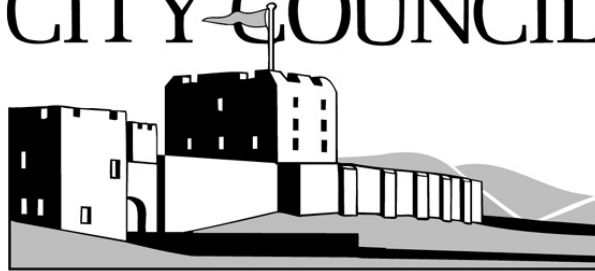


**CARLISLE
CITY COUNCIL**



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**Executive Budget Proposals 2017/18
Issued for Consultation
19th December 2016**

Councillor C Glover
Leader of the Council

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Portfolio Holder Finance, Governance & Resources

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EXECUTIVE BUDGET PROPOSALS 2016/17 to 2021/22

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 2016/17 to 2021/22 <ul style="list-style-type: none">• Schedule 1 - Existing Net Budgets• Schedule 2 - Proposed Budget Reductions• Schedule 3 - Recurring Budget Increases• Schedule 4 - Non-Recurring Budget Increases• Schedule 5 - Summary Net Budget Requirement• Schedule 6 - Total Funding and Provisional Council Tax
C	Capital Programme 2016/17 to 2021/22 <ul style="list-style-type: none">• Schedule 7 - Estimated Capital Resources• Schedule 8 - Proposed Capital Programme• Schedule 9 - Summary Capital Resource Statement
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These budget proposals are based on detailed proposals that have been considered by the Executive over the course of the last few months. In particular the following reports of the Chief Finance Officer were considered at the Executive meeting of 19th December 2016. All of the detailed reports are available on the Council's website.

1. RD40/16 – Budget Update 2017/18 to 2021/22
2. RD41/16 – Capital Programme 2016/17 – 2021/22
3. RD42/16 – Draft Treasury Management Strategy Statement and Investment Strategy and Minimum Revenue Provision Strategy 2017/18

SECTION A – BACKGROUND AND EXECUTIVE SUMMARY

Council Priorities

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

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

Budget Policy Framework

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

Approving a Balanced Budget

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

Council Tax Reduction Scheme

The Local Support for Council Tax Scheme ("The Council Tax Reduction Scheme" or CTRS) is required to be approved 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 2017/18, 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 major 'transformational' savings being identified in accordance with the Council's Savings Strategy (section E).

Some of the main issues are:

- Government Finance Settlement - RSG and NNDR

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

Summary Budget Proposals

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

- The draft budget proposes an annual £5 increase per Band D in Council Tax for the City Council for 2017/18 (Parishes Precepts will be an additional charge in the parished rural areas).
- Based on current projections, the budget proposed will result in the following requirement to be taken **to/(from)** Council reserves to support Council expenditure over the period as follows:

Additional contribution to / (from) reserves	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Original MTFP recurring surplus/(deficit)	(465)	152	(363)	(137)	(247)
Changes to Funding - Increase in Council Tax to £5	38	72	105	136	163
Changes to Funding - Increase in TaxBase	63	66	67	69	71
Changes to Funding - Revenue Support Grant	(3)	(14)	0	0	0
Changes to Funding - Business Rates Baseline	3	11	63	0	0
Recurring budget reductions (Schedule 2)	900	890	934	931	926
Recurring Budget Increases (Schedule 3)	(851)	(1,182)	(1,504)	(1,210)	(1,108)
Contribution required (from) / to Reserves to fund Recurring Expenditure	(315)	(5)	(698)	(211)	(195)
Original MTFP non-recurring surplus/(deficit)	931	323	666	(391)	(391)
Non-Recurring budget reductions (Schedule 2)	(2)	201	225	1,041	515
Non-Recurring budget increases (Schedule 4)	(351)	(201)	(201)	(65)	0
Contribution required (from) / to Reserves to fund Non-Recurring Expenditure	578	323	690	585	124
Total contribution required (from) / to Reserves	263	318	(8)	374	(71)

- The above table shows an overall contribution to reserves over the life of the MTFP with a small net call on reserves in 2019/20 and 2021/22 to fund

expenditure. A strategy as detailed in Section E for ensuring the Council sets a robust budget within the revenue budget has been proposed.

