



# COUNCIL

## SUMMONS

To the Mayor and Members of Carlisle City Council

You are summoned to attend the Special Meeting of Carlisle City Council which will be held on **Tuesday, 02 February 2021 at 18:45**, **This meeting will be a virtual meeting and therefore will not take place in a physical location.**

Corporate Director of Governance and Regulatory Services

## AGENDA

### **Virtual Meeting - Link to View**

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

1. **The Mayor will invite the Chaplain to say prayers.**

2. **Register of Attendance and Declarations of Interest**

The Town Clerk and Chief Executive will open the meeting by calling the roll; and at the same time Members are invited to declare any disclosable pecuniary interests, other registrable interests and any interests, relating to any item on the agenda at this stage.

**3. Public and Press**

To determine whether any of the items of business within Part A of the Agenda should be dealt with when the public and press are excluded from the meeting.

To determine whether any of the items of business within Part B of the Agenda should be dealt with when the public and press are present.

**4. Announcements**

- (i) To receive any announcements from the Mayor
- (ii) To receive any announcements from the Leader of the Council
- (iii) To receive any announcements from Members of the Executive
- (iv) To receive any announcements from the Town Clerk and Chief Executive

**5. Treasury Management Strategy Statement 2021/22**

**7 - 46**

Pursuant to Minute EX.04/21 to consider a report of the Corporate Director of Finance and Resources regarding the Council's Treasury Management Strategy Statement, Investment Strategy and Minimum Revenue Provision Strategy for 2021/22.

(Copy Report RD.59/20 and Minute Extracts herewith)

**6. City Council Budget 2021/22**

The meeting to consider the City Council's 2021/22 General Fund Revenue Budget and its Capital Budget for 2021/22 and the recommendations of the Executive thereon and to pass appropriate resolutions thereon.

**(1) Background Reports**

**47 - 62**

A number of reports which have been considered as background reports to the preparation of the Budget have previously been circulated to all Members under cover of a letter from the Corporate Director of Governance and Regulatory Services dated 30 October 2020. Members are requested to bring these to the meeting.

A copy of the following background reports were also considered by the meeting of the City Council on 8 September 2020. Members have previously had copies of these reports as part of the book of Budget Reports. If, however, you require a further copy please contact the Democratic Services Section prior to the meeting.

- (i) Report RD.25/20 – Medium Term Financial Plan 2021/22 to 2025/26

- (ii) Report RD.26/20 – Capital Investment Strategy 2021/22 to 2025/26
- (iii) Report GD.43/20 – Asset Management Plan 2021 to 2026

(Copy Minute Extract from the 9 November 2020 Executive meeting in relation to the Budget, together with the Minutes of the special Executive held on 7 December 2020 are enclosed herewith for all Members of the City Council)

The Executive, at their meeting on 14 December 2020, also gave consideration to:

- (iv) **Report RD.42/20 - Budget Update - Revenue Estimates 2021/22 to 2025/26** **63 - 80**
- (v) **Report RD.43/20 – Revised Capital Programme 2020/21 and Provisional Capital Programme 2021/22 to 2025/26** **81 - 92**
- (vi) **Addendum to Report CS.30/20 - Community Charges Report** **93 - 96**
- (vii) **Report GD.48/20 – Governance and Regulatory Services Charges Report (Amended)** **97 - 128**

(Copies of Reports RD.42/20, RD.43/20, Addendum to CS.30/20 and GD.48/20 (Amended); and Extracts from the Minutes of the 14 December 2020 meeting of the Executive in relation to the Budget are enclosed for all Members of the City Council)

**129 -  
134**

In addition, the following documentation was circulated to Members of the Executive with the Agenda for the meeting of the Executive on 13 January 2021 and copies are now enclosed for all Members of the City Council:

**135 -  
150**

- (viii) Budget Update – Revenue Estimates 2021/22 to 2025/26**  
(Copy Report RD.52/20 and Minute Extract EX.02/21 herewith)

(ix)	<b><u>Revised Capital Programme 2020/21 and Provisional Capital Programme 2021/22 to 2025/26</u></b>	<b>151 - 164</b>
	(Copy Report RD.53/20 and Minute Extract EX.03/21 herewith)	
(x)	<b><u>Provisional Local Government Finance Settlement 2021/22</u></b>	<b>165 - 174</b>
	(Copy Report RD.55/20 and Minute Extract EX.05/21 herewith)	
(2)	<b><u>Budget Consultation Feedback</u></b>	<b>175 - 178</b>
	Copies of the Minutes of the following Consultation Meetings and feedback from the consultation on the Executive Draft Budget Proposals, have been circulated to Members of the Executive with the Agenda for the meeting of the Executive on 13 January 2021. Copies are now enclosed for all Members of the City Council.	
	<b><u>(i) Business and Transformation Scrutiny Panel – 7 January 2021</u></b>	
	(Copy Minute Extract of item relating to consideration of Executive Draft Budget Proposals herewith)	
(ii)	<b><u>Consultation Meeting with Trade Union Representatives – 4 January 2021</u></b>	<b>179 - 180</b>
	(Copy Minutes herewith)	
(iii)	<b><u>Consultation Meeting with Non-Domestic Ratepayers / Business Representatives – 4 January 2021</u></b>	<b>181 - 184</b>
	(Copy Minutes herewith)	
(iv)	<b><u>Consultation Feedback</u></b>	<b>185 - 186</b>
	(Copy public consultation feedback herewith)	
(3)	<b><u>Recommendations of the Executive</u></b>	<b>187 - 212</b>
	Copies of those Minutes of the meeting of the Executive held on 13 January 2021 which relate to the Council's Budget for 2021/22 and which set out the recommendations of the Executive in respect of its budget proposals are submitted.	
	(Copy Minute Extracts EX.01/21 and EX.06/21; and Executive Budget Proposals 2021/22 herewith)	

- (4) **Procedure** 213 - 220
- The suggested procedure for dealing with the Executive's recommendations and the City Council's Budget is itemised in a Procedure Note for the convenience of Members.  
(Copy Note herewith)
7. **Appointment of Chair to Standards Committee**
- The Corporate Director of Governance & Regulatory Services has been notified of the resignation of the Chair of the Standards Committee and the Mayor invites nominations and seconding for the appointment of a new Chair from the other Members of the Standards Committee.
8. **Questions from Members of the Council**
- Pursuant to Procedure Rule 11.2, the Corporate Director of Governance and Regulatory Services to report that no questions have been submitted on notice by Members of the City Council
9. **Notice of Motion**
- Pursuant to Procedure Rule 12, the Corporate Director of Governance and Regulatory Services to report that no motions have been submitted on notice by Members of the Council.
10. **Operation of the Provisions Relating to Call-in and Urgency** 221 - 224
- Pursuant to Overview and Scrutiny Procedure Rule 15 (i), the Corporate Director of Governance and Regulatory Services to report on the operation of call-in and urgency procedures.  
(Copy Report GD.14/21 herewith)
11. **Communications**
- To receive and consider communications and to deal with such other business as may be brought forward by the Mayor as a matter of urgency, in accordance with Procedure Rule 2.1(xv) to pass such resolution or resolutions thereon as may be considered expedient or desirable.

**PART 'B'**  
**To be considered in private**

- NIL -

# Report to Council

Agenda  
Item:

5.

Meeting Date: 2 February 2021  
Portfolio: Finance, Governance and Resources  
Key Decision: Yes: Recorded in the Notice Ref: KD.25/20  
Within Policy and Budget Framework YES  
Public / Private Public

Title: TREASURY MANAGEMENT STRATEGY STATEMENT,  
INVESTMENT STRATEGY AND MINIMUM REVENUE  
PROVISION STRATEGY 2021/22  
Report of: CORPORATE DIRECTOR OF FINANCE AND RESOURCES  
Report Number: RD 59/20

## Purpose / Summary:

This report sets out the Council's Treasury Management Strategy Statement for 2021/22, in accordance with the CIPFA Code of Practice on Treasury Management. The Investment Strategy and the Minimum Revenue Provision (MRP) Strategy for 2021/22 are also incorporated as part of the Statement. So too are the Prudential Indicators as required within the Prudential Code for Capital Finance in Local Authorities. The draft version of the Statement was considered by the Executive on 14 December 2020, prior to the consultation period on the draft budget for 2021/22.

Following consideration by the Audit Committee on 18 December 2020 and Business and Transformation Scrutiny Panel on 7 January 2021 the revised report was approved by the Executive on 13 January 2021 for recommendation to Council.

## Recommendations:

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

## Tracking

Executive:	<b>14 December 2020, 13 January 2021</b>
Scrutiny:	<b>BTSP 7 January 2021</b>
Audit Committee:	<b>18 December 2020</b>
Council:	<b>2 February 2021</b>

## **1. BACKGROUND**

- 1.1 The CIPFA Code of Practice on Treasury Management in Local Authorities was first issued in 1992 and updated in 1996, 2001, 2011 and 2017. The City Council formally adopted this Code in March 2002 and adopted the 2017 revision in February 2018.
- 1.2 Under the requirements of the revised Code, the Council will receive each year the following reports:
- Annual strategy and plan in advance of the year
  - A mid-year review
  - Annual report after its close.

## **2. TREASURY MANAGEMENT STRATEGY STATEMENT**

- 2.1 As required under the Code, the Treasury Management Strategy Statement (TMSS) for 2021/22, which also incorporates both the Investment Strategy for that year and the Minimum Revenue Strategy, is set out in **Appendix A**. The schedule of approved investment vehicles is contained in **Appendix B** and **Appendix C** includes a summary of current economic forecasts on interest rates that have been utilised in preparing the Strategy.
- 2.2 Also included within Appendix A are the **Prudential Indicators** that must be determined under the requirements of the CIPFA Prudential Code for Capital Finance in Local Authorities. These requirements came into operation on 1 April 2004 under the provisions of the Local Government Act 2003. Part 1 of the Act allows a local authority to borrow money for any purpose that is within its control or for the purposes of the prudent management of its financial affairs. The main purpose for borrowing money is to fund capital expenditure although some short-term borrowing is permitted to cover temporary cash flow needs.
- 2.3 Since 1 April 2004 there has been no statutory limit to the amount that can be borrowed. There is, however, a requirement for full compliance with CIPFA's Prudential Code; the key objectives of which are to demonstrate that the proposed capital investment plans have been assessed by the Council as affordable, prudent and sustainable. Section 3(1) of the Act puts a duty on the Council to determine before the start of the financial year and keep under review the maximum amount that it can afford to borrow. This amount is called the **Authorised Limit** and is discussed in **Appendix A**.
- 2.4 The Prudential Indicators are monitored via the quarterly Treasury Management monitoring reports.



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

### **3. CONSULTATION**

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

### **4. RISKS**

- 4.1 The Treasury Management function must ensure the security of Council funds at all times over the yield that is gained. It must also ensure it follows the key principles as outlined in the Treasury Management Code of Practice and the Prudential Code.
- 4.2 There is a risk that interest rates could change over the period of the Treasury Management Strategy Statement, particularly in respect of BREXIT and the recovery from the COVID-19 pandemic, but close monitoring of the situation will be maintained, particularly if there are forecast changes to interest rates that could have an impact on borrowing decisions or reduce the availability of counterparties with which the Council can invest its funds.

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

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

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

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

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

**Appendices attached to report:** Appendix A – Treasury Management Strategy Statement  
Appendix B – Approved Investment Instruments  
Appendix C – Interest Rate Forecasts  
Appendix D – Treasury Management Policy Statement

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

- None

**CORPORATE IMPLICATIONS:**

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

**PROPERTY** – There are no property issues arising from this report

**FINANCE** – contained within the report.

**EQUALITY** – not applicable

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

## **Treasury Management Strategy Statement**

### Minimum Revenue Provision Policy Statement and Annual Investment Statement

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Carlisle City Council

2021/22

## **1. INTRODUCTION**

- 1.1 It is a statutory requirement under Section 33 of the Local Government Finance Act 1992, for the Council to produce a balanced budget. In particular, Section 32 requires a local authority to calculate its budget requirement for each financial year to include the revenue costs that flow from capital financing decisions. This, therefore, means that increases in capital expenditure must be limited to a level whereby increases in charges to revenue from: -
- increases in interest charges caused by increased borrowing to finance additional capital expenditure, and
  - any increases in running costs from new capital projects are limited to a level which is affordable within the projected income of the Council for the foreseeable future
- 1.2 The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.
- 1.3 The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer-term cash flow surpluses. On occasion, when it is prudent and economic, any debt previously drawn may be restructured to meet Council risk or cost objectives.
- 1.4 The contribution the treasury management function makes to the authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.
- 1.5 Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising

usually from capital expenditure), and are separate from the day to day treasury management activities.

1.6 CIPFA defines treasury management as:

*“The management of the local authority’s borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”*

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

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

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

## **2. CAPITAL INVESTMENT STRATEGY**

2.1 The CIPFA revised 2017 Prudential and Treasury Management Codes requires all local authorities to prepare a Capital Investment Strategy report, which will provide the following:

- a high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed

- the implications for future financial sustainability
- 2.2 The aim of the Capital Investment Strategy is to ensure that all elected members fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.
- 2.3 The Capital Investment Strategy is reported separately from the Treasury Management Strategy Statement alongside the Medium-Term Financial Plan with non-treasury investments being reported through this document. This ensures the separation of the core treasury function under security, liquidity and yield principles, and the policy and commercialism investments usually driven by expenditure on an asset. The Capital Investment Strategy will show:
- The corporate governance arrangements for these types of activities;
  - Any service objectives relating to the investments;
  - The expected income, costs and resulting contribution;
  - The debt related to the activity and the associated interest costs;
  - The payback period (MRP policy);
  - For non-loan type investments, the cost against the current market value;
  - The risks associated with each activity.
- 2.4 Where a physical asset is being bought, details of market research, advisers used, (and their monitoring), ongoing costs and investment requirements and any credit information will be disclosed, including the ability to sell the asset and realise the investment cash.
- 2.5 Where the Council has borrowed to fund any non-treasury investment, there should also be an explanation of why borrowing was required and why the MHCLG Investment Guidance and CIPFA Prudential Code have not been adhered to.
- 2.6 If any non-treasury investment sustains a loss during the final accounts and audit process, the strategy and revenue implications will be reported through the same procedure as the Capital Investment Strategy.

### **3. TREASURY LIMITS 2021/22 TO 2023/24**

- 3.1 It is a statutory duty, under S3 of the Local Government Act 2003 and supporting regulations, for the Council to determine and keep under review how much it can afford to borrow. The amount determined is termed the 'Affordable Borrowing Limit'.
- 3.2 The Council must have regard to the Prudential Code when setting its Affordable Borrowing Limit. This essentially requires it to ensure that total capital investment remains within sustainable limits and in particular, that the impact upon its future council tax levels is 'acceptable'. It is important to understand, however, that the

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

#### 4. **USE OF TREASURY CONSULTANTS**

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

#### 5. **CURRENT PORTFOLIO POSITION**

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

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

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

- 6.1 The Prudential and Treasury Indicators have been based on current projections for capital spending and resources in 2021/22 to 2023/24. The Council has ensured that future years' capital programmes have been set in accordance with the

principles contained within the City Council's Capital Strategy and Asset Management Plan.

PRUDENTIAL INDICATOR AFFORDABILITY INDICATORS	2019/20 actual £000	2020/21 revised estimate £000	2021/22 estimate £000	2022/23 estimate £000	2023/24 estimate £000
Capital Expenditure	8,111	19,390	19,071	15,662	4,097
Ratio of financing costs to net revenue stream	2.97%	2.75%	3.24%	5.83%	11.12%
Net borrowing requirement in year (Internal & External)	1,025	2,431	8,565	14,923	5,731
Capital Financing Requirement as at 31 March	16,113	24,678	39,601	45,332	45,344
Annual change in Cap. Financing Requirement	(1,026)	8,565	14,923	5,731	12
<b>Incremental impact of capital investment decisions</b>					
Increase in council tax (band D) per annum (£)	0.71	7.45	12.82	4.88	0.01

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

### 6.3 **The Council's Borrowing Need (Capital Financing Requirement)**

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

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



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

**Notes:**

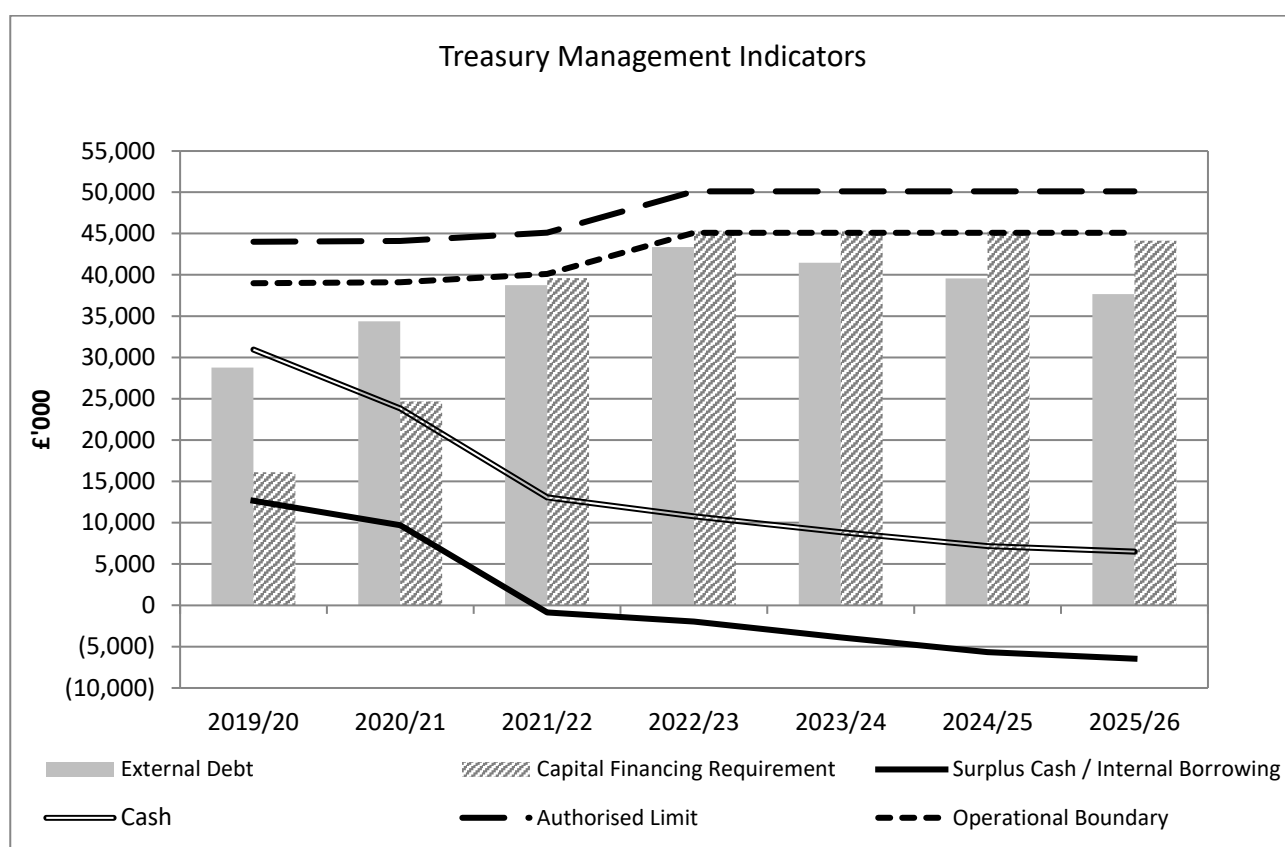
**The authorised limit for external debt.** This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external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

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

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

6.3.3 The graph below shows the level of external debt currently forecast against the Capital Financing Requirement. This chart makes assumptions included in the Executive's budget regarding the use of external borrowing. However, funding of capital expenditure could change, for example, if additional assets are sold

generating capital receipts or expenditure requirements change. Therefore, this chart could be subject to change in the future. This shows that external debt is not forecast to rise above the authorised limit over the next five years. However, this is predicated on the assumption that capital receipts can be generated that will be used to fund some of the capital expenditure requirements identified. Should these receipts not be achieved, then the use of borrowing will need to be re-examined. The Medium-Term Financial Plan assumes that external borrowing will be undertaken to support expenditure on major capital schemes such as the leisure development, Gateway 44 and the Southern Relief Road project. These areas will be closely monitored prior to any further external borrowing being undertaken.



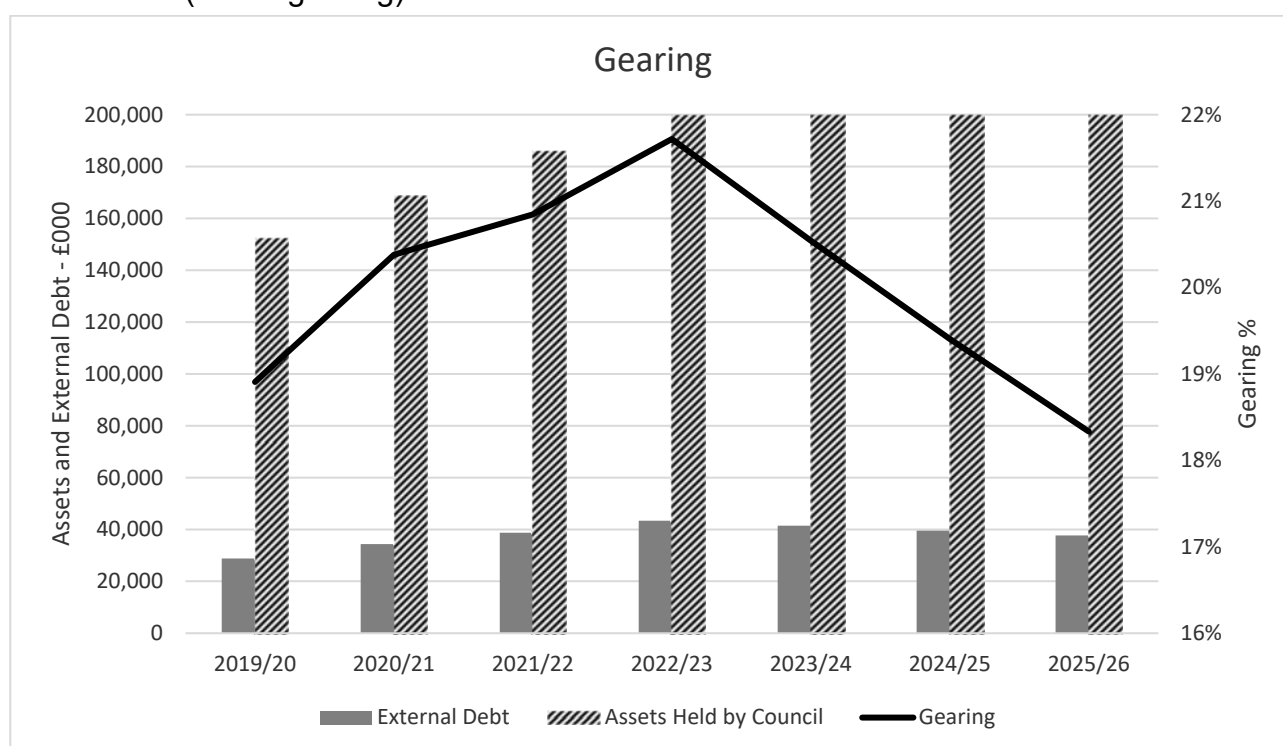
Maturity structure of any fixed rate borrowing during 2020/21	Upper limit	Lower limit
Under 12 months	100%	0%
12 months and within 24 months	100%	0%
24 months and within 5 years	100%	0%
5 years and within 10 years	100%	0%
10 years and above	100%	0%

6.3.4 In respect of its external debt, it is recommended that the Council approves the authorised limits as outlined above for its total external debt, gross of investments, for the next three financial years. The limit separately identifies borrowing from other long-term liabilities such as finance leases. The Council will be asked to

approve these limits and to delegate authority to the Corporate Director of Finance and Resources, within the total limit for any individual year, to effect movement between the separately agreed limits for borrowing and other long-term liabilities in accordance with option appraisal and best value for money. Any such change would be reported to the next available Council meeting.

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

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



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

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

## 7. **PROSPECTS FOR INTEREST RATES**

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

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

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

### 7.3 **Bond yields/PWLB rates**

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

has, at times, been an inversion of bond yields in the US whereby 10 year yields have fallen below shorter term yields. In the past, this has been a precursor of a recession. The other side of this coin is that bond prices are elevated as investors would be expected to be moving out of riskier assets i.e. shares, in anticipation of a downturn in corporate earnings and so selling out of equities.

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

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

#### 7.6 **Brexit**

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

## 7.7 Investment and borrowing rates

- Investment returns are likely to remain low during 2021/22 with little increase in the following two years.
- Borrowing interest rates fell to historically very low rates as a result of the COVID crisis and the quantitative easing operations of the Bank of England: indeed, gilt yields up to 6 years were on negative yields during most of the first half of 2020/21. The policy of avoiding new borrowing by running down spare cash balances has served local authorities well over the last few years. However, the unexpected increase of 100 bps in PWLB rates on top of the then current margin over gilt yields of 80 bps, required an initial major rethink of local authority treasury management strategy and risk management. However, in March 2020, the Government started a consultation process for amending the margins over gilt rates for PWLB borrowing for different types of local authority capital expenditure. *(Please note that Link has concerns over this approach, as the fundamental principle of local authority borrowing is that borrowing is a treasury management activity and individual sums that are borrowed are not linked to specific capital projects.)*
- On 25 November 2020, the Chancellor announced the conclusion to the review of margins over gilt yields for PWLB rates; the standard and certainty margins were reduced by 1% but a prohibition was introduced to deny access to borrowing from the PWLB for any local authority which had purchase of assets for yield in its three year capital programme. The new margins over gilt yields are as follows: -
  - **PWLB Standard Rate** is gilt plus 100 basis points (G+100bps)
  - **PWLB Certainty Rate** is gilt plus 80 basis points (G+80bps)
  - **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)
- While this authority will not be able to avoid borrowing to finance new capital expenditure and to replace maturing debt, there will be a cost of carry, (the difference between higher borrowing costs and lower investment returns), to any new short or medium-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost.

## 8. BORROWING STRATEGY

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

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

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

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

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

#### 8.4 Policy on borrowing in advance of need

8.4.1 The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in

advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds. As part of the Capital Investment Strategy approved by Council in September 2016, approval in principle was given to the Council's S.151 Officer to borrowing in advance of need for the re-financing of the stock issue loan and/or to fund the capital programme where a borrowing requirement has been identified, if interest rates were favourable and would be cost effective over the term of any new loan.

## 8.5 External v. Internal Borrowing

- 8.5.1 This Council currently has differences between gross debt and net debt (after deducting cash balances). This is shown in the graphs at 6.3.3.
- 8.5.2 The general aim of this Treasury Management Strategy is to reduce the difference between the two debt levels over the next three years in order to reduce the credit risk incurred by holding investments. However, measures taken in the last year have already reduced substantially the level of credit risk (see paragraph 10.2) so another factor which will be carefully considered is the difference between borrowing rates and investment rates to ensure the Council obtains value for money once an appropriate level of risk management has been attained to ensure the security of its investments.
- 8.5.3 The next financial year will likely be one of continued low Bank Rates. This provides a continuation of the current window of opportunity for local authorities to fundamentally review their strategy of undertaking new external borrowing.
- 8.5.4 Over the next three years, investment rates are expected to continue to be below long term borrowing rates and so value for money considerations would indicate that value could best be obtained by avoiding new external borrowing by using internal cash balances to finance new capital expenditure or to replace maturing external debt (this is referred to as internal borrowing). This would maximise short term savings.
- 8.5.5 However, short term savings by avoiding new long-term external borrowing in 2021/22 will also be weighed against the potential for incurring additional long-term extra costs by delaying unavoidable new external borrowing until later years when PWLB long term rates are forecast to be significantly higher. By utilising internal cash balances consideration will also need to be given to the availability of cash to service the day-to-day cash flow of the Council. This could require the Council to undertake short-term borrowing to cover cash-flows.



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

## **9. DEBT RESCHEDULING**

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

## **10. INVESTMENT STRATEGY**

### **10.1 Principles**

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

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

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

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

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

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

- Minimum acceptable **credit criteria** are applied in order to generate a list of highly creditworthy counterparties. This also enables diversification and thus

avoidance of concentration risk. The key ratings used to monitor counterparties are the short term and long-term ratings.

