

**CARLISLE  
CITY COUNCIL**



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**Executive Budget Proposals 2021/22**  
**15<sup>th</sup> February 2021**

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Leader of the Council

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Portfolio Holder Finance, Governance & Resources

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## **EXECUTIVE BUDGET PROPOSALS 2020/21 to 2025/26**

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

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These budget proposals are based on detailed proposals that have been considered by the Executive over the course of the last few months. In particular the following reports of the Corporate Director of Finance and Resources were considered at the Executive meeting of 13<sup>th</sup> January 2021. All of the detailed reports are available on the Council's website.

1. RD52/20 – Budget Update 2021/22 to 2025/26
2. RD53/20 – Capital Programme 2020/21– 2025/26
3. RD54/20 – Draft Treasury Management Strategy Statement and Investment Strategy and Minimum Revenue Provision Strategy 2021/22

## **SECTION A – BACKGROUND AND EXECUTIVE SUMMARY**

### **Council Priorities**

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

### **Budget Policy Framework**

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

### **Approving a Balanced Budget**

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

### **Council Tax Reduction Scheme**

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

### **Major Financial Challenges facing the Council**

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

Some of the main issues are:

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

### **Climate Change**

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

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

### Summary Budget Proposals

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

- (i) The draft budget proposes an annual **£5** increase per Band D in Council Tax for the City Council for 2021/22 (Parish Precepts will be an additional charge in the parished rural areas).
- (ii) Based on current projections, the budget proposed will result in the following requirement to be taken **to/(from)** Council reserves to support Council expenditure over the period as follows:

Additional contribution to / (from) reserves	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Original MTFP recurring surplus/(deficit)	(499)	(95)	(86)	27	(118)
Changes to Funding - Business Rates Growth	1,800	0	0	0	0
Changes to Funding - Business Rates Baseline	(178)	(4)	(4)	(4)	(4)
Changes to Funding - Business Rates Multiplier Compensation	174	0	0	0	0
Changes to Funding - Council Tax Base	(54)	(56)	(58)	(60)	(62)
Changes to Funding - Council Tax Deficit	(114)	(91)	(91)	0	0
Recurring budget reductions (Schedule 2)	335	500	575	547	537
Recurring Budget Increases (Schedule 3)	(900)	(497)	(301)	(301)	(301)
<b>Contribution required (from) / to Reserves to fund Recurring Expenditure</b>	<b>564</b>	<b>(243)</b>	<b>35</b>	<b>209</b>	<b>52</b>
Original MTFP non-recurring surplus/(deficit)	(34)	45	0	0	0
Non-Recurring budget reductions (Schedule 2)	764	0	0	0	0
Non-Recurring budget increases (Schedule 4)	(827)	(190)	(190)	(190)	0
<b>Contribution required (from) / to Reserves to fund Non-Recurring Expenditure</b>	<b>(97)</b>	<b>(145)</b>	<b>(190)</b>	<b>(190)</b>	<b>0</b>
<b>Total contribution required (from) / to Reserves</b>	<b>467</b>	<b>(388)</b>	<b>(155)</b>	<b>19</b>	<b>52</b>

- (iii) The above table shows a contribution to reserves in 2021/22 and a small contribution from reserves over the following two years of the MTFP to fund expenditure. A strategy as detailed in Section E for ensuring the Council sets a robust budget within the revenue budget has been proposed.
- (iv) Given the uncertainty over future funding allocations and other financial pressure the Council is facing, the scope to support new recurring spending and initiatives in future years is still very challenging.

**Consultation Responses:**

Formal consultation meetings have been held and views sought from council tax payers. The Executive, at their meeting on 13<sup>th</sup> January 2021, considered the consultation responses, culminating in their final budget proposals to Council on **2<sup>nd</sup> February 2021**. **Any changes following the consultation have been incorporated into this budget resolution where appropriate.**

Although provisional estimates have been included, it should be noted that at this point in time there are still some issues which have not yet been finalised and which may impact on the final budget proposals to Council on 17<sup>th</sup> February 2021. Any minor changes will be funded from appropriations to/from revenue reserves and details provided for the Council meeting in February and/or March.

