036	**650,791**
Commercial Income - Other Properties	129,295	**193,943**
Market	6,680	**10,020**
Enterprise Centre	(22,078)	**(33,117)**
Total Commercial Income	**237,246**	**805,607**
Total Income Shortfalls	**1,390,123**	**2,502,820**

3.2.4 The biggest area for losses has been car parking income, with the closure of some car parks and the removal of charges being a big factor as well as the closure through national lockdowns of most City Centre shops. It is likely that, of the net losses incurred, over half will be as a result of lost car parking income.

3.2.5 <u>Commercial Income</u>

There is also an expectation of losses being incurred from commercial income and in particular from the rental income the council receives on its assets. However, the level of irrecoverable debt is still unclear as this will be affected by the Council's debt recovery procedures, which, as outlined above, was suspended for a period of time. The current position on debtors is detailed below.

3.2.6 Debt Management

Invoices for Council services, particularly property rentals, have continued to be issued however debt recovery was suspended for a period of time. Reminders are now being sent out and where necessary, there is direct liaison with debtors to provide support in terms of payment holidays, instalments etc.

3.2.7 At the end of November the level of outstanding debt for invoices raised after 1 January 2020 was as follows:

	Invoices Raised	**Write Offs**	**Out Standing**	**Recovered**	**%**
	£	**£**	**£**	**£**	
Corporate Support	245,122	0	3,887	241,235	98.41%
Community Services	3,683,142	-2,281	202,924	3,477,937	94.43%
Economic Development	413,932	0	36,586	377,346	91.16%
Governance & Regulatory	4,544,974	-235	43,180	4,501,559	99.04%
Finance & Resources	742,969	0	244,881	498,088	67.04%
	9,630,139	**-2,516**	**531,458**	**9,096,165**	94.46%

3.2.8 The main outstanding debts included within the total are as follows:

	£
Property Related	211,560.34
Other Local Authorities	250,434.00
Other	69,463.66
Total	**531,458.00**

3.3 Summary Position

3.3.1 The summary overall position is shown below and shows that there could be an additional call on reserves of £873,780 if further support from government is not received and losses/additional expenditure to the end of the year are as forecast.

	Total to November £	Forecast to Year End £
COVID Expenditure	534,229	701,176
RBS New Burdens	46,956	170,000
Capital Project Costs	500,000	750,000
Contingency	0	438,000
Sales Fees and Charges	955,922	1,401,783
Other Income	196,955	295,430
Commercial Income	237,246	805,607
Total Shortfalls	**2,471,308**	**4,561,996**
Savings on Expenditure	(261,591)	(397,965)
Compensation for Sales Fees and Charges	(381,037)	(613,153)
Net Position	**1,828,680**	**3,550,878**
Grant Received to date	(2,007,098)	(2,007,098)
New Burdens Funding	(170,000)	(170,000)
General Fund Balance	(500,000)	(500,000)
Net Potential Shortfall / (Funding Remaining)	**(848,418)**	**873,780**

4. LONG-TERM IMPACT

4.1 There are likely to be longer term implications arising from the pandemic that will affect the Council financially.

4.2 Income from commercial activities will likely be reduced and rental yields for commercial space/land has seen a downturn already. There is also a likely reduction in income from the Lanes with the potential loss of Debenhams and also the prospect of lower rentals being offered to maintain occupancy levels.

4.3 Going Concern

4.3.1 S114 of the Local Government Finance Act 1988 places a duty on the S151 Officer to report if it appears that the Council has made or is about to make a decision which would involve unlawful expenditure and is likely to cause as loss or deficiency; and where an unlawful item of account is about to be entered. In effect, if there is, or is likely to be, an unbalanced budget i.e. resources do not meet expenditure in a particular year. There are specific reporting requirements if such a notice has to be issued, with CIPFA proposing a modification for the S151 Officer to make informal confidential contact with the MHCLG to advise them of any such financial concerns, and to communicate any unbalanced budget position due to COVID-19 to the MHCLG as the same time as providing a potential S114 report to the Executive and to the External Auditor.