- Credit ratings will be used as one means of assessing the credit quality of rated counterparties although it is recognised that reliance should not be placed on credit rating alone. The minimum short-term rating for a bank will be either F1 (Fitch) or P1 (Moody's). For a rated UK building society, a similar rating would be anticipated although the proposed criteria do give authority to the Corporate Director of Finance and Resources to approve, if considered appropriate, the addition of other building societies with both a F2 (Fitch) and a P2 rating (Moody's). This is still a high-quality credit rating but recognises the very strong record of the UK building society movement over many years in protecting the capital of all depositors. The Strategy already allows discretion to the Corporate Director of Finance and Resources to include as counterparties non-credit rated building societies whose assets total at least £1bn. Any such investment would be subject to an assessment of such a society as a suitable counterparty. There are, for example, good reasons why many building societies do not have a credit rating but there are other means of making an appropriate financial judgment.
- **Other information:** ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To achieve this consideration the Council will engage with its advisors to maintain a monitor on market pricing such as “**credit default swaps**” and overlay that information on top of the credit ratings.
- **Other information sources** used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
- This authority has defined the list of **types of investment instruments** that the treasury management team are authorised to use. There are two lists in Appendix B under the categories of ‘specified’ and ‘non-specified’ investments.
  - **Specified investments** are those with a high level of credit quality and subject to a maturity limit of one year.
  - **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex

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

- **Non-specified investments limit.** The Council has determined that it will limit the maximum total exposure to non-specified investments as being 50% of the total investment portfolio.
- **Lending limits**, (amounts and maturity), for each counterparty are set. Total investments with any one counterparty or group currently will not exceed £10m to ensure a reasonable spread of investments in terms of counterparties. Investments with Money Market Funds and investments in overseas banks with a sovereign rating of not less than the UK sovereign rating will not exceed £4m.
- **Transaction limits** are set for each type of investment are set.
- This authority will set a limit for the amount of its investments which are invested for **longer than 365 days**.
- Investments will only be placed with counterparties from countries with a specified minimum **sovereign rating**.
- This authority has engaged **external consultants**, (see paragraph 4), to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this authority in the context of the expected level of cash balances and need for liquidity throughout the year.
- All investments will be denominated in **sterling**.
- As a result of the change in accounting standards for 2019/20 under **IFRS 9**, this authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. (The Ministry of Housing, Communities and Local Government [MHCLG], have recently issued a statutory override for Local Authorities so that the impact of IFRS9 does not affect a Council's General Fund. This override is currently in place for 5-years from 1<sup>st</sup> April 2018.)
- Due care will be taken to consider the country, group and sector exposure of the Council's investments. In addition:  
Country limits:

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

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

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

## 10.2 Creditworthiness Policy

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

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

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

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

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

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

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

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

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

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

### 10.3 Investment Strategy

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

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

10.3.2 The Council has historically outperformed bank rates in its investment returns.

Therefore, the suggested budgeted average investment earnings currently included in the MTFP projections are as follows:

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

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

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

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

#### 10.4 End of Year Investment Report

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

### 11. **THE MINIMUM REVENUE PROVISION STRATEGY**

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

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

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

11.4 The only statutory duty that a local authority has under the new MRP regime is '*to determine for the current financial year an amount of minimum revenue provision that it considers to be prudent*'. The Guidance, which authorities must 'have regard

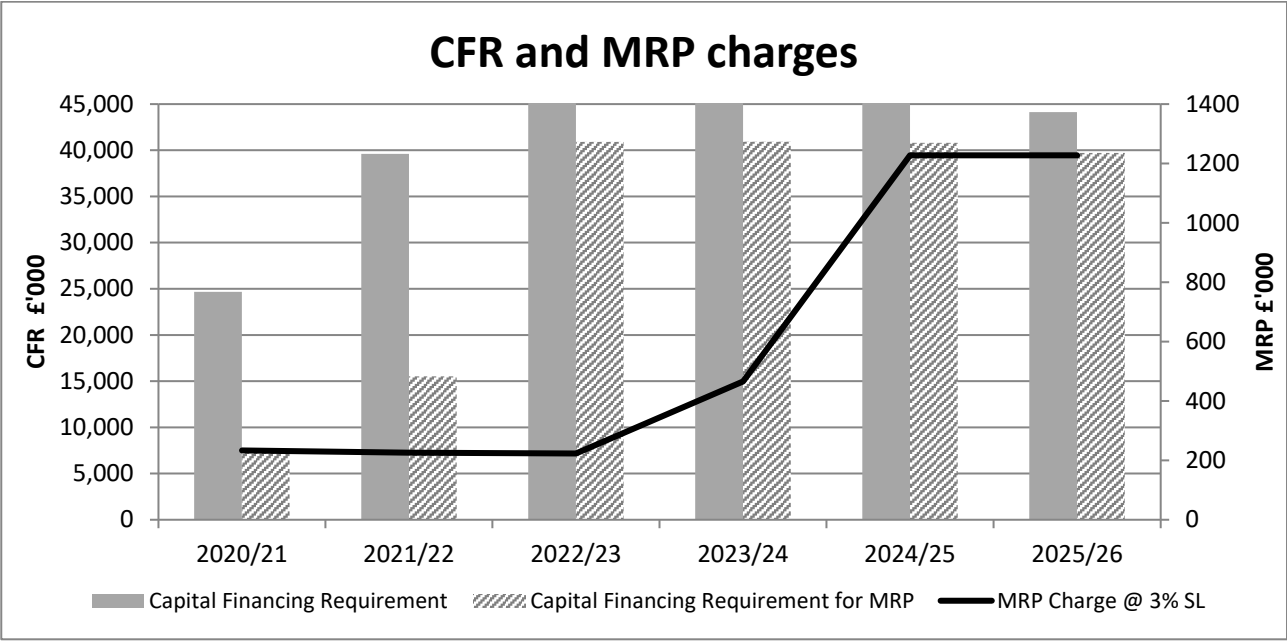
to' provides four options for calculating the MRP. It is important to realise, however, that there is no obligation to follow any of these options and that it is up to each authority to decide upon the most appropriate method of making a prudent provision, having had regard to the Guidance.

- 11.5 Using the 3% Straight Line method for calculating the MRP charge more reflects an average life of Council assets of 33 years and since it has a mix of short life assets such as vehicles (typical life 5-10 years) and long-life assets such as land and buildings (typical life 40-50+ years) this is still deemed to be a prudent approach to take.
- 11.6 In 2020/21, the opening CFR was £16.113million.
- 11.7 In 2018/19 the Council implemented a recommendation from Link Asset Services to review its CFR for MRP purposes in relation to what is known as 'Adjustment A'. The purpose of Adjustment A was to ensure that the starting point for calculating MRP under the new system in 2004 did not significantly vary the level of liability that would have arisen had the previous system of capital controls remained unchanged.
- 11.8 The MRP review undertaken by (then) Capita Asset Services identified a misstatement in the basis of calculation of Adjustment A which indicated that the value originally assessed in 2004/05 to be understated. The Council's reassessed Adjustment A figure is £4.426 million. This misstatement related to the inclusion of revenue expenditure (premiums on the early repayment of debt) being included in the original Adjustment A calculation which the Code states should be excluded from the calculation.
- 11.9 Therefore when calculating MRP for future years, the actual Capital Financing requirement should be reduced by this Adjustment A figure and then MRP charged at 3% of the reduced figure.
- 11.10 The CFR and MRP charges currently included in the MTFP and budget projections are as follows (The MRP charge calculated for 2021/22 is chargeable in 2022/23 and so on):



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

- 11.11 MRP is a statutory requirement for local authorities to charge to their revenue account for each financial year a prudent amount for the principal cost of their debt in that financial year. It impacts upon the CFR, one of the Council's prudential indicators.
- 11.12 The CFR is a measure of the Council's underlying debt liability, resulting from historic capital expenditure which has been financed from borrowing. Amending the MRP as proposed will lead to an increase in the short to medium term CFR compared to current projections. This is because the MRP reduces the CFR each year, so a decrease in the amount of reduction causes an increase in the current projected CFR.
- 11.13 When an amount previously set aside for debt liability in the budget is released and then used for another revenue purpose the Authority will have less cash. This is likely to lead to a reduction in external investments and with thus lead to a reduction in interest income.
- 11.14 The regulations allow the Authority to review its policy every year and set a policy that it considers prudent at that time. The impact of a revised MRP policy will be kept under regular review in order to ensure that the annual provision is prudent.
- 11.15 As the MRP policy has to be considered by the Executive and approved by Council each year there will be an opportunity to revisit any decision at least annually or make additional voluntary payments.
- 11.16 The chart below shows the anticipated CFR in future years as well as the CFR for MRP Calculation purposes.



**APPROVED INVESTMENT INSTRUMENTS**

**Specified Investments**

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

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

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

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

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

## **Non-Specified Investments:**

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

### **1. Maturities of ANY period.**

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

### **2. Maturities in excess of 1 year**

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

### **3. Approved Property Funds**

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

The Council uses Fitch (primarily) or Moody's ratings to derive its counterparty criteria. All credit ratings will be monitored monthly. The Council is alerted to changes in credit ratings through its use of the Link Asset Services creditworthiness service. If a downgrade results in

the counterparty/investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.

## INTEREST RATE FORECASTS

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

### 1. INDIVIDUAL FORECASTS

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

## **TREASURY MANAGEMENT POLICY STATEMENT**

Carlisle City Council defines treasury management as:

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

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

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

### **Investment Policy**

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

### **Borrowing Strategy**

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



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## **EXCERPT FROM THE MINUTES OF THE EXECUTIVE HELD ON 14 DECEMBER 2020**

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**EX.143/20**    **DRAFT TREASURY MANAGEMENT STRATEGY STATEMENT, INVESTMENT STRATEGY AND MINIMUM REVENUE PROVISION STRATEGY 2021/22**  
(Key Decision – KD.25/20)

**Portfolio**      Finance, Governance and Resources

**Relevant Scrutiny Panel**              Business and Transformation

### **Subject Matter**

Pursuant to Minute EX.129/20, the Deputy Leader submitted report RD.44/20 setting out the Council's draft Treasury Management Strategy Statement for 2021/22 in accordance with the CIPFA Code of Practice on Treasury Management. The Investment Strategy and the Minimum Revenue Provision Strategy for 2020/21 were incorporated as part of the Statement, as were the Prudential Indicators as required within the Prudential Code for Capital Finance in Local Authorities.

The report would be considered by the Audit Committee; and the Business and Transformation Scrutiny Panel on 18 December 2020 and 7 January 2021 respectively.

The Deputy Leader moved the recommendation set out within the report and the Leader seconded the recommendation.

**Summary of options rejected**    None

### **DECISION**

That the Executive noted the draft Treasury Management Strategy Statement for 2021/22, which incorporated the Investment Strategy and the Minimum Revenue Provision (MRP) Strategy, together with the Prudential Indicators for 2021/22 as set out in Appendix A and the Treasury Management Policy Statement as set out at Appendix D to Report RD.44/20; and sought comments from the Business and Transformation Scrutiny Panel in January 2021.

### **Reasons for Decision**

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

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## **EXCERPT FROM THE MINUTES OF THE AUDIT COMMITTEE HELD ON 18 DECEMBER 2020**

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### **AUC.39/20      TREASURY MANAGEMENT QUARTER 2 2020/21 AND FORECASTS FOR 2021/22 TO 2025/26**

The Corporate Director of Finance and Resources presented report RD.34/20 (amended) providing the regular quarterly summary of Treasury Management Transactions for the second quarter of 2020/21 and budgetary projections for 2021/22 to 2025/26.

The Executive had, on 9 November 2020, received Report RD.41/20 and the projections for 2021/22 to 2025/26 incorporated into the Budget reports considered elsewhere on the Executive Agenda (Minute EX.129/20 referred).

Since the report was considered by the Executive the government had announced the outcome of a consultation into use of the PWLB borrowing facility. As part of the Spending Review announcement on 25 November 2020, the government outlined the new guidelines under which borrowing from the PWLB could be undertaken by local authorities.

As expected, those new guidelines restricted the use of borrowing for commercial investment property ventures where yield was the primary reason for purchase.

The outcome of that new approach was that the additional 100bps that was added to rates 12-months ago had now been rescinded and borrowing rates had immediately fallen back to now be at levels similar to when the Council undertook some borrowing in September 2019 when it borrowed (£9m at 1.8% for 40 years, and £5m at 1.33% for 20 years).

The impact of the reduction in rates would be factored into the draft budget proposals and provided a significant saving in the cost of the borrowing that was still included in the Medium-Term Financial Plan. (Appendix C showed the original MTFP projection as considered by Executive in November 2020). A revised projection was now shown at Appendix D that showed the impact of the new rates.

The borrowing rates shown at Para 1.4.2 have been updated as detailed on page 220 of the document pack.

The Business and Transformation Scrutiny Panel had, on 1 December 2020, resolved that the Treasury Management Quarter 2 2020/21 and Forecasts for 2021/22 to 2025/26 be received (Minute BTSP.73/20(f) referred).

**RESOLVED** – That Report RD.34/20 (amended) be noted, including the update to borrowing rates as outlined.

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## **EXCERPT FROM THE MINUTES OF THE BUSINESS AND TRANSFORMATION SCRUTINY PANEL HELD ON 7 JANUARY 2021**

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### **BTSP.08/21 DRAFT TREASURY MANAGEMENT STRATEGY STATEMENT, INVESTMENT STRATEGY AND MINIMUM REVENUE PROVISION STRATEGY 2021/22**

The Corporate Director of Finance and Resources presented report RD.44/20 setting out the Council's draft Treasury Management Strategy Statement (TMSS) for 2021/22 in accordance with the CIPFA Code of Practice on Treasury Management.

She informed Members that the Investment Strategy and the Minimum Revenue Provision Strategy for 2021/22 were incorporated as part of the Statement, as were the Prudential Indicators as required within the Prudential Code for Capital Finance in Local Authorities.

The Executive had considered the matter on 14 December 2020 (EX.143/20 refers) and it was resolved that the Executive noted the draft Treasury Management Strategy Statement for 2021/22, which incorporated the Investment Strategy and the Minimum Revenue Provision (MRP) Strategy, together with the Prudential Indicators for 2021/22 as set out in Appendix A and the Treasury Management Policy Statement as set out at Appendix D to Report RD.44/20 and sought comments from the Business and Transformation Scrutiny Panel.

The Corporate Director reported that the ability to utilise ultra short dated investments had been included in the strategy to provide more flexibility for short term investments with the potential for providing a better return.

In considering the report Members raised the following comments and questions:

- *Had the Council been able to invest in ethical products?*

The Corporate Director of Finance and Resources confirmed that there had not yet been any ethical investment made due to the very low return being offered on those products. When making investments the Council asked to see the environment policy of the counter parties to ensure that they operated in an ethical and sustainable manner. The security of the investment was the priority for the Council and therefore the council invested mainly with banks, building societies and Local Authorities.

- *A Member asked why the overall value of assets did not fluctuate following the sale of assets.*

The Corporate Director explained that the value of assets did fluctuate however, the sale of assets was balanced by new assets being built. Work was being undertaken on 2019/20 asset value and the results of the work would be reflected in the Statement of Accounts for 2019/20.

**RESOLVED – 1)** That the Panel had scrutinised and made comments on the Draft Treasury Management Strategy Statement, Investment Strategy and Minimum Revenue Provision Strategy 2021/22 (RD.44/20).

2) The Business and Transformation Scrutiny Panel supported the introduction of ultra short dated investments to provide more flexibility for short term investments with the potential for providing a better return.

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## EXCERPT FROM THE MINUTES OF THE EXECUTIVE HELD ON 13 JANUARY 2021

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**EX.04/21      \*\*TREASURY MANAGEMENT STRATEGY STATEMENT, INVESTMENT STRATEGY AND MINIMUM REVENUE PROVISION STRATEGY 2021/22**  
(Key Decision – KD.22/19)

(In accordance with Paragraph 15(i) of the Overview and Scrutiny Procedure Rules, The Mayor had agreed that call-in procedures should not be applied to this item)

**Portfolio**      Finance, Governance and Resources

**Relevant Scrutiny Panel**      Business and Transformation

### **Subject Matter**

Pursuant to Minute EX.143/20, the Deputy Leader, and Finance, Governance and Resources Portfolio Holder submitted report RD.54/20 setting out the Council's Treasury Management Strategy Statement for 2021/22 which had been prepared in accordance with the CIPFA Code of Practice on Treasury Management. He added that the Investment Strategy and Minimum Revenue Provision (MRP) Strategy for 2021/22 were incorporated as part of the Statement, as were the Prudential Indicators as required within the Prudential Code for Capital Finance in Local Authorities.

The draft Statement had been considered by the Executive on 14 December 2020 prior to the consultation period on the Executive Budget Proposals for 2021/22. It had also been considered by the Audit Committee and the Business and Transformation Scrutiny Panel on 18 December 2020 and 7 January 2021 respectively (Minute Excerpts AUC.39/20 and BTSP.08/21) referred).

The Chair of Business and Transformation Scrutiny Panel reiterated the Panel's support for the introduction of ultra short investments and thanked officers for their innovation on the matter.

The Deputy Leader, and Finance, Governance and Resources Portfolio Holder moved the recommendation, which was seconded by the Leader.

**Summary of options rejected**      None

### **DECISION**

That the Treasury Management Strategy Statement for 2021/22, which incorporated the Investment Strategy and Minimum Revenue Provision Strategy, together with the Prudential Indicators for 2021/22 as set out in Appendix A and the Treasury Management Policy Statement as set out in Appendix D, be approved for submission to the City Council on 2 February 2021.

**Reasons for Decision**

To recommend the Treasury Management Strategy Statement, Investment Strategy and Minimum Revenue Provision Strategy for 2021/22 to the City Council.

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## **EXCERPT FROM THE MINUTES OF THE EXECUTIVE HELD ON 9 NOVEMBER 2020**

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### **BUDGET OVERVIEW 2021/22**

The Deputy Leader introduced Agenda item A.1 which constituted the formal beginning of the 2021/22 Budget process. He reminded Members that the various reports listed under that item and which were under consideration by the Executive today would proceed to the Business and Transformation; Health and Wellbeing; and Economic Growth Scrutiny Panels. The Executive would then reconvene in December 2020 to assess the Scrutiny feedback on the Budget.

### **EX.122/20 BUDGET UPDATE - REVENUE ESTIMATES 2021/22 TO 2025/26** (Key Decision – KD.25/20)

**Portfolio** Finance, Governance and Resources

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

### **Subject Matter**

The Deputy Leader submitted report RD.32/20 providing a summary of the Council's revised revenue base estimates for 2020/21, together with base estimates for 2021/22 and forecasts up to 2025/26 for illustrative purposes. The base estimates had been prepared in accordance with the guiding principles for the formulation of the budget over the next five-year planning period as set out in the Medium Term Financial Plan (MTFP) and Charging Policy; Capital Strategy; and Asset Management Plan approved by Council on 8 September 2020.

The report set out known revisions to the MTFP projections, although there were a number of significant factors affecting the budget that were currently unresolved and which would be considered as the budget process progressed (paragraph 1.3 referred).

Details of the outstanding key issues and resource assumptions were set out at Section 4, the report also alluding to the fact that decisions would need to be taken to limit budget increases to unavoidable and high priority issues, together with maximising savings and efficiencies, and potential use of reserves, to enable a balanced budget position to be recommended to Council in February 2021.

In light of the current position in the MTFP, there were some potential new spending pressures and bids which required consideration. There may also be other pressures on the revenue budget as highlighted within the revenue monitoring report, which may have a recurring impact; however, Officers were reviewing the existing base budget

provisions to ensure that the services could be provided within those budgetary provisions and also contribute towards the savings target. Details of the COVID-19 income and budget monitoring shortfalls were documented at paragraph 5.9.

The current MTFP included a recurring savings requirement to be found by 2021/22 of £1 million.

Also summarised were the movements in base budgets; the updated MTFP projections; Treasury Management and Borrowing; the projected impact on revenue balances; review of reserves and balances; together with a summary of the financial outlook and budget discipline 2021/22 to 2025/26.

The Deputy Leader moved the report, which was seconded by the Leader.

**Summary of options rejected** none

## **DECISION**

That the Executive:

- (i) Noted the revised base estimates for 2020/21 and base estimates for 2021/22;
- (ii) Noted the current MTFP projections, which would continue to be updated throughout the budget process as key issues became clearer and decisions were taken;
- (iii) Noted the initial budget pressures, bids and savings which needed to be taken into account as part of the 2021/22 budget process;
- (iv) Noted the review of the earmarked reserves as outlined in paragraph 9 and Appendix F.

## **Reasons for Decision**

To note the Revenue Base Estimates; updated Medium Term Financial Plan projections and budget pressures / savings for consideration as part of the 2021/22 budget process

**EX.123/20 REVIEW OF CHARGES 2021/22 - COMMUNITY SERVICES**  
(Key Decision – KD.25/20)

**Portfolio** Environment and Transport; Culture, Heritage and Leisure

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

## **Subject Matter**

The Deputy Leader submitted report CS.30/20 setting out the proposed fees and charges for 2021/22 relating to those services falling within the Community Services Directorate.



The Deputy Leader informed the Executive that an Addendum to the report, providing an update and details of the proposed charge for refuse bins for new properties and also the charge of a second garden waste bin for 2021/22, had been circulated to all Members of the Council on 4 November 2020.

On the issue of car parking, the report recorded the proposal to simplify the permit fees and base those on the all-day charge in those car parks; and offer a 10% discount if a monthly/annual permit was purchased (plus a small administrative fee) for the applicable car parks. Therefore, the fees for permits would not be shown separately but there was opportunity to review the rate of discount offered.

In terms of pay and display tariffs, an increase of 3% was proposed, with changes to Paddy's Market to make that an all-day car park due to limited spaces and use. Due to lack of interest, it was further proposed to remove the early bird tariff from West Walls.

Details of the other proposed charges in relation to City Centre usage by external organisations; events; digital banner; Old Fire Station; Tourist Information Centre; allotments; use of parks; sports pitches; Talkin Tarn; Bereavement Services; Waste Services and Garage charges were also provided.

The original 2020/21 budgets and 2021/22 forecast income levels based upon the current charge structure and forecast volume was as detailed in the table on page 32 of the document pack. The charges highlighted within the report would result in an anticipated level of income of £2,518,400 against the MTFP target of £3,006,000. That represented a shortfall of £487,600 against the MTFP target.

The Deputy Leader moved the report, which was seconded by the Leader.

**Summary of options rejected** none

## **DECISION**

That the Executive:

1. Had reviewed the proposed charges as set out in the body of Report CS.30/20, the Addendum and relevant appendices with effect from 1 April 2021, noting the impact those would have on income generation as detailed within the report.
2. Made the report of proposed charges and the Addendum available to relevant Scrutiny Panels for their review and comment.

## **Reasons for Decision**

To ensure that the City Council's Corporate Charging Policy is complied with

**EX.124/20 REVIEW OF CHARGES 2021/22 – ECONOMIC DEVELOPMENT**  
(Key Decision – KD.25/20)

**Portfolio** Economy, Enterprise and Housing

**Relevant Scrutiny Panel**

Health and Wellbeing; Economic Growth; Business and Transformation

**Subject Matter**

The Deputy Leader submitted report ED.38/20 setting out the proposed fees and charges for areas falling within the responsibility of the Economic Development Directorate.

The report set out the proposed charges in relation to Planning Services including Development Control income; Building Control income; Building Control Discretionary Charges; the Home Life Grant Scheme; Shop Mobility and Investment and Policy Income.

Acceptance of the charges highlighted within the report would result in an anticipated level of income of £595,200 against the Medium Term Financial Plan target of £637,000.

The Deputy Leader moved the report, which was seconded by the Leader.

**Summary of options rejected** none

**DECISION**

That the Executive agreed for consultation the charges, as set out in Report ED.38/20 and accompanying Appendices, with effect from 1 April 2021; noting the impact those would have on income generation as detailed within the report.

**Reasons for Decision**

To ensure that the City Council's Corporate Charging Policy is complied with

**EX.125/20 REVIEW OF CHARGES 2021/22 – GOVERNANCE AND REGULATORY SERVICES**  
(Key Decision – KD.25/20)

**Portfolio** Cross Cutting

**Relevant Scrutiny Panel**

Health and Wellbeing; Business and Transformation

**Subject Matter**

The Deputy Leader submitted report GD.48/20 concerning the proposed fees and charges for areas falling within the responsibility of the Governance and Regulatory Services Directorate.

The report set out the proposed charges relative to Environmental Health and Housing; Homeless, Prevention and Accommodation Services; and Legal Services.

The introduction of the proposed charges was forecast to generate income of £845,300 in 2021/22 as summarised in the table at paragraph 5.9.1 of the report.

The Deputy Leader moved the report, which was seconded by the Leader.

**Summary of options rejected** none

## **DECISION**

That the Executive agreed for consultation the charges as detailed within Report GD.48/20 and accompanying Appendices, with effect from 1 April 2021; noting the impact those would have on income generation as detailed within the report.

## **Reasons for Decision**

To ensure that the City Council's Corporate Charging Policy is complied with

**EX.126/20 REVIEW OF CHARGES 2021/22 – LICENSING**  
(Key Decision – KD.25/20)

**Portfolio** Finance, Governance and Resources

**Relevant Scrutiny Panel** Business and Transformation

## **Subject Matter**

The Deputy Leader submitted report GD.54/20 setting out the proposed fees and charges for areas falling within the responsibility of the Licensing Section of the Governance and Regulatory Services Directorate.

The Regulatory Panel had responsibility for determining the licence fees, with the exception of those under the Scrap Metal Dealers Act 2013, which fell to the Executive. The fees were as outlined in attached Report GD.50/20.

The Deputy Leader then moved the report, which was seconded by the Leader.

**Summary of options rejected** that the charges detailed at Appendix A should not be approved

## **DECISION**

That the Executive:

1. Noted the charges which were considered by the Regulatory Panel on 14 October 2020, with the exception of charges under the Scrap Metal Dealers Act 2013.
2. Approved the charges detailed at Appendix A under the Scrap Metal Dealers Act 2013 with effect from 1 April 2021.

## **Reasons for Decision**

To ensure that the City Council's Corporate Charging Policy is complied with and sufficient income is generated to cover the costs associated with administering and enforcing the Council's statutory licensing function

### **EX.127/20    REVISED CAPITAL PROGRAMME 2020/21 AND PROVISIONAL CAPITAL PROGRAMME 2021/22 TO 2025/26** (Key Decision – KD.25/20)

**Portfolio**      Finance, Governance and Resources

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

## **Subject Matter**

The Deputy Leader submitted report RD.33/20 detailing the revised Capital Programme for 2020/21, now totalling £19,390,400 together with the proposed method of financing; and highlighting an underspend of £714,250 against the profiled annual budget. Also summarised was the proposed programme for 2021/22 to 2025/26 in the light of the new capital proposals identified, together with the estimated capital resources available to fund the programme.

Section 4 provided details of the current commitments and new spending proposals. Any capital scheme for which funding had been approved by Council may only proceed after a full report, including business case and financial appraisal, had been approved.

In addition, a summary of the estimated resources compared to the proposed programme year on year was set out at Section 6 of the report.

The Deputy Leader moved the report, which was seconded by the Leader.

**Summary of options rejected**      none

## **DECISION**

That the Executive:

1.      Noted the revised capital programme and relevant financing for 2020/21 as set out in Appendices A and B to Report RD.33/20;
2.      Had given initial consideration and views on the proposed capital spending for 2021/22 to 2025/26 given in the report in the light of the estimated available resources;
3.      Noted that any capital scheme for which funding had been approved by Council may only proceed after a full report, including business case and financial appraisal, had been approved.

## **Reasons for Decision**

To note the details of the revised Capital Programme and relevant financing and make arrangements for the new capital bids to be considered as part of the 2021/22 budget process

### **EX.128/20 CORPORATE ASSETS – 3 YEAR REPAIR AND MAINTENANCE PROGRAMME 2021/22 TO 2023/24** (Key Decision – KD.25/20)

**Portfolio** Finance, Governance and Resources

**Relevant Scrutiny Panel** Business and Transformation

## **Subject Matter**

The Deputy Leader submitted report GD.52/20 setting out the repair and maintenance programme budget proposals for the Council's corporate property assets for the three-year period 2021/22 to 2023/24, required to ensure that the legal responsibilities of the City Council were met. Background information was as detailed at Section 1.

In terms of planned maintenance, the report recorded that the projects detailed at Section 2 reflected the highest priority projects to be funded from capital. The current allocation of £250,000 included an additional £100,000 allocated to further address maintenance backlog.

The allocation reflected the Council's current financial situation. In an ideal world outstanding maintenance would be reduced to a minimum, however, that was not possible in the current climate. The effect of maintaining a reduced budget would likely result in an increase in the number of properties awaiting maintenance, although that could be alleviated in part by disposal of properties with a high maintenance requirement.

The Deputy Leader moved the report, which was duly seconded by the Leader.

**Summary of options rejected** that approval should not be granted

## **DECISION**

That the Executive approved:

1. The three-year revenue maintenance programme set out in Appendix A to Report GD.52/20 as part of the budget process.
2. The 2021/22 capital budget of £250,000 as part of the budget process.
3. The List of capital projects selected to meet the allocated capital budget of £250,000.