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

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

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

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

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

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

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

#### **2.1 Existing Net Budgets**

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

#### **Schedule 1 – Existing Net Budgets**

<b>Existing Net Budgets</b>	<b>2021/22 £000</b>	<b>2022/23 £000</b>	<b>2023/24 £000</b>	<b>2024/25 £000</b>	<b>2025/26 £000</b>
City Council					
- Recurring (schedule 5)	12,719	12,639	12,960	13,183	13,670
- Non-Recurring (Sch. 5 note 2)	34	(45)	0	0	0
Parish Precepts (Estimated)	708	726	744	763	782
<b>Total</b>	<b>13,461</b>	<b>13,320</b>	<b>13,704</b>	<b>13,946</b>	<b>14,452</b>

## 2.2 **Proposed Savings and Budget Reductions**

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

### **Schedule 2 – Proposed Budget Reductions**

<b>Proposed Budget Reductions</b>	<b>Note</b>	<b>2021/22 £000</b>	<b>2022/23 £000</b>	<b>2023/24 £000</b>	<b>2024/25 £000</b>	<b>2025/26 £000</b>
<b>Expenditure Reductions/Increased Income:</b>						
Energy Savings	1	(20)	(20)	(20)	(20)	(20)
Budget Savings	2	0	(200)	(200)	(200)	(200)
Treasury Management	3	(315)	(280)	(355)	(327)	(317)
Capacity Funding Bid	4	(20)	0	0	0	0
Rural Services Delivery Grant	5	(193)	0	0	0	0
New Homes Bonus	6	(137)	0	0	0	0
Lower Tier Services Grant	7	(389)	0	0	0	0
COVID-19 Funding	8	(25)	0	0	0	0
<b>Total Expenditure Reductions/Increased Income</b>		<b>(1,099)</b>	<b>(500)</b>	<b>(575)</b>	<b>(547)</b>	<b>(537)</b>
<b>TOTAL BUDGET REDUCTION PROPOSALS</b>		<b>(1,099)</b>	<b>(500)</b>	<b>(575)</b>	<b>(547)</b>	<b>(537)</b>
Split:						
Recurring		(335)	(500)	(575)	(547)	(537)
Non-Recurring		(764)	0	0	0	0

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

**Note 2:** The current MTFP includes a recurring savings requirement to be found by 2023/24 of £1.850million; however, a revised savings requirement has been calculated that will see an initial reduction in savings required in 2021/22 of £0.500million (See Schedule 4). An increase to savings required of £0.200million will be required in 2022/23 (on a recurring basis), meaning total savings required will be £2.050million in 2023/24. The savings required takes account of the pressures and bids and the additional savings identified in this report.

	Cumulative Savings identified as 2020/21 Budget £000	Additional Cumulative Savings Required £000	Reprofiled Savings £000	Revised Cumulative Savings required £000	Revised in Year Savings Required £000
2021/22	(1,000)	0	500	(500)	(500)
2022/23	(1,000)	(200)	0	(1,200)	(700)
2023/24	(1,850)	(200)	0	(2,050)	(850)
2024/25	(1,850)	(200)	0	(2,050)	0
2025/26	(1,850)	(200)	0	(2,050)	0

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

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

**Note 5:** A further allocation of the Rural Services Delivery Grant as outlined in the draft Local Government Finance Settlement for 2021/22.

**Note 6:** A one-year allocation of New Homes Bonus has been provided for 2021/22, with no legacy payments expected in subsequent years; however all previously announced legacy payments for previous years will be honoured in the 2021/22 allocations and these are already included in the MTFP.

**Note 7:** A new one-off un-ringfenced grant will be received to support Councils with responsibility for lower tier services such as homelessness, planning, recycling and refuse collections and leisure services.

**Note 8:** The Local Government Finance Settlement provided additional grant funding to the Council for COVID-19 expenditure. The amount shown here is to provide a budget to provide a grant to Carlisle and Eden MIND as in Schedule 4.