Cash flow forecasts have been updated to take account of expected lower income from Council Tax and Business Rates over the short to medium term. The Council has sufficient cash-resources in its investment balances to be able to meet its commitments and the council's reserves continue to be held at a prudent level meaning that it is able to set a balanced budget for 2021/22.

Based upon current estimates of expenditure and income shortfalls, the level of government assistance received and the level of Council reserves, I, as the Council's S151 Officer, do not believe that a S114 notice is required; however this assessment will be revisited periodically once more financial information on budgetary pressures becomes available.

4.3.2 The Draft Local Government Finance Settlement for 2021/22 has just been received, with the details still being analysed; however, the following has been announced in terms of additional support in respect of COVID-19:

- Lower Tier Services grant of £388,791 for 2021/22;
- £616,032 for any COVID-19 expenditure/income shortfalls in 2021/22;
- an allocation of £154,000 in respect of providing support to Council taxpayers for those least able to pay;
- The Sales, fees and charges scheme has been extended into the first quarter of 2021/22.

Other COVID related funding was announced in respect of Help for Rough Sleepers and a local tax income guarantee scheme for irrecoverable losses this year to help compensate councils for lost council tax and business rates income; however, no allocations have been announced, as yet.

4.3.3 The impact of COVID on the Council's finances will also depend upon the level of restrictions occurring in the first half of 2021, but with expectations of mass immunisations occurring in this time period, there are still likely to be some legacy impact on the council's income in particular.

4.4 Impact on Taxation

4.4.1 The pandemic has had a significant impact on the Council's income from both Council Tax and Business Rates and it is likely that there will be further disruption to these funding streams into the medium term.

4.4.2 Collection Fund

As a result of the 100% business rate relief provided to the retail, leisure and hospitality sector, the net business rates payable for 2020/21 has reduced by approximately £21million from £44million to £23million.

4.4.3 The Council will be recompensed during the year for the 100% relief so there will no cash flow or budget issues; however, the main risk relates to the receipt of the £23million payable from businesses and how these are affected by COVID-19 and economic recovery following lockdown. Collection rates are reported below, and these will continue to be monitored to assess the financial impact on cash flow, bad debts and the potential for year-end deficits.

4.4.4 The £500million Hardship Fund will provide support to economically vulnerable people and households by providing relief to council taxpayers. The Council's allocation was £989,736 and our agreed scheme will provide a £300 reduction in council tax liability to working age recipients of the Council Tax Reduction Scheme (CTRS); with the balance of our allocation being used to support further applications for council tax support on a case by case basis.

4.4.5 The main risk relates to how the expected overall increase in CTRS claimants, and the associated cost of CTRS relief, will be funded and be provided to the Council. An increase in claimants directly impacts on the council tax base and ultimately the yield from council tax, with the cost of the current CTRS scheme being shared between the main preceptors. Similar to business rates, the collection rates for council tax are reported below and will be closely monitored for cash flow, bad debts and increases in CTRS claimants.

4.4.6 A further risk for business rates and council tax is the potential loss of income with the resulting impact on cash flow for the main precepts on the Collection Fund. The technical nature of this fund means that any 2020/21 deficit will be reflected in the following years budget; however, the recent Government announcement means that any deficit can be recovered over a three-year period.

4.4.7 Collection rates for Business Rates and Council Tax

To: November 2020		Collected £	% of Amount Collectable %
2020/21	Council Tax	49,192,575	73.69
	NNDR	15,490,365	69.39
Total		**64,682,940**	**70.93**
2019/20	Council Tax	48,481,684	75.60
	NNDR	32,725,217	73.68
Total		**81,206,901**	**74.81**
2018/19	Council Tax	45,736,691	75.66
	NNDR	34,038,681	75.93
Total		**79,775,372**	**75.77**

4.4.8 It is worth noting that a 1% reduction in council tax and business rate income would have the following impact:

	Net Debit £	1% Change £	County Council £	Cumbria Police £	Carlisle CC £
Council Tax	66,983,399	669,834	496,548	91,566	81,720

	Rating Income £	1% Change £	Central Government £	Cumbria County Council £	Carlisle CC £
Business Rates	20,299,227	202,992	101,496	20,299	81,197

5. RISKS

The risks in terms of business rates and council tax are set out in paragraphs 4.4.5 and 4.4.6; however a further risk to the Council's budget is the overall cost of COVID-19 in terms of additional costs and shortfalls of income and how this compares to the level of emergency funded provided to date, and any future funding package. The economic recovery of the city and surrounding areas is part of the Recovery Strategy and any financial impact will need to be closely monitored.

