

# CARLISLE CITY COUNCIL



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## **Executive Budget Proposals 2022/23 Issued for Consultation 20<sup>th</sup> December 2021**

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## **EXECUTIVE BUDGET PROPOSALS 2021/22 to 2026/27**

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

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<b>B</b>	<b>Revenue Budget 2021/22 to 2026/27</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>
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These budget proposals are based on detailed proposals that have been considered by the Executive over the course of the last few months. In particular the following reports of the Corporate Director of Finance and Resources were considered at the Executive meeting of 20<sup>th</sup> December 2021. All of the detailed reports are available on the Council's website.

1. RD52/21 – Budget Update 2021/22 to 2026/27
2. RD55/21 – Capital Programme 2021/22 – 2026/27
3. RD53/21 – Draft Treasury Management Strategy Statement and Investment Strategy and Minimum Revenue Provision Strategy 2022/23

## **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 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 2022/23, nor any proposals to make any revisions or replace the current scheme and as such the continuation of the current scheme is recommended. Approval is also required to ratify the continued disregard of War widow pensions when determining benefit assessments.

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

The Council is facing many financial challenges over the next five-year planning period and whilst 2022/23 will be the last budget approved for the City Council, the financial sustainability of the new Authority post April 2023 must be a consideration during this budget process. Current forecast resources are not anticipated to cover the expenditure commitments over the 5-year period post LGR 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 2021 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;
- On-going impact of COVID-19 and medium to long term economic recovery;
- Local Government Reorganisation

### **Local Environment Strategy**

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 a **0%** annual increase per Band D in Council Tax for the City Council for 2022/23 (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	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Original MTFP recurring surplus/(deficit)	(243)	35	209	52	153
Changes to Funding - Business Rates Growth	1,800	1,000	1,000	1,000	1,000
Changes to Funding - Council Tax Freeze	(175)	(176)	(179)	(180)	(183)
Changes to Funding - Business Rates Multiplier compensation	97	98	100	102	104
Changes to Funding - Business Rates Baseline	(66)	(67)	(68)	(70)	(71)
Recurring budget reductions (Schedule 2)	16	16	16	16	16
Recurring Budget Increases (Schedule 3)	(1,197)	(1,239)	(1,049)	(812)	(674)
<b>Contribution required (from) / to Reserves to fund Recurring Expenditure</b>	<b>232</b>	<b>(333)</b>	<b>29</b>	<b>108</b>	<b>345</b>
Original MTFP non-recurring surplus/(deficit)	(228)	(273)	(190)	0	0
Non-Recurring budget reductions (Schedule 2)	1,595	0	0	0	0
Non-Recurring budget increases (Schedule 4)	(2,142)	(600)	(530)	0	0
<b>Contribution required (from) / to Reserves to fund Non-Recurring Expenditure</b>	<b>(775)</b>	<b>(873)</b>	<b>(720)</b>	<b>0</b>	<b>0</b>
<b>Total contribution required (from) / to Reserves</b>	<b>(543)</b>	<b>(1,206)</b>	<b>(691)</b>	<b>108</b>	<b>345</b>

- (iii) The above table shows a contribution from reserves in 2022/23 – 2024/25 mainly to fund non-recurring items of expenditure, with a contribution to reserves in 2025/26 and 2026/27. A strategy as detailed in Section E for ensuring the Council sets a robust budget within the revenue budget has been proposed.
- (iv) Given the uncertainty over future funding allocations and other financial pressure the Council is facing, the scope to support new recurring spending and initiatives in future years is still very challenging.

### **Consultation Responses:**

This consultation includes the provisional figures received in the draft Local Government Finance Settlement in December 2021. Final confirmation will be received in January 2022.

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

If you wish to make any comment on the Executive's draft budget proposals as set out in this document please send them to the Chief Executive at the Civic Centre, Carlisle, CA3 8QG by **9am on 17<sup>th</sup> January 2022**.

Following this, the consultation responses will be considered by the Executive in January, culminating in the Executive's final a budget proposal to Council on **1<sup>st</sup> February 2022**.

