

# AGENDA

## Business & Transformation Scrutiny Panel

Thursday, 26 August 2021 AT 16:00  
In the Council Chamber, Civic Centre, Carlisle, CA3 8QG

**\*\*A pre meeting for Members to prepare for the Panel will  
take place 45 minutes before the meeting\*\***

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

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

Councillor Bainbridge (Chair) , Councillors Alcroft (Vice Chair), Allison, Mrs Bowman, Mrs Mitchell, Mitchelson, Sunter, Dr Tickner

Substitutes:

Councillors Mrs Atkinson, Mrs Birks, Brown, Collier, Ms Ellis-Williams, Mrs Finlayson, Mrs Glendinning, Glover, Lishman, Mrs McKerrell, Meller, Morton, Patrick, Robson, Shepherd, Miss Sherriff, Southward, Mrs Tarbitt, Miss Whalen.

## **PART A**

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

#### **APOLOGIES FOR ABSENCE**

To receive apologies for absence and notification of substitutions

#### **DECLARATIONS OF INTEREST**

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

#### **PUBLIC AND PRESS**

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

#### **MINUTES OF PREVIOUS MEETINGS**

**9 - 12**

To note that Council, on the 20 July 2021, received and adopted the minutes of the meetings held on 1 April and 3 June 2021. The Minutes will be signed by the Chair.(Minute Book Volume 48(1)).

The Chair will move the minutes of the meeting held on 15 July 2021 as a correct record. The only part of the minutes that may be discussed is their accuracy.

(Copy minutes herewith).

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

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

Executive Decision EX.78/21 - Outcome of Old Fire Station Tender has been called in. Due to the original decision having been taken in private, the Call-in will also be considered in private. Therefore the matter is listed in the Part B section of this agenda.

**A.2 DRAFT MEDIUM TERM FINANCIAL PLAN 2022/23 to 2026/27**

**13 -  
64**

Portfolio:	Finance, Governance and Resources
Directorate:	Finance and Resources
Officer:	Alison Taylor, Corporate Director of Finance and Resources
Report:	RD.28/21 and Minute Excerpt herewith

**Background:**

The Corporate Director of Finance and Resources to submit the Medium Term Financial Strategy 2022/23 to 2026/27.

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

The matter was included in the Notice of Executive Key Decisions and was considered by the Executive on 2 August 2021.

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

Consider the report and make recommendations back to the Executive for consideration at its meeting of 31 August 2021.

**A.3 DRAFT CAPITAL INVESTMENT STRATEGY 2022/23 – 2026/27**

**65 -  
102**

Portfolio:	Finance, Governance and Resources
Directorate:	Finance and Resources
Officer	Steven Tickner, Financial Services Manager
Report	RD.29/21 and Minute Excerpt herewith

**Background:**

The Corporate Director of Finance and Resources to submit the Capital Strategy 2022/23 - 2026/27.

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

The matter was included in the Notice of Executive Key Decisions and was considered by the Executive on 2 August 2021. The matter is part of the annual budget process.

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

Consider the report and make any recommendations back to the Executive for consideration at its meeting of 21 August 2021.

**A.4 DRAFT ASSET MANAGEMENT PLAN 2022 TO 2027**

**103 -  
128**

Portfolio:	Finance, Governance and Resources
Directorate:	Governance and Regulatory Services
Officer:	Mark Walshe, Property Services Manager
Report:	GD.54/21 and Minute Excerpt herewith

**Background:**

The Corporate Director of Governance and Regulatory Services to submit the Asset Management Plan 2022 to 2027.

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

The matter was included in the Notice of Executive Key Decisions and was considered by the Executive on 2 August 2021.

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

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

**A.5 EXTERNAL AUDIT REPORT ACTION PLAN AND RECOMMENDATIONS FOLLOW UP**

**129 -  
138**

Portfolio:	Finance, Governance and Resources
Directorate:	Finance and Resources
Officer:	Steven Tickner, Financial Services Manager
Report:	RD.35/21 and Minute Excerpt herewith

**Background:**

The Corporate Director of Finance and Resources to submit a report concerning the External Audit report and associated action plan and recommendations follow up.

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

The Audit Committee had considered the External Audit Findings for Carlisle City Council at its meeting of 20 May 2021 (Minute Excerpt AUC.17/21 refers) and referred it to the Business and Transformation Scrutiny Panel for information and ongoing monitoring.

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

Consider the progress on implementation of the recommendations in the External Audit Findings report for 2019/20.

**A.6 SICKNESS ABSENCE REPORT QUARTER 1 2021/22**

**139 -  
148**

Portfolio:	Finance, Governance and Resources
Directorate:	Community Services
Officer:	Bibian McRoy, HR Manager Gary Oliver, Policy and Performance Officer
Report:	CS.30/21 herewith

**Background:**

The Deputy Chief Executive to submit a report on the authority's quarter one sickness absence levels and other absence information.

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

Quarterly monitoring of sickness absence within the authority.

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

Scrutinise and comment on the information on sickness absence provided in the report.

**A.7 QUARTER 1 PERFORMANCE REPORT 2021/22**

**149 -  
164**

Portfolio:	Finance, Governance and Resources
Directorate:	Community Services
Officer:	Gary Oliver, Policy and Performance Officer
Report:	PC.33/21 herewith

**Background:**

The Policy and Communications Manager to submit a report containing the Quarter 1 2021/22 performance against current Service Standards and a summary of the Carlisle Plan 2016-2019 actions defined in the 'plan on a page'. Performance against the Panel's 2021/22 Key Performance Indicators are also included. The recommendations from the Member Task and Finish Group on performance reporting are also detailed.

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

Quarterly monitoring of performance.

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

- Scrutinise the performance of the City Council with a view to seeking continuous improvement in how the Council its priorities;
- Consider and agree the recommendations made by the Task and Finish Group regarding future performance reports.

**A.8 OVERVIEW REPORT**

**165 -  
170**

Portfolio:	Cross Cutting
Directorate:	Cross Cutting
Officer:	Rowan Jones, Overview and Scrutiny Officer
Report:	OS.21/21 herewith

**Background:**

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

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

The Business and Transformation Scrutiny Panel operates within a work programme which has been set for the 2021/22 municipal year. The Programme is reviewed at every meeting so that it can be adjusted to reflect the wishes of the Panel and take into account items relevant to this Panel in the latest Notice of Executive Key Decisions.

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

- Note the items within Panel remit on the most recent Notice of Executive Key Decisions;
- Note the current Work Programme.

## **PART B**

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

### **B.1 CALL IN OF DECISIONS**

- Information relating to the financial or business affairs of any particular person (including the authority holding that information);

Enquiries, requests for reports, background papers etc to:  
[committeeservices@carlisle.gov.uk](mailto:committeeservices@carlisle.gov.uk)



**Minutes of Previous Meeting**

**BUSINESS AND TRANSFORMATION SCRUTINY PANEL**

**THURSDAY 15 JULY 2021 AT 4.00PM**

**PRESENT:** Councillor Bainbridge (Chair), Councillors Alcroft, Allison, Mrs Bowman, Mitchelson, Mrs Mitchell, Sunter and Dr Tickner.

**ALSO**

**PRESENT:** Councillor Ellis, Finance, Governance and Resources Portfolio Holder

**OFFICERS:** Town Clerk and Chief Executive  
Deputy Chief Executive  
Corporate Director of Finance and Resources  
Lead ICT Officer  
Policy and Communications Manager  
Policy and Performance Officer

**BTSP.46/21 APOLOGIES FOR ABSENCE**

There were no apologies for absence submitted.

**BTSP.47/21 DECLARATIONS OF INTEREST**

No declarations of interest were submitted.

**BTSP.48/21 PUBLIC AND PRESS**

**RESOLVED** – It was agreed that the items of business in Part A be dealt with in public and Part B be dealt with in private.

**BTSP.49/21 MINUTES IF PREVIOUS MEETING**

**RESOLVED** – That the minutes of the meeting held on 3 June 2021 be agreed as a correct record.

**BTSP.50/21 CALL IN OF DECISIONS**

There were no items which had been the subject of call-in.

**BTSP.51/21 BUSINESS RATES OUTTURN**

The Corporate Director of Finance and Resources submitted the 2020/21 provisional outturn and performance position for Business Rates and the impact it would have on the overall General Fund Balance (RD.13/21).

The matter was considered by the Executive at their meeting on 5 July 2021 (EX.57/21 refers) and resolved:

“That the Executive noted the provisional outturn position for Business Rates at 31 March 2021 and approved the creation and transfer of a new earmarked reserve as outlined in paragraph 2.6.1 of report RD.13/21.”

The Corporate Director of Finance and Resources reported that the deadline for the submission of the NNDR 3 returns was 30 June, it was hoped that the final Business Rates Pooling figure would be updated before the final Statement of Accounts was published.

The Panel felt assured by the report and thanked the Corporate Director of Finance and Resources and her team for their ongoing hard work especially during the pandemic.

RESOLVED – That the Panel had scrutinised the Business Rates Outturn 2020/21 and supported the recommendation to create and transfer a new earmarked reserve as outlined in paragraph 2.6.1 of report RD.13/21.

## **BTSP.52/21      CARLISLE PLAN 2021-2023**

The Policy and Communications Manager submitted an update on the new Carlisle Plan 2021-2023 (PC.24/21). Following the previous scrutiny of the Plan it had been possible to arrange public consultation between 2 and 6 August, consultation was online and physically in the Tourist Information Centre and Bitts Park.

The Policy and Communications Manager had circulated the design draft of the Plan and reported that an illustrated map had been designed to showcase the developments in both the urban and rural areas.

In considering the report Members made the following comments and suggestions in relation to the contents of the Carlisle Plan:

- There should be a stronger message regarding transport and improved connectivity;
- The Plan should be clearer about the work being undertaken in rural areas;
- There should be a stronger message about tourism as an economic driver in Carlisle;
- The Plan was more accessible but still required some further work to ensure the whole document was in plain English;
- The Plan referred to 'economic growth' and 'sustainable growth', it was felt that this was a mixed message in terms of the Council's climate change strategy and should be changed to sustainable growth only;
- The climate emergency was more apparent in the Plan, however, Members wanted to see this underpinned in all of the strategies and vision for Carlisle;
- The consultation questions did not prompt individuals to share their vision for Carlisle and it was suggested that they be changed and more open questions be included to engage with people;
- Could examples of the viable options for the Central Plaza site be included in the Plan and could the consultation include a question which allowed the public to put forward their suggestions for the site;
- Add information explaining how the Market Square would be reimagined to become a focal point;

In response the Policy and Communications Manager clarified the following:

- The Carlisle Plan gave a commitment to the preparation of a Rural Strategy
- Transport improvements work may be better placed within the Economic Strategy work

The Town Clerk and Chief Executive informed the Panel that Officers had received a clear directive to develop a Rural Strategy as a priority and the Corporate Director of Economic Development was progressing with the work.

The Panel asked that the Carlisle Plan refer to the Rural Strategy as part of the vision of the Carlisle Plan and make it clear what this meant for urban and rural residents.

A Member asked how the progress on the programmes which underpinned the Carlisle Plan would be reported within the quarterly performance report?

The Policy and Communications Manager explained that the Panel would have the opportunity to consider how the performance would be monitored when the performance report was submitted to the next meeting.

The Panel urged officers to engage with local rural communities outside of the Parish Councils as part of the consultation process.

RESOLVED – That the Panel had scrutinised the draft Carlisle Plan 2021-20523 (PC.24/21) and asked the Executive to consider their comments and suggestions as set out above as part of the consultation process.

### **BTSP.53/21 FUTURE SCRUTINY ARRANGEMENTS**

The Deputy Chief Executive presented an overview of recent discussions by the Scrutiny Chairs Group with regard to the future scrutiny arrangements at Carlisle City Council. (OS.18/21).

The Deputy Chief Executive reported that the Scrutiny Chairs Group had met on 29 June 2021 and requested that the Business and Transformation Scrutiny Panel consider establishing a Task and Finish Group to consider whether any changes should be made.

The Panel discussed the suggestion and the potential impact of the Local Government Reform and agreed to progress with the task and finish group. Councillor Bainbridge and Allison were nominated as the Business and Transformation Scrutiny Panel's representatives.

RESOLVED – 1) That the Future Scrutiny Arrangements report (OS.18/21) be noted.

2) That a Future Scrutiny Arrangements Task and Finish Group be established.

3) That Councillor Bainbridge and Councillor Allison be appointed to the Future Scrutiny Arrangements Task and Finish Group on behalf of the Business and Transformation Scrutiny Panel.

### **BTSP.54/21 OVERVIEW REPORT**

The Policy and Performance Officer presented report OS.17/21 providing an overview of matters relating to the work of the Business and Transformation Scrutiny Panel and the Panel's Work Programme.

RESOLVED – That the Overview Report incorporating the Key Decision items relevant to the Business and Transformation Scrutiny Panel be noted (OS.17/21).

### **BTSP.55/21 PUBLIC AND PRESS**

RESOLVED – That in accordance with Section 100A(4) of the Local Government Act 1972 the Public and Press were excluded from the meeting during consideration of the following item of business on the grounds that it involved the likely disclosure of exempt information as defined in

the paragraph number (as indicated in brackets against the minute) of Part 1 of Schedule 12A of the 1972 Local Government Act.

**BTSP.55/21 ICT SERVICES PROJECT STATUS PROJECT**  
(Public and Press excluded by virtue of paragraph 3)

The Lead ICT Officer submitted an update on the ICT Services Project Status (CE.09/21). The report had been updated to offer the Panel an up to date snapshot of the current status of the ICT Services projects along with recent project activity; RAG rating; issues and emerging risks; key activities for the next period and requests for change.

The Lead ICT Officer responded to the Panel's questions, assuring them of the work that was being undertaken and he set out the resources required to undertake the work detailed within the project report. He explained that recruitment in IT was an issue across the country, however, the current vacant posts had been re-evaluated and it was hoped this would help the process.

During the discussion the Town Clerk and Chief Executive explained that the IT projects needed to continue to ensure the Council was protected regardless of the outcome of the Local Government Reform. He added that the matters within the report had been considered by the Audit Committee who had made a recommendation to the Panel.

The Lead ICT Officer set out the priorities for the projects and service and gave details of external support that was provided to the Council.

RESOLVED – 1) That the Panel had scrutinised the ICT Services Project Status report (CE.09/21).

2) That an updated ICT Services Project Status report be submitted to the Panel in three months time.

(The meeting ended at 5.25pm)



# Report to Business and Transformation Scrutiny Panel

Item A.2

Meeting Date: 26 August 2021  
 Portfolio: Finance, Governance and Resources  
 Key Decision: Yes: Recorded in the Notice Ref: KD08/21  
 Within Policy and Budget Framework YES  
 Public / Private Public

Title: DRAFT MEDIUM-TERM FINANCIAL PLAN 2022/23 to 2026/27  
 Report of: CORPORATE DIRECTOR OF FINANCE AND RESOURCES  
 Report Number: RD28/21

**Summary:**

The Council’s draft Medium Term Financial Plan for the period 2022/23 to 2026/27 was considered by the Executive on 2 August 2021 and sets out the framework for planning and managing the Council’s financial resources.

**Questions for / input required from Scrutiny:**

To scrutinise, and provide feedback, on the Financial Policies and Savings Strategy to be adopted by the Council which will inform the 2022/23 budget process.

**Recommendations:**

Members are asked to consider the report and make any recommendations back to the Executive for consideration at their meeting on 31 August 2021.

**Tracking**

Executive:	<b>2 August 2021</b>
Scrutiny:	<b>26 August 2021</b>
Executive:	<b>31 August 2021</b>
Council:	<b>14 September 2021</b>



<b>Report to Executive</b>	<b>Agenda Item:</b>
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Meeting Date: 2 August 2021  
 Portfolio: Finance, Governance and Resources  
 Key Decision: Yes: Recorded in the Notice Ref: KD08/21  
 Within Policy and Budget Framework YES  
 Public / Private Public

Title: DRAFT MEDIUM-TERM FINANCIAL PLAN 2022/23 to 2026/27  
 Report of: CORPORATE DIRECTOR OF FINANCE AND RESOURCES  
 Report Number: RD28/21

**Purpose / Summary:**

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

Following consideration by the Executive and the Business and Transformation Scrutiny Panel, final recommendations will be made to Council on 14 September 2021.

**Recommendations:**

The Executive is asked to:

- (i) Comment on the draft MTFP for consideration by the Business and Transformation Scrutiny Panel on the 26 August 2021.

**Tracking**

Executive:	<b>2 August 2021</b>
Overview & Scrutiny:	<b>26 August 2021</b>
Executive:	<b>31 August 2021</b>
Council:	<b>14 September 2021</b>

## **1. BACKGROUND**

- 1.1 The Medium-Term Financial Plan (MTFP) is the key policy document to guide the Council's forward financial planning process. The attached report details the current Plan for the period 2022/23 to 2026/27. The MTFP is reviewed annually starting with the assumptions made in the Budget Resolution approved by Council on 17 February 2021. The starting point for the MTFP is to show the impact of the Council Resolution and raise awareness of the issues that are on the horizon that will need to be considered as part of the detailed budget process.
- 1.2 The Corporate Charging Policy has also been reviewed and included within the MTFP. It provides a framework detailing potential policy options for each Charging area. This recognises that different approaches may be required for different services and that there are a variety of influences that need to be acknowledged in charge setting.
- 1.3 The MTFP has been prepared at a time of continued uncertainty in respect of the economy, especially in terms of the impact of Covid-19 and also in terms of the Government's wider approach to Public Sector Funding in general and particularly for Local Government Funding.

## **2. KEY DATES**

- 2.1 Following consideration of the current MTFP and other key Policy documents by the Executive and Business and Transformation Scrutiny Panel, these will be formally approved by Council on 14 September 2021.
- 2.2 A timetable for the budget process will be prepared and the overall budget position for revenue and capital, and individual reports on spending pressures, saving proposals, and charging reports will be considered by the Executive at its meeting on 22 November. These reports will be scrutinised by the three Scrutiny Panels at the end of November and beginning of December.
- 2.3 Development of the budget consultation documents was undertaken as part of previous year's process with improved visuals produced including a 'Have your say' document. This provided more clarity on the budget pressures the Council faced and assisted stakeholders in their understanding of the budget process

## **3. KEY MESSAGES**

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

- Further clarity on the future of local government funding through the Spending Review, Fair Funding Review and any changes to future Business Rate Retention schemes, that may pass on added responsibilities to the Council;
- Achievement of transformation savings;
- Further reductions in government grant as part of the Fair Funding Review, e.g. New Homes Bonus, Housing Benefit Admin Grant;
- Longer term impact of COVID-19

### 3.2 Local Government reorganisation

The Council was notified on 21 July of the outcome of the consultation into proposed Local Government Reorganisation (LGR) in Cumbria. The draft MTFP and Capital Investment Strategy have both been prepared based on the Council in its existing form and structure as a going concern for the next 5 years. However, the decision announced on 21 July notified the Council that, subject to Parliamentary approval, two new unitary authorities would replace the current local government structure in Cumbria, with Carlisle joining with Copeland and Allerdale areas to form a new unitary authority covering the west of the County, effective from 1<sup>st</sup> April 2023. The Council still needs to approve a revenue budget, council tax requirement and a capital investment programme for 2022/23. Therefore, the financial plans beyond this date are for illustrative purposes only and will fall under the responsibility of the new proposed Authority.

Any new Local Authority established will prepare its own Medium-Term Financial Plan for 2023/24 and beyond.

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

## 4. **RISKS**

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

## 5. **CONSULTATION**

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

- 5.2 The Business and Transformation Scrutiny Panel will consider the MTFP on 26 August, and recommendations made to full Council on 14 September.
- 5.3 The Budget Process and MTFP are also informed by consultation with wider stakeholders, including residents. Each year the Council consults with the Business Community and also carries out public consultations as appropriate

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

- 6.1 The Executive is asked to:
- (i) Comment on the draft MTFP for consideration by the Business and Transformation Scrutiny Panel on the 26 August.

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

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

**Contact Officer:** Alison Taylor **Ext:** 7290

**Appendices attached to report:** Appendix 1 – Medium Term Financial Plan 2022/23 – 2026/27

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

- None

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

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

**Finance** – Contained within the MTFP.

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

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

**Property Services** - The Medium-Term Financial Plan links with the Asset Management Plan 2022/23 to 2026/27 to provide details on how the City Council will utilise its property assets to assist with the Council's finances and development new infrastructure for the City.

# Draft Medium-Term Financial Plan

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Carlisle City Council

2022/23 to 2026/27

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## 1.0 Introduction

- 1.1 The overarching policy guidelines of the Medium-Term Financial Plan (MTFP) are that resources will be redirected to Council priorities via the budget process within the overall caveats that: -
- Redirection of resources towards areas of high priority will be contained within existing budgets, unless increases can be justified and funded through the budget process;
  - Council Tax increases will be limited to fair and reasonable levels, taking account of national guidance from Government;
  - External grants and income will be maximised wherever possible to mitigate the effects of budget increases;
  - Partnership working and funding opportunities will be explored wherever feasible.
- 1.2 The Medium-Term Financial Plan sets out how Carlisle City Council will manage its finances to deliver against its corporate priorities, whilst protecting its financial standing and responding to the many challenges it faces.
- 1.3 Economic growth in Carlisle will impact on the income the Council receives and also the support it is able to give to vulnerable residents. Treasury Management income will be limited whilst interest rates remain low, and the available institutions with which the Council can invest with diminishes due to restrictions in bank credit ratings. The effects on the 5-year MTFP of any changes to the state of the economy, including the impact of leaving the European Union and the impact of COVID-19, will mean the Council has to be in a position to react effectively to changing situations. The Government's approach to public sector funding beyond 2021/22 in terms of the Review of Local Authorities Relative Needs and Resources, the Business Rate Retention Reform (including pooling arrangements), and the Comprehensive Spending Review, will be a significant factor for the lifespan of this MTFP. The impact of COVID-19 will be one of the most significant risks facing this authority in terms of additional costs, reductions in income, and economic recovery especially in terms of receipts of council tax and business rates income.
- 1.4 The Council was notified on 21 July of the outcome of the consultation into proposed Local Government Reorganisation (LGR) in Cumbria. The draft MTFP and Capital Investment Strategy have both been prepared based on the Council in its existing form and structure as a going concern for the next 5

years. However, the decision announced on 21 July notified the Council that, subject to Parliamentary approval, two new unitary authorities would replace the current local government structure in Cumbria, with Carlisle joining with Copeland and Allerdale areas to form a new unitary authority covering the west of the County, effective from 1<sup>st</sup> April 2023. The Council still needs to approve a revenue budget, council tax requirement and a capital investment programme for 2022/23. Therefore, the financial plans beyond this date are for illustrative purposes only and will fall under the responsibility of the new proposed Authority.

Any new Local Authority established will prepare its own Medium-Term Financial Plan for 2023/24 and beyond.

- 1.5 The Medium-Term Financial Plan therefore continues to provide the corporate financial planning framework to provide strategic direction to the Council for the next five years and to ensure that the financial resources of the Council are directed to achieving the Council's key corporate priorities.

## 2.0 Financial Principles supporting the MTFP

2.1 The key principles to be applied to the MTFP are set out by theme below:

### Financial Principle 1 – Revenue Budget Strategy

- Guide the integration of financial planning with the priorities set out in the Carlisle Plan to ensure that spending decisions contribute to the achievement of the Council's priorities;
- Guide and be informed by Directorate Service Plans and other relevant strategies and plans of the Council, which set out how resources will deliver the outcomes and priorities specified in the Carlisle Plan;
- Forecast a minimum five -year corporate and financial planning horizon, with longer periods developed where necessary (subject to outcome of Local Government Reorganisation announcement);
- Manage performance management and decision-making procedures to help achieve the best use of available resources;
- Monitor and evaluate proposed and actual spending to ensure that value for money is obtained;
- Review the Council's Reserves and Balances Policy in line with CIPFA and other best practice guidance to ensure that all the reserves held by the Council are still applicable and relevant;
- Achieve a minimum level of General Fund Reserves of £3.1m over the life of the MTFP subject to an annual risk assessment (Appendix A);
- Consider the use of earmarked reserves to support non-recurring expenditure;
- Commitment to minimise staff compulsory redundancies;
- Consider the impact of any other Government Budget initiatives e.g. Reset of Retained Business Rates scheme, Business Rate Baseline resets, the Fair Funding Review and any Comprehensive Spending Review implications;
- Assess the impact on the Council's budget of national economic recovery following Covid-19 pandemic and BREXIT, e.g. changing forecasts for interest rates, inflation forecasts, pension fund revaluation and changes in legislation;
- Consider the implications of the use of financial resources on the levels of Council Tax and other Council charges;
- Services that have a statutory requirement to be self-financing need consideration in the budget process e.g. Licensing, Building Control;
- Consideration to the use of revenue grants received and held in the Revenue Grants Earmarked Reserve to support the revenue budget;

- Develop and implement a robust savings and additional income plan to achieve the recurring savings targets of £2.050m by 2023/24;
- Undertake and implement a base budget review.
- Limit revenue budget bids to those which are unavoidable, and which cannot be accommodated within existing base budgets.

Revenue Budget Assumptions:

- *Reduction in overall funding from Business Rates of £1,800,000 for 2022/23 pending notification and implications of revised retentions scheme, pooling arrangements and baseline reset;*
- *Inflation is assumed in the MTFP at 2% for expenditure and 3% for income;*
- *Pay Award is assumed in the MTFP at 2%.*

Financial Principle 2 – Commercial and Income Generation

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

Charging/Income Assumptions:

- *Income from fees and charges currently achieve approximately £5m per annum;*
- *The Corporate Charging Policy assumes that income from fees and charges will increase at 1% above the inflation rate set for expenditure.*

Financial Principle 3 – Council Tax & Business Rates Policy

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

- Determine Council Tax levels that are prudent and retain stability in the Council's financial strength;
- Annual review of the Business Rate Pooling arrangements and whether this should or can continue for 2022/23 onwards depending upon the outcome of the reset of Business Rate Retention scheme (currently delayed);
- Assessment of the impact of business rates retention including impact on Section 31 grants and funding for Small Business Rate Relief and any additional burdens on councils;
- Consider any implications of the Enterprise Zone on the City and potential resources allocated for future projects;
- Annual review and approval of the Council Tax Reduction Scheme (CTRS);
- Consider any likely reductions to Housing Benefit Admin Grant and the impact on the Council with the onset of Universal Credit.

Council Tax and Business Rate Assumptions:

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

#### Financial Principle 4 – Treasury Management

- Annual review of the Treasury Management budget for revised interest rates, changes to average balances and the effects of capital spending decisions;
- Consider appropriate levels of prudential borrowing that is affordable, sustainable and within acceptable council tax levels, and delivers objectives aligned to the Council priorities;
- Undertake an annual review of the Council's MRP policy and its impact on the Council's revenue budget;
- Have a Treasury Management Strategy, that is in compliance with the revised Prudential Code and Treasury Management Code to achieve the optimum return on investments, with the security of the principal sum always being the primary consideration.