6. CONSULTATION

None

7. RECOMMENDATIONS

Members of the Business and Transformation Panel are requested to note the contents of this report.

8. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

The financial impact will form part of any future Medium-Term Financial Planning process.

Contact Officer:	**Alison Taylor**	**Ext:**	**7290**
Appendices attached to report:	**Appendix A – Government Support Schemes**		

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

- **None**

CORPORATE IMPLICATIONS:

Legal – There are no legal implications arising from the Report

Property Services – not applicable

Finance – contained within the body of the report

Equality – not applicable

Information Governance – not applicable

Appendix A

Scheme	Amount of award	Scheme details
Extended Business Rates Support	£1,986,378 initial award for 50% relief Approx. £21million will be received in 2020/21	100% BR relief to occupied retail, leisure and hospitality properties. No rateable value limit on this relief for: • shops, restaurants, cafes, drinking establishments, cinemas and live music venue, • assembly and leisure, or • hotels, guest and boarding premise and self-catering accommodation
£500million Hardship Fund	£989,736	To support economically vulnerable people and households by providing relief to council taxpayers. To reduce the council tax liability by a further £150 to working age recipients of CTRS and/or use the funding to deliver increased financial assistance to outside the council tax system through Local Welfare or similar schemes. County wide scheme approved to provide all working age CTRS claimants with a reduction of up to £300 and a local Hardship Scheme established to provide discretionary relief on a case by case basis.
Emergency Funding for Local Authorities	Tranche 1 - £58,738 Tranche 2 - £1,073,801 Tranche 3 - £196,335 Tranche 4 - £478,254	To meet pressures across services, as a result of reduced income, rising costs or increased demand due to COVID-19. Monthly returns submitted to the MHCLG
Sales, Fees and Charges	£381,037 claimed to date	Co-payment mechanism for irrecoverable sales, fees and charges. Subject to claims to the MHCLG.
Rough Sleeping Contingency Fund	£1,650 initial allocation	Reimbursement for the cost of providing accommodation and services to those sleeping on the streets to help them successfully self-isolate. Subsumed within the emergency grant funding.
Next Steps Accommodation Programme	£46,600	To support rough sleeping initiatives ring-fenced for 2020/21

£10 million Cold Weather payment		For Rough Sleepers
Small Business Grant Fund (SBGF)	£30,032,000	All businesses in England in receipt of Small Business Rate Relief and Rural Rate Relief will be eligible for a £10,000 payment (subject to other eligibility criteria)
Retail, Hospitality and Leisure Grant Fund (RHLGF)	(included in above)	Businesses in receipt of the expanded retail discount with a rateable value of less than £51,000 will be eligible as follows: • properties with a RV of up to £15,000 will receive a grant of £10,000 • properties with a RV of over £15,000 and less than £51,000 will receive a grant of £25,000 • properties with a RV of £51,000 or over do not qualify
Discretionary Business Support Grant Fund	(included in the above)	Discretionary scheme to small and micro business not covered by SBGF and RHLGF, with relatively high fixed property related costs; significant reductions in income; whose RV is less than £51,000; not in receipt of other government grant funds; and other eligibility criteria. Although discretionary, MHCLG have requested for certain types of business to be prioritised. Discretionary Policy adopted by the Council.
£50million Reopening High Streets Safely Fund	£95,875	ERDF funding provided (subject to claims) to cover all eligible costs such as: • Development of an action plan for how the local authority may begin to safely open their local economies; • Communications and public information activity; • Business facing awareness raising activities; • Temporary public realm activities
Test and Trace Support Payments: • £25million Programme Costs • £10million Administration costs • £15million Discretionary payments	 £46,500 £26,919 £27,492	Funding for test and trace support payments to provide £500 to those individuals on low incomes who have been told to self-isolate by the NHS, subject to certain eligibility criteria. The funding is made up of a main scheme, administrative funding and a small amount for discretionary payments (for cases whereby an individual does not qualify for the main scheme). A discretionary policy has been developed in order to try and spread the limited discretionary funds (£27,000) to as many people as possible.