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 2021/22 to 2026/27**

### **1.0 REVISED REVENUE BUDGET 2021/22**

- 1.1 The Executive recommends that the Council's revised net budget for 2021/22 be approved totalling £15.563m compared to the original budget of £13.381m. The increase of £2.182million can be summarised as follows:

<b>Detail:</b>	<b>£000</b>	<b>£000</b>
<b>Original Net Budget</b>		13,381
Carry Forward Requests from 2020/21 (See note 1.2)		1,721
Supplementary Estimate - Ec Devt PMO		91
		<b>15,193</b>
Non-Recurring Expenditure:		
Cremator Replacement Reserve	(41)	
Revenue Grants Reserve	380	
Planning Services Reserve	(19)	
Economic Recovery Reserve	50	
<b>Total Changes</b>		<b>370</b>
<b>Revised Net Budget</b>		<b>15,563</b>

- 1.2 The increased budget for 2021/22 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 2021/22 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.

### **2.0 REVENUE BUDGET 2022/23 to 2026/27**

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

The Executive recommends that the net budgets for 2022/23 to 2026/27 submitted in respect of existing services and including existing non-recurring commitment and estimated Parish Precepts are as shown in **Schedule 1** below:

## Schedule 1 – Existing Net Budgets

Existing Net Budgets	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
City Council					
- Recurring (schedule 5)	12,636	12,686	12,937	13,434	13,679
- Non-Recurring (Sch. 5 note 2)	228	273	190	0	0
Parish Precepts	726	744	763	782	802
<b>Total</b>	<b>13,590</b>	<b>13,703</b>	<b>13,890</b>	<b>14,216</b>	<b>14,481</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	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
<b>Expenditure Reductions/Increased Income:</b>						
Flare Data Management System	1	(16)	(16)	(16)	(16)	(16)
Lower Tier Services Grant	2	(150)	0	0	0	0
Rural Services Grant	3	(193)	0	0	0	0
Services Grant 2022/23	4	(230)	0	0	0	0
New Homes Bonus	5	(1,022)	0	0	0	0
<b>Total Expenditure Reductions/Increased Income</b>		<b>(1,611)</b>	<b>(16)</b>	<b>(16)</b>	<b>(16)</b>	<b>(16)</b>
<b>TOTAL BUDGET REDUCTION PROPOSALS</b>		<b>(1,611)</b>	<b>(16)</b>	<b>(16)</b>	<b>(16)</b>	<b>(16)</b>
Split:						
Recurring		(16)	(16)	(16)	(16)	(16)
Non-Recurring		(1,595)	0	0	0	0

**Note 1:** The capital programme includes provision of £150,000 for the replacement of the system used in Regulatory Services. However, with Local Government Reorganisation on the horizon, it is deemed not necessary to replace this system at this time. Therefore, there is a saving on the additional revenue costs that would have been incurred from implementing the system.



**Note 2:** An un-ringfenced grant will be received to support Councils with responsibility for lower tier services such as homelessness, planning, recycling and refuse collections and leisure services.

**Note 3:** A further allocation of the Rural Services Delivery Grant as outlined in the draft Local Government Finance Settlement for 2022/23.

**Note 4:** A new one-off un-ringfenced grant will be received to support Councils delivery of front-line services. Allocations for future years will be determined after consultation with the sector.

**Note 5:** A one-year allocation of New Homes Bonus has been provided for 2022/23, with no legacy payments expected in subsequent years; however all previously announced legacy payments for previous years will be honoured in the 2022/23 allocations and these are already included in the MTFP.

