

AGENDA

Business & Transformation Scrutiny Panel

**Thursday, 06 January 2022 AT 16:00
In the Cathedral Room, Civic Centre, Carlisle, CA3 8QG**

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

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

Members of the Business & Transformation Scrutiny Panel

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

Substitutes:

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

APOLOGIES FOR ABSENCE

To receive apologies for absence and notification of substitutions

DECLARATIONS OF INTEREST

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

PUBLIC AND PRESS

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

MINUTES OF PREVIOUS MEETINGS

To note that Council, at its meeting on 4 January 2022, received and adopted the minutes of the meetings held on 7 December 2021. The minutes will be signed by the Chair.

[Copy minutes in Minute Book 48(4)].

PART A

To be considered when the Public and Press are present

A.1 CALL-IN OF DECISIONS

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

A.2 BUDGET 2022/23

Portfolio: Finance, Governance and Resources

Directorate: Finance and Resources

A.2 (1)	<u>EXECUTIVE'S RESPONSE TO THE FIRST ROUND OF BUDGET SCRUTINY</u>	7 - 8
	To consider the Executive's response to the first round of Budget Scrutiny from their special meeting held on 13 December 2021. (Copy Minutes herewith)	
A.2 (2)	<u>EXECUTIVE DRAFT BUDGET PROPOSALS</u>	9 - 36
	To consider and comment upon the Executive's draft Budget proposals. (Copy herewith)	
A.2 (3)	<u>BACKGROUND INFORMATION REPORTS:</u>	
A.2(3)(a)	<u>BUDGET UPDATE - REVENUE ESTIMATES 2022/23 TO 2026/27</u>	37 - 56
	Report: RD.52/21 herewith and Minute Excerpt to follow Officer: Alison Taylor, Corporate Director of Finance and Resources	
A.2(3)(b)	<u>REVISED CAPITAL PROGRAMME 2021/22 AND PROVISIONAL CAPITAL PROGRAMME 2022/23 TO 2026/27</u>	57 - 68
	Report: RD.55/21 herewith and Minute Excerpt to follow Officer: Alison Taylor, Corporate Director of Finance and Resources	
	Background: The Budget Update Reports are submitted for information.	
	Why are these items on the agenda? Annual scrutiny as part of the Budget process.	
	What is the Panel being asked to do? Scrutinise the reports and provide feedback to the Executive.	
A.3	<u>DRAFT TREASURY MANAGEMENT STRATEGY STATEMENT, INVESTMENT STRATEGY AND MINIMUM REVENUE PROVISION STRATEGY 2022/23</u>	69 - 106
	Portfolio: Finance, Governance and Resources	

Directorate: Finance and Resources
Officer: Alison Taylor, Corporate Director of Finance and Resources
Report: RD.53/21 herewith and Minute Excerpt to follow

Background:

The Corporate Director of Finance and Resources to submit a report setting out the Council's draft Treasury Management Strategy Statement for 2022/23, in accordance with the CIPFA Code of Practice on Treasury Management. The Investment Strategy and the Minimum Revenue Provision (MRP) Strategy for 2022/23 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.

Why are is this item on the agenda?

Annual scrutiny as part of the Budget process.

What is the Panel being asked to do?

Scrutinise the report and provide feedback to the Executive.

A.4

FUTURE SCRUTINY TASK AND FINISH GROUP REPORT

**107 -
148**

Portfolio: Cross Cutting
Directorate: Cross Cutting
Officer: Rowan Jones, Overview and Scrutiny Officer
Report: OS.01/22 herewith

Background:

The Deputy Chief Executive to submit a report summarising the work of the Future Scrutiny Task and Finish Group and sets out its findings for BTSP to consider and make recommendations on.

Why is this item on the agenda?

The Task and Finish Group was established following a BTSP resolution at their meeting on 15th July 2021. This item reports on the recommendations of this Task and Finish Group.

What is the Panel being asked to do?

Consider the report and consider acting on the recommendation in it that the Monitoring Officer makes changes to the Constitution based on the recommendations and the Task and Finish Group.

Portfolio: Cross Cutting
 Directorate: Cross Cutting
 Officer: Rowan Jones, Overview and Scrutiny Officer
 Report: OS.02/22 herewith

Background:

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

Why is this item on the agenda?

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

What is the Panel being asked to do?

Note the items within Panel remit on the most recent Notice of Executive Key Decisions
 Note the current work programme

PART B

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

B.1 ICT SERVICES PROJECT STATUS REPORT

****This report is not for publication by virtue of Paragraph 1 of Part 3 of Schedule 12A to the Local Government Act 1972 as it contains information relating to the financial or business affairs of any particular person (including the authority holding that information) .****

Portfolio: Finance, Governance and Resources
 Directorate: Corporate Support
 Officer: Jason Gooding, Town Clerk and Chief Executive
 David Strong, Service Desk Manager
 Martine Kelly, Applications and Development Manager
 Report: CE.11/21 herewith

Background:

The Town Clerk and Chief Executive to submit an up-to-date snapshot of the current status of the ICT Services projects. Recent project activity; RAG rating; issues and emerging risks; key activities for the next period and requests for change have all been updated.

Why is this item on the agenda?

The Panel requested a three monthly update at their meeting on 1 April 2021 (BTSP.29/21 refers)

What is the Panel being asked to do?

Scrutinise and comment on the most recent summary of these projects, and the actions being taken to support projects with issues. Appendix One is a summary of the standalone IT projects and their current status.

Enquiries, requests for reports, background papers etc to:
committeeservices@carlisle.gov.uk

Executive

Date: Monday, 13 December 2021

Time: 16:03

Venue: Cathedral Room

Item
A.2 (1)

Present: Councillor Gareth Ellis, Councillor Stephen Higgs, Councillor Mrs Elizabeth Mallinson, Councillor John Mallinson, Councillor Paul Nedved

Also Present: Chair of the Business and Transformation Scrutiny Panel

Officers: Town Clerk and Chief Executive
Corporate Director of Governance and Regulatory Services
Corporate Director of Finance and Resources
Corporate Director of Economic Development

EX.144/21 APOLOGIES FOR ABSENCE

Apologies for absence were submitted on behalf of Councillor Nigel Christian and the Deputy Chief Executive.

EX.145/21 DECLARATIONS OF INTEREST

There were no declarations of interest submitted.

EX.146/21 PUBLIC AND PRESS

RESOLVED – That the Agenda be agreed as circulated.

EX.147/21 BUDGET 2022/23 – FEEDBACK FROM THE SCRUTINY PANELS ON THE DRAFT BUDGET REPORTS

(Key Decision KD.10/21)

Portfolio: Finance, Governance and Resources

Relevant Scrutiny Panel:

Health and Wellbeing; Economic Growth; Business and Transformation

Subject Matter:

The Deputy Leader indicated that the Scrutiny Panels had scrutinised the draft Budget Reports for 2022/23 considered by the Executive on 22 November 2021.

The Executive considered the feedback from the Scrutiny Panel, as detailed within the Panel meeting as follows, copies of which were submitted:

(a) Health and Wellbeing - 25 November 2021 (HWSP.77/21)

The Deputy Leader reported that there were no recommendations from the Panel.

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

(b) Economic Growth - 2 December 2021 (EGSP.77/21)

The Deputy Leader stated that, having scrutinised the Charges Review Report 2022/23 Community Services, the Panel had requested that the Executive consider freezing the first hour of the car parking fees for all council owned car parks along with a review of the Talkin Tarn parking permit policy.

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

The Deputy Leader reported that the Executive would explore the recommendation from the Scrutiny Panel and hoped to incorporate the proposal into the budget.

(c) Business and Transformation Scrutiny Panel - 7 December 2021 (BTSP.90/21)

The Chair of the Business and Transformation Scrutiny Panel began by expressing the Panel's thanks to officers for producing the budget documentation. He stated that the Panel had endorsed the Economic Growth Scrutiny Panel's recommendation to freeze the car parking charges for the first hour of use and the review of the Talkin Tarn permit policy. The Panel had also recommended to the Executive that the City Council freeze their portion of the Council Tax for 2022/23.

The Deputy Leader thanked the Chair of the Business and Transformation Scrutiny Panel for the recommendations and stated that the Executive would incorporate the proposed freeze on the Council's portion of the Council Tax into the budget if it was possible.

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 2022/23 Budget.

Reasons for Decision

The views of the Scrutiny Panels be taken into consideration as part of the 2022/23 Budget process.

The Meeting ended at: 16:06



**Executive Budget Proposals 2022/23
Issued for Consultation
20th December 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 2021/22 to 2026/27

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

Section	Detail
A	Background and Executive Summary
B	Revenue Budget 2021/22 to 2026/27 <ul style="list-style-type: none">• Schedule 1 - Existing Net Budgets• Schedule 2 - Proposed Budget Reductions• Schedule 3 - Recurring Budget Increases• Schedule 4 - Non-Recurring Budget Increases• Schedule 5 - Summary Net Budget Requirement• Schedule 6 - Total Funding and Provisional Council Tax
C	Capital Programme 2021/22 to 2026/27 <ul style="list-style-type: none">• Schedule 7 - Estimated Capital Resources• Schedule 8 - Proposed Capital Programme• Schedule 9 - Summary Capital Resource Statement
D	Council Reserves Projections to 2026/27 <ul style="list-style-type: none">• Schedule 10 - Usable Reserves Projections
E	Proposed Budget Discipline and Saving Strategy
F	Draft Statutory Report of the Corporate Director of Finance and Resources
G	Glossary of Terms

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 20th 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)
Contribution required (from) / to Reserves to fund Recurring Expenditure	232	(333)	29	108	345
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
Contribution required (from) / to Reserves to fund Non-Recurring Expenditure	(775)	(873)	(720)	0	0
Total contribution required (from) / to Reserves	(543)	(1,206)	(691)	108	345

- (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 17th 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 **1st 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:

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

- 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
Total	13,590	13,703	13,890	14,216	14,481

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
Expenditure Reductions/Increased Income:						
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
Total Expenditure Reductions/Increased Income		(1,611)	(16)	(16)	(16)	(16)
TOTAL BUDGET REDUCTION PROPOSALS		(1,611)	(16)	(16)	(16)	(16)
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

Recurring Budget Pressures	Note	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
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
Total Recurring Budget Pressures		1,197	1,239	1,049	812	674

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					
Total Non-Recurring Budget Pressures		2,142	600	530	0	0

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
	Recurring Revenue Expenditure					
	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
13,284	Total Recurring Expenditure	13,817	13,909	13,970	14,230	14,337
	Non Recurring Revenue Expenditure					
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
15,563	Total Revenue Expenditure	14,592	14,782	14,690	14,230	14,337
	Less Contributions (from)/to Reserves:					
564	Recurring Commitments (Note 1)	232	(333)	29	108	345
	Sub Total					
	Non Recurring Commitments					
(558)	- Existing Commitments (Note 2)	(228)	(273)	(190)	0	0
(1,721)	- New Commitments	(547)	(600)	(530)	0	0
(2,279)	Sub Total	(775)	(873)	(720)	0	0
13,848	Total City Council Budget requirement	14,049	13,576	13,999	14,338	14,682
708	Parish Precepts	726	744	763	782	802
14,556	Projected Net Budget Requirement for Council Tax purposes	14,775	14,320	14,762	15,120	15,484

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
Total	228	273	190	0	0

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
14,556	Total	14,775	14,320	14,762	15,120	15,484
	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)
(14,556)	TOTAL	(14,775)	(14,320)	(14,762)	(15,120)	(15,484)
£ 222.20	City Council Tax 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

Estimated Resources	Note	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
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)
TOTAL		(7,465)	(7,388)	(7,615)	(4,107)	(5,547)

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
TOTAL POTENTIAL PROGRAMME			18,079	9,527	3,409	3,462	3,509

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

Summary Programme	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
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
Borrowing Requirement	39,409	41,548	37,342	36,697	34,659

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 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	Projected 31 March 2027 £000
Revenue Reserves								
General Fund Reserve		(3,100)	(3,100)	(3,100)	(2,814)	(2,122)	(2,231)	(2,575)
Projects Reserve		(1,708)	(363)	(597)	0	0	0	0
Carry Forward Reserve		(628)	(628)	(628)	(628)	(628)	(628)	(628)
		(5,436)	(4,091)	(4,325)	(3,442)	(2,750)	(2,859)	(3,203)
Cremator Replacement Reserve		(1,196)	(887)	13	13	13	13	13
Economic Recovery Reserve		(50)	0	0	0	0	0	0
Operational Risk Reserve - Covid19	(i)	(500)	(500)	0	0	0	0	0
Operational Risk Reserve - Treasury Mgt	(i)	(600)	(600)	(323)	0	0	0	0
Operational Risk Reserve - Savings		(1,600)	(500)	(500)	(500)	(500)	(500)	(500)
Operational Risk Reserve - LGR		(500)	0	0	0	0	0	0
Building Control Reserve		(24)	(24)	(24)	(24)	(24)	(24)	(24)
Planning Services Reserve	(ii)	(206)	(225)	(225)	(225)	(225)	(225)	(225)
Waverley Viaduct Reserve		(30)	(30)	(30)	(30)	(30)	(30)	(30)
Revenue Grants Reserve		(2,141)	(1,761)	(1,761)	(1,761)	(1,761)	(1,761)	(1,761)
Council Tax Hardship Grant Reserve		(359)	0	0	0	0	0	0
Council Tax Income Guarantee		(69)	0	0	0	0	0	0
Scheme Reserve		(69)	0	0	0	0	0	0
Business Rates S.31 Grant Reserve		(9,463)	0	0	0	0	0	0
Prosecutions Fund Reserve		(35)	(35)	(35)	(35)	(35)	(35)	(35)
City Centre Reserve		(5)	(5)	(5)	(5)	(5)	(5)	(5)
Flood Reserve		(4)	(4)	(4)	(4)	(4)	(4)	(4)
Apprentice Reserve		(96)	(96)	(96)	(96)	(96)	(96)	(96)
Total Revenue Reserves		(22,314)	(8,758)	(7,315)	(6,109)	(5,417)	(5,526)	(5,870)
Capital Reserves								
Usable Capital Receipts		0	0	0	0	0	0	0
Unapplied capital grant		(126)	(3)	(3)	(3)	(3)	(3)	(3)
Lanes Capital Reserve		(90)	(105)	(120)	(135)	(150)	(165)	(180)
Total Capital Reserves		(216)	(108)	(123)	(138)	(153)	(168)	(183)
Total Usable Reserves		(22,530)	(8,866)	(7,438)	(6,247)	(5,570)	(5,694)	(6,053)
Other Technical Reserves	(iii)	(105,815)						
Total All Reserves		(128,345)						

- (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 £3.1million 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 2022/23 budget pressures in setting the 2022/23 budget and principles to be adopted.

Based on current projections, Council Reserves as at 31st 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.



Carlisle City Council

Report to Business and Transformation Scrutiny Panel

Item
A.2(3)(a)

Report details

Meeting Date: 6 January 2022
Portfolio: Finance, Governance and Resources
Key Decision: Yes: Recorded in the Notice Ref: KD.10/21
Policy and Budget Framework: Yes
Public / Private: Public

Title: BUDGET UPDATE – REVENUE ESTIMATES 2022/23 TO 2026/27
Report of: CORPORATE DIRECTOR OF FINANCE & RESOURCES
Report Number: RD 52/21

Purpose / Summary:

This report provides an update to RD46/21, with a summary of the Council's revised revenue base estimates for 2021/22, together with base estimates for 2022/23 and forecasts up to 2026/27 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:

Members of the Business & Transformation Scrutiny Panel are asked to scrutinise the report and make comments on the revised base estimates for 2021/22 and the proposed overall budgetary position for 2022/23 to 2026/27.

Tracking

Executive:	20 December 2021
Scrutiny:	BTSP 6 January 2022
Council:	1 February 2022 (Budget Resolution)

Carlisle City Council

Report to Executive

Report details

Meeting Date:	20 December 2021
Portfolio:	Finance, Governance and Resources
Key Decision:	Yes: Recorded in the Notice Ref: KD.10/21
Policy and Budget Framework	Yes
Public / Private	Public
Title:	BUDGET UPDATE – REVENUE ESTIMATES 2022/23 TO 2026/27
Report of:	CORPORATE DIRECTOR OF FINANCE & RESOURCES
Report Number:	RD 52/21

Purpose / Summary:

This report provides an update to RD46/21, with a summary of the Council's revised revenue base estimates for 2021/22, together with base estimates for 2022/23 and forecasts up to 2026/27 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 2021/22 and base estimates for 2022/23;
- (ii) note that the estimates in the report are draft and will be subject to the confirmation of Local Government Finance Settlement due in December 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 2022/23 budget process;
- (v) Approve the release of amounts from the Operational Risk Reserve for Treasury Management (£600,000) and Covid costs (£500,000) as outlined in paragraph 5.2

- (vi) 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:	20 December 2021
Scrutiny:	BTSP 6 January 2022
Council:	1 February 2022 (Budget Resolution)

1. INTRODUCTION

- 1.1. This report considers the revised base estimates for 2021/22 together with the estimates for 2022/23. 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 14 September 2021:
 - ◆ 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 2021;
 - Further expected changes in government grant e.g. New Homes Bonus, Housing Benefit Admin Grant;
 - Future borrowing requirements;
 - Commercial and investment opportunities;
 - Local Government Reorganisation.
- 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 2022.

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 2021/22 and 2022/23 with projections to 2026/27. The 2021/22 variance reflects the use of

earmarked reserves approved since the MTFP was approved in September.

Table 1 – Base Budget Summary

		2021/22 Original £000	2021/22 Revised £000	2022/23 Original £000	2023/24 Proj £000	2024/25 Proj £000	2025/26 Proj £000	2026/27 Proj £000
Net Base Budget Parish Precepts (PP)		13,381 708	16,063 708	12,864 726	12,959 744	13,127 763	13,434 782	13,679 802
Total		14,089	16,771	13,590	13,703	13,890	14,216	14,481
Original MTFP Projections		14,089	15,901	13,590	13,703	13,890	14,216	14,481
Variance		0	870	0	0	0	0	0
Analysis of Variance:								
Non-Recurring:								
Cremator Replacement Reserve			(41)					
Revenue Grants Reserve			380					
Planning Services Reserve			(19)					
Economic Recovery Reserve			50					
LGR Reserve			500					
Total Variance		0	870	0	0	0	0	0

- 2.3 Members will be aware from the revenue monitoring report that there continues to be some income streams that have not fully recovered from the effects of the pandemic and there may be other cost pressures or savings which may have a recurring impact; many of these are in relation to the recovery from the COVID-19 pandemic and the impact it is continuing to have on Council services.

3. OUTSTANDING KEY ISSUES

3.1 Spending Review

The Spending Review (and Budget) for 2022/23 was announced on 27 October. There was confirmation that there would be additional funding available to the Local Government sector of £4.8billion over the forthcoming 3-year period (£1.6billion per year) for social care and other services. Allocations for this funding will likely be included in the Local Government Finance Settlement.

There will also be additional funding of £639million to tackle rough sleeping allocated through the Homelessness Prevention Grant.

There will be £300million funding for local government to implement free, separate food waste collections in every local authority in England from 2025.

Government Settlement Funding Assessment

The Council receives core funding allocations from the Government in relation to Business Rates Baseline Funding and other specific grants. 2021/22 once again saw a one-year settlement so the figures incorporated into this report for 2022/23 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 yet again been put on hold. The draft Local Government Finance Settlement will be announced, as usual, in December and will provide an indication of the funding the Council will receive for 2022/23; it is uncertain whether a 3-year settlement will be provided.

