

Allerdale Borough Council

Executive – 24 February 2021

Council – 3 March 2021

Budget 2021-22 – Revenue and Capital

Portfolio holder	Councillor Jim Lister PH Finance and Legal
Report from	Catherine Nicholson, Chief Officer Assets & S151 telephone no: 01900-702503 email: catherine.nicholson@allerdale.gov.uk
Wards affected	All
Is this a key decision	Yes

1.0 The reason for the decision

- 1.1 To present the Council's draft revenue and capital budget and the formal advice of the chief financial officer on the robustness of the estimates included in the budget and the adequacy of the reserves which support the Council's budgetary plans.

2.0 Recommendations

2.1 It is recommended that:

- (i) The total planned revenue expenditure is £16,092,480 including parish precepts of £2,567,162
- (ii) £15,879,831 is approved as the Council's net budget requirement for 2021-22.
- (iii) Allerdale's share of council tax is increased by £5 on band D Properties, with proportionate increases being applied to properties in other council tax bands.
- (iv) No changes are made to the Council's Council Tax Reduction discount scheme and that the current scheme remains in place for 2021-22.
- (v) The revenue estimates as approved are used in the calculation of the basic amount of tax under Section 31 of the Local Government Finance Act 1992.

- (vi) The minimum level of non-earmarked general fund balances is set at £2.7m and that no maximum level is set.
- (vii) That the three-year capital budget (2021-22 to 2023-24) of £44,285,072 (comprising £13,330,379 in 2021-22, £19,109,427 in 2022-23 and £11,845,266 in 2023-24) is approved.
- (viii) That the proposed three-year capital budget for 2021-22 is financed as follows:
 - grants and contributions£42,932,461
 - borrowing.....£1,042,026
 - capital receipts£310,585
- (ix) That the revision of the 2020-21 capital budget from £11,628,748 to £11,792,253 is approved.

3.0 Background and Introduction

- 3.1 The Council has a statutory responsibility to set a balanced budget for each financial year. In short, this means the Council's expenditure on services must be contained within the available funding envelope.
- 3.2 This report sets out the:
 - outcome of the 2021-22 Budget Consultation exercise
 - proposed revenue budget for 2021-22, and
 - proposed capital budget for the three-year period 2021-22 to 2023-24.
- 3.3 This report also sets out the chief finance officer's report to the Council (made under section 25 of the Local Government Act 2003) on:
 - (a) the robustness of the estimates made for the purposes of the Council's budget calculations, and
 - (b) the adequacy (or otherwise) of the Council's financial reserves.
- 3.4 Members are required to have regard to the report made under s25 of the Local Government Act 2003 when making decisions about the Council's budget calculations.

4.0. Budget Consultation

- 4.1 Consultation with the public and other key stakeholders is essential to informing the Council's priorities and the financial plans which underpin delivery of those priorities, including the Council's annual budget.
- 4.2 The 2021-22 Budget consultation was held between 16 December 2020 and 15 January 2021. The consultation was accessible via the Council's website with hard-copy versions of the consultation also made available on request. The consultation document was circulated to numerous partner organisations such as town and parish councils and other local bodies and was actively promoted through the local press, the Council's website and social media.

Responses could be submitted on-line using the Cumbria-wide consultation portal, by email or in hard-copy format.

- 4.3 The consultation document summarised the financial challenges facing the Council and the steps being taken by the Council to bridge the financial gap arising from the year on year reductions in central government grants.
- 4.4 The consultation gave an opportunity to residents, local businesses and partners to review and comment on the Council's approach to meeting the budget challenges ahead, including some possible changes to service delivery and changes to Council Tax. The online consultation asked questions on:
- our overall approach to meeting the financial challenge
 - options for setting next year's Council Tax.
- 4.5 At the closing date, the Council had received a total of 88 responses to the consultation. The majority of these were from local residents with a small number from local businesses and parish councils.