### 2.3 **Proposed Budget Increases**

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

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

<b>Recurring Budget Pressures</b>	<b>Note</b>	<b>2022/23 £000</b>	<b>2023/24 £000</b>	<b>2024/25 £000</b>	<b>2025/26 £000</b>	<b>2026/27 £000</b>
ICT	1	160	160	160	160	160
Pest Control Income Shortfalls	2	12	13	15	16	18
Developer Contributions	3	19	0	0	11	(41)
Gateway 44 Income Shortfalls	4	523	487	342	262	262
Energy Costs	5	180	123	123	123	123
Revenue Financing Capital Programme	6	26	26	26	26	26
Treasury Management	7	277	430	383	214	126
<b>Total Recurring Budget Pressures</b>		<b>1,197</b>	<b>1,239</b>	<b>1,049</b>	<b>812</b>	<b>674</b>

**Note 1:** This proposal seeks additional revenue funding to invest in ICT and includes additional resources for the IT Helpdesk (£28,600), licence costs for wi-fi improvements (£5,600), network security (£2,700) and telephony (£24,000). A base budget review has also been undertaken that has identified a net budgetary shortfall for current IT costs (£49,300) and a savings requirement of £40,100 that cannot be achieved.

**Note 2:** This pressure is as a result of not implementing the domestic charge for the treatment of rats in line with the approved Council's charging policy.

**Note 3:** The MTFP assumes an income stream from developers, particularly from the establishment of the Garden Village. A re-profiling exercise has been undertaken to ensure the MTFP reflects the level of income that can be achieved.

**Note 4:** Covid-19 has had a major impact on the retail sector and although out of town big box retail has fared better than traditional town centre retailing there has still been a hit on rental levels and potential tenants have suffered financial difficulties. Agreements have been reached with tenants however rental levels are lower than originally anticipated and the extended marketing period has resulted in a longer void period than originally anticipated. The overall income now anticipated to be achieved by 2025/26 taking into account these pressures will still be £615,000, which represents an 11.2% return on the capital investment made.

**Note 5:** This additional cost arising due to the current global situation with wholesale energy costs. The Council procures its energy through the County Council framework and has received notification of a potential 55% increase in gas costs for 2022/23 and 38% in electricity costs, with both reducing to a 25% increase (on 2021/22 levels) from April 2023.

**Note 6:** The waste service contributes revenue financing for the replacement of vehicles, however, there is a shortfall on the available budget that cannot be achieved.

**Note 7:** Treasury Management projections have been updated 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. It is proposed to release the amount held in the Operational Risk Reserve (£600,000) to cover some of this additional pressure.

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

Non-Recurring Budget Pressures/Savings	Note	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
District Centre Business Support Fund	1	40	0	0	0	0
Homelessness Accommodation Income Shortfall	2	102	0	0	0	0
Lanes Income	3	500	400	330	0	0
Reprofiling of savings target	4	1,200	0	0	0	0
Car Parking income	5	300	200	200	0	0
Leisure Contract	6					
<b>Total Non-Recurring Budget Pressures</b>		<b>2,142</b>	<b>600</b>	<b>530</b>	<b>0</b>	<b>0</b>

**Note 1:** This proposal involves the continuation of the pilot project for a further year and will be extended to the district centres and will address the issue of empty shops, which is becoming an increasing problem in the market towns and neighbourhood parades.

**Note 2:** There is a shortfall in income from homeless accommodation mainly due to reduced capacity and restrictions placed upon the accommodation as a result of COVID-19.

**Note 3:** The economic impact on the high street, both pre-COVID and post COVID and the vacation of Debenhams has resulted in income from the Lanes being severely diminished. There will be a period where increased holding costs of vacant units will be incurred and therefore the Council's share of income will be reduced. This pressure anticipates a slow return to the income levels currently included in the MTFP.

**Note 4:** The current MTFP assumes a recurring savings requirement to be found by 2023/24 of £2.050million. This continues to be the case; however, the reprofiling of this target, as set out in the table below, now means that no in year savings are required for 2022/23.

	Cumulative Savings identified as 2021/22 Budget £000	Additional Cumulative Savings Required £000	Reprofiled Savings £000	Revised Cumulative Savings required £000	Revised in Year Savings Required £000
2022/23	1,200	0	(1,200)	0	0
2023/24	2,050	0	0	2,050	2,050
2024/25	2,050	0	0	2,050	0
2025/26	2,050	0	0	2,050	0
2026/27	2,050	0	0	2,050	0

**Note 5:** Car parking income is not achieving its budgeted expected levels as a result of lower usage of the car parks. This pressure also includes the proposal following budget scrutiny that parking charges be frozen for the first hour and also that a review of the use of permits at Talkin Tarn is undertaken.