Retained Business Rates

The Business Rate Baseline figure is assumed at an inflationary increase for 2022/23 with reduced projections for growth and pooling built into the MTFP from 2022/23 on the basis that the Business Rates Reforms would have been announced. However, as mentioned above, the reforms of the Retained Business Rates Retention Scheme have again been deferred and DLUHC announced on 10 November that the government has now abandoned plans to allow councils to retain 75% of their business rates as it would conflict with their agenda for 'levelling up'. Instead, the government will now look at the mechanism for redistributing funding to the authorities most in need.

The Council is able to continue to be a member of the Cumbria Business Rates Pool for 2022/23, subject to the agreement of all participating members. The financial aspects of continuing with the Pooling arrangements for 2022/23 are set out further in this report.

The Spending review announced that there will be a freezing of the Business Rates Multiplier for 2022/23 so that there will be no inflationary increase in the amount of rates that are payable by businesses. This multiplier increase is also applied to the Business Rate Baseline level the Council budgets for. It is anticipated that this 'loss' in baseline will be compensated for via a 'Multiplier Grant' as part of the Local Government Finance Settlement.

There will also be a 50% Business rate relief in 2022/23 for retail, hospitality and leisure sector up to a cap of £110,000. The Council will be compensated for this loss of income through a fully funded S31 grant.

The Council will also receive new burdens funding for administrative and IT costs relating to the implementation of the changes announced in the Spending Review.

Council Tax

The Spending Review indicated that the referendum limit will remain as is for Council Tax increases. Currently, district councils are usually given the option of raising Council Tax by the greater of 2% or £5; however, this will be confirmed in December.

Pay Award 2021/22 & 2022/23

The MTFP currently assumes a 2% pay award increase from 2021/22 onwards; however, for 2021/22 there has yet to be an agreement on the level of the pay award. For 2022/23, the Spending Review announced that the freeze on Public Sector pay increases was to be lifted from April 2022. An increase of 1% equates to an additional £161,000 per annum.

The Spending Review confirmed that the National Living Wage was to increase from £8.91 to £9.50 per hour. The Council adopted the foundation living wage and have been paying its grade A staff £9.50 since January 2021. The annual foundation living wage increase has been announced and is now set at £9.90 which the Council will implement in January 2022.

Resource Assumptions

Contributions from balances include all approvals to date but make no assumptions on further contributions from balances to support the budget from 2022/23 onwards. The current resources projections assume:

- A £5 (Band D equivalent) Council Tax increase for 2022/23 onwards.
- A Council Tax deficit for 2022/23 and 2023/24 of £41,000, with a £50,000 surplus from 2024/25. The actual figure for 2022/23 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 2022/23;
- An assumed tax base of 35,013.07 for 2022/23. The final tax base for 2022/23 will not be available until January.
- Parish Precepts are currently being collated but the estimate for 2022/23 is for a total of £726,000. The actual Parish Precept requirement for each Parish will be reported to the Executive 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.

Climate Change

The Council's update Local Environment (Climate Change) Strategy was approved by full Council in the Spring of 2021 following the usual consultation process; the Strategy is supported by an action plan for addressing climate change issues as well individual actions required by the Council for reducing 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.

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.

The figures contained within the table overleaf will be subject to review to determine the recurring/non-recurring nature of the pressures in terms of economic recovery. The Treasury Management estimates, which assumes a significant level of external borrowing, will also be reviewed in the light of the Council's cash position, the capital programme expenditure profile and the impact of Local Government Reorganisation in order to mitigate any unnecessary debt liability falling on the new Authority. If any figures are amended these will be reported via the Executive's budget proposals issued for consultation purposes and/or as part of the January suite of budget reports.

Detail		2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Recurring						
ICT	4.2	150	150	150	150	150
Car Parking Income Shortfalls	4.3	300	200	200	150	150
Pest Control Income Shortfalls	4.4	12	13	15	16	18
Developer Contributions	4.5	19	0	0	11	(41)
Lanes Income Shortfalls	4.6	500	400	330	120	50
Gateway 44 Income Shortfalls	4.7	523	487	342	262	262
City Centre Property Income Shortfalls	4.8	0	0	0	190	190
Energy Costs	4.9	180	123	123	123	123
Revenue Financing Capital Programme	4.10	26	26	26	26	26
Treasury Management	4.11	277	430	383	214	126
Total Recurring Pressures		1,987	1,829	1,569	1,262	1,054
Non Recurring						
District Centre Business Support Fund	4.12	40	0	0	0	0
Homelessness Accommodation Income Shortfalls	4.13	102	0	0	0	0
Leisure Contract	4.14	?	?			
Total Non Recurring Pressures		142	0	0	0	0

4.2 ICT – Additional Expenditure - £150,000 recurring bid

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.

4.3 Car Parking income shortfalls - £300,000 - recurring pressure, reducing to £150,000 recurring pressure

Car parking income is not achieving its budgeted expected levels as a result of lower usage of the car parks.

4.4 Pest Control - £12,000 recurring pressure, rising to £18,000 recurring pressure

This pressure is as a result of removing the domestic charge for the treatment of rats from the Council's charging policy as detailed in report GD55/21 considered by the Executive in November.

4.5 Developer Contributions - £19,000 reprofiling pressure

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 actually be achieved.

4.6 Lanes Income - £500,000 recurring pressure reducing to £50,000 recurring pressure

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.

4.7 Gateway 44 - £523,000 recurring pressure, reducing to £262,000 recurring pressure

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.

4.8 City Centre Property Income – Income Shortfall - £190,000 recurring bid from 2025/26

To recognise the loss of rental income from City Centre properties on a recurring basis. The income was removed from the budget in 2021/22 for the years 2021/22 to 2024/25 with an expectation that this income could be recovered from the Borderlands Project, however, this is now unlikely.

4.9 Gas and Electricity Costs – £180,000 – Recurring pressure reducing to £123,000 recurring pressure from 2023/24

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 21/22 levels) from April 2023.

4.10 Direct Revenue Financing of capital programme - £26,000 recurring pressure

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

4.11 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. It is proposed to release the amount held in the Operational Risk Reserve (£600,000) to partially cover this additional pressure.

4.12 District Centre Business Support Fund – Additional Expenditure - £40,000 - Non-Recurring

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.

4.13 Homeless Accommodation – Income shortfall - £102,000 non-recurring pressure

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.

4.14 Leisure Contract - £? non-recurring pressure

This relates to additional subsidy to the Leisure provider as result of delays to the Sands project.

5. SAVINGS AND ADDITIONAL INCOME PROPOSALS

5.1 Further savings/additional income have been identified in the budget process for 2022/23 as follows:

Detail	Note	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Changes to Funding						
Released from Earmarked Reserve - Operational Risk Reserve (Treasury Mgt)	5.2	(277)	(323)	0	0	0
Release from Earmarked Reserve - Operational Risk Reserve (Covid)	5.2	(500)	0	0	0	0
Business Rate Income	5.3	(1,800)	(1,000)	(1,000)	(1,000)	(1,000)
Total Changes to Funding		(2,577)	(1,323)	(1,000)	(1,000)	(1,000)
<u>Savings Proposed</u>						
Flare Data Management System	5.4	(16)	(16)	(16)	(16)	(16)
Total of Savings		(16)	(16)	(16)	(16)	(16)
Total Recurring		(16)	(16)	(16)	(16)	(16)
Total Non-Recurring		0	0	0	0	0

5.2 Released from Earmarked Reserves

It is recommended to release the amounts held in the Operational Risk Reserve for Treasury Management (£600,000) and COVID costs (£500,000). The Treasury Management amount was set aside from savings on interest payments in 2020/21 to be utilised for any additional borrowing costs. It is recommended to release this in line with the Treasury Pressure identified at 4.1.

The amount set aside in the reserve for COVID costs was to be utilised if there were any additional costs incurred in 2021/22 for COVID. However, the additional costs are currently being contained within the overall agreed budget for 2021/22 and the additional funding received from Government. It is therefore recommended to release this reserve to offset the increased pressures identified in 4.1.

5.3 Business Rates Income (including Pooling)

It is recommended that the Council continue to be part of the Cumbria Pooling arrangements in 2022/23 now that the DLUHC has agreed not to revoke the current legislation, and all participating members have initially agreed that the pool continues in its current format. The current MTFP assumes the baseline level of funding from Business Rates as set by Government. On top of this, a recurring £900,000 is included for additional income retained over and above the baseline. Based on historic income levels and those projected in the NNDR1 forms, there is scope to increase this amount. By participating in the pool for 2022/23, there is an expectation of a benefit of approximately £800,000. The level of retained income per the NNDR1 submissions also provides scope to increase the base budget (over the baseline level) by a further £1,000,000 per year. For 2022/23 there would

therefore be an expectation of an additional £1.8m above the current assumptions in the MTFP.

5.4 Replacement of Flare Data Management System – Saving - £16,000 recurring

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.

6. PROJECTED IMPACT ON RESERVES AND 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	2021/22 Original £000	2021/22 Revised £000	2022/23 Original £000	2023/24 Proj £000	2024/25 Proj £000	2025/26 Proj £000	2026/27 Proj £000
Total Projected Expenditure	13,381	16,063	12,864	12,959	13,127	13,434	13,679
Total Projected Resources	(13,381)	(16,063)	(12,393)	(12,721)	(13,146)	(13,486)	(13,832)
Projected (Surplus) / Shortfall <u>excluding</u> savings and new spending	0	0	471	238	(19)	(52)	(153)
Less:							
New Saving Proposals							
- Recurring	0	0	(16)	(16)	(16)	(16)	(16)
- Non Recurring	0	0	0	0	0	0	0
- Business Rates	0	0	(1,800)	(1,000)	(1,000)	(1,000)	(1,000)
- Released from Earmarked Reserves	0	0	(777)	(323)	0	0	0
(See Para 6)							
Add:							
New Spending Pressures							
- Recurring	0	0	1,987	1,829	1,569	1,262	1,054
- Non Recurring	0	0	142	0	0	0	0
- Funding	0	0	0	0	0	0	0
(See Para 5)							
Potential Budget (Surplus) / Shortfall	0	0	7	728	534	194	(115)
Potential (Surplus) / Shortfall Analysis:							
- Recurring	0	0	414	778	344	194	(115)
- Non Recurring	0	0	(407)	(50)	190	0	0

7. SUMMARY FINANCIAL OUTLOOK AND BUDGET DISCIPLINE 2022/23 to 2026/27

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 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 2022/23 also adds to the challenges of securing a balanced 5-year MTFP.

- 7.3 In terms of expenditure pressures, the significant issue affecting the budget is the uncertainty regarding local government funding in terms of the transfer of any new burdens.
- 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 2023/24 onwards; however, the scope to remain within the Cumbria Pooling arrangements for 2022/23 will 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.
- 7.7 **Local Government Reorganisation**
Local Government Reorganisation for Cumbria is now progressing, and the Programme Board have agreed that there will be a requirement to establish funding for the transition costs. For the six District Council's this could be as much as £1.576m each. Although the Council set aside £500,000 in earmarked reserves for LGR at the end of 2020/21, this will be retained in order to fund any costs which the Council may incur itself and therefore outwith the eligibility criteria for the Cumbria Wide Implementation Reserve. Therefore £1.6million is needed to ensure that funds are available to support the implementation work and it is proposed that this be funded from existing earmarked reserves – this will be subject to approval by full Council in January 2022.

The Council will be approving its budget for 2022/23 in February 2022, so any information provided in this report for 2023/24 onwards is for illustrative purposes only, which will become the responsibility of the new Cumberland Council.

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 6 January 2022, and their views fed back to the Executive on 19 January. Public consultation will take place between 20 December and 18 January and the budget resolution will then be issued by the Executive on 19 January.

10. CONCLUSION AND REASONS FOR RECOMMENDATIONS

- 10.1 The Executive is requested to:
- (i) note the revised base estimates for 2021/22 and base estimates for 2022/23;
 - (ii) note that the estimates in the report are draft and will be subject to the confirmation of Local Government Finance Settlement in December 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 2022/23 budget process;
 - (v) Approve the release of amounts from the Operational Risk Reserve for Treasury Management (£600,000) and Covid costs (£500,000) as outlined in paragraph 5.2
 - (vi) note the draft 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.

Contact details:

Contact Officer: Steven Tickner

Ext: 7280

Appendices attached to report:

- Appendix A – Council Reserves
- Appendix B – Draft Statutory report of S.151 Officer

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 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	Projected 31 March 2027 £000
Revenue Reserves							
General Fund Reserve	(3,100)	(3,100)	(3,100)	(2,728)	(2,194)	(2,000)	(2,115)
Projects Reserve	(1,708)	(363)	(356)	0	0	0	0
Carry Forward Reserve	(628)	(628)	(628)	(628)	(628)	(628)	(628)
	(5,436)	(4,091)	(4,084)	(3,356)	(2,822)	(2,628)	(2,743)
Cremator Replacement Reserve	(1,196)	(887)	13	13	13	13	13
Economic Recovery Reserve	(50)	0	0	0	0	0	0
Operational Risk Reserve - Covid19	(500)	(500)	0	0	0	0	0
Operational Risk Reserve - Treasury Mgt	(600)	(600)	(323)	0	0	0	0
Operational Risk Reserve - Savings	(1,600)	(1,600)	(1,600)	(1,600)	(1,600)	(1,600)	(1,600)
Operational Risk Reserve - LGR	(500)	0	0	0	0	0	0
Building Control Reserve	(24)	(24)	(24)	(24)	(24)	(24)	(24)
Planning Services Reserve	(206)	(225)	(225)	(225)	(225)	(225)	(225)
Waverley Viaduct Reserve	(30)	(30)	(30)	(30)	(30)	(30)	(30)
Revenue Grants Reserve	(2,141)	(1,761)	(1,761)	(1,761)	(1,761)	(1,761)	(1,761)
Council Tax Hardship Grant Reserve	(359)	0	0	0	0	0	0
Council Tax Income Guarantee Scheme Reserve	(69)	0	0	0	0	0	0
Business Rates S.31 Grant Reserve	(9,463)	0	0	0	0	0	0
Prosecutions Fund Reserve	(35)	(35)	(35)	(35)	(35)	(35)	(35)
City Centre Reserve	(5)	(5)	(5)	(5)	(5)	(5)	(5)
Flood Reserve	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Apprentice Reserve	(96)	(96)	(96)	(96)	(96)	(96)	(96)
Total Revenue Reserves	(22,314)	(9,858)	(8,174)	(7,123)	(6,589)	(6,395)	(6,510)
Capital Reserves							
Usable Capital Receipts	0	0	0	0	0	0	0
Unapplied capital grant	(126)	(3)	(3)	(3)	(3)	(3)	(3)
Lanes Capital Reserve	(90)	(105)	(120)	(135)	(150)	(165)	(180)
Total Capital Reserves	(216)	(108)	(123)	(138)	(153)	(168)	(183)
Total Usable Reserves	(22,530)	(9,966)	(8,297)	(7,261)	(6,742)	(6,563)	(6,693)
Other Technical Reserves (i)	(105,815)						
Total All Reserves	(128,345)						

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 £0.5million by 2021/22, increasing by £0.700million in 2022/23 and a further £0.850million 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, there may be further savings required. 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 is the outcome of Spending Review 2021 and likely one-year settlement for 2022/23. 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.

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 2022/23 budget pressures in setting the 2022/23 budget and principles to be adopted.

Based on current projections, Council Reserves as at 31st 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 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 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.



Carlisle City Council

Report to Business & Transformation Scrutiny Panel

Item
A.2(3)(b)

Report details

Meeting Date:	6 January 2022
Portfolio:	Finance, Governance and Resources
Key Decision:	Yes: Recorded in the Notice Ref: KD.10/21
Policy and Budget Framework	Yes
Public / Private	Public
Title:	Revised Capital Programme 2021/22 and Provisional Capital Programme 2022/23 to 2026/27
Report of:	Corporate Director of Finance and Resources
Report Number:	RD.55/21

Purpose / Summary:

The report details the revised capital programme for 2021/22 together with the proposed method of financing as set out in Appendices A and B.

The report also summarises the proposed programme for 2022/23 to 2026/27 in the light of new capital proposals identified and summarises the estimated capital resources available to fund the programme.

Recommendations:

Members of the Business and Transformation Scrutiny Panel are asked to scrutinise the report and make comments on the revised capital programme for 2021/22 and the proposed overall capital budgetary position for 2022/23 to 2026/27.

Tracking

Executive:	20 December 2021
Scrutiny:	BTSP 6 January 2022
Council:	1 February 2022 (Budget Resolution)



Carlisle City Council

Report to Executive

Report details

Meeting Date:	20 December 2021
Portfolio:	Finance, Governance and Resources
Key Decision:	Yes: Recorded in the Notice Ref: KD.10/21
Policy and Budget Framework	Yes
Public / Private	Public
Title:	Revised Capital Programme 2021/22 and Provisional Capital Programme 2022/23 to 2026/27
Report of:	Corporate Director of Finance and Resources
Report Number:	RD 55/21

Purpose / Summary:

The report details the revised capital programme for 2021/22 together with the proposed method of financing as set out in Appendices A and B.

The report also summarises the proposed programme for 2022/23 to 2026/27 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 2021/22 as set out in Appendices A and B;
- (ii) Give initial consideration and views on the proposed capital spending for 2022/23 to 2026/27 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.

Tracking

Executive:	20 December 2021
Scrutiny:	BTSP 6 January 2022
Council:	1 February 2022 (Budget Resolution)

1. Background

- 1.1. This report details the revised capital programme for 2021/22 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 2022/23 to 2026/27, 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 14 September 2021:
 - Capital Investment Strategy 2022-23 to 2026-27 (Report RD37/21)
 - Asset Management Plan (Report GD58/21)
- 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 £50,000. This is made up of £20,000 for the cost of the interest payable (2% of £1m equates to £20,000) and a principal repayment provision of 3% of the outstanding sum (3% of £1m equates to £30,000).

3. Revised Capital Programme 2021/22

- 3.1 The capital programme for 2021/22 totalling £28,057,900 was approved by Council on 20 July 2021 as detailed in the 2020/21 out-turn report (RD16/21).
- 3.2 The revised capital programme for 2021/22 now totals £30,378,800 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 2021/22 is shown below:

Summary Programme	£	Appx
2021/22 Original Capital Programme	28,057,900	A
Other adjustments	2,320,900	
Revised Capital Programme (Sept 2021)	30,378,800	A
Estimated Capital Resources available	(1,583,895)	B
Potential Borrowing Requirement	28,794,905	

4. Capital Spending Proposals 2022/23 to 2026/27

- 4.1 The existing and capital spending proposals are summarised in the following table. It should be noted that new spending proposals that cannot be funded from external sources such as grants, or from 'new' capital receipt generation will incur a borrowing requirement.

Capital Scheme	App/ Para	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
<u>Current Commitments:</u>						
Vehicles & Plant	4.2	1,221	1,772	1,680	1,166	888
Planned Enhancements to Council Property	4.3	250	250	250	250	250
Disabled Facilities Grants	4.4	1,900	1,900	1,900	1,900	1,900
ICT Infrastructure	4.5	76	131	101	101	101
Leisure Facilities	4.6	3,450	0	0	0	0
Recycling Containers	4.7	45	45	45	45	45
Crematorium Infrastructure	4.8	900	0	0	0	0
Future High Street Fund	4.9	3,653	4,325	0	0	0
Flare Data Management System	4.10	150	0	0	0	0
Carlisle Southern Relief Road	4.11	5,000	0	0	0	0
Total Existing Commitments		16,645	8,423	3,976	3,462	3,184
<u>New Spending Proposals:</u>						
Vehicles and Plant	4.2	(35)	360	(541)	0	325
ICT Infrastructure	4.5	334	(131)	(26)	0	0
Crematorium Infrastructure	4.8	875	875	0	0	0
Flare Data Management System	4.10	(150)	0	0	0	0
Sands Car Park Resurfacing	4.12	210	0	0	0	0
Swifts Car Park Resurfacing	4.13	200	0	0	0	0
Total New Spending Proposals		1,434	1,104	(567)	0	325
Total Potential Programme		18,079	9,527	3,409	3,462	3,509

- 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, with further details provided in GD79/21 considered by Executive on 22 November 2021.
- 4.4 Disabled facilities grant allocation will not be known until early into 2022/23, although it has been assumed for the purpose of this report that the grant will be protected at the 2021/22 levels. This grant will be awarded via the County Council's Better Care Fund.
- 4.5 This is the anticipated budgets for improvements and developments to the Council's ICT infrastructure following a review of requirements.