Test & Trace	£96,000 (via CCC)	Funding provided to Upper Tier Councils (£1,717,862 for Cumbria County Council) with funding being provided to support local Marshalls.
Compliance and Enforcement	£55,848	To provide funding to support the work the Council is doing to support communities comply with guidelines, including encouraging marshals or their equivalents.
Local Restrictions Support Grant (Closed) (Sector) (Closed Addendum)	£2,343,708 £17,165	Support for businesses mandated to close by Government including non-essential retail, leisure, personal care, sports facilities and hospitality businesses (5th November – 2nd December 2020). Tiered funding based upon rateable value. Funding provided for 2020/21 Tier 2 from 1st November to 4th November. Funding provided to support nightclubs, dance halls and discotheques, sexual entertainment venues, hostess bars etc.
Additional Restrictions Grant (Discretionary)	£2,173,560	Discretionary funding during the second national lockdown. Local Discretionary Policy developed for those businesses not legally required to close but which are severely impacted by local restrictions. Can be used to support businesses outwith the business rates system. Funding provided for 2020/21 and 2021/22
Local Restrictions Support Grant (open)	£102,851 £402,029	Support aimed at hospitality, hotel, bed & breakfast and leisure businesses not legally required to close but which are severely impacted by local restrictions on socialising. Tiered grants payable depending upon rateable value payable during Tier 2 status and then the second national lockdown.
Christmas Support for wet led pubs (CSP)	£57,600	An additional £1,000 Christmas grant for 'wet-led pubs' in tiers 2 and 3 who will miss out on much needed business during the busy Christmas period.
New Burdens Funding	£170,000 £76,500 £24,404	Un-ringfenced – SBGF & RHLGF Un-ringfenced – local restrictions grant Un-ringfenced – Ctax Hardship Fund & Business Rate Reliefs

CARLISLE CITY COUNCIL
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Report to Business and Transformation Scrutiny Panel	Agenda Item: A.6

Meeting Date:	07 January 2021
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.01/21

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:	**BTSP 07/01/21**
Council:	**Not applicable**

1. Notice of Key Decisions

1.1 The most recent Notice of Key Executive Decisions was published on 14 December 2020. This was circulated to all Members. The following items fall within the remit of this Panel:

Items which are included in the Panel's Work Programme:

- KD 25/20 – Budget Process 2021/22 – 2025/26

Items which are not 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	03/09/20 15/10/20	BTSP 47/20 BTSP 64/20	3) That a Task and Finish Group be established to support the development of the Commercialisation Strategy and the invitation to join the Task Group be circulated to all Members. 1) That a Commercialisation Strategy Task and Finish Group be set up in early 2021.	Pending
2	03/09/20	BTSP 51/20	2) That the Panel be involved in setting the future performance indicators and targets that would be reported to the Panel.	Pending
3	15/10/20	BTSP 64/20	3) That the Panel refer the issue of incorporating the number and composition of Scrutiny Panels as part of the Peer Challenge work to the Scrutiny Chairs Group.	Pending
4	15/10/20	BTSP 64/20	4) That the Overview and Scrutiny Officer compile a list of other local authority scrutiny panels virtual meetings for Members to compare different approaches to scrutiny.	Pending

5	15/10/20	BTSP 65/20	2) That an Informal Council Briefing on Section 106 Agreements be arranged.	Pending
6	15/10/20	BTSP 65/20	3) That the Development Manager consider ways to include information on applications that would be subject to a Section 106 Agreement in the List of Planning Applications circulated to Members.	Pending
7	15/10/20	BTSP 65/20	4) That the Corporate Director of Economic Development consider a method for involving Ward Members in the early stages of dialogue for a Section 106 Agreement.	Pending
8	01/12/20	BTSP 73/20	2) That a private report providing an update on the Gateway 44 project, its income and the companies involved in the project be submitted to the Panel at its January meeting.	Pending – now scheduled for February meeting
9	01/12/20	BTSP 73/20	2) That a report be submitted to a future meeting of the Panel setting out the comparison work that has been undertaken with other authorities in addressing their climate change targets.	Pending
10	01/12/20	BTSP 74/20	2) That the Corporate Director of Finance and Resources provide Panel Members with further information on the number of applications for the Council tax Reduction Scheme.	Pending
11	01/12/20	BTSP 77/20	2) That the Corporate Director of Economic Development circulate the links to the risk assessments of the Local Resilience Forum and the Local Enterprise Partnership.	Pending

5. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

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

Contact Officer: **Rowan Jones** **Ext:** **rowan.jones@carlisle.gov.uk**

Appendices attached to report:

1. **Draft Scrutiny Panel Work Programme 2020-21**

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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 1: Draft Scrutiny Panel Work Programme 2020-21

Title	Type of Scrutiny	Lead Officer	BTSP Date
Scrutiny Annual Report 2019/20	Policy development	Rowan Jones	28/05/2020
End of Year Performance Report - for info report	For info	Gary Oliver	May 2020
Outturn Reports	For info	Steven Tickner	July 2020
Medium Term Financial Plan and Capital Strategy	Policy development	Alison Taylor	23/07/2020
Asset Management Plan and Annual Property Survey Report	Policy development	Mark Walshe	23/07/2020
Employee Opinion Survey	Monitoring	Gary Oliver	23/07/2020
End of year Performance Report	Monitoring	Gary Oliver	23/07/2020
Corporate projects	Policy update	Jason Gooding	23/07/2020
Asset Management of Kingstown Industrial Estate and Parkhouse Business Park - Update on Progress - Part B item	Policy update	Mark Walshe	23/07/2020
Sickness Absence EOY 19/20 and Q1 20/21	Monitoring	Sue Kaveney	03/09/2020
Performance Report Q1	Monitoring	Gary Oliver	03/09/2020
Corporate Risk Register	Monitoring	Darren Crossley	03/09/2020
Budget monitoring Q1 20/21	Monitoring	Steven Tickner	03/09/2020
Annual Equality Report & Action Plan - for info report	For info	Rebecca Tibbs	Sept 2020
Sands Centre Redevelopment Project - special meeting	Policy update	Darren Crossley	17/09/2020
Review of Attendance Management Policy - T&F Group Report	Policy development	Sue Kaveney/ T&F Group	15/10/2020
Corporate Peer Review	Policy development	Darren Crossley	15/10/2020
Allocation of S.106 funds	Policy update	Chris Hardman	15/10/2020
Planning for a no Deal Brexit	Policy development	Jane Meek	15/10/2020
Performance Report Q2	Monitoring	Gary Oliver	01/12/2020
Budget setting	Budget	Alison Taylor	01/12/2020
Budget monitoring Q2 20/21	Monitoring	Steven Tickner	01/12/2020
Brexit risk assessment	Policy update	Jason Gooding	01/12/2020
Sickness Absence Q2 20/21	For info	Sue Kaveney	December 2020
Civic centre reinstatement and development	Policy update	Darren Crossley	07/01/2021
Budget setting (including Treasury Management Strategy Statement)	Budget	Alison Taylor	07/01/2021
Covid/ Budget item		Alison Taylor	07/01/2021
Draft Improving Attendance Policy	Policy development	Sue Kaveney	TBC - Feb '21?
Performance Report Q3	Monitoring	Gary Oliver	18/02/2021
Budget monitoring Q3 20/21	Monitoring	Steven Tickner	18/02/2021
Sickness Absence Q3 20/21	Monitoring	Sue Kaveney	18/02/2021
Sands Centre Project Monitoring Report	Monitoring	Darren Crossley	18/02/2021
Update on Gateway 44 - Part B item	Policy Update		18/02/2021
Chancerygate Annual KPI Report	Policy update	Alison Taylor	18/02/2020
Scrutiny Annual Report 2020/21	Policy development	Rowan Jones	01/04/2021
Corporate projects	Monitoring	Jason Gooding	01/04/2021
Corporate Risk Register	Monitoring	Darren Crossley	01/04/2021
Climate change comparison of progress/ activity in Carlisle against other authorities	Policy development	Steven O' Keeffe	TBC