**Note 6:** This relates to additional subsidy to the Leisure provider as result of delays to the Sands project which still has to be quantified.

#### **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 2022/23, with projections to 2026/27, be approved as set out in **Schedule 5** below:

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

2021/22 Revised £000	Summary Net Budget Requirement	2022/23 Budget £000	2023/24 Proj £000	2024/25 Proj £000	2025/26 Proj £000	2026/27 Proj £000
	<b>Recurring Revenue Expenditure</b>					
	Existing Expenditure (Schedule 1)	12,636	12,686	12,937	13,434	13,679
	Budget Reductions (Schedule 2)	(16)	(16)	(16)	(16)	(16)
	New Spending Pressures (Schedule 3)	1,197	1,239	1,049	812	674
<b>13,284</b>	<b>Total Recurring Expenditure</b>	<b>13,817</b>	<b>13,909</b>	<b>13,970</b>	<b>14,230</b>	<b>14,337</b>
	<b>Non Recurring Revenue Expenditure</b>					
34	Existing Commitments (Schedule 1)	228	273	190	0	0
1,721	Carry Forward	0	0	0	0	0
(764)	Budget Reductions (Schedule 2)	(1,595)	0	0	0	0
1,288	Spending Pressures (Schedule 4)	2,142	600	530	0	0
<b>15,563</b>	<b>Total Revenue Expenditure</b>	<b>14,592</b>	<b>14,782</b>	<b>14,690</b>	<b>14,230</b>	<b>14,337</b>
	<b>Less Contributions (from)/to Reserves:</b>					
<b>564</b>	Recurring Commitments (Note 1)	<b>232</b>	<b>(333)</b>	<b>29</b>	<b>108</b>	<b>345</b>
	Sub Total					
	Non Recurring Commitments					
(558)	- Existing Commitments (Note 2)	(228)	(273)	(190)	0	0
(1,721)	- New Commitments	(547)	(600)	(530)	0	0
<b>(2,279)</b>	Sub Total	<b>(775)</b>	<b>(873)</b>	<b>(720)</b>	<b>0</b>	<b>0</b>
<b>13,848</b>	<b>Total City Council Budget requirement</b>	<b>14,049</b>	<b>13,576</b>	<b>13,999</b>	<b>14,338</b>	<b>14,682</b>
708	Parish Precepts	726	744	763	782	802
<b>14,556</b>	<b>Projected Net Budget Requirement for Council Tax purposes</b>	<b>14,775</b>	<b>14,320</b>	<b>14,762</b>	<b>15,120</b>	<b>15,484</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	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Asset Disposal Refresh - financed from Capital Receipts	(112)	0	0	0	0
New Homes Bonus	42	0	0	0	0
Carlisle Ambassadors	25	0	0	0	0
City Centre Properties Income	190	190	190	0	0
Ec Devt Project Mgt Office	83	83	0	0	0
<b>Total</b>	<b>228</b>	<b>273</b>	<b>190</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 a **0%** increase in Council Tax for 2022/23 per Band D property. The detail of this is set out in **Schedule 6** below and the impact per Council Tax Band is as follows:

	2021/22 Council Tax £	Proposed Annual Increase £	2022/23 Council Tax £	Weekly Increase
Band A	148.13	0.00	148.13	0 pence
Band B	172.82	0.00	172.82	0 pence
Band C	197.51	0.00	197.51	0 pence
Band D	222.20	0.00	222.20	0 pence
Band E	271.58	0.00	271.58	0 pence
Band F	320.96	0.00	320.96	0 pence
Band G	370.33	0.00	370.33	0 pence
Band H	444.40	0.00	444.40	0 pence

### Council tax levels for other districts – excluding parish precepts

The table below shows the comparative Band D Council Tax levels for each of the District Council's in Cumbria for 2021/22. As part of the Local Government Reorganisation programme, agreement will be needed as to how these levels will be harmonized for each of the two new Unitary Authorities. Legislation allows for up to an 8-year harmonization period, but the decisions will be made by the new Authorities.