## **Reasons for Decision**

The Council's property assets require regular repair and maintenance to ensure they provide a safe working environment for their users and occupiers. The recommendations outlined ensured that Council assets were maintained to a standard that supported service provision and ensured the safety and comfort of their users and occupiers

### **EX.129/20 TREASURY MANAGEMENT QUARTER 2 2020/21 AND FORECASTS FOR 2021/22 TO 2025/26** (Key Decision – KD.25/20)

**Portfolio** Finance, Governance and Resources

**Relevant Scrutiny Panel** Business and Transformation

## **Subject Matter**

The Deputy Leader submitted report RD.34/20 providing the regular quarterly report on Treasury Transactions, together with an interim report on Treasury Management as required under the Financial Procedure Rules. The report also discussed the City Council's Treasury Management estimates for 2021/22 with projections to 2025/26 and set out information regarding the requirements of the Prudential Code on local authority capital finance.

Treasury Management projections were reviewed annually to ensure that current interest rate forecasts were updated, and that current and future spending implications were built into the cash flow forecasts model. Average cash balances would need to be amended to reflect revised forecasts for anticipated capital receipts, capital expenditure and use of revenue reserves and that would adjust the final pressure/saving requirement from treasury management. The draft base Treasury Management estimates for 2021/22 with projections for 2025/26 were set out at Appendix C.

The Deputy Leader moved the report, which was seconded by the Leader.

**Summary of options rejected** none

## **DECISION**

That Report RD.34/20 be received and the projections for 2021/22 to 2025/26 be incorporated into the Budget reports considered elsewhere on the Agenda.

## **Reasons for Decision**

To receive the report on Treasury Management and refer it as part of the budget process

**EX.130/20    LOCAL TAXATION 2021/22 – 2025/26**  
(Key Decision – KD.25/20)

**Portfolio**     Finance, Governance and Resources

**Relevant Scrutiny Panel**             Business and Transformation

**Subject Matter**

The Deputy Leader submitted report RD.35/20 considering aspects of Local Taxation decisions which needed to be made as part of the Budget process for 2021/22 onwards.

Set out within the report were the various considerations, including the levels of Council Tax for the City Council (including Parish Precepts), Council Tax Surplus calculations, Council Tax Base calculations, Local Support for Council Tax, and Business Rate Retention (including Pooling arrangements). A summary of the assumptions made was also provided at Section 4.

The Deputy Leader moved the report, which was duly seconded by the Leader.

**Summary of options rejected**    that approval should not be granted

**DECISION**

That the Executive:

1.     Noted the contents of Report RD.35/20 including the current assumptions built into the MTFP with regard to local taxation issues;
2.     Approved, for recommendation to Council as part of the budget process, the 2021/22 Local Support for Council Tax scheme as set out in paragraph 2.4.
3.     Approved the continuation of involvement in the Cumbria Business Rate Pool arrangements for 2021/22 subject to the continuing involvement of the other partners, with the final decision on participation being delegated to the Corporate Director of Finance and Resources.

**Reasons for Decision**

To make recommendations on aspects of Local Taxation decisions required to be made as part of the 2021/22 Budget process

## **EXECUTIVE – SPECIAL MEETING**

**MONDAY 7 DECEMBER 2020 AT 4.00 PM**

### **PRESENT:**

Councillor J Mallinson (Leader / Chairman)  
Councillor Ellis (Deputy Leader, and Finance, Governance and Resources Portfolio Holder)  
Councillor Christian (Environment and Transport Portfolio Holder)  
Councillor Higgs (Culture, Heritage and Leisure Portfolio Holder)  
Councillor Mrs Mallinson (Communities, Health and Wellbeing Portfolio Holder)  
Councillor Nedved (Economy, Enterprise and Housing Portfolio Holder)

### **OFFICERS:**

Deputy Chief Executive  
Corporate Director of Governance and Regulatory Services  
Corporate Director of Finance and Resources

### **ALSO PRESENT:**

Councillor Birks (Vice-Chair of the Business and Transformation Scrutiny Panel – until 4.12 pm)

### **REGISTER OF ATTENDANCE AND DECLARATIONS OF INTEREST**

A roll call of persons in attendance was taken.

In accordance with the Council's Code of Conduct Councillors Mrs Mallinson; Mallinson (J) and Ellis submitted declarations of interest in relation to Item A.2: Local Government Reorganisation – Approval of Carlisle City Council's Submission due to the fact that they are Members of Cumbria County Council.

The Members reported that they had received dispensations to discuss local government reorganisation at this meeting.

### **APOLOGIES FOR ABSENCE**

Apologies for absence were submitted on behalf of the Town Clerk and Chief Executive; and the Corporate Director of Economic Development.

### **PUBLIC AND PRESS**

RESOLVED – That the Agenda be agreed as circulated.

### **CALL-IN AND URGENCY PROCEDURES**

The Leader reported that the Mayor had, on 27 November 2020, agreed that Agenda item A.2 – Local Government Reorganisation – Approval of Carlisle City Council's Submission should be exempt from call-in since, if a call-in was received, call-in procedures would



delay transmission of the final submission on the topic to Government by the 9 December 2020 deadline, thereby prejudicing the Council's interests.

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

**Portfolio** Finance, Governance and Resources

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

**Subject Matter**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Leader so moved and the Deputy Leader duly seconded.

**Summary of options rejected**    None

## **DECISION**

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

## **Reasons for Decision**

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

*The Vice-Chair of the Business and Transformation Scrutiny Panel left the meeting*

**EX.139/20    \*\*LOCAL GOVERNMENT REORGANISATION – APPROVAL OF  
CARLISLE CITY COUNCIL'S SUBMISSION**  
(Key Decision – KD.32/20)

(In accordance with Paragraph 15(i) of the Overview and Scrutiny Procedure Rules, The Mayor had agreed that call-in procedures should not be applied to this item)

**Portfolio**    Cross-cutting

**Relevant Scrutiny Panel**    Business and Transformation

## **Subject Matter**

The Leader submitted report CE.07/20, the purpose of which was for the Executive to consider the views and decisions taken at the special meeting of the City Council held on 1 December 2020, relating to Local Government Reorganisation and delegate approval of the final submission to the Chief Executive and himself.

Copies of the Cumbria Local Government Reorganisation Case for Change – December 2020 submission document and an Excerpt from the Minutes of the special Council meeting (C.133/20) had also been circulated.

The Leader was pleased to move the report, adding that the Executive believed that Carlisle City Council's submission represented the best way forward for local government reform in Cumbria. The arguments were well rehearsed at the full Council meeting and he did not propose to reiterate the same.

Whilst the decision was clearly one to be taken by the Executive today, the Leader was further pleased that Council had been consulted; and, whilst one could not claim total unanimity, he could record that only one vote was recorded against the option before the Executive at full Council on 1 December 2020.

The Leader truly believed that the Executive's preferred north / south option, which provided the correct balance between economies of scale and community cohesion, was

the one which would best serve Cumbria for decades to come. It would be one of four submissions and he felt sure that it would be judged to be the strong and compliant bid that it was. He had numerous discussions with fellow District Leaders and numerous other people since February 2020.

The Leader was grateful to Members of this Council for their support and, in particular, wished to record thanks to the Chief Executive and his Team, without whom a submission of that quality would not have been possible.

The Leader concluded his presentation by moving the recommendation that the Executive approve the Carlisle City Council's draft proposal for local government reorganisation, attached to the report and delegate submission of the final document, with any minor amendments and corrections, to the Chief Executive in consultation with himself.

The Deputy Leader seconded the recommendation.

The Communities, Health and Wellbeing Portfolio Holder also wished to support the recommendation. It was currently a very exciting time, a time to put right the 1992 Maud Report which saw Cumbria come into existence.

Cumbria was too large and diverse, with the north looking to Scotland and the north-east for their television and hospital services, and the south of the county very much looking towards Manchester for service provision.

The Portfolio Holder emphasised the diverse nature of the county, believing that local government reorganisation would present jobs and opportunities for the residents of Cumbria. People, including herself, were looking forward to discussing the matter in due course, including the potential for two unitary councils to be created in Cumbria so that we could look to the locality working which the District Councils were exceptionally good at.

**Summary of options rejected** that the draft proposal and delegation should not be approved

## **DECISION**

That the Executive approve the Carlisle City Council's draft proposal for local government reorganisation, attached to Report CE.07/20 and delegate submission of the final document, with any minor amendments and corrections, to the Chief Executive in consultation with the Leader of the Council.

## **Reasons for Decision**

To enable Carlisle City Council to submit its proposals for Local Government Reorganisation to UK Government before the deadline on 9 December 2020

**EX.140/20 NOTICE OF EXECUTIVE KEY DECISIONS**  
(Non Key Decision)

**Portfolio** Cross-Cutting

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

**Subject Matter**

The Notice of Executive Key Decisions dated 9 November 2020 was submitted for information.

**Summary of options rejected**    None

**DECISION**

That the Notice of Executive Key Decisions dated 9 November 2020 be noted.

**Reasons for Decision**

Not applicable

[The meeting ended at 4.19 pm]



# Report to Executive

Agenda  
Item:

**6(1) (iv)**

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

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

## Purpose / Summary:

This report provides an update to RD32/20, with a summary of the Council's revised revenue base estimates for 2020/21, together with base estimates for 2021/22 and forecasts up to 2025/26 for illustrative purposes.

Potential new spending pressures, bids and savings are also considered in this report. It should be noted that the figures in this report are indicative and the final position is subject to decisions being taken further in the budget process.

The report also provides an update on the key budget considerations.

## Recommendations:

The Executive is requested to:

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

**Tracking**

Executive:	<b>14 December 2020</b>
Scrutiny:	<b>BTSP 07 January 2021</b>
Council:	<b>2 February 2021 (Budget Resolution)</b>



## **1. INTRODUCTION**

- 1.1. This report considers the revised base estimates for 2020/21 together with the estimates for 2021/22. The report also sets out any known revisions to the Medium-Term Financial Plan (MTFP) projections.
- 1.2. The base estimates have been prepared in accordance with the guiding principles for the formulation of the budget over the next five-year planning period as set out in the following Policy documents that were approved by Council on 8 September 2020:
  - ◆ Medium Term Financial Plan and Charging Policy
  - ◆ Capital Strategy
  - ◆ Asset Management Plan
- 1.3. Members should be aware that there are a number of significant factors affecting the budget that are currently unresolved. In particular, the following are key to the budget process and details on these will be considered as the budget process progresses:
  - Ongoing impact of COVID-19;
  - Local Government Finance Settlement – announcement due by December 2020;
  - Further expected changes in government grant e.g. New Homes Bonus, Housing Benefit Admin Grant;
  - Future borrowing requirements;
  - Commercial and investment opportunities.
- 1.4. The report draws on information contained in a number of reports that are either considered elsewhere on this agenda or have been considered previously by the Executive.
- 1.5. Decisions will need to be made to limit budget increases to unavoidable and high priority issues, together with maximising savings and efficiencies, and potential use of reserves, to enable a balanced budget position to be recommended to Council in February 2021.

## **2. SUMMARY OF BASE BUDGET ESTIMATES**

- 2.1. The base estimates are calculated on the assumption that core services will continue at approved levels incorporating decisions agreed by Council as part of the previous year's budget process and including all subsequent decisions made by Council.
- 2.2. The table below sets out the base level General Fund requirement for 2020/21 and 2021/22 with projections to 2025/26. The 2020/21 variance reflects the use of

earmarked reserves approved since the MTFP was approved in September.

Table 1 – Base Budget Summary

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

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

### 3. OUTSTANDING KEY ISSUES

#### 3.1. Government Settlement Funding Assessment

The Council receives core funding allocations from the Government in relation to Business Rates Baseline Funding and other specific grants. 2020/21 saw a one-year

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

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

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

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

### **3.3. Pay Award 2021/22**

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

### 3.4. Resource Assumptions

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

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

For information, broadly:

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

## 4. POTENTIAL NEW SPENDING PRESSURES/BIDS

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

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

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

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

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

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

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

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

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

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

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

#### **4.6 Pay Award – Additional Expenditure - £93,000 recurring**

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

#### **4.7 Project Officer Post – Additional Expenditure - £132,000 recurring**

The Council has some significant capital schemes in the pipeline, e.g. new leisure facilities, civic centre refurbishment, Borderlands projects etc. This pressure is therefore to provide dedicated experienced officers who can manage these projects.

#### **4.8 City Centre Property Income – Income Shortfall - £190,000 reducing to £0 non-recurring bid**

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

#### **4.9 Digital Marketing Officer – Additional Expenditure - £27,000 non-recurring**

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

#### **4.10 COVID-19 Income and Budget Monitoring Shortfalls**

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

#### **4.11 Climate Change**

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

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

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

## 5. SAVINGS AND ADDITIONAL INCOME PROPOSALS

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

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

### 5.2 Business Rates Pooling

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

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

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

#### 5.4 **Energy Monitoring System – Saving - £20,000 recurring**

This is the annual expected saving from the installation of a new energy monitoring system that is included as a new capital project in RD43/20.

#### 5.5 **Treasury Management**

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

#### 5.6 **Budget Savings – Saving - £200,000 recurring**

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

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

### 6. **PROJECTED IMPACT ON REVENUE BALANCES**

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

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

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

6.3 The Council's current levels of balances are set out in **Appendix A** and include any impact of the proposed pressures and savings outlined in this report. The Projects Reserve will be used as a first call for any projected revenue budget deficit however, maintaining the current level of reserves is dependent upon the achievement of the



transformation savings. A risk-based review of reserve levels has been undertaken and shows that the minimum level of General Fund Reserves should be £3.1million due to uncertainties around future funding from Business Rates; however, this level will be reviewed during this budget process.

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

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

- 7.1 The current budget projections for the next five-year period are challenging and continue to show the requirement for substantial savings to be achieved in order to enable the Council to contain its ongoing commitments, notwithstanding the on-going impact of COVID-19, within available resources over the lifetime of the MTFP.
- 7.2 Notification of Government general and specific grants is received on an individual basis late in the budget process which makes forward planning difficult. The impact

of a further one-year settlement for 2021/22 also adds to the challenges of securing a balanced MTFP.

- 7.3 In terms of expenditure pressures, again notwithstanding the impact of COVID-19 on the Council's budgets and economic recovery in general, the significant issue affecting the budget is the uncertainty regarding local government funding in terms of business rate retention and any burdens which may transfer as a result.
- 7.4 The deferral of the Fair Funding Review and the Business Rate Retention Reviews increases the uncertainty in terms of future funding especially from 2022/23 onwards; however, the scope to remain within the Cumbria Pooling arrangements for 2021/22 (if all participating authorities agree) may provide an opportunity, albeit temporary, in terms of increased financial support to the revenue budget from pooling and growth.
- 7.5 The City Council needs to establish as part of its budgetary process the financial discipline to be followed by member and officers in the ensuing financial years, and the Executive will make recommendations in this respect in December.
- 7.6 Under section 25 of the Local Government Act 2003 the Council's S.151 Officer is required to prepare a statutory report which considers the robustness of the estimates and the adequacy of reserves and which determines levels of borrowing. A full report will be prepared and included within the Executive's draft budget proposals for consultation purposes.

## **8. RISKS**

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

## **9. CONSULTATION**

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

## **10 RECOMMENDATIONS**

- 10.1 The Executive is requested to:
  - (i) note the revised base estimates for 2020/21 and base estimates for 2021/22;
  - (ii) note that the estimates in the report are draft and will be subject to the confirmation of Local Government Finance Settlement in December 2020;

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

## **11 CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES**

11.1 To ensure that a balanced budget is set.

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

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

- **None**

### **CORPORATE IMPLICATIONS:**

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

**Property Services** – There are no Property implications

**Finance** – contained within the body of the report

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

**Information Governance** – There are no information governance implications.

**COUNCIL RESERVES**

Analysis of Council Reserves	Outturn 31 March 2020 £000	Projected 31 March 2021 £000	Projected 31 March 2022 £000	Projected 31 March 2023 £000	Projected 31 March 2024 £000	Projected 31 March 2025 £000	Projected 31 March 2026 £000
<b>Revenue Reserves</b>							
General Fund Reserve	(3,100)	(2,502)	(2,607)	(2,370)	(2,368)	(2,451)	(2,569)
Projects Reserve	(907)	0	0	0	0	0	0
Carry Forward Reserve	(654)	(632)	(632)	(632)	(632)	(632)	(632)
	<b>(4,661)</b>	<b>(3,134)</b>	<b>(3,239)</b>	<b>(3,002)</b>	<b>(3,000)</b>	<b>(3,083)</b>	<b>(3,201)</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>(5,682)</b>	<b>(4,545)</b>	<b>(4,543)</b>	<b>(4,626)</b>	<b>(4,744)</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>(5,899)</b>	<b>(4,777)</b>	<b>(4,790)</b>	<b>(4,888)</b>	<b>(5,021)</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 (i.e. they are not available either to fund expenditure or to meet future commitments.)

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

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

2. **Robustness of the Estimates**

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

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

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

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

- The Savings programme was expected to achieve savings of £1million by 2021/22, increasing by £0.850million to £1.850million in 2023/24 in order to meet the expected cuts in grants from central government and other budgetary pressures identified in the previous budget process. However, based upon the pressures and savings identified within this draft budget, a further savings requirement of £0.200million will be required increasing the overall target to £1.200million by 2021/22, and to £2.050million in 2023/24. This will ensure that a balanced budget is produced and where Council reserves are replenished over the longer term.
- The level of interest receipts and return on Treasury Management activities are subject to market rates. Members are advised of this risk every year and it should be noted that in the current economic climate with low and relatively static base rates, investment income returns in the medium term continue to prove challenging. The Council is also having to deal with a reduced number of counterparties it is able to place deposits with.

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

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

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

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

2. Adequacy of Reserves

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

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

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

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

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

3. Determination of Borrowing

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

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

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





# Report to Executive

Agenda  
Item:

**6(1)(v)**

Meeting Date: 14 December 2020  
Portfolio: Finance, Governance and Resources  
Key Decision: Yes: Recorded in the Notice Ref: KD.25/20  
Within Policy and Budget Framework YES  
Public / Private Public  
Title: REVISED CAPITAL PROGRAMME 2020/21 AND PROVISIONAL CAPITAL PROGRAMME 2021/22 TO 2025/26  
Report of: CORPORATE DIRECTOR OF FINANCE AND RESOURCES  
Report Number: RD 43/20

## Purpose / Summary:

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

## Recommendations:

The Executive is asked to:

- (i) Note the revised capital programme and relevant financing for 2020/21 as set out in Appendices A and B, for recommendation to Council;
- (ii) Give initial consideration and views on the proposed capital spending for 2021/22 to 2025/26 given in the report in the light of the estimated available resources, for recommendation to Council;
- (iii) Note that any capital scheme for which funding has been approved by Council may only proceed after a full report, including business case and financial appraisal, has been approved.

## Tracking

Executive:	<b>14 December 2020</b>
Overview and Scrutiny:	<b>BTSP 07 January 2021</b>
Council:	<b>2 February 2021 (Budget Resolution)</b>

## **1. BACKGROUND**

- 1.1 This report details the revised capital programme for 2020/21 together with the proposed methods of financing as set out in paragraph 3 and **Appendix A and B**.
- 1.2 The report also details the capital spending proposals for 2021/22 to 2025/26, together with the potential resources available to fund the programme. Members are asked to give initial consideration to the spending proposals.
- 1.3 The guiding principles for the formulation of the capital programme over the next five-year planning period are set out in the following policy documents that were approved by Council on 8 September 2020:
  - Capital Investment Strategy 2021-22 to 2025-26 (Report RD26/20)
  - Asset Management Plan (Report GD43/20)
- 1.4 A Corporate Programme Board of senior officers, (the SMT Transformation sub-group) continues to take the lead on the prioritisation of investment and the monitoring and evaluation of schemes. This is to improve performance monitoring and business case analysis of capital projects.

## **2. CAPITAL RESOURCES**

- 2.1 There are several sources of capital resources available to the Council to fund capital expenditure, the main ones being:
  - Borrowing (Prudential Code - see paragraph 6.2)
  - Capital Grants e.g. DFG, specific capital grants
  - Capital Receipts e.g. proceeds from the sale of assets
  - Council Reserves e.g. Projects Reserve
- 2.2 In accordance with the Capital Investment Strategy, the Corporate Director of Finance and Resources will make recommendations on the most effective way of financing the Capital Programme to optimise the overall use of resources.
- 2.3 It should be noted that capital resources can only be used to fund capital expenditure and cannot, with the exception of the Council's own Reserves, be used to fund revenue expenditure. There are strict definitions of what constitutes capital expenditure.
- 2.4 It should also be noted that the resources available to support the capital programme can only be estimated during the year. The final position is dependent in particular on how successful the Council has been in achieving Capital Receipts

from the sale of assets against its target i.e. the more capital receipts generated, the less is required to be taken from Borrowing and Council Reserves (and vice versa).

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

### 3. REVISED CAPITAL PROGRAMME 2020/21

- 3.1 The capital programme for 2020/21 totalling £29,915,800 was approved by Council on 14 July 2020 as detailed in the 2019/20 out-turn report (RD14/20).
- 3.2 The revised capital programme for 2020/21 now totals £19,390,400 as detailed in **Appendix A** subject to the relevant approvals by Executive and Council for the changes.
- 3.3 **Appendix B** details the revised anticipated resources available and their use to fund the capital programme. These have been revised to take account of revised projections and valuations of asset sales.
- 3.4 A summary of the revised programme for 2020/21 is shown below:

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

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

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

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

- 4.2 The anticipated budgets for replacement of the Council's vehicle fleet. An initial review of the current replacement plan has been undertaken and the revised figures are included in the table above.
- 4.3 The allocation for planned enhancements to council properties is retained at the current level of £250,000.
- 4.4 Disabled facilities grant allocation will not be known until early into 2021/22, although it has been assumed for the purpose of this report that the grant will be protected at the 2016/17 levels. This grant will be awarded via the County Council's Better Care Fund.
- 4.5 This is the current allocation for improvements and developments to the Council's ICT infrastructure.

- 4.6 This is the updated profile for the renovation and new build of the Sands Centre as previously agreed by Council in October 2020.
- 4.7 An allocation for the replacement of the Council's stock of recycling and waste containers.
- 4.8 Funding to be identified and vired to support the reinstatement of the Civic Centre Ground floor project from within the overall Capital Programme.
- 4.9 The Council's contribution to the Carlisle Southern Link Road project.
- 4.10 To provide new infrastructure for the crematorium including replacement cremators. The project is funded from the amounts set aside in the Cremator Replacement Earmarked Reserve.
- 4.11 An allocation to provide for a new data management system that is used in Environmental Health and Private Sector Housing.
- 4.12 An allocation to provide for an Energy Management System to be installed to monitor energy usage across Council owned property. This scheme is linked to a revenue saving in the Revenue Budget update report considered elsewhere in the agenda (RD42/20).
- 4.13 This project is part of the funding application to the Future High Streets Fund and seeks to redevelop and improve the area around the Greenmarket and Market Square in Carlisle City Centre. The project is part funded through the FHSF grant, with a funding requirement from the Council of £390,000.

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

#### 4.14 **Climate Change**

The Council's update Local Environment (Climate Change) Strategy will be subject to a report to full Council in the Spring of 2021 following the usual consultation process; the Strategy will be supported by an action plan for addressing climate change issues as well individual actions required by the Council for reducing the its own carbon footprint. The Council is committed to becoming carbon neutral in the future and there may be a requirement for significant investment in achieving this goal, with recovery through the achievement of efficiency savings and/or by maximising any external grants and contributions available to support the strategy and action plan

through the Council's Funding Strategy. However, any carbon reducing schemes will initially have to be funded from resources currently contained within the Council's existing Revenue and Capital budgets; with any new climate change initiatives, following the formal adoption and approval of the Local Environment (Climate Change) Strategy, being supported by robust business cases with a cost benefit analysis provided.

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

## 5. POTENTIAL CAPITAL RESOURCES AVAILABLE

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

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

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

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

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

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

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

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

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

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

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

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

## **7. RISKS**

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

## **8. CONSULTATION**

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

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

The Executive is asked to:

- (i) Note the revised capital programme and relevant financing for 2020/21 as set out in Appendices A and B;
- (ii) Give initial consideration and views on the proposed capital spending for 2021/22 to 2025/26 given in the report in the light of the estimated available resources;
- (iii) Note that any capital scheme for which funding has been approved by Council may only proceed after a full report, including business case and financial appraisal, has been approved.

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

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

**Contact Officer:** Emma Gillespie

**Ext:** 7289

**Appendices  
attached to report:**



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

- None

#### **CORPORATE IMPLICATIONS:**

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

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

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

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

**INFORMATION GOVERNANCE** – There are no information governance implications.

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

**REVISED CAPITAL PROGRAMME 2020/21 – PROPOSED FINANCING**

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

**Notes:**

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



**ADDENDUM TO REPORT CS 30/20 CHARGES REVIEW REPORT 2021/22 –  
COMMUNITY SERVICES**

This addendum provides an update to CS 30/20 and provided details of the proposed charge for refuse bins for new properties and also the charge of a 2<sup>nd</sup> garden waste bin for 2021/22 as set out in the attached appendix.

Darren Crossley  
**Deputy Chief Executive**

## **8. WASTE SERVICES SHOWN AT APPENDIX 11**

- 8.5 We do not currently charge for refuse and garden waste bins provided for new build properties. It is proposed that residents moving into new build properties can have either a 140ltr or a new size 180ltr bin free of charge, but if they choose a 240ltr bin then they will need to pay a £40 charge. This change is design to try to reduce waste, increase recycling and support the climate change strategy. Charges would still apply for future replacements or upgrades of 140ltr and 180ltr bins.

A discussion will be held with Developers regarding a contribution towards the provision of euro-bins for new flat developments.

- 8.6 Our current service standard limits the garden waste service to the collection of one garden waste bin per household. There are a small number of households across Carlisle which paid for their second garden waste bin more than six years ago, before this restriction came in place. We therefore honour this and continue to empty those bins as a gesture of good will.

Year on year, the City Council receives a small number of requests from residents for additional garden waste bins and we have to turn them down. This often leads to complaints, especially from those with large gardens. We would like to change this service standard to allow residents to apply for a second garden waste bin from April 2021. This will lead to additional income from the provision of the bins and through the receipt of recycling credits for additional garden waste collected.

This proposal is not seeking to introduce a charge for collection; garden waste bins will continue to be collected free of charge.

The proposal will enable residents to apply for a second garden waste bin at a one-off cost of £40 which will help resolve the complaints about the current inequity of our current offer. If the application is approved the second garden waste bin will be emptied free of charge.

The provision of a second bin will not be automatic. It will be subject to an assessment at the time of application to ensure that there is capacity within the service to support its collection without any negative impact on services for other residents or in terms of increased collection costs for the Council. Applications will be refused if there is no capacity within the existing round to meet the extra demand. The application can be considered again the following year.

All bins provided remain the property of the City Council.