Treasury Management Assumptions:

- *Average investment return assumed at 0.3% for 2022/23.*

## Financial Principle 5 – Capital Investment

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

### Capital Investment Assumptions:

- *The current capital programme is forecast to utilise all forecast capital receipts (including from Asset Disposal Programme) and includes a borrowing requirement to fund the planned programme.*

## 3.0 Links to other Strategies

### 3.1 The Carlisle Plan

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

3.1.2 A new plan is in the process of being considered by Executive and Scrutiny Panels and will be debated by a meeting of the Full Council in September prior to its adoption. The new plan will continue with a focus on Supporting the Economy and Health & Wellbeing.

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

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

- The Capital Investment Strategy, which provides information on the proposed level of investment in capital projects and the consequent impact on the revenue budget;
- The Treasury Management Strategy Statement, Investment Strategy and Minimum Revenue Provision Strategy, which sets out the assumptions for financing requirements and interest rates and their effect on the revenue budget;
- The Asset Management Plan, which provides forecasts of necessary investment in the Council's land and property portfolio;
- The Procurement and Commissioning Strategy;
- Local Plan/Local Development Framework;
- The ICT Strategy;
- The Organisational Development Plan, which highlights the need for a thorough review of the Council's staffing needs and skill levels to ensure that the Council improves its performance to deliver excellent services to the local community in the future;
- There are also a number of strategies, which set out policy direction for key Council priority areas, and these include the Economic

Strategy, Local Environment (Climate Change) Strategy, Housing Strategy;

- Directorate Service Plans will be used to inform the budget setting process and identify key strategic and operational objectives and the resources required to deliver those.

## 4.0 Revenue Budget Forecasts

### 4.1 Current Budget Forecast

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

4.1.2 The Council approved the current forecast for the period 2021/22 to 2025/26 in February 2021 and updated for the 2020/21 outturn position and details are shown below together with the base estimate figures for 2026/27.

2021/22 Revised £000	Summary Net Budget Requirement	2022/23 Budget £000	2023/24 Proj £000	2024/25 Proj £000	2025/26 Proj £000	2026/27 Proj £000
<b>13,284</b>	<b>Total Recurring Expenditure</b>	<b>12,636</b>	<b>12,686</b>	<b>12,937</b>	<b>13,434</b>	<b>13,679</b>
	<b>Non Recurring Revenue Expenditure</b>					
188	Existing Commitments	228	273	190	0	0
1,721	Carry Forward	0	0	0	0	0
<b>15,193</b>	<b>Total Revenue Expenditure</b>	<b>12,864</b>	<b>12,959</b>	<b>13,127</b>	<b>13,434</b>	<b>13,679</b>
	<b>Less Contributions (from)/to Reserves:</b>					
564	Recurring Commitments Sub Total	(243)	35	209	52	153
(1,909)	Non Recurring Commitments - Existing Commitments	(228)	(273)	(190)	0	0
<b>13,848</b>	<b>Total City Council Budget requirement</b>	<b>12,393</b>	<b>12,721</b>	<b>13,146</b>	<b>13,486</b>	<b>13,832</b>
708	Parish Precepts	726	744	763	782	802
<b>14,556</b>	<b>Projected Net Budget Requirement for Council Tax purposes</b>	<b>13,119</b>	<b>13,465</b>	<b>13,909</b>	<b>14,268</b>	<b>14,634</b>

Table 1a: Summary Budget Position (Expenditure)

The budget requirement is funded as follows:

2021/22	Total Funding and Council Tax Impact	2022/23	2023/24	2024/25	2025/26	2026/27
34,666.41 £000	Estimated TaxBase	35,013.07 £000	35,363.20 £000	35,716.84 £000	36,074.01 £000	36,434.75 £000
	Projected Net Budget Requirement for Council Tax Purposes (Schedule 5)					
13,848	- City	12,393	12,721	13,146	13,486	13,832
708	- Parishes	726	744	763	782	802
<b>14,556</b>	<b>Total</b>	<b>13,119</b>	<b>13,465</b>	<b>13,909</b>	<b>14,268</b>	<b>14,634</b>
	Funded by:					
(7,703)	- Council Tax Income	(7,955)	(8,211)	(8,472)	(8,737)	(9,007)
(3,335)	- Retained Business Rates	(3,402)	(3,470)	(3,539)	(3,610)	(3,682)
(2,700)	- Business Rate Growth/Pooling	(900)	(900)	(900)	(900)	(900)
(174)	-Business Rate Multiplier Grant	(177)	(181)	(185)	(189)	(193)
64	- Estimated Council Tax Surplus	41	41	(50)	(50)	(50)
(708)	- Parish Precepts	(726)	(744)	(763)	(782)	(802)
<b>(14,556)</b>	<b>TOTAL</b>	<b>(13,119)</b>	<b>(13,465)</b>	<b>(13,909)</b>	<b>(14,268)</b>	<b>(14,634)</b>
£ 222.20	<b>City Council Tax</b> Band D Council Tax	£ 227.20	£ 232.20	£ 237.20	£ 242.20	£ 247.20
£5.00 2.30%	Increase over Previous year: £ %	£ 5.00 2.25%	£ 5.00 2.20%	£ 5.00 2.15%	£ 5.00 2.11%	£ 5.00 2.06%

Table 1b: Summary Budget Position (Funding)

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

#### 4.1.4 Known budgetary changes

Since the budget for 2021/22 was agreed in February there have been some decisions made that will impact on the budgetary projections in the MTFP. The consequences of these will either be included in the budget process for 2022/23 or will see amendments to the 2021/22 budget.

#### ***Tullie House Levelling Up Fund Bid***

Council considered a report at its meeting on 15 June 2021 to support an application for the Levelling up Fund to deliver between £17m and £20m improvements to Tullie House. Council approved to add a contribution from the Council of up to £1.5million to the capital programme to be funded by an increase in the borrowing requirement. Any revenue costs arising from this borrowing requirement will be addressed as part of the budget process and will be included in the overall treasury management projections for 2022/23.

### ***Economic Development Project Management Office***

Executive considered a report at its meeting of 5 July, and Council, on 20 July, approved a supplementary estimate to establish a Project Management Office (PMO) for the delivery of the different projects and funding awarded in relation to the Future High Street Fund, Town Deal, Levelling Up Fund, Garden Village and Borderlands. The schemes will provide a contribution to the overall cost, however, there was a requirement for the Council to provide additional funding of up to £256,665 over the years 2021/22 to 2023/24 and this will be met from General Fund Reserves. This is now reflected in the Medium-Term Financial Plan.

#### **4.2 Funding Prospects**

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

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

#### **4.2.3 Spending Review**

A 1-year Spending Review was announced in November 2020 which enabled the government to remain focused on responding to the public health and economic emergency. Therefore, the anticipated longer-term announcements on overall funding available to Local Government for the next few years was deferred. There has also been a delay in the implementation of the Fair Funding Review and Business Rate Retention reset (outlined below). **This will increase uncertainties in the Medium-Term Financial Plan with a further delay to future funding and the implications it will have on the Council.**

#### **4.2.4 Fair Funding Review & Business Rate Retention**

The Government confirmed that the Review of Relative Needs and Resources ('Fair Funding Review') and 75% Business Rate Retention would no longer be implemented in 2021/22. Due to ongoing pressures and concerns around economic recovery, views throughout the sector are increasingly suggesting

that there will be a further delay of anything up to two years. Therefore, a further one-year settlement is looking likely for 2022/23 with a continuation of the current funding and business rates models.

**Therefore, it is very difficult to predict the future potential funding for the Council from Central Government beyond 2021/22.** The Fair Funding Review will also have an impact on and be impacted by revisions to the Business Rates Retention system and also specific grants awarded by central government e.g. New Homes Bonus and Housing Benefit Administration Grant.

#### 4.2.5 Business Rates Baseline

The Council budgets for income from Business Rates at the baseline level as set in the Settlement Funding Assessment. However, the income collected and paid over to the main preceptors (Central Government, Cumbria County Council and Carlisle City Council) is based on the projections in the NNDR1 return to Government. Any difference in these amounts is included in the MTFP as part of the Growth/Pooling amount anticipated of £900,000 for 2022/23 onwards due to the uncertainties around the potential changes to the Business Rates Retention Scheme. **However, as outlined above, further uncertainty about the future retained business rates scheme beyond 2021/22 means that there may be resets to the scheme that could erode any additional income above baseline levels that have been built up under the previous scheme. Until full details of a future scheme are known it is prudent not to over-estimate any future income from business rates and update the MTFP projections on a year by year basis.**

Due to the deferral of the 75% Business Rates Retention Scheme, the Council continued to participate in the Cumbria Business Rates Pool, during 2021/22, which enables the County and the Council to retain more of the growth it generates. Given that the Retention Scheme has been deferred again, the specific impact on Carlisle is yet to be understood, but any proposals will likely come with an understanding that local authorities will have to take on additional responsibilities (e.g. absorbing some current one-off grants such as Housing Benefit Administration Grant), which may mean additional cost pressures.

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

	Budget	Forecasts				
	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Business Rates Baseline	(3,335)	(3,402)	(3,470)	(3,539)	(3,610)	(3,682)
% Change		2%	2%	2%	2%	2%
Rates Growth/Pooling	(2,700)	(900)	(900)	(900)	(900)	(900)
% Change		-67%	0%	0%	0%	0%
<b>Total Funding</b>	<b>(6,035)</b>	<b>(4,302)</b>	<b>(4,370)</b>	<b>(4,439)</b>	<b>(4,510)</b>	<b>(4,582)</b>

Table 2: Business Rates Funding

#### 4.2.7 Council Tax

The MTFP includes Council Tax increases from 2022/23 onwards at £5 per Band D equivalent.

The MTFP assumes an increase in the taxbase of 1.00% per year and the City Council's share of the Collection Fund Surplus/Deficit is assumed to be a deficit of £41,000 2022/23 and 2023/24 (this includes the 3-year spread of deficits incurred in 2020/21 as a result of Covid-19), returning to a surplus of £50,000 beyond then. The Council received compensation for loss of Council Tax income in 2020/21 in the form of a Tax Income Guarantee Grant of £69,000. This is held in an earmarked reserve and will be released to partially offset the deficit positions.

Any increase in the tax base as a result of new housing developments and/or population increases will also mean a requirement to provide services to those households. Although there will be an increase in the amount of funding received through Council Tax, there will also be a cost of providing council services.

Further work on the net unit cost of providing services for new developments and population growth will be undertaken during this budget process, however, there are expectations that population growth will occur, specifically around the development of the Garden Village. There is uncertainty in estimating the future population of the development. The ONS 'Families and households in the UK: 2020' survey reports on the trends in living. This survey states that the average household size in the UK is 2.4. A simplistic

population estimate for a full completed project would therefore be 24,000. This growth would obviously be delivered over a number of years.

The recently released ONS population estimate has a Carlisle population of 108,524 as of mid-2020.

As of 20 July, the latest Valuation Office data indicates that there are 53,717 properties in the Carlisle area. The 2021/22 budget calculated there to be 34,666.41 Band D equivalent properties liable for Council Tax. The table below shows how the original budget is broken down per property, head of population and Band D equivalent.

Service Area	2021/22 Original Budget	Net Spend per Property	Net Spend per Head of Population	Net Spend per Band D Equivalent Household	Amount of net spend funded by Annual Band D Council Tax
	£	£	£	£	£
Environmental & Regulatory Services	837,600	15.59	7.72	24.16	13.91
Housing Support	642,500	11.96	5.92	18.53	10.67
Economic Development	974,700	18.15	8.98	28.12	16.19
Green Spaces	1,079,000	20.09	9.94	31.13	17.92
Corporate Services	4,430,400	82.48	40.82	127.80	73.57
Enforcement & Parking	(290,600)	(5.41)	(2.68)	(8.38)	(4.83)
Property Services	(1,764,500)	(32.85)	(16.26)	(50.90)	(29.30)
Street Cleaning	1,179,500	21.96	10.87	34.02	19.59
Refuse & Recycling	2,283,300	42.51	21.04	65.86	37.92
Leisure and Culture	4,009,100	74.63	36.94	115.65	66.57
	<b>13,381,000</b>	<b>249.10</b>	<b>123.30</b>	<b>385.99</b>	<b>222.20</b>

Table 3: Net Spend per property, head of population and Band D equivalent.

The MTFP also assumes continuation of the statutory Council Tax Reduction Scheme (CTRS) as the Council's localised scheme. Any support provided through the Council Tax Reduction Scheme will be fully funded by all the main preceptors on the Collection Fund i.e. the Council, the County Council and the Police & Crime Commissioner. Consideration will need to be given as to whether this scheme is to be continued in the same format or incorporate changes to the level of support provided.

	Budget	Forecasts				
	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27
Council Tax Base	34,666.41	35,013.07	35,363.20	35,716.84	36,074.01	36,434.75
% Change		1.00%	1.00%	1.00%	1.00%	1.00%
	£000	£000	£000	£000	£000	£000
Council Tax Surplus / Deficit	41	41	(50)	(50)	(50)	(50)
% Change		0%	-222%	0%	0%	0%
Band D Council Tax	222.20	227.20	232.20	237.20	242.20	247.20
% Change		2.25%	2.20%	2.15%	2.11%	2.06%
<b>Total Yield</b>	<b>(7,703)</b>	<b>(7,955)</b>	<b>(8,211)</b>	<b>(8,472)</b>	<b>(8,737)</b>	<b>(9,007)</b>

Table 4: Council Tax Funding

A significant risk relates to how the expected overall increase in CTRS claimants (as a result of COVID-19), 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.

#### 4.3 **Efficiency Strategy**

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

- Asset Strategy – to focus on ensuring the council’s asset portfolio maximises the benefit to the Council through income generation or by realising receipts of assets that do not generate a return that can then be utilised to ease pressures in capital and revenue budgets through the most appropriate means, e.g. re-investment in new assets and supporting the capital programme to reduce the CFR
- Service Reviews – A review of services to include their purpose and relevance in achieving the Carlisle Plan priorities, including a review of those services which do not fall within the Council’s core priorities or which are not statutory will be undertaken to ensure that services and resources are properly aligned to what the Council wants to achieve.

- Core Budgets – a review of base budgets, including income generation to ensure compliance with best practice and outcome based budgeting and other appropriate budget disciplines.

The Peer Review undertaken in 2020 recommended 3 actions which Members may wish to consider as part of this Savings Strategy:

- Develop a commercial strategy which defines what commercialisation means in Carlisle, risk appetite and potential scope of commercial activity;
- Develop and implement a robust savings and additional income plan to close the anticipated £1million per annum funding gap (from 1<sup>st</sup> April 2021);
- Undertake and implement a base budget review.

These are all addressed through the Financial Principles and the Efficiency Strategy.

4.3.2 The savings currently included in the MTFP total £2.050million by 2023/24.

	<b>Cumulative savings required £</b>	<b>In year savings required £</b>
2021/22	500,000	500,000
2022/23	1,200,000	700,000
2023/24	2,050,000	850,000
2024/25	2,050,000	0
2025/26	2,050,000	0
2026/27	2,050,000	0

Table 5: Savings

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

4.3.4 As part of the 2020/21 outturn position, a provision of £1.6million was set aside in an Operational Risk earmarked reserve to offset the savings requirements for 2021/22 – 2023/24. Areas where savings can be made have

been identified and these can be actioned when necessary once the uncertainties highlighted above become clearer which will then also require revised savings requirements to be calculated.

## 5.0 Provisions, Reserves & Balances

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

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

### 5.2 General Fund

5.2.1 Having undertaken a risk assessment considering the risks and working balances required, the balance on the General Fund reserve indicates that this should broadly equal £3.1m as a prudent level. The risk-based assessment of the appropriate level of this reserve is carried out as part of the budget process and the current assessment is shown at **Appendix A**, which will be updated during this budget process. The prudent level of reserves may need to be revised in the medium term to reflect the changes circumstances around funding changes retention of business rates.

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

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

### 5.3 Earmarked Reserves

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

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

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

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

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

	31/03/2021 £000	31/03/2022 £000	31/03/2023 £000	31/03/2024 £000	31/03/2025 £000	31/03/2026 £000
General Fund Reserve	3,100	3,100	2,992	2,754	2,773	2,825
Projects Reserve	1,708	363	0	0	0	0
Carry Forward Reserve	628	628	628	628	628	628
	5,436	4,091	3,620	3,382	3,401	3,453
<u>Revenue Earmarked Reserves</u>						
Flood Reserve	4	4	4	4	4	4
Cremator Reserve	1,196	846	(54)	(54)	(54)	(54)
City Centre Reserve	5	5	5	5	5	5
Planning Services Reserve	206	206	206	206	206	206
Prosecutions Reserve	36	36	36	36	36	36
Waverley Viaduct Reserve	30	30	30	30	30	30
Revenue Grants Reserve	2,141	2,141	2,141	2,141	2,141	2,141
Business Rates S.31 Grant Reserve	9,463	0	0	0	0	0
Operational Risk Reserve	3,200	3,200	3,200	3,200	3,200	3,200
Council Tax Hardship Grant Reserve	359	0	0	0	0	0
Council Tax Tax Income Guarantee Scheme Reserve	69	0	0	0	0	0
Economic Recovery Reserve	50	0	0	0	0	0
Apprentices Reserve	96	96	96	96	96	96
Building Control Reserve	24	24	24	24	24	24
	16,879	6,588	5,688	5,688	5,688	5,688
<b>Total Revenue Reserves</b>	<b>22,315</b>	<b>10,679</b>	<b>9,308</b>	<b>9,070</b>	<b>9,089</b>	<b>9,141</b>

Table 6: Revenue Reserves

5.3.4 The MTFP does not assume any use of earmarked reserves beyond 2021/22 except for those amounts set aside as a result of Covid-19; Business Rates S.31 Grant, Council Tax Hardship Grant and Council Tax 'Tax Income Guarantee' Scheme grant all of which will be utilised in 2021/22.

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

	31/03/2021 £000	31/03/2022 £000	31/03/2023 £000	31/03/2024 £000	31/03/2025 £000	31/03/2026 £000
<b>Capital Earmarked Reserves</b>						
Usable Capital Receipts	0	0	0	0	0	0
Unapplied Capital Grant	126	126	126	126	126	126
Lanes Capital Reserve	90	105	120	135	150	165
<b>Total Capital Reserves</b>	<b>216</b>	<b>231</b>	<b>246</b>	<b>261</b>	<b>276</b>	<b>291</b>

Table 7: Capital Earmarked Reserves

#### 5.4 **Provisions**

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

#### 5.5 **Charitable and Other Bequests**

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

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

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

- Compliance with the use of reserves and associated protocols,
- Movements in the level of reserves, including the purposes for which reserves were used during the previous financial year,
- The adequacy of the level of reserves and the effects on the Council's

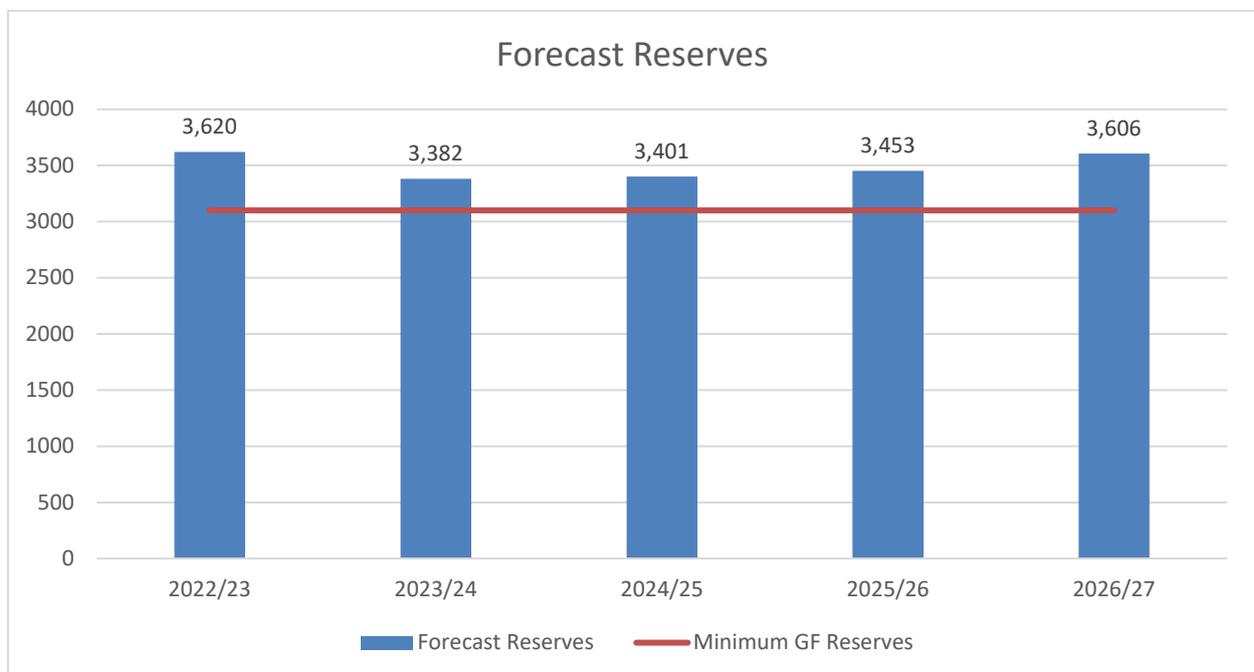
budget requirement,

- Any reserves which are no longer required,
- Proposals to set up new reserves, including purposes, protocols, funding sources and potential impact on the Council's Medium-Term Financial Plan.

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

### 5.7 **Planned Use of Reserves**

5.7.1 When the budget was set in February 2021, it assumed that there would be contributions to and from General Fund Reserve over the life of the MTFP. With the outturn position for 2020/21 now confirmed, the General Fund Reserve and Projects Reserve has been updated as shown in Table 5 above. This shows that General Fund Reserve balances are expected to be significantly above minimum levels at £4.091million in 2021/22 and remain over minimum levels throughout the life of the MTFP. Although there is some use of reserves in the short-term the current MTFP assumes that this will reverse in the medium-term.



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

## 6.0 Income

### 6.1 Fees & Charges

- 6.1.1 Fees and Charges for individual services generate in the region of £5m p.a. for the City Council. **Appendix C** sets out the Council's approach to the reviewing and setting of fees and charges on an annual basis. The overall aim is to increase the proportion of income raised from users of discretionary services to ensure that they meet the full cost of these services, rather than the costs falling on Council Taxpayers in general.
- 6.1.2 In the past the income target has been set at 1% above the inflation rate. Each directorate must prepare a Charges Review Report as part of the budget process that must clearly set out the overall policy objective. In the past few years, increases in income from charges have not always resulted in the MTFP target being achieved.
- 6.1.3 There are certain functions the Council provides where it has little or no control over the charges to be set and where the service is statutorily bound to be self-financing, for example Building Control and licensing.
- 6.1.4 The main areas of fee generating income, subject to the Corporate Charging Policy are shown below. This shows that the income from bereavement services and car parking account for income that is 20% of the overall net budget requirement for 2021/22 and that income from charging is 39% of the overall net budget requirement for 2021/22.
- 6.1.5 Income from fees and charges are reviewed through the Charging Review Reports when setting the budget. Where necessary changes to budgets are made to reflect the accurate representation of anticipated income to be generated. However, as income is subject to demand and market conditions, the actual amount of income collected during the year can vary from this budget. In these circumstances, the monitoring of the overall budgetary position of the Council will identify whether the impact of income shortfalls will have on the overall financial position of the Council.

	2019/20 Actual £000	2020/21 Actual £000	2021/22 Budget £000	Proportion of Net Budget Requirement
Car Parking	(1,087)	(349)	(1,056)	8.52%
Bereavement Services	(1,558)	(1,998)	(1,604)	12.94%
City Centre Pedestrianisation	(32)	(15)	(38)	0.31%
Allotments	(18)	(20)	(20)	0.16%
Talkn Tarn Car Parking	(42)	(77)	(43)	0.35%
Special Collections	(43)	(50)	(61)	0.49%
Sports Pitches	(4)	(3)	(5)	0.04%
Dog Policy	(11)	(7)	(10)	0.08%
Garage / MOT Testing	(3)	(3)	(7)	0.06%
Assembly Hall Hire	(9)	(4)	(7)	0.06%
Advertising	(31)	(17)	(70)	0.56%
Old Fire Station	(90)	0	(86)	0.69%
<b>TOTAL COMMUNITY SERVICES</b>	<b>(2,928)</b>	<b>(2,543)</b>	<b>(3,007)</b>	
Development Control	(435)	(516)	(620)	5.00%
Building Control	(357)	(312)	(351)	2.83%
<b>TOTAL ECONOMIC DEVELOPMENT</b>	<b>(792)</b>	<b>(828)</b>	<b>(971)</b>	
Licensing	(278)	(226)	(250)	2.02%
<b>TOTAL LICENCING</b>	<b>(278)</b>	<b>(226)</b>	<b>(250)</b>	
Environmental Protection Act	(14)	(14)	(13)	0.10%
Pest Control	(32)	(21)	(41)	0.33%
Food Safety	(13)	(5)	(3)	0.02%
Hostels	(560)	(340)	(621)	5.01%
DFG Fees	(83)	(87)	(63)	0.51%
HMO Licenses	(30)	(6)	(9)	0.07%
<b>TOTAL ENV. HEALTH &amp; HOUSING</b>	<b>(732)</b>	<b>(473)</b>	<b>(750)</b>	
Homelife Fees	(140)	(98)	(35)	0.28%
<b>TOTAL HOMELIFE</b>	<b>(140)</b>	<b>(98)</b>	<b>(35)</b>	
Land Charges	(102)	(86)	(98)	0.79%
Electoral Register	(2)	(2)	(2)	0.02%
<b>TOTAL GOVERNANCE</b>	<b>(104)</b>	<b>(88)</b>	<b>(100)</b>	
<b>Total</b>	<b>(4,974)</b>	<b>(4,256)</b>	<b>(5,113)</b>	<b>41.26%</b>

Table 8: Main areas of Income

## 6.2 **Property Rentals**

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

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

	<b>2019/20 Actual £000</b>	<b>2020/21 Actual £000</b>	<b>2021/22 Budget £000</b>	<b>Proportion of Net Budget Requirement</b>
The Lanes	(1,028)	(703)	(950)	7.67%
The Market	(68)	(110)	(88)	0.71%
Industrial Estates	(2,655)	(3,568)	(2,808)	22.66%
Misc Properties	(516)	(270)	(453)	3.66%
<b>Total</b>	<b>(4,267)</b>	<b>(4,651)</b>	<b>(4,299)</b>	<b>34.69%</b>

Table 9: Property Income

6.2.4 The MTFP makes no provision for additional rental income from assets via rent reviews.

## 6.3 **Income Levels and Financial Sustainability**

The Council is reliant on a significant amount of income generated from both its asset portfolio (£4.299million in 2021/22) and fees and charges income (£5.113million in 2021/22). Together these are the equivalent of **76%** of the funding received from Council Tax and Business Rates. Therefore, the Council is heavily reliant on these income streams.

The largest single area of income comes from Industrial estates. This income is largely based upon Ground Rents and long-term leases which are relatively secure. These leases are subject to rent reviews and as such can often yield one-off amounts of additional income in respect of any backdating applied.

Income from other property rentals is subject to variation, especially the Lanes income and this has seen increased volatility and downward pressure on the MTFP in the past few years and the budget has been regularly reviewed to ensure it is as accurate before each year begins.