	2021/22 Council Tax - District Council (Band D) £	2021/22 Council Tax - County Council (Band D) £	2021/22 Council Tax County Council (Adult Social Care) (Band D) £	2021/22 Council Tax - Cumbria Police (Band D) £	Overall 2021/22 Council Tax (Band D) £
Allerdale	179.72	1340.93	157.11	272.16	1949.92
Copeland	214.39	1340.93	157.11	272.16	1984.59
Carlisle	222.20	1340.93	157.11	272.16	1992.40
Eden	200.75	1340.93	157.11	272.16	1970.95
South Lakeland	204.54	1340.93	157.11	272.16	1974.74
Barrow	245.41	1340.93	157.11	272.16	2015.61

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

2021/22	Total Funding and Council Tax Impact	2022/23	2023/24	2024/25	2025/26	2026/27
34,666.41 £000	Estimated TaxBase	35,013.07 £000	35,363.20 £000	35,716.84 £000	36,074.01 £000	36,434.75 £000
	Projected Net Budget Requirement for Council Tax Purposes (Schedule 5)					
13,848	- City	14,049	13,576	13,999	14,338	14,682
708	- Parishes	726	744	763	782	802
<b>14,556</b>	<b>Total</b>	<b>14,775</b>	<b>14,320</b>	<b>14,762</b>	<b>15,120</b>	<b>15,484</b>
	Funded by:					
(7,703)	- Council Tax Income	(7,780)	(8,035)	(8,293)	(8,557)	(8,824)
(3,335)	- Retained Business Rates	(3,336)	(3,403)	(3,471)	(3,540)	(3,611)
(2,700)	- Business Rate Growth/Pooling	(2,700)	(1,900)	(1,900)	(1,900)	(1,900)
(174)	Business Rates Multiplier Grant	(274)	(279)	(285)	(291)	(297)
64	- Estimated Council Tax Surplus	41	41	(50)	(50)	(50)
(708)	- Parish Precepts	(726)	(744)	(763)	(782)	(802)
<b>(14,556)</b>	<b>TOTAL</b>	<b>(14,775)</b>	<b>(14,320)</b>	<b>(14,762)</b>	<b>(15,120)</b>	<b>(15,484)</b>
£ 222.20	<b>City Council Tax</b> 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
2.30%	%	0.00%	2.25%	2.20%	2.15%	2.11%

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

- The figures above include the draft figures received in Mid-December for the Local Government Finance Settlement. Final confirmation will be received in January 2022.
- The Council Tax Surplus and Taxbase are currently estimated, and final figures will be available in January 2022.
- The assumption that the Council is continuing to participate in the Cumbria Business Rates Pool with the other Councils within Cumbria in order to manage Business Rates.
- The projections of Council Tax for 2022/23 onwards are indicative only and exclude final confirmation of parish precepts.

## **SECTION C - CAPITAL PROGRAMME 2021/22 TO 2026/27**

### **1. REVISED CAPITAL BUDGET 2021/22**

- 1.1 The Executive recommends that the revised 2021/22 Capital Programme be approved at £30.379m compared to the original budget of £28.058m as set out in the report of the Corporate Director of Finance and Resources.

### **2. CAPITAL BUDGET 2022/23 to 2026/27**

- 2.1 The Executive recommends that the estimated Capital Resources available and proposed Capital Programme for 2022/23 to 2026/27 be approved to be financed and allocated as detailed in **Schedule 7 and 8** below:

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

<b>Estimated Resources</b>	<b>Note</b>	<b>2022/23 £000</b>	<b>2023/24 £000</b>	<b>2024/25 £000</b>	<b>2025/26 £000</b>	<b>2026/27 £000</b>
Capital Grants:						
- DFG	1	(1,900)	(1,900)	(1,900)	(1,900)	(1,900)
- Other	2	(3,429)	(4,325)	0	0	0
Capital Receipts						
- Generated in year (Asset Business Plan)	3	(286)	(101)	(4,653)	(1,145)	(2,585)
Receipts used to fund resources	3	112	0	0	0	0
Direct Revenue Financing	4	(1,962)	(1,062)	(1,062)	(1,062)	(1,062)
<b>TOTAL</b>		<b>(7,465)</b>	<b>(7,388)</b>	<b>(7,615)</b>	<b>(4,107)</b>	<b>(5,547)</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 current 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 allocations will be.