Key messages from the Budget Consultation

- 4.6 On our overall approach to the financial challenges, the clear majority of respondents were in agreement with nine of the 12 options presented. Highest agreement was with:
- 'using our land and buildings to generate income' (92% agreed)
 - 'making more efficient use of council assets such as land and buildings' (89% agreed)
 - 'sharing services with other councils and public agencies' (81% agreed).
- 4.7 The majority of respondents did not agree with two of the options presented. Disagreement was with:
- 'reducing the quality of some services provided' (80% disagreed)
 - 'transferring services to other organisations like commercial companies' (69% disagreed).
- 4.8 Responses were split on the issue of 'introducing fees and charges for some services (where permitted) so that they cover their costs' (47% agreed, 49% disagreed).
- 4.9 On options for next year's Council Tax, the majority of respondents supported an increase in Council Tax of £5.00 a year on a band D property (with proportionate increases for other bands) (60%) whilst 40% of respondents stated that they favoured no increase in Council Tax.
- 4.10 A summary of consultation responses can be found in Appendix H.

5.0 National and Local Context

2020 Spending Review

- 5.1 The conclusions of the (one-year) 2020 Spending Review (SR 20) were presented to Parliament on 25 November 2020. The 2020 Spending Review sets central government departmental budgets for 2021-22 and devolved administrations' block grants for the same period. It replaces the multi-year Spending Review, covering years from 2021-22 to 2023-24 for revenue spending, and years from 2021-22 to 2024-25 for capital spending, previously planned for 2020.
- 5.2 In the 2019 Spring Statement, the Government announced its intention to hold a new spending review in 2019 covering three years 2020-21 to 2022-23. However, this was conditional on a Brexit deal being agreed and, with the subsequent political turbulence and financial uncertainty surrounding Brexit, it was later announced that a one-year Spending Round would be provided, covering the financial year 2020-21 only. This would be followed in 2020 by a full Spending Review, reviewing public spending as a whole, and setting multi-year budgets. However, due to the economic disruption caused by Covid-19 pandemic the Government announced, in October 2020, that the 2020 Spending Review would be narrowed in scope to cover one year only in order to prioritise the response to the pandemic.

OBR Economic and Fiscal Outlook report

- 5.3 The 2020 Spending review is set within the context of the unprecedented challenges faced by the UK and global economies as a result of the Covid-19 pandemic. The latest economic and fiscal forecasts from Office for Budget Responsibility (OBR) were issued in November 2020 alongside the SR 2020 and highlight both the scale and lasting effect of the economic and fiscal damage arising from the pandemic. The OBRs report also highlights the significant levels of uncertainty attached to the economic and fiscal forecasts.
- 5.4 In the OBR's central projections:
- UK GDP is expected to contract by 11.3 % in 2020 and is not expected to return to its 2019 (pre-pandemic) level until the final quarter of 2022
 - after expanding at 5.5% in 2021 and 6.6% in 2022, economic growth (GDP) is then expected to tail off to 2.3%, 1.7% and 1.8% in the following years
 - unemployment is expected to peak at 7.5% (or 2.6 million people) in the second quarter of 2021 before falling back to 4.4% by the end of 2024
 - the combined impact of the virus on the economy and the Government's fiscal policy response is expected to push the deficit in 2020-21 to £394 billion (equivalent to 19% of GDP) - the highest recorded level of borrowing in UK peacetime history. This is seven times higher than the £54.8 billion forecast in March, before the effect of any virus-related policy measures had been incorporated or any but the most minor virus-related effects on the economy factored in. £280 billion of the surge in

2020-21 is attributable to the steps taken by the Government to tackle the pandemic and its economic impact.

- borrowing declines sharply in 2021-22 to a still historically high £164 billion (7.4% of GDP) as activity recovers and much of the temporary fiscal support, such as the Coronavirus Job Retention Scheme (CJRS) expires but is lifted by the additional £54 billion of virus-related public spending announced in the Spending Review. Borrowing continues to fall more gradually thereafter to reach £102 billion (3.9% of GDP) in 2025-26. Despite this decline, borrowing at the forecast horizon remains £46 billion (1.3% of GDP) higher than in 2019-20. Even on the loosest conventional definition of balancing the books, a fiscal adjustment of £27 billion (1 per cent of GDP) would be required to match day-to-day spending to receipts by the end of the five-year forecast period.
- total public sector debt, i.e. accumulated government borrowing, is projected to rise to 105.2% of GDP in 2020-21 up from just 85.2% a year ago. From 2021-22 the debt/GDP ratio will peak at 109.4% of GDP in 2023-24 before repayment of Term Funding Scheme loans brings it back to 104.7% of GDP in 2025-26.
- CPI inflation falls from 1.8% last year to 0.8% in 2020, due in part to lower indirect taxes and energy prices, as well as increased slack in the economy. Inflation remains subdued over the next three years, returning to the 2% target by the end of 2024.