The highest volatility in fees and charges income is experienced from parking income. Again, income pressures have been included in historical budgets to reflect the anticipated income to be generated from parking, however the

added pressures placed upon the budget due to the COVID-19 pandemic could see this downward pressure increase in the coming years. This added pressure may also be experienced in other income generating budgets.

The table below shows the different scenarios for changes in income levels from fees and charges and property income and the impact on both the minimum level of reserves and the current level of reserves. This shows that the Council could sustain a 10% reduction in the level of income before actual reserves would fall below minimum levels.

% Change in SFC Income	Minimum Reserves £000	Reserves at 31/03/22 £000	% Change in Property Income	Minimum Reserves £000	Reserves at 31/03/22 £000
	3,100	4,091		3,100	4,091
-25%	1,822	2,813	-25%	2,025	3,016
-10%	2,589	3,580	-10%	2,670	3,661
-5%	2,844	3,835	-5%	2,885	3,876
-1%	3,049	4,040	-1%	3,057	4,048
0%	3,100	4,091	0%	3,100	4,091
1%	3,151	4,142	1%	3,143	4,134
3%	3,253	4,244	3%	3,229	4,220
5%	3,356	4,347	5%	3,315	4,306
10%	3,611	4,602	10%	3,530	4,521
25%	4,378	5,369	25%	4,175	5,166

#### 6.4 **Grants & Contributions**

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

##### 6.4.1 **New Homes Bonus**

The Council receives central funding in relation to the New Homes Bonus Scheme. The Council used to receive an allocation of funding under the scheme each year and each allocation lasted for four years. However, as part of the Local Government Finance Settlement for 2021/22 indicative figures were provided for one year only (with no legacy payments being made in subsequent years) with any new funding beyond 2021/22 being subject to the future Spending Reviews with possible revisions to the scheme too. The MTFP does not therefore assume any new allocations of New Homes Bonus beyond 2021/22; however, it does include the continuation for 4 years of those allocations received in previous years. **Revisions to the New Homes**

**Bonus scheme are expected alongside the Fair Funding Review and changes to Business Rates Retention. It should be anticipated that there may be changes to the scheme that reduce the amount of grant that may be awarded in the future.**

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

Allocation Year	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
2017/18	(476)				
2018/19	(259)	(259)			
2019/20	(351)	(351)	(351)		
2020/21	(408)	?	?	?	
2021/22		(137)	?	?	?
2022/23			?	?	?
2023/24				?	?
<b>Total</b>	<b>(1,494)</b>	<b>(747)</b>	<b>(351)</b>	<b>0</b>	<b>0</b>

Table 10: New Homes Bonus

#### 6.4.2 Housing Benefit Admin Grant

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

## 7.0 Assumptions

7.1 The MTFP includes assumptions regarding the main items of income and expenditure. Some of these assumptions have been previously explained, e.g. Government Funding and Council Tax. The following sections provide further details of the assumptions currently included in the MTFP. Any deviation from these assumptions will be included in the budget process for 2022/23 as pressures or savings.

### 7.2 Pay

- Annual increase in MTFP **2%**
- Salary Turnover Savings **£442,100**
- Pension Contribution Rate (Current Service) **19.9%**
- Sensitivity & Risk Analysis:

	Base Level	Sensitivity		
	£000	+/-1%	+/-2%	+/-3%
Pay Award (£000)	13,591	136	272	408
Pension Contribution (£000)	2,262	23	45	68
		Risk		
		High	Medium	Low
<b><u>Pay Award</u></b>				
Likelihood of Change				
Impact of Change				
<b><u>Salary Turnover</u></b>				
Likelihood of Change				
Impact of Change				
<b><u>Pensions</u></b>				
Likelihood of Change				
Impact of Change				

- Key Considerations:
  - The pay award for 2021/22 has not yet been agreed. 2% is factored into the MTFP.

### 7.3 General Inflation

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

	<b>Base Level</b>	<b>Sensitivity</b>		
	£000	+/-1%	+/-2%	+/-3%
Expenditure (£000)	7,747	77	155	232
Income (£000)	(4,450)	(45)	(89)	(134)
		<b>Risk</b>		
		High	Medium	Low
<b><u>Pay Award</u></b>				
Likelihood of Change				
Impact of Change				
<b><u>Salary Turnover</u></b>				
Likelihood of Change				
Impact of Change				

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

## 7.4 Investment Income

- Investment Returns – As included in the MTFP

	2022/23	2023/24	2024/25	2025/26	2026/27
Investments	0.30%	0.30%	0.30%	0.43%	0.68%
Property Fund	4.00%	4.00%	4.00%	4.00%	4.00%

- Investment Returns – Forecast as of July 2021

	2022/23	2023/24	2024/25	2025/26	2026/27
Investments	0.30%	0.38%	0.50%	0.68%	0.93%
Property Fund	4.00%	4.00%	4.00%	4.00%	4.00%

	Base Level	Sensitivity		
	£000	+/-1%	+/-2%	+/-3%
Treasury Income (£000)	23,609	236	472	708
Property Fund Income (£000)	3,289	33	66	99
		Risk		
		High	Medium	Low
<b><u>Investment Income</u></b>				
Likelihood of Change				
Impact of Change				
<b><u>Property Fund Income</u></b>				
Likelihood of Change				
Impact of Change				
<b><u>Average Balances</u></b>				
Likelihood of Change				
Impact of Change				

- Key Considerations:
  - Use of and Contribution to Reserves will impact on average balances and subsequently investment return achieved;
  - Capital Investment decisions will affect the Capital Financing Requirement and average balances;
  - The investment returns used when the budget was set in February 2021 will need to be updated given current guidance on when interest rates are expected to change.

## 7.5 **Borrowing**

- Assumed Borrowing - 2021/22 **£29.5m**
- Assumed Borrowing Rate - 2021/22 **1.40% - 1.65%** (As currently included in the MTFP)

Assumed Borrowing Rate – 2021/22 **1.95% - 2.35%** (Forecast as of July 2021)

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

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

	2022/23	2023/24	2024/25	2025/26	2026/27
CFR	46,624	47,214	47,048	45,890	44,934
MRP	280	409	1,043	1,279	1,244

	Base Level	Sensitivity		
	£000	+/-1%	+2%	+/-3%
Borrowing Rate (£000)	29,500	295	590	885
MRP	280	3	6	8
		Risk		
		High	Medium	Low
<b><u>Increase to Borrowing Rate</u></b>				
Likelihood of Change				
Impact of Change				
<b><u>Increase to CFR</u></b>				
Likelihood of Change				
Impact of Change				

- Key Considerations:
  - Borrowing assumed in MTFP to support the capital programme;
  - Any future Capital Programme decisions will likely require a borrowing requirement, either internal or external which will have an impact on the revenue budget;
  - Re-profiling of anticipated capital receipts will impact on CFR, and subsequently MRP charge.

## 8.0 Appendices

### Appendix A – Risk Assessment of Minimum Level of General Fund Reserve 2022/23

Potential Risk	Financial Impact	Financial Exposure (£000)	Probability	Weighting	Risk Score	Balance Required (£000)	Comment (Basis of Financial Exposure)
Base Budget Contingency for inflation or other unanticipated rise.	2	126	2	50%	4	63	1% of Net Revenue Recurring Budget
Underachievement of Charges Income targets and spending exceeds budgets	3	256	3	75%	9	192	5% Charges Income forecasts for 2021/22
Underachievement of Investment Income	2	13	1	25%	2	3	0.5% of exposure of average balance of £25m
Insurance Excesses	2	500	2	50%	4	250	Based on maximum excess for flood (£500k)
Fall in Rental Income from Property	3	215	1	25%	3	54	5% of Rental Income (assumed at £4.3m for 2021/22)
Transformation not met	4	2,050	2	50%	8	1,025	Transformation savings still to be agreed
Loss of Income from Retained Business Rates	2	202	1	25%	2	51	5% of Safety Net Threshold for Business Rates Retention Scheme + Business Rate Pooling
Additional Redundancy Costs	3	500	2	50%	6	250	Not met from earmarked Reserve
Emergency Contingency	4	1,000	4	100%	16	1,000	Emergency contingency fund - Council practice to allocate £1m for any unforeseen emergencies
<b>TOTALS</b>		<b>4,862</b>				<b>2,887</b>	
Maximum Risk Based Reserve Balances						<b>4,862</b>	
Minimum Risk Based Reserve Balances						<b>1,215</b>	
<b>Current Level of Reserves (Projected as at 31/03/22) (General Fund including carry forward reserve)</b>						<b>4,091</b>	
<b>Projected Shortfall/(Excess) of Current Reserve Balance over Risk Based Reserves</b>						<b>1,204</b>	

## Appendix B – Reserves & Provisions

### Reserves

Reserve	Balance 31/3/21	Purpose	Conditions of Use	Future of the Reserve
<i>Capital Reserves</i>				
Usable Capital Receipts	0	To provide funds to support the capital programme	Capital receipts can only be used to support capital spending or the repayment of debt. Management of the use of the receipts rests with the Corporate Director of Finance and Resources but approval of their use must be given by Council.	
Lanes Capital Reserve	90	To provide funds to meet potential exceptional capital works under the terms of the lease agreement.	Management of the reserve rests with the Corporate Director of Governance and Regulatory Services who will be responsible for developing proposals requiring funding from the reserve. Approval to release funds from the reserve can only be given by the Council.	This reserve is still required
<i>Revenue Reserves</i>				
General Fund Reserve	3,100	To be a general working capital / contingency to cushion the Council against unexpected events and emergencies	<p>Management of the reserve rests with the Corporate Director of Finance and Resources. The use of the reserve is dependent on judgements taken when setting the Council's revenue budget on:</p> <ul style="list-style-type: none"> <li>- Cash Flow requirements</li> <li>- Inflation and interest rates</li> <li>- Demand Led Budget Pressures</li> <li>- Efficiency and Productivity Savings</li> <li>- The Availability of funds to deal with major unexpected events or emergencies</li> <li>- Risks arising from significant new funding partnerships, major outsourcing arrangements or major capital developments</li> </ul> <p>Approval to release funds from the reserve can only be given by the Council as part of the budget process, or through</p>	This reserve is still required

Reserve	Balance 31/3/21	Purpose	Conditions of Use	Future of the Reserve
			<p>consideration of supplementary estimates on an ad-hoc basis</p> <p>Where there is a critical need to access the emergency element of the Fund of £1m on the grounds of protection of persons or property or in any way safeguard the interests of the Council then this can be accessed through agreement with the Leader, Portfolio Holder and Leader of Main Opposition party and will be reported to the next available Council meeting</p>	
Projects Reserve	1,708	The balance at 31 <sup>st</sup> March shall be earmarked to support potential revenue budget shortfalls identified by the Medium-Term Financial Plan. Additions to the balances thereafter can be used either to support revenue budget shortfalls or projects within the Council's capital programme	Management of the reserve rests with the Corporate Director of Finance and Resources. Funding for the Reserve will be provided by windfall gains over and above those required to maintain the General Fund at its approved level and balances on reserves that are no longer needed. Approval to release funds from the reserve can only be given by the Council either as part of the budget process, or through consideration of supplementary estimates on an ad-hoc basis.	This reserve is still required
Carry Forward Reserve	628	To establish a reserve to hold carry forward budgets. Any expenditure in relation to a carry forward listed below will if possible be funded from base budgets but can be called from this reserve if the section is likely to be in an overspend position at year end.	Management of the Reserve rests with Corporate Director of Finance and Resources. Approval to release funds from the reserve can only be given by the Corporate Director of Finance and Resources and/or The Chief Executive.	This reserve has been reviewed and re-allocated to specific projects

Reserve	Balance 31/3/21	Purpose	Conditions of Use	Future of the Reserve
Building Control Reserve	24	To provide funds for improvements to the delivery of the Building Control function.	Management of the reserve rests with the Corporate Director of Economic Development. The balance is ring-fenced by statute to support improvements to the Building Control Service and is not available for general use by the Council. Funding is provided from surpluses generated by the service annually. Approval to release funds from the reserve can only be given by Corporate Director of Economic Development via an Officer Decision Notice	This reserve is still required
Conservation Reserve	0	To purchase historic buildings at risk or fund repairs and / or improvements to historic buildings	Management of the reserve rests with the Corporate Director of Economic Development. Funding is provided from the sale of property. Approval to release funds from the reserve can only be given by the Executive of the Council.	This reserve is still required
Cremator Reserve	1,196	To build up resources to replace cremators when required	Management of the reserve rests with the Deputy Chief Executive. Approval to release funds from the reserve can only be given by the Executive of the Council.	This reserve is still required
City Centre Reserve	5	To establish a reserve for the future Festive Lighting Programme.	Approval to release funds from the reserve can only be given by an Officer Decision Notice by The Chief Executive in consultation with the Deputy Chief Executive, Portfolio Holder and Corporate Director of Finance and Resources.	This reserve is still required
Repairs & Renewals Reserve	0	To establish a Repairs and Renewals Fund that can be used for revenue and capital items in the future, e.g. ICT, Vehicles	Approval to release funds from the reserve can only be given by the Executive of the Council.	This reserve is still required
Flood Reserve	4	There are likely to be further costs that are not recoverable from insurers and it is proposed to establish a new reserve to contribute to these costs.	Management of the reserve rests with the Corporate Director of Finance and Resources with the use of the Reserve requiring an Officer Decision notice by the Corporate Director of Finance and Resources.	This reserve is still required and will be released in 2021/22 to support the reinstatement of the Civic Centre

<b>Reserve</b>	<b>Balance 31/3/21</b>	<b>Purpose</b>	<b>Conditions of Use</b>	<b>Future of the Reserve</b>
Prosecutions Reserve	36	For future anticipated Barrister & legal fees	Approval to release funds from the reserve can only be given by an Officer Decision Notice by the Corporate Director of Governance & Regulatory Services in consultation with the Chief Executive, Portfolio Holder & Corporate Director of Finance and Resources.	This reserve is still required
Revenues Grants Reserve	2,141	To hold grant funds received by the Council which have not yet been utilised.	Approval to release funds from the reserve only be given by the Corporate Director of Finance and Resources in consultation with the relevant Chief Officer.	This reserve is still required but should be subject to a review to determine if all balances held therein are still required
Planning Services Reserve	206	To establish a reserve for the 20% uplift on the new planning fees which are to be spent on the planning service to improve performance.	Approval to release funds from the reserve can only be given by an Officer Decision Notice by the Chief Executive in consultation with the Corporate Director of Economic Development, Portfolio Holder & Corporate Director of Finance and Resources.	This reserve is still required
Apprenticeship Reserve	96	To establish a reserve for the committed balances from the annual Apprentice Infrastructure budget that will be required in future years of the employment contracts.	Management of the Reserve Rests with the Corporate Director of Finance and Resources. Approval to release funds from the reserve only be given by the Corporate Director of Finance and Resources in consultation with the relevant Chief Officer.	This reserve is still required
Waverley Viaduct Reserve	30	To earmark funds towards the development of the Waverley Viaduct	Management of the Reserve Rests with the Corporate Director of Governance & Regulatory Services. Approval to release funds from the reserve only be given by the Corporate Director of Governance & Regulatory Services.	This reserve is still required
Operational Risk Reserve	3,200	To provide funds to support potential ongoing pressures in relation to Covid (£0.5m), Local Government Reorganisation/Transformation projects (£0.5m), treasury management pressures (£0.6m)	Management of the Reserve rests with the Corporate Director of Finance and Resources. Approval to release funds from the reserve can only be given by the Executive of the Council following the advice of the Corporate Director of Finance and Resources.	New Reserve

<b>Reserve</b>	<b>Balance 31/3/21</b>	<b>Purpose</b>	<b>Conditions of Use</b>	<b>Future of the Reserve</b>
		and savings to be achieved (£1.6m).		
Council Tax Hardship Grant Reserve	359	A reserve to hold available Covid related Council Tax Hardship Grant.	Management of the Reserve rests with the Corporate Director of Finance and Resources. Approval to release funds from the reserve can only be given by an Officer Decision Notice by the Corporate Director of Finance and Resources in consultation with the portfolio holder.	New Reserve
Council Tax Tax Income Guarantee Scheme Reserve	69	To hold the balance of the Tax Income guarantee scheme grant received and to be released to partly offset the Council Tax deficit carried forward from 2020/21	Management of the Reserve rests with the Corporate Director of Finance and Resources. Approval to release funds from the reserve can only be given by an Officer Decision Notice by the Corporate Director of Finance and Resources in consultation with the portfolio holder.	New Reserve
Business Rates S.31 Grant Reserve	9,463	To hold the balance of Section 31 grants received as compensation for loss of business rate income due to expanded retail, leisure and hospitality relief and to offset the deficit carried forward on the Business Rates Collection Fund from 2020/21.	Management of the Reserve rests with the Corporate Director of Finance and Resources. Approval to release funds from the reserve can only be given by an Officer Decision Notice by the Corporate Director of Finance and Resources.	New Reserve
Economic Recovery Reserve	50	To support economic recovery for local parishes and urban communities as match funding to aid recovery following the COVID pandemic.	Management of the Reserve rests with the Corporate Director of Economic Development once eligibility criteria has been established by the Executive. Approval to release funds from the reserve can only be given by an Officer Decision Notice by the Corporate Director of Economic Development in consultation with the portfolio holder and Corporate Director of Finance and Resources.	New Reserve
BRR Volatility Reserve	0	To cushion against losses in Business Rate income as a result	Management of the reserve rests with the Corporate Director of Finance and	This reserve is still required

Reserve	Balance 31/3/21	Purpose	Conditions of Use	Future of the Reserve
		of being part of the Cumbria Business Rates Pool	Resources with the use of the Reserve requiring an Officer Decision notice by the Corporate Director of Finance and Resources.	

### Provisions

Provision	Balance 31/3/21	Purpose	Future of the Provision
Business Rate Appeals	1,341	To provide an amount for settling outstanding appeals made against business rate liabilities by ratepayers. This amount represents the Council's 40% share of total appeals under business rate retention. This amount is charged against the Collection Fund when settled.	The provision is reviewed annually as part of the closure of accounts and adjusted according to the outstanding estimated appeals anticipated.
Insurance Provision	244	To provide an amount for settling outstanding insurance claims taking into account excesses to be paid by the Council and claims to be settled by insurers.	The provision is reviewed annually as part of the closure of accounts and adjusted according to the outstanding insurance claims at 31 March. Any reductions in to the provision are credited back to general fund and any increases required are charged to general fund as part of the outturn.
Rickergate Ringfenced Account	172	This provision was established to hold the net income received from properties acquired with NWDA funding in Rickergate. Funding was received to acquire the properties and the funding agreement obliged the Council to ring-fence the rental income achieved on the properties pending the final outcome for development of the area. There is therefore a potential obligation to repay these sums if no development occurs.	This provision is reviewed annually and the income generated in the year is added to the balance carried forward. Therefore, the provision is still required.
Land Charges Provision	34	This provision was established to provide a sum to settle claims against the Council for overpaid land charges. A national claim was brought forward that argued that Council's had overcharged for Land Charges in previous years.	This Provision is still required for land and property initiatives

<b>Provision</b>	<b>Balance 31/3/21</b>	<b>Purpose</b>	<b>Future of the Provision</b>
Cemeteries Perpetuity Fund	75	This provision was established to maintain and repair cemetery headstones where owners cannot be contacted.	This Provision is still required
Licencing Appeals	20	This provision was established to provide a sum for settling costs associated with appeals to licencing decisions.	This Provision is still required
Licensing Taxi Plates	7	This provision was established to hold sums paid for Taxi plate deposits	This Provision is still required
Standards Committee Complaints Provision	10	This provision was established to provide a sum for settling costs associated with complaints made from Standards Committee decisions.	This Provision is still required
Property Deposits	4	These provisions hold deposits made to the Council for property (e.g. grazing land), enterprise centre and market by tenants. If tenants vacate deposits are repaid.	This Provision is still required
Market Hall Deposits	8	These provisions hold deposits made to the Council for property (e.g. grazing land), enterprise centre and market by tenants. If tenants vacate deposits are repaid.	This Provision is still required
Enterprise Centre Deposits	7	These provisions hold deposits made to the Council for property (e.g. grazing land), enterprise centre and market by tenants. If tenants vacate deposits are repaid.	This Provision is still required
Civil Penalties	23	To establish a provision in relation to costs to be funded from Civil Penalties income in accordance with the Housing & Planning Act 2016.	This Provision is still required
S.106 & Other Bonds	1	A provision for a performance bond required in relation to Section 106 agreements.	New Provision
Bequests	19	These provisions hold balances in relation to bequests made to the Council. The Parker bequest was established in 1954 and was to benefit disabled children and other young residents of the City. The District Nursing Amenity Fund was established to provide amenities for nurses homes and retirement allowances to nurses.	These provisions are still required; however it is recommended that these provisions be reviewed to determine how best they can be utilised in line with their original purpose.

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

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

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

The Corporate Charging Policy sets an expectation that Income from fees included in the Charging Policy will increase by 1% above the inflation rate set for expenditure. For 2021/22 this equates to a 3% increase. The MTFP assumes that income will increase by 3%; although this does not necessarily mean that charges have to increase by 3% as increases in demand could account for achievement of additional income.

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

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

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

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

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

- Central government policy objectives

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

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

### **4. Trading**

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

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

### **5. Value For Money**

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

## Appendix D – Gross Expenditure Breakdown

	<b>Original Budget 2021/22 £</b>
<b>Expenditure</b>	
Employee Related	16,452,500
Premises Related	4,040,200
Transport Related	1,431,900
Supplies & Services	4,115,900
Third Party Payments	2,241,100
Transfer Payments	18,105,900
Support Services	12,314,570
Capital Financing Costs	1,553,300
Recharges	(14,519,870)
<b>Total Expenditure</b>	<b>45,735,500</b>
<b>Income</b>	
Government Grants	(1,354,200)
Specific Grants	(18,602,700)
Other Grant/Reimbursements/Contributions	(1,845,600)
Interest	(167,300)
Customer and Client Receipts	(10,384,700)
<b>Total Income</b>	<b>(32,354,500)</b>
<b>Net Budget Requirement</b>	<b>13,381,000</b>
<b>Funded By:</b>	
Council Tax	(7,702,900)
Council Tax Surplus	64,300
Retained Business Rates	(3,509,000)
Business Rates Growth/Pooling	(2,700,000)
Reserves	466,600
<b>Total Funding</b>	<b>(13,381,000)</b>

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**EXCERPT FROM THE MINUTES OF THE  
EXECUTIVE  
HELD ON 2 AUGUST 2021**

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**EX.65/21 DRAFT MEDIUM TERM FINANCIAL PLAN 2022/23 TO 2026/27**  
(Key Decision – KD.08/21)

**Portfolio** Finance, Governance and Resources

**Relevant Scrutiny Panel** Business and Transformation  
**Subject Matter**

The Finance, Governance and Resources Portfolio Holder presented the Medium Term Financial Plan (RD.28/21) which set out the current framework for planning and managing the Council's financial resources, to develop its annual budget strategy and update its current five-year financial plan. The Plan linked the key aims and objectives of the Council, as contained in the Carlisle Plan, to the availability of resources, enabling the Council to prioritise the allocation of resources to best meet its overall aims and objectives. The MTFP would inform the budget process and would be updated for changes when known.

Following consideration by the Executive and the Business and Transformation Scrutiny Panel, final recommendations would be made to Council on 14 September 2021.

The Finance, Governance and Resources Portfolio Holder moved, and the Leader seconded the recommendations.

**Summary of options rejected** none

**DECISION**

That the Executive had given consideration to the draft Medium Term Financial Plan 2022/23 to 2026/27 as appended to Report RD.28/21; and made it available for consideration by the Business and Transformation Scrutiny Panel on 26 August 2021.

**Reasons for Decision**

To consult with the Business and Transformation Scrutiny Panel on the draft Medium Term Financial Plan 2022/23 – 2026/ 27.





# Report to Business and Transformation Scrutiny Panel

Item  
A.3

Meeting Date: 26 August 2021  
 Portfolio: Finance, Governance and Resources  
 Key Decision: Yes: Recorded in the Notice Ref:KD08/21  
 Within Policy and Budget Framework YES  
 Public / Private Public

Title: DRAFT CAPITAL INVESTMENT STRATEGY 2022/23 – 2026/27  
 Report of: CORPORATE DIRECTOR OF FINANCE AND RESOURCES  
 Report Number: RD29/21

**Summary:**

The Council’s draft Capital Strategy for the period 2022/23 to 2026/27 was considered by the Executive on 2 August 2021.

**Questions for / input required from Scrutiny:**

To scrutinise, and provide feedback, on the Financial Policies to be adopted by the Council which will inform the Capital Programme and use of Capital Resources for the 2022/23 budget process.

**Recommendations:**

Members are asked to consider the report and make any recommendations back to the Executive for consideration at their meeting on 31 August 2021.

**Tracking**

Executive:	<b>2 August 2021</b>
Scrutiny:	<b>26 August 2021</b>
Executive	<b>31 August 2021</b>
Council:	<b>14 September 2021</b>



<h1>Report to Executive</h1>	Agenda Item:
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Meeting Date: 2 August 2021  
 Portfolio: Finance, Governance and Resources  
 Key Decision: Yes: Recorded in the Notice Ref: KD08/21  
 Within Policy and Budget Framework: The YES  
 Public / Private: Public

Title: DRAFT CAPITAL INVESTMENT STRATEGY 2022/23 - 2026/27  
 Report of: CORPORATE DIRECTOR OF FINANCE AND RESOURCES  
 Report Number: RD29/21

**Purpose / Summary:**

The Council’s draft Capital Investment Strategy is intended to direct the Council’s Capital Programme and the allocation of resources for the five-year period 2022/23 to 2026/27. The guidance in this strategy complements and supplements the Medium-Term Financial Plan.

Following consideration by the Executive, the Business and Transformation Scrutiny Panel will consider the draft on 26 August, with final recommendations to Council on 14 September 2021.

**Recommendations:**

The Executive is asked to:

- (i) Comment on the draft Capital Investment Strategy for consideration by the Business and Transformation Scrutiny Panel on the 26 August 2021.

**Tracking**

Executive:	<b>2 August 2021</b>
Overview and Scrutiny:	<b>26 August 20021</b>
Executive	<b>31 August 2021</b>
Council:	<b>14 September 2021</b>

## **1. BACKGROUND**

- 1.1 The Capital Investment Strategy is a key policy document, providing guidance on the Council's Capital Programme and the use of capital resources. The Strategy supplements guidance contained in the Medium-Term Financial Plan (MTFP).
- 1.2 The Capital Investment Strategy is reviewed annually alongside the MTFP, starting with the assumptions made in the Budget Resolution approved by Council on 17 February 2021. This position has been updated to reflect any known changes since that date.
- 1.3 The Strategy has been updated to reflect the guidance contained within the recent CIPFA publication '*Capital Strategy Guidance 2021, a whole organisation approach*', and now includes more details on the Council's Strategic Vision and Long-Term Ambitions.