**Note 2:** General grants and contributions identified as funding streams for projects. This relates to the Future High Street Fund projects.

**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 2022/23 and 2026/27 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	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Vehicles & Plant		1	1,186	2,132	1,139	1,166	1,213
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	410	0	75	101	101
Leisure Facilities		4	3,450	0	0	0	0
Recycling Containers		5	45	45	45	45	45
Crematorium Infrastructure	A	6	1,775	875	0	0	0
Future High Street Fund	A	7	3,653	4,325	0	0	0
Carlisle Southern Relief Road	A	8	5,000	0	0	0	0
Sands Car Park Resurfacing	A	9	210	0	0	0	0
Swifts Car Park Resurfacing	A	9	200	0	0	0	0
<b>TOTAL POTENTIAL PROGRAMME</b>			<b>18,079</b>	<b>9,527</b>	<b>3,409</b>	<b>3,462</b>	<b>3,509</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, with smaller electric vehicles being purchased where possible.

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

**Note 7:** 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.

**Note 8:** 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 9:** The Sands redevelopment project does not provide for any enhancement of the car park once the project is complete. This proposal seeks to provide funding to carry out resurfacing and enhancement work to the car park that will enhance the overall site once the project is completed. The Swifts car park will serve as an overflow car park for the Sands and as such enhancement work is required to improve the standard of the surface.

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

### **Schedule 9 – Summary Capital Resource Statement**

<b>Summary Programme</b>	<b>2022/23 £000</b>	<b>2023/24 £000</b>	<b>2024/25 £000</b>	<b>2025/26 £000</b>	<b>2026/27 £000</b>
Estimated Borrowing Requirement 31 March 2022	28,795				
In Year Impact:					
- Estimated resources available in year (Schedule 7)	(7,465)	(7,388)	(7,615)	(4,107)	(5,547)
- Proposed Programme (Schedule 8)	18,079	9,527	3,409	3,462	3,509
<b>Borrowing Requirement</b>	<b>39,409</b>	<b>41,548</b>	<b>37,342</b>	<b>36,697</b>	<b>34,659</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	Projected	Projected	Projected	Projected	Projected
		31 March	31 March	31 March	31 March	31 March	31 March
		2021	2022	2023	2024	2025	2026
		£000	£000	£000	£000	£000	£000
<b>Revenue Reserves</b>							
General Fund Reserve		(3,100)	(3,100)	(3,100)	(2,814)	(2,122)	(2,231)
Projects Reserve		(1,708)	(363)	(597)	0	0	0
Carry Forward Reserve		(628)	(628)	(628)	(628)	(628)	(628)
		<b>(5,436)</b>	<b>(4,091)</b>	<b>(4,325)</b>	<b>(3,442)</b>	<b>(2,750)</b>	<b>(3,203)</b>
Cremator Replacement Reserve		(1,196)	(887)	13	13	13	13
Economic Recovery Reserve		(50)	0	0	0	0	0
Operational Risk Reserve - Covid19	(i)	(500)	(500)	0	0	0	0
Operational Risk Reserve - Treasury Mgt	(i)	(600)	(600)	(323)	0	0	0
Operational Risk Reserve - Savings		(1,600)	(500)	(500)	(500)	(500)	(500)
Operational Risk Reserve - LGR		(500)	0	0	0	0	0
Building Control Reserve		(24)	(24)	(24)	(24)	(24)	(24)
Planning Services Reserve	(ii)	(206)	(225)	(225)	(225)	(225)	(225)
Waverley Viaduct Reserve		(30)	(30)	(30)	(30)	(30)	(30)
Revenue Grants Reserve		(2,141)	(1,761)	(1,761)	(1,761)	(1,761)	(1,761)
Council Tax Hardship Grant Reserve		(359)	0	0	0	0	0
Council Tax Income Guarantee Scheme Reserve		(69)	0	0	0	0	0
Business Rates S.31 Grant Reserve		(9,463)	0	0	0	0	0
Prosecutions Fund Reserve		(35)	(35)	(35)	(35)	(35)	(35)
City Centre Reserve		(5)	(5)	(5)	(5)	(5)	(5)
Flood Reserve		(4)	(4)	(4)	(4)	(4)	(4)
Apprentice Reserve		(96)	(96)	(96)	(96)	(96)	(96)
<b>Total Revenue Reserves</b>		<b>(22,314)</b>	<b>(8,758)</b>	<b>(7,315)</b>	<b>(6,109)</b>	<b>(5,417)</b>	<b>(5,870)</b>
<b>Capital Reserves</b>							
Usable Capital Receipts		0	0	0	0	0	0
Unapplied capital grant		(126)	(3)	(3)	(3)	(3)	(3)
Lanes Capital Reserve		(90)	(105)	(120)	(135)	(150)	(180)
<b>Total Capital Reserves</b>		<b>(216)</b>	<b>(108)</b>	<b>(123)</b>	<b>(138)</b>	<b>(153)</b>	<b>(183)</b>
<b>Total Usable Reserves</b>		<b>(22,530)</b>	<b>(8,866)</b>	<b>(7,438)</b>	<b>(6,247)</b>	<b>(5,570)</b>	<b>(6,053)</b>
<b>Other Technical Reserves</b>	(iii)	<b>(105,815)</b>					
<b>Total All Reserves</b>		<b>(128,345)</b>					