- 4.6 This is the continuation of the provision of new leisure facilities at the Sands Centre.
- 4.7 An allocation for the replacement of the Council's stock of recycling and waste containers.
- 4.8 To provide new infrastructure for the crematorium including replacement cremators. The current commitment of £900,000 in 2022/23 is funded from the amounts set aside in the Cremator Replacement Earmarked Reserve.

The new spending proposal (£1.75m) for the replacement of the cremators refers to replacing gas powered cremators with electric powered ones which will help to reduce the amount of CO2 produced from the crematorium. Replacement on a like for like basis with gas powered cremators would require additional funding of approximately £300,000 - £400,000. The additional spend also provides additional funding to upgrade the building facilities at the crematorium. Further reports will be required on the project that will detail the most appropriate solution for the replacement of the cremators. The additional spend will require an additional borrowing requirement, however, the annual borrowing cost could be met from the annual sum currently set aside to the cremator reserve over a 23-year period.

- 4.9 This is a funding application to the Future High Streets Fund which 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 an overall funding requirement from the Council of £390,000.
- 4.10 The allocation for a new data management system that is used in Environmental Health and Private Sector Housing is no longer required with Local Government Reorganisation on the horizon.
- 4.11 The Council's contribution to the Carlisle Southern Link Road project.
- 4.12 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.
- 4.13 As detailed above, 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.

As the budget process progresses, there may be further bids that come to light once full business cases are developed. There are also external bids for grant funding

which have been submitted, or are in the process of being submitted, which if successful, will require the Capital Programme to be grossed up and to recognise the grant award, examples include The Towns Deal (£19.7m), The Public Sector Decarbonisation Scheme (£1.87m) and The Sustainable Warmth (LAD3) and Home Upgrade (HUG1), a county wide scheme totalling £19.955m.

5. Potential Capital Resources Available

5.1 The table below sets out the estimated revised resources available to finance the capital programme for 2022/23 to 2026/27.

Source of Funding	Para	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Capital Grants:						
• Disabled Facilities Grant	5.2	(1,900)	(1,900)	(1,900)	(1,900)	(1,900)
• General Grants/Contributions	5.3	(3,429)	(4,325)	0	0	0
Capital Receipts:						
• Generated in year	5.4	(286)	(101)	(4,653)	(1,145)	(2,585)
receipts used to fund resources		112	0	0	0	0
Direct Revenue Financing / Invest to Save	5.5	(1,962)	(1,062)	(1,062)	(1,062)	(1,062)
TOTAL RESOURCES		(7,465)	(7,388)	(7,615)	(4,107)	(5,547)

5.2 Disabled facilities grant allocation will not be known until early 2022/23, although it has been assumed for the purpose of this report that the grant will be protected at the 2021/22 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. This relates to the Future High Street Fund projects.

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 2022/23 and 2026/27 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 2022/23 to 2026/27

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

Source of Funding	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000
Estimated in year Resources available (para 5.1)	(7,465)	(7,388)	(7,615)	(4,107)	(5,547)
Proposed Programme (para 4.1)	18,079	9,527	3,409	3,462	3,509
Projected (Surplus)/Deficit	10,614	2,139	(4,206)	(645)	(2,038)
Cumulative surplus/deficit b/fwd	28,795	39,409	41,548	37,342	36,697
Cumulative year end surplus/deficit	39,409	41,548	37,342	36,697	34,659
Borrowing undertaken previously	14,000	14,000	14,000	14,000	14,000
Cumulative deficit i.e. overall borrowing needed to support the capital programme	53,409	55,548	51,342	50,697	48,659

- 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.

The table above shows that there continues to be a borrowing requirement from 2022/23. 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 an additional recurring revenue contribution to the capital programme;
- Invest to save schemes that can repay the capital investment over a period of time.

Climate Change

The Council's update Local Environment (Climate Change) Strategy was approved by full Council in the Spring of 2021 following the usual consultation process; the Strategy is 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.

7. Risks

- 7.1 The ongoing impact of issues identified will be monitored carefully in budget monitoring reports and appropriate action taken.
- 7.2 The main risk to the Council is the overall cost of COVID-19 in terms of additional costs and delays to supplies.
- 7.3 The Government are likely to issue a supplementary Statutory Instrument which may limit the award of contracts for both revenue (£100,000) and capital projects (£1million) without the approval of the Shadow Authorities from April 2022.

8. Consultation

- 8.1 Scrutiny Panels considered the requests for their areas of responsibility at their meetings in November and December. Feedback of any comments on the proposals were made to the Executive in December prior to the Executive issuing their draft budget proposals for wider consultation.
- 8.2 The Business and Transformation Scrutiny Panel will consider this report on 6 January 2022, and their views fed back to the Executive on 19 January. Public consultation will take place between 20 December and 18 January and the budget resolution will then be issued by the Executive on 19 January.

9. Conclusion and reasons for recommendations

- 9.1 The Executive is asked to:
 - (i) Note the revised capital programme and relevant financing for 2021/22 as set out in Appendices A and B;
 - (ii) Give initial consideration and views on the proposed capital spending for 2022/23 to 2026/27 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 Council's capital programme includes a range of positive projects that will directly benefit the people of Carlisle.

Contact details:

Contact Officer: Steven Tickner

Ext: 7280

Appendices attached to report:

- Appendix A – Revised Capital Programme 2021/22
- Appendix B – Revised Capital Programme 2021/22 – Proposed Financing

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 - The Council has a significant property portfolio which assists in the management of its resources as detailed in the Asset Management Plan (GD58/21).

Finance - Financial implications are contained within the main 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.

REVISED CAPITAL PROGRAMME 2021/22
APPENDIX A

Scheme	Original Capital Programme 2021/22 £	Other Adjustments £	Proposed Savings & Carry Forwards £	Revised Capital Programme 2021/22 £	Note
Sands Centre Redevelopment	16,922,600	0	0	16,922,600	
Civic Centre Development	2,081,600	2,000	0	2,083,600	
Energy Monitoring System	12,000	0	0	12,000	
<i>Savings to fund Civic Centre</i>	<i>(200,000)</i>	<i>200,000</i>	<i>0</i>	<i>0</i>	
Future High Street Fund - Market Square	100,000	357,300	0	457,300	
Future High Street Fund - 6-24 Castle Street	0	170,300	0	170,300	
Future High Street Fund - Central Plaza	0	712,400	0	712,400	
Future High Street Fund - Devonshire Street	0	73,600	0	73,600	
Future High Street Fund - Delivery Costs	0	122,400	0	122,400	
Cemetery Infrastructure	5,700	0	0	5,700	
Skew Bridge Deck	67,000	0	0	67,000	
Towns Deal - Bitts Park Improvements	99,200	68,900	0	168,100	
Planning Software	150,000	0	0	150,000	
Play Area Improvements	189,700	228,500	0	418,200	
Carlisle Citadels	934,700	0	0	934,700	
Towns Deal - Caldew Riverside	842,500	0	0	842,500	
On Street Charging Points Infrastructure	102,800	0	0	102,800	
Gateway 44 Development	896,200	0	0	896,200	
LED Footway Lighting Installation	29,700	0	0	29,700	
Rough Sleeping Initiative	10,000	0	0	10,000	
Planned Enhancements to Council Property	458,800	0	0	458,800	
Vehicles, Plant & Equipment	1,036,600	(594,800)	0	441,800	
Recycling Containers	45,000	64,500	0	109,500	
ICT Infrastructure	313,700	179,900	0	493,600	
Disabled Facilities Grants	3,387,200	0	0	3,387,200	
Empty Property Grants	112,400	0	0	112,400	
Swifts Wildlife Haven	70,000	0	0	70,000	
Bitts Park Water Feature	10,500	0	0	10,500	
Bitts Park Public Realm	0	32,000	0	32,000	
Financials Upgrade	0	80,900	0	80,900	
Footway Lighting Melbourne Park	0	22,200	0	22,200	
Affordable Homes (S106)	0	600,800	0	600,800	
SUB-TOTAL	27,677,900	2,320,900	0	29,998,800	
<u>Capital Reserves to be released</u>					
Creamatorium Infrastructure	350,000	0	0	350,000	
Cemetery Infrastructure	30,000	0	0	30,000	
	380,000	0	0	380,000	
REVISED TOTAL	28,057,900	2,320,900	0	30,378,800	

REVISED CAPITAL PROGRAMME 2021/22 – PROPOSED FINANCING

Source of funding	2021/22 Original £	2021/22 Revised £	Notes
Capital Grants:			
• DFG	2,155,600	2,155,600	
• Future High Street Fund	0	1,436,000	
• General	2,325,600	2,349,900	1
Capital Receipts:			
• B/fwd from previous year	(7,759,005)	(7,759,005)	
• Generated in year	1,491,000	0	2
• Receipts used to fund resources	(112,000)	(112,000)	
• Borrowing Undertaken	0	0	
Capital Contributions			
• General	159,700	1,043,200	3
Direct Revenue Financing	2,098,300	2,470,200	4
TOTAL FINANCE AVAILABLE	359,195	1,583,895	
TOTAL PROGRAMME (SEE APP A)	28,057,900	30,378,800	
PROJECTED (SURPLUS)/DEFICIT IN CAPITAL RESOURCES AVAILABLE	27,698,705	28,794,905	

Notes:

1. Capital grant include revised funding for Sands Centre Development (£134,000), Recycling Containers (£24,300), Play Area Improvements (£30,000), Swifts Wildlife Haven (£70,000), On-Street Charging Infrastructure (£102,800), Bitts Park Towns Deal (£89,200), Carlisle Citadels (£934,700), Caldew Riverside Towns Deal (£842,500), Rough Sleeping Initiative (£10,000) and Empty Properties (£112,400).
2. Asset Review Receipts have been reprofiled into future years.
3. General contributions relate to Play Area Developments (£388,200), Bitts Park Public Realm (£32,000), Footway Lighting Melbourne Park (£22,200) and Affordable Homes (£600,800).
4. Changes to Direct Revenue Financing relate to Financials Upgrade (£70,000), Waste Receptacles (£19,000), IT Strategy (£232,400), Civic Centre (£2,000) and Bitts Park Towns Deal (£30,000).



Carlisle City Council

Report to Business & Transformation Scrutiny Panel

Item
A.3

Report details

Meeting Date:	6 January 2022
Portfolio:	Finance, Governance and Resources
Key Decision:	Yes: Recorded in the Notice Ref: KD.10/21
Policy and Budget Framework	Yes
Public / Private	Public
Title:	DRAFT TREASURY MANAGEMENT STRATEGY STATEMENT, INVESTMENT STRATEGY AND MINIMUM REVENUE PROVISION STRATEGY 2022/23
Report of:	CORPORATE DIRECTOR OF FINANCE & RESOURCES
Report Number:	RD 53/21

Purpose / Summary:

This report sets out the Council's draft Treasury Management Strategy Statement for 2022/23, in accordance with the CIPFA Code of Practice on Treasury Management. The Investment Strategy and the Minimum Revenue Provision (MRP) Strategy for 2022/23 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.

Recommendations:

Members of the Business and Transformation Scrutiny Panel are asked to scrutinise and make comments on the proposed Treasury Management Strategy for 2022/23.

Tracking

Executive:	20 December 2021, 19 January 2022
Scrutiny:	BTSP 6 January 2022
Audit Committee:	10 December 2021
Council:	1 February 2022



Carlisle City Council

Report to Executive

Report details

Meeting Date:	20 December 2021
Portfolio:	Finance, Governance and Resources
Key Decision:	Yes: Recorded in the Notice Ref: KD.10/21
Policy and Budget Framework	Yes
Public / Private	Public
Title:	DRAFT TREASURY MANAGEMENT STRATEGY STATEMENT, INVESTMENT STRATEGY AND MINIMUM REVENUE PROVISION STRATEGY 2022/23
Report of:	CORPORATE DIRECTOR OF FINANCE & RESOURCES
Report Number:	RD 53/21

Purpose / Summary:

This report sets out the Council's draft Treasury Management Strategy Statement for 2022/23, in accordance with the CIPFA Code of Practice on Treasury Management. The Investment Strategy and the Minimum Revenue Provision (MRP) Strategy for 2022/23 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.

Recommendations:

The Executive is asked to note the draft Treasury Management Strategy Statement for 2022/23, which incorporates the Investment Strategy and the MRP Strategy, together with the Prudential Indicators for 2022/23 as set out in Appendix A and the Treasury Management Policy Statement as set out at Appendix D, and to seek comments from the Business and Transformation Scrutiny Panel in January 2022.

Tracking

Executive:	20 December 2021, 19 January 2022
Scrutiny:	BTSP 6 January 2022
Audit Committee:	10 December 2021
Council:	1 February 2022

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 CIPFA has consulted on revisions to the Treasury Management Code, and the Prudential Code, throughout 2021 and the new Codes are intended to be implemented by authorities for 2023/24 Treasury Management Strategies.
- 1.3 Under the requirements of the 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 2022/23, 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. RISKS

- 3.1 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.
- 3.2 There is a risk that interest rates could change over the period of the Treasury Management Strategy Statement, particularly in respect of volatile economic situations, 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.

4. CONSULTATION

- 4.1 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.

5. CONCLUSION AND REASONS FOR RECOMMENDATIONS

- 5.1 The Executive is asked to note the Treasury Management Strategy Statement for 2022/23, which incorporates the Investment Strategy and the MRP Strategy, together with the Prudential Indicators for 2022/23 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 details:

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 Services -

Finance - contained within the report.

Equality - not applicable

Information Governance - There are no information governance issues in this report

Draft Treasury Management Strategy Statement

Draft Minimum Revenue Provision Policy Statement and Annual Investment Statement

Carlisle City Council

2022/23

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 has been required from 2019/20 due to revisions of the DLUHC Investment Guidance, the DLUHC 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 CIPFA have consulted on proposed changes to the Prudential Code and Treasury Management Codes throughout 2021 and intends to publish the final versions of the revisions by the end of 2021. Implementation of the revised Codes will be for the 2023/24 Treasury Management Strategy Statements.
- 1.9 The suggested strategy for 2022/23 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 DLUHC 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 2022/23 TO 2024/25**
- 3.1 It is a statutory duty, under S.3 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 26 November 2021 comprised:

Table 1		Principal £m	£m	Ave Rate %
Fixed Rate Funding	PWLB Market	13.0 0.0	13.0	1.63
Variable Rate Funding	PWLB Market	0 0	0	0.00
Other Long Term Liabilities			0	0.00
Gross Debt			13.0	1.63
Total Investments			26.5	0.75

6. PRUDENTIAL AND TREASURY INDICATORS 2022/23 – 2024/25

- 6.1 The Prudential and Treasury Indicators have been based on current projections for capital spending and resources in 2022/23 to 2024/25 (which may be subject to change during the budget process). 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	2020/21 actual £000	2021/22 revised estimate £000	2022/23 estimate £000	2023/24 estimate £000	2024/25 estimate £000
Capital Expenditure	14,172	30,378	18,079	9,527	3,409
Ratio of financing costs to net revenue stream	1.19%	4.35%	7.04%	13.43%	12.51%
Net borrowing requirement in year (Internal & External)	3,408	21,023	10,334	974	(5,400)
Capital Financing Requirement as at 31 March	19,521	40,544	50,878	51,853	46,453
Annual change in Cap. Financing Requirement	(1,026)	21,023	10,334	974	(5,400)
Incremental impact of capital investment decisions					
Increase in council tax (band D) per annum (£)	2.97	18.19	8.85	0.83	(4.54)

- 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.

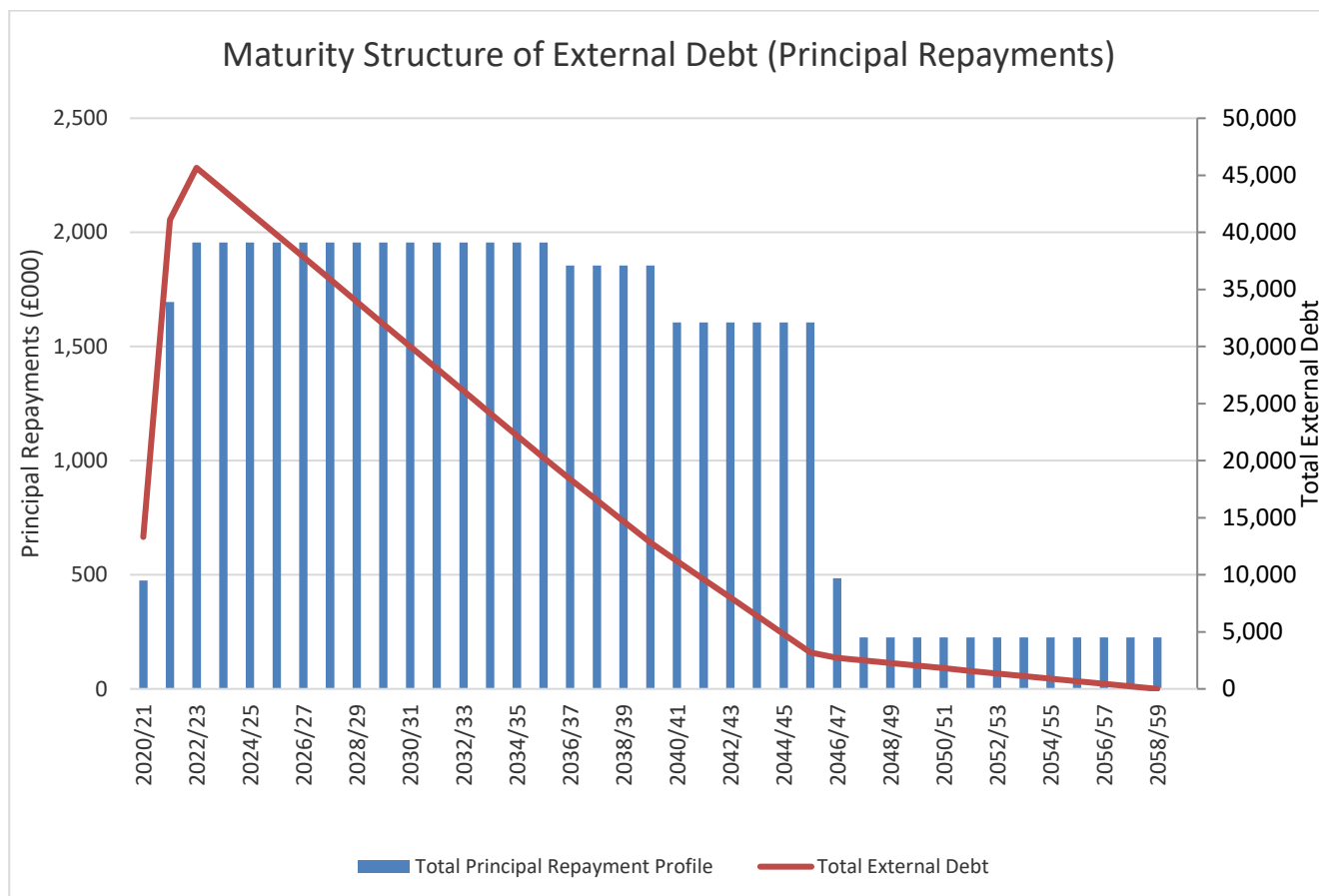
PRUDENTIAL INDICATOR TREASURY MANAGEMENT INDICATORS	2020/21 actual £000	2021/22 revised estimate £000	2022/23 estimate £000	2023/24 estimate £000	2024/25 estimate £000
Authorised Limit for External Debt:					
- Borrowing	44,000	48,000	52,000	52,000	50,000
- Other Long Term Liabilities	100	100	100	100	100
TOTAL	44,100	48,100	52,100	52,100	50,100
Operational Boundary for external debt:					
- Borrowing*	32,500	43,000	47,000	47,000	45,000
- Other Long Term Liabilities	100	100	100	100	100
TOTAL	32,600	43,100	47,100	47,100	45,100
Upper Limit for fixed interest rate exposure:					
- Net principal re. Fixed rate borrowing/investments	100%	100%	100%	100%	100%
Upper Limit for variable rate exposure					
- Net principal re. Variable rate borrowing/investments	100%	100%	100%	100%	100%
Upper Limit for total principal sums invested for over 1 year	50%	50%	50%	50%	50%