## **2. KEY MESSAGES**

- 2.1 The Capital Investment Strategy shows the starting position for the budget considerations for the next five years and gives an indication of the likely factors that will have an impact in the budget setting process. The Capital Programme and the financing of the programme are going to play an important role in shaping future budget considerations due to:
  - The re-profiling of asset sales will be updated as part of the budget process, especially in regard to the timing and level of receipts impacted as a result of COVID-19; this may have a significant impact on the revenue budget through the requirement to fund the capital programme with an additional borrowing requirement;
  - Additional Capital investment decisions will likely require revenue funding, either as a direct contribution from revenue reserves or through borrowing costs;
- 2.2 Although there is a forecast borrowing requirement to fund the capital programme, there are some factors that will also need consideration. These are:
  - Asset sales generating receipts over current estimate levels will reduce any borrowing requirement;
  - The ability to make a recurring revenue contribution to fund the capital programme will reduce any borrowing requirement;
  - A review of the current programme may relieve some of the expenditure pressures.

- 2.3 The Council was notified on 21 July of the outcome of the consultation into proposed Local Government Reorganisation (LGR) in Cumbria. The draft MTFP and Capital Investment Strategy have both been prepared based on the Council in its existing form and structure as a going concern for the next 5 years. However, the decision announced on 21 July notified the Council that, subject to Parliamentary approval, two new unitary authorities would replace the current local government structure in Cumbria, with Carlisle joining with Copeland and Allerdale areas to form a new unitary authority covering the west of the County, effective from 1<sup>st</sup> April 2023. The Council still needs to approve a revenue budget, council tax requirement and a capital investment programme for 2022/23. Therefore, the financial plans beyond this date are for illustrative purposes only and will fall under the responsibility of the new proposed Authority.

Any new Local Authority established will prepare its own Medium-Term Financial Plan for 2023/24 and beyond.

### **3. RISKS**

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

### **4. CONSULTATION**

- 4.1 The draft Capital Investment Strategy has been considered by the Senior Management Team and the Portfolio Holder for Finance, Governance and Resources.
- 4.2 The Business and Transformation Scrutiny Panel will consider the report on 26 August and recommendations made to full Council on 14 September 2021.

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

- 5.1 The Executive is asked to:  
Comment on the draft Capital Investment Strategy for consideration by the Business and Transformation Scrutiny Panel on the 26 August 2021.

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

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

**Contact Officer: Steven Tickner**

**Ext: 7280**

**Appendices  
attached to report:**

**Appendix 1 – Capital Investment Strategy 2022/23 to 2026/27**

**Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers: • None**

**CORPORATE IMPLICATIONS/RISKS:**

**Legal** – The Council has a fiduciary duty to manage its resources correctly. The Capital Investment Strategy is an important part of the budgetary process and seeks to ensure a planned and coordinated approach to the delivery of projects within the parameters of our financial resources.

**Finance** – contained within the report

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

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

**Property** – The Capital Investment Strategy links with the Asset Management Plan 2022/23 to 2026/27 to provide details on how the City Council will utilise its property assets to assist with the Council's finances and the development of new infrastructure for the City.

# Draft Capital Investment Strategy

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Carlisle City Council

2022/23 to 2026/27

## Contents

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## 1.0 Introduction

1.1 The Capital Investment Strategy (CIS) is a key policy document for the Council and provides guidance on the Capital Programme and the use of capital resources and Asset Management Plans. The strategy reflects the links to other Council plans and is based on the guidance in the Medium-Term Financial Plan (MTFP). The Capital Investment Strategy is written following guidance included in the Prudential Code (2017) (which is due to be updated later in 2021), reflects the new CIPFA Capital Strategy Guidance 2021 ‘A *whole organisation approach*’ and is required to be approved by Full Council.

The objectives of the Capital Investment Strategy are to:

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

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

1.3 The Council was notified on 21 July of the outcome of the consultation into proposed Local Government Reorganisation (LGR) in Cumbria. The draft MTFP and Capital Investment Strategy have both been prepared based on the Council in its existing form and structure as a going concern for the next 5 years. However, the decision announced on 21 July notified the Council that, subject to Parliamentary approval, two new unitary authorities would replace the current local government structure in Cumbria, with Carlisle joining with Copeland and Allerdale areas to form a new unitary authority covering the west of the County, effective from 1<sup>st</sup> April 2023. The Council still needs to

approve a revenue budget, council tax requirement and a capital investment programme for 2022/23. Therefore, the financial plans beyond this date are for illustrative purposes only and will fall under the responsibility of the new proposed Authority.

Any new Local Authority established will prepare its own Medium-Term Financial Plan for 2023/24 and beyond.

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

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

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

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

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

objectives have been met and makes recommendations where necessary to improve the delivery of similar projects in the future.

- The Council's Business and Transformation Scrutiny Panel also critically examines the performance in delivering capital projects on a quarterly basis.

## 1.6 **Current Asset Portfolio**

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

The rental income it receives is used to support Council services and provides a significant proportion of the income it receives. The income from rentals on the non-operational asset portfolio is approximately 60% of what the Council receives in funding from Council Tax.

<b>Asset Category</b>	<b>Valuation 31/03/21 £000</b>	<b>Rental Income £000</b>	<b>Other Income £000</b>	<b>Total Income 21/22 £000</b>
Investment Property	89,379	4,143	0	4,143
Surplus Assets	1,143	0	0	0
Land & Buildings	50,276	0	4,036	4,036
Infrastructure	5,080	0	0	0
Community Assets	4,195	23	0	23
Dwellings	230	0	0	0
Vehicles Plant & Equipment	5,810	0	0	0
Heritage	19,502	0	0	0
Assets Under Construction	5,741	0	0	0
<b>TOTAL</b>	<b>181,356</b>	<b>4,166</b>	<b>4,036</b>	<b>8,202</b>

### **Investment Property (Non-Operational)**

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

### **Surplus Assets (Non-Operational)**

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

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

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

**Land & Buildings (Operational)**

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

**Infrastructure (Operational)**

These assets include bridges and footpaths

**Community Assets (Operational)**

These assets include parks and open spaces

**Dwellings (Operational)**

These assets are primarily homeshares used by the homelessness service

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

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

**Heritage (Operational)**

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

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

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

The assets held on the balance sheet are offset by the long-term debt currently held on the balance sheet. As at 31 March 2021, this totalled £12.8million, which represents a debt cover ratio of 7.05%.

## 2.0 Financial Principles supporting the Capital Investment Strategy

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

- The Corporate Director of Finance and Resources is responsible for ensuring that a capital programme is prepared on an annual basis for consideration by the Executive before submission to the Council (FPR2.14);
- Capital Programme – Key controls and responsibilities of the Corporate Director of Finance and Resources and Corporate Directors (B.51 – B.66).

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

- Capital resources are held corporately and are allocated according to the priorities set out in the Carlisle Plan (i.e. there is no automatic ring-fencing of resources for specific purposes with the exception of the repayment of Renovation grants);
- Capital receipts will be allocated in accordance with Council priorities;
- Specific repayments of Renovation Grants will be reinvested in the programme and be used to support Private Sector Renewal Grants;
- Income generated from the sale of vehicles, plant and equipment will be reinvested in the programme and be used initially to fund future replacements;
- The Council will seek to maximise the use of grants and external funding;
- The Council is committed to deliver capital investment with partners to maximise benefits where this fits with Council priorities;
- Redirection of capital resources from one project to another will be contained within existing budgets, unless increases can be justified through the budget process;
- Capital budgets are generally cash-limited i.e. no provision is made for inflation which effectively means that over time there is a real reduction in the value of resources allocated to specific capital projects;
- Council Tax increases will be limited to fair and reasonable levels. This requires a full assessment of the revenue consequences of capital projects and their respective methods of finance;

- Any shortfall against the capital receipts forecast to be received will have significant implications on the ability to deliver the forecast levels of investment without incurring borrowing;
- Review of capital financing decisions which will likely have a revenue budget impact due to lack of capital resources (E.g. through re-profiling of capital receipts and borrowing);
- Review the Asset Review Business Plan to see if any asset sales can be re-profiled and whether expected proceeds require revision;
- In order to reduce the exposure of the council to a borrowing requirement the following steps should continue to be examined:
  - Review of existing capital programme to ensure that schemes are still required and are accurate;
  - Maximisation of the use of grants and contributions from external sources;
  - Providing a recurring revenue contribution to the capital programme;
  - Invest to save schemes that can repay the capital investment over a period of time.

Capital Investment Assumptions:

- *The current capital programme is forecast to utilise all forecast capital receipts and includes a borrowing requirement to fund the planned programme.*

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

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

A new plan is in the process of being considered by Executive and Scrutiny Panels and will be debated by a meeting of the Full Council in September prior to its adoption. The new plan will continue with a focus on Supporting the Economy and Health & Wellbeing.

The Capital Investment Strategy must both support and inform the Council's vision for the Carlisle area and the strategic direction set out in the Carlisle Plan. This is to enable resources to be matched against the agreed priorities and any other supporting needs.

The Capital Investment Strategy takes account of other Council Plans and Strategies of the Council, which have a potential impact on the use of

resources by the Council. Particularly consideration is given to the following key strategies:

- The Medium-Term Financial Plan, which provides information on the proposed revenue budget and considerations that will impact on future budgets.
- The Treasury Management Strategy Statement, Investment Strategy and Minimum Revenue Provision Strategy, which sets out the assumptions for financing requirements and interest rates and their effect on the revenue budget.
- The Asset Management Plan, which provides forecasts of necessary investment in the Council's land and property portfolio.
- The Procurement and Commissioning Strategy.
- Local Plan/Local Development Framework.
- The ICT Strategy.
- The Organisational Development Plan, which highlights the need for a thorough review of the Council's staffing needs and skill levels to ensure that the Council improves its performance to deliver excellent services to the local community in the future.
- There are also a number of strategies, which set out policy direction for key Council priority areas, and these include the Economic Strategy, Local Environment (Climate Change) Strategy, and Housing Strategy.
- Directorate Service Plans will be used to inform the budget setting process and identify key strategic and operational objectives and the resources required to deliver those.

### 3.0 Strategic Vision / Long-term ambitions

3.1 The Council recognises the vital contribution its Capital Investment Strategy and its asset portfolio play in the economic growth and health and wellbeing of the area.

#### 3.2 **Economic Strategy**

The Capital Investment Strategy needs to allow the Council to achieve its strategic ambition to see economic investment and growth in the City. The CIS also needs to recognise the ambitions of the Council in improving the health and wellbeing of the area.

The priorities and key actions that will require capital investment implications of the Economic Strategy that should inform capital investment decisions are:

- ***Driving housing and population growth***
  - Production a Local Plan for St Cuthbert's Garden Village
  - Remediation of the Caldew Riverside site
  - Development and delivery of the first phase of 'Start with the Park'
- ***Growing our target employment sectors and levelling up our skills base and productivity***
  - Supporting the redevelopment of the Citadels
- ***Increasing city centre vibrancy***
  - Creation of a new events space at the Greenmarket
  - Redevelopment of the Sands Centre
  - Improvements to the Market Hall
  - Redevelopment of the Central Plaza site
- ***Enhancing digital and transport connectivity***
  - Supporting the delivery of Carlisle Station Gateway project
  - Supporting the delivery of the Southern Link Road and Gateway projects
  - Supporting the production of a Carlisle Local Cycling and Walking Infrastructure Plan
- ***Supporting rural development and innovation***
- ***Promoting Carlisle as a place to live, work and visit***

### 3.3 **Climate Change Strategy**

The Council approved the Local Environment (Climate Change) Strategy in March 2021 with the aim of ensuring that the Council plays its full role in protecting the environment and in the worldwide movement which aims to tackle climate change. The commitment is, subject to public consultation and legal constraints, that all the activities of the Council, all strategic decisions, budgeting, and, in so far as the Council can influence, arrangements with partners, are in line with eliminating pollution and achieving net zero carbon emissions at the earliest possible date.

The Strategy highlights that the following projects are underway, which together will significantly reduce the Council's greenhouse gas emissions:

- Sands Centre Redevelopment.
- Civic Centre Ground Floor Reinstatement.
- Replacement of footway lighting with energy efficient lamps.
- Ongoing replacement of fleet and plant with lower carbon vehicles and equipment.
- Waste management and recycling initiatives at operational sites.

The Council is also delivering projects to help reduce Carlisle district's greenhouse gas emissions:

- Community Electric Vehicle Charging Points.
- Improvements to the cycling and walking infrastructure, increasing the network for active transport.

The Council is also working in partnership to adapt to Climate Change; over the next three years Carlisle will benefit from the delivery of new flood defences and upstream natural flood management projects.

In order to achieve the strategic goal of net zero greenhouse gas emissions the following objectives are set out in the Strategy and will potentially require capital investment decisions to achieve:

**Objective 1:** Reducing emissions from the City Council estate and operations.

**Objective 2:** Reducing energy consumption and emissions from homes and businesses in Carlisle and tackling fuel poverty, by promoting energy efficiency measures, sustainable construction, renewable energy sources and behaviour change.

**Objective 3:** Reducing emissions from transport by promoting sustainable transport, reducing car travel and traffic congestion and encouraging behaviour change.

**Objective 4:** Reducing consumption of resources, increasing recycling and reducing waste.

**Objective 5:** Supporting Council services, residents and businesses to mitigate against and adapt to the impacts of Climate Change

### 3.4 **Asset Management Plan**

The Asset Management Plan sets out the Council's approach to managing its land and property assets and aligns to Council's policies and strategies. The Plan has the following strategies that it aims to follow in managing the Council's property portfolio:

#### ***Operational Property Investment Principles***

- Investment will be made where a property is required for the medium or long-term use, enhances service delivery, improves environmental sustainability, improves utilisation, increases efficiency, adds value, and addresses statutory obligations.

#### ***Non-Operational Property Strategy***

- To own property that supports the growth of Carlisle and the Economic Strategy, provides a sustainable income stream, is a key component of the Medium-Term Financial Plan.

#### ***Non-Operational Property Investment Principles***

- Commercial property will only be held where it provides an acceptable financial return, there is potential to deliver economic development objectives, it contributes to the delivery of other Council priorities, it addresses legal or contractual liabilities and obligations.

#### ***Surplus Property Strategy***

- the Council will dispose of surplus assets on a freehold or leasehold basis at best consideration. Disposals at less than best consideration may be agreed subject to the necessary statutory and Council approvals.

#### ***Surplus Property Principles***

- operational and non-operational property will be sold unless occupied for service provision, used to deliver social, housing,

economic or environmental benefits meeting agreed priorities, or it is a long-term strategic investment.

### ***Property Acquisition Strategy***

- the Council will acquire assets; that improve service delivery, assist with delivery of Economic Strategy, develop opportunities to assemble sites to deliver Council objectives, improve the financial returns and deliver the Asset Review Business Plan.

### ***Property Acquisition Principles***

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

## 3.5 **External and Partner Influences**

Capital investment decisions will be influenced by both internal and external factors.

Projects for inclusion in the capital programme arise from a variety of sources, some of them internally generated and some arising from external factors.

The more significant of these are summarised as follows:

<b>Internal Factors</b>	<b>External Factors</b>
Corporate Priorities	Government sponsored programmes, e.g. Disabled Facilities Grants, Town Deal, Future High Street Fund, Borderlands
Investment identified in strategies, policies and plans	Unforeseen emergency works
Work needed to maintain Property assets	Works required to comply with legislation e.g. disabled access, health & safety
Vehicles, Plant and Equipment replacement needs	Projects resulting from partnership activity
ICT Investment and replacement	Availability of external funding
Invest to save projects	Public expectation that works should be carried out

The Council works with a wide range of partners from the public, private, voluntary and community sectors, all of which have an influence over its spending priorities. These include, but are not limited to:

- Central Government
- Other Local Authorities

- Health sector
- Further and Higher education sector
- Charity, social and not for profit sector
- Private sector
- Community Projects

## 4.0 Capital Expenditure

### 4.1 Capital Investment Priorities

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

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

The current capital programme includes provision for investment in new Leisure facilities primarily funded from borrowing that will be offset by a reduction in the subsidy payable on the Leisure contract. The programme also includes provision for a contribution towards the Carlisle Southern Relief Road.

Other capital investment opportunities may present themselves over the lifetime of the MTFP; each will be subject to further business cases on investment opportunities and the benefits that could be made from those investments.

All business cases are subject to due diligence to ensure that they afford the best value for money for the Council, align with its core priorities and do not expose the Council to unnecessary risk that could put future delivery of services in jeopardy. Further details on the Council's attitude to risk and due diligence is given at section 6 (Commercial Activity).

The table below shows the current capital resources before any new decisions around capital investment are made.

	Budget	Forecasts				
	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Borrowing Requirement B/Fwd	19,521					
Estimated resources available in year (Table 3)	(8,210)	(9,694)	(3,087)	(3,087)	(3,332)	(2,887)
Proposed Programme (Table 2)	29,649	15,662	4,098	3,976	3,462	3,184
<b>In-Year Borrowing Requirement</b>	<b>21,439</b>	<b>5,968</b>	<b>1,011</b>	<b>889</b>	<b>130</b>	<b>297</b>
<b>MRP And Repayment of Debt</b>	<b>(12)</b>	<b>(292)</b>	<b>(421)</b>	<b>(1,055)</b>	<b>(1,288)</b>	<b>(1,253)</b>
<b>Cumulative Borrowing Requirement</b>	<b>40,948</b>	<b>46,624</b>	<b>47,214</b>	<b>47,048</b>	<b>45,890</b>	<b>44,934</b>

Table 1: Current Capital resources

#### 4.2 **Current Expenditure Forecast**

The Council approved the current forecast for the period 2021/22 to 2025/26 in February 2021 and details are shown below adjusted for the outturn from 2020/21 and also for decisions made in relation to capital investment between April and June 2021.

	Budget	Forecasts				
	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Disabled Facilities Grants	3,387	1,900	1,900	1,900	1,900	1,900
Vehicles Plant & Equipment	837	1,221	1,772	1,680	1,166	888
Property Enhancements	459	250	250	250	250	250
ICT Strategy	314	76	131	101	101	101
Recycling Containers	69	45	45	45	45	45
Leisure Facilities	16,923	3,450	0	0	0	0
Civic Centre Reinstatement	2,082	0	0	0	0	0
Crematorium Infrastructure	350	900	0	0	0	0
Energy Monitoring System	12	0	0	0	0	0
Future High Street Fund - Market Square	100	2,670	0	0	0	0
Planning Software	150	0	0	0	0	0
Play Area Improvements	195	0	0	0	0	0
Bitts Park - Towns Deal	129	0	0	0	0	0
Cemetery Infrastructure	36	0	0	0	0	0
Skew Bridge Deck	67	0	0	0	0	0
Paton House	934	0	0	0	0	0
Caldew Riverside Remediation - Towns Deal	843	0	0	0	0	0
Swifts Wildlife Haven	70	0	0	0	0	0
Bitts Park Water Feature	10	0	0	0	0	0
Gateway 44	896	0	0	0	0	0
On Street Charging infrastructure	103	0	0	0	0	0
LED Footway Lighting Installation	29	0	0	0	0	0
Rough Sleeping Initiative	10	0	0	0	0	0
Empty Property Grants	112	0	0	0	0	0
Flare Data Management System	0	150	0	0	0	0
Carlisle Southern Relief Road Contribution	0	5,000	0	0	0	0
Tullie House - Levelling Up Fund	1,500	0	0	0	0	0
Bitts Park - Public Realm	32	0	0	0	0	0
<b>Total Programme</b>	<b>29,649</b>	<b>15,662</b>	<b>4,098</b>	<b>3,976</b>	<b>3,462</b>	<b>3,184</b>

Table 2: Current Capital Programme

#### 4.3 Current Resource Forecasts

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

	Budget	Forecasts				
	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Capital Grants & Contributions	4,538	4,346	1,900	1,900	1,900	1,900
Capital Receipts (Asset Review)	1,379	3,461	200	200	445	0
Revenue Financing	2,293	1,887	987	987	987	987
<b>Total Resources Receivable in Year</b>	<b>8,210</b>	<b>9,694</b>	<b>3,087</b>	<b>3,087</b>	<b>3,332</b>	<b>2,887</b>

Table 3: Current Proposed Resources

There is a further £125,590 held within capital grants unapplied account that is not currently allocated to fund specific projects and is therefore not included within the figures above or the opening balances. These can only be utilised on projects linked to the original grant allocations.

#### 4.3.1 Capital Grants

The Council receives one primary capital grant from central government to support its role in providing Disabled Facilities Grants. For 2022/23 the Council is budgeting to receive £1,899,800. For 2021/22, the final allocation was £2,155,600. The grant continues to be distributed through the County Council, as the Better Care provider, who then allocates funding to the District Councils.

#### 4.3.2 Revenue Contributions and Reserves

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

#### 4.3.3 Capital Receipts

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

The sale of assets as part of the Asset Review are now utilised to support the Capital Programme in the Capital Strategy. Sales (after costs) of £3.461million are included in the Capital programme to be achieved in 2022/23.

#### 4.3.4 Borrowing Requirement

The cumulative in-year borrowing requirement in Table 1 identifies a potential need to borrow an additional £29.734million to fund the capital programme over the next five years. The brought forward borrowing requirement of £19.521million compares to actual brought forward external debt of

£13.319million. The current programme includes an expectation of borrowing £29.5million in 2021/22 and a further £6.507million in 2022/23. This does not include any borrowing requirement brought forward. The majority of the revenue cost of the borrowing is to be paid for through a reduction in the Leisure contract fee, increased income from Gateway 44 and potential developer contributions.

#### 4.4 **Asset Management**

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

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

## 5.0 Debt, Borrowing and Treasury Management

### 5.1 **Borrowing**

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

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

Borrowing can be undertaken through external loans with, for example, the Public Works Loan Board (PWLB), or can be undertaken by utilising internal resources, i.e. investment balances. This is known as internal borrowing. External borrowing of £14million was undertaken through the PWLB in 2019/20 to support the Council's overall borrowing requirement.

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

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

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

Where possible the Council will attempt to avoid using any debt financing for capital projects, however, it recognises that this is not always possible. In cases

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

## 5.2 **The Capital Financing Requirement**

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

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

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

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

	Budget	Forecasts				
	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Total Capital Expenditure	29,649	15,662	4,098	3,976	3,462	3,184
Capital Resources Receivable in Year	(8,210)	(9,694)	(3,087)	(3,087)	(3,332)	(2,887)
MRP & Other Repayment of Debt <sup>1</sup>	(12)	(292)	(421)	(1,055)	(1,288)	(1,253)
<b>Change in Underlying need to borrow</b>	<b>21,427</b>	<b>5,676</b>	<b>590</b>	<b>(166)</b>	<b>(1,158)</b>	<b>(956)</b>
CFR Brought Forward	19,521	40,948	46,624	47,214	47,048	45,890
<b>CFR Carried Forward</b>	<b>40,948</b>	<b>46,624</b>	<b>47,214</b>	<b>47,048</b>	<b>45,890</b>	<b>44,934</b>
<b>Adjustment A Revision</b>	<b>(4,426)</b>	<b>(4,426)</b>	<b>(4,426)</b>	<b>(4,426)</b>	<b>(4,426)</b>	<b>(4,426)</b>
<b>Adjustment for Assets Under Construction</b>	<b>(19,165)</b>	<b>(20,520)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>CFR FOR MRP PURPOSES</b>	<b>17,357</b>	<b>21,678</b>	<b>42,788</b>	<b>42,622</b>	<b>41,464</b>	<b>40,508</b>

Table 4: Capital Financing Requirement

Note 1: Includes the repayment of Transferred Debt

### 5.3 Investment and Reserve Balances

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

At 31 March 2021, the Council had cash and investments of £15.091million. If all revenue and capital budgets are spent in line with the budget and all receipts are received in line with expectations then at 31 March 2022, investment balances would be £16.289million. The following table shows the breakdown of the investment balance and what the cash relates to:

	Outturn	Forecasts					
	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Total Investments	15,091	16,289	13,808	11,040	9,285	8,555	7,724
<i>Made up of:</i>							
General Fund Reserves	5,436	4,091	3,620	3,382	3,401	3,453	3,606
Capital Reserves	90	105	120	135	150	165	180
Earmarked Revenue Reserves	16,879	7,066	6,166	6,166	6,166	6,166	6,166
Provisions	1,964	1,964	1,964	1,964	1,964	1,964	1,964
Collection Fund Adj Account	(9,570)	(107)	(107)	(107)	(107)	(107)	(107)
Capital Grants Unapplied	126	126	126	126	126	126	126
<b>Total Reserves</b>	<b>14,925</b>	<b>13,245</b>	<b>11,889</b>	<b>11,666</b>	<b>11,700</b>	<b>11,767</b>	<b>11,935</b>
<b>Cash Backed Reserves %</b>	<b>101%</b>	<b>123%</b>	<b>116%</b>	<b>95%</b>	<b>79%</b>	<b>73%</b>	<b>65%</b>
Working Capital	6,368	2,868	2,867	2,867	2,867	2,867	2,867
Capital Receipts applied	0	0	0	0	0	0	0
<b>Total Working Capital &amp; Reserves</b>	<b>21,293</b>	<b>16,113</b>	<b>14,756</b>	<b>14,533</b>	<b>14,567</b>	<b>14,634</b>	<b>14,802</b>
<b>(Surplus Monies) / Internal Borrowing</b>	<b>6,202</b>	<b>(176)</b>	<b>948</b>	<b>3,493</b>	<b>5,282</b>	<b>6,079</b>	<b>7,078</b>

Table 5: Investments and Reserves

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

The surplus monies / internal investments position represents how much of any borrowing requirement identified can be met from internal resources (internal borrowing) or how much will need to be met from actual external borrowing up to 2026/27. Where there is an internal investment shown this represents the use of the Council's own investments to support the borrowing requirement, i.e. internal borrowing. As interest rates are extremely low at the moment, there is little value added by holding cash in investments whilst undertaking external borrowing at higher rates. However, this position also has to be balanced by the Council having enough cash to pay for day to day expenditure. The need to borrow externally at the most appropriate time is constantly reviewed and updated to ensure that the Council borrows at the best available rates and at the most appropriate time.

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

	Outturn	Forecasts					
	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
CFR (Underlying Need to borrow)	19,521	40,948	46,624	47,214	47,048	45,890	44,934
Total Borrowing	13,319	41,124	45,676	43,721	41,766	39,811	37,856
<b>(Over)/Under Borrowing Position</b>	<b>6,202</b>	<b>(176)</b>	<b>948</b>	<b>3,493</b>	<b>5,282</b>	<b>6,079</b>	<b>7,078</b>
Less Capital Receipts Applied	0	0	0	0	0	0	0
<b>(Over)/Under Borrowing Position</b>	<b>6,202</b>	<b>(176)</b>	<b>948</b>	<b>3,493</b>	<b>5,282</b>	<b>6,079</b>	<b>7,078</b>

Table 6: Borrowing position

Therefore, the Council is utilising £6.202million of its cash balances to support the borrowing requirement. This is due to the repayment of the Stock Issue loan of £15m in 2020/21 which was not replaced by any new borrowing. Where actual debt is greater than the CFR, the Council holds this surplus cash in its investment balances, and this is known as over-borrowing.

The position shown above shows that by 2026/27 the Council is forecast to be in an under-borrowed position (i.e. its actual external debt is less than the borrowing requirement) and would need to meet this borrowing requirement through the use of its own cash balances (internal borrowing) or by taking out additional external debt if no new capital resources (i.e. receipts or grants) can be generated.