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

Consultation Responses:

This budget consultation should be viewed in the light of the considerable financial challenges faced by the Council and the requirement to make substantial 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 16th January 2017**.

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 **7nd February 2017**.

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

SECTION B - REVENUE BUDGET 2016/17 to 2021/22

1. REVISED REVENUE BUDGET 2016/17

- 1.1 The Executive recommends that the Council's revised net budget for 2016/17 be approved totalling £13.784m compared to the original budget of £13.091m. The increase of £0.693million can be summarised as follows:

Detail:	£000	£000
Original Net Budget		13,091
Carry Forward Requests from 2015/16 (See note 1.2)		528
		13,619
Non-Recurring Expenditure:		
IT Renewals Reserve	48	
Leisure Reserve	17	
Economic Investment Reserve	13	
Cremator Reserve	(42)	
Energy Efficiency Advice Reserve	42	
Carry Forward Reserve	87	
Total Changes		165
Revised Net Budget		13,784

- 1.2 The increased budget for 2016/17 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 2016/17 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 2017/18 to 2021/22

2.1 Existing Net Budgets

The Executive recommends that the net budgets for 2017/18 to 2021/22 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	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
City Council					
- Recurring (schedule 5)	11,665	10,925	11,351	11,421	11,788
- Non-Recurring (Sch. 5 note 2)	(931)	(323)	(666)	391	391
Parish Precepts	544	504	517	530	543
Total	11,278	11,106	11,202	12,342	12,722

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	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Expenditure Reductions/Increased Income:						
Inflation	1	(104)	(104)	(104)	(104)	(104)
Base Budget Review	2	(403)	(403)	(403)	(403)	(403)
MRP Review	3	(363)	(353)	(397)	(394)	(389)
Community Infrastructure Levy	4	0	0	(30)	0	0
Carlisle South	5	(50)	(50)	(50)	(50)	0
New Homes Bonus	6	187	(151)	(145)	(991)	(515)
Savings Achieved in Advance	7	(135)	0	0	0	0
Homelife Fee Income	8	(30)	(30)	(30)	(30)	(30)
Total Expenditure Reductions/Increased Income		(898)	(1,091)	(1,159)	(1,972)	(1,441)
TOTAL BUDGET REDUCTION PROPOSALS		(898)	(1,091)	(1,159)	(1,972)	(1,441)
Split:						
Recurring		(900)	(890)	(934)	(931)	(926)
Non-Recurring	2		(201)	(225)	(1,041)	(515)

Note 1: The MTFP assumes inflation on general expenditure of 2.0% and 3.0% for income. The current level of CPI (consumer price inflation) as at September 2016 is 0% and the Bank of England target for inflation is 2%. Pay Awards are forecast to be 1% for four years (as announced in the Budget 2016). The cash amount included in the MTFP for inflation has been reduced significantly given reducing levels of expenditure and lower forecasts for inflation.

Note 2: A review of base budgets has been undertaken to identify areas where budgets have been under spent historically and where savings can be made by reducing to a realistic and achievable level

Note 3: The Council has undertaken a review of its MRP policy and the amounts charged as MRP since 2003/04. It has been identified that an MRP holiday could be taken due to over provision in previous years and also a reduced MRP charge in future years by charging MRP at 3% straight line rather than 4% reducing balance.

Note 4: The set up costs of the Community Infrastructure Levy (included in Schedule 4) can be recovered once the CIL is established.

Note 5: The Carlisle South master plan and Southern Relief Road feasibility included as a pressure in Schedule 4 are expected to be match funded from a bid to the Garden Cities Fund.

Note 6: New Homes Bonus allocations adjusted for the Local Government Finance Settlement announced in December 2016.

Note 7: Overachieved savings from 2016/17 mean that the savings still to be found for 2017/18 will be slightly lower than anticipated.

Note 8: Income to be received from administration fees in delivering increased DFG funding grants in connection with the Homelife team.