Notes:

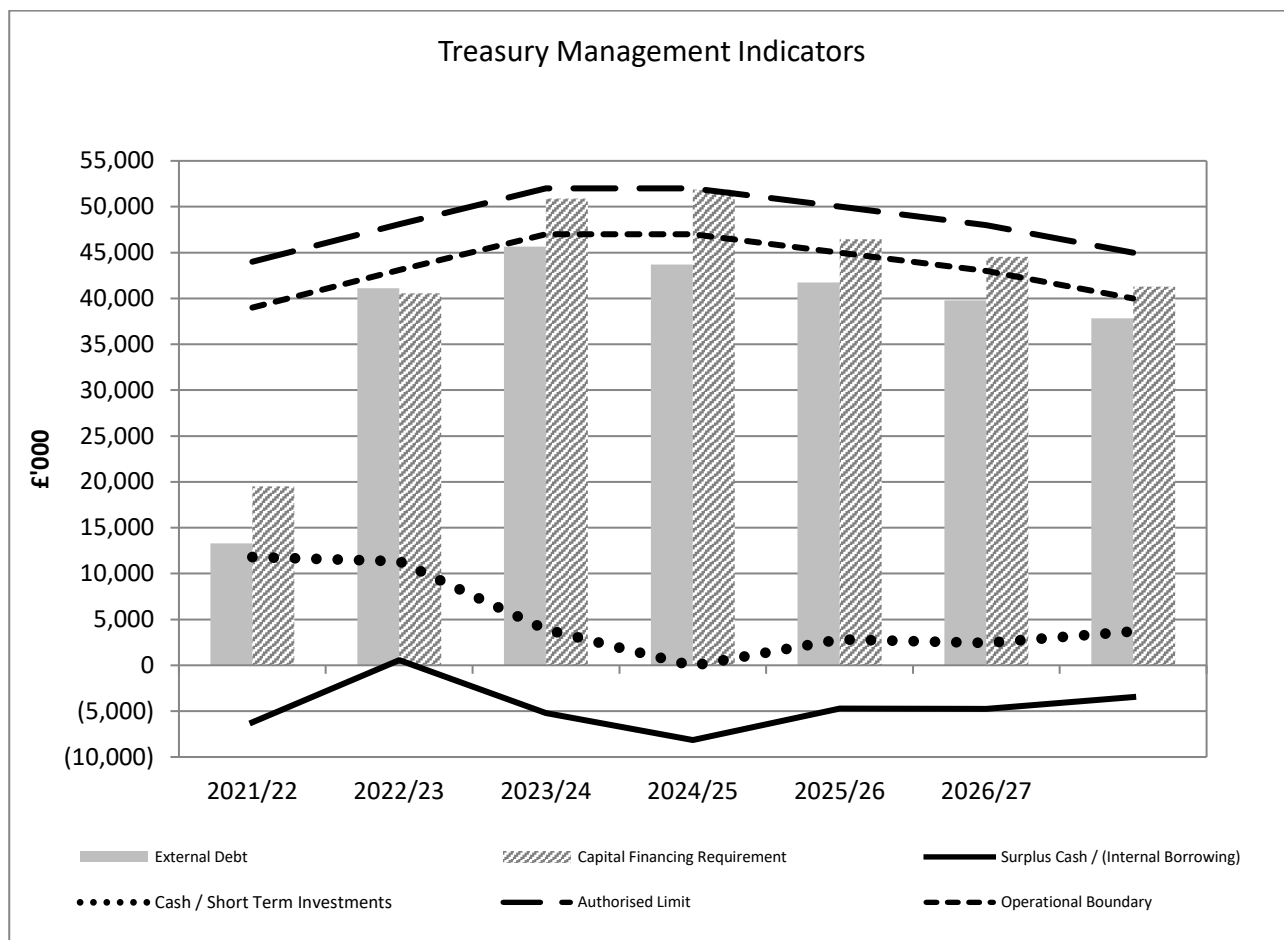
The authorised limit for external debt. This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a legal limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external 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	2020/21 actual £000	2021/22 revised estimate £000	2022/23 estimate £000	2023/24 estimate £000	2024/25 estimate £000
External Debt B/Fwd	13,763	13,288	41,093	45,645	43,690
New External Debt (Actual & Planned)	0	29,500	6,507	0	0
External Debt Repaid	(475)	(1,695)	(1,955)	(1,955)	(1,955)
External Debt C/fwd	13,288	41,093	45,645	43,690	41,735



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. These areas will be closely monitored prior to any further external borrowing being undertaken.

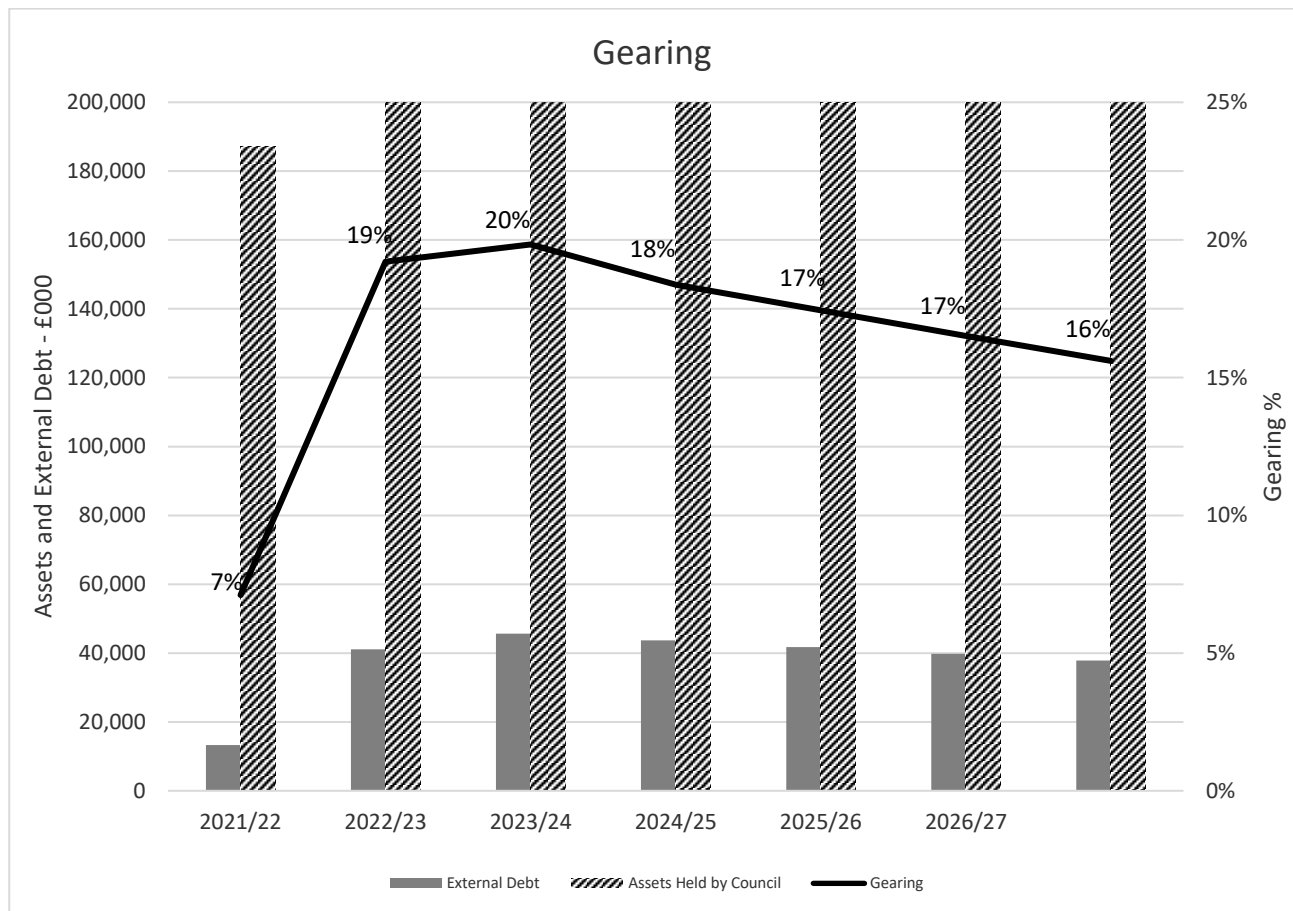


Maturity structure of any fixed rate borrowing during 2022/23	Upper limit	Lower limit
Under 12 months	100%	0%
12 months and within 24 months	100%	0%
24 months and within 5 years	100%	0%
5 years and within 10 years	100%	0%
10 years and above	100%	0%

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 its 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

7.2.1 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-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
Bank Rate	0.25%	0.25%	0.50%	0.50%	0.50%	0.75%	0.75%	0.75%	0.75%	1.00%

7.2.2 The coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rate unchanged at its subsequent meetings. As shown in the forecast table above, one increase in Bank Rate from 0.10% to 0.25% has now been included in December 2021, a second increase to 0.50% in quarter 2 of 2022/23 and a third one to 0.75% in quarter 4 of 2022/23.

7.2.3 **Significant risks to the forecasts**

- COVID vaccines do not work to combat new mutations and/or new vaccines take longer than anticipated to be developed for successful implementation.
- The pandemic causes major long-term scarring of the economy.
- The Government implements an austerity programme that suppresses GDP growth.
- The MPC tightens monetary policy too early – by raising Bank Rate or unwinding QE.
- The MPC tightens monetary policy too late to ward off building inflationary pressures.
- Major stock markets e.g., in the US, become increasingly judged as being over-valued and susceptible to major price corrections. Central banks become increasingly exposed to the “moral hazard” risks of having to buy shares and corporate bonds to reduce the impact of major financial market selloffs on the general economy.
- Geo-political risks are widespread e.g., German general election in September 2021 produces an unstable coalition or minority government and a void in high-profile leadership in the EU when Angela Merkel steps down as Chancellor of Germany; on-going global power influence struggles between Russia/China/US.

7.3 **Forecasts for Bank Rate**

7.3.1 Link are not expecting Bank Rate to go up fast after the initial rate rise; their view is that the supply potential of the economy has not taken a major hit during the pandemic: it should, therefore, be able to cope well with meeting demand after supply shortages subside over the next year, without causing inflation to remain elevated in the medium-term, or to inhibit inflation from falling back towards the MPC's 2% target after the spike up to 5%. Link are therefore forecasting five increases in Bank Rate over the forecast period to March 2025, ending at 1.25%.

However, we are far from confident that these forecasts will not need changing within a relatively short timeframe for the following reasons:-

- There are increasing grounds for viewing the economic recovery as running out of steam during the summer and now into the autumn. This could lead into stagflation which would create a major dilemma for the MPC in how to strike a balance between combating inflation and supporting economic growth.
- Will some current key supply shortages spill over into causing economic activity in some sectors to take a significant hit over the next year?
- Rising gas and electricity prices could also pose a potential threat to the supply chain through some energy intensive sections of industry having to close that are no longer economic to run while prices remain so high.
- Rising gas and electricity prices in October and next April and increases in other prices caused by supply shortages, plus increases in taxation next April, are already going to deflate consumer spending power without the MPC having to take any action on Bank Rate to cool inflation and excess demand in the economy compared to supply. Then we have the Government's upcoming budget in October, which could also end up in reducing consumer spending power.
- On the other hand, consumers are sitting on around £200bn of excess savings left over from the pandemic so when will they spend this sum, in part or in total?
- It is estimated that there were around 1 million people who came off furlough on 30th September; how many of those would not have had jobs on 1st October and would, therefore, have been available for filling labour shortages in many sectors of the economy? So, supply shortages which have been driving up both wages and costs, could reduce significantly within the next six months or so and alleviate the MPC's current concerns. However, some key labour shortages will be more difficult to fill due to the need for time to train and qualify.
- There is a risk that there could be further nasty surprises on the Covid front, on top of the flu season this winter, which could depress economic activity.

7.3.2 In summary, with the high level of uncertainty prevailing on several different fronts, it is likely that these forecasts will need to be revised again soon - in line with what the new news is.

7.3.3 It also needs to be borne in mind that Bank Rate being cut to 0.10% was an emergency measure to deal with the Covid crisis hitting the UK in March 2020. At any time, the MPC could simply decide to take away that final emergency cut from 0.25% to 0.10% on the grounds of it no longer being warranted and as a step forward in the return to normalisation. The MPC may also be concerned to protect its inflation fighting credentials and may view that such a small increase would do little to damage growth. There is therefore a significant risk that the first increase

could be as early as December 2021. In addition, any Bank Rate under 1% is both highly unusual and highly supportive of economic growth.

7.4 **Forecasts for PWLB rates and gilt and treasury yields**

7.4.1 As the interest forecast table for PWLB certainty rates above shows, there is likely to be a steady rise over the forecast period, with some degree of uplift due to rising treasury yields in the US.

7.4.2 There is likely to be **exceptional volatility and unpredictability in respect of gilt yields and PWLB rates** due to the following factors: -

- How strongly will changes in gilt yields be correlated to changes in US treasury yields (see explanation on the next page)? Over 10 years since 2011 there has been an average 75% correlation between movements in US treasury yields and gilt yields. However, from time to time these two yields can diverge. Lack of spare economic capacity and rising inflationary pressures are viewed as being much greater dangers in the US than in the UK. This could mean that central bank rates will end up rising earlier and higher in the US than in the UK if inflationary pressures were to escalate; the consequent increases in treasury yields could well spill over to cause (lesser) increases in gilt yields. There is, therefore, an upside risk to forecasts for gilt yields due to this correlation. The Link Group forecasts have included a risk of a 75% correlation between the two yields.
- Will the Federal Reserve take action to counter increasing treasury yields if they rise beyond a yet unspecified level?
- Would the MPC act to counter increasing gilt yields if they rise beyond a yet unspecified level?
- How strong will inflationary pressures actually turn out to be in both the US and the UK and so put upward pressure on treasury and gilt yields?
- How will central banks implement their new average or sustainable level inflation monetary policies?
- How well will central banks manage the withdrawal of QE purchases of their national bonds i.e., without causing a panic reaction in financial markets as happened in the “taper tantrums” in the US in 2013?
- Will exceptional volatility be focused on the short or long-end of the yield curve, or both?

7.4.3 The forecasts are also predicated on an assumption that there is no break-up of the Eurozone or EU within our forecasting period, despite the major challenges that are looming up, and that there are no major ructions in international relations, especially between the US and China / North Korea and Iran, which have a major impact on international trade and world GDP growth.

7.5 **Gilt and treasury yields**

7.5.1 Since the start of 2021, there has been a lot of volatility in gilt yields, and hence PWLB rates. During the first part of the year, US President Biden's, and the Democratic party's determination to push through a \$1.9trn (equivalent to 8.8% of GDP) fiscal boost for the US economy as a recovery package from the Covid pandemic was what unsettled financial markets. However, this was in addition to the \$900bn support package already passed in December 2020 under President Trump. This was then followed by additional Democratic ambition to spend up to \$3.5trn on infrastructure and an 'American families' plan over the next decade. Financial markets were alarmed that all this stimulus, which is much bigger than in other western economies, was happening at a time in the US when: -

1. A fast vaccination programme has enabled a rapid opening up of the economy.
2. The economy had already been growing strongly during 2021.
3. It started from a position of little spare capacity due to less severe lockdown measures than in many other countries. A combination of shortage of labour caused largely by an enduring fall in the labour participation rate, and supply bottle necks, is likely to stoke inflationary pressures more in the US than in other major western countries.
4. And the Federal Reserve was still providing monetary stimulus through monthly QE purchases.

7.5.2 These factors could cause an excess of demand in the economy which could then unleash stronger and more sustained inflationary pressures in the US than in other western countries: this would imply that interest rates will eventually need to go up higher in the US than elsewhere. The September Federal Reserve minutes revealed that the Federal Reserve is likely to decide at its next meeting to start tapering monthly QE purchases by the end of 2021, reducing the level of purchases each month until they cease around the middle of 2022. These purchases are currently acting as downward pressure on treasury yields and so that pressure will reduce as tapering progresses. As an average since 2011, there has been a 75% correlation between movements in 10-year treasury yields and 10-year gilt yields. This is a significant upward exposure to the forecasts for longer term PWLB rates. However, gilt yields and treasury yields do not always move in unison.

7.5.3 The balance of risks to medium to long term PWLB rates: -

- There is a balance of upside risks to forecasts for medium to long term PWLB rates.

7.6.1 **Investment and borrowing rates**

7.6.1 Investment returns are expected to improve in 2022/23. However, while markets are pricing in a series of Bank Rate hikes, actual economic circumstances may see the MPC fall short of these elevated expectations. 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 and still remain at historically low levels. The

policy of avoiding new borrowing by running down spare cash balances has served local authorities well over the last few years.

7.6.2 On 25 November 2020, the Chancellor announced the conclusion to the review of margins over gilt yields for PWLB rates which had been increased by 100 bps in October 2019. The standard and certainty margins were reduced by 100 bps 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 current 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)
- **PWLB HRA Standard Rate** is gilt plus 100 basis points (G+100bps)
- **PWLB HRA Certainty Rate** is gilt plus 80bps (G+80bps)
- **Local Infrastructure Rate** is gilt plus 60bps (G+60bps)

7.6.3 Link's long-term (beyond 10 years), forecast for Bank Rate is 2.00%. As some PWLB certainty rates are currently below 2.00%, there remains value in considering long-term borrowing from the PWLB where appropriate. Temporary borrowing rates are likely, however, to remain near Bank Rate and may also prove attractive as part of a balanced debt portfolio.

7.6.4 While this authority will not be able to avoid borrowing to finance new capital expenditure, there will be a *cost of carry*, (the difference between higher borrowing costs and lower investment returns), to any new borrowing that causes a temporary increase in cash balances.

8 BORROWING STRATEGY

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

	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24
5 Yr PWLB	1.50%	1.50%	1.60%	1.60%	1.70%	1.70%	1.70%	1.80%	1.80%	1.80%	1.90%
10Yr PWLB	1.80%	1.90%	1.90%	2.00%	2.00%	2.10%	2.10%	2.20%	2.20%	2.20%	2.30%
25Yr PWLB	2.10%	2.20%	2.30%	2.40%	2.40%	2.40%	2.50%	2.50%	2.60%	2.60%	2.60%
50Yr PWLB	1.90%	2.00%	2.10%	2.20%	2.20%	2.20%	2.30%	2.30%	2.40%	2.40%	2.40%

8.2 The Council is, as stated above, expecting to have to borrow externally between 2021 and 2023 to finance capital expenditure on 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 2022/23 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.