APPENDIX 11			
WASTE SERVICES AND STREET CLEANING CHARGES			
Container Type	2020/21 Charge	Proposed 2021/22 Charge	2021/22 COMMENT
Replacement 140 litre Refuse Bin (New)	£20.00 delivered	£16.00 delivered	Price reduced to encourage choice of smaller bins to reduce waste, increase recycling and support the climate change strategy.
	£15.00 collected	£12.00 collected	25% reduction if customer is able to collect
Replacement 180 litre Refuse Bin (New)	N/A	£20.00 delivered	New bin size option at half the price of a 240l bin. Some households may be able to reduce their bin size but feel a 140l would be too small. This will help to reduce waste, increase recycling and support the climate change strategy.
	N/A	£15.00 collected	25% reduction if customer is able to collect
Replacement 240 litre Refuse or Garden Waste Bin (New)	£40.00 delivered	£40.00 delivered	No change
	£30.00 collected	£30.00 collected	25% reduction if customer is able to collect
Replacement 140 litre Refuse Bin (Refurbished)	£8.00 delivered	£8.00 delivered	Half the price of a new 140 litre bin to select the refurbished alternative (if available) to reduce demand for 'new plastic'
	£4.00 collected	£6.00 collected	25% reduction if customer is able to collect from Bousteads and further incentivised to encourage choice of smaller bin to support re-use
Replacement 180 litre Refuse Bin (Refurbished)	N/A	£10.00 delivered	Half the price of a new 180 litre bin to select the refurbished alternative (if available) to reduce demand for 'new plastic'
	N/A	£7.50 collected	25% reduction if customer is able to collect from Bousteads and further incentivised to encourage choice of smaller bin to support re-use
Replacement 240 litre Refuse or Garden Waste Bin (Refurbished)	£20.00 delivered	£20.00 delivered	No increase to encourage choice of the refurbished alternative (if available) to reduce demand for 'new plastic'
	£15.00 collected	£15.00 collected	25% reduction if customer is able to collect
Additional 2nd garden waste bin if capacity	N/A	£40.00	This is subject to assessment at time of request to ensure there is capacity in the collection round to support the additional garden waste collected. Additional garden waste bins may not be provided.
Exchange from 140 litre bin to new 240 litre bin. 140 litre bin to be returned and 'traded in'	£32.00 delivered	£32.00 delivered	140 litre bin to be returned and 'traded in' (value £8.00). Charges therefore are £8.00 less than the replacement costs for a new 240litre bin
	£22.00 collected	£24.00 collected	25% reduction if customer is able to collect
Exchange from 140 litre bin to new 180 litre bin. 140 litre bin to be returned and 'traded in'	N/A	£12.00 delivered	140 litre bin to be returned and 'traded in' (value £8.00). Charges therefore are £8.00 less than the replacement costs for a new 180litre bin
	N/A	£9.00 collected	25% reduction if customer is able to collect
Exchange from 180 litre bin to new 240 litre bin. 180 litre bin to be returned and 'traded in'	N/A	£30.00 delivered	180 litre bin to be returned and 'traded in' (value £10.00). Charges therefore are £10.00 less than the replacement costs for a new 180litre bin
	N/A	£22.50 collected	25% reduction if customer is able to collect
160 litre Standard Seagull Sack	£18.00 delivered	£18.00 delivered	No change. Price remains to encourage customers to choose the smaller gull sack and recycle more.
	£9.00 collected	£13.50 collected	25% reduction if customer is able to collect
90 litre Seagull Sack	£8.00 delivered	£9.00 delivered	Half the price of a standard gull sack to encourage customers to choose the smaller gull sack and reduce waste, increase recycling and support the climate change strategy.
	£4.00 collected	£6.75 collected	25% reduction if customer is able to collect
Box Cover	Free	Free	No change
Recycling Bag (Green)	£2.00 delivered	£2.00 delivered	No change
	Free collected	Free collected	
Recycling Box (Green)	£2.00 delivered	£2.00 delivered	No change
	Free collected	Free collected	
Bulky Waste Collections (up to 3 items)	£24.00	£25.00	3%
Bulky Waste collections (4 to 6 items)	N/A	£5.00 per item	New offer to generate additional income and offer improved service for residents at £5.00 per additional item above the £25.00 fee for the first three items - up to a total of six items (£40)
Provision of bins to new-build properties	N/A	240 litre £40	Same as pre-owned properties
	N/A	180 litre £nil	No charge to encourage take-up of smaller bins
	N/A	140 litre £nil	No charge to encourage take-up of smaller bins
Provision 1100l Euro Bins to new-build flats	2018/19 - £330+delivery 2019/20 onwards - Free	TBC	Discussion to be held with developers regarding contribution towards euro bins





## Report to Executive

Agenda  
Item:

**6 (1)(vii)**

Meeting Date: 09 November 2020 (14 December 2020 Amended)  
Portfolio: Cross Cutting  
Key Decision: Yes: Recorded in the Notice Ref: KD.25/20  
Within Policy and Budget Framework YES  
Public / Private Public

Title: CHARGES REVIEW REPORT 2021/22 - GOVERNANCE AND REGULATORY SERVICES  
Report of: Corporate Director of Governance and Regulatory Services  
Report Number: GD 48/20 (Amended)

### Purpose / Summary:

This report sets out the proposed fees and charges for areas falling within the responsibility of the Governance and Regulatory Services Directorate:

- Environmental Health and Housing
- Homeless, Prevention and Accommodation Services
- Legal Services

The amendment relates to the discount to senior citizens for the charge for domestic rat and mice treatments as set out in Appendix C.

### Recommendations:

The Executive is asked to agree the charges as detailed and set out in the report and accompanying Appendices with effect from 1<sup>st</sup> April 2021 noting the impact these will have on income generations as detailed within the report.

### Tracking

Executive:	<b>09 November 2020, 14 December 2020</b>
Scrutiny:	<b>BTSP 01/12/20; EGSP 26/11/20; HWSP 19/11/20</b>
Council:	<b>N/A</b>

## 1. BACKGROUND

- 1.1 Each Directorate is required to carry out an annual review of fees and charges.
- 1.2 This report proposes the review of charges within Governance and Regulatory Services in respect of charges for Environmental Health and Housing, Homeless Prevention and Accommodation Services and Legal Services. This report has been prepared in accordance with the principles approved under the Council's Corporate Charging Policy.
- 1.3 The charges, which have been reviewed, are addressed separately below.
- 1.4 The attached **Appendices A - L** is an extract from the summary of charge book, which shows the current and proposed level of charge for each of these services.

## 2. CORPORATE CHARGING POLICY 2021/22 TO 2025/26

- 2.1 The Corporate Charging Policy, which is part of the Strategic Financial Framework and is attached as **Appendix L**, was approved by the Executive on 17 August 2020 and full Council on 08 September 2020 and sets out the City Council's policy for reviewing charges. The principle objective(s) of setting the charge are:
  - 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 service for low-income households;
  - Promote equity or fairness;
  - Achieve wider strategic policy objective (e.g. encouraging green policies)
- 2.2 The MTFP currently assumes an income target of £882,800 for the financial year 2021/22 reflecting an increase of 3% on 2020/21 base budgets.
- 2.3 In addition, the policy recognises that each Directorate is different, and requires Chief Officers to develop specific principles for their particular service or client's groups, but within the parameters of the main principles of the Council's Corporate Charging Policy.

## 3. ENVIRONMENTAL HEALTH & HOUSING:

- 3.1 The charges detailed in **Appendices A to E** cover both the statutory charges for specified offences where the City Council has determined not to set the maximum possible charge and, in the case of private water, fees for statutory services. In most cases these charges are carried over on a yearly basis until the supporting legislation

changes. The other charges specified reflect services carried out and have, unless specified, been given a 3% increase in line with the medium-term financial plan to recover some of the costs for providing these services.

- 3.2 **Appendix A** – The Housing Act 2004 places a duty on the City Council to Licence certain types of Houses in Multiple Occupation (HMO). Councils are permitted to charge their administration costs in connection with granting or refusing an HMO licence to a landlord. The discount fee for RNLA landlords has been reduced from 10% to 5% for 2021/22 as the merger of the landlord associations makes the discount available for the larger membership base, not just accredited members.

The Housing and Planning Act 2016 amended the definition of an HMO meaning that from 1<sup>st</sup> October 2018 more types of rented properties (those below the existing 3 story criteria) are under the Licensing requirements.

The projected income for HMO licence fees for 2021/22 is set out below:

	<b>Number of applications</b>	<b>Income</b>
Projected number of new HMO licence applications (£590)	5	£2,950
Forecast of renewals of existing HMOs (£371)	15	£5,565
Expected income generation 2021/22		£8,515

- 3.3 Immigration inspections are carried out on behalf of the residents of Carlisle City Council who are applying for permission for family members, living abroad, to come and live in the district. The inspections are required to confirm that the property will not be overcrowded with the additional resident and that the property does not pose significant harm to the individual. This is a discretionary service, which the Council could choose not to deliver.

The immigration report is required by the family of the applicant, for submission to their own High Commission, for onward transmission to the British High Commission, who then consider the request for immigration. It is an integral and necessary part of the immigration application and can only be undertaken by an appropriate Council Officer or qualified surveyor.

After an application is received the Council aims to inspect the property within 10 working days.

The table below outlines the proposed charges for 2021/22:

<b>Proposed cost of application</b>	£150(inc. VAT)
<b>Option to fast track application and inspect within 5 working days</b>	£168 (inc. VAT)
<b>Expected income generation 2021/22</b>	£600 (4 visits)
<b>Income Budget 2021/22</b>	£500

- 3.4 The Council charges owners of properties if enforcement action is required under the Housing Act 2004. The formula for charging will remain the same, but the hourly cost is updated to reflect hourly rates across Regulatory Services. The hourly rate includes all the expenditure costs in providing the services. The standardised hourly rate for Regulatory Services in 2021/22 is £67.40.
- 3.5 The Housing and Planning Act 2016 allow civil penalties to be imposed by the City Council as an alternative to prosecution for certain housing standard offences. The Executive considered and agreed the civil penalty levels for Carlisle on the 25<sup>th</sup> September 2017 (GD 61/17).
- 3.6 The Housing Grants, Construction and Regeneration Act 1996 enables preliminary or ancillary services and charges in relation to the cost of a Disabled Facilities Grant (DFG) to be considered and approved as part of DFG application. The Housing Renewal Grants (Services and Charges) Order 1996 paragraph 2 specifies what services and charges the applicant is liable to pay. Charges for the delivery of the Mandatory DFGs are contained within **Appendix A**. Discretionary DFG charges are detailed in **Appendix D**. DFG charges are recovered from the DFG allocation and are included in the final DFG approval, they are not a cost that the applicant must find separate from the grant.
- 3.7 **Appendix B** – sets out the fees and charges associated with the Food & Public Protection Team. There are no proposed new charges for the 2021/22 period. The fixed penalty fines in relation to Coronavirus statutory offences have not been included in the report as the legislation which fixes these fines has been subject to regular changes.
- 3.8 **Appendix C** - sets out the proposed fees for the Council's Pest Control Service. A new fee has been introduced for the treatment of rats in domestic premises. This has previously been provided on a no-charge basis. Through its free service and sewer baiting the Council does take a proactive stance in the treatment of rats, however a noticeable increase in requested rat treatments in recent years has placed pressure on the pest control service. Although it is a desirable option not to charge for rat

treatments, the service must re-evaluate its income generation to ensure the valuable service to residents is sustainable. The proposed charge of £46.67 (£56.00 inc. VAT) for rat treatments in domestic premises will be consistent with the charges applied for the treatments of mice, wasps, ants, fleas and cockroaches. It is anticipated that this fee will allow the Council to reduce its net expenditure, thereby protecting the future of the pest control service, which is an essential part of a clean and healthy Carlisle. There is no legal obligation on the local authority to provide free rat treatments at domestic premises.

#### **4. HOMELESS, PREVENTION and ACCOMMODATION SERVICES**

##### **Proposed Homeless Accommodation Rental Charges for 2021/22:**

- 4.1 Carlisle City Council has a statutory responsibility under part 7 of the Housing Act 1996, Homeless Act 2002 and amended by the Homeless Reduction Act 2017, to provide temporary accommodation for people who are experiencing homelessness or are at risk of homelessness within 56 days; and are deemed to be vulnerable under the legislation.
- 4.2 The services are based on a pathways model of assessment and provision; delivering 24-hour emergency homeless response services, personalised support and secure temporary accommodation within a mix of provision which reflects local needs and demand in line with the current Homelessness Strategy 2015-20.
- 4.3 Eligible rent levels under the Housing Benefit Regulations are based on a tiered charging structure that reflects usage (i.e. single, shared households and families) and is in line with the council's corporate charging policy.
- 4.4 It is proposed to increase Homeless Accommodation rental charges by 3% as this reflects the actual costs of providing the services. This increase has been discussed and agreed as acceptable with the Revenue and Benefits Service Managers.

#### **5. LEGAL SERVICES**

##### **5.1 Local Land Searches**

- 5.1.1 There is a legal obligation to register local land charges. Searches of the local land charges register are carried out, most commonly as part of a house purchase, to see whether the property is affected by matters such as tree preservation orders or listed building status.
- 5.1.2 The search has two elements, namely LLC1 and CON29.
- 5.1.3 The LLC1 is the Official Certificate of Search which reveals all entries listed in the statutory Local Land Charges register.

- 5.1.4 Until April 2020, the legal obligation to maintain the statutory Local Land Charges register rested with the Council. The Infrastructure Act 2015, however, provided for a transfer of responsibility for local land charges in England and Wales from local authorities to HM Land Registry. As regards Carlisle, this transfer of responsibility completed in April 2020 so that Carlisle City Council is no longer responsible for providing the Official Certificate of Search and can no longer charge for carrying out this work.
- 5.1.5 CON29R and CON29O are forms of standard and optional enquiries that can be made of the local authority about land. The forms consist of a series of questions which relate to matters outside the statutory register, such as the planning history of the property and whether the road is publicly or privately maintained.
- 5.1.6 These enquiries are non-statutory, and responsibility remains with Carlisle City Council which will continue to charge for this service. The Council is able to add value by compiling and formatting an official report and levies a charge for this discretionary service.
- 5.1.7 A person or company may alternatively carry out a personal inspection of the land charges register. The Environmental Information Regulations 2004 ('the EIR') provide, broadly, that environmental information should be made available for inspection without charge.
- 5.1.8 The Council therefore facilitates personal inspections by allowing access through provision of an unrefined data report, which is simply an extract of information from records. No added value is given to this information, unlike the official CON29 report, and no charge is made.
- 5.1.9 The Council has to be transparent in the setting of charges. It is required to publish a statement of actual expenditure, number of requests and total income.

## **5.2 Legislation**

- 5.2.1 The Local Authorities (England) (Charges for Property Searches) Regulations 2008 ("the 2008 Regulations") provide discretion for the Council to set its own charges to recover its costs in answering enquiries about a property.
- 5.2.2 Regulation 8 of the 2008 Regulations provides that:

**8.—**(1) *Subject to paragraph (2), a local authority may charge a person (including another local authority) in respect of answering enquiries from that person about a property.*

(2) *Any charge made under paragraph (1) may be made at the local authority's discretion but must have regard to the costs to the local authority of answering enquiries about the property.*

5.2.3 The EIR apply to environmental information, including searches of the local land charges register. The EIR implement the provisions of the European Directive 2003/4/EC (“the Directive”) into UK law.

5.2.4 Recital 18 of the Directive provides that authorities are entitled to levy a market-based charge where the information is being provided on a commercial basis and the service would not continue to be provided if such a charge could not be levied. As the Council is not legally required to provide official CON29 searches, and because the service consists of more than simply making information available, recital 18 applies.

5.2.5 The Council is still, however, required to comply with the 2008 Regulations when setting official search fees. In other words, the Council must have regard to the cost of providing the information when setting fees.

### **5.3 VAT**

5.3.1 Since 2016, HMRC has required authorities to charge VAT on CON29 searches.

### **5.4 Calculation of Fees**

5.4.1 As the provision of CON29 searches is a discretionary service, the Council has a degree of discretion in the charges that it sets. The charges proposed are designed to maintain a market share of the property searches market. If the charge is set too high, customers will be drawn to the personal search companies. The charge needs to be set so that the Council retains or modestly increases its market share, thus generating income over and above cost, which will in turn enable better investment in the service. In particular investment in web-based access to information will improve efficiency and speed. Digital information will eventually reduce the time spent providing information to personal searchers, and in the future public access will be much more automated.

5.4.2 **Appendix H** sets out the cost of providing the local land charges service in Carlisle. It should be noted that the loss of the LLC1 service has not resulted in any consequential reduction in the costs of providing the service, therefore the cost per search is higher than previously.

5.4.3 **Appendix I** sets out the number of searches carried per month since 2016. It is always difficult to foresee the number of searches that will be submitted in the coming year as this depends entirely on the strength of the housing market. Therefore, for the purposes of setting these charges it is assumed that performance will remain relatively constant. Members will note that personal searches figures are not included, bearing in mind that no charge is levied, however, as indicated earlier, personal searches continue to be carried out.

5.4.4 Anticipated demand is based on current performance, which is set out in **Appendix J**, which indicates the number of searches carried out. Again, this does not include personal searches figures.

5.4.5 The fee for the Standard Enquiries (CON29R) is presently £79.00 for domestic properties. The fee for Standard Enquiries for commercial properties is currently £100.00. In addition, electronic search requests are received via NLIS and these are subject to a 10% deduction in fee.

## 5.5 Proposed Fees

5.5.1 It is recommended that the Council sets its fees for 2021/22 having regard to the cost of operating the service, to the Corporate Charging Policy and also with a view to maintaining competitiveness. Search volumes and differentials between local authorities and private search providers will continue to be carefully monitored.

5.5.2 The proposed fees for 2020/21, therefore, are (including the 10% discount for those searches submitted online):

	<b>Con 29R</b>
<b>Domestic Properties</b>	£90.00 (Standard Enquiry for one parcel of land) £81.00 (NLIS 10% on-line discount) £11.00 (Each extra parcel of land)
<b>Commercial Properties</b>	£110.00 (Standard Enquiry for one parcel of land) £99.00 (NLIS 10% on-line discount) £22.00 (Each extra parcel of land)

5.5.3 For information, this compares to the other Cumbrian districts as follows:

<b>Authority</b>	<b>Fee for CON29R (incl. VAT) £</b>
Allerdale	96.00



Barrow	
- Domestic properties	82.73
- Commercial properties	110.21
Copeland	102.00
Eden	90.00
South Lakeland	83.00

- 5.5.4 Budgeted income from the Land Charges service for 2020/21 was £95,100. Actual income is forecast to be approximately £60,000. The cause of this reduction in income is threefold. Firstly, the housing market, on which the service is dependent, dropped drastically during the period April – August 2020 because of the measures taken nationally to combat Covid-10. While the market has since recovered and is currently buoyant, it is unlikely that work will pick up sufficiently to compensate for income lost. Secondly, as explained in 5.1.3 above, recent changes in legislation have meant that responsibility for that part of the local search known as LLC1 transferred from local authorities to HM Land Registry and, with it, the associated income. Thirdly, as previously referenced within this report, an increasing number of customers choose to use personal search companies, against whom no charge is levied, to carry out their searches. Such companies are able to charge customers less than the Council. In 2017/18 the Council reduced CON29 charges for domestic properties, partly to reflect the lesser amount of work compared to commercial properties, but partly also to increase our competitiveness vis a vis personal search companies. An analysis as to whether this has increased our market share is ongoing. It will take time to increase our market share, particularly as the search companies remain the cheaper option
- 5.5.5 Achieving the Corporate Charging Policy increase of 3% together with the estimated search numbers in the Medium-Term Financial Plan, therefore, would result in a target income for 2021/22 of £97,900.
- 5.5.6 It must be realised, however, that in 2021/22 the Council will no longer be in receipt of any LLC1 income, post transfer to HM Land Registry. This amounts to a loss of approximately £37,900.
- 5.5.7 It is, therefore, unlikely that this target income for 2021/22 would be achievable. A revenue pressure bid is being submitted for the £37,900 lost LLC1 income.
- 5.5.8 The actual amount of net income will depend entirely on the actual volume of searches that are made together with any increase in costs, particularly in the costs of the County Council who provide highways information for search enquiries.

5.5.9 The actual amount of net income will depend entirely on the actual volume of searches that are made together with any increase in costs, particularly in the costs of the County Council who provide highways information for search enquiries.

5.5.10 Net income (after deduction of NLIS transmission fees) for the previous four years (including the current financial year) is set out at **Appendix K**.

5.5.11 The proposed charges are set out at **Appendix G**.

## **5.6 Electoral Registers**

5.6.1 The Electoral Registration Officer has a statutory duty to maintain the electoral register and to publish a revised register by 1 December each year. Under the Representation of the People Regulations 2001, the Registration Officer must on request supply a copy of the full register to government departments and credit reference agencies and the edited version of the register to any person. The fees for supply of both registers are prescribed in the Regulations and are revised from time to time. The Council has no discretion to alter them. The current fees are £10 plus £5 for each 1,000 entries for printed registers and £20 plus £1.50 for each 1,000 entries in computer data form. A limited number of companies tend to buy the register each year, so the level of income is generally static at £1,200 per annum.

5.6.2 Marked copies of electoral registers used at polling stations are available for inspection for twelve months following each local election. Under new Regulations, copies of these registers can only be purchased by those entitled to receive free copies of the full register (i.e. candidates and political parties) on payment of the prescribed fee. New fees, which came into force on 18 July 2008, are £10 plus £2 for each 1000 entries in printed format and £10 plus £1 for each 1000 entries in data format.

## **5.7 Minute Books, Room Bookings and Access to Information Requests**

5.7.1 The charge for hire of a room in the Civic Centre is currently £116.83 per session; a session comprises morning, afternoon or evening use. An increase of 3% to £120.00 is recommended from 1 April 2021. The number of room bookings has fallen because (i) the County Council, which used to regularly book rooms, now have facilities of their own, (ii) other regular users no longer book rooms because an entitlement to meeting rooms is now incorporated in their tenancy agreements and (iii) the Civic Centre has been closed since March 2020 and restrictions continue. Therefore, while there is no longer a regular stream of bookings the Council does receive a guaranteed rental income instead. It is anticipated that, following the redevelopment of the ground floor, the desirability of the facilities will increase.

- 5.7.2 The charge levied for the sale of Council Minute Books is £22.30 per copy plus VAT. A number of outside bodies continue to receive free copies of Minute Books and following the release of Council Minutes on to the Internet, there are now no companies who currently receive a chargeable copy, so there is an argument for removing this element from the charges altogether. However, in order to retain the ability to make a charge in the unlikely event of receiving a request for a paper copy, it is recommended that the charge is held at the current level of £22.30. The annual income from the sale of Council Minutes is **nil**.
- 5.7.3 Under access to information rules the Council must make copies of reports and agendas available to members of the public and the media that request the same. It should be noted that all of the reports, agenda and other documents which are subject to the new copying charge will also be available free of charge on the Council's website.
- 5.7.4 The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 directs that upon receiving a request from a member of the public or on behalf of a newspaper for the provision of copy agendas, reports or papers of the Executive, the Council must provide, if requested, a hardcopy of the same. The delivery is subject to payment being made (by the party making the request) of postage, copying or other necessary charge for such delivery. Section 100B of the Local Government Act 1972 makes similar provision in respect of the Council's other meetings.
- 5.7.5 The current charges are 2p per copied sheet for black and white and 5p per sheet per coloured sheet for the relevant documents (subject to a minimum charge for copying of £5.00) together with the cost of posting by 2<sup>nd</sup> class mail at the prevailing rate. Each Meeting will be considered a separate request. It is proposed to keep the current charge the same for 2021/22.

## **5.8 Training**

- 5.8.1 In the financial year 2014/15, the Council introduced charging for training sessions provided by the Council's Safety Health and Environment Manager. The charge is currently £425.00 plus VAT for one three-hour session (per group of 12) plus expenses if outside Carlisle District.
- 5.8.2 In the financial year 2017/18, a charge was introduced providing training in Data Protection. The charge is currently £425 plus VAT for a group of 12 delegates plus expenses if required to travel outside the District.

5.8.3 To date, no chargeable training sessions have been provided. It is proposed to increase the charge for each type of training session to £440 plus VAT for a group of 12 delegates plus expenses if required to travel outside the District.

## 5.9 Summary of Income Generated

5.9.1 The introduction of the charges proposed is forecast to generate income of £845,300 in 2021/22 which is summarised in the following table:

<b>Governance Service Area</b>	<b>Original Estimate 2020/21 £</b>	<b>MTFP Target 2021/22 £</b>	<b>Original Estimate 2021/22 £</b>	<b>Shortfall or (Excess) over MTFP £</b>
Land Charges (para 5.1 to 5.5)	95,100	97,900	60,000	37,900
Electoral Registers (para 5.6)	1,600	1,600	1,600	0
Minute Books/ Access to Information (para 5.7)	0	0	0	0
Training (para 5.8)	0	0	0	0
Environmental Protection Act	12,600	12,600	12,600	0
Pest Control	40,300	41,500	41,500	0
Food Safety	3,200	3,300	3,300	0
Housing – DFG's	62,500	62,500	62,500	0
Housing – HMO Licences	8,000	8,200	8,500	(300)
Housing – Immigration Inspections	500	500	600	(100)
Homelife Fees	43,000	34,500	34,500	0
Hostels	620,200	620,200	620,200	0
<b>Total</b>	<b>887,000</b>	<b>882,800</b>	<b>845,300</b>	<b>37,500</b>

## **6. CONSULTATION**

### **6.1 Consultation to Date**

This report has been considered by SMT and JMT and their comments have been incorporated into the report. Scrutiny Panels have considered the report as part of the budget process.

### **6.2 Conclusions and Reasons for Recommendations**

The Executive is asked to agree the charges as detailed within the report and set out in **Appendices A - L** with effect from 1 April 2021 noting the impact these will have on income generation as detailed within the report.

### **6.3 Contribution to the Carlisle Plan Priorities**

To ensure that the City Council's Corporate Charging Policy is complied with.

**Contact Officer:** Mark Lambert **Ext:** 7003

**Appendices attached to report:**

- Appendix A – Housing and Pollution Charges**
- Appendix B – Food Safety Charges**
- Appendix C – Pest Control Charges**
- Appendix D – Homelife Charges**
- Appendix E – LA Pollution Prevention Control Charges**
- Appendix F - Homeless Accommodation Charges**
- Appendix G – Governance Charges**
- Appendix H – Land Charges Costs**
- Appendix I – Land Charges Data**
- Appendix J – Anticipated Demand based on Current Performance**
- Appendix K – Land Charges Budget History**
- Appendix L – Corporate Charging Policy**

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

## **CORPORATE IMPLICATIONS/RISKS:**

**LEGAL** – All new charges or changes to existing charges, unless specifically approved, require the approval of the Executive in accordance with Financial Procedure Rules (D31).

**FINANCE** – The acceptance of the charges highlighted in this report will result in an anticipated level of income of £845,300 against the MTFP target of £882,800. This represents an overall shortfall of £37,500. The projected shortfall of £37,900 in respect of Land Charges income will need to be found from within existing base budgets. The slight increase in income projected from Housing fees will be retained within the service.

**EQUALITY** - None.

**INFORMATION GOVERNANCE** - The Council must ensure officers are fully informed of the charging regimes applicable to the information they process, for example, under the Freedom of Information Act and the Environmental Information Regulations, to ensure charges are applied in accordance with the correct regime.