SR 20 - Spending Priorities

5.5 The Spending Review 2020 (SR20) prioritises funding across three key areas:

- I. supporting the government's response to Covid-19; this includes the announcement of a further £38bn to tackle the virus in 2020-21 (bringing the total to £113bn) and £55bn to support the response to COVID-19 in 2021-22. This funding is targeted toward three key areas - control and suppression of the virus, public services support and recovery and supporting jobs and businesses. Of the £55bn funding for 2021-22-£21bn will be set aside in a contingency fund, to be allocated where support is needed during the course of next year.
- II. investing in the UK's recovery for all regions of the UK with a particular emphasis on capital spending, including infrastructure, to drive UK's recovery and support jobs and "level up" economic growth and prosperity across the country. Building on increases in future public sector net investment set out in the Spring Budget 2020, the spending review includes announcement of:
 - £100 billion of capital expenditure in 2021-22, to kick start growth and support jobs and businesses. This funding will target high-value, jobs-rich projects that are deliverable next year
 - multi-year capital settlements providing funding certainty for existing projects (e.g. school and hospital rebuilding, transport schemes and the Affordable Homes Programme)

- a new National Infrastructure Strategy, setting out the government's plans to transform the UK's economic infrastructure
 - the creation of an infrastructure bank to support private investment in infrastructure
 - a new "Levelling up fund" will invest in local infrastructure
 - a refreshed Green Book updating the government's guidance on how to assess potential investments, to help achieve the aim of addressing regional imbalances.
- III. delivering on promises to the British people. This covers a number of funding announcements for the public sector and aimed at delivering the government's priorities: to support a high quality, resilient healthcare system; level up education standards and provide all learners with a quality education experience; continue tackling crime to keep people safe; and to support local authorities in their efforts to serve local communities. They include:
- £6.3 billion cash increase in NHS spending in 2021-22, compared to 2020-21 as part of an overall cash increase of £33.9 billion a year by 2023-24
 - increasing the schools budget by £7.1 billion by 2022-23, compared to 2019-20 funding levels and a £2.2 billion uplift for the core schools' budget in 2021-22 compared to 2020-21 levels of funding
 - £400 million of additional funding to continue the recruitment of 20,000 additional police officers by 2023. £63 million to tackle economic crime, and £337 million extra funding for the criminal justice system.
 - multi-year funding to build 40 new hospitals, a ten-year programme to build 500 schools, and £4bn to increase the number of prison places by mid-2020.
 - increasing in core spending power for local authorities (see below).

Departmental budgets

- 5.6 The Government has set Total Revenue Departmental Spending in 2021-22 (i.e. core funding excluding Covid-19 funding) at £384.6 billion, an increase of £14.8 billion (4% in cash terms) on 2020-21 spending levels. The underlying general funding to local government (also known as the local government Departmental Expenditure Limit (LG DEL), excluding Covid-19 funding, will rise by £0.5 billion, or 5.8% in cash terms compared to 2020-21. This compares to a 4.8% cash terms increase to NHS England, a 4.3% cash terms increase to education and a 2.6% cash terms increase to defence.
- 5.7 Relative to 2019-20, most departments are set to see reasonably large real-terms funding increases. The Department for Environment, Food and Rural Affairs (DEFRA) in particular will have its budget increased by nearly 45%, with most other departments having increases of around 5% or more. The increase for MHCLG (Local Government) is 7.8%. However, some departments will see much less generous increases, or even decreases. The

Foreign, Commonwealth and Development Office will, for example see its funding fall over 15% in real terms.