### 2.3 **Proposed Budget Increases**

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



### **Schedule 3 – Recurring Budget Increases**

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

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

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

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

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

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

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

## **Schedule 4 – Non-Recurring Budget Increases**

<b>Non-Recurring Budget Pressures/Savings</b>	<b>Note</b>	<b>2021/22 £000</b>	<b>2022/23 £000</b>	<b>2023/24 £000</b>	<b>2024/25 £000</b>	<b>2025/26 £000</b>
City Centre Properties Income Shortfall	1	190	190	190	190	0
Digital Marketing Officer	2	27	0	0	0	0
Budget Savings	3	500	0	0	0	0
Environmental Clean Up and Enforcement	4	60	0	0	0	0
Grant to Carlisle & Eden MIND	5	25	0	0	0	0
Pest Control Income	6	25	0	0	0	0
<b>Total Non-Recurring Budget Pressures</b>		<b>827</b>	<b>190</b>	<b>190</b>	<b>190</b>	<b>0</b>

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

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

**Note 3:** The current MTFP includes a recurring savings requirement to be found by 2023/24 of £1.850million; however, a revised savings requirement has been calculated that will see an initial reduction in savings required in 2021/22 of £0.500million. An increase to savings required of £0.200million (Schedule 2) will be required in 2022/23 (on a recurring basis), meaning total savings required will be £2.050million in 2023/24. The savings required takes account of the pressures and bids and the additional savings identified in this report.

**Note 4:** A budget allocation due to a proposal received during the budget consultation process to support Environmental Clean Up and Enforcement which will provide resources to fund additional staffing and equipment for the team dealing with dog fouling, litter and fly tipping.

**Note 5:** To provide a grant of £15,000 to support the work of Carlisle and Eden Mind with their Lighthouse Service. The remaining £10,000 will be distributed in cooperation with Cumbria County Council with match funding from their Contain Outbreak Mitigation Fund (COMF) to support mental health support in the District.

**Note 6:** To reduce the income target for Pest Control in 2021/221 due to the deferral of introducing the charge for treatment of rats in domestic properties.

### 2.4 **Revised Net Budget Requirement**

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

## Schedule 5 – Summary Net Budget Requirement for Council Tax Purposes

2020/21 Revised £000	Summary Net Budget Requirement	2021/22 Budget £000	2022/23 Proj £000	2023/24 Proj £000	2024/25 Proj £000	2025/26 Proj £000
	<b>Recurring Revenue Expenditure</b>					
	Existing Expenditure (Schedule 1)	12,719	12,639	12,960	13,183	13,670
	Budget Reductions (Schedule 2)	(335)	(500)	(575)	(547)	(537)
	New Spending Pressures (Schedule 3)	900	497	301	301	301
<b>14,527</b>	<b>Total Recurring Expenditure</b>	<b>13,284</b>	<b>12,636</b>	<b>12,686</b>	<b>12,937</b>	<b>13,434</b>
	<b>Non Recurring Revenue Expenditure</b>					
(431)	Existing Commitments (Schedule 1)	34	(45)	0	0	0
811	Carry Forward	0	0	0	0	0
(590)	Budget Reductions (Schedule 2)	(764)	0	0	0	0
3,215	Spending Pressures (Schedule 4)	827	190	190	190	0
<b>17,532</b>	<b>Total Revenue Expenditure</b>	<b>13,381</b>	<b>12,781</b>	<b>12,876</b>	<b>13,127</b>	<b>13,434</b>
	<b>Less Contributions (from)/to Reserves:</b>					
<b>(1,141)</b>	Recurring Commitments (Note 1) Sub Total	<b>564</b>	<b>(243)</b>	<b>35</b>	<b>209</b>	<b>52</b>
(2,194)	- Existing Commitments (Note 2)	(34)	45	0	0	0
(811)	- New Commitments	(63)	(190)	(190)	(190)	0
<b>(3,005)</b>	Sub Total	<b>(97)</b>	<b>(145)</b>	<b>(190)</b>	<b>(190)</b>	<b>0</b>
<b>13,386</b>	<b>Total City Council Budget requirement</b>	<b>13,848</b>	<b>12,393</b>	<b>12,721</b>	<b>13,146</b>	<b>13,486</b>
688	Parish Precepts	708	726	744	763	782
<b>14,074</b>	<b>Projected Net Budget Requirement for Council Tax purposes</b>	<b>14,556</b>	<b>13,119</b>	<b>13,465</b>	<b>13,909</b>	<b>14,268</b>