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 even though there may well be incremental increases from the current levels. 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 2022/23 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-today 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 2022/23 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 2022/23.

10. INVESTMENT STRATEGY

10.1 Principles

- 10.1.1 The DLUHC 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: -

- DLUHC'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 DLUHC 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 [DLUHC], 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 1st 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 for a first increase in Bank Rate in late 2021.

However, the September 2021 Monetary Policy Committee (MPC) meeting minutes indicated that their concerns over the sudden recent rise in multiple inflationary pressures could well mean that an earlier increase in Bank Rate is now possible ahead of the start of the financial year covered by this Strategy. The view of Link Asset Services is that bank rate will be at the following levels:

	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
Bank Rate	0.25%	0.25%	0.50%	0.50%	0.50%	0.75%	0.75%	0.75%	0.75%	1.00%

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
2022/23	0.83%	4.00%
2023/24	1.08%	4.00%
2024/25	1.33%	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 2022/23 has assumed an average yield of 0.83% 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

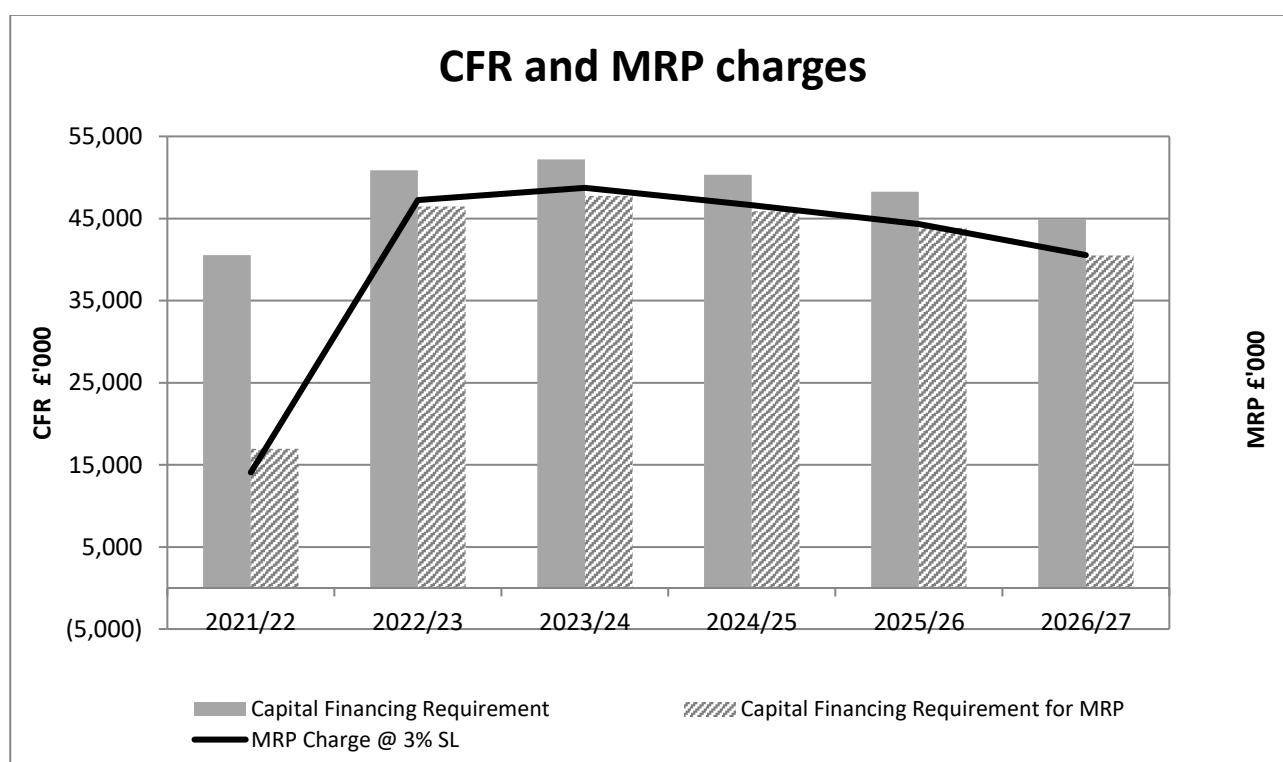
- 11.1 The Council implemented the new Minimum Revenue Provision (MRP) guidance in 2008/09 and will assess their MRP for 2022/23 in accordance with the main recommendations contained within the guidance issued by the Secretary of State under section 21(1A) of the Local Government Act 2003. Furthermore, 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 2022/23 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 2021/22, the opening CFR was £19.521million.
- 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 2022/23 is chargeable in 2023/24 and so on):

	2022/23 £000	2023/24 £000	2024/25 £000
Opening CFR	19,521	40,544	50,878
Closing CFR	40,544	50,878	52,192
Adjustment A	4,426	4,426	4,426
Adjustment Assets Under Construction	19,165	0	0
CFR for MRP Purposes	16,953	46,452	47,766
MRP Charge @ 3%	509	1,394	1,433
Adjustments to MRP for historical Overpayments	(241)	(241)	(241)
Actual MRP charge	268	1,153	1,192
Voluntary MRP	0	0	0
Actual MRP charge	268	1,153	1,192

- 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 8.11.21														
	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25
BANK RATE	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
3 month ave earnings	0.30	0.40	0.50	0.50	0.50	0.60	0.80	0.90	1.00	1.00	1.00	1.00	1.00	1.00
6 month ave earnings	0.40	0.50	0.60	0.60	0.70	0.80	0.90	1.00	1.10	1.10	1.10	1.10	1.10	1.10
12 month ave earnings	0.50	0.60	0.70	0.70	0.80	0.90	1.00	1.10	1.20	1.20	1.20	1.20	1.20	1.20
5 yr PWLB	1.50	1.50	1.60	1.60	1.70	1.70	1.70	1.80	1.80	1.80	1.90	1.90	2.00	2.00
10 yr PWLB	1.80	1.90	1.90	2.00	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.30	2.40
25 yr PWLB	2.10	2.20	2.30	2.40	2.40	2.40	2.50	2.50	2.60	2.60	2.60	2.60	2.70	2.70
50 yr PWLB	1.90	2.00	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.40	2.40	2.50	2.50
Bank Rate														
Link	0.25	0.25	0.50	0.50	0.50	0.75	0.75	0.75	0.75	1.00	1.00	1.00	1.00	1.25
Capital Economics	0.25	0.50	0.50	0.50	0.50	0.75	0.75	1.00	1.00	-	-	-	-	-
5yr PWLB Rate														
Link	1.50	1.50	1.60	1.60	1.70	1.70	1.70	1.80	1.80	1.80	1.90	1.90	2.00	2.00
Capital Economics	1.60	1.70	1.70	1.80	2.10	2.10	2.10	2.10	2.10	-	-	-	-	-
10yr PWLB Rate														
Link	1.80	1.90	1.90	2.00	2.00	2.10	2.10	2.20	2.20	2.20	2.30	2.30	2.30	2.40
Capital Economics	1.80	1.90	2.00	2.20	2.30	2.30	2.30	2.30	2.30	-	-	-	-	-
25yr PWLB Rate														
Link	2.10	2.20	2.30	2.40	2.40	2.40	2.50	2.50	2.60	2.60	2.60	2.60	2.70	2.70
Capital Economics	2.10	2.20	2.40	2.60	2.70	2.80	2.80	2.80	2.90	-	-	-	-	-
50yr PWLB Rate														
Link	1.90	2.00	2.10	2.20	2.20	2.20	2.30	2.30	2.40	2.40	2.40	2.40	2.50	2.50
Capital Economics	1.90	2.00	2.20	2.40	2.50	2.60	2.60	2.60	2.70	-	-	-	-	-

TREASURY MANAGEMENT POLICY STATEMENT

Carlisle City Council defines treasury management as:

“The management of the organisation’s borrowings, investments and cash flows, including 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 10 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.

Carlisle City Council

Report to

Item
A.4

Report details

Meeting Date: 06/01/2022
Portfolio: Cross cutting

Key Decision:

Policy and Budget
Framework

Public / Private Public

Title: Future Scrutiny Task and Finish Group Report

Report of: Deputy Chief Executive

Report Number: O&S 01/22

Purpose / Summary:

This report summarises the work of the Future Scrutiny Task and Finish Group and sets out its findings for BTSP to consider and make recommendations on.

Recommendations:

BTSP are asked to recommend that the Monitoring Officer makes changes to the Carlisle City Council Constitution that will allow scrutiny to move to a two Scrutiny Panel arrangements, as outlined in the proposals of this report.

Tracking

Executive:	
Scrutiny:	BTSP 06/01/2022
Council:	

1. Background

1.1. In 2018 BTSP established a Task and Finish Group to consider changed to scrutiny arrangements at Carlisle City Council as part of a review into efficiencies of the Council's Governance Structures. This Task and Finish group was very thorough and produced a considerable body of evidence that was presented to BTSP at a special meeting on 22 February 2019. The report recommended a move to two Scrutiny Panels, however, following discussion and a vote by the Panel it this recommendation was not taken forward by BTSP. The decision not to take forward recommendations appears to have turned on the timing of the report and lack of consensus. The full 2018/19 Task and Finish Group report is included in Appendix 3 and has provided a considerable foundation for the proposals in this report.

1.2. In January 2020 the Council invited an LGA Corporate Peer Challenge to consider its performance. Following useful findings of this in relation to governance and decision making, an LGA Peer Support review was requested. This took place in November 2020 and focussed on governance models, scrutiny and decision making. This second report made several recommendations that were specific to scrutiny:

- Provide Chairs of Scrutiny with further dedicated support
- Officers working with Scrutiny and Chairs of Scrutiny are encouraged to speak to colleagues elsewhere to share learning
- Support and training for members of scrutiny
- Identifying a clear senior scrutiny champion
- Consider the structure of scrutiny and look again at options for reducing the number of committees.
- Have a scrutiny improvement plan in place

Both of these LGA Peer Reviews pre-date the decision around Local Government Reorganisation (LGR) in Cumbria and do not reflect its impacts on Council priorities or resources. However, some improvements that were identified had already been made and will benefit Members and officers in the coming months, such as an improvement plan and senior officer support for scrutiny. Other comments, such as those around strategic scrutiny agendas, are an area for continued improvement that will offer good use of resources during the period until Vesting Day.

Detail on the findings of these reports on scrutiny are given in Appendix 2.

1.3. Scrutiny Improvement Work

The 2018/19 Task and Finish Group noted that more training should be offered to Scrutiny Members. The Peer Challenge and LGA Peer Support (Jan and Nov 2020) also noted a number of actions that could improve scrutiny work at the City Council. LGA Peer Support (Nov 2020) noted that some improvement work had been undertaken since the Peer Challenge (Jan 2020).

Recent improvement activity includes:

- Training for scrutiny members offered at the start of each council year
- Meeting times are now varied between 10am and 4pm starts to encourage engagement by a wider range of Members in scrutiny.
- Chairs have an increased focus on robust work planning and have renewed support from Senior Management Team to do this.
- Scrutiny Improvement Action Plan developed in response to LGA Peer Support (Nov 2020) and progress monitored at Scrutiny Chairs meetings by Chairs and the senior officer Scrutiny Champion (Darren Crossley).
- Increased sharing of briefing notes and training materials during the year for Scrutiny Members.

1.4. BTSP resolved to establish a Task and Finish group, that included Members of other Panels at their meeting of 15 July 2021 to consider scrutiny structures, in response to the LGA Peer Review (Nov 2020). HWSP and EGSP both considered this invitation and nominated Members to join this Task and Finish Group, which took place during November and December 2021.

This report sets out the recommendations of this Task and Finish Group for BTSP to consider and make recommendations on.

1.5. The recommendations that BTSP are being asked to consider in this report differ from the recommendations that they were asked to consider in February 2019 as they include additional evidence, from two Peer reports. Also, this report's recommendations focus on a specific two-panel structure that is set out in detail in the "Proposals" section.

1.6. If BTSP chose to take forward the recommendations of the Task and Finish group, the pathway and timescales for delivering these recommendations are set out below.

Action	Progress/ timescale
O&S Chairs meet and agree a lead panel so as to avoid all three panels receiving reports on the same issue	Done BTSP to lead – June 2021
Panel BTSP meets and resolves to set up a task and finish group which will include members from all three O&S Panels.	15 July 21
Task and Finish Group gathers evidence and drafts a report	November/ December 2021
Task and Finish Group gathers evidence and presents a report to BTSP	T&F group report to BTSP 06 Jan 2022
BTSP, if it wishes to endorse T&F group proposals, makes a recommendation to the Monitoring Officer	06 Jan 2022
Monitoring Officer drafts changes to the Constitution and refers to Leader for comments	Jan 2022
Monitoring Officer presents draft changes to the Constitution to full Council for a decision	1 March 2022
If Council agrees changes to Constitution, civic calendar is changed and goes to full Council for agreement	26 April 2022
First post elections full Council meeting, council nominated Members and Chairs to Place and People Panels.	May 2022

2. Proposals

2.1 The Future Scrutiny Task and Finish group are proposing a two-panel structure, with a “Place Panel” and a “People Panel”. This structure includes an ad-hoc “Resources Panel” that is serviced by Members of the Place and People Panels and considers budget matters.

2.2 Place Panel

Membership: 8 Members

Meets: 8 times per year

Chairing: Chair and Vice Chair elected at Annual Council

This Panel considers matters that contribute to the physical environment of Carlisle. They also consider how the physical environment is communicated and perceived in order to draw in more physical and economic benefits to the city (the “place offer”).

Examples of key work streams that will fall within the remit of Place Panel include:

- Infrastructure (Capital projects, regeneration, pathways, lighting)
- Council assets (fleet, buildings, CCTV)
- Environment (Environment Strategy, environmental improvements, regulatory activity, environmental health, enforcement, conservation)
- Amenities (green spaces, leisure centres, parks, Tullie House)
- Housing (development, improvements, empty homes, housing needs, social housing)
- Economic development/ regeneration (Borderlands, Towns Deal, High Street)
- Planning
- Local identity (marketing, tourism, events, heritage)
- Physical and digital connectivity

2.3 People Panel

Membership: 8 Members

Meets: 8 times per year

Chairing: Chair and Vice Chair elected at Annual Council

This Panel considers matters impact upon local people, communities and the Council’s workforce. It considers matters that impact upon social relationships, quality of life and health.

Examples of key work streams that will fall within the remit of Place Panel include:

- Partnerships (professional, community groups, funding bids)
- Workforce (HR, payroll, workforce development, equalities)
- Customers (service provision/ performance, consultation, data, FOI)
- Culture/ arts (Cultural Strategy, arts development)
- Community support/ organisations (community centres, volunteering)
- Health and wellbeing (GLL contract, sports development)
- Emergency planning

- Communications (PR, media)
- Homelessness

2.4 Resources Panel

Membership – 4 Members of Place Panel (including 1 Chair or vice Chair), 4 Members of People Panel (including 1 Chair or vice Chair)

Meets: 3 times per year. Meetings in November and January for budget process. Meet in July for MTFP, Asset Management Plan and Capital Investment Strategy.

Chairing: Chair and Vice Chair elected from panel members at first meeting of the year.

This Panel focuses on budget and key finance strategies.

- Budget
- Capital Strategy
- MTFP

The Finance comments in the “Corporate Implications” section later on in this report contain comments that are specifically relevant to the establishment of a Resources Panel.

2.5 Advantages of these proposals:

- Reduced duplication in the Panels work, compared to the current structures. For example, BTSP and HWSP currently consider different aspects of the Sands Centre project. This is demonstrated in the example workplans that are outlined in Appendix 1.
- Place and People reflect the two workstreams themes that have been identified to structure work for LGR.
- Reduces the number of Members that are required to be involved in scrutiny to 16. This reduction is aligned to recommendations in Peer Challenges and reflects the fewer number of Members, compared to when the current three-Panel structure was established. The current structure offers 24 Member places, but five Members are on more than one Panel, so the City Council currently has 19 Scrutiny Members.
- If LGR progresses as currently planned, the budget setting role of Resources Panel may not be required in 2022/23.

2.6 In recent years a number of local authorities have responded to austerity by reorganising their directorates into two: People and Place. A number of councils

also seem to be using a people/ place approach to their scrutiny panels (examples include East Sussex, Southend, Dorset, Redbridge). Some councils also seem to be keeping budget work out of these Panels, either using a less frequently meeting Resources Panel or giving budget work to Audit Committee.

2.7 Limitations of these proposals:

- These proposals will make changes to the way that scrutiny operates at Carlisle City Council. Under the current LGR timescales, Carlisle City Council will operate until April 2023, we will undertake scrutiny activity up until Vesting Day. Carlisle City council scrutiny activity will focus on work of the City Council, which will need to provide a service to residents up to Vesting Day.
- There will be elections to the Cumberland Shadow Council in May 2022. A Shadow Executive will form and it is anticipated that Shadow Scrutiny arrangements will be put in place. The Shadow Council and then Cumberland Council will make their own decisions about governance and scrutiny arrangements.

3 Risks

3.1 There is a risk that BTSP may recommend changes to the Constitution in order to change City Council scrutiny arrangements that are not supported at Full Council. There has been lack of consensus among Members on this matter in the past; however impacts of this risk are minimal.

4 Consultation

- 4.1 The BTSP resolution to form this Task and Finish Group and seek engagement from other Panels was discussed by both HWSP and EGSP at their meetings of 14 October 2021 and 21 October 2021 respectively. Both Panels nominated Members to participate in this Task and Finish Group.
- 4.2 Scrutiny Chairs Group considered the findings of the LGA Peer Support (Nov 2020) at their meeting in April 2021 and scoping work around what a two-panel structure could look like for Carlisle. This scoping work has formed the basis for the proposed People-Place arrangement that is set out in this report. Scrutiny Chairs also invited group leaders, Cllr Mallinson and Cllr Tickner, to their June 2021 meeting to discuss next steps on future scrutiny arrangements and the People-Place draft structure.

5 Conclusion and reasons for recommendations

5.1 BTSP are asked to recommend that the Monitoring Officer makes changes to the Carlisle City Council Constitution that will allow scrutiny to move to a two Scrutiny Panel arrangements, as outlined in the proposals of this report.

6 Contribution to the Carlisle Plan Priorities

6.1 Overview and scrutiny of items that are prioritised within the Carlisle Plan contributes to ongoing policy development and service improvement. Improving scrutiny arrangements has the potential to improve the delivery of Carlisle plan priorities.

Contact details:

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Ext: 7257

Appendices attached to report:

- Appendix 1: Detail on draft Place-People Workplans
- Appendix 2: Key Points from Corporate Peer Challenge (Jan 2020) and LGA Peer Support (Nov 2020)
- Appendix 3: Report of 2018/19 Task and Finish Group

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 – There has not been any legal/governance input into the task and finish group's report but commenting on the proposal:

- i. The TFG proposals may be conveniently achieved by renaming the three existing panels, refining their remits and reducing the number of meetings of BTSP/"Resources".
- ii. The Group Leaders may be invited to appoint Resource members that are on the People and Place panels but it is a matter for them whether they do so or not. Council currently appoints the Chair/Vice Chair of each panel so that will require a constitutional amendment if that is what is desired.

- iii. Members should consider whether it is appropriate to make these changes at this time given the impending Local Government Reorganisation and the need for scrutiny (likely BTSP or “Resources”) to be involved in that from early next year, onwards. The current proposals remove convenient meetings for this purpose from the calendar.

Property Services –

Finance - The report, at paragraph 2.4, sets out the remit and regulatory of the proposed Resources Panel; however, if LGR is implemented in Cumbria based upon the current timeline, then the City Council will not be setting a budget for 2023/24 and therefore will not have any budget proposals, nor MTFP, AMP and Capital Investment Plans, to scrutinise during 2022/23. The Scrutiny panels have, in effect, scrutinised the last budget for Carlisle City Council at their meetings in November and December 2021.