**PROPERTY** - No Property implications

**APPENDIX A**  
**Housing and Pollution Charges**

<b><u>HOUSING AND POLLUTION</u></b> <b><u>(Inclusive – VAT not applicable)</u></b>	<b><u>2020 /</u></b> <b><u>2021</u></b>	<b><u>2021/</u></b> <b><u>2022</u></b>	<b>COMMENT</b>
Community Protection Notices**	£100.00	£100.00	Council wide Powers. Set by Legislation.
Community Protection Notices** paid within 7 days of issue	£80.00	£80.00	Council wide Powers. Set by Legislation.
<b><u>PRIVATE WATER+ (Inclusive – VAT not applicable)</u></b>			
<b>ANALYSIS CHARGES</b>			
Biological etc. (reg 10)	£25.00	£25.00	Maximum amount
Check monitoring	£100.00	£100.00	Maximum amount
Audit Monitoring (maximum)	£500.00	£500.00	Maximum amount
<b>SAMPLING CHARGES</b>			
Sampling (each visit)	£100.00	£100.00	Maximum is £100, actual cost to Council is £129.68
Risk Assessment (Domestic)	£194.52	£194.52	Maximum is £500
Risk Assessment (Commercial)	£324.20	£324.20	Maximum is £500
Other investigations (each investigation)	£64.84	£67.40	Maximum amount is £100 for each investigation
Review of Risk Assessment	£162.10	£162.10	Maximum amount £500
Granting an authorisation (each authorisation)	£64.84	£67.40	Maximum is £100 for each authorisation
<b><u>CONTAMINATED LAND (Inclusive – VAT not applicable)</u></b>			
Contaminated Land Information Request - per hour	£64.84	£67.40	Increase using consistent rates across Regulatory Services
<b><u>GENERAL ADMINISTRATION FEES (Inclusive – VAT not applicable)</u></b>			
Works in default administration costs recovery	£18.50	£19.00	
Copying documents	14p per A4 sheet	14p per A4 sheet	

<b><u>MOBILE HOMES ACT 2013+ (Inclusive – VAT not applicable)</u></b>			<b>These charges are calculated with a formula and have been adjusted by the 2020/21 hourly rate.</b>
Licence Fee- example of typical charge for up to 5 pitches	£357.00	£370.00	
Licence Fee- amendment, expansion	£227.00	£236.00	
Licence Fee - Transfer	£276.00	£286.00	
Inspection Fee- example of typical charge for up to 5 pitches	£146.00	£152.00	
Council hosting of site rules	£65.00	£65.00	
<b>HOUSING ACT 2004, HMO LICENCE FEES</b>			<b>New formula to reflect cost of delivering service</b>
Cost of new HMO Licence (per 8 letting units)	£567.00	£590.00	New legislation for HMOs
Cost of renewal of HMO Licence (per 8 letting units)	£357.00	£371.00	New legislation for HMOs
Cost of every additional unit above 8	£16.21	£17.00	New legislation for HMOs
Maximum licence fee	£950.00	£1000.00	New legislation for HMOs
Discount on HMO fee for NLA accredited Landlords	10% discount	5% discount	Merger of landlord associations, wider membership.
Cost of additional correspondence	£32.00	£32.00	New legislation for HMOs
<b>IMMIGRATION INSPECTIONS (rates are inclusive of VAT)</b>			
Fast Track Application	£168.00	£168.00	
Standard application	£150.00	£150.00	
<b>ENFORCEMENT TIME, HOUSING ACT 2004</b>			
Charged at Officer hour	£64.84	£67.40	Consistent rate across Regulatory Services
Empty Property Owner VAT support letter	£16.00	£16.00	



<b>DISABLED FACILITY GRANTS, LOCAL AUTHORITY FEES</b>			<b>Amendments have been made to ensure consistency; prices are now inclusive of VAT.</b>
<b>Level Access Shower</b>	£728.29	£908.00	Increase in office hours, reflection on time spent and VAT as standard
<b>Shower toilets</b>	£689.39	£787.00	Increase in office hours, reflection on time spent and VAT as standard
<b>Ramps</b>	£728.39	£907.00	Increase in office hours, reflection on time spent and VAT as standard
<b>Stair lifts</b>	£689.39	£787.00	Increase in office hours, reflection on time spent and VAT as standard
<b>Door Widening</b>	£728.29	£908.00	Increase in office hours, reflection on time spent and VAT as standard
<b>Major Adaptations</b>	£1539.56	£1655.00	Increase in office hours, reflection on time spent and VAT as standard
<b>Smaller Adaptations and non-framework adaptations</b>	£835.63	£889.00	Increase in office hours, reflection on time spent and VAT as standard
<b>Renovation Grant Costs</b>	£553.73	£585.00	Increase in office hours, reflection on time spent and VAT as standard
<b>Flat rate fee for additional lots, for DFG and renovation Grants</b>	£369.58	£370.00	Increase in office hours, reflection on time spent and VAT as standard
<b>Fee Charged for abortive works, after approval (New)</b>	£466.04	£485.00	To recover fees where applications discontinued after Contractor/ Architect designs commissioned
<b>Fee Charged for basic support only (New)</b>	£486.30	£503.00	Checking and authorisation fee where applicant progresses own architects etc, but still requires guidance or significant input
<b>Hourly charge for home visits</b>	£64.84	£67.40	Increase using consistent rates across Regulatory Services

**APPENDIX B**  
**Food Safety Charges**

<b>FOOD &amp; PUBLIC PROTECTION (VAT is not included and is charged at Standard Rate unless stated)</b>	<b><u>2020 / 2021</u></b>	<b><u>2021 / 2022</u></b>	<b>COMMENT</b>
<b>Certification of unsaleable food</b>	£36.33 (£43.60 inc. VAT)	£37.50 (£45.00 inc. VAT)	
<b>Food Hygiene Training</b>	£218.52	£226.00	3 Hour Training Session (up to max of 12 people)
<b>Health and Safety Statement of Fact (per hour)</b>	£64.84	£67.40	Consistent Regulatory Services Hourly Rate
<b>Export Certificate</b>	£26.80	£28.00	3% increase
<b>FHRS Re-rating Fee</b>	£203.91	£210.00	
<b>Cost of Officer time where applicable (per hour)</b>	£64.84	£67.40	Consistent Regulatory Services Hourly Rate
<b>Health Act 2006: - Smoking in Smoke free place or vehicle</b>	£50.00	£50.00	(VAT not applicable)
	£30.00	£30.00	(VAT not applicable)
<b>Health Act 2006: - Failing to prevent smoking in a smoke free place/vehicle</b>	£50.00	£50.00	(VAT not applicable)
	£30.00	£30.00	(VAT not applicable)
<b>Health Act 2006: - Failure to display smoke free' signage</b>	£200.00	£200.00	(VAT not applicable)
	£150.00	£150.00	(VAT not applicable)

## APPENDIX C (AMENDED)

### Pest Control Charges

<b>PEST CONTROL</b> (VAT is not included and is charged at Standard Rate) - <u>Example of typical charges</u>	<b><u>2020 / 2021</u></b>	<b><u>2021 / 2022</u></b>	<b><u>Comment</u></b> Based on 3% increase
<b>Standard Commercial Contract Service (Duration 12 months)</b>	Price on application	Price on application	
<b>Standard Farm Contract Service (Duration 12 months)</b>	£388.17 (£465.80 inc. VAT)	Price on application	Price on application introduction to ensure recovery of treatment costs
<b>Wasps (Domestic)</b>	£45.58 (£54.70 inc. VAT)	£46.67 (£56.00 inc. VAT)	
<b>Wasps (Commercial)</b>	£90.21 (£108.25 inc. VAT)	£93.33 (£112.00 inc. VAT)	
<b>Over 65: Wasp Treatment (Dom)</b>	£29.25 (£35.10 inc. VAT)	£30.00 (£36.00 inc. VAT)	
<b>Ants / Standard Fleas / Cockroaches (Domestic)</b>	£45.58 (£54.70 inc. VAT)	£46.67 (£56.00 inc. VAT)	
<b>Ants / Standard Fleas / Cockroaches (Commercial)</b>	£90.21 (£108.25 inc. VAT)	£93.33 (£112.00 inc. VAT)	
<b>Over 65: Ants / Standard Fleas / Cockroaches (Domestic)</b>	£29.25 (£35.10 inc. VAT)	£30.00 (£36.00 inc. VAT)	
<b>Rats (Domestic)</b>	Free	£46.67 (£56.00 inc. VAT)	New fee – See paragraph 3.8
<b>Over 65: Rats (Domestic)</b>	Free	£30.00 (£36.00 inc. VAT)	
<b>Mice (Domestic)</b>	£45.58 (£54.70 inc. VAT)	£46.67 (£56.00 inc. VAT)	
<b>Over 65: Mice (Domestic)</b>	£29.25 (£35.10 inc. VAT)	£30.00 (£36.00 inc. VAT)	
<b>Rats and Mice (Commercial)</b>	£90.21 (£108.25 inc. VAT)	£93.33 (£112.00 inc. VAT)	
<b>Call Out Charge</b>	£29.25 (£35.10 inc. VAT)	£30.00 (£36.00 inc. VAT)	Required where advice but no treatment given. Partial recovery of officer time and travel costs.

**APPENDIX D**  
**Homelife Charges**

<b><u>HOMELIFE CHARGES</u></b>	<b><u>2020/21</u></b>	<b><u>2021/22</u></b>	<b><u>Comment</u></b>
<b>Examples of typical charges</b>			<b>Amendments have been made to ensure consistency, prices are now shown inclusive of VAT.</b>
<b>General Agency Fee</b>	15%	15%	Used for managed repair service Applicable unless funder specifies alternative acceptable rate
<b>Discretionary Housing grants under £500</b>	£90.00	£90.00	15% of £500 (£75+VAT)
<b>To administer Handy Person grants</b>	£90.00	£90.00 per case	Plus, hourly wage rate of handyperson
<b>Supply &amp; fit Key-safes</b>	£90.00	£90.00	
<b>Discretionary Housing Grants administered by Homelife</b>			Safe & Warm, Dementia & Energy Efficiency Grants (Energy Efficiency charged at reduced rate VAT as per VAT notice 708/6)
<b>Administration Fee</b>	£622.46	£627.00	Formula considers Reg. Services hourly rate and officer time.
<b>Additional quotes from contractors for works within the same grant</b>	£350.14	£364.00	Administration costs requiring liaison with multiple contractors.
<b>ADDITIONAL CHARGES</b>			
<b>Home visits</b>	£77.81	£81.00	
<b>Obtaining charity funding</b>	£155.62	£162.00	
<b>Applications Assistance</b>	£77.81	£81.00	
<b>Homelife Hourly Rate</b>	£77.81	£81.00	

## APPENDIX E

**LA Pollution Prevention Control (Part B) Charges for 2020/21 - Charges for 2021/22 should be available in February 2021 although these nationally set charges have remained the same for the last two years.**

TYPE OF CHARGE	TYPE OF PROCESS	2020/21 FEE
Application Fee	Standard process (includes solvent emission activities)	£1650
	Additional fee for operating without a permit	£1188
	PVRI, and Dry Cleaners	£155
	PVR I & II combined	£257
	VRs and other Reduced Fee Activities	£362
	Reduced fee activities: Additional fee for operating without a permit	£71
	Mobile plant**	£1650
	for the third to seventh applications	£985
	Where an application for any of the above is for a combined Part B and waste application, add an extra £310 to the above amounts	£808
Annual subsistence charge	Standard process Low	£772 (+£104)*
	Standard process Medium	£1161 (+£156)*
	Standard process High	£1747 (+£207)
	PVRI, and Dry Cleaners L/M/H	£79/£158/£237
	PVR I & II combined L/M/H	£113/£226/£341
	VRs and other Reduced Fees	£228/£365/£548
	Mobile plant, for first and second permits L/M/H**	£626/£1034/£1551
	for the third to seventh permits L/M/H	£385/£617/£924
	eight and subsequent permits L/M/H	£198/£316/£473
	Late payment Fee	£52
	*the additional amounts in brackets must be charged where a permit is for a combined Part B and waste installation	
	Where a Part B installation is subject to reporting under the E-PRTR Regulation, add an extra £104 to the above amounts	
Transfer and Surrender	Standard process transfer	£169
	Standard process partial transfer	£497
	New operator at low risk reduced fee activity (extra one-off subsistence charge – see Art 15(2) of charging scheme)	£78

	Surrender: all Part B activities	£0
	Reduced fee activities: transfer	£0
	Reduced fee activities: partial transfer	£47
Temporary transfer for mobile plant	First transfer	£53
	Repeat following enforcement or warning	£53
Substantial change	Standard process	£1050
	Standard process where the substantial change results in a new PPC activity	£1650
	Reduced fee activities	£102

\*\* Not using simplified permits

#### **LAPPC (Part B) mobile plant charges for 2021/22 (Not using simplified permits)**

Number of permits	Application fee	Subsistence fee			
		Low	Medium	High	
<b>1</b>	£1650	£646	£1034	£1506	
<b>2</b>	£1650	£646	£1034	£1506	
<b>3</b>	£985	£385	£617	£924	
<b>4</b>	£985	£385	£617	£924	
<b>5</b>	£985	£385	£617	£924	
<b>6</b>	£985	£385	£617	£924	
<b>7</b>	£985	£385	£617	£924	
<b>8 and over</b>	£498	£198	£316	£473	

**LA-IPPC (Part A2) charges for 2021/22**

NB – every subsistence charge in the table below includes the additional £104 charge to cover LA costs in dealing with reporting under the E-PRTR Regulation.

Type of charge	Local Authority element 2021/22
Application	£3363
Additional fee for operating without a permit	£1188
Annual Subsistence LOW	£1447
Annual Subsistence MEDIUM	£1611
Annual Subsistence HIGH	£2334
Late payment fee	£52
Variation	£1368
Substantial Variation (where 9 (2) (a) or 9 (2) (b) of the scheme applies)	£3363
Transfer	£235
Partial transfer	£698
Surrender	£698

## APPENDIX F

### Proposed 2021/22 Charges – Homeless Accommodation Charges

PROJECT	Proposed Charge from 05 April 2021	Current charge
<b>WATER STREET FAMILY RATE</b>	£	£
<b>Total Charge</b>	<b>£352.10</b>	£341.81
HB eligible Charge	£330.54	
Personal Charge	£21.56	
<b>WATER STREET SINGLE RATE</b>		
<b>Total Charge</b>	<b>£302.05</b>	£293.30
HB eligible Charge	£284.34	
Personal Charge	£17.71	
<b>JOHN STREET SINGLE RATE</b>		
<b>Total Charge</b>	<b>£345.80</b>	£335.79
HB eligible Charge	£330.47	
Personal Charge	£15.33	
<b>HOMESHARE FAMILY RATE</b>		
<b>Total Charge</b>	<b>£383.46</b>	£372.33
HB eligible Charge	£361.27	
Personal Charge	£22.19	
<b>HOMESHARES SINGLE RATE</b>		
<b>Total Charge</b>	<b>£351.47</b>	£341.18
HB eligible Charge	£335.23	
Personal Charge	£16.24	
<b>HOMESHARES SHARED RATE</b>		
<b>Total Charge</b>	<b>£339.92</b>	£330.05
HB eligible Charge	£325.43	
Personal Charge	£14.49	



**APPENDIX G**  
**Governance Charges**

**GOVERNANCE**

	<u>Actual</u> <u>Charges</u> <u>2020/21</u> <u>£</u>	<u>Proposed</u> <u>Charges</u> <u>2021/22</u> <u>£</u>
<b>1. Land Charges – Search Fees (VAT Outside the Scope/ Non-Business)</b>		
<u>Part I – Standard Enquiries</u>		
Domestic Properties		
a) One parcel of land	79.00	90.00
One parcel of land (Level 2/3) (10% discount)	71.10	81.00
b) Several parcels of land		
- First parcel	79.00	90.00
- Each addition	15.00	11.00
(Fees that would exceed £100 to be fixed by arrangement)		
(10% discount to apply to searches submitted on-line via NLIS)		
Commercial Properties		
a) One parcel of land	100.00	110.00
One parcel of land (Level 2/3) (10% discount)	90.00	99.00
b) Several parcels of land		
- First parcel	100.00	110.00
- Each addition	20.00	22.00
(Fees that would exceed £100 to be fixed by arrangement)		
(10% discount to apply to searches submitted on-line via NLIS)		
<u>Part II – Optional Enquiries*</u>		
Each printed enquiry – Urban	10.00	11.00
Each printed enquiry – Rural	10.00	11.00
Question 22 on form CON290	20.00	22.00

Question 4 on form CON290	4.00	4.50
Each additional enquiry	10.50	11.00
Copy or extract of any plan or other document	£various*	

\* Charges will depend upon the type and size of document. As a guide, a copy of a section 106 Agreement or other legal agreement is likely to cost in the region of £10 depending on the number of large-scale plans.

**2. Council Minutes (VAT Standard Rate)**

Per Booklet	25.00	25.00
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**3. Access to Information Requests**

Per black and white sheet	0.02	0.02
Per colour sheet	0.05	0.05
(plus, second class postage costs at the prevailing rate)		

**4. Electoral Registers (VAT - Outside/Scope)**

In Printed Form*	10.00	10.00
Plus per 1,000 entries *	5.00	5.00
Binding of Register	4.00	4.00
In Computer Data Form*	20.00	20.00
Plus per 1,000 entries *	1.50	1.50
Full Printed Register* (limited statutory availability)	410.00	410.00
Full Data Copy* (limited statutory availability)	127.50	127.50
Edited Printed Register* (60,000 entries)	310.00	310.00
Edited Data Copy* (60,000 entries)	110.00	110.00

\*These charges are set by Regulation

**5. Training**

Training Sessions in Health and Safety and Data Protection topics per three-hour session (per group of 12 max)	425.00	440.00
Travel Expenses if outside Carlisle District	+	

+ travel expenses will depend on nature of expense, mode of travel, cost of rail fare, etc

**6. Civic Centre (VAT exempt)**

Room Letting - per session	116.83	120.00
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<b>7. Low Cost Housing Certificates</b>		60.00
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**APPENDIX H**  
**Land Charges Costs**

	<b>Actual 2018/19</b>	<b>Budget 2018/19</b>	<b>Actual 2019/20</b>	<b>Budget 2019/20</b>	<b>Budget 2020/21</b>	<b>MTFP Budget 2021/22</b>
Employee Related	21,361	25,200	24,418	28,300	26,400	26,400
Premises Related	268	300	297	300	300	300
Transport Related	0	0	0	0	0	0
Supplies & Services	31,787	37,700	26,788	37,700	35,200	32,700
Recharges	29,318	29,300	42,100	42,100	24,200	24,200
<b>Total Expenditure</b>	<b>82,734</b>	<b>92,500</b>	<b>93,603</b>	<b>108,400</b>	<b>86,100</b>	<b>83,600</b>
Income	(142,753)	(118,000)	(101,964)	(121,500)	(95,100)	(97,900)
<b>Total Income</b>	<b>(142,753)</b>	<b>(118,000)</b>	<b>(101,964)</b>	<b>(121,500)</b>	<b>(95,100)</b>	<b>(97,900)</b>
<b>Net Position</b>	<b>(60,019)</b>	<b>(25,500)</b>	<b>(8,361)</b>	<b>(13,100)</b>	<b>(9,000)</b>	<b>(14,300)</b>

**\*2021/22 MTFP budget for recharges is based on the 2020/21 recharge level**

# APPENDIX I

## Land Charges Data

	2016/17			2017/18			2018/19			2019/20			2020/21 <sup>1</sup>		
Month	Standard Search	LLC1 only	Personal Search	Standard Search	LLC1 only	Personal Search	Standard Search	LLC1 only	Personal Search	Standard Search	LLC1 only	Personal Search	Con29 Search	LLC1 only	Personal Search
April	80	14	0 <sup>2</sup>	77	3	0 <sup>2</sup>	64	23	0 <sup>2</sup>	60	13	0 <sup>2</sup>	14 standard searches 24 con29 only	17	
May	132	8	0 <sup>2</sup>	98	5	0 <sup>2</sup>	109	22	0 <sup>2</sup>	51	7	0 <sup>2</sup>	23	0 <sup>3</sup>	
June	115	21	0 <sup>2</sup>	116	19	0 <sup>2</sup>	100	23	0 <sup>2</sup>	95	17	0 <sup>2</sup>	38	0 <sup>3</sup>	
July	102	6	0 <sup>2</sup>	71	13	0 <sup>2</sup>	78	9	0 <sup>2</sup>	77	28	0 <sup>2</sup>	97	0 <sup>3</sup>	
August	97	4	0 <sup>2</sup>	89	14	0 <sup>2</sup>	98	8	0 <sup>2</sup>	68	52	0 <sup>2</sup>	99	0 <sup>3</sup>	
September	102	19	0 <sup>2</sup>	86	7	0 <sup>2</sup>	91	5	0 <sup>2</sup>	58	8				
October	143	18	0 <sup>2</sup>	105	15	0 <sup>2</sup>	81	13	0 <sup>2</sup>	80	28				
November	114	15	0 <sup>2</sup>	81	5	0 <sup>2</sup>	97	10	0 <sup>2</sup>	72	18				
December	83	4	0 <sup>2</sup>	49	10	0 <sup>2</sup>	100	7	0 <sup>2</sup>	43	10				
January	54	6	0 <sup>2</sup>	61	3	0 <sup>2</sup>	218*	8	0 <sup>2</sup>	64	20				
February	92	6	0 <sup>2</sup>	98	7	0 <sup>2</sup>	232*	18	0 <sup>2</sup>	62	10				
March	76	1	0 <sup>2</sup>	75	4	0 <sup>2</sup>	66	7	0 <sup>2</sup>	70	16				
<b>Total</b>	<b>1190</b>	<b>122</b>	<b>0<sup>2</sup></b>	<b>1006</b>	<b>105</b>	<b>0<sup>2</sup></b>	<b>1334</b>	<b>153</b>	<b>0<sup>2</sup></b>	<b>740</b>	<b>214</b>	<b>0<sup>2</sup></b>	<b>257</b>	<b>0</b>	

<sup>1</sup> FIGURES SHOWN ARE UP TO SEPTEMBER 2020

<sup>2</sup> FIGURES FOR PERSONAL SEARCHES ARE NOT INCLUDED IN THE TABLE. FOLLOWING CHANGES IN LEGISLATION CHARGES MAY NO LONGER BE LEVIED FOR PERSONAL SEARCHES. ACCORDINGLY, FIGURES HAVE NOT BEEN KEPT. NOTE THAT PERSONAL SEARCHES CONTINUE TO BE CARRIED OUT

<sup>3</sup> SINCE APRIL 2020, LLC1 SEARCHES ARE PROVIDED BY HM LAND REGISTRY

\*anomaly c.125% spike in number of searches processed in these months due to refinancing of significant percentage of local RSLs housing stock

**APPENDIX J**  
**Anticipated Demand Based on Current Performance**

Type of Search	Amount
Standard (Con 29)	740 (around 57.25% electronic)
<b>Total</b>	<b>740</b>

## APPENDIX K

### Land Charges Budget History

Period	Net Income	Original Budget
2017/18	£111,042	£144,200
2018/19*	£142,753	£118,000
2019/20	£101,964	£121,500
2020/21**	£60,000 est. (£29,998 to date)	£95,100 (£47,569 to date)

\* The base budget for 2018/19 was reduced by a recurring budget pressure of £30,500 as part of the 2018/19 budget process

\*\* The base budget for 2020/21 was reduced by a recurring budget pressure of £30,000 as part of the 2020/21 budget process

## **APPENDIX L**

### **Corporate Charging Policy 2021/22 TO 2025/26**

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

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

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

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

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

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

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

- Persons over the age of 65
- Unemployed
- Young persons under the age of 18
- Students in full time higher education
- Community Groups
- 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?



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## **EXCERPT FROM THE MINUTES OF THE EXECUTIVE HELD ON 14 DECEMBER 2020**

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### **BUDGET PROCESS 2021/22**

#### **EX.141/20 BUDGET UPDATE - REVENUE ESTIMATES 2021/22 TO 2025/26** (Key Decision – KD.25/20)

**Portfolio** Finance, Governance and Resources

**Relevant Scrutiny Panel** Business and Transformation

#### **Subject Matter**

Pursuant to Minute EX.122/20, the Deputy Leader submitted report RD.42/20 providing an update to the Corporate Director of Finance and Resources' report to the Executive of 9 November 2020 (RD.32/20).

Summarised within the report were the revised revenue base estimates for 2020/21, together with the base estimates for 2021/22 and forecasts up to 2025/26 for illustrative purposes.

The report drew Members' awareness to the fact that a number of significant factors affecting the budget were currently unresolved. In particular, the following were key to the budget process and details thereon would be considered as the budget progressed.

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

Set out at Section 3 was an overview of the outstanding key issues and resource assumptions, with details of the potential new spending pressures/bids that needed to be considered also provided at Section 4.

In terms of savings and additional income proposals, the report recorded that the current MTFP included a recurring savings requirement to be found by 2021/22 of £1 million rising to £1.850 million in 2023/24. That additional saving requirement would increase the savings needed for 2021/22 to £1.2 million and the total savings required being £2.050 million by 2023/24. Savings would need to be identified by a combination of reviewing the items listed at paragraph 5.6. The Council's current levels of balances set out at Appendix A included any impact of the proposed pressures and savings outlined in the report. The Projects Reserve would be used as a first call for any projected revenue budget deficit however, maintaining the current level of reserves was dependent upon the achievement of the transformation savings. A risk-based review of reserve levels had been undertaken and showed that the minimum level of General Fund Reserves should

remain at £3.1million due to uncertainties around future funding from Business Rates; however that would be reviewed during the budget process.

The Deputy Leader then moved the recommendations, which were seconded by the Leader.

**Summary of options rejected**    None

## **DECISION**

That the Executive:

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

**Reasons for Decision**    To ensure that a balanced budget is set.

**EX.142/20    REVISED CAPITAL PROGRAMME 2020/21 AND PROVISIONAL CAPITAL PROGRAMME 2021/22 TO 2025/26**  
(Key Decision – KD.25/20)

**Portfolio**     Finance, Governance and Resources

**Relevant Scrutiny Panel**     Business and Transformation

## **Subject Matter**

Pursuant to Minute EX.127/20, the Deputy Leader submitted report RD.43/20 which provided an update to the Corporate Director of Finance and Resources' report to the Executive of 9 November 2020 (RD.32/20).

The report set out the proposed capital programme for 2021/22 to 2025/26 in the light of new capital proposals identified and summarised the estimated capital resources available to fund the programme.

The resources available to support the capital programme could only be estimated during the year. The final position was dependent, in particular, on how successful the Council had been in achieving Capital Receipts from the sale of assets against its target.

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

The revised capital programme for 2020/21 (Appendix A) now totalled £19,390,400. The revised anticipated resources available and their use to fund the capital programme were depicted at Appendix B.

The Deputy Leader then moved the recommendations, which were seconded by the Leader.

**Summary of options rejected**    None

## **DECISION**

That the Executive:

- (i)      Noted the revised capital programme and relevant financing for 2020/21 as set out in Appendices A and B of Report RD.43/20, for recommendation to Council;
- (ii)     Had given initial consideration and views on the proposed capital spending for 2021/22 to 2025/26 given in the report in the light of the estimated available resources, for recommendation to Council;
- (iii)    Noted that any capital scheme for which funding had been approved by Council may only proceed after a full report, including business case and financial appraisal, had been approved.

**Reasons for Decision** To ensure that a balanced budget is set

**EX.143/20    DRAFT TREASURY MANAGEMENT STRATEGY STATEMENT, INVESTMENT STRATEGY AND MINIMUM REVENUE PROVISION STRATEGY 2021/22**  
(Key Decision – KD.25/20)

**Portfolio**      Finance, Governance and Resources

**Relevant Scrutiny Panel**            Business and Transformation

## **Subject Matter**

Pursuant to Minute EX.129/20, the Deputy Leader submitted report RD.44/20 setting out the Council's draft Treasury Management Strategy Statement for 2021/22 in accordance with the CIPFA Code of Practice on Treasury Management. The Investment Strategy and the Minimum Revenue Provision Strategy for 2020/21 were incorporated as part of the Statement, as were the Prudential Indicators as required within the Prudential Code for Capital Finance in Local Authorities.

The report would be considered by the Audit Committee; and the Business and Transformation Scrutiny Panel on 18 December 2020 and 7 January 2021 respectively.

The Deputy Leader moved the recommendation set out within the report and the Leader seconded the recommendation.

**Summary of options rejected**    None

## DECISION

That the Executive noted the draft Treasury Management Strategy Statement for 2021/22, which incorporated the Investment Strategy and the Minimum Revenue Provision (MRP) Strategy, together with the Prudential Indicators for 2021/22 as set out in Appendix A and the Treasury Management Policy Statement as set out at Appendix D to Report RD.44/20; and sought comments from the Business and Transformation Scrutiny Panel in January 2021.

### Reasons for Decision

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

#### **EX.144/20 REVIEW OF CHARGES 2021/22** (Key Decision – KD.25/20)

**Portfolio** Cross-cutting

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

#### **Subject Matter**

Pursuant to Minutes EX.123/20, EX.124/20, EX.125/20 and EX.126/20, further consideration was given to the Charges Reviews in respect of charges falling within the responsibility of the Community Services; Economic Development; Governance and Regulatory Services Directorates; and the Licensing Section.

Extracts from the Minutes of the meetings of the Health and Wellbeing Scrutiny Panel on 19 November 2020 (HWSP.67/20); Economic Growth Scrutiny Panel on 26 November 2020 (EGSP.59/20); and Business and Transformation Scrutiny Panel on 1 December 2020 (BTSP.73/20) in respect of the proposed charges were submitted.

Executive Members were asked to refer to the Charges Review Reports contained within the Budget Book – CS.30/20 and Addendum; ED.28/20 and GD.54/20.

Also provided was Report GD.48/20 (Amended) setting out the proposed fees and charges for areas falling within the responsibility of the Governance and Regulatory Services Directorate; and including an amendment relative to the discount to senior citizens for the charge for domestic rat and mice treatments.

The Deputy Leader, in moving the recommendations, outlined a proposed amendment to the Community Services Charges report (CS.30/20) in respect of car parking charges at Talkin Tarn. The Deputy Leader had considered the representations made by the Brampton Ward Councillors and asked the Executive to agree that there would be no increase to the price of car parking permits at Talkin Tarn for 2021/22.

The Leader seconded the recommendation.

**Summary of options rejected** a number of alternative charges as detailed in the above reports

## DECISION

1. That the fees and charges for 2021/22 relating to those services falling within the responsibility of the Community Services Directorate including a freeze to the price of the car parking permits for Talkin Tarn for 2021/22, as set out in Report CS.30/20, the Addendum and relevant Appendices, be approved with effect from 1 April 2021.
2. That the fees and charges for 2021/22 relating to those services falling within the responsibility of the Economic Development Directorate, set out in Report ED.38/20 and accompanying Appendices, be approved with effect from 1 April 2021.
3. That the fees and charges for 2021/22 relating to the areas falling within the responsibility of the Governance and Regulatory Services Directorate, as detailed and set out in Report GD.48/20 (amended) and accompanying Appendices, be approved with effect from 1 April 2021.
4. That the Executive noted the Licensing Charges which had been approved by the Regulatory Panel on 14 October 2020; and approved the fees under the Scrap Metal Dealers Act 2013 with effect from 1 April 2021.

## **Reasons for Decision**

The proposed charges and options reflected the Corporate Charging Policy as set out in the Medium Term Financial Plan, whilst attempting to recognise service pressures and trends

## **EX.145/20 EXECUTIVE RESPONSE ON THE 2021/22 BUDGET**

(Key Decision – KD.25/20)

**Portfolio** Finance, Governance and Resources

**Relevant Scrutiny Panel** Business and Transformation

## **Subject Matter**

The Deputy Leader reported that the Executive was issuing their 2021/22 Budget Proposals for consultation, copies of which were circulated.

The Deputy Leader commented that the Executive understood the impact that Covid-19 had on households and businesses and had kept the proposed increases to the Council Tax to a minimum.

Over the next four weeks, the Executive would be consulting on its budget proposals with businesses, trade union representatives and its residents. The deadline for comments was 9.00 am on 11 January 2021. The Executive would respond to consultees' feedback at its meeting on 13 January 2021.

The Deputy Leader concluded by moving the recommendation that the Executive's draft Budget proposals be agreed and circulated for consultation; the Leader seconded the recommendation.

**Summary of options rejected** a number of options which had been considered as part of the Council's 2021/22 budget deliberations as identified in various reports

## **DECISION**

That the Executive's draft Budget proposals, as circulated at the meeting and appended to these Minutes as Appendix A, be agreed and circulated for consultation.