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

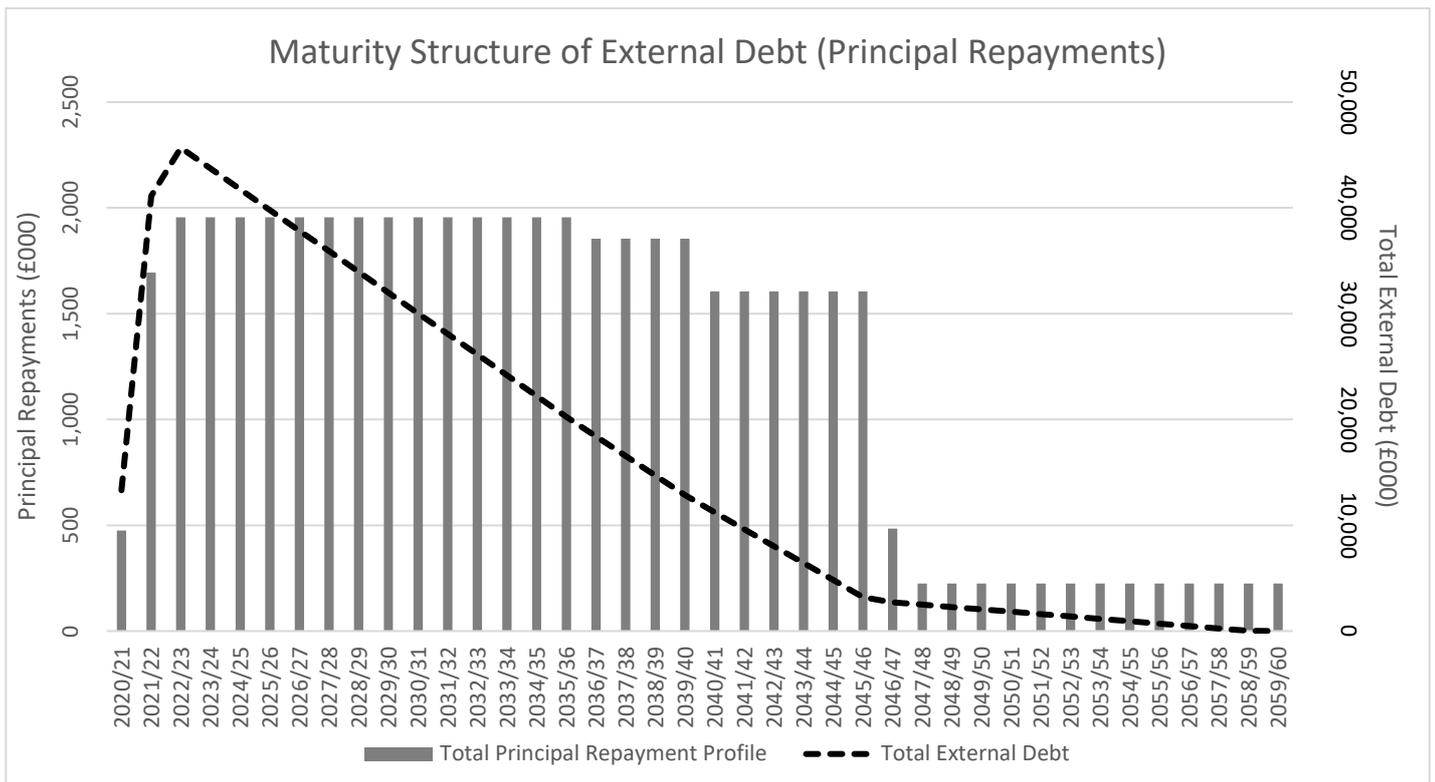
### 5.3.1 Debt Financing Costs

The table below shows the actual and forecast debt financing costs (Interest) for actual and forecast debt and compares to the Council's budget requirement. Interest and MRP are charges against the Council's revenue budget and any changes to the profiling of external borrowing or changes to interest rate assumptions are included in the Treasury Management forecasts when the budget is set.

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Total Borrowing	41,124	45,676	43,721	41,766	39,811	37,856
Interest	658	734	705	674	645	615
Capital Financing Cost (MRP)	0	280	409	1,043	1,279	1,244
<b>Total Capital Financing Cost</b>	<b>658</b>	<b>1,014</b>	<b>1,114</b>	<b>1,717</b>	<b>1,924</b>	<b>1,859</b>
City Council Budget Requirement	13,848	12,393	12,721	13,146	13,486	13,832
% Financing Costs to Budget Requirement	5%	8%	9%	13%	14%	13%

Table 7 Debt Financing Costs

The repayment profile of the Councils actual and forecast external debt is as follows:

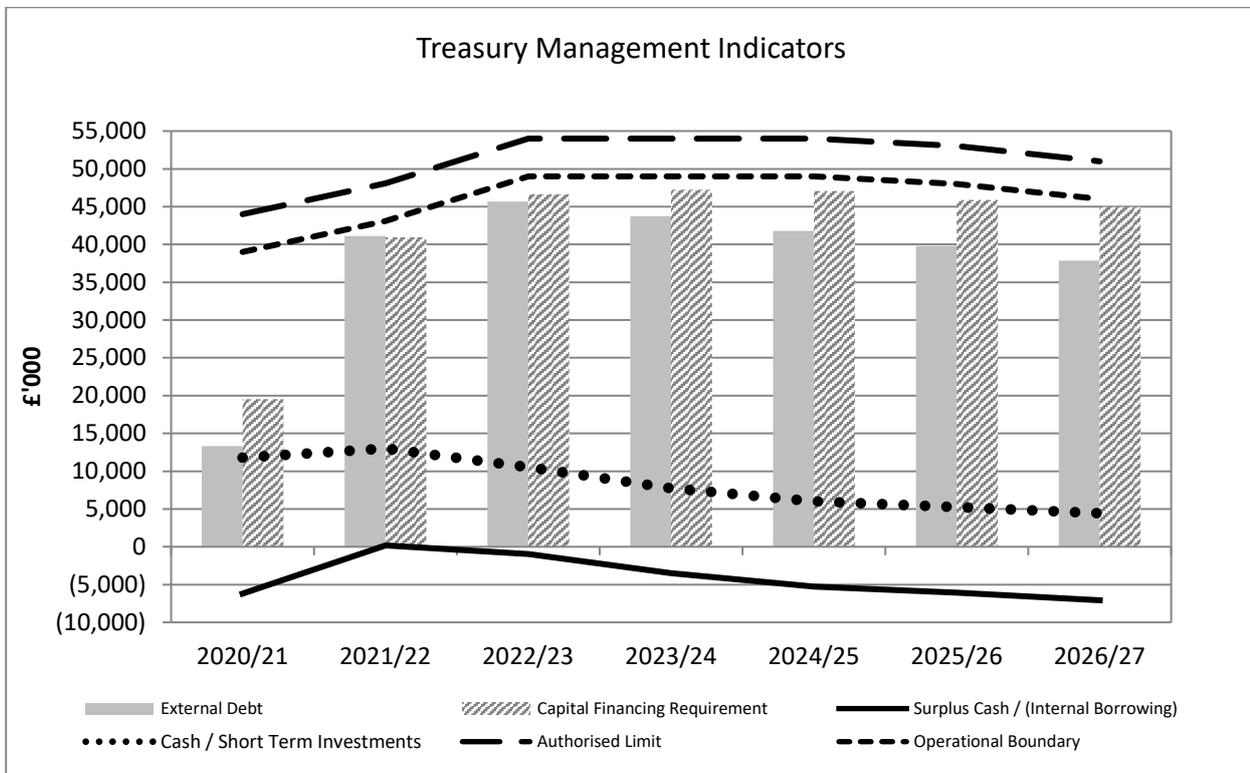


The following table shows the overall movement on external debt:

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
External Debt B/Fwd	13,319	41,124	45,676	43,721	41,766	39,811
New External Debt	29,500	6,507	0	0	0	0
Principal Repaid	(1,695)	(1,955)	(1,955)	(1,955)	(1,955)	(1,955)
<b>External Debt C/Fwd</b>	<b>41,124</b>	<b>45,676</b>	<b>43,721</b>	<b>41,766</b>	<b>39,811</b>	<b>37,856</b>

Table 8: External Debt

The graph below shows the forecast overall level of external debt compared to the Capital Financing Requirement (Borrowing requirement).



#### 5.4 **Authorised Limit and Operational Boundary**

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

The Authorised Limit is consistent with the authority’s current commitments, plans and proposals for capital expenditure and its financing. **However, the**

**overall authorised limit should not be exceeded without prior Council approval.**

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

The limits shown below will be reviewed during the consultation process of the Capital Investment Strategy and recommendations will be made in the final versions to be considered by Council in September 2021 on adjusting the limits in line with the current projections for the CFR.

<b>PRUDENTIAL INDICATOR TREASURY MANAGEMENT INDICATORS</b>	<b>2020/21 actual</b>	<b>2021/22 estimate</b>	<b>2022/23 estimate</b>	<b>2023/24 estimate</b>	<b>2024/25 estimate</b>	<b>2025/26 estimate</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Authorised Limit for External Debt:</b>						
- Borrowing	44,000	48,000	54,000	54,000	54,000	53,000
- Other Long Term Liabilities	100	100	100	100	100	100
<b>TOTAL</b>	<b>44,100</b>	<b>48,100</b>	<b>54,100</b>	<b>54,100</b>	<b>54,100</b>	<b>53,100</b>
<b>Operational Boundary for external debt:</b>						
- Borrowing	39,000	43,000	49,000	49,000	49,000	48,000
- Other Long Term Liabilities	100	100	100	100	100	100
<b>TOTAL</b>	<b>39,100</b>	<b>43,100</b>	<b>49,100</b>	<b>49,100</b>	<b>49,100</b>	<b>48,100</b>

Table 9 Prudential Limits

## 6.0 Commercial Activity

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

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

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

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

## 6.2 **Prudential Code Considerations**

6.2.1 The recent consultation by HM Treasury on updates to the Prudential Code states, "Local authorities must not pursue a deliberate strategy of using private borrowing or internal borrowing to support investment in an asset that the PWLB would not support and then refinancing or externalising this with PWLB loans. Under the Prudential Code, local authorities cannot borrow from the PWLB or any other lender for speculative purposes and must not use internal borrowing to temporarily support investments purely for yield."

6.2.2 Having any "commercial activity" could hinder wider PWLB borrowing to support the capital programme. The revised Prudential Code is scheduled to be

published later in 2021 and will include further definitions of what is deemed to be commercial activity.

6.2.3 Local authorities are to be required to submit their high-level capital and financing plans to MHCLG and will be required to split these into the following categories to ensure that capital projects are not being used to buy investments for yield:

- Service Spending
- Housing
- Regeneration
  - Addressing economic or social market failure
  - Making a significant investment in the asset beyond its purchase price
  - Projects that generate significant additional activity that would not happen without the local authorities intervention
  - Rental income generated are recycled within the project or applied and related to regeneration projects rather than applied to wider services
- Preventative Action
  - Prevents a negative outcome
  - No realistic prospect of support from a source other than the local authority
  - The local authority has an exit strategy
  - The intervention generates a balance sheet asset
- Treasury Management

6.2.4 The guidance issued by HM Treasury states that assets bought primarily for yield would usually have one of the following characteristics:

- Buying land or existing buildings to let out at market rate
- Buying land or buildings which were previously operated on a commercial basis which is then continued by the local authority without any additional investment or modification
- Buying land or existing buildings other than housing which generate income and are intended to be held indefinitely, rather than until the achievement of some meaningful trigger such as the completion of land assembly.

## 7.0 Knowledge and Skills

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

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

### 7.3 **Finance**

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

### 7.4 **Property**

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

### 7.5 **Legal**

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

## 7.6 **External Advice**

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

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

## APPENDIX A

## Capital Programme – Risk Assessment

Risk	Likelihood	Impact	Mitigation
Capital projects are approved without a full appraisal of the project and associated business case.	Remote	High	Strengthen the role of Transformation Sub-Group when considering capital project appraisals, to include consideration of business cases
Full capital and revenue costs of a project not identified.	Remote	High	Capital spending must meet statutory definitions. Financial Services to regularly review spending charged to capital. Appraisals to identify revenue costs, including whole life costs to improve financial planning.
VAT partial exemption rules are not considered.	Remote	High	Reduced impact following the decision to elect to tax land and property. To be considered as part of Project Appraisals and assessed by Financial Services.
Capital projects are not monitored nor reviewed (post contract) to ensure that the original business case assumptions have been achieved	Reasonably probable	Marginal	Better project management skills (including contract monitoring) have been introduced through PRINCE 2. Project managers to take more ownership and responsibility for the delivery of projects, including post contract reviews.
Capital projects are not delivered to time	Reasonably Probable	High	Significant slippage in the current capital programme. Better project management skills to be introduced through PRINCE 2. Project managers to take more ownership and responsibility for the delivery of projects. The review of the capital programme currently underway will address some of these issues.
Capital projects are not delivered to budget. Major variations in spending impact on the resources of the Council.	Reasonably Probable	High	Improved capital programme monitoring through PRINCE 2 and monthly financial monitoring. Corrective action to be put in place where necessary.
Assumptions on external funding for capital projects are unrealistic	Remote	High	Potential shortfalls arising from changes to external funding have to be met from other Council resources, so assumptions need to be backed by firm offers of funding before projects are submitted for appraisal. Risk increased due to uncertainty around funding, e.g. MHCLG grants
Spending subject to specific grant approvals e.g. housing improvement grants, disabled persons adaptations varies from budget	Remote	Marginal	Specific grants are generally cash limited so variations in projects supported by funding of this nature will be monitored closely to ensure target spend is achieved to avoid loss of grant or restrictions on subsequent years grant funding.
Shortfall in level of capital resources generated from Capital Receipts	Probable	High	Economic downturn will impact - early warning so as not to over commit capital resources.

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**EXCERPT FROM THE MINUTES OF THE  
EXECUTIVE  
HELD ON 2 AUGUST 2021**

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**EX.66/21**     **DRAFT CAPITAL INVESTMENT STRATEGY 2022/23 – 2026/27**  
(Key Decision – KD.08/21)

**Portfolio**     Finance, Governance and Resources

**Relevant Scrutiny Panel**     Business and Transformation

**Subject Matter**

The Finance, Governance and Resources Portfolio Holder submitted the Council's draft Capital Investment Strategy which was intended to direct the Council's Capital Programme and the allocation of resources for the five-year period 2022/23 to 2026/27 (RD.29/21). The guidance in the strategy complements and supplements the Medium-Term Financial Plan.

Following consideration by the Executive, the Business and Transformation Scrutiny Panel would consider the draft on 26 August, with final recommendations to Council on 14 September 2021.

The Finance, Governance and Resources Portfolio Holder moved, and the Leader seconded the recommendations.

**Summary of options rejected**     none

**DECISION**

That the Executive had considered the draft Capital Investment Strategy 2022/23 to 2026/27 as appended to Report RD.29/21; and made it available for consideration by the Business and Transformation Scrutiny Panel on 26 August 2021.



# Business and Transformation Scrutiny Panel

Item  
A.4

Meeting Date: 26<sup>th</sup> August 2021  
 Portfolio: Finance, Governance and Resources  
 Key Decision: Yes: Recorded in the Notice Ref: KD 14.21  
 Within Policy and Budget Framework YES  
 Public / Private Public

Title: **DRAFT ASSET MANAGEMENT PLAN 2022 TO 2027**  
 Report of: **The Corporate Director of Governance and Regulatory Services**  
 Report Number: **GD.54/21**

**Purpose / Summary:**

The attached Executive Report (GD.47/21) sets out this year’s revisions to the Asset Management Plan which has been updated to reflect key issues and changes affecting the management and use of the City’s property resources. The Plan also reports on the current position and performance of the portfolio, and the Asset Disposal Programme.

**Recommendations:**

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

**Tracking**

Executive:	
Overview and Scrutiny:	<b>26<sup>th</sup> August 2021</b>
Executive:	<b>31<sup>st</sup> August 2021</b>
Council:	<b>27<sup>th</sup> September 2021</b>

# Report to Executive

Agenda  
Item:

Meeting Date: 2<sup>nd</sup> August 2021  
 Portfolio: Finance, Governance and Resources  
 Key Decision: YES: Recorded in the Notice Ref: KD. 14/21  
 Within Policy and Budget Framework: Yes  
 Public / Private: Public

Title: Draft Asset Management Plan 2022 to 2027  
 Report of: The Corporate Director of Governance and Regulatory Services  
 Report Number: GD 47.21

## Purpose / Summary:

The Asset Management Plan is being updated to reflect the key issues and changes affecting the management and use of the City's property resources.

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

## Recommendations:

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

## Tracking

Executive:	2 <sup>nd</sup> August 2021
Scrutiny:	26 <sup>th</sup> August 2021
Executive:	31 <sup>st</sup> August 2021
Council:	27 <sup>th</sup> September 2021

## **1. BACKGROUND**

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

## **2. PROPOSALS**

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

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

### **3. RISKS**

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

### **4. CONSULTATION**

- 4.1 Internally via the Council's corporate structures and processes. The Draft Plan will go to Business and Transformation Overview & Scrutiny Panel on 26<sup>th</sup> August 2021 for consideration, comment and feedback.

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

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

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

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

**Contact Officer:** Mark Walshe

**Ext:** 7427

**Appendices attached to report:** Draft Asset Management Plan 2022 - 2027

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

- None

### **CORPORATE IMPLICATIONS:**

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

**FINANCE** – The Asset Management Plan provides details on the Council's asset portfolio and the issues around the management of these assets. This will be used to inform the Medium Term Financial Plan and budget setting process for 2022/23 to 2026/27.

**EQUALITY** – None

**INFORMATION GOVERNANCE** – N/A



*Managing property as a resource for the City*

## ASSET MANAGEMENT PLAN

2022 – 2027

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## **1. The Council**

- 1.1 Carlisle City Council delivers services to around 108,000 people and for the year 2021/22 has a net revenue budget of £15.1 million and capital expenditure budget of £28.06 million. The Council uses its property resources to deliver services, either directly or through the rental income it earns, and improve the quality of life for local people.
- 1.2 The Council's asset base produces a rental income of around £4.69 million per annum from its non-operational property, with a net asset value of circa £89.38 million.

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

- 2.1 The Asset Management Plan sets out the Council's approach to managing its land and property assets and aligns to Council's policies and strategies, particularly the Carlisle Plan, Directorate and Service Plans, the Medium-Term Financial Plan and Capital Strategy.
- 2.2 The aim is to own assets which are fit for purpose and sustainable, to enable services to be delivered effectively and with equality of access, and to meet the strategic objectives outlined below:
- Identify all property the Council owns or uses, maintaining accurate records, establishing its value and the function it performs, ensuring a reliable and accurate property management system is in place.
  - Make services aware of the costs of occupying property, maximising the use of the asset base, identifying 'expensive' and 'obsolete' assets.
  - Respond to changing property needs for service delivery improvements, identifying improvements to assets or the asset base to enhance service delivery, disposing of assets no longer required for operational purposes and acquiring new assets to support service delivery.
  - Generate capital for investment purposes aligned to corporate objectives.
  - Ensure a healthy and safe environment for property users.

## ASSET MANAGEMENT PLAN 2022-2027

- Apply “Green Design” principles to construction, refurbishment and maintenance projects and encourage environmentally sustainable management of operational properties.
- Encourage community and partnership use of assets by identifying opportunities for shared services, liaising with partners and working with the community.
- Contribute to the Council’s Medium-Term Financial Plan and Capital Strategy, identifying investment opportunities.
- Provide sustainable planned maintenance programmes for a 5-year period by undertaking and reviewing condition surveys.

### 3. Property Strategies and Principles

3.1 The Council has developed the following strategies and principles:

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

## ASSET MANAGEMENT PLAN 2022-2027

- **Property Acquisition Strategy** - the Council will acquire assets; that improve service delivery, assist with delivery of Economic Development policy, develop opportunities to assemble sites to deliver Council objectives, improve the financial returns and deliver the Asset Review Business Plan.
- **Property Acquisition Principles** - property will only be acquired where whole life costings and option appraisal exercises are undertaken and meet set target criteria around risk, income returns and yields.

### 4. **Value for money**

- 4.1 There is a Council-wide approach to managing assets as a corporate resource, using assets to help to deliver social, environmental and economic outcomes for local communities.
- 4.2 Collaborating with partner organisations on strategic asset management planning is an important requirement. The Council will continue to develop its strategic approach to working with other bodies to identify opportunities for shared use and alternative options for the management and ownership of its assets.

### 5. **Property Services**

- 5.1 Property Services are responsible for managing the City Council's extensive property portfolio. The multi-disciplinary team cover everything from ad-hoc property repairs to multi-million-pound developments such as the Sands Centre and Civic Centre refurbishment. The service is supplemented by external resources when specialist assistance is required.
- 5.2 The property team face many challenges in supporting the Council with the competing pressures to deliver income whilst supporting the delivery of front-line services and realising ambitions for economic growth. The Council's core values, clear, committed, and confident, are embedded within the team and our aim is to provide a first-class property service for the City Council.

## **6. The Portfolio and Current Performance**

### **6.1 Gross Asset Value as at 31 March 2021**

	<b>Operational assets</b>		<b>Non-operational assets</b>		<b>Total</b>
	<b>Community Assets</b>	<b>Land Buildings &amp;</b>	<b>Investment</b>	<b>Surplus</b>	
<b>No of assets</b>	<b>77</b>	<b>67</b>	<b>49</b>	<b>15</b>	<b>208</b>
<b>Total income</b>	<b>£22,600</b>	<b>£4,036,300*</b>	<b>£4,143,200**</b>	<b>£0</b>	<b>£8,202,100</b>
<b>Capital value</b>	<b>£4,195,000</b>	<b>£50,298,000</b>	<b>£89,379,000</b>	<b>£1,143,000</b>	<b>£145,015,000</b>
<b>Capital Expenditure</b>	<b>£102,647</b>	<b>£1,710,664</b>	<b>£4,603,133</b>	<b>£31,221</b>	<b>£6,447,665</b>
<b>Outstanding Maintenance</b>		<b>£2,209,200</b>	<b>£2,000,000</b>	<b>-</b>	<b>£4,209,200</b>
* Income from operational assets (i.e. car parks, crematorium, Civic Centre rents)					
** Rental income from investment assets					

6.2 The total capital spend on property assets in 2020/21 was £9.75million a significant increase on the 2019/20 investment of £3.18 million, predominately down to the Gateway 44 retail park development.

6.3 The figure for the outstanding maintenance on the operational buildings is based on a costed 5-year plan. The condition surveys were last undertaken in the summer of 2018. The information which has been derived from the surveys has been considered to assess the current condition of the portfolio, whilst further having regard to the work undertaken during the same financial period. Outstanding maintenance has reduced from circa £2,380,200 to £2,209,200. The Pools continue to be removed from the programme given their impending closure as part of the Sands Centre redevelopment.

6.4 We are currently spending £250,000 p.a. to enhance our operational portfolio as detailed below in a bid to reduce the risk of major long-term capital expenditure being required.

6.5 Non-operational outstanding maintenance relates primarily to historical infrastructure costs associated with our industrial estate ground rent portfolio. We

## ASSET MANAGEMENT PLAN 2022-2027

intend to review this as and when resources allow and anticipate that the level of outstanding maintenance will reduce given the asset disposals and investment undertaken at Durranhill and Kingstown Industrial Estates.

### 6.6 Outstanding Maintenance

	<b>21/22</b>	<b>22/23</b>	<b>23/24</b>	<b>24/25</b>	<b>25/26</b>	<b>26/27</b>
<b>Total Revenue Budget</b>	£760,700	£776,000	£791,500	£807,400	£823,500	£840,000
<b>Capital Schemes Special Projects</b>	£250,000	£250,000	£250,000	£250,000	£250,000	£250,000
<b>Ratio Planned: Reactive Maintenance</b>	76 : 24	76 : 24	76 : 24	76 :24	76:24	76:24

6.7 Based upon the final condition surveys, the annual planned maintenance programme has been further developed for the operational assets. As discussed above, there is unplanned maintenance currently assessed at £2,209,200 for the portfolio of operational buildings. The planned delivery programme to reduce this, incorporates a degree of flexibility to respond to the demands of service delivery, asset review, and other circumstances which may arise during the programme. Members approved a 3-year programme of planned and reactive maintenance on 9 November 2020 (report reference GD.52/20). In condition category terms the split is:-

## ASSET MANAGEMENT PLAN 2022-2027

<b>Condition Category</b> (as a % of Gross Internal Area Operational Property)			<b>Sustainable Criteria</b>
	<b>2020-25</b>	<b>2021-26</b>	
<b>A. (Excellent)</b>	<b>0.73%</b>	<b>0.75%</b>	<b>Yes</b>
<b>B. (Good)</b>	<b>89.42%</b>	<b>89.20%</b>	<b>Yes</b>
<b>C. (Mediocre)</b>	<b>9.85%</b>	<b>10.05%</b>	<b>Review</b>
<b>D. (Poor)</b>	<b>0%</b>	<b>0%</b>	<b>No</b>

6.8 The table above shows the condition categories of the operational portfolio. There has been a slight change to the condition categorisation of operational assets over the last year as work undertaken has focused on addressing maintenance issues rather than improvements. The condition is continually reviewed and for around 90% of the portfolio classed as either excellent or good, is a testimony to the proactive management regime, which would otherwise leave the portfolio falling short of that required to provide the Council's services.

### 6.9 Local Environment (Climate Change) Strategy

6.10 In March 2019 Carlisle City Council declared a Climate Change Emergency. In March 2021 the Council adopted its Local environment (Climate Change) Strategy with the ambition of getting to net zero by 2037.

6.11 Work is being undertaken to further understand the energy consumption across our portfolio and to assess our carbon footprint, this will establish a baseline from which improvements can be assessed and monitored.

6.12 The operational and investment portfolio has been assessed to produce up to date Display Energy Certificates (DECS) and Energy Performance Certificates (EPCS) where required. This exercise has created an understanding of the implications of the Minimum Energy Efficiency Standards (MEES) on the sale and let ability of the non-operational assets and provide a benchmark from which to improve the CO2 emissions of the publicly funded buildings.

6.13 The data forms part of the wider consideration of the asset management of the property portfolio and particularly when assessing the viability of the long-term use, maintenance and ownership of the assets.