5.8 Specific announcements included in the 2020 Spending Review and of direct relevance to local government include:

- a potential increase in Core spending power (CSP) for local authorities in 2021-22 of £2.2bn (4.5% in cash terms) underpinned by:
 - £300 million of new grant funding for adult and children's social care, in addition to the £1 billion announced at SR19 that is being maintained in 2021-22 in line with the government's commitment
 - an increase Revenue Support Grant in line with inflation
 - maintaining the existing New Homes Bonus scheme for a further year with no new legacy payments
 - providing £16 million to support modernisation of local authorities' cyber security systems
- an expected £3 billion of additional support for Covid-19 pressures in 2021-22 by:
 - providing an additional £1.55 billion of grant funding to local authorities to meet additional expenditure pressures as a result of Covid-19
 - providing local authorities with £670 million of additional grant funding to help local authorities support (an estimated 4 million) households that are least able to afford council tax payments
 - providing an estimated £762 million to compensate local authorities for 75 per cent of irrecoverable loss of council tax and business rates revenues in 2020-21 that would otherwise need to be funded through local authority budgets in 2021-22 and later years
 - extending the existing Covid-19 sales, fees and charges reimbursement scheme for a further 3 months until the end of June 2021
 - providing £254m of additional funding for rough sleepers and those at risk of homelessness during COVID-19
- maintaining the referendum threshold for increases in council tax at 2% 2021- 22 and allowing social care authorities to levy an adult social care precept of up to 3%.

5.9 Further announcements relevant to local government were:

- freezing the business rates multiplier in 2021-22 with local authorities being fully compensated for this decision. The SR20 papers also state that the government is considering options for further COVID-19 related support through business rates reliefs although no further details were provided

- the implementation of changes to the PWLB's lending terms, effective from 26 November 2020, meaning the PWLB will no longer lend to local authorities that plan to buy commercial assets primarily for yield. Alongside these new lending terms, the Chancellor also announced an interest rate cut of 100 basis for new loans arranged from 26 November 2020. Further details of these changes are set out in the Authority's Treasury Management Strategy
 - the introduction of a £4bn 'levelling up' fund to invest in local infrastructure to support projects up to £20m. Of this, £600m will be available in 2021-22. The fund will be managed jointly by the Department for Transport, MHCLG and the Treasury. This will be a bid fund, with arrangements to be set out in 2021.
 - pausing pay increases within the public sector in 2021-22 (with the exception of NHS workers and public sector workers earning less than £24,000 who will receive a minimum £250 increase)
 - an increase to the National Living Wage for individuals aged 23 and over by 2.2%, from £8.72 to £8.91, effective from April 2021 and increases to the National Minimum Wage rates to apply from April 2021 of between 1.5% to 3.6%, depending on age and role.
- 5.10 The Government had previously used the 2019-20 settlement announcement to reaffirm its intention to move to 75% local retention in 2020-21. Along with the Fair Funding Review, previously scheduled to take place in 2019, implementation was subsequently pushed back to 2021-22. However, in April 2020 the Government announced that, in order to allow councils to focus on meeting the immediate public health challenge posed by the pandemic, the Review of Relative Needs and Resources (Fair Funding Review) and the move to 75% business rates retention, would no longer be implemented in 2021-22.
- 5.11 SR 20 provided no further update on funding reform, which is still listed as 'delayed', with no revised implementation date proposed. The government did however announce at SR 20 that it had decided not to proceed with a reset of business rates baselines in 2021-22. The SR 20 papers also stated that the Government will consult on reforms to the New Homes Bonus shortly, with a view to implementing reform in 2022-23.
- 5.12 The Government announced at Budget 2020 that it would conduct a fundamental review of the business rates system and is currently considering responses to the call for evidence. A final report setting out the full conclusions of the review, which had been expected along with SR 20, is now expected to be published in spring 2021.

Local Government finance report and provisional settlement 2021-22

- 5.13 The provisional local government finance settlement for 2020-21 was issued on 17 December 2020 and sets out the distribution of centrally allocated resources for local authorities in England. The provisional figures were confirmed within the final settlement announced on 4 February 2021. The

2021-22 local government finance settlement is for one year only and is based on the Spending Review 2020 (SR20) funding levels.