**Reasons for Decision** To produce the draft Budget proposals for consultation purposes

# Report to Executive

**Agenda  
Item:**  
  
6(1)  
(viii)

Meeting Date: 13 January 2021  
Portfolio: Finance, Governance and Resources  
Key Decision: Yes: Recorded in the Notice Ref: KD.25/20  
Within Policy and Budget Framework YES  
Public / Private Public

Title: BUDGET UPDATE – REVENUE ESTIMATES 2021/22 TO 2025/26  
Report of: CORPORATE DIRECTOR OF FINANCE & RESOURCES  
Report Number: RD 52/20

## Purpose / Summary:

This report provides an update to RD32/20 and RD42/20, with a summary of the Council's revised revenue base estimates for 2020/21, together with base estimates for 2021/22 and forecasts up to 2025/26 for illustrative purposes. Potential new spending pressures, bids and savings are also considered in this report. It should be noted that the figures in this report are indicative but now incorporate the provisional finance settlement received on 17<sup>th</sup> December.

## Recommendations:

The Executive is requested to:

- (i) note the revised base estimates for 2020/21 and base estimates for 2021/22;
- (ii) note that the estimates in the report are provisional and will be subject to the confirmation of the final Local Government Finance Settlement in January/February 2021;
- (iii) note the current MTFP projections and the outstanding issues, which will continue to be updated throughout the budget process and be incorporated into the Executive's budget proposals tabled at the meeting, if available;
- (iv) note the budget pressures, bids and savings which need to be taken into account as part of the 2021/22 budget process.

## Tracking

Executive:	13 January 2021
Scrutiny:	n/a
Council:	2 February 2021 (Budget Resolution)

## **1. INTRODUCTION**

- 1.1. This report considers the revised base estimates for 2020/21 together with the estimates for 2021/22 as previously outlined in reports RD32/20 and RD42/20. The report also sets out any known revisions to the Medium-Term Financial Plan (MTFP) projections.
- 1.2. The base estimates have been prepared in accordance with the guiding principles for the formulation of the budget over the next five-year planning period as set out in the following Policy documents that were approved by Council on 8 September 2020:
  - ◆ Medium Term Financial Plan and Charging Policy
  - ◆ Capital Strategy
  - ◆ Asset Management Plan
- 1.3. Members should be aware that there are a number of significant factors affecting the budget that are currently unresolved. In particular, the following are key to the budget process and details on these will be considered as the budget process progresses:
  - Ongoing impact of COVID-19;
  - Local Government Finance Settlement – final confirmation due in January/February 2021;
  - Further expected changes in government grant e.g. New Homes Bonus, Housing Benefit Admin Grant;
  - Future borrowing requirements;
  - Commercial and investment opportunities.
- 1.4. The report draws on information contained in a number of reports that are either considered elsewhere on this agenda or have been considered previously by the Executive.
- 1.5. Decisions will need to be made to limit budget increases to unavoidable and high priority issues, together with maximising savings and efficiencies, and potential use of reserves, to enable a balanced budget position to be recommended to Council in February 2021.

## **2. SUMMARY OF BASE BUDGET ESTIMATES**

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



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

Table 1 – Base Budget Summary

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

2.3. The revised estimates for 2020/21 will be recommended to Council as part of the budget process.

### 3. OUTSTANDING KEY ISSUES

#### 3.1. Government Settlement Funding Assessment

The Council receives core funding allocations from the Government in relation to Business Rates Baseline Funding and other specific grants. The figures incorporated into this report now reflect the provisional funding settlement for 2021/22 with a more detailed report of the impact considered elsewhere on the agenda (RD55/20). **Final figures will be available following the consultation process which concludes on 16<sup>th</sup> January 2021.**

### 3.2. Retained Business Rates and Council Tax

The reforms of the Retained Business Rates Retention Scheme have again been deferred and as a result of this deferral, the MHCLG has decided not to revoke the existing legislation governing pooling arrangements, and therefore the Council is able to continue to be a member of the Cumbria Business Rates Pool for 2021/22, subject to the agreement of all participating members. The financial aspects of continuing with the Pooling arrangements for 2021/22 are set out further in this report.

The Government has proposed that the referendum limit will remain for Council Tax increases, however, District Councils will be given the option of raising Council Tax by the greater of 2% or £5. This will be subject to final confirmation in January/February 2021.

### 3.3. Pay Award 2021/22

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

### 3.4. Resource Assumptions

The current resources projections assume:

- A £5 (Band D equivalent) Council Tax increase for 2021/22 onwards.
- A Council Tax Surplus for 2021/22 onwards of £50,000. **Under statute, this figure cannot be calculated until 15 January and further information on the effect any changes will have on the budget will be provided when available.**
- Retained business rates for 2021/22 reflect the provisional local government finance settlement received in December 2020 and for future years are assumed at the Baseline level with an inflationary increase, with an additional sum to be achieved through growth/section 31 grants and from the benefits of Pooling in 2021/22;
- An assumed tax base of 34,911.93 for 2021/22. **The final tax base for 2021/22 will not be available until mid-January and further information will be provided when available.**
- Parish Precepts are currently being collated but the estimate for 2021/22 is for a total of £705,000. **The actual Parish Precept requirement for each**

**Parish will be incorporated into the Executive's budget proposals tabled in January.**

For information, broadly:

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

#### **4. POTENTIAL NEW SPENDING PRESSURES/BIDS**

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

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

Detail		2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
<b>Recurring</b>						
Leisure Contract	4.2	617	198	2	2	2
Energy Monitoring System	4.3	3	3	3	3	3
Replacement of Flare Data Management System	4.4	0	16	16	16	16
Industrial Estate Income	4.5	55	55	55	55	55
Pay Award	4.6	93	93	93	93	93
Project Officer Posts	4.7	132	132	132	132	132
<b>Total Recurring Pressures</b>		<b>900</b>	<b>497</b>	<b>301</b>	<b>301</b>	<b>301</b>
<b>Non Recurring</b>						
City Centre Properties Income	4.8	190	190	190	190	0
Digital Marketing Officer	4.9	27	0	0	0	0
Budget Savings	4.10	500	0	0	0	0
<b>Total Non Recurring Pressures</b>		<b>717</b>	<b>190</b>	<b>190</b>	<b>190</b>	<b>0</b>

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

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

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

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

**4.4 Replacement of Flare Data Management System – Additional Expenditure - £16,000 recurring bid from 2022/23**

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

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

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

**4.6 Pay Award – Additional Expenditure - £93,000 recurring**

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

**4.7 Project Officer Posts – Additional Expenditure - £132,000 recurring**

The Council has some significant capital schemes in the pipeline, e.g. new leisure facilities, civic centre refurbishment, Borderlands projects etc. This pressure is therefore to provide dedicated experienced officers who can manage these projects.

**4.8 City Centre Property Income – Income Shortfall - £190,000 reducing to £0 non-recurring bid**

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

**4.9 Digital Marketing Officer – Additional Expenditure - £27,000 non-recurring**

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

#### **4.10 Budget Savings £500,000 non-recurring**

This is a non-recurring pressure to fund and re-profile part of the savings requirement from additional income from the Government Settlement Funding Analysis in 2021/22 (see para 5.6 for revised savings targets).

#### **4.11 COVID-19**

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

As part of the provisional finance settlement the Council has been allocated an additional un-ringfenced grant of £616,032 in 2021/22 to manage the immediate and long-term impacts of the pandemic; however current estimates indicate that the additional costs/income shortfalls could be in the region of £1.1million in 2021/22. The sales, fees and charges income support scheme will also be extended until June 2021, and a local tax income guarantee scheme for irrecoverable losses this year (2020/21) to help compensate councils for lost council tax and business rates income has been announced. A Local Council Tax Support Grant (LCTS) of £154,735 has also been announced as part of the provisional finance settlement.

#### **4.12 Climate Change**

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

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

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

## 5. SAVINGS AND ADDITIONAL INCOME PROPOSALS

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

Detail	Note	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
<b>Changes to Funding</b>						
Business Rate - Additional Growth	5.2	(1,200)	0	0	0	0
Business Rate - Baseline Income	5.2	178	4	4	4	4
Business Rate - Multiplier Grant	5.2	(174)	0	0	0	0
<b>Total Changes to Funding</b>		<b>(1,196)</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>
<b><u>Savings Proposed</u></b>						
Capacity Funding Bid	5.3	(20)	0	0	0	0
Energy Savings	5.4	(20)	(20)	(20)	(20)	(20)
Treasury Management	5.5	(315)	(280)	(355)	(327)	(317)
Budget Savings	5.6	0	(200)	(200)	(200)	(200)
New Homes Bonus	5.7	(137)	0	0	0	0
Rural Services Delivery Grant	5.8	(193)	0	0	0	0
Lower Tier Services Grant	5.9	(389)	0	0	0	0
<b>Total of Savings</b>		<b>(1,074)</b>	<b>(500)</b>	<b>(575)</b>	<b>(547)</b>	<b>(537)</b>
<b>Total Recurring</b>		<b>(335)</b>	<b>(500)</b>	<b>(575)</b>	<b>(547)</b>	<b>(537)</b>
<b>Total Non-Recurring</b>		<b>(739)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

### 5.2 Business Rates

- **Pooling**

It is recommended that the Council continue to be part of the Cumbria Pooling arrangements in 2021/22 now that the MHCLG has agreed not to revoke the current legislation, and all participating members have initially agreed that the

pool continues in its current format. Whilst the MHCLG has also confirmed the continuation of Cumbria's Business Rate Pool for 2021/22, it is integral to the provisional settlement, so pool members have 28 days (from 17<sup>th</sup> December) to decide whether they formally wish to be designated as part of the pool. This continues to be discussed and analysed at the Cumbria Wide Chief Finance Officer meeting who are meeting early in the new year to finalise arrangements. A potential additional sum of £1,200,000 is factored into the budget as a result on a non-recurring basis.

- **Baseline and Multiplier Compensation**

The Business Rate baseline allocation for 2021/22 shows a reduction when compared to the MTFP assumptions. The Council will however also receive a compensation grant in respect of the business rate multiplier change.

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

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

### **5.4 Energy Monitoring System – Saving - £20,000 recurring**

This is the annual expected saving from the installation of a new energy monitoring system that is included as a new capital project in RD43/20.

### **5.5 Treasury Management**

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

### **5.6 Budget Savings – Saving - £200,000 recurring from 2022/23**

The original MTFP included a recurring savings requirement to be found by 2021/22 of £1million rising to £1.850million in 2023/24. This additional saving requirement (& non-recurring pressure) will reduce the savings needed for 2021/22 to £0.500million with the total savings required increasing to £2.050million by 2023/24 (£0.700million in 2022/23 and £0.850million in 2023/24). Savings will need to be identified by a combination of reviewing:

- base budgets and specifically, non-staffing budgets such as transport costs, supplies and services costs;
- reviewing recurring grants receivable that are not budgeted;
- reviewing discretionary services and payments to third parties;

- service and efficiency reviews

## 5.7 New Homes Bonus

Draft New Homes Bonus figures have also been included in the provisional settlement announcement. The national baseline for housing growth remains at 0.4% for 2021/22 below which allocations will not be made. The settlement provides an indication of the overall allocations the Council can expect to receive from New Homes Bonus and the updated figures (reported elsewhere on the agenda) are included in the table above.

## 5.8 Rural Services Delivery Grant

The technical consultation issued by the MHCLG recognises the additional cost pressures in rural areas and proposes to increase the Rural Services Delivery Grant (RSDG) by £4million, taking the total to £85million in 2021/22. This amounts to a one-off grant of £192,800 for the Council in 2021/22 and has been confirmed in the provisional settlement figures.

## 5.9 Lower Tier Services Grant

The Government is proposing a new un-ringfenced Lower Tier Services Grant in 2021/22, which will allocate £111million to local authorities with responsibility for lower tier services (e.g. homelessness, planning, recycling and refuse collection and leisure services). This amounts to a one-off grant of £388,800 for the Council in 2021/22 and has been confirmed in the provisional settlement figures.

# 6. PROJECTED IMPACT ON REVENUE BALANCES

- 6.1 It should be noted that if all of the potential new Savings and Spending Pressures were accepted then reserves may fall below acceptable minimum levels over the five-year period.
- 6.2 The general principles on each of the Reserves are set out in the Medium-Term Financial Plan. In terms of meeting ongoing revenue expenditure, the general guiding principle which Council approved is that:

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

- 6.3 The Council’s current levels of balances are set out in **Appendix A** and include any impact of the proposed pressures and savings outlined in this report. The Projects Reserve will be used as a first call for any projected revenue budget deficit however,



maintaining the current level of reserves is dependent upon the achievement of the transformation savings. A risk-based review of reserve levels has been undertaken and shows that the minimum level of General Fund Reserves should be £3.1million due to uncertainties around future funding from Business Rates; however, this level will be reviewed during this budget process.

Summarised Position	2020/21 Original £000	2020/21 Revised £000	2021/22 Original £000	2022/23 Proj £000	2023/24 Proj £000	2024/25 Proj £000	2025/26 Proj £000
Total Projected Expenditure	14,653	17,532	12,753	12,594	12,960	13,183	13,670
Total Projected Resources	(14,653)	(17,532)	(12,220)	(12,544)	(12,874)	(13,210)	(13,552)
<b>Projected (Surplus) / Shortfall <u>excluding</u> savings and new spending</b>	<b>0</b>	<b>0</b>	<b>533</b>	<b>50</b>	<b>86</b>	<b>(27)</b>	<b>118</b>
<b>Less:</b>							
New Saving Proposals							
- Recurring	0	0	(335)	(500)	(575)	(547)	(537)
- Non Recurring	0	0	(739)	0	0	0	0
- Business Rates	0	0	(1,196)	4	4	4	4
<b>(See Para 6)</b>							
<b>Add:</b>							
New Spending Pressures							
- Recurring	0	0	900	497	301	301	301
- Non Recurring	0	0	717	190	190	190	0
<b>(See Para 5)</b>							
<b>Potential Budget (Surplus) / Shortfall</b>	<b>0</b>	<b>0</b>	<b>(120)</b>	<b>241</b>	<b>6</b>	<b>(79)</b>	<b>(114)</b>
Potential (Surplus) / Shortfall Analysis:							
- Recurring	0	0	(132)	96	(184)	(269)	(114)
- Non Recurring	0	0	12	145	190	190	0

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

7.1 The current budget projections for the next five-year period are challenging and continue to show the requirement for substantial savings to be achieved in order to

enable the Council to contain its ongoing commitments, notwithstanding the on-going impact of COVID-19, within available resources over the lifetime of the MTFP.

- 7.2 Notification of Government general and specific grants is received on an individual basis late in the budget process which makes forward planning difficult. The impact of a further one-year settlement for 2021/22 also adds to the challenges of securing a balanced MTFP.
- 7.3 In terms of expenditure pressures, again notwithstanding the impact of COVID-19 on the Council's budgets and economic recovery in general, the significant issue affecting the budget is the uncertainty regarding local government funding in terms of business rate retention and any burdens which may transfer as a result.
- 7.4 The deferral of the Fair Funding Review and the Business Rate Retention Reviews increases the uncertainty in terms of future funding especially from 2022/23 onwards; however, the scope to remain within the Cumbria Pooling arrangements for 2021/22 (if all participating authorities agree) may provide an opportunity, albeit temporary, in terms of increased financial support to the revenue budget from pooling and growth.
- 7.5 The City Council needs to establish as part of its budgetary process the financial discipline to be followed by member and officers in the ensuing financial years, and the Executive made recommendations in this respect in December.
- 7.6 Under section 25 of the Local Government Act 2003 the Council's S.151 Officer is required to prepare a statutory report which considers the robustness of the estimates and the adequacy of reserves and which determines levels of borrowing.

## **8. RISKS**

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

## **9. CONSULTATION**

- 9.1 The Business and Transformation Scrutiny Panel considered the Executive's budget proposals issued for consultation at their meeting on 7 January 2021, and their views are considered elsewhere on this agenda. Public consultation has also taken place between 14 December and 11 January and the budget resolution taking into account any consultation feedback will be tabled by the Executive on 13 January.

## 10 RECOMMENDATIONS

### 10.1 The Executive is requested to:

- (i) note the revised base estimates for 2020/21 and base estimates for 2021/22;
- (ii) note that the estimates in the report are provisional and will be subject to the confirmation of Final Local Government Finance Settlement in January/February 2021;
- (iii) note the current MTFP projections, which will continue to be updated throughout the budget process as key issues become clearer and decisions are taken;
- (iv) note the budget pressures, bids and savings which need to be taken into account as part of the 2021/22 budget process;

## 11 CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

11.1 To ensure that a balanced budget is set.

**Contact Officer:** Alison Taylor                      Ext: 7290  
**Appendix A – Council Reserves**

## Appendices

### attached to report:

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

- None

## CORPORATE IMPLICATIONS:

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

**Property Services** – There are no Property implications

**Finance** – contained within the body of the report

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

**Information Governance** – There are no information governance implications.

**COUNCIL RESERVES**

Analysis of Council Reserves	Outturn 31 March 2020 £000	Projected 31 March 2021 £000	Projected 31 March 2022 £000	Projected 31 March 2023 £000	Projected 31 March 2024 £000	Projected 31 March 2025 £000	Projected 31 March 2026 £000
<b>Revenue Reserves</b>							
General Fund Reserve	(3,100)	(2,502)	(2,622)	(2,381)	(2,375)	(2,454)	(2,568)
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>(3,254)</b>	<b>(3,013)</b>	<b>(3,007)</b>	<b>(3,086)</b>	<b>(3,200)</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>(5,697)</b>	<b>(4,556)</b>	<b>(4,550)</b>	<b>(4,629)</b>	<b>(4,743)</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>(5,914)</b>	<b>(4,788)</b>	<b>(4,797)</b>	<b>(4,891)</b>	<b>(5,020)</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 (i.e. they are not available either to fund expenditure or to meet future commitments.)

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## EXCERPT FROM THE MINUTES OF THE EXECUTIVE HELD ON 13 JANUARY 2021

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**EX.02/21      \*\*BUDGET UPDATE - REVENUE ESTIMATES 2021/22 to 2025/26**  
(Key Decision – KD.25/20)

(In accordance with Paragraph 15(i) of the Overview and Scrutiny Procedure Rules, The Mayor had agreed that call-in procedures should not be applied to this item)

**Portfolio**      Finance, Governance and Resources

**Relevant Scrutiny Panel**      Business and Transformation

### **Subject Matter**

Pursuant to Minute EX.122/20 and EX.141/20, the Deputy Leader, and Finance, Governance and Resources Portfolio Holder submitted report RD.52/20 providing an update to reports RD.32/20 and RD.42/20, with a summary of the Council's revised revenue base estimates for 2020/21, together with base estimates for 2021/22 and forecasts up to 2024/25 for illustrative purposes. Potential new spending pressures, bids and savings were also considered within the report.

It was noted that the figures within the report were indicative and now incorporated the provisional finance settlement received on 17 December 2020.

The Deputy Leader, and Finance, Governance and Resources Portfolio Holder moved the recommendations which were seconded by the Leader.

**Summary of options rejected**      None

### **DECISION**

That the Executive:

- (i) noted the revised base estimates for 2020/21 and base estimates for 2021/22;
- (ii) noted that the estimates in the report were provisional and would be subject to the confirmation of final Local Government Finance Settlement in January/February 2021;
- (iii) noted the current MTFP projections and the outstanding issues, which would continue to be updated throughout the budget process and be incorporated into the Executive's budget proposals tabled at the meeting, if available;
- (iv) noted the budget pressures, bids and savings which needed to be taken into account as part of the 2021/22 budget process.

### **Reasons for Decision**

To prepare a draft budget proposal for 2020/21 for recommendation to the City Council



# Report to Executive

Agenda  
Item:  
  
6(1)  
(ix)

Meeting Date: 13 January 2021  
Portfolio: Finance, Governance and Resources  
Key Decision: Yes: Recorded in the Notice Ref: KD.25/20  
Within Policy and Budget Framework YES  
Public / Private Public  
  
Title: REVISED CAPITAL PROGRAMME 2020/21 AND PROVISIONAL CAPITAL PROGRAMME 2021/22 TO 2025/26  
Report of: CORPORATE DIRECTOR OF FINANCE AND RESOURCES  
Report Number: RD 53/20

## Purpose / Summary:

The report provides an update to RD33/20 and RD43/20 and sets out the proposed capital programme for 2021/22 to 2025/26 in the light of new capital proposals identified and summarises the estimated capital resources available to fund the programme.

## Recommendations:

The Executive is asked to:

- (i) Note the revised capital programme and relevant financing for 2020/21 as set out in Appendices A and B, for recommendation to Council;
- (ii) Give initial consideration and views on the proposed capital spending for 2021/22 to 2025/26 given in the report in the light of the estimated available resources, for recommendation to Council;
- (iii) Note that any capital scheme for which funding has been approved by Council may only proceed after a full report, including business case and financial appraisal, has been approved.

## Tracking

Executive:	13 January 2021
Scrutiny:	n/a
Council:	2 February 2021 (Budget Resolution)

## **1. BACKGROUND**

- 1.1 This report details the revised capital programme for 2020/21 together with the proposed methods of financing as set out in paragraph 3 and **Appendix A and B**.
- 1.2 The report also details the capital spending proposals for 2021/22 to 2025/26, together with the potential resources available to fund the programme. Members are asked to give initial consideration to the spending proposals.
- 1.3 The guiding principles for the formulation of the capital programme over the next five-year planning period are set out in the following policy documents that were approved by Council on 8 September 2020:
  - Capital Investment Strategy 2021-22 to 2025-26 (Report RD26/20)
  - Asset Management Plan (Report GD43/20)
- 1.4 A Corporate Programme Board of senior officers, (the SMT Transformation sub-group) continues to take the lead on the prioritisation of investment and the monitoring and evaluation of schemes. This is to improve performance monitoring and business case analysis of capital projects.

## **2. CAPITAL RESOURCES**

- 2.1 There are several sources of capital resources available to the Council to fund capital expenditure, the main ones being:
  - Borrowing (Prudential Code - see paragraph 6.2)
  - Capital Grants e.g. DFG, specific capital grants
  - Capital Receipts e.g. proceeds from the sale of assets
  - Council Reserves e.g. Projects Reserve
- 2.2 In accordance with the Capital Investment Strategy, the Corporate Director of Finance and Resources will make recommendations on the most effective way of financing the Capital Programme to optimise the overall use of resources.
- 2.3 It should be noted that capital resources can only be used to fund capital expenditure and cannot, with the exception of the Council's own Reserves, be used to fund revenue expenditure. There are strict definitions of what constitutes capital expenditure.
- 2.4 It should also be noted that the resources available to support the capital programme can only be estimated during the year. The final position is dependent in particular on how successful the Council has been in achieving Capital Receipts



from the sale of assets against its target i.e. the more capital receipts generated, the less is required to be taken from Borrowing and Council Reserves (and vice versa).

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

### 3. REVISED CAPITAL PROGRAMME 2020/21

- 3.1 The capital programme for 2020/21 totalling £29,915,800 was approved by Council on 14 July 2020 as detailed in the 2019/20 out-turn report (RD14/20).
- 3.2 The revised capital programme for 2020/21 now totals £19,390,400 as detailed in **Appendix A** subject to the relevant approvals by Executive and Council for the changes.
- 3.3 **Appendix B** details the revised anticipated resources available and their use to fund the capital programme. These have been revised to take account of revised projections and valuations of asset sales.
- 3.4 A summary of the revised programme for 2020/21 is shown below:

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

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

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

Capital Scheme	App/ Para	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
<b><u>Current Commitments:</u></b>						
Vehicles & Plant	4.2	1,215	1,159	976	1,851	1,003
Planned Enhancements to Council Property	4.3	250	250	250	250	250
Disabled Facilities Grants	4.4	1,467	1,467	1,467	1,467	1,467
ICT Infrastructure	4.5	101	76	131	101	101
Leisure Facilities	4.6	15,237	3,450	0	0	0
Recycling Containers	4.7	45	45	45	45	45
Civic Centre	4.8	1,021	0	0	0	0
Savings to Fund Civic Centre	4.8	(200)	0	0	0	0
Carlisle Southern Link Road	4.9	0	5,000	0	0	0
<b>Total Existing Commitments</b>		<b>19,136</b>	<b>11,447</b>	<b>2,869</b>	<b>3,714</b>	<b>2,866</b>
<b><u>New Spending Proposals:</u></b>						
Vehicles and Plant	4.2	(960)	62	795	(171)	163
Disabled Facilities Grants	4.4	433	433	433	433	433
Crematorium Infrastructure	4.10	350	900	0	0	0
Flare Data Management System	4.11	0	150	0	0	0
Energy Monitoring System	4.12	12	0	0	0	0
Future High Street Fund - Market Square	4.13	100	2,670	0	0	0
<b>Total New Spending Proposals</b>		<b>(65)</b>	<b>4,215</b>	<b>1,228</b>	<b>262</b>	<b>596</b>
<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>

- 4.2 The anticipated budgets for replacement of the Council's vehicle fleet. An initial review of the current replacement plan has been undertaken and the revised figures are included in the table above.
- 4.3 The allocation for planned enhancements to council properties is retained at the current level of £250,000.
- 4.4 Disabled facilities grant funding is awarded via the County Council's Improved Better Care Fund (iBCF). It has been announced, as part of the Provisional LG Finance Settlement, that funding for the iBCF for 2021/22 will be maintained at 2020/21 cash term levels and that Councils are to get an additional £68million in additional funding for Disabled Facilities Grants; however individual allocations for Councils will not be known until early into 2021/22. For the purpose of this report that the grant is therefore assumed at 2020/21 levels.

- 4.5 This is the current allocation for improvements and developments to the Council's ICT infrastructure.
- 4.6 This is the updated profile for the renovation and new build of the Sands Centre as previously agreed by Council in October 2020.
- 4.7 An allocation for the replacement of the Council's stock of recycling and waste containers.
- 4.8 Funding to be identified and vired to support the reinstatement of the Civic Centre Ground floor project from within the overall Capital Programme.
- 4.9 The Council's contribution to the Carlisle Southern Link Road project.
- 4.10 To provide new infrastructure for the crematorium including replacement cremators. The project is funded from the amounts set aside in the Cremator Replacement Earmarked Reserve.
- 4.11 An allocation to provide for a new data management system that is used in Environmental Health and Private Sector Housing.
- 4.12 An allocation to provide for an Energy Management System to be installed to monitor energy usage across Council owned property. This scheme is linked to a revenue saving in the Revenue Budget update report considered elsewhere on the agenda (RD52/20).
- 4.13 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.

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

4.14 **Climate Change**

The Council's update Local Environment (Climate Change) Strategy will be subject to a report to full Council in the Spring of 2021 following the usual consultation process; the Strategy will be supported by an action plan for addressing climate change issues as well individual actions required by the Council for reducing the its own carbon footprint. The Council is committed to becoming carbon neutral in the

future and there may be a requirement for significant investment in achieving this goal, with recovery through the achievement of efficiency savings and/or by maximising any external grants and contributions available to support the strategy and action plan through the Council's Funding Strategy. However, any carbon reducing schemes will initially have to be funded from resources currently contained with the Council's existing Revenue and Capital budgets; with any new climate change initiatives, following the formal adoption and approval of the Local Environment (Climate Change) Strategy, being supported by robust business cases with a cost benefit analysis provided.

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

## 5. POTENTIAL CAPITAL RESOURCES AVAILABLE

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

Source of Funding	Para	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
<b>Capital Grants:</b>						
• Disabled Facilities Grant	5.2	(1,900)	(1,900)	(1,900)	(1,900)	(1,900)
• General Grants/Contributions	5.3	0	(2,446)	0	0	0
<b>Capital Receipts:</b>						
• Generated in year – Asset Business Plan	5.4	(1,011)	(3,573)	(200)	(200)	(445)
receipts used to fund resources		112	112	0	0	0
Direct Revenue Financing / Invest to Save	5.5	(1,337)	(1,887)	(987)	(987)	(987)
<b>TOTAL RESOURCES</b>		<b>(4,136)</b>	<b>(9,694)</b>	<b>(3,087)</b>	<b>(3,087)</b>	<b>(3,332)</b>

5.2 Disabled facilities grant allocation will not be known until early 2021/22, although it has been assumed for the purpose of this report that the grant will be protected at the 2020/21 levels. However as mentioned earlier this grant will be awarded via the County Council's Better Care Fund and the final allocations have not yet been received.