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- 6.14 Where assets have fallen below the required standard this has been assessed and maintenance work has been completed. During the past year a full re-survey and assessment of the Enterprise Centre was undertaken and consequent improvement works undertaken.
- 6.15 On a larger scale Capital works are completed to meet the relevant building standards and where financially viable and opportunities are available additional initiatives are being incorporated to further improve the energy standard of the asset stock.
- 6.16 The Sands Centre Redevelopment will have a significant impact on reducing the organisations carbon footprint. Initial calculations, based on the Consequential Improvements Report, estimate a reduction in production Greenhouse Gas (GHG) emissions of 96 tonnes per annum.
- 6.17 The Civic Centre Reinstatement Project will also bring improvements to the energy efficiency of the ground floor, the impact of which will be seen in changes in gas and electricity usage. The project also includes demolition of the Rotunda with associated Public Realm improvements and EV charging points in the extended Civic Centre car park.
- 6.18 The Property Services team have successfully completed the Footway lighting project which has resulted in the vast majority of the City Council's footway lighting portfolio being converted to LED's. The projected annual saving of production Greenhouse Gas (GHG) emissions is 93 tonnes, an estimated lifespan saving of 1,399 (t)CO<sub>2e</sub>
- 6.19 The solar photovoltaic arrays at the Civic Centre and Sands Centre continue to be successful in terms of electricity generation and income received from the feed in tariff.
- 6.20 Capital Works and Repairs
- 6.21 The programme of works identified in the Capital Major Repairs Programme is initially shaped by a 5-year maintenance plan produced from condition surveys and adjusted each year to keep abreast with new legislation. The Council has a legal duty to maintain its properties and the programme is required to meet those statutory duties. Report GD.52/20 was presented to the Executive with proposals for capital investment for planned major repairs which was approved as follows:

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<b>Property</b>	<b>Description of works</b>	<b>Estimated Cost</b>
Cemeteries	Resurfacing	£30,000
Tullie House	Plant Replacement	£20,000
Raffles Community Hall	Roller Shutter Replacements	£15,000
Botcherby CC	Replace Timber Windows	£20,000
Morton CC	Main Hall Flooring replacement	£15,000
Morton CC	Overhaul Timber Windows (Listed Building)	£20,000
Upperby Cemetery Lodge	Property upgrade - to include rewire, kitchen, bathroom, external doors & windows	£30,000
Civic Centre	Upgrade heating & ventilation to floor 8	£25,000
Civic Centre	Fire safety enhancement works	£20,000
Civic Centre	Replace flat roof to 1st floor (around rates hall)	£10,000
Civic Centre	Upgrade WC's to 2nd & 7th floors	£20,000
Stony Holme	Car park surface overlay	£25,000
	<b>Total</b>	<b>£250,000</b>

## ASSET MANAGEMENT PLAN 2022-2027

6.22 Key staff leaving the team and Covid-19 had a significant impact on the 2020/21 capital works programme due to a number of staff shielding and supply chain issues resulting in a number of projects being deferred to 2021/22.

### Works Carried Forward From 2020 / 2021

James Creighton Memorial	Clean & refurbish	£10,000
James Steel Statue	Clean & refurbish	£10,000
Various Properties	Legionella RA's	£5,000
Civic Centre	Roof Beam Covers	£5,200
Tullie House	Pitched Roof repairs	£10,000
Bousteads	Resurfacing	£8,500
Talkin Tarn	Fire escape stair renewal	£14,300
Civic Centre	Lift motor bearing renewal	£10,000
Enterprise Centre	Fire alarm system renewal	£20,000
Tullie House	Plant Replacement	£20,000
Bousteads	Roller shutter renewals	£10,000
Crematorium	Flat roof renewal	£15,000
Cemetery	Surfacing	£30,000
Dixons Chimney	Stone repairs etc	£21,400
Greystone CC	Pointing & masonry repairs etc	£5,000
Currock CC	Flat roof renewal	£14,400
<b>Total C/F:</b>		<b>£208,800</b>

## 7. Continuous Review and Challenge

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

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

### 7.2 Accommodation Review

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

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- 7.4 It seeks to deliver effective and efficient accommodation that suits the needs of each service, establish a more corporate approach to accommodation, make more effective use of space, improve the working environment and make the accommodation as productive as possible.
- 7.5 The first phase of the redevelopment of the Civic Centre ground floor project is virtually complete with phase 2, the demolition of the Octagon and external landscaping, scheduled for completion by year end. The new accommodation will allow modern ways of working to be embraced, with more flexible multi-purpose space available. The design has incorporated flood resilience and energy efficiency measures where possible.
- 7.6 The new multi-functional chamber and enhanced parking facilities will also provide income generating opportunities.
- 7.7 The current programme of works is the first phase of a wider scheme to maximise space occupancy within the Civic Centre. The current pandemic has shown that alternative forms of working can be successful and the challenge going forward will be to incorporate these opportunities for greater space utilisation throughout the building. Past occupational models where every employee based at the Civic Centre has their own desk have been shown to be unnecessary and offer the opportunity to generate significant savings.
- 7.8 Agile working has not only cost benefits but others such as improving the attractiveness of the organisation to potential employees, improving both the health and well-being of staff and the local environment by reducing the need for travel.
- 7.9 We already have a number of public sector partners co-locating with the City Council and we are working with partners through the One Public Estate programme to encourage greater take up of vacant space in the building which will generate additional income as well as reducing the overall public sector property costs.

### 7.10 Major Projects Team

Funding was secured to via a budget bid, to secure a major projects team within Property Services. The team are responsible for delivery of all large construction projects on behalf of the City Council. This will ensure that the Council has the knowledge and expertise to deliver major construction projects on time and on budget.

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- 7.11 Covid and Brexit have offered up the perfect storm however the knowledge and experience within the team has ensured that the Council has been able to limit exposure to cost overrun on the Sands Centre and Civic Centre developments.
- 7.12 Going forward it is envisaged that the team will be delivering the construction projects associated with the Council's economic growth agenda.
- 7.13 Sands Centre redevelopment
- 7.14 The £27m redevelopment of the Sands Centre is progressing well on site, despite the implications of Covid and Brexit however supply chain issues are causing difficulties.
- 7.15 One notable success has been the temporary accommodation developed at the former Newman School to accommodate GLL & the NHS. The decision was taken to lease space at the former school and refurbish rather than take temporary portacabin accommodation to not only minimise cost but also to provide a more suitable temporary leisure facility and leave a legacy for the city once we vacate. On the back of the refurbishment works undertaken the remainder of the buildings on-site has been brought back into use with Carlisle College, the catholic diocese and a local undertaker now in occupation.
- 7.16 Asset Review Business Plan
- 7.17 An asset review and investigation into the options for the development of a new approach to the management and use of the portfolio was concluded in 2010 with the adoption by Council of an Asset Review Business Plan (Report Ref. CE 39/10 refers).
- 7.18 Work continues on the implementation of the Business Plan as detailed below:
- 7.19 Disposal Programme
- 7.20 In December 2018 a revised disposal programme was approved by the Executive with the aspiration of generating £10m to assist with funding major developments such as the Sands Centre and Gateway 44 scheme.

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- 7.21 Additional staff resources were engaged to deliver this 5-year programme. From July 2019, two new additional surveyors (one full-time / one part-time) were employed by the Council to progress the disposal of properties identified in the 2018 Asset Disposal Plan. They were supported from November 2019 by a dedicated solicitor on a part-time basis.
- 7.22 Capital receipts of £2,468,500 were generated in 2020/21 with a total of £4,624,520 being generated to date.
- 7.23 Extensive due diligence is required to bring the other disposal assets forward. This work has slowed significantly due to Covid and wider resource issues within the Property Services team due to staff departures and work pressures. Firstly the part-time Disposals Surveyor left the Council in February 2020 and, it has been considered prudent to redeploy the Senior Disposal Surveyor to a wider role managing the surveyors engaged in the estate management and valuation team. This change took place with effect from February 2021. The impact of these changes has inevitably been that there is less dedicated resource to the Asset Disposal Plan so the rate of disposals is likely to decrease.
- 7.24 Despite the reduction in resources significant work has been progressed as detailed below:
- 7.25 Carlisle Enterprise Centre
- 7.26 Energy Performance Certificates - during 2020/21 a full re-survey and assessment of the property was instructed in order to obtain updated EPCs that will both assist with the disposal of the property and ongoing lettings. With the exception of a few small units in the property, the Council now has a full set of compliant EPCs. In tandem with this Property Services has been working with Legal Services to ensure that any new lettings are on a more appropriate basis and at increased rents. This approach not only will help improve the short-term income stream but also the disposal as and when this is possible.
- 7.27 Stanwix House / Cottage – The University of Cumbria have given notice that they intend to vacate these properties in the summer of 2021. Property Services are currently engaged in trying to settle a dilapidations claim with the University whilst looking at future options.
- 7.28 Land at Longtown – Following the failure of a proposed sale in FY 2020/21, this asset is being re-marketed for sale.
- 7.29 Former Harraby Community Centre – To progress the disposal of the site, the demolition of the old building is being progressed. It is hoped that the demolition will be completed this summer.

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- 7.30 Durranhill Industrial Estate – detailed enquiries are being undertaken to identify all of the various interests held by the Council and other parties in order to help determine the best disposal strategy and bring together the copious legal documentation that will be required to effect a disposal
- 7.31 Land at Morton – Work is being stepped up to develop the masterplan for the employment land that forms this site. The Council’s external consultants are currently engaging with several major potential occupiers in a bid to identify an appropriate anchor tenant / occupier for the scheme. Property Services have also had lengthy discussions with Cumbria County Council in order to arrange the disposal of assets required for the CSLR. The capital receipt that will result from this will be reported to the Executive next month
- 7.32 Update to Asset Disposal Plan
- 7.33 Given the due diligence work that has been done and changes in the market, Property Services intend to bring forward an update to the Asset Disposal Plan later this year. This will look to re-profile some of the disposal assets as well as identify others that are considered appropriate for disposal.
- 7.34 Reinvestment Options
- 7.35 The Business Plan envisages capital receipts will be used to generate additional revenue and support purchases in the economic development and operational property portfolios.
- 7.36 Opportunity purchases into the Economic Development portfolios are being progressed to support the aspirations of the Borderlands Growth Deal and are discussed further in section 7.44 below.
- 7.37 We continue to look for opportunities to enhance income generating opportunities for the City Council however changes to the Prudential Code, as discussed in the Capital Investment Strategy, will impact on the Council’s ability to fund such activities.
- 7.38 Chancerygate – Kingstown and Parkhouse
- 7.39 Chancerygate, the Council’s appointed asset managers for their Kingstown & Parkhouse assets, continue to make good progress with the management and development of our portfolio north of the City.

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- 7.40 Gateway 44 retail park was completed on time and within budget and the development is now 100% under offer despite Covid and the turmoil in the retail sector.
- 7.41 A further 10 rent reviews were completed during the year adding a further £135,158 p.a. to the rent roll.
- 7.42 In addition to this Property Services and their other advisors have completed 10 reviews during 2020/21 increasing rental levels by circa £9,000 p.a.
- 7.44 Economic Development Portfolio
- 7.45 The assets within this portfolio are directed towards supporting and creating opportunities for the growth of the City using employment, housing and retail development land.
- 7.46 The Council and its partners has been incredibly successful in securing over £250 million investment into the City by way of various central Government funding streams including Borderlands Growth Deal, Future High Street Funding, Towns Deal Accelerated Fund, Town Deal and HIF funding.
- 7.47 The Council has a significant role to play in these projects through both use of its assets and also the expertise of the professional teams. During the last financial year we have acquired the leasehold interest of Paton House as part of the Borderlands University of Cumbria campus proposal. We have also agreed terms with the County Council to transfer land to facilitate the Southern Link road.
- 7.48 As the various projects are progressed we anticipate a significant role for the Council and its property assets.
- 7.49 Coronavirus pandemic
- 7.50 The Coronavirus pandemic continues to have a major impact on the operations of the City Council.
- 7.51 From an operational perspective many buildings remain closed and colleagues continue to work from home where possible. The pandemic has however demonstrated that large sections of the Council can work remotely and there is no longer the need for staff to be permanently based in offices such as the Civic

Centre. Agile working is likely to become the norm in the future and now is the perfect time for the Council to grasp the opportunity.

- 7.52 There are a number of benefits for the Council; cost savings by reduced floor space requirements; environmental improvements with fewer people travelling into the city reducing pollution; improved staff retention and recruitment, greater flexibility around the workplace is attractive to many especially younger job seekers who see agile working as an essential part of the package.
- 7.53 The UK economy has experienced a period of severe contraction due to the Covid-19 pandemic. Short term income has been reduced and tenants will continue to vacate despite the significant assistance provided by Central Government. The long-term impact is still not clear; however it is likely that values will continue to fall impacting on the investment portfolio although this will vary between sectors with the High Street witnessing major structural change. The Council aims to minimise the long-term effect on its income levels through proactive property management.
- 7.54 Along with Covid, the impact of the UK's withdrawal from the European Union (EU) is impacting on construction projects, with delays and shortages of materials now common place. At this stage we have no indication on how long it will take for the sector to return to normality.
- 7.55 The assets (and the values that will be realised from them) within the Disposals Programme will not be immune from the market influences and therefore the values achieved over the next few years may not be as great as previously forecast.

## **8. Conclusion**

- 8.1 The Council has a highly rationalised and suitable service occupied portfolio. Despite the challenges presented by the Covid-19 pandemic the Council has shown that it can quickly adapt to rapidly changing situations. As and when normality returns a key challenge will be to build on the opportunity that the pandemic has given us in relation to agile working.
- 8.2 The completion of the Civic ground floor redevelopment will provide an enhanced customer services operation and entrance to the building. Opportunities to co-locate with other public sector partners will be pursued.

## **ASSET MANAGEMENT PLAN 2022-2027**

- 8.3 The Sands Centre redevelopment offers an opportunity to enhance leisure facilities within the city it will also reduce our maintenance liability and support our aspirations for economic growth.
- 8.4 The Council has a significant investment property portfolio; the challenge will be to protect this income stream as the long-term effects of the pandemic become clearer.
- 8.5 The unprecedented Government investment into Carlisle offers a once in a lifetime opportunity to grow the City and the Council needs to be ready to utilise its property assets and experience to ensure that opportunities for growth are maximised.

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**EXCERPT FROM THE MINUTES OF THE  
EXECUTIVE  
HELD ON 2 AUGUST 2021**

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**EX.67/21     DRAFT ASSET MANAGEMENT PLAN 2022-2027**  
(Key Decision – KD.14/21)

**Portfolio**     Finance, Governance and Resources

**Relevant Scrutiny Panel**     Business and Transformation

**Subject Matter**

The Finance, Governance and Resources Portfolio Holder presented the draft Asset Management Plan 2022 to 2027 which was being updated to reflect the key issues and changes affecting the management and use of the City's property resources. (GD.47/21). The Plan also reported on the current position and performance of the Portfolio, and the Asset Disposal Programme.

The Finance, Governance and Resources Portfolio Holder moved, and the Leader seconded the recommendations.

**Summary of options rejected**     none

**DECISION**

That the Executive:

1. Noted the position as set out in Report GD.47/21.
2. Approved the update to the draft Asset Management Plan in order for it to proceed for consideration by the Business and Transformation Scrutiny Panel, before coming back to the Executive and then full Council in September 2021.

**Reasons for Decision**

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





# Report to Business and Transformation Scrutiny Panel

Item A.5

Meeting Date: 26 August 2021  
Portfolio: Finance, Governance and Resources  
Key Decision: No  
Within Policy and Budget Framework YES  
Public / Private Public

Title: EXTERNAL AUDIT REPORT – ACTION PLAN AND RECOMMENDATIONS FOLLOW UP  
Report of: CORPORATE DIRECTOR OF FINANCE AND RESOURCES  
Report Number: RD35/21

### Summary:

The Audit Committee considered the External Audit Report for Carlisle City Council at its meeting on 20 May 2021 (AUC.17/21) and has referred it to the Business and Transformation Scrutiny Panel for information and ongoing monitoring

### Questions for / input required from Scrutiny:

To and receive an update on the progress in implementing the recommendations made in the External Audit Findings Report for 2019/20.

### Recommendations:

Members are asked to consider the progress on implementation of the recommendations in the External Audit Findings Report for 2019/20.

### Tracking

Scrutiny:	26 August 2021
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## **1. BACKGROUND**

- 1.1 At its meeting on 20 May 2021, the Audit Committee received the External Audit Findings report (AFR) for 2019/20 from the Council's external auditor, Grant Thornton. The Committee resolved that Appendix A (Action Plan) and Appendix B (Follow up on prior year recommendations) of the AFR be referred to this Panel for information and ongoing monitoring.

## **2. ACTION PLANS**

- 2.1 The Action Plan for the 2019/20 Findings Report is shown at Appendix A. Recommendations 3 and 4 in relation to Run Rate of Reserves and Medium-Term Financial Planning have been addressed in the draft Medium Term Financial Plan considered elsewhere in this agenda. The follow up actions (Appendix B) from the 2018/19 AFR have either been fully implemented or have been carried over to the 2019/20 Action Plan.

## **3. RISKS**

- 3.1 There is a risk that not implementing the recommendations contained in the annual AFR's will lead to further comments made by the external auditor in the future on the financial management of the Council.

## **4. CONSULTATION**

- 4.1 Audit Committee considered the 2019/20 Audit Findings Report at its meeting on 20 May 2021.

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

- 5.1 The Panel is asked to consider the progress on implementation of the recommendations in the External Audit Findings Report for 2019/20.

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

- 6.1 Proper and appropriate financial management enables the Council to achieve the priorities set out in the Carlisle Plan.

**Contact Officer: Steven Tickner Ext: 7280**

**Appendices  
attached to report: Appendix A – External Audit Findings Report Action Plan  
2019/20  
Appendix B – Follow Up of Prior year recommendations**

**Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers: • None**

**CORPORATE IMPLICATIONS/RISKS:**

**Legal** – None.

**Finance** – contained within the report

**Equality** – None

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

**Property** – Asset valuations form part of the Council's balance sheet

**Appendix A – 2019/20 AFR Action Plan**

<b>Issue and Risk</b>	<b>Recommendation</b>	<b>Management Response</b>	<b>Update on Actions taken to address the issue</b>
<p><b>Revaluations</b> We identified significant concerns with the approach used to calculate DRC and other revaluations by the valuer.</p>	<p>Complete a quality assurance check on valuations to ensure the basis of valuation is appropriate and that the related revaluations key assumptions and data sets used are reasonable.</p>	<p>The Council will review its process for the appointment of external valuers to support the valuation process. This will include using sector specific valuers for different assets in the portfolio to ensure valuations are as accurate as possible and that the correct bases are used.</p>	<p>We have undertaken a thorough quality review of the 2020/21 asset valuations process with finance logging queries on the bases of valuation and any significant change in the indices used or movement in valuations from previous year. The valuer is the same valuer that undertook the valuations in 2019/20 so we have greater confidence in the information provided. Property have also undertaken a sample check of the calculations to arrive at valuations and have satisfied themselves that on the assets checked all are in order. All queries and responses have been logged.</p>
<p><b>Capital Projects</b> The total costs on the Sands Centre Redevelopment continues to increase from the initial £14.2 million to £27.2m. Any capital programme overruns should be closely monitored to ensure the Council does not breach its treasury management limits.</p>	<p>Arrangements for costing current and future major capital projects need to be improved to ensure they are realistic and carry sufficient contingency plans. Capital costs need to be closely managed to keep additional borrowing to a minimum and to avoid breaching treasury management limits.</p>	<p>Capital schemes are monitored closely and option appraisals carried out to ensure the schemes offer value for money and affordability. The Sands scheme, although increasing in cost, was measured against the original aspiration of maintaining any borrowing costs within the subsidy saving achieved in the new leisure contract awarded in 2017.</p>	<p>The Council is ensuring that capital projects are robustly costed and has provided resources for management of capital projects through the 2021/22 budget process. A Project Management Office is also being established for the major projects to be delivered through the Future High Streets Fund, Town Deal and St. Cuthbert's Garden Village. The Sands Project is monitored on a weekly basis by an internal project manager and key officers, as well as having regular meetings with the external project support and contractor.</p>

Issue and Risk	Recommendation	Management Response	Update on Actions taken to address the issue
<p><b>Run Rate</b> A review of the Councils reserves from the past three years and looking at the budgets for the following two years shows the Council has continued to use reserves to fund the 2020/21 budget.</p>	<p>Monitor the run rate on usable reserves to ensure general fund unearmarked reserves are maintained at a reasonable level.</p>	<p>The Council monitors reserve levels at budget and outturns and ensures that where reserves are used in the short term, that there is a longer-term plan to achieve minimum levels. The Council has a history of being underspent at year-end meaning that reserves are often higher than planned when budgets are set.</p>	<p>Reserves are closely monitored, and minimum levels of GF Balances are risk assessed as part of the MTFP prior to the budget process. Any additional requirement from GF balances requires Council approval and would only be recommended if reserves were maintained above minimum levels. Use of reserves is then also considered as part of the budget process and the fact that the MTFP and budget provide indicative impact of spend over the following 5-year, provides the Council with security that reserves are being maintained at appropriate levels. For 2020/21 the Council was significantly under spent and has increased the level of GF Reserves.</p>
<p><b>Medium Term Financial Plan</b> The medium-term financial plan includes various assumptions which includes an increase of income over inflation. As the Council is heavily exposed to reliance on investment income to deliver its financial objectives, the impact on future revenue streams needs very close monitoring and management to maintain the Council's financial health.</p>	<p>Carry out a detailed sensitivity analysis around the key uncertainties and assumptions included in future budget outturns and revisions to the MTFP to assist agile financial management to secure the Council's medium term financial sustainability, in the light of the uncertain context for Local Government.</p>	<p>Income budgets have been thoroughly reviewed at the budget setting process for 2020/21 and continue to be monitored closely as part of the budget monitoring process.</p>	<p>Income continues to be closely monitored through the budget process and where necessary changes to budgets are reflected. The MTFP for 2022/23 now includes greater use of sensitivity analysis and the impact that certain income streams have on the overall budget. Where income is uncertain or subject to increased volatility this has been identified.</p>

## Appendix B – Follow Up of prior year recommendations

Assessment	Issue and Risk Previously communicated	Update on actions to address the issue
Complete	<p>There is a savings gap in the MTFP of £1.242m.</p> <p>General fund balances have fallen by 19% from £5.7m at 31 March 2018 to £4.6m at 31 March 2019. Overall usable reserves have fallen by 15% from £12.1m to £10.3m as at 31 March 2019.</p>	<p>Work is progressing on the base budget review and the overall savings target to identify £1million of savings for 2021/22. Reports will be represented to SMT and Members as part of the 2021/22 budget process. A commercialisation Strategy will be developed, a recommendation from the recent Peer Challenge and BTSP will provide support in the shape of a Task &amp; Finish Group.</p>
Partial	<p>There has been a significant increase in the capital cost of the Sands Centre redevelopment. The total cost of the Sands Centre redevelopment project has increased from an initial £14.2 million then £20.122 million to £27.2 million.</p>	<p>Further reports have been considered by the Executive with a final report approved by full Council (Special 13th October 2020) which approved the project and increased funding required scheme after considering potential additional costs including the impact of COVID-19. This also included a further analysis to ensure that the project continued to be financially viable and was supported by an update Business case including the impact on treasury management projections. This is now reflected in the MTFP, which also provides a sensitivity analysis on the main items of Council income and expenditure.</p> <p>Detailed reports and business cases continue to be considered for major capital schemes; with monitoring of progress forming part of the quarterly monitoring process</p>
Partial	<p>The Council is involved in significant capital projects relating to the Sand Centre, Gateway 44 and the Southern link road, which require significant external borrowing.</p>	<p>These are kept under review as part of the Capital Investment Plan, TMSS and quarterly treasury management reporting. Forward balance sheets have been reviewed with the Council's Treasury Advisors to understand future borrowing requirements based upon market conditions, and in accordance with its capital programme and agreed borrowing limits.</p>

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## **EXCERPT FROM THE MINUTES OF THE AUDIT COMMITTEE HELD ON 20 MAY 2021**

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### **AUC.17/21 EXTERNAL AUDIT FINDINGS FOR CARLISLE CITY COUNCIL**

The Director, Audit (Grant Thornton) submitted the External Audit Findings Report for the year end 31 March 2020.

The external audit was now complete and subject to the Committee's consideration of the report, the work would be signed off with the final report being issued on 21 May 2021.

The Director, Audit (Grant Thornton) noted that an earlier version of the report (submitted to the Committee at its meeting of 18 December 2020), had identified asset valuations in respect of Property, Plant and Equipment (PPE) assets valued under the Depreciated Replacement Cost (DRC) basis required further assurance.

Following a revaluation of the assets, multiple adjustments to the Council's Financial Statements had been required: at the 2020 year end PPE asset values had increased from £57.7M to £73.7M, investments assets had increased from £79.9M to £90.5M. Due to the significant differences in the valuations, it was necessary to restate the 2018/19 and 2017/18 valuations to ensure consistency in the figures shown in the balance sheet. This had also resulted in additional disclosures being required for Prior Period Adjustments (Paragraph 1.7 of the Narrative Statement on page 9 and Note 4.1 on page 43 of the accounts) on what the effect of the revised valuations on the main financial statements (including prior year comparator figures).

The need for the revaluation had been identified following the original valuer not providing appropriate responses to challenges from the External Auditor. Accordingly, the Council reviewed the original valuations and instructed a new valuer to assess the Council's portfolio, which had led to the revised values cited above. Grant Thornton were satisfied that the new valuations were robust and the Director, Audit was able to assure the Committee that the asset base valuations were now solid. A high level recommendation had been raised requiring the Council to complete quality assurance check on the valuations to ensure that the basis of valuations, key assumptions and data sets employed were reasonable.

The Director, Audit (Grant Thornton) commended the Corporate Director of Finance and Resources and the Financial Services Manager (Deputy S.151) for their mature response and handling of the revaluation process.

Grant Thornton's work was substantially complete and there were no matters of which they were aware that would require modification of their audit opinion as outlined in Appendix E,

or material changes to the financial statements. The Audit had been completed providing the Council with an unqualified opinion on both the Accounts and the VFM conclusion.

Turning to the issue of fees, the Director, Audit advised that the fees would be significantly more than the originally sum of £51,000 as substantial additional time had been charged to the audit through a combination of a rescheduled start to the audit and the audit on Property Plant and Equipment and Investment Property would require full re-performance. As a result, the new fee was expected to be £81,210, subject to the appropriate approval processes. It was expected that the Annual Audit Letter would be produced in the coming month it would include a detailed breakdown of the additional fees.

In considering the External Audit Findings for Carlisle City Council, Members raised the following comments and questions:

Was the increased audit fee solely related to the PPE revaluation work?

The Director, Audit (Grant Thornton), responded that the majority of the increased fee was as a result of the revaluation work, additional costs related to remote working had been factored into the fee prior to the PPE work. It was further noted that, as a result of the Redmond Review there would likely be a significant increase in audit fees going forward; the proposed fee for next year had been shared with management.

Why has the revaluation of the PPE assets increased their value so significantly?

The Corporate Director of Governance and Resources explained that it had transpired through the external audit process that the original valuer had used inappropriate bases in their valuations. The valuer appointed to carry out the revaluation work had used relevant bases therefore their valuations were considered much more robust.

The Corporate Director of Finance and Resources advised that at the time of appointment, the new valuer had been asked to conduct the valuations for 2021. That data had been received and was undergoing review by the Property Services Team to ensure the accuracy of the information. A tender process to appoint a new valuer would be undertaken in due course.

What impact had the revaluations had on the insurance of the assets?

The Financial Services Manager (Deputy S.151) responded that, in terms of the balance sheet the property valuation and insurance valuations were not the same due to their different focuses. The insurance valuation comprised data relating to rebuild costs, effects of wear and tear etc. The insurance valuation was updated and reviewed annually as part of its tender process.

A Member proposed that Appendix A (Action Plan) and Appendix B (Follow up on prior year recommendations be referred to the Business and Transformation Scrutiny Panel for information and ongoing monitoring. The Committee indicated its assent.

RESOLVED – That the Audit Committee:

(1) Noted and received the very positive External Audit Findings Report for the year ended 31 March 2020.