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

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

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

## 2.5 **Funding and Provisional Council Tax Projections**

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

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

## Schedule 6 – Total Funding and Provisional Council Tax Projections

2020/21	Total Funding and Council Tax Impact	2021/22	2022/23	2023/24	2024/25	2025/26
34,468.61 £000	Estimated TaxBase	34,666.41 £000	35,013.07 £000	35,363.20 £000	35,716.84 £000	36,074.01 £000
	Projected Net Budget Requirement for Council Tax Purposes (Schedule 5)					
13,386	- City	13,848	12,393	12,721	13,146	13,486
688	- Parishes	708	726	744	763	782
<b>14,074</b>	<b>Total</b>	<b>14,556</b>	<b>13,119</b>	<b>13,465</b>	<b>13,909</b>	<b>14,268</b>
	Funded by:					
(7,487)	- Council Tax Income	(7,703)	(7,955)	(8,211)	(8,472)	(8,737)
(3,335)	- Retained Business Rates	(3,335)	(3,579)	(3,651)	(3,724)	(3,799)
(2,400)	- Business Rate Growth/Pooling	(2,700)	(900)	(900)	(900)	(900)
(134)	Business Rates Multiplier Grant	(174)	0	0	0	0
(30)	- Estimated Council Tax (Surplus) / Deficit	64	41	41	(50)	(50)
(688)	- Parish Precepts	(708)	(726)	(744)	(763)	(782)
<b>(14,074)</b>	<b>TOTAL</b>	<b>(14,556)</b>	<b>(13,119)</b>	<b>(13,465)</b>	<b>(13,909)</b>	<b>(14,268)</b>
	<b>City Council Tax</b>					
£ 217.20	Band D Council Tax	£ 222.20	£ 227.20	£ 232.20	£ 237.20	£ 242.20
	Increase over Previous year:					
£5.00	£	£ 5.00	£ 5.00	£ 5.00	£ 5.00	£ 5.00
2.36%	%	2.30%	2.25%	2.20%	2.15%	2.11%

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

- The figures above include the final Local Government Finance Settlement with no changes to the provisional sums;
- The final calculated estimated Council Tax Surplus/Deficit and Taxbase are included in the above figures;
- The final estimated position on Business rate income is also included in the above figures;
- Parish Precept figures included above are final;
- The Council is continuing to participate in the Cumbria Business Rates Pool with the other Councils within Cumbria in order to manage Business Rates in 2021/22.
- The projections of Council Tax for 2022/23 onwards are indicative only and exclude final confirmation of parish precepts.

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

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

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

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

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

#### **Schedule 7 – Estimated Capital Resources**

<b>Estimated Resources</b>	<b>Note</b>	<b>2021/22 £000</b>	<b>2022/23 £000</b>	<b>2023/24 £000</b>	<b>2024/25 £000</b>	<b>2025/26 £000</b>
Capital Grants:						
- DFG	1	(1,900)	(1,900)	(1,900)	(1,900)	(1,900)
- Other	2	0	(2,446)	0	0	0
Capital Receipts						
- Generated in year (Asset Business Plan)	3	(1,011)	(3,573)	(200)	(200)	(445)
Receipts used to fund resources	3	112	112	0	0	0
Direct Revenue Financing	4	(1,337)	(1,887)	(987)	(987)	(987)
<b>TOTAL</b>		<b>(4,136)</b>	<b>(9,694)</b>	<b>(3,087)</b>	<b>(3,087)</b>	<b>(3,332)</b>

**Note 1:** Disabled facilities grant (DFG) allocation will be received in the new year, and it has been assumed that this grant will be protected at the 2020/21 levels. However, this grant will be awarded via the County Council's Better Care Fund and there is still some uncertainty as to what the final allocation will be.

**Note 2:** Capital Grants and contributions from third parties in relation to Future High Street Fund (FHSF) project for Market Square / Greenmarket. The MHCLG has announced an "in principle" funding offer for FHSF and officers are assessing the impact on the original proposed schemes and any budgetary allocations.