5.14 Key announcements included in the provisional local government finance settlement for 2021-22 and relevant to the Authority include:

- **Council Tax** - as previously announced in the Spending Review 2020, the council tax referendum limit for 2021-22 will be 2% with social care authorities being allowed a social care precept of up to 3% (over the existing basic referendum threshold of 2%), although this can be deferred to 2022-23. The provisional settlement also confirmed district councils will be allowed to apply the higher of the referendum limit or £5 (on a band D property), without triggering a referendum. Town and parish councils continue to be excluded from the referendum principles.
- **Business Rates Retention** - as announced at SR20, the business rates multiplier has been frozen for 2021-22. The three elements of the Business Rates Retention system (Baseline Need, NNDR Baseline and Tariff/Top Up amounts) therefore remain at 2020-21 levels. However, the under-indexing multiplier grant has been increased, in order that local authorities do not lose what would have been the increase to the multiplier (as per previous years when a cap was applied).
- **Revenue Support Grant** - for those authorities still receiving Revenue Support Grant (RSG), this has been increased by 0.55%, in line with what would have been the increase to the multiplier (CPI inflation uplift).
- **New Homes Bonus** - for 2021-22 the overall allocation for each authority is based on the legacy payments for 2018-19 and 2019-20 plus the 2021-22 allocations. As previously announced, there will be no legacy payments for the new 2021-22 allocations or for the 2020-21 allocations. The threshold over which the bonus is paid is unchanged at 0.4%.
- **Rural Services Delivery (RSDG)** - for 2021-2 RSDG funding has been increased by £4m (4.9%), from £81m in 2020-21 to £85m in 2021-22. The formula for distributing allocations of RSDG remain unchanged from 2020-21.
- **Lower Tier Services Grant** - a new, one-off, un-ringfenced grant which will allocate £111m to local authorities with responsibility for lower tier services. £86m will be allocated in line with the 'lower-tier' element of the 2013-14 settlement funding assessment. The remaining £25m will be allocated to provide a funding floor to ensure that no authority has a total Core Spending Power less than in 2020/21 (£25m).
- **COVID-19 Funding** - in SR20, £2.2bn of funding was announced to support local government in 2021-22, alongside support for local tax income and the spreading of deficits. Further details of this support was provided through a consultation paper. This funding is not included in the Core Spending Power figures.

- 5.15 The Settlement outlines the Settlement Funding Assessment (SFA) (comprising Revenue Support Grant and retained business rates income (baseline funding)) for local authorities and the Government's assessment of Core Spending Power of local authorities. Core Spending Power is the Government's measure of the core components of local government funding. It comprises the aggregate of the Settlement Funding Assessment, assumed income from Council Tax, New Homes Bonus, Improved Better Care Fund funding and Rural Services Delivery Grant and the new Lower Tier Services Grant.

Table 1: Settlement Funding Assessment (SFA) & Core Spending Power

	2015-16 £000	2016-17 £000	2017-18 £000	2018-19 £000	2019-20 £000	2020-21 £000	2021-22 £000
Revenue Support Grant	2,523	1,700	1,061	652	196	199	200
Baseline funding	3,284	3,346	3,414	3,517	3,597	3,656	3,656
Total – SFA	5,807	5,046	4,475	4,169	3,793	3,855	3,856
Assumed Council tax	4,537	4,714	4,920	5,100	5,304	5,400	5,621
New Homes Bonus	1,079	1,533	1,612	1,004	838	606	262
Rural Services Delivery Grant	63	324	261	326	326	326	342
Lower Tier Services Grant	-	-	-	-	-	-	156
Other grants ¹	48	48	51	80	117	147	190
Core spending power	11,534	11,665	11,319	10,679	10,378	10,334	10,427
Annual change		1.1%	-3.0%	-5.7%	-2.8%	-0.4%	0.9%
Cumulative change		-	-1.9%	-7.4%	-10.0%	-10.4%	-9.6%