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	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Treasury Management	1	136	154	378	128	26
Salary Turnover	2	119	119	119	119	119
Pension Fund Revaluation	3	23	210	231	231	231
Civic Centre Income	4	158	158	158	158	158
Homelife	5	75	75	75	75	75
Car Parking	6	96	96	96	96	96
Clean Up Carlisle	7	91	91	91	91	91
Funding Officer	8	31	31	31	31	31
Economic Regeneration Team	9	24	24	24	24	24
Enterprise Centre Income	10	47	47	47	47	47
IT Strategy & Budget Pressures	11	51	177	254	210	210
Total Recurring Budget Pressures		851	1,182	1,504	1,210	1,108

Note 1: The Treasury Management projections have been updated to take account of the revised capital programme, including changes to funding. The projections have also taken into account the latest projections for interest rates, including the long term investment in the property fund and re-financing of the stock issue in 2020. Treasury Projections will be recalculated as decisions made during the budget process with regard to contributions to and from reserves impact the level of cash forecasts.

Note 2: Salary Turnover savings target of £412,000 represents 3.5% of staffing costs. Salary Turnover levels have historically been set at 2.5%. With reductions in staffing numbers and VR/ER initiatives, this pressure reduces the target to a realistic level of 2.5%

Note 3: The triennial revaluation of the Pension Fund will increase current contribution rate by 2% and increases the pension contributions payable by the Council from April 2017. The Council will make a payment in advance for total deficit funding required for the three-year revaluation period in April 2017 and this will realise a saving compared to payments being made annually.

Note 4: This pressure reflects the loss of income from the County Council and other tenants vacating the Civic Centre unless other tenants are found the shortfall will become a recurring pressure.

Note 5: This pressure reflects the gross costs of the core staffing team required to provide and continue the Homelife scheme.

Note 6: There is an expectation that income will not achieve the MTFP projections by £60,000 and additional costs in relation to Business Rates on Council owned car parks will increase by £36,000.

Note 7: This pressure reflects the costs required to continue the Clean Up Carlisle initiative.

Note 8: This represents the cost of appointing a Funding Officer to identify sources of potential external funding in order to increase the sources of grants that can be utilised. This can be funded from the recurring savings on inflation.

Note 9: This represents the additional costs of appointing to the economic regeneration team to increase capacity for regeneration projects and initiatives. This can be funded from the recurring savings on inflation.

Note 10: The enterprise centre has not achieved the budgeted level of income for the past couple of years and this pressure will reduce the budget to a more achievable level.

Note 11: There have been some increased costs associated with the delivery of a robust and sustainable IT strategy as well as additional budget pressures from increased Microsoft Licence costs from 2018/19 and maintenance costs for the IT Computer room.

Schedule 4 – Non-Recurring Budget Increases

Non-Recurring Budget Pressures/Savings	Note	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Lanes Income	1	140	0	0	0	0
Community Infrastructure Levy	2	30	0	0	0	0
Carlisle South Masterplan/Southern Relief Road	3	115	135	135	65	0
Homelessness Grant	4	66	66	66	0	0
Total Non-Recurring Budget Pressures		351	201	201	65	0

Note 1: This pressure reflects expected levels of income from the Lanes for 2017/18 only. Estimates are that from 2018/19 the levels of income should return to the current budgeted projections.

Note 2: This pressure is to establish the Community Infrastructure Levy (CIL) arrangements for future development activity within the City. There is an expectation that this initial cost can be recovered once CIL's are in place.

Note 3: This pressure is to commit to funding studies into realising development opportunities in Carlisle South including planning for a Southern Relief Road. Further reports and a Business Case to the Executive will be required before this funding is released.

Note 4: The Local Government Finance Settlement announced in December 2016 confirmed that the Homelessness Grant is now subsumed within Revenue Support Grant.