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

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

## Schedule 8 – Proposed Capital Programme

Capital Scheme		Note	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Vehicles & Plant		1	255	1,221	1,771	1,680	1,166
Planned Enhancements to Council Property		2	250	250	250	250	250
Disabled Facilities Grants			1,900	1,900	1,900	1,900	1,900
ICT Infrastructure		3	101	76	131	101	101
Leisure Facilities		4	15,237	3,450	0	0	0
Recycling Containers		5	45	45	45	45	45
Civic Centre		6	1,021	0	0	0	0
<i>Savings to Fund Civic Centre</i>			(200)	0	0	0	0
Carlisle Southern Relief Road	A	7	0	5,000	0	0	0
Crematorium Infrastructure	A	8	350	900	0	0	0
Flare Data Management System		9	0	150	0	0	0
Energy Monitoring System		10	12	0	0	0	0
Future High Street Fund - Market Square	A	11	100	2,670	0	0	0
<b>TOTAL POTENTIAL PROGRAMME</b>			<b>19,071</b>	<b>15,662</b>	<b>4,097</b>	<b>3,976</b>	<b>3,462</b>

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

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

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

**Note 3:** The provision for expenditure of ICT equipment.

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

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

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

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

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

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

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

**Note 11:** This project is part of the funding application to the Future High Streets Fund (FHSF) and seeks to redevelop and improve the area around the Greenmarket and Market Square in Carlisle City Centre. The project is part funded through the FHSF grant, with a funding requirement from the Council of £390,000. The MHCLG has announced an “in principle” funding offer for FHSF and officers are assessing the impact on the original proposed schemes and any budgetary allocations.

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

**Schedule 9 – Summary Capital Resource Statement**

Summary Programme	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Estimated Borrowing Requirement 31 March 2021	(1,084)				
In Year Impact:					
- Estimated resources available in year (Schedule 7)	(4,136)	(9,694)	(3,087)	(3,087)	(3,332)
- Proposed Programme (Schedule 8)	19,071	15,662	4,097	3,976	3,462
<b>Borrowing Requirement</b>	<b>13,851</b>	<b>19,819</b>	<b>20,829</b>	<b>21,718</b>	<b>21,848</b>



## **SECTION D – USABLE RESERVES PROJECTIONS**

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

### **Schedule 10 – Usable Reserve Projections**

<b>Analysis of Council Reserves</b>	<b>Outturn 31 March 2020 £000</b>	<b>Projected 31 March 2021 £000</b>	<b>Projected 31 March 2022 £000</b>	<b>Projected 31 March 2023 £000</b>	<b>Projected 31 March 2024 £000</b>	<b>Projected 31 March 2025 £000</b>	<b>Projected 31 March 2026 £000</b>
<b>Revenue Reserves</b>							
General Fund Reserve	(3,100)	(2,502)	(2,969)	(2,581)	(2,426)	(2,445)	(2,497)
Projects Reserve	(907)	0	0	0	0	0	0
Carry Forward Reserve	(654)	(632)	(632)	(632)	(632)	(632)	(632)
	<b>(4,661)</b>	<b>(3,134)</b>	<b>(3,601)</b>	<b>(3,213)</b>	<b>(3,058)</b>	<b>(3,077)</b>	<b>(3,129)</b>
Flood Reserve	(1,948)	(4)	(4)	(4)	(4)	(4)	(4)
Building Control Reserve	(100)	(91)	(91)	(91)	(91)	(91)	(91)
Cremator Reserve	(1,080)	(1,135)	(785)	115	115	115	115
City Centre Reserve	(5)	(5)	(5)	(5)	(5)	(5)	(5)
Revenue Grants Reserve	(1,939)	(1,209)	(1,209)	(1,209)	(1,209)	(1,209)	(1,209)
Planning Services Reserve	(196)	(205)	(205)	(205)	(205)	(205)	(205)
Apprentices Reserve	(78)	(78)	(78)	(78)	(78)	(78)	(78)
Waverley Viaduct Reserve	(30)	(30)	(30)	(30)	(30)	(30)	(30)
Prosecutions Reserve	(36)	(36)	(36)	(36)	(36)	(36)	(36)
<b>Total Revenue Reserves</b>	<b>(10,073)</b>	<b>(5,927)</b>	<b>(6,044)</b>	<b>(4,756)</b>	<b>(4,601)</b>	<b>(4,620)</b>	<b>(4,672)</b>
<b>Capital Reserves</b>							
Usable Capital Receipts	0	0	0	0	0	0	0
Unapplied capital grant	(136)	(112)	(112)	(112)	(112)	(112)	(112)
Lanes Capital Reserve	(75)	(90)	(105)	(120)	(135)	(150)	(165)
<b>Total Capital Reserves</b>	<b>(211)</b>	<b>(202)</b>	<b>(217)</b>	<b>(232)</b>	<b>(247)</b>	<b>(262)</b>	<b>(277)</b>
<b>Total Usable Reserves</b>	<b>(10,284)</b>	<b>(6,129)</b>	<b>(6,261)</b>	<b>(4,988)</b>	<b>(4,848)</b>	<b>(4,882)</b>	<b>(4,949)</b>
<b>Other Technical Reserves (i)</b>	<b>(90,488)</b>						
<b>Total All Reserves</b>	<b>(100,772)</b>						