- (i) These reserves are to be released to General Fund in 2022/23 and 2023/24
- (ii) Economic Growth Scrutiny Panel requested that consideration be given to this reserve being used to enhance planning enforcement and tree preservation matters
- (iii) These reserves are of a technical nature and are not cash backed. They are not available either to fund expenditure or to meet future commitments.

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

1. Although LGR is expected to be implemented on 1 April 2023, the Council has continued to adopt 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 2022/23 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 to ensure compliance with best practice on priority and outcome based budgeting and other appropriate budget disciplines.
4. Members and Officers are reminded that it is essential to maintain a disciplined approach to budgetary matters and as such:
  - Supplementary estimates will only be granted in exceptional circumstances.

- Proposals seeking virement should only be approved where the expenditure to be incurred is consistent with policies and priorities agreed by the Council.
5. In order to continue the improvements in the links between financial and strategic planning, the Joint Management Team will continue to meet regularly to progress forward planning on these issues.

## **DRAFT STATUTORY REPORT OF 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 is expected to achieve savings of £2.050million 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. This will ensure that a balanced 5-year budget is produced and where Council reserves are replenished over the longer term (subject to the impact of LGR).
- 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 contained within the 5-year MTFP is the continued uncertainty regarding the Fair Funding Review and Business Rates Retention Review. Economic recovery following COVID-19 and the impact this has on costs and inflationary assumptions is also a significant risk. The implementation of Local Government Reorganisation in Cumbria will also impact on the level of earmarked reserves held by the Council, and the 5-year MTFP has been prepared in order to achieve financial sustainability for the new organisation post April 2023.**

**There will be a requirement to use reserves in the short term; however, proposals must put in place to ensure that reserves will rise over the following 5-year period to minimum levels to inform and sustain the new Unitary Council.**

**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, taking account of a significant reprofiling in capital receipts, is fully funded but includes a significant 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 £3.1 million 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 2022/23 budget pressures in setting the 2022/23 budget and principles to be adopted.

**Based on current projections, Council Reserves as at 31<sup>st</sup> March 2023 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.**

## 3. Determination of Borrowing

The 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 2022/23 to 2026/27 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. The financial sustainability and level of debt for the new Unitary Authority will be a consideration especially in terms of the timing of any external borrowing undertaken.**

## **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.