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 2017/18, with projections to 2021/22, be approved as set out in **Schedule 5** below:

Schedule 5 – Summary Net Budget Requirement for Council Tax Purposes

2016/17 Revised £000	Summary Net Budget Requirement	2017/18 Budget £000	2018/19 Proj £000	2019/20 Proj £000	2020/21 Proj £000	2021/22 Proj £000
	Recurring Revenue Expenditure					
	Existing Expenditure (Schedule 1)	11,665	10,925	11,351	11,421	11,788
	Budget Reductions (Schedule 2)	(900)	(890)	(934)	(931)	(926)
	New Spending Pressures (Schedule 3)	851	1,182	1,504	1,210	1,108
12,919	Total Recurring Expenditure	11,616	11,217	11,921	11,700	11,970
	Non Recurring Revenue Expenditure					
463	Existing Commitments (Schedule 1)	(987)	(333)	(666)	391	391
528	Carry Forward	56	10	0	0	0
(830)	Budget Reductions (Schedule 2)	2	(201)	(225)	(1,041)	(515)
539	Spending Pressures (Schedule 4)	351	201	201	65	0
13,619	Total Revenue Expenditure	11,038	10,894	11,231	11,115	11,846
	Less Contributions (from)/to Reserves:					
(1,241)	Recurring Commitments (Note 1) Sub Total	(315)	(5)	(698)	(211)	(195)
	Non Recurring Commitments					
(172)	- Existing Commitments (Note 2)	931	323	666	(391)	(391)
(528)	- New Commitments	(353)	0	24	976	515
(700)	Sub Total	578	323	690	585	124
11,678	Total City Council Budget requirement	11,301	11,212	11,223	11,489	11,775
557	Parish Precepts	544	504	517	530	543
12,235	Projected Net Budget Requirement for Council Tax purposes	11,845	11,716	11,740	12,019	12,318

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	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Sexual Assault Referral Service Grant	20	0	0	0	0
Carry Forwards from 2014/15	13	0	0	0	0
Homelessness	66	66	66	0	0
Asset Review Income	(277)	0	0	0	0
New Homes Bonus	(743)	(333)	(666)	391	391
Homelessness Grant	(66)	(66)	(66)	0	0
Total	(987)	(333)	(666)	391	391

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 2017/18 per Band D property. The detail of this is set out in **Schedule 6** below and the impact per Council Tax Band is as follows:

	2016/17 Council Tax £	Proposed Annual Increase £	2017/18 Council Tax £	Weekly Increase
Band A	131.47	3.33	134.80	6 pence
Band B	153.38	3.89	157.27	7 pence
Band C	175.29	4.44	179.73	9 pence
Band D	197.20	5.00	202.20	10 pence
Band E	241.02	6.11	247.13	12 pence
Band F	284.84	7.22	292.07	14 pence
Band G	328.67	8.33	337.00	16 pence
Band H	394.40	10.00	404.40	19 pence

Schedule 6 – Total Funding and Provisional Council Tax Projections

2016/17	Total Funding and Council Tax Impact	2017/18	2018/19	2019/20	2020/21	2021/22
32,138.68 £000	Estimated TaxBase	32,544.08 £000	32,634.88 £000	32,725.93 £000	32,817.23 £000	32,908.79 £000
	Projected Net Budget Requirement for Council Tax Purposes (Schedule 5)					
11,678	- City	11,301	11,212	11,223	11,489	11,775
557	- Parishes	544	504	517	530	543
12,235	Total	11,845	11,716	11,740	12,019	12,318
	Funded by:					
(6,338)	- Council Tax Income	(6,580)	(6,762)	(6,944)	(7,128)	(7,312)
(1,535)	- Revenue Support Grant	(856)	(435)	0	0	0
(3,052)	- Retained Business Rates	(3,115)	(3,215)	(3,329)	(3,411)	(3,513)
	- Business Rate					
(660)	Growth/Pooling	(700)	(750)	(900)	(900)	(900)
(93)	- Estimated Council Tax Surplus	(50)	(50)	(50)	(50)	(50)
(54)	- Parish CTRS Grant	(30)	(14)	0	0	0
(503)	- Parish Precepts	(514)	(490)	(517)	(530)	(543)
(12,235)	TOTAL	(11,845)	(11,716)	(11,740)	(12,019)	(12,318)
£ 197.20	City Council Tax Band D Council Tax	£ 202.20	£ 207.20	£ 212.20	£ 217.20	£ 222.20
	Increase over Previous year:					
£3.77	£	£ 5.00	£ 5.00	£ 5.00	£ 5.00	£ 5.00
1.95%	%	2.54%	2.47%	2.41%	2.36%	2.30%