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

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

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

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

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

Source of Funding	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Estimated in year Resources available (para 5.1)	(4,136)	(9,694)	(3,087)	(3,087)	(3,332)
Proposed Programme (para 4.1)	19,071	15,662	4,097	3,976	3,462
<b>Projected (Surplus)/Deficit</b>	<b>14,935</b>	<b>5,968</b>	<b>1,010</b>	<b>889</b>	<b>130</b>
Cumulative surplus/deficit b/fwd	<b>(1,084)</b>	<b>13,851</b>	<b>19,819</b>	<b>20,829</b>	<b>21,718</b>
Cumulative year end surplus/deficit	<b>13,851</b>	<b>19,819</b>	<b>20,829</b>	<b>21,718</b>	<b>21,848</b>
Borrowing undertaken previously	<b>14,000</b>	<b>14,000</b>	<b>14,000</b>	<b>14,000</b>	<b>14,000</b>
Cumulative deficit i.e. overall borrowing needed to support the capital programme	<b>27,851</b>	<b>33,819</b>	<b>34,829</b>	<b>35,718</b>	<b>35,848</b>

6.2 The Prudential Code gives authorities freedom to borrow to fund capital schemes subject to the over-riding principles of Affordability, Prudence and Sustainability. Whilst these freedoms could significantly impact on the capital resources available to the Authority, the principles referred to in effect mean that the Council is limited by the ongoing cost of any borrowing (i.e. the cost of prudential borrowing falls to be met from the General Fund recurring expenditure). The Prudential Code requires authorities to develop their own programmes for investment in fixed assets, based upon what the authority and local taxpayers can afford, and subject to a full Business Case and Options appraisal process. Further details on the Code can be found elsewhere on the agenda in the Treasury Management Report (RD54/20).

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

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

## **7. RISKS**

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

## **8. CONSULTATION**

- 8.1 The Business and Transformation Scrutiny Panel considered the Executive's budget proposals issued for consultation at their meeting on 7 January 2021, and their views are considered elsewhere on this agenda. Public consultation has also taken place between 14 December and 11 January and the budget resolution taking into account any consultation feedback will be tabled by the Executive on 13 January.

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

- 9.1 The Executive is asked to:
- (i) Note the revised capital programme and relevant financing for 2020/21 as set out in Appendices A and B;
  - (ii) Give initial consideration and views on the proposed capital spending for 2021/22 to 2025/26 given in the report in the light of the estimated available resources;
  - (iii) Note that any capital scheme for which funding has been approved by Council may only proceed after a full report, including business case and financial appraisal, has been approved.

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

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

**Contact Officer: Emma Gillespie**

**Ext: 7289**

**Appendices**

**attached to report:**

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

- None

#### **CORPORATE IMPLICATIONS:**

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

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

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

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

**INFORMATION GOVERNANCE** – There are no information governance implications.

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



**REVISED CAPITAL PROGRAMME 2020/21 – PROPOSED FINANCING**

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

**Notes:**

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

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## **EXCERPT FROM THE MINUTES OF THE EXECUTIVE HELD ON 13 JANUARY 2021**

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**EX.03/21      \*\*REVISED CAPITAL PROGRAMME 2020/21 AND PROVISIONAL  
CAPITAL PROGRAMME 2021/22 – 2025/26**  
(Key Decision – KD.25/20)

(In accordance with Paragraph 15(i) of the Overview and Scrutiny Procedure Rules, The Mayor had agreed that call-in procedures should not be applied to this item)

**Portfolio**      Finance, Governance and Resources

**Relevant Scrutiny Panel**      Business and Transformation

### **Subject Matter**

Pursuant to Minute EX.127/20 and EX.142/20, the Deputy Leader, and Finance, Governance and Resources Portfolio Holder submitted report RD.53/20 providing an update to RD.33/20 and RD.43/20; setting out the proposed capital programme for 2021/22 to 2025/26 in the light of new capital proposals identified and summarising the estimated capital resources available to fund the programme.

The Communities, Health and Wellbeing Portfolio Holder highlighted the assumption for the 2021/22 Disabled Facilities Grant figures and thanked officers and staff for the continuous delivery of the Grants to those in need during the pandemic.

The Deputy Leader, and Finance, Governance and Resources Portfolio Holder moved the recommendation, which was seconded by the Leader.

**Summary of options rejected**      None

### **DECISION**

That the Executive:

- (i) Noted the revised capital programme and relevant financing for 2020/21 as set out in Appendices A and B for recommendation to Council;
- (ii) Had given consideration and views on the proposed capital spending for 2021/22 to 2025/26 given in the report in the light of the estimated available resources, for recommendation to Council;
- (iii) Noted that any capital scheme for which funding has been approved by Council may only proceed after a full report, including business case and financial appraisal, has been approved.

## **Reasons for Decision**

To prepare a draft budget proposal for 2021/22 for recommendation to the City Council



# Report to Executive

Agenda  
Item:  
**6 (1)**  
**(X)**

Meeting Date: 13 January 2021  
Portfolio: Finance, Governance and Resources  
Key Decision: Yes: Recorded in the Notice Ref: KD.25/20  
Within Policy and Budget Framework YES  
Public / Private Public

Title: PROVISIONAL LOCAL GOVERNMENT FINANCE  
SETTLEMENT 2021/22  
Report of: CORPORATE DIRECTOR OF FINANCE AND RESOURCES  
Report Number: RD55/20

## Purpose / Summary:

This report provides an analysis of the Provisional Finance Settlement received for 2021/22 and the impact it has on the Council's Revenue budget.

## Recommendations:

The Executive is requested to:

- (i) note and consider the updated budget projections, in respect of the Provisional Finance Settlement, which was received on 17<sup>th</sup> December, noting that the overall financial impact forms part of the Revenue report considered elsewhere on the agenda; and
- (ii) delegate responsibility to the Corporate Director of Finance and Resources to respond, if required, to the Local Government Finance Settlement consultation document, following consultation with the Portfolio Holder for Finance, Governance and Resources.

## Tracking

Executive:	<b>13 January 2021</b>
Scrutiny:	<b>Not applicable</b>
Council:	<b>2 February 2021 (Budget Resolution)</b>

## **1. INTRODUCTION**

- 1.1. This report provides an analysis of the 2021/22 Provisional Finance Settlement received from Central Government on 17<sup>th</sup> December 2020. A consultation document which outlines the government's approach in allocating funding for the local government finance settlement has also been provided, which seeks views by 16<sup>th</sup> January 2021.
- 1.2. The Ministry of Housing, Communities & Local Government (MHCLG) has proposed the referendum limits for 2021/22; and for District Councils, this is 2% or £5, whichever is the greater. This is in line with the MTFP with the Executive proposing an annual £5 increase for 2021/22.
- 1.3. Members should also note that the MHCLG has confirmed the continuation of Cumbria's Business Rate Pool for 2021/22, but as this is integral to the provisional finance settlement, pool members have 28 days (from 17<sup>th</sup> December) to decide whether they formally wish to be designated as part of the pool.

## **2. UPDATED BUDGET PROJECTIONS**

- 2.1. The amendments to the revenue budget as a result of the provisional finance settlement are as follows:

### Draft Local Government Finance Settlement

Provisional figures were received on 17<sup>th</sup> December and are broadly in line with expectations contained within the MTFP for 2021/22. It should be noted that no figures beyond 2021/22 have been provided as these should form part of any Local Government Finance Reviews taking place next year. The provisional finance settlement for 2021/22 is open for consultation until 16<sup>th</sup> January 2021, with final figures being provided after that date. Details of the changes following receipt of the draft settlement are provided below.

### Settlement Funding Assessment

The Settlement Funding Assessment (SFA) relates to the Retained Business Rates Baseline only, with the table below showing the differences in the Settlement Funding Assessment figures:

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
<b>MTFP</b>		<b>Estimated</b>			
Business Rate Baseline	3,513	3,583	3,655	3,728	3,803
	<b>3,513</b>	<b>3,583</b>	<b>3,655</b>	<b>3,728</b>	<b>3,803</b>
<b>Draft Settlement (Dec 2020)</b>					
Business Rate Baseline	3,335	3,579	3,651	3,724	3,799
	<b>3,335</b>	<b>3,579</b>	<b>3,651</b>	<b>3,724</b>	<b>3,799</b>
<b>Additional Contribution from/(to) Reserves</b>	<b>178</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>

The Business Rate baseline allocation for 2021/22 shows a reduction of £178,000 when compared to the MTFP assumptions. This is a result of the baseline being frozen at 2020/21 levels. No provisional settlement figures have been provided beyond 2021/22; however, as mentioned earlier, the two reviews on (i) the reform of the Business Rates Retention Scheme, and (ii) the approach to measuring the relative needs and resources of local authorities, used to determine new baseline funding allocations, will inform these allocations. The assumptions for 2022/23 onwards have been revised with an assumed 2% increase using the 2021/22 figures as the base inclusive of the business rate multiplier compensation grant (see table later in this report).

#### Other Funding

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

Draft New Homes Bonus figures have also been included in the settlement announcement. The national baseline for housing growth remains at 0.4% for 2021/22 below which allocations will not be made.

The settlement provides an indication of the overall allocations the Council can expect to receive from New Homes Bonus. The table below shows how these estimates compare to the MTFP assumptions.

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
<b>MTFP</b>					
New Homes Bonus included in MTFP	610	351	0	0	0
	<b>610</b>	<b>351</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Draft Settlement (Dec 2020)</b>					
New Homes Bonus	747	351	0	0	0
	<b>747</b>	<b>351</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Additional Contribution from/(to) Reserves</b>	<b>(137)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

A one-year allocation 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.

### Rural Services Delivery Grant

Confirmation of the Rural Services Delivery Grant as set out below:

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
<b>MTFP</b>					
Rural Services Delivery Grant	0	0	0	0	0
	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Draft Settlement (Dec 2020)</b>					
Rural Services Delivery Grant	193	0	0	0	0
	<b>193</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Additional Contribution from/(to) Reserves</b>	<b>(193)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

### Compensation Grant – Business Rate Multiplier Change

Similar to previous years, the Council will also receive a compensation grant in respect of the business rate multiplier change.



	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
<b>MTFP</b> Business Rate Multiplier Compensation	0	0	0	0	0
<b>Draft Settlement (Dec 2020)</b> Business Rate Multiplier Compensation	0	0	0	0	0
	174				
	174	0	0	0	0
<b>Additional Contribution from/(to) Reserves</b>	<b>(174)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

### Lower Tier Services Grant

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.

	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
<b>MTFP</b> Lower Tier Services Grant	0	0	0	0	0
<b>Draft Settlement (Dec 2020)</b> Lower Tier Services Grant	0	0	0	0	0
	389				
	389	0	0	0	0
<b>Additional Contribution from/(to) Reserves</b>	<b>(389)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

### Covid-19 Support for 2021/22

An additional un-ringfenced grant of £616,032 to manage the immediate and long-term impacts of the pandemic in 2021/22 has been allocated; however current estimates indicate that the additional costs/income shortfalls could be in the region of £1.1million in 2021/22. The Sales, Fees and Charges income support scheme (SFC scheme) will also be extended to June 2021.

**The figures for all of these funding streams have been provided by the MHCLG up to 2021/22 only; therefore, any figures beyond this are indicative only.**

## Council Tax Referendum Limit

The draft settlement also confirms that District Council's will be able to raise Council Tax by the greater of 2% or £5. A £5 increase has been assumed in the budget which equates to a 2.30% increase.

## Overall Spending Power

All of the elements described above together with the income raised from Council Tax make up what is known as the Council's Spending Power. Within the settlement the Government makes an assumption as to how much will be raised through Council Tax; however, the precise figure is not known until each Council sets their own Council tax levels and calculates their Tax Bases.

The table below shows the overall effect of the settlement on the Council's Spending Power.

Core Spending Power of Local Government 2021/22 LG FINANCE SETTLEMENT					
	2017-18 £000	2018-19 £000	2019-20 £000	2020-21 £000	2021-22 £000
Settlement Funding Assessment	4,000	3,657	3,282	3,335	3,335
Compensation for under-indexing the business rate multiplier	47	74	107	134	174
Council Tax	6,658	6,905	7,183	7,487	7,794
New Homes Bonus and returned funding	2,013	1,606	1,565	1,492	747
Rural Services Delivery Grant	147	184	184	184	193
Transition Grant	5	-	-	-	-
Lower Tier Services Grant	-	-	-	-	389
<b>Core Spending Power</b>	<b>12,870</b>	<b>12,426</b>	<b>12,321</b>	<b>12,632</b>	<b>12,632</b>
Change over the Spending Review period (£ 000's)				-	238
Change over the Spending Review period (% change)					-1.8%

The overall effect of the Draft Settlement is that for 2021/22, there will be an additional contribution to reserves of £715,000 (excluding any Covid-19 funding allocations).

## 2.2 Housing Benefit/Local Council Tax Support Administration Subsidy

The allocation for Housing Benefit Administration subsidy and other grant allocations are still awaited from the Department for Work & Pensions (DWP) and the Localised Council Tax Support Administration Subsidy allocation for 2021/22 from MHCLG is also still to be advised.

### 2.3 Homelessness Prevention Grant

A total allocation of £198,863 has been awarded for 2021/22 for Homelessness Prevention Grant.

### 2.4 Other Areas of Funding

Other funding was announced in respect of Help for Rough Sleepers, New Burdens Funding for the Domestic Abuse Bill, Improved Better Care Fund, Strengthening the local audit system, and a local tax income guarantee scheme for irrecoverable losses this year (2020/21) to help compensate councils for lost council tax and business rates income however, no allocations have yet been announced. A Local Council Tax Support Grant (LCTS) of £154,735 has also been announced.

## 3. **CONSULTATION**

Business and Transformation Scrutiny Panel considered the Executive's draft budget proposals on 7 January 2021.

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

The Executive is requested to note and consider the updated budget projections, in respect of the Provisional Finance Settlement, which was received on 17<sup>th</sup> December, noting that the overall financial impact forms part of the Revenue report considered elsewhere on the agenda.

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

To ensure that a balanced budget is set.

**Contact Officer:**            **Alison Taylor**

**Ext:**    **7290**

**Appendices**            **None**  
**attached to report:**

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

- **None**

## **CORPORATE IMPLICATIONS:**

**LEGAL –** The Council has a fiduciary duty to manage its resources properly and for the benefit of its community. In doing so it is required to take account of the advice it receives from its chief finance officer, the Corporate Director of Finance and Resources. The

Council must have a balanced budget to deliver its services and also achieve and sustain an appropriate level of reserves.

**PROPERTY** – not applicable

**FINANCE** – Contained within the body of the report

**EQUALITY** – not applicable

**INFROMATION GOVERNANCE** – not applicable

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## **EXCERPT FROM THE MINUTES OF THE EXECUTIVE HELD ON 13 JANUARY 2021**

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**EX.05/21      \*\*PROVISIONAL LOCAL GOVERNMENT FINANCE SETTLEMENT  
2021/22**

(Key Decision – KD.25/20)

(In accordance with Paragraph 15(i) of the Overview and Scrutiny Procedure Rules, The Mayor had agreed that call-in procedures should not be applied to this item)

**Portfolio**      Finance, Governance and Resources

**Relevant Scrutiny Panel**      Business and Transformation

**Subject Matter**

The Deputy Leader, and Finance, Governance and Resources Portfolio Holder submitted report RD.55/20 providing an analysis of the 2021/22 Provisional Finance Settlement received from Central Government and the impact it had on the Council's Revenue budget.

Details of the amendments to the revenue budget as a result of the provisional finance settlement were provided at Section 2.

The Deputy Leader, and Finance, Governance and Resources Portfolio Holder moved the recommendations as recorded within the report and the Leader seconded them.

**Summary of options rejected**      None

**DECISION**

That the Executive:

- (i) noted and had considered the updated budget projections, in respect of the Provisional Finance Settlement which was received on 17 December 2020, noting that the overall financial impact formed part of the Revenue report considered elsewhere on the agenda; and
- (ii) delegated responsibility to the Corporate Director of Finance and Resources to respond, if required, to the Local Government Finance Settlement consultation document, following consultation with the Portfolio Holder for Finance, Governance and Resources.

**Reasons for Decision**

To seek Executive consideration of the Provisional Local Government Finance Settlement 2021/22



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## EXCERPT FROM THE MINUTES OF THE BUSINESS AND TRANSFORMATION SCRUTINY PANEL HELD ON 7 JANUARY 2021

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**BTSP.07/21 BUDGET 2021/22 – 2025/26**

### **(1) Executive's response to the first round of Budget Scrutiny**

Minutes of the special meeting of the Executive held on 7 December 2020 were submitted detailing the response of the Executive to the comments made by the Scrutiny Panels in response to the first round of Budget scrutiny.

RESOLVED – That the decisions of the special Executive on 7 December 2020 be received.

### **(2) Executive Draft Budget Proposals**

The Executive draft Budget proposals 2021/22, which had been issued for consultation purposes, were submitted for scrutiny by the Panel.

The budget proposals were based on detailed proposals that had been considered by the Executive over the course of the last few months. In particular the reports of the Corporate Director of Finance and Resources which were considered at the Executive meeting of 14 December 2020.

The Corporate Director of Finance and Resources detailed a number of updates to the budget documents including:

- the inclusion of climate change narrative in relation to the Council's commitment to becoming carbon neutral;
- the reduction in interest rates with the PWLB which had benefited the budget;
- the inclusion of a recurring budget for project officer posts for capital projects;
- the provisional one year funding settlement had been received from central government and was subject to a consultation period which ended on 16 January 2021;
- other funding had been announced however the amount had not yet been received;
- the 2021/22 Executive Budget Proposals issued for consultation constituted a balanced budget;
- reserves were maintained at prudent levels;
- the draft budget proposed an annual £5 increase per Band D in Council Tax for the City Council for 2020/21.

In considering the Draft Budget Proposals Members raised the following comments and questions:

- *The City Council provided a range of support to local communities, at what stage would difficult decisions regarding discretionary spending need to be made?*

The Corporate Director explained that the Council's reserves were at prudent levels depending on savings being achieved. Previous savings had been achieved without the reduction in services, however there would be a point where income streams would have to be maximised to support the budget or services would have been looked at. She informed the Panel that work would be

undertaken in 2021/22 to consider how savings could be achieved and a report would go through the democratic process at the appropriate time.

- *The Climate Change Strategy and action plan would be approved after the budget had been agreed, would this result in a delay in undertaking projects to action the strategy?*

The Corporate Director assured the Panel that the financial regulations allowed for funding to be released, through the Executive or full Council, for projects to action the Strategy should it be required. In addition there may be external funding or existing budgets which could support climate change projects.

A Member felt that the language used in the budget regarding climate change was negative and he stressed how important the matter was for future generations,

- *A Member asked for clarification with regard to the pooling arrangement figures.*

The Corporate Director reminded the Panel that the expectation had been that 2020/21 would be the final year of the Cumbria Business Rates Pooling arrangements, as the Government was undertaking 2 reviews into Local Government Funding (Fair Funding review & Business Rate Retention); however the reviews had again been deferred and the MHCLG had agreed not to revoke the current pooling legislation. This, in effect, meant that the pooling arrangement could continue into 2021/22, if all participating members agree. This could benefit the Council in 2021/22 of up to £1.2million.

- *Were there options were available to support the Southern Relief Road funding other than borrowing?*

The Corporate Director of Finance and Resources responded that grants for capital programmes were limited, the options open to the Council were to borrow the money, make a contribution from the revenue budget or to sell assets (not currently budgeted for) to support it. She added that alternative options were always considered before any borrowing was undertaken. The funding for the scheme was included in the budget as borrowing and would be returned to the Council via developer contributions over a long period of time.

- *Had any consideration been given to a commercial approach to offsetting carbon?*

The Finance, Governance and Resources Portfolio Holder confirmed that the Council would take any opportunities which enabled it to raise revenue in an environmentally beneficial way. He suggested that this approach be included as part of the authority's commercialisation plans.

- *Did the shortfall in City Centre properties income include the Lanes?*

The Corporate Director of Finance and Resources clarified that the shortfall was for a City Council owned property that had a rent free period. The property might be included in the Borderlands Deal and then there was expectation that there would be a return (not currently budgeted for) either through a capital receipt or revenue stream all of which would be subject to a decision of a future Executive. She reminded the Panel that the Lanes budget had been reduced in 2020/21 and the matter would continue to be monitored.



- *What had been the impact of Covid-19 on the Council Tax schemes and how were they promoted?*

The Corporate Director reported that there had been a relatively low number of applications to the Council Tax support schemes until the Christmas period when the number of applications rose significantly. The schemes were advertised on the City Council website and in correspondence sent out by officers.

- *How did the impact of Covid-19 affect the realisation of the sales of assets to support the budget?*

The Corporate Director of Finance and Resources updated the Panel on the asset review and update to the disposal programme. She added that the performance of the sale of assets was being very closely monitored.

- *A Member asked for an update on the introduction of flexibility for waste services charges.* The Environment and Transport Portfolio Holder explained that the matter was currently being discussed.

RESOLVED – 1) That the Panel accepted the Executive draft Budget Proposals 2021/22 as issued for consultation;

### **(3) Background Information Reports**

#### **(a) Budget Update – Revenue Estimates 2021/22 to 2025/26**

The Corporate Director of Finance and Resources submitted report RD.42/20 providing a draft summary of the Council's revised revenue base estimates for 2020/21, together with base estimates for 2021/22 and updated projections to 2025/26. The report included the impact of the new savings and new spending pressures currently under consideration and the potential impact on the Council's overall revenue reserves.

The Executive had considered the matter on 14 December 2020 (EX.141/20 refers) and decided:

"That the Executive:

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

**(b) Revised Capital Programme 2020/21 and Provisional Capital Programme 2021/22 to 2025/26**

The Corporate Director of Finance and Resources submitted report RD.43/20 which provided a draft summary of the Council's revised capital estimates for 2020/21 together with base estimates for 2021/22 and updated projections to 2025/26.

The Executive had considered the matter on 14 December 2020 (EX.142/20 refers) and decided:

“That the Executive:

- (i) Noted the revised capital programme and relevant financing for 2020/21 as set out in Appendices A and B of Report RD.43/20, for recommendation to Council;
- (ii) Had given initial consideration and views on the proposed capital spending for 2021/22 to 2025/26 given in the report in the light of the estimated available resources, for recommendation to Council;
- (iii) Noted that any capital scheme for which funding had been approved by Council may only proceed after a full report, including business case and financial appraisal, had been approved.”

RESOLVED - That the Panel had received the following reports:

Budget Update – Revenue Estimates 2021/22 to 2025/26 (RD.42/20);

Revised Capital Programme 2020/21 and Provisional Capital Programme 2021/22 to 2025/26 (RD.43/20).

**BUDGET CONSULTATION MEETING WITH TRADE UNION REPRESENTATIVES  
MONDAY 4 JANUARY 2021 AT 2.00 PM**

**PRESENT:** Councillor J Mallinson (Leader)  
Councillor Ellis (Deputy Leader, and Finance, Governance and Resources  
Portfolio Holder)

**ALSO  
PRESENT:** 5 x Trade Union Representatives

**OFFICERS:** Chief Executive  
Corporate Director of Finance and Resources

**1. APOLOGIES FOR ABSENCE**

No apologies for absence were submitted.

**2. WELCOME**

The Deputy Leader, and Finance, Governance and Resources Portfolio Holder welcomed the Trade Union representatives and thanked them for taking the time to attend the meeting and respond to the Executive's Budget Proposals 2021/22 issued for consultation, the deadline for responses being 9 am on Monday 11 January 2021.

All of those present had been afforded the opportunity to read the documentation prior to the meeting.

**3. CITY COUNCIL BUDGET 2021/22**

The Executive Budget Proposals 2021/22 were issued for consultation on 14 December 2020. Copies of the Budget Proposals and document entitled 'Have Your Say' had been circulated prior to the meeting.

The Executive Budget Proposals 2021/22 to 2025/26 recorded that the Council was facing many financial challenges over the next five-year planning period and forecast resources were not anticipated to cover the expenditure commitments without 'transformational' savings being identified in accordance with the Council's Savings Strategy.

The main issues included:

- 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

The Corporate Director explained that:

- the 2021/22 Executive Budget Proposals issued for consultation constituted a balanced budget;

- reserves were maintained at prudent levels;
- the current MTFP included a recurring savings requirement to be found by 2023/24 of £1.850million; however, a revised savings requirement had been calculated that would see savings increase to £1.200million by 2021/22, increasing to £2.050million in 2023/24 which took into account the pressures and bids and the additional savings identified;
- the draft budget proposed an annual £5 increase per Band D in Council Tax for the City Council for 2020/21.

She summarised the Recurring Budget Increases itemised at Schedule 3; the Non-Recurring Budget Increases at Schedule 4; the proposed Capital Programme at Schedule 8; and the Usable Reserve Projections depicted at Schedule 10. She referenced the investment the Council continued to make in respect of staffing, assets and the ICT infrastructure.

The Corporate Director concluded her presentation by explaining that Government reviews would be deferred a further year which allowed the Council to continue, if it so wished, with the Cumbria Business Rates Pooling arrangements. She also detailed the Government's consultation process on the settlement figures being offered to the Council, which would alter (and reduce) the savings required in 2021/22.

A Trade Union Representative requested additional information on a non-recurring grant which had been detailed in the budget. The Corporate Director of Finance and Resources agreed to provide a written response to the representatives.

[The meeting ended at 2.15pm]

**BUDGET CONSULTATION MEETING WITH  
NON-DOMESTIC RATEPAYERS / BUSINESS REPRESENTATIVES  
MONDAY 4 JANUARY 2021 AT 3.18pm**

PRESENT: Councillor J Mallinson (Leader / Chair)  
Councillor Ellis (Deputy Leader, and Finance, Governance and Resources  
Portfolio Holder)

Chief Executive  
Corporate Director of Finance and Resources

ALSO

PRESENT: 4 x Business Representatives / Non-Domestic Ratepayers

**1. WELCOME**

The Leader welcomed all those present to the budget consultation meeting.

**2. APOLOGIES FOR ABSENCE**

No apologies for absence were submitted.

**3. BUDGET 2021/22**

The Executive Budget Proposals 2021/22 were issued for consultation on 14 December 2020. Copies of the Budget Proposals and document entitled 'Have Your Say' had been circulated prior to the meeting.

The Executive Budget Proposals 2021/22 to 2025/26 recorded that the Council was facing many financial challenges over the next five-year planning period and forecast resources were not anticipated to cover the expenditure commitments without 'transformational' savings being identified in accordance with the Council's Savings Strategy.

The main issues included:

- 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

Speaking at the invitation of the Leader, the Corporate Director of Finance and Resources indicated that she would provide an overview of the background position before moving on to the salient points.

The Corporate Director explained that:

- the 2021/22 Executive Budget Proposals issued for consultation constituted a balanced budget;
- reserves were maintained at prudent levels;

- the current MTFP included a recurring savings requirement to be found by 2023/24 of £1.850million; however, a revised savings requirement had been calculated that would see savings increase to £1.200million by 2021/22, increasing to £2.050million in 2023/24 which took into account the pressures and bids and the additional savings identified;
- the draft budget proposed an annual £5 increase per Band D in Council Tax for the City Council for 2020/21.

She then summarised the Recurring Budget Increases itemised at Schedule 3; the Non-Recurring Budget Increases at Schedule 4; the proposed Capital Programme at Schedule 8; and the Usable Reserve Projections depicted at Schedule 10.

The Corporate Director concluded her presentation by explaining that Government reviews would be deferred a further year which allowed the Council to continue, if it so wished, with the Cumbria Business Rates Pooling arrangements. She also detailed the Government's consultation process on the settlement figures being offered to the Council which would alter (and reduce) the level of savings required for 2021/22.

The undernoted issues / questions were raised in discussion:

- *The City Council had made a successful bid to the Future High Street Fund, however, the funding allocated had not been equivalent to the schemes submitted. Was there more information available on the schemes that would go ahead under using the High Street Fund monies?*

The Leader confirmed that the bid to the Future High Street Fund had been comprised of a number of schemes and the Council had been successful in receiving 69% of the requested allocation. Further work would take place to consider how the allocation would be used and which schemes would progress, a final decision would be made by Members. The Corporate Director added that the budget would need to be updated to reflect the recent funding announcement, once final allocations were provided. The budget already included a contribution of £390,000 towards the Market Square Scheme and may change following the allocation of the Future High Street Fund. The Corporate Director agreed to circulate further details of each of the schemes included in the bid.

In response to a question the Corporate Director explained that the City Council needed to find £2m in savings over the next five years. The Senior Management Team were working on a savings strategy which would focus on a mini base budget review of non-staffing budgets. She added that a report would be submitted to Members which identified areas savings could be made.

- *There was some concern that properties would lose value and impact the income for the Council. A representative asked if it would be prudent to carry out valuations to ensure that the income was a true reflection of the property.*

The Corporate Director clarified that City Council assets were revalued annually in a variety of different ways depending on the type and category of the asset. She agreed to circulate further information with regard to the valuation process for Council owned assets.

- *Why was Business Rate Growth income for one year only (2021/22)?*

The Corporate Director responded that the expectation had been that 2020/21 would be the final year of the Cumbria Business Rates Pooling arrangements, as the Government was undertaking 2 reviews into Local Government Funding (Fair Funding review & Business Rate Retention); however the reviews had again been deferred and the MHCLG had agreed not to revoke the current pooling legislation. This, in effect, meant that the pooling arrangement could continue into 2021/22, if all participating members agree. This could benefit the Council in 2021/22 of up to £1.2million.