¹Compensation for under-indexing the business rates multiplier

- 5.16 Nationally, the government's figures indicate that Core Spending Power will, in cash terms increase by an average of +4.5% (in cash terms) in 2021-22. This is based on the assumption that every council raises their council tax by the maximum permitted without a referendum and that the annual growth in the council tax base remains consistent with the growth achieved by each local authority between 2016-17 and 2020-21. No adjustments have been made to the council tax base projection methodology for impacts due to the Covid-19 pandemic. This is because the Government is providing additional support to local authorities through the Local Council Tax Scheme. For the local government sector as a whole, the cumulative change in Core Spending Power over the period 2015-16 to 2021-22 is +14.7% in cash terms.
- 5.17 For Allerdale the figures in table 1 highlight a reduction in the Council's core spending power by around 9.6% in cash terms from £11.534m in 2015-16 to £10.427m in 2021-22. This includes a reduction of approximately £2m (33.6%) in the Settlement Funding Assessment, offset by:
- a projected increase of approximately £1.1m (23.9%) in council tax income (based on the Governments assumptions regarding base growth and increases in council tax levels in line with the maximum permitted without a referendum) and

- a net decrease of approximately £0.24m (20%) in the levels of New Homes Bonus, Rural Services Delivery Grant and other grants over the period.

- 5.18 The revenue support grant element of the Council's Settlement Funding Assessment has fallen by over 90% from £2.523m in 2015-16 to £0.200m in 2021-22. Since the implementation of Business Rates retention in 2013-14 baseline funding amounts have typically increased in line with inflation.
- 5.19 The reductions in RSG, which underpin the reduction in the Settlement Funding Assessment, were originally timetabled to coincide with the planned transition to 100% local rates retention in 2019-20. However, following the snap 2017 General Election and the subsequent fall of the Local Government Finance Bill 2016-17, this policy was paused. The Finance Bill would, amongst other things, have provided the legislative framework for the introduction of 100% Business Rates Retention (BRR). Without a change to primary legislation a move to 100% BRR is not possible. As noted above, whilst the Government subsequently used the 2019-20 settlement to announce its intention to move to 75% local retention in 2020-21 this, along with the Fair Funding Review originally scheduled to take place in 2019 has since been delayed.
- 5.20 The provisional local government finance settlement for 2021-22 provided no further update on the planned local government funding reforms (i.e. Fair Funding Review, 75% Business Rates Retention, the full reset of the business rates baselines or the potential Alternative Business Rates Retention System).

6.0 Local Government funding - resources available to support the 2021-22 Revenue Budget

- 6.1 The Council's net revenue budget is funded from the following:
- Central Government grants (including revenue support grant, rural services delivery, new homes bonus on other government grants)
 - the Business Rate Retention Scheme (non-domestic rates)
 - Council Tax
 - Income from fees and charges
 - Interest and investment income.

Central Government Support

- 6.2 Following introduction of the Business Rate Retention Scheme (BRRS) in April 2013, central government support for local government (the Settlement Funding Assessment) now comprises two main funding streams:
- i. Revenue Support Grant (RSG), and
 - ii. amounts funded through the Business Rates Retention scheme (the (NNDR) baseline funding level).

- 6.3 The Settlement Funding Assessment represents the Authority's share of central government's local government spending control total. In addition to the Settlement Funding Assessment, there are also various specific grants (sometimes called targeted grants) distributed outside the settlement. The basis on which these grants are distributed varies from grant to grant. They include non-ringfenced grants, which have no accompanying restrictions on what councils can spend the money on, and ring-fenced grants where the expenditure is controlled to fund a particular service that is a national priority.

Revenue Support Grant

- 6.4 Revenue Support Grant is a non-ringfenced central government grant that can be used to finance revenue expenditure on any service. The amount of Revenue Support Grant to be provided to local authorities is established through the local government finance settlement.
- 6.5 The Council's Revenue Support Grant for 2021-22, included in the Finance Settlement for 2021-22, is £200,486. This represents an increase, in line with the September CPI inflation rate, of 0.55% on the £199,383 awarded in 2020-21. Despite this modest increase, the amount of RSG receivable by the Authority in 2021-22, remains £4.6m lower than the amount paid to the Authority in 2013-14. A reduction of (96%).

Rural Services Delivery Grant (RSDG)

- 6.6 Rural Services Delivery Grant (RSDG) is a non-ringfenced section 31 grant paid by central government to rural authorities in recognition of the extra costs of delivering public services in sparsely populated areas. The grant is paid to the upper quartile of authorities based on the super-sparsity indicator, a proxy for rurality which ranks authorities by the proportion of the population which is scattered widely using census data and weighted towards the authorities with the sparsest populations.
- 6.7 The Authority's RSDG allocation for 2021-22 is £341,633, an increase of £16,077 (4.9%) on the amount of £325,556 received in 2020-21.