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

- Final confirmation of the 2017/18 year settlement figures will be received in January 2017.
- The Council Tax Surplus and Taxbase are currently estimated and final figures will be available in the January 2017.
- 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 2017/18 onwards are indicative only and exclude final confirmation of parish precepts.

SECTION C - CAPITAL PROGRAMME 2016/17 TO 2021/22

1. REVISED CAPITAL BUDGET 2016/17

- 1.1 The Executive recommends that the revised 2016/17 Capital Programme be approved at £10.515m compared to the original budget of £4.595m as set out in the report of the Chief Finance Officer. The increase of £5.920m is due to new grant funded schemes and re-profiling from 2015/16.

2. CAPITAL BUDGET 2017/18 TO 2021/22

- 2.1 The Executive recommends that the estimated Capital Resources available and proposed Capital Programme for 2017/18 to 2021/22 be approved to be financed and allocated as detailed in **Schedule 7 and 8** below:

Schedule 7 – Estimated Capital Resources

Estimated Resources	Note	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Capital Grants:						
- DFG	1	(1,467)	(1,467)	(1,467)	(1,467)	(1,467)
- External Borrowing	2	0	(5,000)	0	0	0
Capital Receipts						
- Generated in Year (PRTB)	3	(150)	0	0	0	0
- Generated in year (Asset Business Plan)	4	(1,694)	(500)	0	0	0
Direct Revenue Financing	5	(770)	(908)	(978)	(976)	(884)
TOTAL		(4,081)	(7,875)	(2,445)	(2,443)	(2,351)

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

Note 2: Estimated Borrowing required to fund Leisure Facilities.

Note 3: The Preserved Right to Buy (PRTB) sharing arrangement with Riverside Group is for a fifteen year period with the Council being entitled to a pre-agreed reducing percentage of the receipts. Right to Buy sales are predicted to be in line with the original projections.

Note 4: Receipts from the sale of assets in line with the Asset Business Plan refresh.

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

Schedule 8 – Proposed Capital Programme

Capital Scheme		Note	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Current Commitments:							
Disabled Facilities Grants			1,467	1,467	1,467	1,467	1,467
Planned Enhancements to Council Property	A	1	150	150	150	150	150
Vehicles & Plant	A	2	1,440	721	861	629	1,531
IT Equipment	A	3	100	100	0	0	0
Leisure Facilities	A	4	0	5,000	0	0	0
Play Areas - Green Gyms	A	5	25	25	0	0	0
TOTAL POTENTIAL PROGRAMME			3,182	7,463	2,478	2,246	3,148

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

Note 1: Provision for expenditure to maintain the enhancement programme on Council operational property

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

Note 3: The provision for expenditure of ICT equipment

Note 4: Capital expenditure for the enhancement work to Leisure Facilities is profiled for 2018/19 to reflect the timeline in relation to the new contract start date. The tender for the Leisure operator is underway and external advisors are preparing Facilities Development Plans which will include updated and revised timescales and costings, including potential external contributions, for the new Leisure Facilities.

Note 5: To provide outdoor gym equipment at Bitts Park and Hammonds Pond.