However, if there is any delay in the process, the Resources panel can meet at the times stipulated in the report to address the Budget Strategy documents (July) and scrutiny of the detailed budget proposals (November – January) in line with the governance arrangements already in place.

The report does not refer to which panel will take responsibility for the scrutiny of the quarterly budgetary position for Revenue and Capital, which will still be a key requirement during 2022/23. This work will be fundamental to ensure the financial sustainability of the new Cumberland Council post April 2023.

The distinction between the scrutiny provided by the existing panels and the role of the Audit Committee (assurance) must be recognised and clearly understood by Members with due consideration given before any financial management issues are transferred between committees.

Equality – None

Information Governance - None

Appendix 1: Detail on draft Place-People Workplans

People Panel – Example workplan based upon 2021-22 workplans for current Panels

Meeting month	Item	Type of Scrutiny	Current panel
June	End of Year Performance Report	Monitoring	HWSP
	Financial Update on the Impact of Covid-19	Monitoring	BTSP
	Outturn Reports	Monitoring	BTSP
	Sickness Absence - end of year report 2020/21	Monitoring	BTSP
July	Draft Carlisle Plan	Policy Devel'pt	HWSP
	Sustainable Food Places - Food Carlisle	Policy update	HWSP
	Update on IT projects	Monitoring	BTSP
	Business Rates Outturn 2020/21	Monitoring	BTSP
	Draft Carlisle Plan	Policy Devel'pt	BTSP
Sept	Sands Centre Project Monitoring Report	Monitoring	BTSP
	Sickness Absence Q1	Monitoring	BTSP
	External Audit Report - Action Plan and recommendations	Monitoring	BTSP
	Annual Equality Report	Policy update	HWSP
	Performance Report - Q1	Monitoring	HWSP
	Covid-19 Recovery Update	Policy update	HWSP
	Sands Centre Redevelopment - planning programmes	Policy update	HWSP
	Commercialisation Strategy T&F group report	Policy Devel'pt	BTSP
Oct	Zero Carbon Partnership	Partnership	HWSP
	Budget monitoring Q1 2021/22	Monitoring	BTSP
	Emerging agile working policy/ staff survey	Policy Devel'pt	BTSP
Nov	Cumbria Choice - accessibility and performance	Policy update	HWSP
	Performance Report - Q2	Monitoring	HWSP
	Draft Healthy city Strategy - post Covid re-build	Policy update	HWSP
	Sickness Absence Q2	Monitoring	BTSP
	Budget monitoring Q2 2021/22	Monitoring	BTSP
Jan	Carlisle Partnership - Place project & External funding project	Policy update	HWSP
	Strategic framework for Culture in Carlisle	Policy update	HWSP
	Local Hub developments (Community Safety)	Policy Devel'pt	HWSP
	Performance Report - Q3	Monitoring	HWSP
Feb	Community centre update	Policy update	HWSP
	GLL	Partnership	HWSP
	Sickness Absence Q3	Monitoring	BTSP
April	Homelessness - update on delivery of Strategy	Policy update	HWSP
	Local Government reorganisation	Policy Devel'pt	HWSP
	Scrutiny Annual Report	Policy Devel'pt	HWSP
	Emergency Planning - Community Engagement	Policy update	HWSP
	Budget monitoring Q3 2021/22	Monitoring	BTSP
	Corporate Projects	Monitoring	BTSP
	Corporate Risk Register	Monitoring	BTSP

Place Panel – Example workplan based upon 2021-22 workplans for current Panels

Meeting month	Item	Type of Scrutiny	Current panel
June	Local Environment (Climate Change) Strategy	Policy Devel'pt	HWSP
	End of Year Performance Report	Monitoring	EGSP
	Sands Centre Project Monitoring Report	Monitoring	BTSP
July	Cumbria Coastal Strategy and Shoreline Management Plan	Policy update	HWSP
	Draft Carlisle Plan	Policy Devel'pt	EGSP
	Events - planned events and city centre vitality	Policy update	EGSP
	High Street Task Force - quick wins for City Centre	Policy Devel'pt	EGSP
Sept	Civic Centre Re-instatement and Development	Monitoring	BTSP
	Covid-19 Recovery Update - focus on Economic Growth	Policy update	EGSP
	Economic Strategy Action Plan - performance	Monitoring	EGSP
	Economic Development PMO	Policy update	EGSP
	Performance Report - Q1	Monitoring	EGSP
Oct	Local Air Quality Action Plan	Policy update	HWSP
	Housing Assistance Grants - DFGs, repair assistance and empty property grants	Policy update	HWSP
	Delivering SCGV - ensuring the right resources and skills	Policy Devel'pt	EGSP
	Making best use of existing housing stock (private sector housing)	Policy update	EGSP
	Tourism - delivering this strand of the Economic Strategy	Policy Devel'pt	EGSP
Nov	Tullie House Business Plan	Partnership	HWSP
	Cycling Walking Infrastructure Plans (CWIPS)	Policy Devel'pt	HWSP
	Performance Report - Q2	Monitoring	EGSP
	Infrastructure for connectivity	Policy Devel'pt	EGSP
	High Street Task Force - quick wins for City Centre	Policy Devel'pt	EGSP
	Sands Centre Project Monitoring Report		BTSP
Jan	Diversifying the City Centre	Policy Devel'pt	EGSP
	Kingmoor Park Update	Partnership	EGSP
	Performance Report - Q3	Monitoring	EGSP
Feb	Enforcement Strategy - update on recent activity	Policy update	HWSP
	Active spaces - update on plan	Policy update	HWSP
	Sands Centre Project Monitoring Report		BTSP
	LEP - Partner Update	Partnership	EGSP
	Economic Development PMO	Policy update	EGSP
	Scrutiny Annual Report	Policy Devel'pt	EGSP
April	End of Year Performance Report	Monitoring	EGSP
	Riverside - regeneration of existing stock	Partnership	EGSP
	Economic Strategy Action Plan - performance	Monitoring	EGSP
	Flood Risk Management	Partnership	EGSP
	Corporate Projects	Monitoring	BTSP
	Corporate Risk Register	Monitoring	BTSP

Resources Panel – Example workplan based upon 2021-22 workplans for current Panels

Meeting month	Item	Type of Scrutiny	Current panel
August	Medium Term Financial Plan	Policy Devel'pt	BTSP
	Asset Management Plan and Annual Property Survey Report	Policy Devel'pt	BTSP
	Capital Investment Strategy	Policy Devel'pt	BTSP
Dec	Budget Setting	Budget	BTSP
Jan	Budget Setting (Including Treasury Management Strategy Statement)	Budget	BTSP

Summary of Work plan breakdown by Panel (based upon 2021-22 workplans)

Panel – current 3 Panels	Items covered per year (based upon 2021/22 workplans)	Number of meetings in year
BTSP	33	8
EGSP	24	8
HWSP	30	8
Panels – People/ Place		
People	39	8
Place	38	8
Resources	5	3

Appendix 3: Key Points from Corporate Peer Challenge (Jan 2020) and LGA Peer Support (Nov 2020)

Summary of Corporate Peer Challenge 1 (January 2020) findings on scrutiny - synopsis

The main recommendation from the Corporate Peer Challenge with regard to scrutiny was:

“Review current arrangements for scrutiny and consider alternative options. This should enable more focused scrutiny of performance, implementation of decisions and contribution to the development of policy in priority areas. It should consider how to support more timely decision making and take account of the reduction in the number of councillors since the 2018 boundary review.” (page 3, CPC)

Further detail from within the report suggested that:

“Scrutiny activity should be re-focused on major issues and areas where input into policy development is being particularly sought or where scrutiny can make a positive difference to communities and the delivery of Council priorities.” (page 10, CPC)

Scrutiny of budget proposals and performance were both highlighted as areas where scrutiny had the potential to add greater value. There were also comments around process driven consideration of reports leading to missed opportunities for influence and added value.

LGA Peer Support (November 2020) findings on scrutiny – extracts of text

“Explore the potential role of Scrutiny further, building on the good will and appetite for increased impact and focus.

There is a consistent view that Scrutiny would be much more impactful in Carlisle if it balanced more of its work towards deeper, more focussed items of most critical importance to the district. The use of working groups in Carlisle are frequently cited as the examples where wider member engagement has created particularly insightful input into strategy and policy development. Examples of this can be seen in relation to the St Cuthbert's Programme and around the Equality Policy.

There is clear support and encouragement from the Executive to have more considered insight of this nature, particularly where the work is focussed at a meaningful depth and is time limited (to help avoid drift/loss of focus). The open, supportive and challenging balance here will remain important.

In pockets there is a clear understanding of ‘the art of the possible’ in terms of the various different ways in which Scrutiny could choose to operate. Widening this understanding can

have a role in helping Scrutiny to provide the type of insight, input and challenge that the Executive are keen to see.

- **Recommendation 5** – *provide Chairs of Scrutiny with further dedicated support.* This can take the form of training, such as in deciding agendas which focus more on the key strategic issues and avoiding the overly operational. It can also help in shaping strong, meaningful recommendations. This offer of support, would also include the type of informal, open relationship Chairs of Scrutiny have with the Leader and Executive. It also includes the type of support officers provide them with.
- **Recommendation 6** – *officers working with Scrutiny and Chairs of Scrutiny are encouraged to speak with colleagues in councils elsewhere to share further learning in regards to the different ways of operating Scrutiny* – which can include the methods that can be adopted by working groups, as well as other ways of engaging key 'expert witnesses'. The LGA are happy to connect the Council with colleagues elsewhere who would be happy to help with this.
- **Recommendation 7** – *further support and training for members of scrutiny, including for asking questions and the different methods of providing scrutiny.* This can help to give members of Overview and Scrutiny further confidence in their roles and the value of this role.
- **Recommendation 8** – *whilst the role of scrutiny should be an important consideration for all senior officers, identifying and communicating a clear senior officer champion for Scrutiny can help to drive this agenda.* This senior lead can help to progress the actions and improvements identified in relation to scrutiny, be a senior officer voice for the role of scrutiny and can support scrutiny officers to challenge both officers and members in relation to the role of scrutiny and how to engage with it. Having this can also help further empower scrutiny in deciding its own agenda, breaking down any obstacles that may present themselves (as appropriate).

The Council currently operates with three Scrutiny committees, which is the same model the Council had in place before the LGBCE boundary review which reduced the number of members from 52 to 39 in May 2019. The Scrutiny committees have different, dedicated chairs, one from the Conservative group, one from the Labour group and the third being an Independent member. This reflects the tight political balance of the Council.

Members and officers across the Council are familiar with a debate about whether this three committee structure remains the most effective structure for Overview and Scrutiny. In the spirit of giving an honest reflection back based on what the team heard, we found almost no member or officers who were particular fans of the current model.

Almost everyone the team asked, preferred a model with fewer committees to allow for a more concentrated use of the skills available to the Council. Efforts have been made in the past to move from this model, which have been delayed due to the amount of time left before the Annual General Meeting.

- **Recommendation 9** – *consider the structure for Scrutiny and look again at the options for reducing the number of committees.* In light of the Council's wishes for improvement in Scrutiny, and in light of the reduction in the number of seats in May 2019, it is the view of the peer team that the Council would be well served by moving to a model with one committee. Building and brokering agreement on any alternative structure may need the support of the CEX but having these discussions can be important to the improvements you are trying to achieve. Equally, should agreement be found on this, ensuring this is implemented and not restricted by a date set for the AGM will avoid this debate repeating again.

As a 'half-way house' should the Council arrive at a decision to reduce the number of Scrutiny committees to two for example, ensuring there is a clear distinction between the committees and that they are aligned to the new Carlisle Plan will be important. When required, shared items can take place through joint working groups. This can help to avoid duplication of member and officer effort and a more rounded set of recommendations for the Executive.

- **Recommendation 10** – *all of the above is multi-faceted, involving a number of people and actions. Having a specific Scrutiny improvement plan in place that brings this all together will aid progress."*

Business & Transformation Scrutiny Panel

Task & Finish Group Report

An efficiency and efficacy review of the current governance structures of the Council

Part 1: A review of scrutiny arrangements

Version: 1.2

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Recommendations

1. The Task & Finish Group consider a move to 2 panels as preferable, but would like more evidence on the likely efficiencies and improvements, in particular the need for mandatory training in Overview & Scrutiny skills
2. The panels are made up of between 8 and 10 members
3. The panels meet every 6 weeks

Introduction

The Business & Transformation Scrutiny Panel Task & Finish Group has been established to scrutinise the governance arrangements for the Council. The tasks will be tackled in the following order:

- Overview and Scrutiny
- Statutory and other Committees / Panels

This report sets out the first part of the review, Overview & Scrutiny. The report sets out the background to the review, the methodology and analysis. The current arrangements, recent reviews and key areas of discussion are included, most notably:

- Parliamentary Review of Local Authority Scrutiny Function
- The Local Government Boundary Commission Review
- Task & Finish Groups
- Frequency and time of meetings
- Cross-cutting issues

The report summarises the current scrutiny arrangements for groups of similar selected Councils. In addition, three Councils are reviewed in more detail. An overview of all governance arrangements is included for context, this will form the second part of the review.

The report draws conclusions and presents three recommendations.

Background

The Business & Transformation Scrutiny Panel resolved at their meeting on 18 October that a Task & Finish Group be established to scrutinise the governance arrangements for the Council. The Task & Finish Group would include the Chairman and Vice Chairman of the Business & Transformation Scrutiny Panel, Councillor Ellis, Councillor Alcroft and Councillor Allison. Relevant Members and Officers would also be invited to take part in the Task Group work. Councillor Alcroft was, subsequently, replaced by Councillor McDonald.

Through the 2017/18 Annual Scrutiny Report it was agreed that in the new civic year, the Scrutiny Chairs Group will continue to review the number, frequency and remits of the three panels alongside the Local Government Boundary Commission Review. The Scrutiny Chairs Group planned to consult with the three panels throughout 2018/19.

The Scrutiny Chairs Group met on 16 August and discussed the future structure of the scrutiny function. It was resolved that the best way forward would be to establish a Cross Party Working Group to determine an appropriate and efficient future structure.

Subsequent advice from the Corporate Director of Governance & Regulatory Services was to the effect that, if Members wished to have such a Task and Finish group then it should

come under the ambit of the Business and Transformation Scrutiny Panel as the Chairs' Group did not have a remit for this type of action.

On the 18 October The Business & Transformation Scrutiny Panel was asked to consider:

- Whether the scope of any review should be around Scrutiny, or a more broadly-based review of governance structures.
- Whether a separate Task and Finish Group should be established to take this matter forward.
- In the event that the Panel agreed to limit any review to the scrutiny function, to agree what additional information from the Overview and Scrutiny Officer was needed to allow a decision to be made.

The Task & Finish Group met on 18 October 2018 and agreed:

- The work should be completed swiftly so that any recommendations from the Task & Finish Group could be tabled as an agenda item at the January Panel meeting or a special meeting.
- The objective, if a consensus is reached is to debate the new proposals at Council in March 2019 for implementation in the Civic Year 2019/20.

The Task & Finish Group met again on 29 November 2018 and agreed the methodology set out in the report. In addition, the Corporate Director of Governance & Regulatory Services (Monitoring Officer) was asked to prepare a timetable for consultation that ensured that any agreed changes could be put to Council in April for implementation in the Civic Year 2019/20.

This timetable was circulated on the 30 November and agreed by the Chair, the first deadline being the Business & Transformation Scrutiny Panel 3 January 2018. The timetable is presented in Table 4.

The Task & Finish Group met on 13 December 2018 and agreed some additional information for the report, to be signed off by the Chair and Vice Chair. At this meeting Councillor Alcroft attended in place of Councillor McDonald.

The Economic Growth Scrutiny Panel and the Health & Wellbeing Scrutiny Panel (Special) were consulted on this report, their views will be part of the agenda for the Special Business & Transformation Scrutiny Panel meeting on 22 February 2019.

The Scrutiny Chairs Group met on 24 January and discussed the review and report.

The Task & Finish Group met on 14 February 2019 and agreed some minor amendments and additional evidence for the report. These changes had been incorporated into this version.

Methodology

It was agreed that the review will include the following elements:

- 1) A description and analysis of the current arrangements. This will include the broad metrics of the current structures but will also include comments from relevant members and key officers, around strengths, weaknesses and opportunities for improvement. Group leaders will be invited to comment as part of this exercise.

The timetable agreed in table 4 will enable consultation around the scope for improvement. At each meeting Members and key officers will be consulted on the strengths, weaknesses and opportunities for improvement.

- 2) An analysis of possible drivers for change. This will follow from (1) above and will include:
 - Any new guidance from Government, especially around Overview and Scrutiny arrangements.
 - The expected reduced number of Councillors from May 2019.
 - The need to continue to improve the efficiency and cost effectiveness of the Council's governance arrangements.
 - The need to consider, in terms of scrutiny, a growing number of 'cross cutting' issues, which would be better managed in a more streamlined scrutiny approach.
- 3) A material part of the work will be to compare the structural arrangements in this Council with those in similar sized second tier Councils.
- 4) The review will also take account of any relevant national guidance and / or principles or examples of good practice, where possible.

Whilst a review of any one part of the governance structure needs to be undertaken in the context of possible commitments in the other parts, it is suggested that the work be undertaken in the following priority order: -

- Overview and Scrutiny
- Statutory and other Committees / Panels

Current arrangements

Scrutiny operates through three panels: Business & Transformation Scrutiny Panel; Economic Growth Scrutiny Panel and Health & Wellbeing Scrutiny Panel.

There are eight non-Executive members on each panel and each panel is politically balanced (i.e. the proportions of each political party on the panel are the same as on the Council as a whole). Individual Councillors are selected by their political parties to sit on the scrutiny panels. Each panel has a work programme and meets on a 6-weekly cycle. The link to the detailed procedure rules and remits for each panel is presented in [Appendix A](#).

The use of substitutes for meetings is a common occurrence, it is rare for a panel meeting not to include a substitute. This occurrence highlights that it is a challenge to sustain full attendance for the nominated panel members throughout the year. This can have an impact on the panel's ability to build expertise and knowledge. Additionally, with many substitutions occurring very close to panel meetings, substitutes are often placed in a difficult position by not having time to prepare properly for meetings.

The three work programmes are developed to fulfil the current arrangements, three panels need three work programmes and a 6-weekly cycle needs at least one item per meeting. On average, panel agendas have 3 agenda items per meeting.

Initial feedback on changing the current arrangements has been received from Economic Growth Scrutiny Panel and the Chair of the Health & Wellbeing Scrutiny Panel. This feedback is presented in [Appendix B](#).

Parliamentary review of the Local Authority Scrutiny Function

The Communities and Local Government Select Committee completed a review of the Local Authority Scrutiny Function in December 2017. The recommendations of the Committee and the subsequent response by Government (in March 2018) is presented in [Appendix C](#). The Government has promised to issue new guidance later this year to replace the current guidance, which was issued in 2006. An update on progress has been posted on the Centre for Public Scrutiny website: <https://www.cfps.org.uk/an-update-on-the-scrutiny-guidance/>

The new guidance will not be prescriptive. The decision on how to undertake the scrutiny role rests with individual Councils. It is the Government's view that each council is best placed to decide which arrangements best suit its own individual circumstances.

The Local Government Boundary Commission Review (LGBCE)

The review has been completed and the finalised recommendations are:

- Carlisle should be represented by 39 councillors, 13 fewer than there are now.
- Carlisle should have 13 wards, nine fewer than there are now.
- The boundaries of all wards should change; none will stay the same.