In response to a question regarding the impact of Covid 19, the Corporate Director confirmed that the participating members of the Cumbria Pool worked with an external company who had carried out a risk assessment and were confident that the figures were as realistic as they could be in the current circumstances.

- *How did the Borderlands Project fund the loss of income from council owned city centre properties?*

The Corporate Director of Finance and Resources explained that the City Council owned property was part of the Citadels development. There was expectation that there would be a return (not currently budgeted for) from Council assets which were being used to support and contribute towards the Borderlands projects, either through a capital receipt or revenue stream all of which would be subject to a decision of a future Executive. She added that it was too early in the process to include other expenditure or income in the budget for the project.

The detailed business cases for the Borderlands projects within Carlisle were being prepared (a Full Deal is expected in the new year), and a Project Management Office (PMO) had recently been established. The City Council contributed towards the cost of the PMO and had also an appointed Project Officer at the Council (the costs of which were included in previous years budgets). All of the schemes should be fully funded via Government and private sector contributions, with the Council only being expected to provide officer/staff time, and to consider which assets it was prepared to 'release' to support the schemes.

- *Had the potential local government reorganisation been considered when progressing with the Civic Centre ground floor reinstatement work?*

The Corporate Director reminded the representatives that the reinstatement work was covered by the insurance money received following the severe flood in 2015. The current Customer Contact Centre was in temporary accommodation which incurred an annual rental cost and a permanent solution should be found for this key service to the public. In addition the reinstatement work involved changes to the Council Chamber and the creation of a new Chamber and multi-functional state of the art conference space.

The Leader acknowledged that some savings would be made should the reorganisation progress, however, there would still be a requirement for sufficient space for staff and Carlisle would continue to be a centre for a new authority, if LGR approved a changed system of local government in Cumbria.

- *How would the proposed Harker View development affect other Council owned assets?*

The Leader acknowledged that the proposed development was at the pre planning stage, however, there had not yet been any consultation with the City Council regarding the development.

- *Why had the budget not included any rental income for the new Gateway 44 project?*

The Corporate Director clarified that budgetary assumptions were that the units would be fully let by 2023/24, generating a rental income of approximately £800,000 pa. Those assumptions would need to be revised depending upon current negotiations with interested parties, occupancy timings and rent free periods.

- *Parts of the Kingstown Industrial estate were looking tired- and there seemed to be issues re car flow into McDonalds and access in and around the car showroom/industrial units around this area. What budgeted costs had been included in the budget to maintain and enhance the Kingstown Industrial Estate?*

The Leader acknowledged that there were some empty units in the area, however, some of the units were owned by external organisations and it was hoped that the area would be improved soon.

- *A representative asked that the City Council speed up the implementation of various Covid-19 schemes as it had been slower than other authorities in awarding support.*

The Leader acknowledged that there had been a large number of grants issued in the initial lockdown, the City Council had undertaken a very careful process which resulted in the Council having one of the most successful schemes in the Country. He agreed to look at the current schemes and their implementation processes.

- *Had the costs for the demolition of the Central Plaza been written off?*

The Leader explained that any options for the vacant site would impact how much, if any, money would be retrieved.

- *The Leader was urged to look at the funding for Tullie House favourably to continue to encourage the museum to thrive in the City.*

The Leader assured the representatives that the City Council were committed to supporting Tullie House, however, the financial support was a significant burden on discretionary spending and as a result there had been a reduction in support. Consideration was being given to the support the Council could provide to Project Tullie to ensure that the museum continued to grow in the City.

- *A representative asked for an update on the Bitts Park project.*

The Deputy Leader responded that the business case for the project had not been achievable and the changes required to the building were too prohibitive.

[The meeting ended at 4.21pm]



Email received 18 December 2020:

- 1) Civic Centre item should be removed and replaced with a budget for its demolition and replacement with a public garden and improving pedestrian access routes to the new Sands Centre development;
- 2) Garden village and Southern Relief Road should be shelved or, failing that, recovery of capital cost exposure should be legally guaranteed from developers and not just remain a vague aspiration;
- 3) Not clear what if anything, has been budgeted for the appalling and seemingly annual cost of over-generous and undeserved termination payments to inadequate/failing senior council management. It would be good to know the total spend on such matters in the last three years together with any budgeted amount for 20/21.



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**EXCERPT FROM THE MINUTES OF THE  
EXECUTIVE  
HELD ON 13 JANUARY 2021**

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**EX.01/21      BUDGET 2021/22 – CONSIDERATION OF CONSULTATION FEEDBACK**  
(Key Decision – KD.25/20)

**Portfolio**      Finance, Governance and Resources

**Relevant Scrutiny Panel**      Business and Transformation

**Subject Matter**

The Executive Budget Proposals 2021/22 had been issued for consultation on 14 December 2020, the deadline for responses being 9 am on 11 January 2021. Specific meetings had taken place as part of the budget consultation process.

Copies of the following minutes had been circulated prior to the meeting:

- (a) Business and Transformation Scrutiny Panel in relation to the Budget – 7 January 2021
- (b) Budget consultation meeting with Trade Union Representatives – 4 January 2021
- (c) Budget consultation meeting with Non-Domestic Ratepayers / Business Representatives – 4 January 2021
- (d) Feedback received in response to the budget consultation process

In moving the documentation the Deputy Leader, and Finance, Governance and Resources Portfolio Holder thanked all those who participated in the budget consultation process. The Leader seconded the recommendation.

**Summary of options rejected**      None

**DECISION**

1. That the Minutes of the consultation meetings with Trade Union representatives; representatives of Non-Domestic Ratepayers / Business Representatives, attached as Appendices B and C; and the Extract from the Minutes of the Business and Transformation Scrutiny Panel be received.
2. That the consultation feedback be received, it being noted that the Executive had taken those comments into account when formulating their final recommendations for the City Council's 2021/22 Budget to be submitted later in the meeting.

**Reasons for Decision**

To take account of consultation feedback when formulating recommendations on the 2021/22 Budget

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## EXCERPT FROM THE MINUTES OF THE EXECUTIVE HELD ON 13 JANUARY 2021

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**EX.06/21     \*\*EXECUTIVE RESPONSE TO THE BUDGET CONSULTATION AND  
RECOMMENDATIONS FOR THE 2021/22 BUDGET**  
(Key Decision – KD.25/20)

(In accordance with Paragraph 15(i) of the Overview and Scrutiny Procedure Rules,  
The Mayor had agreed that call-in procedures should not be applied to this item)

**Portfolio**     Finance, Governance and Resources

**Relevant Scrutiny Panel**     Business and Transformation

**Subject Matter**

The Deputy Leader, and Finance, Governance and Resources Portfolio Holder referred to the Executive's Budget Proposals for 2021/22 (13 January 2021), copies of which were circulated at the meeting.

The Deputy Leader, and Finance, Governance and Resources Portfolio Holder acknowledged the exceptionally difficult time for the City, as a result the Executive had kept the Council Tax changes as low as possible whilst maintaining the services the people of Carlisle relied on.

The Executive budget proposals recommended a 50p per month increase for band D properties and, taking into account consultation responses, recommended that £60,000 be spent on environmental clean-up and enforcement to make Carlisle a better place to live.

The Economy, Enterprise and Housing Portfolio Holder endorsed the Deputy Leader's, and Finance, Governance and Resources Portfolio Holder comments and drew attention to the major investment and large projects which were being planned which would help the City recover after the pandemic.

The Environment and Transport Portfolio Holder made assurances that the climate change strategy and action plan, when agreed, would be fully integrated into the work of the Council and grant funding would be sought to move the agenda forward.

The Deputy Leader, and Finance, Governance and Resources Portfolio Holder moved the recommendation that the Executive Budget Proposals for 2021/22 be forwarded to the City Council for approval on 2 February 2021.

In seconding the recommendation the Leader thanked the Corporate Director of Finance and Resources and her team for their diligent work in such difficult circumstances.

**Summary of options rejected**     A number of options which had been considered as part of the Council's 2021/22 budget deliberations as identified in various reports

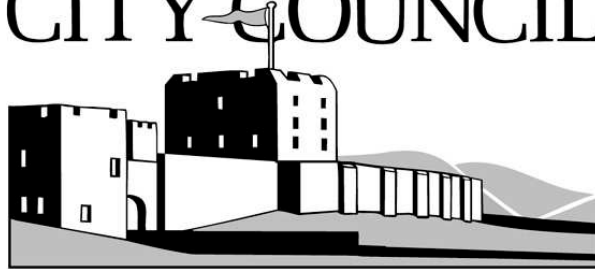
## **DECISION**

That the Executive Budget Proposals for 2021/22, attached as Appendix D, be forwarded to the City Council for approval on 2 February 2021.

## **Reasons for Decision**

To produce the Executive's budget proposals for 2021/22 for recommendation to the City Council.

# CARLISLE CITY COUNCIL



**[www.carlisle.gov.uk](http://www.carlisle.gov.uk)**

## **Executive Budget Proposals 2021/22** **13<sup>th</sup> January 2021**

Councillor J Mallinson  
Leader of the Council

Councillor G Ellis  
Portfolio Holder Finance, Governance & Resources

Jason Gooding  
Chief Executive

Alison Taylor CPFA  
Corporate Director of Finance and Resources

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

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

<b>Section</b>	<b>Detail</b>
<b>A</b>	<b>Background and Executive Summary</b>
<b>B</b>	<b>Revenue Budget 2020/21 to 2025/26</b> <ul style="list-style-type: none"><li>• Schedule 1 - Existing Net Budgets</li><li>• Schedule 2 - Proposed Budget Reductions</li><li>• Schedule 3 - Recurring Budget Increases</li><li>• Schedule 4 - Non-Recurring Budget Increases</li><li>• Schedule 5 - Summary Net Budget Requirement</li><li>• Schedule 6 - Total Funding and Provisional Council Tax</li></ul>
<b>C</b>	<b>Capital Programme 2020/21 to 2025/26</b> <ul style="list-style-type: none"><li>• Schedule 7 - Estimated Capital Resources</li><li>• Schedule 8 - Proposed Capital Programme</li><li>• Schedule 9 - Summary Capital Resource Statement</li></ul>
<b>D</b>	<b>Council Reserves Projections to 2025/26</b> <ul style="list-style-type: none"><li>• Schedule 10 - Usable Reserves Projections</li></ul>
<b>E</b>	<b>Proposed Budget Discipline and Saving Strategy</b>
<b>F</b>	<b>Draft Statutory Report of the Corporate Director of Finance and Resources</b>
<b>G</b>	<b>Glossary of Terms</b>

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 within 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	1,200	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
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>132</b>	<b>(96)</b>	<b>184</b>	<b>269</b>	<b>114</b>
Original MTFP non-recurring surplus/(deficit)	(34)	45	0	0	0
Non-Recurring budget reductions (Schedule 2)	739	0	0	0	0
Non-Recurring budget increases (Schedule 4)	(777)	(190)	(190)	(190)	0
<b>Contribution required (from) / to Reserves to fund Non-Recurring Expenditure</b>	<b>(72)</b>	<b>(145)</b>	<b>(190)</b>	<b>(190)</b>	<b>0</b>
<b>Total contribution required (from) / to Reserves</b>	<b>60</b>	<b>(241)</b>	<b>(6)</b>	<b>79</b>	<b>114</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 2<sup>nd</sup> February 2021. Any minor changes will be funded from appropriations to/from revenue reserves and details provided for the Council meeting in February.

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>
Non-Recurring Expenditure:		
Use of Projects Reserve	238	
Planning Services Reserve	(9)	
Revenue Grants Reserve	730	
Flood Reserve	1,944	
Building Control Reserve	9	
Cremator Reserve	(55)	
Carry Forward Reserve	22	
<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)	705	723	741	760	779
<b>Total</b>	<b>13,458</b>	<b>13,317</b>	<b>13,701</b>	<b>13,943</b>	<b>14,449</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**

Proposed Budget Reductions	Note	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
<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
<b>Total Expenditure Reductions/Increased Income</b>		<b>(1,074)</b>	<b>(500)</b>	<b>(575)</b>	<b>(547)</b>	<b>(537)</b>
<b>TOTAL BUDGET REDUCTION PROPOSALS</b>		<b>(1,074)</b>	<b>(500)</b>	<b>(575)</b>	<b>(547)</b>	<b>(537)</b>
Split:						
Recurring		(335)	(500)	(575)	(547)	(537)
Non-Recurring		(739)	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.

## 2.3 **Proposed Budget Increases**

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

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

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

Non-Recurring Budget Pressures/Savings	Note	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
City Centre Properties Income Shortfall	1	190	190	190	190	0
Digital Marketing Officer	2	27	0	0	0	0
Budget Savings	3	500	0	0	0	0
Environmental Clean Up and Enforcement	4	60	0	0	0	0
<b>Total Non-Recurring Budget Pressures</b>		<b>777</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.

## 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)	(739)	0	0	0	0
3,215	Spending Pressures (Schedule 4)	777	190	190	190	0
<b>17,532</b>	<b>Total Revenue Expenditure</b>	<b>13,356</b>	<b>12,781</b>	<b>12,876</b>	<b>13,127</b>	<b>13,434</b>
	<b>Less Contributions (from)/to Reserves:</b>					
(1,141)	Recurring Commitments (Note 1) Sub Total	<b>132</b>	<b>(96)</b>	<b>184</b>	<b>269</b>	<b>114</b>
(2,194)	Non Recurring Commitments					
(811)	- Existing Commitments (Note 2)	(34)	45	0	0	0
(3,005)	- New Commitments	(38)	(190)	(190)	(190)	0
	Sub Total	<b>(72)</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>13,416</b>	<b>12,540</b>	<b>12,870</b>	<b>13,206</b>	<b>13,548</b>
688	Parish Precepts	705	723	741	760	779
<b>14,074</b>	<b>Projected Net Budget Requirement for Council Tax purposes</b>	<b>14,121</b>	<b>13,263</b>	<b>13,611</b>	<b>13,966</b>	<b>14,327</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	34,911.93 £000	35,261.05 £000	35,613.66 £000	35,969.80 £000	36,329.50 £000
	Projected Net Budget Requirement for Council Tax Purposes (Schedule 5)					
13,386	- City	13,416	12,540	12,870	13,206	13,548
688	- Parishes	705	723	741	760	779
<b>14,074</b>	<b>Total</b>	<b>14,121</b>	<b>13,263</b>	<b>13,611</b>	<b>13,966</b>	<b>14,327</b>
	Funded by:					
(7,487)	- Council Tax Income	(7,757)	(8,011)	(8,269)	(8,532)	(8,799)
(3,335)	- Retained Business Rates	(3,335)	(3,579)	(3,651)	(3,724)	(3,799)
(2,400)	- Business Rate Growth/Pooling	(2,100)	(900)	(900)	(900)	(900)
(134)	Business Rates Multiplier Grant	(174)	0	0	0	0
(30)	- Estimated Council Tax Surplus	(50)	(50)	(50)	(50)	(50)
(688)	- Parish Precepts	(705)	(723)	(741)	(760)	(779)
<b>(14,074)</b>	<b>TOTAL</b>	<b>(14,121)</b>	<b>(13,263)</b>	<b>(13,611)</b>	<b>(13,966)</b>	<b>(14,327)</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:

- Final confirmation of the Local Government Finance Settlement is due towards the end of January 2021; current estimates are based on the draft settlement received in December 2020;
- The Council Tax Surplus and Taxbase are currently estimated and final figures will be available in January 2021;
- Parish Precept figures included above are estimated. There are currently 4 Parishes yet to supply details of their precept requests;
- 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**

Estimated Resources	Note	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
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**

Analysis of Council Reserves	Outturn 31 March 2020 £000	Projected 31 March 2021 £000	Projected 31 March 2022 £000	Projected 31 March 2023 £000	Projected 31 March 2024 £000	Projected 31 March 2025 £000	Projected 31 March 2026 £000
<b>Revenue Reserves</b>							
General Fund Reserve	(3,100)	(2,502)	(2,562)	(2,321)	(2,315)	(2,394)	(2,508)
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>(3,194)</b>	<b>(2,953)</b>	<b>(2,947)</b>	<b>(3,026)</b>	<b>(3,140)</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>(5,637)</b>	<b>(4,496)</b>	<b>(4,490)</b>	<b>(4,569)</b>	<b>(4,683)</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>(5,854)</b>	<b>(4,728)</b>	<b>(4,737)</b>	<b>(4,831)</b>	<b>(4,960)</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.



## SUGGESTED PROCEDURE FOR SETTING THE BUDGET AT COUNCIL

Fuller detail is set out from Section 1 onwards but this page contains a summary of procedure, including **virtual meeting arrangements**

a.	At the invitation of the Mayor the Leader or Portfolio Holder will move that the Budget documentation etc (as set out in the Council Summons) be dealt with as one item of business.
b.	The Leader or Portfolio Holder will then propose a motion(s) moving the recommendations of the Executive and at the invitation of the Mayor speak in support of the Budget Motion.
c.	The Leader or Portfolio Holder will then second the Motion and may reserve their speech until later in the debate.
d.	<p>The Mayor will ask each of the following in turn whether their Group/they have any amendments to the proposed Budget:</p> <p><b>At this stage <u>only</u> the number of amendments for which there is a seconder is required:</b></p> <ul style="list-style-type: none"> <li>i. The Leader of the Opposition Group</li> <li>ii. The Leader of the Independent Group</li> <li>iii. Any other Councillor with an amendment not included in the Group amendments.</li> </ul>
e.	<p><b>At this stage:</b></p> <ul style="list-style-type: none"> <li>i. All of the proposed amendments will be emailed to each Members of the Council.</li> <li>ii. The Mayor will propose an adjournment to consider the amendments.</li> <li>iii. The Members of the Conservative, Labour and Independent Groups will all leave the live Council Meeting and join a separate Teams Meeting for each Group. An officer will be in attendance to display the proposed amendments for you.</li> <li>iv. Members not in a Group may remain in the main Meeting or leave, as they wish.</li> </ul>

	<p>v. At a time stated by the Mayor, all Members will rejoin the live meeting in the same way they joined previously (by clicking the link in the Calendar appointment). <b>(Make sure to click the Council Meeting link and not the separate Group Meeting link.)</b></p> <p>vi. After a short while, the Town Clerk and Chief Executive will call the Roll again.</p>
f.	<p>Council will then work through the amendments in the order as follows:</p> <ul style="list-style-type: none"> <li>i. Labour Group's</li> <li>ii. Independent Group's</li> <li>iii. Individual amendments.</li> </ul>
g.	<p>If any amendments are carried then the Budget is referred back to the Executive for consideration.</p>
h.	<p>If no amendments are carried then Council carry on to debate and agree the Budget at the Meeting.</p>

## **1. Background**

- 1.1 This note is to advise Members of the procedure which will be adopted for setting the Council's budget at the Special Council Meeting fixed for 2 February next.
- 1.2 The Executive are presenting their budget proposals to Council to consider prior to 8 February, therefore, there is a statutory dispute resolution procedure built into the Council's Budget Procedure Rules which the Council must go through if it wishes to make any amendments to the Executive's budget proposals.
- 1.3 Put simply, any amendments (or "objections" as the Procedure Rules call them) to the Executive's proposals, which the Council might approve at its meeting on 2 February, will not come into effect on that day but will operate as a reference back to the Executive. The Executive will then be required to reconsider its proposals in the light of the Council's objections and report back to a subsequent Council meeting. The Council will then consider the Executive's response and decide whether to agree with what the Executive are proposing or insist on its amendments being made to the budget. Either way, the Council has the final say on the budget resolution.

## **2. What the Budget Procedure Rules say**

- 2.1 The Rules set out the following procedure for dealing with the matter where the Executive submit their budget to Council before 8 February:
  - The Executive refer their budget proposals to the Council for consideration.
  - If the Council accepts them and has no objections to the Executive proposals, i.e. if no proposed amendments to the Executive's budget are agreed by Council, then the decision to accept the Executive's budget will have immediate effect on the night.

- If, however, the Council raises objections to the Executive's budget proposals, i.e. if it approves proposed amendments which it wishes to make to those proposals, then it must proceed as set out below:
  - it must inform the Leader of its objections and proposed amendments and instruct him to require the Executive to reconsider its budget proposals in the light of the Council's objections and proposed amendments;
  - it must fix a date for a subsequent Council meeting at least 5 working days afterwards, at which the Executive may submit revised budget proposals to reflect the Council's requirements and explain the reasons for any amendments it may make. Alternatively, the Executive may at that subsequent meeting inform the Council that it disagrees with the Council's objections and proposed amendments and the reasons why.
  - When the matter comes back before the Council, it must take into account the Executive's response before reaching a decision. In practice, it can accept any revised proposals which come back from the Executive and which pick up the changes which the Council has said it wishes to see. Alternatively, if the Executive is not prepared to agree to any changes and the Council still wishes the amendments to be made, then it can vote through the budget but with the proposed amendments and so effectively force them on the Executive. Either way, a final decision on the format of the budget will be made at the reconvened Council meeting and the full Council will have the final say.

2.2 The Local Authorities (Standing Orders) (England) Regulations 2001, require that any vote taken at a Council's budget decision meeting is a recorded vote.

### **3. Proposed Procedure on 2 February and any subsequent Council Meeting**

3.1 In the light of the above Rules, it is suggested that the meeting on the



2 February should proceed as follows:

3.2 The Executive's budget will be moved by the Leader and seconded in the usual way as follows:

- The Leader will move the receipt of the Minutes of the Executive held on 13 January 2021, which relate to the setting of the City Council budget for 2021/22, and ask the Council to accept that those Minutes and the Reports etc., as outlined on the Council Summons under the item City Council Budget, be dealt with as one item of business as part of setting the General Fund Revenue Budget for 2021/22 and the Council's Capital Budget for 2021/22.
- The Leader or Portfolio Holder for Finance, Governance & Resources will then propose a motion or motions moving the recommendations of the Executive in respect of the General Fund Revenue Budget and the Council's Capital Budget for 2021/22, i.e. the Executive's budget proposals.
- The Mayor will then invite the Leader or Portfolio Holder for Finance, Governance & Resources to speak in support of the motion, followed by the seconder of the motion, who may in accordance with Procedure Rule 14.3 reserve their speech until a later period of the debate.

3.3 If any Group wishes to raise "objections", i.e. to propose any amendments to the Executive's budget as moved by the Leader, then they should be moved and tabled in the usual way as follows:

- The Mayor will invite amendments to the Leader's motion and will instruct that any amendments are circulated to all Members of the Council (without speaking thereto). Invitations to propose amendments will be extended in the following Order

- The Leader of the Opposition Group (to give notice of the number of amendments the said group is proposing and for each of which there is a seconder).
- The Leader of the Independent Group (to give notice of the number of amendments the said group is proposing and for each of which there is a seconder).
- Any other Councillor (amendments not included in the 'Group amendments' and for which there is a seconder).

3.4 It would be advisable to have the usual short adjournment to consider the Groups' amendments (if any) and so:

- The Mayor will invite a motion under Procedure Rule 14.10(g) to allow the meeting to adjourn for a short period, to allow time for consideration of any motions and amendments before the Council.

3.5 Following the adjournment, the Mayor will ask if there are any further amendments to the motions already moved and, in accordance with Procedure Rule 14.2, the Mayor may require that any amendment is put in writing and handed to them.

3.6 The Mayor will then invite the proposer and seconder of each amendment relating to the motion of the Leader to speak. The seconder of any amendment may, in accordance with Procedure Rule 14.3, reserve their speech until a later period of that debate, and debate will continue on each amendment in turn until voting takes place on the amendment, following which any further amendments will be similarly dealt with.

3.7 The Leader, as mover of the original motion, has a right to reply at the close of the debate on each amendment, subject to not having previously spoken on the amendment. The mover of the amendment has no such right of reply.

3.8 Any amendments or "objections" should be put and voted on in the usual way (recorded vote). If any are carried, then they will operate as a reference back

to the Executive to reconsider but will not be binding on the night. If no amendments or “objections” are carried then the Executive’s proposals can, once all the amendments have been disposed of, be formally put to the vote and approved on the night as the Council’s budget.

- 3.9 If any amendments are carried, it will then be necessary for the Council to set a date for the subsequent Council meeting at which the Executive’s response to the proposed amendments will be considered. The Executive will need to meet between the two Council meetings to formulate a response to any proposed amendments and so sufficient time needs to be allowed for this.
- 3.10 At any subsequent Council meeting, the Leader will move the Executive’s budget again, either with the amendments incorporated or without them. If the Executive have accepted the amendments and built them into their revised budget, then it should be that the Council are able to agree the budget as presented. If the Executive have not been able to accept them, then the amendments will need to be voted on in turn (if there is more than one) and dealt with in the usual way. If they are carried, they will be incorporated into the budget; if they are not carried, then they will fall. Either way, the budget must be approved at the reconvened Council meeting.

#### **NOTE**

Before any amendment is voted on, the Council will give the Corporate Director of Finance and Resources an opportunity to address the meeting to explain, if necessary, the affect of the proposed amendment before the vote is taken and may agree to an adjournment to enable Members to consider the Corporate Director of Finance and Resources’ advice prior to the vote on any amendment.

Mark Lambert  
Corporate Director of Governance and Regulatory Services

January 2021



# Report to Council

Agenda  
Item:

**10**

Meeting Date: 2 February 2021  
Portfolio: Cross-cutting  
Key Decision: Not applicable  
Policy and Budget Framework: Not applicable  
Public / Private: Public

Title: OPERATION OF THE PROVISIONS RELATING TO CALL-IN AND URGENCY  
Report of: Corporate Director of Governance and Regulatory Services  
Report Number: GD.14/21

## Purpose / Summary:

To report on the operation of call-in and urgency since the previous report to Council on 5 January 2021.

## Recommendations:

That the position be noted.

## Tracking

Executive:	N/A
Scrutiny:	N/A
Council:	2 February 2021

## **1. BACKGROUND**

Rule 15(i) of the Overview and Scrutiny Procedure Rules deals with the procedure in respect of occasions where decisions taken by the Executive are urgent, and where the call-in procedure should not apply. In such instances the Chairman of the Council (i.e. the Mayor) or in her absence the Deputy Chairman of the Council must agree that the decision proposed is reasonable in the circumstances and should be treated as a matter of urgency.

The record of the decision and the Decision Notice need to state that the decision is urgent and not subject to call-in. Decisions, which have been taken under the urgency provisions, must be reported to the next available meeting of the Council together with the reasons for urgency.

Furthermore, Regulation 5 of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 prescribes that the intention to hold a meeting in private must be published at least 28 clear days prior to that meeting.

Where the date by which a meeting must be held makes compliance with the regulation impracticable, the Chairman of the relevant Scrutiny Panel or the Chairman of the Council may agree that the meeting is urgent and cannot reasonably be deferred.

## **2. OPERATION OF THE PROVISIONS RELATING TO CALL IN AND URGENCY**

The Executive, at their meeting held on 13 January 2020, considered a number of reports relating to the Council's 2021/22 Budget as follows:

- Budget Update - Revenue Estimates 2021/22 to 2025/26
- Revised Capital Programme 2020/21 and Provisional Capital Programme 2021/22 to 2025/26
- Treasury Management Strategy Statement, Investment Strategy and Minimum Revenue Provision Strategy 2021/22
- Provisional Local Government Finance Settlement 2021/22
- Executive Response to the Budget Consultation and Recommendations for the 2021/22 Budget

The Council will consider the 2021/22 Budget at its Special Meeting on 2 February 2021. If a call-in was to be received on any of the items, the call-in procedure would overlap the City Council meeting.

The Executive's draft Budget recommendations have been considered by the Business and Transformation Scrutiny Panel. All Members will have received copies of the Minutes and Reports with the Summons for the Special Council Meeting and will have the opportunity to debate the Executive's Budget recommendations at the Council meeting on 2 February 2021. It was considered that any delay caused by a call-in on any of these items would seriously prejudice the Council's interest in progressing the Budget. For the above reasons, the Mayor has agreed that the above decisions are urgent and that the call-in process should not be applied.

The Executive, at their meeting on 13 January 2021, also considered the Green Homes Local Authority Delivery Phase 1b. It was likely that any grants awarded would have to be accepted quickly and a call in would prejudice the Council's interests as any delay in accepting the grant may result in the loss of the monies.

For the reasons set out, the Mayor has agreed that the above decisions are urgent and that the call-in process should not be applied.

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

**3.1** That the position be noted.

**Contact Officer:** Rachel Plant

**Ext:** 7039

**Appendices  
attached to report:** None

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

- Carlisle City Council's Constitution

<https://www.carlisle.gov.uk/Council/Council-and-Democracy/Constitution>

- The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012

### **CORPORATE IMPLICATIONS:**

**LEGAL** – Report is by the Corporate Director of Governance and Regulatory Services and legal comments are included.

**PROPERTY SERVICES** – Not applicable

**FINANCE** – Not applicable

**EQUALITY** – Not applicable

**INFORMATION GOVERNANCE** – Not applicable