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	2017/18 £000	2018/19 £000	2019/20 £000	2020/21 £000	2021/22 £000
Estimated Resources 31 March 2017	1,861				
In Year Impact:					
- Estimated resources available in year (Schedule 7)	(4,081)	(7,875)	(2,445)	(2,443)	(2,351)
- Proposed Programme (Schedule 8)	3,182	7,463	2,478	2,246	3,148
- Capital Resources (Surplus) / Deficit	962	550	583	386	1,183

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 2016 £000	Projected 31 March 2017 £000	Projected 31 March 2018 £000	Projected 31 March 2019 £000	Projected 31 March 2020 £000	Projected 31 March 2021 £000	Projected 31 March 2022 £000
Revenue Reserves							
General Fund Reserve	(2,000)	(1,570)	(1,833)	(2,000)	(2,000)	(2,000)	(2,000)
Projects Reserve	(1,511)	0	0	(151)	(143)	(517)	(446)
	(3,511)	(1,570)	(1,833)	(2,151)	(2,143)	(2,517)	(2,446)
Carry Forward Reserve	(1,078)	(991)	(991)	(991)	(991)	(991)	(991)
Flood Reserve	(500)	0	0	0	0	0	0
Conservation Reserve	(117)	0	0	0	0	0	0
Transformation Reserve	(348)	0	0	0	0	0	0
EEAC Reserve	(43)	0	0	0	0	0	0
Building Control Reserve	(137)	(137)	(137)	(137)	(137)	(137)	(137)
Cremator Reserve	(479)	(521)	(521)	(521)	(521)	(521)	(521)
Leisure Reserve	(118)	(101)	0	0	0	0	0
Economic Investment Reserve	(108)	(95)	0	0	0	0	0
Car Parking Reserve	(113)	(113)	0	0	0	0	0
City Centre Reserve	(42)	(42)	(42)	(42)	(42)	(42)	(42)
Welfare Reform Reserve	(200)	(200)	(200)	(200)	(200)	(200)	(200)
Repairs & Renewals Reserve	(502)	0	0	0	0	0	0
Business Rates Volatility Reserve	(110)	(110)	(110)	(110)	(110)	(110)	(110)
Total Revenue Reserves	(7,406)	(3,880)	(3,834)	(4,152)	(4,144)	(4,518)	(4,447)
Capital Reserves							
Usable Capital Receipts	0	0	0	0	0	0	0
Asset Disposal Reserve	0	0	0	0	0	0	0
Unapplied capital grant	(191)	(118)	(118)	(118)	(118)	(118)	(118)
Asset Investment Reserve	(48)	(48)	(48)	(48)	(48)	(48)	(48)
CLL Reserve (i)	(522)	(522)	(522)	(522)	(522)	(522)	(522)
Lanes Capital Reserve	(15)	(30)	(45)	(60)	(75)	(90)	(105)
Total Capital Reserves	(776)	(718)	(733)	(748)	(763)	(778)	(793)
Total Usable Reserves	(8,182)	(4,598)	(4,567)	(4,900)	(4,907)	(5,296)	(5,240)
Other Technical Reserves (ii)	(103,725)						
Collection Fund (Carlisle Share only)	227						
Total All Reserves	(111,680)						

- (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 budgets, which will require savings to be identified. 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 redirecting resources. The requirement to identify savings or raise additional income in future years is a continuing and increasing pressure facing the Council.
2. The savings outlined in this document are necessary to ensure that the Council continues to meet the challenges of reductions in RSG (and significant reductions in other revenue and capital grants) together with increased cost pressures. However due to its success to date in identifying transformational savings, the Council now has a solid financial base in order to set its 2017/18 budget.
3. The savings strategy will continue to concentrate on the following areas to deliver the savings required to produce a balanced longer term budget, however the exact work programme will be dependant on progress with the Transformation programme.
 - Asset Strategy – to focus on ensuring the council's asset portfolio maximises the benefit to the Council through income generation or by realising receipts of assets that do not generate a return that can then be utilised to ease pressures in capital and revenue budgets through the most appropriate means, e.g. re-investment in new assets and supporting the capital programme to reduce the CFR
 - Service Reviews – A review of services to include their purpose and relevance in achieving the Carlisle Plan priorities, including a review of those services which do not fall within the Council's core priorities or which are not statutory will be undertaken to ensure that services and resources are properly aligned to what the Council wants to achieve.
 - Core Budgets – a review of base budgets, including income generation, to ensure compliance with best practice on priority and outcome based budgeting and other appropriate budget disciplines.
4. Members and Officers are reminded that it is essential to maintain a disciplined approach to budgetary matters and as such:
 - Supplementary estimates will only be granted in exceptional circumstances.
 - Proposals seeking virement should only be approved where the expenditure to be incurred is consistent with policies and priorities agreed by the Council.
5. In order to continue the improvements in the links between financial and strategic planning, the Joint Management Team will continue to meet regularly to progress forward planning on these issues.