(2) Recognised the excellent work undertaken by the Financial Services Team, and the success in achieving the statutory close down. The Committee also recognised the contribution of the Grant Thornton team.

(3) Referred Appendix A (Action Plan) and Appendix B (Follow up on prior year recommendations) be referred to the Business and Transformation Scrutiny Panel for information and ongoing monitoring.



# Report to Business & Transformation Scrutiny Panel

Item  
A.6

Meeting Date: 26<sup>th</sup> August 2021  
 Portfolio: Finance, Governance and Resources  
 Key Decision: No  
 Within Policy and Budget Framework: Yes  
 Public / Private: Public

Title: SICKNESS ABSENCE REPORT QUARTER 1 2021/22  
 Report of: The Deputy Chief Executive  
 Report Number: CS 30-21

**Purpose / Summary:**

This report sets out the authority’s sickness absence levels for the period April 2021 to June 2021 and outlines other sickness absence information.

**Recommendations:**

- 1) Scrutinise and comment on the information on sickness absence provided in the report.

**Tracking**

Executive:	Not applicable
Scrutiny: BTSP	26 <sup>th</sup> August 2021
Council:	Not applicable

## 1. BACKGROUND

1.1 Business and Transformation Scrutiny Panel met on 13<sup>th</sup> February 2020 and during a discussion on the Sickness Absence Report, it was resolved that a Task and Finish Group would be established to assist the HR Manager in reviewing the Attendance Management Policy which would enable Managers to more effectively manage absence.

1.2 A new Improving Attendance Policy has been drafted as part of the work of this group. The draft Improving Attendance Policy, developed as part of the Member led Task and Finish group, has been through a consultation process with staff and managers. The policy is intended to support managers and employees with improving attendance at work. The policy is going to Employment Panel for final consideration on 14<sup>th</sup> September 2021.

1.3 Current sickness statistics are shown below, with the number of days lost per FTE equating to 2.6 in the first quarter of 2021/22 (2020/21 Q1 was 2.1).

## 2. 2021/22 SICKNESS ABSENCE

2.1 The tables below show the 2.6 days lost per FTE split between long and short-term sickness (long term sickness is defined as any absence more than 4 consecutive working weeks):

2021/22	Days Lost	Days Lost per FTE
Long-term	876 (76%)	2.0 (76%)
Short-term	274 (24%)	0.6 (24%)
<b>Total</b>	<b>1,150</b>	<b>2.6</b>

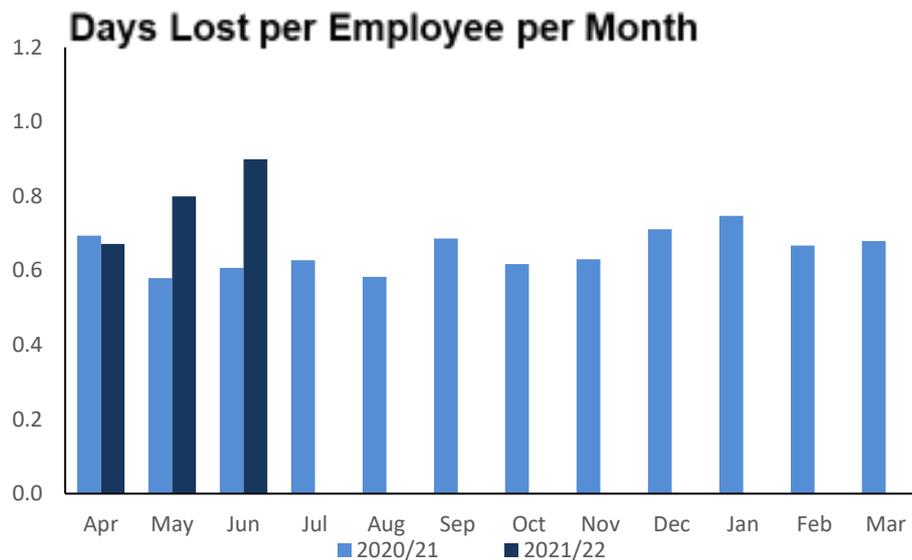
2.2 The tables below provide absence levels split by directorates for Quarter 1 2021/22 and the first quarters of previous years.

<b>All Directorates (469 head count/411 Full-Time Equivalents (FTE) as at 30/06/21)</b>				
<b>Indicator</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
Working days lost due to sickness absence per FTE	2.2	2.0	2.1	2.6
Number of working days lost due to sickness absence	926	786	922	1,150
Proportion of sickness absence that is long term (four working weeks or more)	62%	61%	80%	76%
<b>Community Services (193 head count/182 FTE)</b>				
<b>Indicator</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
Working days lost due to sickness absence per FTE	2.6	1.8	2.2	3.7
Number of working days lost due to sickness absence	439	298	376	649
Proportion of sickness absence that is long term (four working weeks or more)	58%	52%	80%	75%
<b>Economic Development (38 head count/36 FTE)</b>				
<b>Indicator</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
Working days lost due to sickness absence per FTE	0.6	1.6	0	0.3
Number of working days lost due to sickness absence	21	58	0	10
Proportion of sickness absence that is long term (four working weeks or more)	0%	47%	0%	0%
<b>Governance and Regulatory Services (132 head count/109 FTE)</b>				
<b>Indicator</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
Working days lost due to sickness absence per FTE	2.4	1.9	2.3	2.7
Number of working days lost due to sickness absence	273	197	308	370
Proportion of sickness absence that is long term (four working weeks or more)	81%	84%	89%	93%
<b>Corporate Support* (32 head count/26 FTE)</b>				
<b>Indicator</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
Working days lost due to sickness absence per FTE			2.7	0.5
Number of working days lost due to sickness absence			183	15
Proportion of sickness absence that is long term (four working weeks or more)			71%	0%
<b>Finance and Resources* (74 head count/59 FTE)</b>				
<b>Indicator</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
Working days lost due to sickness absence per FTE			1.7	1.7
Number of working days lost due to sickness absence			55	106
Proportion of sickness absence that is long term (four working weeks or more)			73%	49%

\*Corporate Support and Finance and Resources directorates restructures took effect from October 2018 with further significant changes in April 2020 therefore reporting on new directorates recommenced from 2020/21.

2.3 So far in 2021/22, there has been a 24% increase in overall days lost per employee when compared to the same period in the previous year. 24 employees have been absent long-term (those cases where the absence is 4 working weeks or more) throughout the quarter - two less than the same quarter of the previous year. 17 long-term cases remained open as of 12<sup>th</sup> July 2021 and 9 of the instances were due to 'Stress, depression, mental health, fatigue syndromes'.

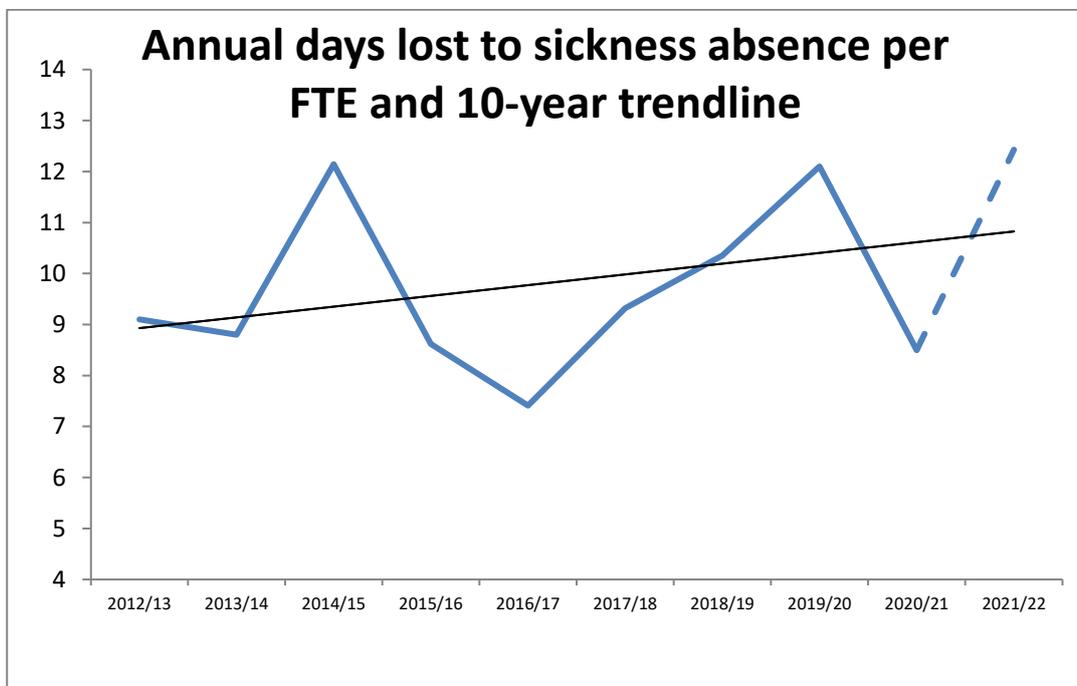
2.4 The following graph compares the months of 2021/22 with those of the previous year. The recent increase can be seen in May and June. This increase follows eleven consecutive months of reductions in days lost compared to the same months of the previous year. Much of this reduction was attributed to a decline in short-term sickness cases but this is no longer the case in 2021/22.



### 3. TRENDS

3.1 As stated above, Authority-wide, compared to Quarter 1 2020/21, 2021/22 levels of sickness have risen by 24%. The long-term trend can be seen in the graph below. The medium to long term direct and indirect impacts of the Covid-19 pandemic on the Authority's sickness absence level continue to be difficult to predict e.g. impacts of 'long' Covid and future 'waves'. However, absences will continue to be proactively managed and the absence data monitored for any emerging issues.

3.2 The black line is the long-term trendline and the dotted line for 2021/22 is a year-end prediction based on Quarter 1 typically accounting for 21% of the year's absence



#### 4. SICKNESS ABSENCE REASONS

4.1 The reasons for sickness absence in 2020/21 are shown in the table below. The table shows the FTE days lost due to each reason for the sickness absence and is split by directorate. 'Stress, depression, mental health, fatigue syndromes' currently represents the absence reason with the greatest days lost (430 days). 82% of these lost days were from 9 long term absentees. 6 of these cases were still open at the time of writing.

FTE Days lost by reason and directorate	Comm. Services	Corporate Support	Economic Dev't	Financial Services	Gov & Reg Services	Total
Back and neck problems	36	4			4	44 (4%)
Other musculo-skeletal problems	52			6	52	110 (10%)
Stress, depression, mental health, fatigue syndromes	377	2		14	37	430 (37%)
Infections (incl. colds and flu)	7		2	2	5	16 (1%)
Neurological (incl. headaches and migraine)	10		1	37		47 (4%)
Genito-urinary / gynaecological				8	58	66 (6%)
Pregnancy related (not maternity leave)					48	48 (4%)-
Stomach, liver, kidney & digestion (incl. gastroenteritis)	28	1	2	14	59	104 (9%)
Heart, blood pressure & circulation	49					49 (4%)
Chest & respiratory (incl. chest infections)	72			22	3	97 (8%)
Ear, eye, nose & mouth / dental (incl. sinusitis)	14	1	5	4		24 (2%)
Other	5	7			104	116 (10%)

## 4.2 Impact of Covid-19

The direct impact of the pandemic on absenteeism has been monitored since the first national restrictions were announced early last year. The majority of staff have been able to work from home or have been redeployed into other roles. For clarity, in the few cases when staff have been unable to work for non-sickness related reasons, these days have not been included in the totals.

4.3 The table below shows how the reasons for sickness have changed since pre-pandemic in 2018/19 through to the first quarter of 2021/22. The percentages represent the proportion of all sickness absence days.

Absence Category	2018/19 (Pre Covid)	2019/20 (Covid Lockdown from mid- March)	2020/21 Covid	Commentary	Q1 2021/22 Covid
Musculo-skeletal problems combined with back and neck problems.	17%	22%	25%	Steady increase in problems - up 8% in 2 years.	14%
Stress, depression, mental health, fatigue syndromes	30%	29%	44%	Significant increase during Covid. Increase by around 14%.	37%
Infections (incl. colds and flu)	11%	8.7%	2.6%	Significant decrease during lockdown. Decrease by 6 - 8.5%.	1.5%
Neurological (incl. headaches & migraines)	1.7%	1.3%	2.6%	Slight increase.	3.9%
Genito-urinary / gynaecological	1.2%	1.5%	2.0%	Slight increase.	6.0%
Pregnancy related (not maternity leave)	-	-	0.8%	New category	4.5%
Stomach, liver, kidney & digestion (incl. gastroenteritis)	17%	14%	6.6%	Significant decrease during lockdown. Decrease by 7 – 10%	9%
Heart, blood pressure & circulation	3.0%	6.1%	4.3%	Similar	4.6%
Chest & respiratory (incl. chest infections)	7.7%	5.1%	5.9%	Similar	8.0%
Ear, eye, nose & mouth / dental (incl. sinusitis)	2.7%	2.3%	0.5%	Decrease by around 2%	2.2%
Other	9.3%	11%	6.1%	Decrease of between 3 – 4.5%	10%

4.4 In line with national trends, we have seen a significant decrease in absence due to non Covid cold & flu infections (decrease between 6 – 8.5%) and this trend has continued into Quarter 1 of 2021/22.

4.5 During the lockdown period there was also a significant drop in absence related to Stomach, liver, kidney & digestion (incl. gastroenteritis) and Ear, eye, nose & mouth related absence. However, both of these absence categories have shown a significant upward trend in Quarter 1. It is interesting that stomach & digestion absence has increased because this can also be an indicator of increased stress, depression or fatigue which is being seen nationally and has been attributed to the third lockdown. Neurological (inc. headaches & migraines) category has increased during lockdown by 1% and this is also showing an upward trend during Quarter 1 of 2021/22 with a further 1% increase. This reason can be an indicator of stress too. Actual absences due to the category of stress, depression, mental health, fatigue syndromes has seen a significant increase from around 29% in 2019/20 to 42% in 2020/21 which is a concern. This trend has continued in Quarter 1 of 2021/22.

4.6 Absences due to musculo-skeletal problems combined with back and neck problems has also seen a significant increase from around 17% to 28% in 2020/21. However, the Quarter 1 2021/22 figures show a drop back to pre-Covid levels. It is difficult to know whether this will be a sustained reduction and the picture should become clearer in Quarter 2. However, it is important that staff workstations are a key consideration when looking at these absence reasons and when reviewing applications for continued homeworking / hybrid working. As an employer we will still be liable for DSE related health issues and although an employee may have worked from home successfully over the lockdown period this does not necessarily mean that their workspace is suitable for longer term home / hybrid working.

4.7 Around three-quarters of sickness in Quarter 1 is classified as long term sickness. There continues to be a focus on long term sickness absence. Every long term absence has been reviewed and an action plan put in place. Case reviews are also being arranged with line managers for absence longer than 8 weeks (where that has not already taken place). There appears to be significant increases in absence related to stress in some teams. These will be investigated further and closely monitored.

## 5. RETURN TO WORK INTERVIEWS (RTW)

5.1 Carrying out a return to work interview continues to be one of the most effective ways to manage attendance and reduce absence.

5.2 Up to the end of June 2021, 95% of return to work interviews have been conducted (2020/21: 97%). The number of working days between the employees returning to work and interviews being conducted and the proportion completed within five working days has also been included in the table below:

Directorate	Proportion of RTWs conducted	Average time taken to complete RTW (working days)	Proportion of RTWs completed within 5 working days
Community Services	94%	3.8	85%
Corporate Support	100%	5.3	50%
Economic Development	100%	7.5	75%
Finance & Resources	100%	6.6	64%
Governance & Regulatory Services	91%	4.2	80%
<b>All Directorates</b>	<b>95%</b>	<b>4.6</b>	<b>78%</b>

## 6. PROPOSALS

None

## 7. RISKS

None

## 8. CONSULTATION

The report was reviewed by the Senior Management Team in July 2021.

## 9. CONCLUSION AND REASONS FOR RECOMMENDATIONS

The Panel are asked to scrutinise and comment on the sickness absence information with a view to driving continuous improvement.

## 10. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

Monitoring sickness absence to help ensure the staff resources available to deliver the Carlisle Plan are maximised.

**Contact Officers: Gary Oliver, Bibian McRoy**

**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** - This report raises no explicit legal issues.

**FINANCE** – This report raises no explicit financial issues

**EQUALITY** – This report highlights the positive interventions taken around mental health in the workplace. This work demonstrates our commitment to the Public Sector Equality Duty and is consistent with the Equality Policy and Action Plan.

**INFORMATION GOVERNANCE** – This report raises no explicit issues relating to Information Governance.

**PROPERTY SERVICES** - This report raises no explicit issues relating to Property Services



# Report to Business & Transformation Scrutiny Panel

Item  
A.7

Meeting Date: 26<sup>th</sup> August 2021  
 Portfolio: Finance, Governance and Resources  
 Key Decision: No  
 Within Policy and Budget Framework: Yes  
 Public / Private: Public

Title: QUARTER 1 PERFORMANCE REPORT 2021/22  
 Report of: Policy and Communications Manager  
 Report Number: PC 33-21

**Purpose / Summary:**

This report contains the Quarter 1 2021/22 performance against the current Service Standards and a baseline position for the Carlisle Plan 2021-23 actions as defined in the draft Plan. Performance against the Panel’s 2021/22 Key Performance Indicators (KPIs) are included as a dashboard.

The recommendations from the Member Task and Finish Group on performance reporting are also detailed.

**Recommendations:**

1. Scrutinise the performance of the City Council with a view to seeking continuous improvement in how the Council delivers its priorities.
2. Consider and agree the recommendations made by the Task and Finish Group regarding future performance reports.

**Tracking**

Executive:	27/09/21
Scrutiny:	Business and Transformation 26/08/21 Health and Wellbeing 02/09/21 Economic Growth 09/09/21
Council:	N/A

## 1. BACKGROUND

1.1 This report contains the 2021/22 performance against the Service Standards and a summary of the Carlisle Plan 2021-23 actions as defined in the draft Plan. The Panel's Key Performance Indicators (KPIs) are also included as an appended dashboard. For further information, pre-Covid pandemic performance i.e. Quarter 1 2019/20 is also included.

1.2 Service Standards are the measures judged to be the most important to our customers and therefore the mostly likely to influence the overall satisfaction with how the Council performs. The following pages contain the Council's performance against the Service Standards for this Panel.

1.3 The measures are predominately lagging indicators (looking back at performance) and cover a range of services. Some indicators naturally lend themselves to having a specific target, or a national target, whilst with others the aim is to continually improve year-on-year compared to past performance. Regularly monitoring the Council's performance helps to drive continuous improvement and protects against any financial or organisational issues by flagging up indicators that are off target. The measures can also be used for a variety of other purposes including: to evaluate, control, budget, motivate, promote, celebrate and learn. Performance management in this form, through performance reporting, is just one aspect of the Council's wider performance framework.

1.4 The current position of the actions in the Carlisle Plan are presented in Section 3. Only actions within the remit of the Panel are included in this report. The intention is to give the Panel a brief overview of the current position without duplicating the more detailed reporting that takes place within the Scrutiny agendas and Portfolio Holder reports.

### 1.5 Summary of KPIs and Service Standards:

Service Standards – 2 'red', 0 'amber' and 3 'green'

KPIs – 5 'red', 3 'amber', 10 'green'

### Summary of Exceptions (RED)

Measure	Target	Performance
SS04 Average number of working days to process new benefits claims	19 days	21.6 days Fluctuations in resource levels and the additional work to provide Test & Trace Support payments have affected claim processing timescales.

SS05: Proportion of corporate complaints dealt with on time	100%	90% We received 21 complaints (which is very high) in the Quarter, of which two went over 15 days. This was due to the complex nature of the complaints that required further investigation.
CSe14: Actual car parking revenue as a percentage of car parking expenditure	93%	65% Revenue £134k down on target.
FR03 Average number of working days lost due to sickness absence per FTE (full-time equivalent) employee.	2.1	2.6 See separate full report on agenda
FR09 Internal Audit - Percentage of draft internal reports issued by the agreed deadline or formally approved revised deadline agreed by Audit Manager and client	80%	59% Covid-19 delays (including vacancy and absence) *
FR15 Internal Audit - Percentage of chargeable time	80%	69% Covid-19 delays and recruitment *
FR17 Internal Audit – Proportion of audit recommendations implemented	80%	56% These are monitored on a regular basis by both the Audit team and Audit Cttee. Management responses/updates are received for all outstanding recommendations *

\*Further detail regarding Internal Audit KPIs were provided at the Audit Committee on 8 July 2021:

*“The global COVID-19 pandemic that first arose during the first part of 2020 has had a significant impact on the ability to deliver the Internal Audit Plan during the year. Firstly, the Council’s compliance with national guidance and the instruction for all employees to work from home and the requirement for as little social contact as possible curtailed some of the work of the internal audit department and required a re-focusing of the reviews in the Audit plan. The internal audit team themselves have been working from home for the full year and have delivered audits mainly through remote contact with auditees.*

*The Committee have been kept abreast of changes to the audit plan as well as progress on individual audits throughout the year, with amendments to the plan being approved at the 18 December meeting and an update on plans to achieve sufficient coverage by continuing to work on 2020/21 audits in the first quarter of 2021/22 being provided at the 15 March meeting.*

*The team had faced difficulties in completing reviews due to staff turnover and a long-term (covid-related) sickness absence. In order to provide resources to deliver the plan, a temporary resource was appointed in January 2021 and this has helped to complete reviews that may have otherwise not been completed and the team have managed to complete 23 of the 26 (88%) proposed reviews within the plan.*

*Although there were some difficulties in completing reviews remotely and without direct access to other departments, reviews have progressed well, and reports have been issued and concluded with clients in a timely manner. I appreciate the efforts of the Internal Audit team in achieving the level of coverage that they have.*

*As well as completion of the plan, Internal audit have also provided guidance and support to other departments around changes to working practices and in providing assurances around the receipt and distribution of COVID funding from Government. These activities will ensure there are still ongoing considerations and controls in place to limit the potential for fraud and error.*

*The COVID-19 pandemic will have a lasting effect on the way the Council undertakes its business and internal audit will be integral in ensuring there are adequate working controls and governance in place throughout 2021/22 and beyond in order to protect the Council's position."*

## **1.6 Performance Reporting Task and Finish Group**

At their meetings of 28 August and 3 September 2020 respectively, Health and Wellbeing and Business and Transformation Scrutiny Panels both resolved that they would like to be involved in developing the content of future performance reports. It was agreed by all three Scrutiny Panels that this work should be carried forward by a Task and Finish Group that involved officers and Members from each Panel.

### 1.6.1 Aims of the Task and Finish Group were:

- Review existing reporting, seek advice from Policy and Communications Team on strengths and challenges of existing reporting
- Research examples of good practice
- Develop recommendations to share with HWSP, EGSP and BTSP

### 1.6.2 Membership:

#### Members:

Cllr Keith Mellor (EGSP Vice Chair(VC))

Cllr James Bainbridge (BTSP Chair)

Cllr Pamela Birks (BTSP VC)

Cllr Christine Finlayson (HWSP VC)

Cllr Jeanette Whalen (HWSP)

#### Co-opted Members:

Gary Oliver (Policy and Performance Officer) (Chair)

Rowan Jones (Overview and Scrutiny Officer)

Ross Blakemore (Data Analyst Apprentice)

### 1.6.3 The group met in January, February and June 2021 and the following recommendations were made and will be shared with all three Panels:

- Quarterly reports should be lighter, but end of year reports will still be the full report, including potential use of infographics and benchmarking where possible (ALL)
- Consider stretch targets for next year (2022/23) in a January 2022 review (BTSP)
- For the Carlisle Plan 2021-23, the governance arrangements and key project information be shared with the Panels and then going forward, light updates, exceptions and measures of success to be reported on (ALL)
- Service Standards – remove acronyms and use plain English (ALL)

- The recycling service standard should include the waste taken to the Household Waste Recycling Centres at Bousteads Grassing and Brampton to give a more holistic view of Carlisle household recycling (HWSP)
- Some KPIs that no longer fit the strategic priorities for the Panels should be removed once the Panels' workplans for the year have been developed. (ALL)
- Homelessness data needs to be more strongly reflected in performance management e.g. re-presentations, how long are households spending in temporary accommodation (HWSP)
- Customer satisfaction surveys – once the Civic Centre is open to the public again, consider a face-to-face survey or kiosk at point of exit to complement the current online survey form. Once the new telephony service is in place, performance measures should be developed in line with the Customer Services Charter (BTSP)
- Climate change targets - Carlisle target is now aligned to Cumbria target of net zero by 2037 but this will not be a linear process to achieve this. An annual summary table of projects delivered should be included in the end of year performance report. Consider alignment with other Cumbria authorities in relation to shorter term targets
- Further develop a live dynamic performance dashboard that can be publicly shared and accessible to Members (ALL)

## **2. PROPOSALS**

As detailed in the Task and Finish Group recommendations

## **3. RISKS**

None

## **4. CONSULTATION**

The report was reviewed by relevant senior management and will be considered at the other Scrutiny Panels.

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

The Panel are asked to scrutinise the Performance Report prior to it being submitted to Executive.

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

Detail in the report.

**Contact Officer:** Gary Oliver

**Ext:** 7430

### **Appendices attached to report:**

Performance Dashboard

**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** - This report raises no explicit legal issues.

**FINANCE** – This report raises no explicit financial issues

**EQUALITY** – This report raises no explicit issues relating to the Public Sector Equality Duty.

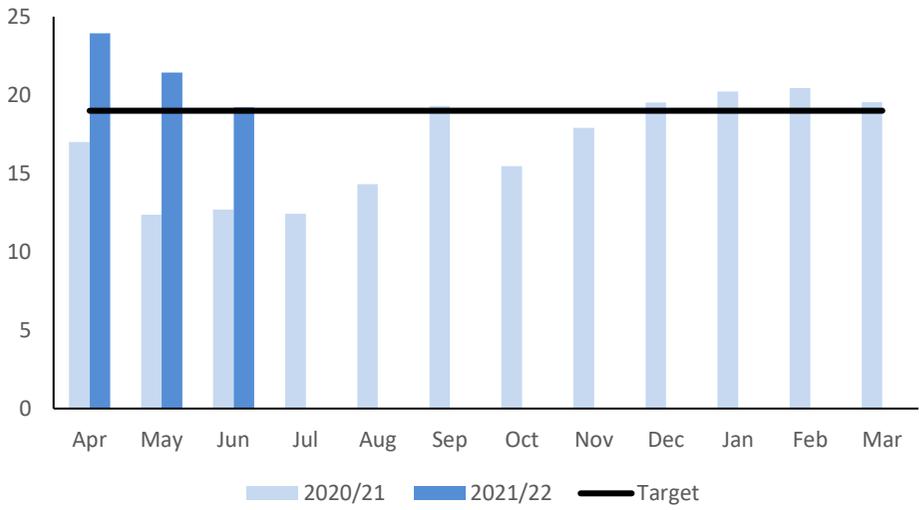
**INFORMATION GOVERNANCE** – This report raises no explicit issues relating to Information Governance.