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

## **SECTION E - BUDGET DISCIPLINE AND SAVING STRATEGY**

1. The Council has adopted a 5-year financial strategy as set out in its Medium-Term Financial Plan to assist in the integration of financial planning with the priorities set out in the Carlisle Plan. The current medium-term financial projections point to a shortfall in the Council's recurring budgets, requiring the use of reserves and the achievement of identified savings. In addition, the scope for the Council to continue support for initiatives in future years and to redirect resources to priority areas will be dependent on the extent to which the Council is successful in realising savings and maximising income and funding streams. The requirement to achieve savings or raise additional income in future years is a continuing and increasing pressure facing the Council.
2. The Council continues to recognise the challenges of reductions in Central Government funding and uncertainty over other Government funding such as Business Rate Retention (and significant reductions in other revenue and capital grants) together with increased cost pressures. However due to its success to date in identifying savings, the Council now has a solid financial base in order to set its 2021/22 budget.
3. The savings strategy will continue to concentrate on the following areas to deliver the savings required to produce a balanced budget, however the exact work programme will be dependent on progress with the Transformation programme.
  - Asset Strategy – to focus on ensuring the council's asset portfolio maximises the benefit to the Council through income generation or by realising receipts of assets that do not generate a return that can then be utilised to ease pressures in capital and revenue budgets through the most appropriate means, e.g. re-investment in new assets and supporting the capital programme to reduce the Council's borrowing requirement.
  - Service Reviews – A review of services to include their purpose and relevance in achieving the Carlisle Plan priorities, including a review of those services which do not fall within the Council's core priorities or which are not statutory will be undertaken to ensure that services and resources are properly aligned to what the Council wants to achieve.
  - Core Budgets – a review of base budgets, including income generation and a fundamental zero-based budget review of all base budgets, to ensure compliance with best practice on priority and outcome based budgeting and other appropriate budget disciplines.

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

4. Members and Officers are reminded that it is essential to maintain a disciplined approach to budgetary matters and as such:
  - Supplementary estimates will only be granted in exceptional circumstances.
  - Proposals seeking virement should only be approved where the expenditure to be incurred is consistent with policies and priorities agreed by the Council.
5. In order to continue the improvements in the links between financial and strategic planning, the Joint Management Team will continue to meet regularly to progress forward planning on these issues.

## **STATUTORY REPORT OF S.151 OFFICER**

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

### 2. Robustness of the Estimates

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

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

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

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

- The Savings programme was expected to achieve savings of £1.850million by 2023/24, in order to meet the expected cuts in grants from central government and other budgetary pressures identified in the previous budget process. However, based upon the pressures and savings identified within this budget, the savings required for 2021/22 can be decreased on a non-recurring basis by £0.500million with a further savings requirement of £0.200million being required from 2022/23 (on a recurring basis); this will increase the overall target to £2.050million in 2023/24, to ensure that a balanced budget is produced and where Council reserves are replenished over the longer term.
- The level of interest receipts and return on Treasury Management activities are subject to market rates. Members are advised of this risk every year and it should be noted that in the current economic climate with low and relatively static base rates, investment income returns in the medium term continue to prove challenging. The Council is also having to deal with a reduced number of counterparties it is able to place deposits with.

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

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

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

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

### 3. Adequacy of Reserves

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

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

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

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

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

### 4. Determination of Borrowing

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

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

## **SECTION G – GLOSSARY OF TERMS**

### **BUDGET**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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