The LGBCE concluded that decreasing the number of councillors by 13 would still ensure that the Council can carry out its roles and responsibilities effectively. The recommendations must now be approved by Parliament and the new electoral arrangements will come into force at the local elections on 2 May 2019.

Applying the 39 members to current arrangements could mean that 24 (3x8) members will be on scrutiny panels. A more likely outcome is that continuing with the status quo will require a greater reliance on a smaller number of members and subsequently a continued use of substitutes.

Table 1 below, illustrates the reduction and its impact on availability of members for scrutiny.

Table 1: Estimated percentage of members on scrutiny

Item	2018-19	2019-20
Total membership	52	39
Executive	6	6 (assumed)
Mayor	1	1
Available for scrutiny	45	32
Needed for scrutiny	24 (53%)	3 panel – 24 (75%) 2 panel – 16 or 20 (50 – 63%) 1 panel - 8 or 10 (25 – 31%)

Effective scrutiny is crucial to the Council carrying out its roles and responsibilities. Appointment to scrutiny is not just a simple numeric apportionment but rather a search for special skills capable of undertaking the scrutiny role. It is critical that scrutiny with a politically balanced membership.

Task & Finish Groups

Members have commented that the less formal, more flexible, Task & Finish Group approach to a work programme can be more interesting. A Task & Finish Group allows members to bring their expertise to bear on a priority in a more dynamic setting than a formal panel meeting. The Member Learning Group has recently undertaken a survey of members to develop a pool of members willing to share their expertise through Task & Finish Groups.

The current approach to Task & Finish Groups ensures that the Council's reputation for transparency is maintained through regular reporting back to the parent panel. The Overview Report provides the panel, the Council and the public with a regular update on progress made in any active Task & Finish Group. This approach has been proven to work well in recent years, most notably in the Community Asset Transfer Task & Finish Group.

The group is clear that:

- Task & Finish Groups should be open to all members, thereby ensuring the greatest opportunity for Member engagement in policy development.
- Task & Finish Groups should only be convened when there is a clear need, they are not a substitute for scrutiny panels.

A decision to reduce the number of panels will likely lead to internal efficiencies which could be redirected to increase the amount of task & finish group work undertaken.

Frequency and time of meetings

The group has discussed the options around the frequency and timing of the panel meetings. The Council meets on an 8-weekly cycle and Executive meets on a 6-weekly cycle. It would therefore be prudent to retain the 6-weekly cycle of Overview and Scrutiny in 2019/20. This will give the panel(s) the flexibility to respond to emerging issues and ensure a timely completion of 'call-ins'.

A discussion on the frequency of the panel meetings included the time of day. It was appreciated by the group that the morning meetings often excluded participation from members in employment. A consideration should be given to moving the meetings to the afternoon and it was noted that Executive met at 4 pm.

'Cross-cutting' issues

The experience of recent joint scrutiny panels and budget scrutiny has highlighted the challenges of 'cross cutting' issues. A more co-ordinated scrutiny process would present the following benefits:

- Avoid a duplication of member and officer effort.
- Avoid duplication of lines of inquiry by the three panels.
- Allow more in-depth scrutiny of the key issues.

The three major projects identified in the Carlisle Plan, Borderlands Inclusive Growth Deal, St Cuthbert's Garden Village and the Sands Centre Redevelopment, all have cross-cutting issues relating to economic growth, health, wellbeing and finances. An effective scrutiny will

be forward looking, scrutinising the most corporate and strategically cross-cutting of Council planned activity.

The performance report is presented at three panels every quarter, this an example of a cross-cutting issue divided into three separate reports. The risk management report, corporate programme report and finance monitoring reports are examples of cross-cutting issues that are only currently reported to a single panel.

Any changes arising from this review should clarify how these cross-cutting issues will be coordinated within the new arrangements. This will be considered alongside the work on panel name(s) and remits.

Comparison to the groups of similar authorities

Several groupings consisting of similar sized District Councils have been analysed to compare scrutiny arrangements. There are 4 groups: Cumbria Districts, Nearest Neighbours (from the previous Audit Commission grouping), Historic Cities and South Lakeland District Council's (SLDC) comparator group. The details of each of these groups are presented in [appendix D](#).

Each of the groups are summarised in Table 2, Carlisle is only included in the Cumbria Districts Group and is excluded from the counts for each of the other groups.

Table 2: Summary of comparison groups (count of panels)

Group	Number of scrutiny panels				
	1 Panel	2 Panels	3 Panels	4 Or 5 Panels	Total
Cumbria Districts	4	1	1	0	6
Nearest Neighbours	4	5	3	3	15
Historic Cities	6	4	1	0	11
SLDC comparator group	12	0	1	0	13
Totals	26	10	6	3	45

The most frequent scrutiny arrangement within each of these groups is 1 or 2 panels.

Members should note that the number of panels is a rather basic comparator and doesn't itself show how industriously those panels undertake their duties. For that reason, the appendices also show the number of meetings held in a financial / civic year. That information ([Appendix D](#)) is summarised in table 3.

Table 3: Summary of comparison groups (count of meetings)

Authority grouping	Annual count of meetings		
	Low	High	Average
Cumbria	7	24	11
Nearest Neighbour	8	25	15
Historic Cities	4	24	13
SLDC Comparator Group	5	18	9

These figures, probably more than the more basic comparator based on the number of panels, demonstrate Carlisle's position as a relative outlier, with amongst the highest number of meetings from the 45 councils used in the comparative analysis.

Selected District Councils

Three District Councils have been selected to provide more detail on scrutiny arrangements with 2 or 1 panel(s). The three are Lancaster City Council, St. Edmundsbury Borough Council and Erewash Borough Council.

Comparison with Lancaster City Council (LCC)

LCC has undergone a LGBCE Review with the changes coming in May 2015 elections. The review concluded that the number of members remained at 60. LCC also underwent a Local Government Association Peer Review in 2015 which included an action to consider how to make best use of Overview & Scrutiny. The current arrangements are as follows:

Budget and Performance Panel

The purpose of this panel is to scrutinise the Council's arrangements and performance in relation to financial planning, including budget and target setting. The panel has a membership of 9 members and meets on a 9-week cycle, approximately, the meetings are in the evenings either at 6pm or 6:10pm.

Overview and Scrutiny Committee

The Overview and Scrutiny Committee has overall responsibility for the performance of all Overview and Scrutiny functions on behalf of the Council. The Overview and Scrutiny Committee can create Task Groups and sets their Terms of Reference. The Committee has moved towards a more informal way of working which tends to deliver results more quickly. Looking back at 2017/18, as reported in the Scrutiny Annual Report 2017/18, the Committee had the following:

- Customer Service and Future Complaints Policy Informal Task Group
- Digital Lancaster Informal Task Group
- Resilience Commission Informal Task Group

The Late-Night Economy in the Lancaster District Informal Task Group recommendations were reported to Cabinet and Council in 2017/18.

The Committee has a membership of 9 members and meets on a monthly cycle. The meetings are in the evenings either at 6pm, 6:10pm or 6:45pm.

Comparison with St. Edmundsbury Borough Council (SEBC)

In May 2018, Parliament authorised the creation of a new local authority called West Suffolk Council. This council will replace the existing authorities of Forest Heath District Council and St Edmundsbury Borough Council. The LGBCE is now carrying out an electoral review of the new council. St Edmundsbury Borough Council has 45 elected members.

SEBC has its own scrutiny arrangements for 2018/19 Civic Year and currently operates the following scrutiny committees arrangements:

Overview and Scrutiny Committee

The Overview and Scrutiny Committee covers the key scrutiny functions, holding the Cabinet to account. The Committee has 14 members and meets a 6-weekly cycle, approximately, with the meetings held at 4pm. They have on average one task & finish group a year. This year they have had two joint task and finish groups with Forest Heath District Council:

- West Suffolk Information Strategy

- Review of Bury St Edmunds Christmas Fayre

Performance and Audit Scrutiny Committee

The Performance and Audit Scrutiny Committee scrutinises how well the Council's services are performing by considering a range of information such as performance indicators and reports from external inspectors and by monitoring action plans. The Committee has 10 members, meets on a quarterly corporate planning and budgetary cycle and the meetings are held at 5pm. The Committee does not carry out reviews but may recommend that a review is carried out by the Overview and Scrutiny Committee.

Comparison with Erewash Borough Council (EBC)

EBC underwent an LGBCE Review with the changes, a reduction of 4 councillors, made in May 2015. EBC has 47 elected members and a single Overview and Scrutiny Committee with 17 members. The Committee meets on a 6-weekly cycle, meeting at 6:30pm. The Committee has active Task & Finish Groups working on:

- Out of Hours Task and Finish Group
- Progress of the Implementation of Universal Credit
- Review of Kerbside Collections and Recycling Services Task and Finish Group
- Task and Finish Group on Safeguarding
- Task and Finish review of Water Safety

Overview of all other governance arrangements

There are prescribed arrangements for some of the statutory committees, including the range of members who can sit on them. There is therefore less scope to alter these arrangements and to improve their efficiency. This is the primary reason for leaving this task until a review of scrutiny has been completed.

A summary of the governance arrangements is presented in [Appendix G](#) to provide context for the review of scrutiny and a shared understanding for the next phase of the review. The Task & Finish Group will consider the wider governance arrangements once the recommendations for scrutiny have been shared for consultation, at the earliest this will be in January 2019.

Table 4: Summary of meetings and timetable for consultation

Date	Meeting	Activity
18 October	Business & Transformation Scrutiny Panel	Task & Finish Group established
18 October	Task & Finish Group Meeting	Initial meeting
22 November	Economic Growth Scrutiny Panel	Panel discussed change and provided feedback
29 November	Business & Transformation Scrutiny Panel	Panel discussed change and provided feedback
29 November	Task & Finish Group Meeting	Agree methodology and set timescale
13 December	Task & Finish Group Meeting	Agree draft report
3 January	Business & Transformation Scrutiny Panel	Approve report for consultation
7 February	Special Health & Wellbeing Scrutiny Panel	Consider report and recommendations
7 February	Special Economic Growth Scrutiny Panel	Consider report and recommendations
22 February	Business & Transformation Scrutiny Panel	Approve for Council via Monitoring Officer
11 March	Executive	Executive have four weeks to consider the report before it goes to Council
30 April	Council	Council decision
20 May	Council	Annual Council implementation

Conclusions

The majority of scrutiny panel members agree that the current arrangements should be reduced from 3 panels.

The reduction of members from 52 to 39 for Civic Year 2019/20 is a key consideration, the function of scrutiny can be delivered with 39 members. How the scrutiny function is delivered is a decision for Council.

Nationally, work is underway to update the guidance for Overview & Scrutiny. The review found that the most significant factor in determining whether scrutiny committees are effective is the organisational culture of a council. The new guidance will not prescribe a scrutiny arrangement as this is a decision for each council.

Arrangements for cross-cutting issues should be considered once a recommendation for Council has been finalised. Historically, this issue has been resolved through discussions at the Scrutiny Chairs Group.

Carlisle has more scrutiny panels, meeting more frequently than any other District Council in Cumbria. It is increasingly rare to find any District Council operating three panels on a 6-weekly cycle, most have reduced the number of panels.

Any future work programmes for the new scrutiny arrangements will be developed with cognizance of the member and officer resources available. Prioritisation within the work programmes will ensure effective and efficient scrutiny.

To illustrate a 2-panel arrangement the following working titles and summary work themes ([Appendix E](#)) are suggested:

- Internal Overview & Scrutiny Panel with an inward-looking set of remits
- External Overview & Scrutiny Panel with an outward-looking set of remits

An analysis of the agenda items ([Appendix E](#)) confirms that a 2-panel structure would be practical, with an average of 5 items per panel meeting.

Recommendations

4. The Task & Finish Group consider a move to a 2-panel structure as preferable, but would like more evidence on the likely efficiencies and improvements, in particular the need for mandatory training in Overview & Scrutiny skills
5. The panels are made up of between 8 and 10 members
6. The panels meet every 6 weeks

Appendices:

A: Current scrutiny procedures and remits

Link: [Constitution Panel Remits](#)

Health & Wellbeing Scrutiny Panel Pages: 56-58

Business & Transformation Scrutiny Panel Pages: 59-61

Economic Growth Scrutiny Panel Pages: 62-63

B: Initial feedback

As part of the process of reviewing the number of Scrutiny Panels, Chairs of the current three panel were asked for their views. These would ultimately be fed into the wider Task and Finish group review and reflected in any final proposals. The views put forward are set out below: -

Economic Growth Scrutiny Panel

The Chair of EGSP canvassed views at the meeting of the panel on 22 November 2018. A summary of the views of the panel is set out below: -

- One member thought that fewer panel members, but more panels would be a better way forward, with more clarity about the panel remits.
- It was recognised that changing panel numbers had been looked at previously, but there was now added focus, because of the reduction in councillor numbers expected in 2019. In that context, when taking account of the requirements to source (i) an executive and (ii) a number of statutory type committees, there would only be a small pool of councillors remaining, which led to the conclusion that a reduction was needed, to a maximum of 2, or perhaps a single overarching panel.
- There was a thought that maybe a reduction to a single panel would create too great a workload.
- Other views included: -
 - being more flexible around timing of meetings (evenings perhaps) - although other members saw this as potentially problematic, as they had a number of parish council commitments in the evenings.
 - Looking to improve the process of scrutiny could well be part of the solution (by doing things differently).
- In conclusion, the consensus appeared to be that a change was needed, and that a movement to two panels might be the best way forward at this stage.

Health and Wellbeing Scrutiny Panel

The chair of the panel provided the following feedback..... 'I feel that with the number of tasks we have to do on Scrutiny, it would be wise to keep it at the three panels, otherwise two would end up being swamped.'

C: Parliamentary review of the Local Authority Scrutiny Function

1. Effectiveness of Local Authority Overview and Scrutiny Committees; a report by the House of Commons Communities and Local Government Department:

<https://publications.parliament.uk/pa/cm201719/cmselect/cmcomloc/369/369.pdf>

2. Government response to the Communities and Local Government Committee first report on the effectiveness of Local Authority Overview and Scrutiny Committees:

<https://www.parliament.uk/documents/commons-committees/communities-and-local-government/2017-19-Correspondence/Government-Response-to-the-Communities-and-Local-Government-Committee-First-Report-on-the-effectiveness-of-local-authority-overview-and-scrutiny-committees.pdf>

D: Comparison groups

Cumbria's District Councils

Authority	Population (Mid-2016 estimates)	No of Panels / Committees	Frequency of meetings	Total meetings
Allerdale	97,000	1	6-weekly	8
Barrow	67,300	1	6-weekly	7
Copeland	69,300	1*	6-weekly	10
Eden	52,600	2	10-weekly	10
South Lakeland	103,300	1	8-weekly	7
Carlisle	108,400	3	6-weekly	24

*A sub-committee also exists.

<https://www.allerdale.gov.uk/en/council-and-democracy/scrutiny-committee/>

<https://barrowbc.gov.uk/about-the-council/barrow-council/council-minutes-agendas/overview-and-scrutiny-committee/>

<https://copeland.moderngov.co.uk/mgListCommittees.aspx?bcr=1>

<https://democracy.eden.gov.uk/mgListCommittees.aspx?bcr=1>

<http://democracy.southlakeland.gov.uk/mgListCommittees.aspx?bcr=1>

Carlisle City Council – Nearest Neighbour Scrutiny arrangements

Authority	Population	No. of Panels / Committees	Frequency of Meetings	Total meetings
East Staffordshire	117,600	2	6 weekly	14
Wyre Forest	100,700	1	10 per year	10
Cannock Chase	99,100	4	Quarterly	16
Bassetlaw	116,300	1	Monthly	12
South Kesteven	141,700	5	5 per year	25
Mansfield	108,600	3	6 weekly	24
Newcastle under Lyme	129,000	3	Quarterly	12
Tamworth	75,600	3	6 weekly	24
Chesterfield	104,600	2	2 monthly	12
Erewash	115,300	1	6 weekly	8
St Edmundsbury	113,700	2	6 weekly	16
Nuneaton and Bedworth	128,700	4	Quarterly	16
Kettering	100,300	2	5 per year	10
Lancaster	142,500	2	Monthly + 5 per year	17
Taunton Deane	117,400	1	6 weekly	9
Carlisle	108,300	3	6 weekly	24

<http://www.eaststaffsbc.gov.uk/council-democracy/committees>

<http://www.wyreforest.gov.uk/council/committees/com193.htm>

<https://www.cannockchasedc.gov.uk/council/council-committees/schedule-memberships-cabinet-committees-and-other-bodies>

<http://data.bassetlaw.gov.uk/browse-the-catalogue/council-agendas-and-minutes/overview-scrutiny-committee.aspx>

<http://moderngov.southkesteven.gov.uk/mgCommitteeDetails.aspx?ID=496&J=8>

<http://www.mansfield.gov.uk/scrutiny>

<https://moderngov.newcastle-staffs.gov.uk/ieDocHome.aspx?Categories=>

<http://democracy.tamworth.gov.uk/mgListCommittees.aspx?bcr=1>

<https://www.chesterfield.gov.uk/your-council/the-council/overview-and-scrutiny.aspx#>

<https://moderngov.erewash.gov.uk/mgCommitteeDetails.aspx?ID=327>

<https://democracy.westsuffolk.gov.uk/ieListMeetings.aspx?Committeeld=130>

https://www.nuneatonandbedworth.gov.uk/info/20050/council_elections_and_meetings/309/overview_and_scrutiny/1

https://www.kettering.gov.uk/info/20007/councillors_mps_and_decision_making/12034/council_and_committees/2

<https://committeeadmin.lancaster.gov.uk/ieListDocuments.aspx?CId=298&MId=7233&Ver=4>

<https://www.tauntondeane.gov.uk/democratic/council-meetings-minutes-agendas/>

Carlisle City Council - Historic Cities – Scrutiny Arrangements

Authority	Population	No of panels	Frequency	Total meetings	T&F Groups (17/18)
Mansfield	108,600	3	6 weekly	24	(3) 2
Lancaster	142,500	2	Monthly + 5 per year	17	(3) 2
Ipswich	138,500	1	6 weekly	8	(4) 2
Gloucester	129,100	1	Monthly + budget	13	Requested
Eastbourne	103,300	1	Quarterly	4	Requested
Dover	158,800	2	Monthly	24	(0) 0
Cheltenham	117,100	1	6 weekly	8	Requested
Boston	68,500	2	6 weekly	14	Requested
Bedford		Excluded on basis that it is a unitary authority			N/A
Bassetlaw	116,300	1	Monthly	12	Requested
Amber Valley	125,900	1	2 Monthly	6	Requested
St Edmundsbury	113,700	2	6 weekly	16	2 (2)
Swale	146,700	1	6 Weekly	8	Requested
Carlisle	108,300	3	6 Weekly	24	(2) 1

Information on current and 2017/18 Task & Finish Groups have been requested. The responses are recorded in the 'T&F Groups (17/18)' column. The number in brackets is the count for 2017/18.