DRAFT STATUTORY REPORT OF CHIEF FINANCE OFFICER

1. In setting its Budget Requirement, the Council is required under the Local Government Act 2003 (Section 25) to consider:
 - (i) The formal advice of the statutory responsible financial officer (Chief Finance Officer) on the robustness of the estimates included in the budget and the adequacy of the reserves for which the budget provides;
 - (ii) The Council has to determine what levels of borrowing, if any, it wishes to make under the Prudential Code that governs local authority borrowing.

2. Robustness of the Estimates

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

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

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

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

- The Transformation programme is expected to achieve savings of £3.475million between 2016/17 and 2018/19, in order to meet the expected cuts in grants from central government and other budgetary pressures identified in the previous budget process. No new transformation savings are expected over and above this target at this point in time. This will ensure that a balanced budget is produced and 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 base rates, investment income returns in the medium term are very difficult to predict. The Council is also having to deal with a reduced number of counterparties it is able to place deposits with.

The main risks to the robustness of the estimates are the impact of the proposed reductions in central government grant and how the 100% retention of business rates will be phased in. Once the Local Government Finance Settlement is finalised in January 2017, these risks may become clearer and may be incorporated into the final budget proposals if appropriate.

Minimal use of reserves will be necessary to fund this budget over the five-year period; however the proposals put in place continue to maintain reserve levels at an acceptable level in the following 5 years.

The delivery of the savings proposals identified and continuing work to deliver further savings will also be important to maintaining reserves at prudent levels. Regular budget monitoring, particularly in the area of the Transformation programme is imperative during this period. The level of the Council's future Capital Programme in taking account of a significant reduction in capital receipts is fully funded but includes a borrowing requirement over the five year period and specifically an external borrowing requirement in 2018/19 to fund new leisure facilities which is an invest to save initiative. However, no capital reserves are available to fund new capital projects other than invest to save initiatives funded from revenue reserves.

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

3. Adequacy of Reserves

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

The appropriateness of the level of reserves can only be judged in the context of the Council's longer term plans and an exercise has been undertaken to review the level of reserves through the use of a risk assessment matrix. The findings of this exercise suggested that the minimum level should be set at £2.0m as a prudent level of General Fund Reserves which will be required as a general working capital/ contingency to cushion the Council against unexpected events and emergencies.

The 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 2017/18 budget pressures in setting the 2017/18 budget and principles to be adopted when preparing the 2018/19 budget cycle.

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

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

4. Determination of Borrowing

The new Prudential Accounting regime enables the Council to borrow subject to meeting criteria of affordability. The draft Prudential Indicators have been

established and these will be finalised for Council approval once decisions on the overall Capital Programme have been made.

For the period under review the need for borrowing will be kept under consideration and will be dependent on the level of capital receipts being generated and the potential of future capital projects. Due to projects currently under consideration, the capital programme for 2017/18 to 2021/22 may require the use of Prudential Borrowing (including internal borrowing) to sustain levels depending on the levels of capital receipts that can be generated in the future. If borrowing is required, full option appraisals will be carried out.

SECTION G – GLOSSARY OF TERMS

BUDGET

- **GROSS** – the total cost of providing the council's services before taking into account income from service related government grants and fees and charges for services.
- **NET** – the Council's gross budget less specific government grants and fees and charges, but before deduction of RSG and other funding from reserves.
- **ORIGINAL BUDGET** – the budget for a financial year approved by the council before the start of the financial year.
- **REVISED BUDGET** – an updated revision of the budget for a financial year.
- **NET BUDGET REQUIREMENT FOR COUNCIL TAX PURPOSES** – the estimated revenue expenditure on general fund services that needs to be financed from the Council Tax after deducting income from fees and charges, certain specific grants and any funding from reserves.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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