## Section 1: Service Standards 2021/22

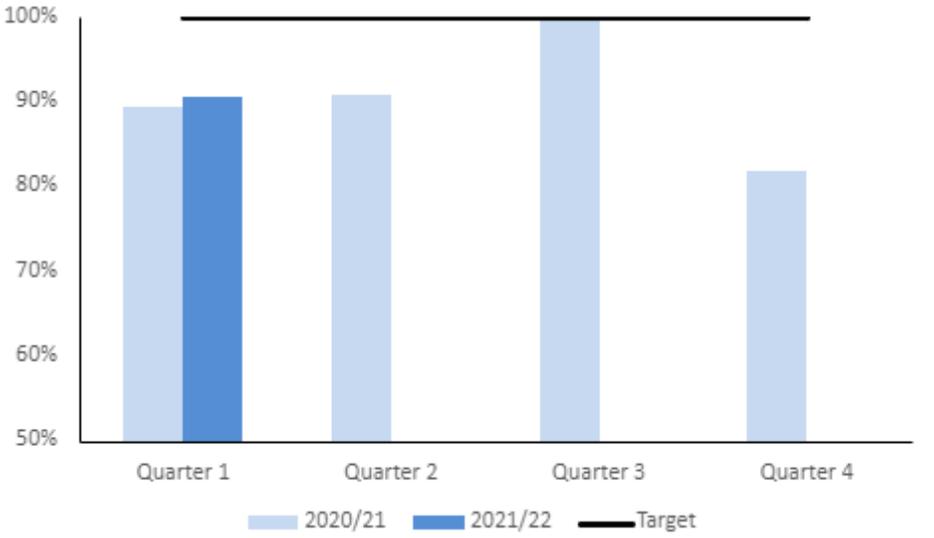
Service Standards were introduced in 2012 after consultation with Service Managers, DMTs, SMT and JMT. Five further measures were introduced from Quarter 2 2017/18 and all are reviewed during Quarter 3 each year as part of the service planning process. Service Standards are the measures judged to be the most important to our customers, therefore, the most likely to influence the overall satisfaction with how the Council performs.

The following pages contains the Council's performance against the Service Standards within the Panel's remit.

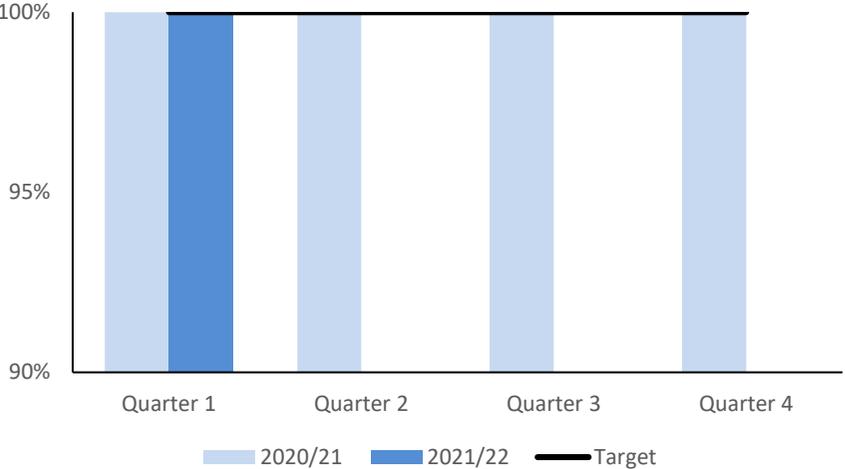
### SS04: Average number of working days to process new benefits claims

Service Standard	Quarter 1 2021/22	Performance by Month	Further Information																																																				
New claims should be processed within 19 days to achieve top two quartiles compared to other local authorities	21.6 days  (Q1 2020/21: 14.4 days Q1 2019/20: 20.4 days)	 <table border="1" data-bbox="763 715 1682 1225"> <caption>Monthly Performance Data (Average working days)</caption> <thead> <tr> <th>Month</th> <th>2020/21</th> <th>2021/22</th> <th>Target</th> </tr> </thead> <tbody> <tr><td>Apr</td><td>17.0</td><td>24.0</td><td>19.0</td></tr> <tr><td>May</td><td>12.5</td><td>21.5</td><td>19.0</td></tr> <tr><td>Jun</td><td>12.5</td><td>19.0</td><td>19.0</td></tr> <tr><td>Jul</td><td>12.5</td><td>-</td><td>19.0</td></tr> <tr><td>Aug</td><td>14.5</td><td>-</td><td>19.0</td></tr> <tr><td>Sep</td><td>19.0</td><td>-</td><td>19.0</td></tr> <tr><td>Oct</td><td>15.5</td><td>-</td><td>19.0</td></tr> <tr><td>Nov</td><td>18.0</td><td>-</td><td>19.0</td></tr> <tr><td>Dec</td><td>19.5</td><td>-</td><td>19.0</td></tr> <tr><td>Jan</td><td>20.5</td><td>-</td><td>19.0</td></tr> <tr><td>Feb</td><td>20.5</td><td>-</td><td>19.0</td></tr> <tr><td>Mar</td><td>19.5</td><td>-</td><td>19.0</td></tr> </tbody> </table>	Month	2020/21	2021/22	Target	Apr	17.0	24.0	19.0	May	12.5	21.5	19.0	Jun	12.5	19.0	19.0	Jul	12.5	-	19.0	Aug	14.5	-	19.0	Sep	19.0	-	19.0	Oct	15.5	-	19.0	Nov	18.0	-	19.0	Dec	19.5	-	19.0	Jan	20.5	-	19.0	Feb	20.5	-	19.0	Mar	19.5	-	19.0	906 new claims were made in Q1; almost identical number to the previous year. However, fluctuations in resource levels and the additional work to provide Test & Trace Support payments have affected claim processing timescales.
	Month		2020/21	2021/22	Target																																																		
Apr	17.0	24.0	19.0																																																				
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Mar	19.5	-	19.0																																																				
<b>On target?</b>  <div style="text-align: center; color: red; font-size: 2em;">✘</div>																																																							

SS05: Proportion of corporate complaints dealt with on time

Service Standard	Quarter 1 2021/22	Performance by Quarter	Further Information																				
Corporate complaints should be dealt with within 15 working days	90%  (Q1 2020/21: 89% Q1 2019/20: 100%)	 <p>The chart displays performance by quarter for two periods: 2020/21 (light blue bars) and 2021/22 (dark blue bars). A horizontal line at 100% represents the target. The 2021/22 Q1 performance is 90%.</p> <table border="1"> <caption>Performance by Quarter Data</caption> <thead> <tr> <th>Quarter</th> <th>2020/21 (%)</th> <th>2021/22 (%)</th> <th>Target (%)</th> </tr> </thead> <tbody> <tr> <td>Quarter 1</td> <td>89%</td> <td>90%</td> <td>100%</td> </tr> <tr> <td>Quarter 2</td> <td>90%</td> <td>-</td> <td>100%</td> </tr> <tr> <td>Quarter 3</td> <td>100%</td> <td>-</td> <td>100%</td> </tr> <tr> <td>Quarter 4</td> <td>81%</td> <td>-</td> <td>100%</td> </tr> </tbody> </table>	Quarter	2020/21 (%)	2021/22 (%)	Target (%)	Quarter 1	89%	90%	100%	Quarter 2	90%	-	100%	Quarter 3	100%	-	100%	Quarter 4	81%	-	100%	We received 21 complaints (which is very high) in the Quarter, of which two went over 15 days. This was due to the complex nature of the complaints that required further investigation.
	Quarter		2020/21 (%)	2021/22 (%)	Target (%)																		
	Quarter 1		89%	90%	100%																		
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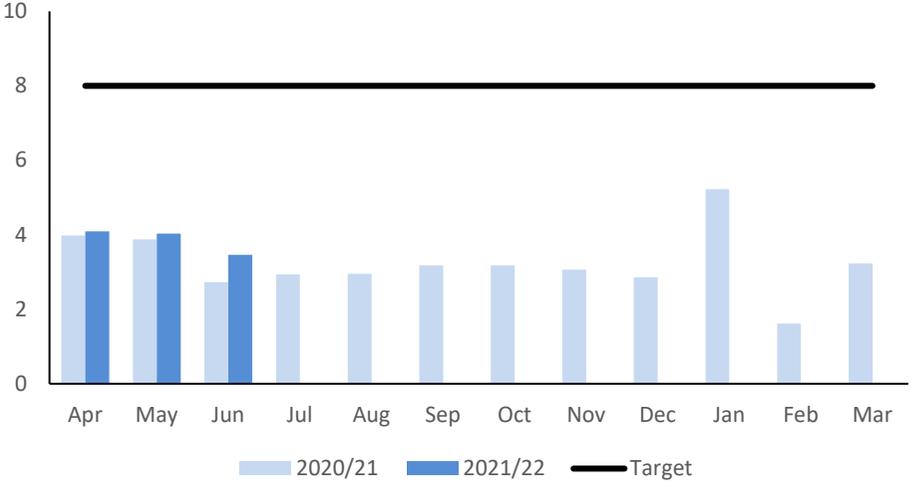
SS07: Proportion of non-contentious licence applications completed on time

Service Standard	Quarter 1 2021/22	Performance by Quarter	Further Information															
100% of non-contentious licence applications should be completed within 10 working days	100% (Q1 2020/21: 100% Q1 2019/20: 100%)	 <p>The chart displays performance by quarter for two periods: 2020/21 and 2021/22. The y-axis represents the percentage of applications completed on time, ranging from 90% to 100%. The x-axis lists Quarter 1, Quarter 2, Quarter 3, and Quarter 4. A horizontal line at 100% represents the target. For 2020/21, performance is 100% in all quarters. For 2021/22, performance is also 100% in Quarter 1.</p> <table border="1"> <caption>Performance by Quarter Data</caption> <thead> <tr> <th>Year</th> <th>Quarter 1</th> <th>Quarter 2</th> <th>Quarter 3</th> <th>Quarter 4</th> </tr> </thead> <tbody> <tr> <td>2020/21</td> <td>100%</td> <td>100%</td> <td>100%</td> <td>100%</td> </tr> <tr> <td>2021/22</td> <td>100%</td> <td>-</td> <td>-</td> <td>-</td> </tr> </tbody> </table>	Year	Quarter 1	Quarter 2	Quarter 3	Quarter 4	2020/21	100%	100%	100%	100%	2021/22	100%	-	-	-	193 out of 193 applications completed on time in Quarter 1.
	Year		Quarter 1	Quarter 2	Quarter 3	Quarter 4												
	2020/21		100%	100%	100%	100%												
2021/22	100%	-	-	-														
<b>On target?</b>																		
																		

SS08: Proportion of official local authority searches completed on time

Service Standard	Quarter 1 2021/22	Performance by Month	Further Information																																																				
85% of official local authority searches should be completed within 10 working days	<p>88.7%</p> <p>(Q1 2020/21: 90.9%</p> <p>Q1 2019/20: 95.6%)</p>	<table border="1"> <caption>Performance by Month Data</caption> <thead> <tr> <th>Month</th> <th>2020/21 (%)</th> <th>2021/22 (%)</th> <th>Target (%)</th> </tr> </thead> <tbody> <tr><td>Apr</td><td>100</td><td>92</td><td>85</td></tr> <tr><td>May</td><td>90</td><td>90</td><td>85</td></tr> <tr><td>Jun</td><td>85</td><td>85</td><td>85</td></tr> <tr><td>Jul</td><td>10</td><td>10</td><td>85</td></tr> <tr><td>Aug</td><td>10</td><td>10</td><td>85</td></tr> <tr><td>Sep</td><td>18</td><td>18</td><td>85</td></tr> <tr><td>Oct</td><td>55</td><td>55</td><td>85</td></tr> <tr><td>Nov</td><td>55</td><td>55</td><td>85</td></tr> <tr><td>Dec</td><td>28</td><td>28</td><td>85</td></tr> <tr><td>Jan</td><td>85</td><td>85</td><td>85</td></tr> <tr><td>Feb</td><td>75</td><td>75</td><td>85</td></tr> <tr><td>Mar</td><td>95</td><td>95</td><td>85</td></tr> </tbody> </table>	Month	2020/21 (%)	2021/22 (%)	Target (%)	Apr	100	92	85	May	90	90	85	Jun	85	85	85	Jul	10	10	85	Aug	10	10	85	Sep	18	18	85	Oct	55	55	85	Nov	55	55	85	Dec	28	28	85	Jan	85	85	85	Feb	75	75	85	Mar	95	95	85	<p>195 applications processed in the quarter.</p>
	Month		2020/21 (%)	2021/22 (%)	Target (%)																																																		
	Apr		100	92	85																																																		
May	90	90	85																																																				
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Jul	10	10	85																																																				
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Sep	18	18	85																																																				
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Nov	55	55	85																																																				
Dec	28	28	85																																																				
Jan	85	85	85																																																				
Feb	75	75	85																																																				
Mar	95	95	85																																																				
<p><b>On target?</b></p>																																																							
<p>✓</p>																																																							

SS10: Average number of working days to process benefit claimants' changes of personal details

Service Standard	Quarter 1 2021/22	Performance by Month	Further Information																																							
Changes should be processed within 8 days	<p>3.8 days</p> <p>(Q1 2020/21: 3.6 days Q1 2019/20: 3.2 days)</p>	 <table border="1"> <caption>Performance by Month Data</caption> <thead> <tr> <th>Month</th> <th>2020/21 (Days)</th> <th>2021/22 (Days)</th> </tr> </thead> <tbody> <tr><td>Apr</td><td>4.0</td><td>4.1</td></tr> <tr><td>May</td><td>3.9</td><td>4.0</td></tr> <tr><td>Jun</td><td>2.8</td><td>3.5</td></tr> <tr><td>Jul</td><td>3.0</td><td>-</td></tr> <tr><td>Aug</td><td>3.0</td><td>-</td></tr> <tr><td>Sep</td><td>3.2</td><td>-</td></tr> <tr><td>Oct</td><td>3.2</td><td>-</td></tr> <tr><td>Nov</td><td>3.1</td><td>-</td></tr> <tr><td>Dec</td><td>2.9</td><td>-</td></tr> <tr><td>Jan</td><td>5.2</td><td>-</td></tr> <tr><td>Feb</td><td>1.6</td><td>-</td></tr> <tr><td>Mar</td><td>3.3</td><td>-</td></tr> </tbody> </table>	Month	2020/21 (Days)	2021/22 (Days)	Apr	4.0	4.1	May	3.9	4.0	Jun	2.8	3.5	Jul	3.0	-	Aug	3.0	-	Sep	3.2	-	Oct	3.2	-	Nov	3.1	-	Dec	2.9	-	Jan	5.2	-	Feb	1.6	-	Mar	3.3	-	<p>Over eight thousand changes were processed in Quarter 1.</p>
	Month		2020/21 (Days)	2021/22 (Days)																																						
	Apr		4.0	4.1																																						
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Sep	3.2	-																																								
Oct	3.2	-																																								
Nov	3.1	-																																								
Dec	2.9	-																																								
Jan	5.2	-																																								
Feb	1.6	-																																								
Mar	3.3	-																																								
<p><b>On target?</b></p>																																										
<p>✓</p>																																										

## **Section 2: Key Performance Indicators (KPIs)**

Service Standards are not the only set of measures used to interrogate the performance of the Council. Alongside the review of Service Standards, a set of Key Performance Indicators, derived from the links between the service plans and budget resolution were developed. The measures are predominately lagging indicators (looking back at performance) and cover a range of internal and external facing services. Some indicators naturally lend themselves to having a target or may have a national target set whilst with others, the aim is to improve year-on-year. Regularly monitoring the Council's performance helps to drive continuous improvement and protects against any financial or organisational issues by flagging up indicators that are off target. The KPIs can also be used for a variety of other purposes including: to evaluate, control, budget, motivate, promote, celebrate and learn. Performance management in this form is just one aspect of the Council's wider performance framework.

Throughout 2020/21, a link to the online customer satisfaction survey was available on the Council's website and promoted via social media. The following table is a summary of the results. When confidence levels for this year and last are taken into account, there is only one change from 2019/20 satisfaction levels. This is in relation to parks and open spaces and is shown below. The results of the most recent LGA survey are also included and Carlisle is broadly in line with the national average.

<b>Question</b>	<b>Sample size</b>	<b>Proportion who answered Very Satisfied/Satisfied for satisfaction questions or Improved/Stayed the Same for change questions</b>	<b>Confidence Interval at 95% Confidence Level</b>	<b>2019/20 Performance</b>	<b>LGA Survey</b>
Overall satisfaction with how well Carlisle City Council is running things	343	72.6%	5.3%	71%	68%
Satisfaction with Carlisle's street cleanliness	340	73.2%	5.3%	68%	68%
Perception of changes to customer's neighbourhood street cleanliness over last three years	333	75.5%	5.4%	69%	N/A
Satisfaction with the Council's Waste and Recycling Collection Service	320	76.4%	5.5%	84%	80%
Perception of changes to the Waste and Recycling Service over the last three years	319	77.8%	5.5%	85%	N/A
Satisfaction with the Council's parks and open spaces	310	73.8%	5.6%	89%	81%
Perception of changes to the parks and open spaces over the last three years	309	73.5%	5.6%	84%	N/A
Satisfaction with the Council's leisure facilities	302	61.8%	5.6%	62%	61%

Perception of changes to the leisure facilities over the last three years	300	63.0%	5.7%	65%	N/A
Satisfaction with Council-run events	249	92.3%	6.2%	91%	N/A
Perception of changes to Council-run events over the last three years	249	94.4%	6.2%	86%	N/A
Satisfaction with the Old Fire Station	N/A	N/A	N/A	97%	N/A

For 2021/22, the survey will be amended to allow further benchmarking with the LGA.

The Performance Reporting Task and Finish Group made recommendations relating to KPIs:

*“Quarterly reports should be lighter, but end of year reports will still be the full report, including potential use of infographics and benchmarking where possible”*

*“Some KPIs that no longer fit the strategic priorities for the Panels should be removed once the Panels' workplans for the year have been developed”*

The Panel's KPI changes are therefore proposed as follows:

<b>Code</b>	<b>Measure</b>	<b>Comments</b>
<b>CSe36a</b>	Social media reach: Facebook post reach - monthly average	Changed to annual reporting
<b>CSe36b</b>	Social media reach: Twitter post reach - monthly average	Changed to annual reporting
<b>CSu02</b>	Proportion of customer "calls for service" logged in Salesforce completed on-line	Changed to annual reporting
<b>FR06</b>	Proportion of debts recovered (sundry debtors)	Changed to annual reporting
<b>GRS04</b>	Proportion of contested licence applications decided on within 50 working days.	Very low numbers so changed from quarterly to annual reporting

The remaining KPIs are attached as a dashboard.

### **Section 3: Draft Carlisle Plan 2021-23 Actions**

The new draft Carlisle Plan covers the period 2021 to 2023 and is currently being consulted on. The public consultation is due to end on 6 August. Results of this consultation will be reported to Executive on 31 August and the final version of the Plan will be recommended for adoption by Council. Many of the key actions have already started to be delivered and the table below provides a baseline position on the progress to date for the one action within the Panel's remit.

Once the Plan has been formally adopted, the next steps will be to work up the project timelines and success measures.

<b>Key Action</b>	<b>Project Activity</b>
6. Delivering The Sands Centre Redevelopment project	<p>In week 34 of 98 for the main works programme.</p> <ul style="list-style-type: none"><li>• The excavation for the foundations and swimming pools are complete. The concreting work for the swimming pools and building foundations are underway. The support structure for the pool spectator gallery and stairs are now in place.</li><li>• The primary steel frame has been erected on the pool hall and the street areas.</li><li>• The project is on track, but we are now encountering and trying to mitigate the effects of Covid-19 and Brexit on the workforce and supply chain.</li></ul>



## Business & Transformation Panel Performance Dashboard Quarter 1 2021/22

Key	
↓	Performance is deteriorating (compared to same period last year)
↑	Performance is improving (compared to same period last year)
→	No change in performance (compared to same period last year)
✗	Off target
▲	Close to target (within 5%)
✓	On target

On Target?	New Code	Measure	Performance Q1 2021/22	Performance Q1 2020/21	Performance Q1 2019/20 (pre-Covid)	Trend	Target	Comments
✗	CSe14	Actual car parking revenue as a percentage of car parking expenditure	64.6%	17.6%	91.8%	↑	92.6%	Revenue £134k under target
✓	CSu04	Percentage of Council Tax collected	28.9%	28.2%	29.1%	↑	28.2%	
✓	CSu05	Percentage of NNDR collected	32.6%	28.3%	31.5%	↑	28.3%	
✓	CSu06	Proportion of direct social media messages on Facebook and Twitter responded to within 24 hours (work days)	100%	100%	100%	→	100%	
▲	CSu07	Customer Services - Respond to customer emails within 48hrs	88%	98%	95%	↓	90%	Nearly 25% increase in volume of emails since corresponding quarter last year
N/A	CSu08	Customer Services - Calls answered within 1 minute	N/A	N/A	N/A	N/A	80%	Unable to measure in Q1 due to temporary telephony system in place while staff work from home.
N/A	CSu09	Customer Services - visitors served within 10 minutes	N/A	N/A	N/A	N/A	90%	Unable to measure in Q1 due to closure of Contact Centre during Covid-19 pandemic.
✓	FR01	Actual net spend as a percentage of annual net budget.	24.7%	26.5%	30.7%	↑	27.5%	
✓	FR02	Percentage of all invoices paid within 30 working days	99.1%	99.4%	99.5%	↓	98%	
✗	FR03	Average number of working days lost due to sickness absence per FTE (full-time equivalent) employee.	2.6	2.1	2.0	↓	2.1	
✓	FR04	Percentage of return to work interviews completed in five working days of returning to work.	78%	77%	82.2%	↑	77%	
▲	FR07b	Internal Audit - Percentage of planned audit reviews (or approved amendments to the plan) completed in respect of the financial year	88%	68%	N/A	↑	90%	Annual measure
✗	FR09	Internal Audit - Percentage of draft internal reports issued by the agreed deadline or formally approved revised deadline agreed by Audit Manager and client	59%	63%	N/A	↓	80%	Covid-19 delays (including vacancy and absence). Annual measure
✓	FR10	Internal Audit - Percentage of final internal audit reports issued for Corporate Director comments within 8 working days of management response or closeout	95%	93%	N/A	↑	90%	Annual measure
✓	FR11	Internal Audit - Percentage of recommendations accepted by management	100%	95%	N/A	↑	90%	Annual measure
▲	FR12	Internal Audit - Percentage of individual reviews completed to required standard within target days	58%	62%	N/A	↓	60%	Annual measure
✓	FR14	Internal Audit - Percentage of customer satisfaction survey scoring the service as "good"	100%	100%	N/A	→	90%	Annual measure
✗	FR15	Internal Audit - Percentage of chargeable time	69%	83%	N/A	↓	80%	Covid-19 delays and recruitment. Annual measure
✗	FR17	Internal Audit – Proportion of audit recommendations implemented	56%	63%	N/A	↓	80%	These are monitored on a regular basis by both the Audit team and Audit Cttee. Management responses/updates are received for all outstanding recommendations. Annual measure
✓	GRS05	Proportion of Temporary Event Notices licences processed within 1 working day.	100%	100%	100%	→	100%	21 applications in the quarter



# Business and Transformation Scrutiny Panel

Item  
A.8

Meeting Date: 26 August 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.21/21

## 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
- Note the current work programme

## Tracking

Executive:	Not applicable
Scrutiny:	BTSP 26/08/21
Council:	Not applicable

## 1. Notice of Key Decisions

**1.1** The most recent Notice of Key Executive Decisions was published on 30 July 2021. 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 08/21 – Medium Term Financial Plan and Capital Investment Strategy
- KD 10/21 – Budget Process 2022/23 – 2026/27
- KD 14/21 – Asset Management Plan 2022 - 2027

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

- KD 15/21 – Carlisle Plan 2021-2023
- KD 19/21 – Review of the Statement of Gambling Policy

## 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.

	<b>Meeting date</b>	<b>Minute reference</b>	<b>Action</b>	<b>Status</b>
1	03/06/21	BTSP 43/21	2) That consideration be given to removing non sickness absence from the Covid-19 sickness figures.	Pending
2	15/07/21	BTSP 53/21	That a future Scrutiny Arrangements Task and Finish Group be established.	Pending
3	15/07/21	BTSP 55/21	2) That an updated ICT Services Project Status Report be submitted to the Panel in three months time.	Complete (added to workplan)

## **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 2021-22**

**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 2021-22

BTSP Date	Title	Lead Officer	Type of Scrutiny
03/06/2021	End of Year Performance Report (including appendix on comparison of targets for climate change)	Gary Oliver	Monitoring
	Financial Update on the Impact of Covid-19	Alison Taylor	Monitoring
	Sands Centre Project Monitoring Report	Darren Crossley	Monitoring
	Outturn Reports	Steven Tickner	Monitoring
	Sickness Absence - end of year report 2020/21	Gary Oliver	Monitoring
15/07/2021	Update on IT projects	David Strong/ Martine Kelly/ Jason Gooding	Monitoring
	Business Rates Outturn 2020/21	Alison Taylor	Monitoring
	Future Scrutiny Arrangements	Rowan Jones	Policy Develop't
	Draft Carlisle Plan	Steven O'Keeffe	Policy Develop't
26/08/2021	Medium Term Financial Plan	Alison Taylor	Policy Develop't
	Asset Management Plan and Annual Property Survey Report	Mark Walshe	Policy Develop't
	Capital Investment Strategy	Alison Taylor	Policy Develop't
	Performance Report Q1	Gary Oliver	Monitoring
	Sickness Absence Q1	Gary Oliver/ Bibian McRoy	Monitoring
	External Audit Report - Action Plan and recommendations	Alison Taylor	Monitoring
	Outcome of Old Fire Station Tender (EX.78/21) - call-in	Darren Crossley	Call - in
07/10/2021	Budget monitoring Q1 2021/22	Steven Tickner	Monitoring
	Covid-19 financial impacts - wrap up report	Alison Taylor	Policy update
	Squad working	Darren Crossley	Policy Develop't
	Commercialisation Strategy T&F group report	Alison Taylor	Policy Develop't
	Sands Centre Project Monitoring Report	Darren Crossley	Monitoring
	Civic Centre Re-instatement and Development	Darren Crossley	Monitoring
	Local Government Re-organisation	Jason Gooding	Policy Develop't
	Update on IT projects - Part B report	Laura Griffiths/ Jason Gooding	Monitoring
Emerging agile working policy/ findings of staff survey	Darren Crossley	Policy Develop't	
07/12/2021	Budget Setting	Alison Taylor	Budget
	Sands Centre Project Monitoring Report	Darren Crossley	Policy Update
	Performance Report Q2	Gary Oliver	Monitoring
	Sickness Absence Q2	Gary Oliver	Monitoring
	Budget monitoring Q2 2021/22	Steven Tickner	Monitoring
06/01/2022	Budget Setting (Incl. Treasury Management Strategy Statement)	Alison Taylor	Budget
24/02/2022	Sands Centre Project Monitoring Report	Darren Crossley	Policy Update
	Performance Report Q3	Gary Oliver	Monitoring
	Sickness Absence Q3	Gary Oliver	Monitoring
31/03/2022	Budget monitoring Q3 2021/22	Steven Tickner	Monitoring
	Scrutiny annual Report	Rowan Jones	Policy Develop't
	Corporate Projects	Jason Gooding	Monitoring
	Corporate Risk Register	Darren Crossley	Monitoring