<http://www.mansfield.gov.uk/scrutiny>

<https://committeeadmin.lancaster.gov.uk/ieListDocuments.aspx?CId=298&MId=7233&Ver=4>

<https://democracy.ipswich.gov.uk/ieListMeetings.aspx?Committeed=136>

<https://democracy.gloucester.gov.uk/ieListMeetings.aspx?Committeed=408>

<http://democracy.lewes-eastbourne.gov.uk/mgCommitteeDetails.aspx?ID=128>

www.dover.gov.uk/Council--Democracy/Scrutiny/Committees.aspx

<https://democracy.cheltenham.gov.uk/ieListMeetings.aspx?CId=267&Year=0>

<http://moderngov.boston.gov.uk/ieDocHome.aspx?Categories=>

<http://data.bassetlaw.gov.uk/browse-the-catalogue/council-agendas-and-minutes/overview-scrutiny-committee.aspx>

<https://www.ambervalley.gov.uk/council/committees-and-meetings/>

<https://democracy.westsuffolk.gov.uk/ieListMeetings.aspx?Committeed=130>

<https://services.swale.gov.uk/meetings/mgCalendarAgendaView.aspx?XXR=0&M=1&DD=2017&ACT=Go&WN=1&CID=139&OT=R&MR=1&>

South Lakeland DC nearest neighbour comparator councils

Authority	Population	No. of Panels / Committees	Frequency of Meetings (pa is per annum)	Total meetings
Wealden	158,900	1	6	6
South Hams	85,300	1	10pa	10
Teignbridge	131,400	1	10pa	10
East Devon	142,300	1	12	12
Cotswold	87,500	1	5	5
West Dorset	102,100	1	8	8
Chichester	120,200	1	6	6
Wychavon	125,400	1	9	9
Hambleton	90,700	1	8	8
New Forest	179,600	3	6	18
Lewes	102,300	1	6	6
Stratford upon Avon	125,200	1	12	12
Suffolk Coastal	129,000	1	12	12
Carlisle	108,300	3	6 weekly	24

Links not included.

E: Suggested 2 panel scrutiny arrangement, working titles and summary work themes

Any changes arising from this review should clarify how cross-cutting issues will be coordinated within the new arrangements. This will be considered alongside the work on panel name(s) and remits.

Items in bold text have featured on the work programmes for 2018/19, remits that have not featured as agenda items are covered by the budget scrutiny and quarterly performance report.

External Overview & Scrutiny Panel

To fulfil all the functions and have all the powers and responsibilities of a Crime and Disorder Committee under the provisions of section 19 of the Police and Justice Act 2006 and any relevant regulations or guidance.

Bereavement Services 3	Environmental Strategy 1/3	Performance Monitoring 2
Business Support 4	Events 1	Public Realm 3
Car parking 3	Food Safety 3	Regeneration 4
City Centre 3	Greenspaces 3	Sport and leisure 6
Community development 5	Health and Wellbeing 5	Strategic partnerships 1
Community Safety 5	Heritage 4	Tourism 6
Cultural Strategy 6	Homelessness Strategy 4	Town Twinning 1
Disabled Facilities Grants 5	Housing Strategy 4	Tullie House Trust 6
Economic development 4	Inward Investment 4	Waste and recycling 3
Emergency Planning 1	Local Plans and planning 4	Welfare and advice 4
Environmental Health and Protection 3	Neighbourhoods 3	Youth engagement 1

Internal Overview & Scrutiny Panel

Asset Management 2	Financial Monitoring 2	Organisation Development 2
Budget Framework 2	Governance Framework 2	Performance Management Framework and Performance Monitoring 2
Business continuity 1	Health & Safety (internal) 2	Procurement 2
Communication and marketing 1	Human Resources 2	Property (strategic) 2/4
Corporate Plan 1	ICT 2	Revenues and Benefits 2
Corporate Programme and Projects 2	Information Governance 2	Risk Management 2
Customer contact & care 5	Insurance 2	Service Reviews 2
Efficiency Plans 2	Internal Audit 2	Strategic Finance 2
Electoral Registration 2	Legal, Licensing and Regulation 2	Treasury Management 2
Equality Policy 5	Medium Term Financial Plan 2	Workforce Development 2
External Funding 2	Member training and development 2	

Portfolio Holder Key:

1	Leader
2	Finance, Governance & Resources
3	Environment & Transport
4	Economy, Enterprise & Housing
5	Communities, Health & Wellbeing
6	Culture, Heritage & Leisure

F: Analysis of Overview & Scrutiny agenda items

Year 2018/19 (based on initial work programme and actual meetings)

Panel	Number of meetings	Agenda items	Average
Business & Transformation	8	30	3.8
Economic Growth	8	23	2.9
Health & Wellbeing	8	23	2.9

Year 2017/18

Panel	Number of meetings	Agenda items	Average
Business & Transformation	8	31	3.9
Economic Growth	8	23	2.9
Health & Wellbeing	8	27	3.4

Year 2016/17

Panel	Number of meetings	Agenda items	Average
Resources	8	39	4.9
Economy	8	27	3.4
Community	8	25	3.1

For a 3-panel structure this averages 3 items per agenda for each panel
(284 items/72 meetings)

For a 2 -panel structure this averages 5 items per agenda for each panel
(248 items/48 meetings)

Please Note:

Panel names and remits were changes during 2017-18

Analysis is for normal business and therefore excludes special meetings and task and finish group meetings

G: Summary of current governance structure:

COMMITTEES AND PANELS (TO BE APPOINTED BY COUNCIL)

Name	Frequency	Current	Minimum	Maximum	Legislation and notes
Appeals Panel (3)	As required	3 plus 3 subs – 18 members in total			A Member cannot hear a complaint if: They know the Complainant The Complainant resides in their ward They were involved in the decision i.e. Planning Permission
Audit Committee	Nominally quarterly, but in the last few years an additional meeting has been held in July to agree the sign off accounts	7 plus 7 subs			No member of the Executive and no Chair of Scrutiny Panels will be eligible to be a Member of the Audit Committee
Development Control Committee	6 weeks	12 plus 7 subs			Training to attend these committees is mandatory
Employment Panel	As required	6 plus 6 subs			One Executive Member must be a member of the Employment Panel
Licensing Committee	Quarterly –meetings coincide with Regulatory Panel	12 plus 7 subs	10	15	Licensing Act 2003. Committee can delegate to sub-committees (see over). No need for political balance. Training to attend these committees is mandatory
Regulatory Panel	6 weekly	12 plus 7 subs			Council has decided on same membership as Licensing Committee Training to attend these committees is mandatory
Scrutiny Panels (3)	6weeks	8 – plus 7 subs* for each Panel except BTSP which has 6			Executive Members cannot be members of Scrutiny Panels Local Government Act 1972. Guidance advises that Panels should meet frequently and be cross cutting. Must be politically balanced.
Standards Committee	As required	7 – plus 7 subs			Must be politically balanced. May contain non-voting Members – S104 LGA '72

COMMITTEES / GROUPS NOT APPOINTED BY COUNCIL: The following Sub-Committees are appointed by the Licensing Committee:

Name	Frequency	Current	Minimum	Maximum	Legislation and notes
Licensing Sub-Committee (4)	As required	3 – plus 3 subs per Cmttee = the 12 substantive members of the licensing Committee and its substitutes			No need for political balance. Training to attend these committees is mandatory Members who attend the meeting must not be the relevant Ward Member

COMMITTEES / GROUPS NOT APPOINTED BY COUNCIL – APPOINTMENTS MADE BY THE LEADER OR BY OTHER COMMITTEES/GROUPS

Name	Frequency	Current	Minimum	Maximum	Legislation and notes
Executive	4 weeks	6	Leader + 2 cannot include Mayor or Deputy Mayor	10	Local Government Act 2000 Appointment by the Leader
Joint Consultative Group					Appointment by the Leader
Market Management Group	Bi-annual	3			Appointed by the Leader's Scheme of Delegation so are Executive Members Appointment by the Leader

<http://intranet.carlisle.gov.uk/yourcouncil/dirser/legal/demserv/Documents/Committee%20Membership%202018-19%20-%20Annual%20Council%2021%2005%2018.doc>

*Consideration should be given to establishing a bank of named substitutes which could attend any of the three Scrutiny Panels.

EXCERPT FROM THE MINUTES OF THE ECONOMIC GROWTH SCRUTINY PANEL HELD ON 17 JANUARY 2019

EGSP.08/19 TASK AND FINISH GROUP REPORT – AN EFFICIENCY AND EFFICACY REVIEW OF THE CURRENT GOVERNANCE STRUCTURES OF THE COUNCIL

The Policy and Communications Manager submitted OS.01/19 – Business and Transformation Scrutiny Panel Task and Finish Group Report: An efficiency and efficacy review of the current governance structures of the Council. The two principal drivers which had precipitated the review were: the Local Government's Boundary Commission for England's Review of electoral wards in the district and its recommendation that the number of Elected Members at the authority be reduced from 52 to 39 and; recent national government's guidance on local authority scrutiny function.

Communications had been sent to each of the Political Groups and Group Leaders to inviting their views. The Policy and Communications Manager emphasised that the report was a working document which would be adapted as a result of input into the process. The Health and Wellbeing Scrutiny Panel were scheduled to consider the matter at a special meeting on 7 February 2019 and the Business and Transformation Scrutiny Panel would consider the matter on 22 February 2019.

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

A Member commented that the report was useful to a degree, particularly the comparison data with other local authorities. However, he felt that the report had not addressed the issues of efficiency and efficacy. In his view scrutiny was an important function, and whilst it was reasonable to consider the number of Panel, memberships, frequency of meetings, the issue of effectiveness was a more important consideration.

The Member noted that the report referred to a Parliamentary Review of Local Authority Scrutiny Function which outlined a number of metrics for assessing the effectiveness of scrutiny, he suggested that it be used as a template for further evidence gathering for the review into the Council's current governance arrangements.

The Policy and Communications Manager acknowledged the Member's comments, the Parliamentary Review had placed a significant emphasis on organisational culture, accordingly, such an approach would require the gathering of Member and Officer views. Developing a methodology to judge effectiveness in a valid way, required the comparison of activity against identified standards, of which there were none.

The Policy and Communications Manager indicated that the effectiveness of scrutiny was a judgement for Members to make, and that they may wish to consider the following as standards: the number of Panel resolutions which had impacted on Executive decision making; the number of Call-ins; number of Members involved in policy development through Task and Finish groups.

The Member appreciated the Officer's comments but reiterated his view that the methodology used in the Parliamentary Review constituted a useful template for the Council employ in its review.

The Chairman commented that it was a difficult issue and noted that there had been a review of scrutiny in the previous Municipal Year which had changed Panel remits. The current review had essentially provided an options exercise which questioned the sustainability of the number of Panels going forward. He felt that the proposed reduction in the number of Councillors was not the prerequisite for change, rather a consideration of the effectiveness of the function.

A number of Members supported the view that an assessment of the effectiveness of scrutiny should come before a review of the number of Panels and frequency of meetings. Moreover, it was important that a sufficient body of evidence was compiled to enable Members to meaningfully consider the issues.

A Member considered that policy development was an important aspect of the scrutiny function and that the low number of call-ins was a result of that. Consequently, such activity was important for involving Members in the Council's work. In terms of the proposals contained in the report he welcomed greater use of Task and Finish Group work and indicated that he felt able to support a proposal for 2 Panels, going forward.

Another Member noted that there had been one Task and Finish Group in the current Municipal year, and two in the preceding year. In the context of the review, she did not support the proposal of reducing the overall number of Panels as a vehicle for increasing Task and Finish Group work. Additionally, she felt that in assigning work to Task and Finish Groups there ought to be a checklist used to identify suitable items.

The Chairman sought Member's agreement that the Panel supported the resolution of the Business and Transformation Scrutiny Panel on 3 January *"That the Task and Finish Group continue to gather further evidence to be submitted to the Business and Transformation Panel at its special meeting along with feedback from consultation with the Groups and other Scrutiny Panels"*, (Minute excerpt BTSP.09/19 (2) refers).

A Member commented that there would be a new Council in May, which may or may not be supportive of the recommendations of the Task and Finish Group, therefore it was important that there was a body of valid evidence for the organisation to consider whether its scrutiny function was effective.

RESOLVED – 1) That report OS.01/19 – Business and Transformation Scrutiny Panel Task and Finish Group Report: An efficiency and efficacy review of the current governance structures of the Council be received.

2) That the Panel supported the resolution of the Business and Transformation Scrutiny Panel on 3 January *"That the Task and Finish Group continue to gather further evidence to be submitted to the Business and Transformation Panel at its special meeting along with feedback from consultation with the Groups and other Scrutiny Panels"*, (Minute excerpt BTSP.09/19 (2) refers).

EXCERPT FROM THE MINUTES OF THE HEALTH AND WELLBEING SCRUTINY PANEL HELD ON 7 FEBRUARY 2019

HWSP.11/19 TASK AND FINISH GROUP REPORT – AN EFFICIENCY AND EFFICACY REVIEW OF THE CURRENT GOVERNANCE STRUCTURES OF THE COUNCIL

The Policy and Communications Manager submitted OS.02/19 – Business and Transformation Scrutiny Panel Task and Finish Group Report: An efficiency and efficacy review of the current governance structures of the Council. The report outlined the stages and timetable for the review with the overall report having been approved by the Business and Transformation Scrutiny Panel Task and Finish Group as a suitable consultation document for the Panels to consider.

The Policy and Communications Manager stated the review was a work in progress and drew Members' attention to the report recommendations, the Economic Growth Scrutiny Panel had discussed the matter on 17 January, its comments and issues raised therein had been considered at the Scrutiny Chairs Group on 24 January. The purpose of the work was to develop an informed evidenced based report for the Business and Transformation Scrutiny Panel Task and Finish Group to consider and determine the next steps for the review.

In discussion the following points were raised:

- Referring to the report recommendations, that future Panels be made up of between 8 and 10 Members, was that number prescribed?

The Policy and Communications Manager responded that he had looked at legislation regarding the make-up of Council Panels and that there was no stipulation on the numbers required to make up a scrutiny panel. The Local Government Boundary Commission for England, who had recommended a reduction in the overall number of Councillors at the authority, indicated that the scrutiny function was sustainable going forward.

In terms of the recommendation of 8 – 10 Members the Policy and Communications Manager advised that level of membership had been proposed on the basis of a reduction in the number of Panels and was aimed at sustaining the level of Member participation in the scrutiny function.

- The Chairman sought clarification that the report proposed an internal facing Panel and external facing Panel for the future.

The Policy and Communications Manager responded that the Council had previously conducted a review of its scrutiny function which had created the current Panels' remits. Appendix E of the report, which illustrated a two Panel model had been a consideration during that earlier review.

The Chairman responded that, in his view, a reduction to two Panel would mean that the workload for those Panels would be too vast and would lead to excessively lengthy meetings.

Another Member commented that he felt there were pros and cons to each model, he considered that a single Panel would be a workable format, although it would require a higher number of seats than any of the current individual Panels.

A Member stated that he considered scrutiny was an important function within the authority however, he felt the matter ought to be determined by the Council in the new Civic Year. He further indicated that he was supportive of three Panels with the chairmanships being allocated as follows: 1 Conservative, 1 Labour, and 1 Independent.

Responding to a question from a Member regarding the capacity to amend the timetable for the review, the Policy and Communications Manager noted that the report recommendations requested comments on that point. Were Members minded to amend the timetable to enable any decision on the scrutiny function to be taken in the forthcoming Civic Year, that was an important issue to feedback to the Task and Finish Group. In his view there were 2 aspects to the review: the number of Panels and their remits and; the timetable for making a decision, both of which were matters for Members.

- Who would decide whether recommendations on the future governance arrangements for scrutiny would be submitted to Council?

The Policy and Communications Manager advised that the Special meeting of the Business and Transformation Scrutiny Panel on 22 February 2019 would decide how the review would be progressed, including whether any recommendations were to be made to Council.

A Member indicated, that were the Panel to vote on any agreement of principle in relation to the review, he would abstain, as he felt the matter ought to be determined in the new Civic Year.

The Chairman stated that he felt his interests were conflicted due to his chairmanship of the Panel. He reiterated that he considered three Panels to be the most appropriate system going forward, but stated that he would leave Members to decide the matter.

A Member sought clarification that the Panel was not required to vote on the matter, but to provide comments to the Task and Finish Group for their consideration.

The Policy and Communications Manager confirmed that the Panel was required to provide comments on the report recommendations. The minutes of the meeting would record the Panel's view, but it was not necessary for a consensus to be achieved.

A Member moved that a 2 Panel system be adopted with an increased number of seats on each. It was a matter for the Business and Transformation Scrutiny Panel to decide how to progress the issue. The proposal was seconded and put to the vote. The vote was carried.

Business and Transformation Scrutiny Panel

Item
A.5

Meeting Date: 06/01/2022
Portfolio: Cross-cutting
Key Decision:
Policy and Budget Framework No
Public / Private Public

Title: Overview Report
Report of: Overview and Scrutiny Officer
Report Number: OS.02/22

Purpose / Summary:

This report provides an overview of matters related to the Scrutiny Panel's work. It also includes the latest version of the work programme.

Recommendations:

Members are asked to:

- Note the items within Panel remit on the most recent Notice of Key Executive Decisions
- Note the current work programme

Tracking

Executive:	Not applicable
Scrutiny:	BTSP 06/01/22
Council:	Not applicable

1. Notice of Key Decisions

1.1. The most recent Notice of Key Executive Decisions was published on 19 November 2021. This was circulated to all Members and is available on the CMIS section of the Council's webpages. The following items fall within the remit of this Panel:

Items that are included in the Panel's work programme:

- KD 10/21 Budget Process 2022/23 – 2026/27

Items that are not included in the Panel's work programme:

- KD 19/21 Review of the Statement of Gambling Policy

2. References from the Executive

2.1. None

3. Progress on resolutions from previous meetings

3.1. The following table sets out the meeting date and resolution that requires following up. The status is presented as either "completed", "pending" (date expected), or "outstanding". An item is considered outstanding if no update or progress has been made after three panel meetings. All the completed actions will be removed from the list following the meeting.

	Meeting date	Minute reference	Action	Status
1	07/10/21	BTSP 75/21	2) The Property Services Manager provide the Panel an update on the number of outstanding rent reviews at Kingstown Industrial Estate.	Complete
2	07/10/21	BTSP 76/21	2) That the Corporate Director of Finance and Resources provides the Panel with information on the budget for the Gateway 44 Project and the projected return on capital.	Pending
3	07/10/21	BTSP 80/21	2) That the Deputy Chief Executive circulate a briefing note in plain English to the Panel. 3) That an update on Squad Working be submitted to the Panel at a future meeting.	Complete Complete Added to workplan
4	07/10/21	BTSP 84/21	3) That an update on the recruitment process be circulated to the Panel along with details of the next steps should the process be unsuccessful.	Complete
5	07//12/22	BTSP 90/21 (C)	3) That the Neighbourhood Services Manager provide the Panel with information on the number of charges that were paid early and received a discount.	Complete
6	07/12/21	BTSP 90/21 (j)	2) That the Panel recommends to the Executive that the City Council freeze their portion of the Council Tax for 2022/23.	Complete

7	07/12/21	BTSP 92/21	2) That the Corporate Director of Economic Development provide the Panel with information on the use of S.106 funding (Affordable Homes commuted Sums) to bring empty properties back into use, specifically: - would all of the money be used to bring empty properties back into use; - how many houses were brought back into use; - who were payments made to.	Pending
8	07/12/21	BTSP 93/21	2) That the HR Manager circulate the next quarter return to work figures to the Panel as soon as they were available.	Pending
9	07/12/21	BTSP 94/21	2) That the Policy and Performance Officer provide the Panel with further information on the Test and Trace Support payments and how the additional work was staffed.	Pending
10	07/12/21	BTSP 95/21	2) That the following amendments be made to the Work Programme: - Add Talkin Tarn Management Arrangements to 24/02/22 - Defer Covid 19 financial implications wrap up report from 06/01/22 until after 31/03/22.	Complete

4. Contribution to the Carlisle Plan Priorities

4.1. The overview and scrutiny of the Carlisle Plan items that fall within the remit of this Panel contribute to ongoing policy development.

Contact Officer: Rowan Jones

Ext: 7257

**Appendices
attached to report:**

1. Draft Scrutiny Panel Work Programme 2021-22

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 –

PROPERTY SERVICES -

FINANCE –

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

INFORMATION GOVERNANCE –

APPENDIX 1: Draft Scrutiny Panel Work Programme 2021-22

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