New Homes Bonus Grant

- 6.8 The New Homes Bonus was introduced in 2011 to provide an incentive for local authorities to encourage housing growth in their areas. It match funds the council tax raised on the net number of additional new homes and long term empty properties brought back into use and is based on data included in the Council Tax Base Return (CTB1) submitted in October each year. In two-tier areas the bonus is split 80:20 between the district and county councils.

Table 2: New Homes Bonus Grant

Year	Year of Payment (Allerdale Borough Council Share)					
	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
	£000	£000	£000	£000	£000	£000
2011-12	84					
2012-13	16					
2013-14	222	222				
2014-15	469	469				
2015-16	277	277	277			
2016-17	458	458	458	458		
2017-18		178	178	178	178	
2018-19			91	91	91	91
2019-20				111	111	111
2020-21					226	0
2021-22						59
Total	1,526	1,604	1,004	838	606	261

- 6.9 The provisional allocations of New Homes Bonus funding for 2020-21 were announced in December 2020. Final allocations were published alongside the final local government finance settlement in February 2021. The Council's allocation of New Homes Bonus grant funding for 2021-22 is £261,514. A reduction of £344,576 on the £606,090 received in 2020-21. This is paid as a non-ring-fenced grant meaning the Council is free to decide how to spend it and can spend it on either revenue or capital or place it in reserves.
- 6.10 Following changes announced in 2016, the number of years during which New Homes Bonus payments are made was reduced from six to five years in 2017-18 and to four years from 2018-19. In announcing the allocations for 2020-21 the government confirmed that whilst it would continue to make legacy payments on allocations made in earlier years, no legacy payments would be made in respect of 2020-21 New Homes Bonus allocations. In 2021-22, the new allocation for 2021-22 will therefore be paid along with the legacy payments due from 2018-19 and 2019-20 only. As previously announced, there will be no legacy payments for 2020-21 allocations or the new 2021-22 in-year allocations.
- 6.11 The changes made to New Homes Bonus funding in 2016 also included the introduction, from 2017-18, of a national baseline for housing growth of 0.4% of council tax base (weighted by band), below which the Bonus will not be paid. For 2021-22 no changes have been made to this baseline. The threshold over which the bonus is paid will therefore remain at 0.4%. The Government also confirmed in the provisional settlement press release its intention to hold a consultation on the future of the New Homes Bonus, with a view to implementing reforms to the scheme in 2022-23.

Other government Grants - Lower Tier Services Grant

- 6.12 The Lower Tier Services Grant is a new un-ringfenced Grant, which will allocate £111 million to local authorities with responsibility for lower tier services (for example, homelessness, planning, recycling and refuse collection, and leisure services). The proposed methodology for allocating this grant methodology is two-fold. £86 million will be allocated to district councils and unitary authorities in line with their shares of the 'lower-tier' element of the 2013-14 settlement funding assessment. The remaining £25 million will be allocated to district councils to ensure that no authority has a total Core Spending Power less than in 2020-21.
- 6.13 The Government has made it clear that this funding is in response to the current exceptional circumstances and is non- recurring. Government also stated that Authorities should not take this funding floor as guaranteeing similar funding floors in future years, including in future finance reforms.
- 6.14 The Authority's Lower Tier Services Grant allocation for 2021-22 is £155,726.

Other Grants – Covid-19 Expenditure Pressure Grant

- 6.15 As part of the package of financial support to local authorities in response to the COVID-19 pandemic the Government has announced the allocation of an additional £1.55 billion of unringfenced funding to meet expenditure pressures in 2021-22. Individual authority allocations will be distributed using the COVID-19 Relative Needs Formula applied to the 3rd and 4th tranches of 2020-21 funding. The Authority's allocation of Covid-19 Expenditure Pressure Grant is £565,417. This sum is not included in Core Spending Power.

Other Grants – Local council tax support grant

- 6.16 As part of the Spending Review 2020, the Government announced that it would provide local government with £670 million of new funding for 2021-22 in recognition of the increased costs of providing local council tax support and other help to economically vulnerable households following the pandemic. Whilst the expectation is that this funding is will be used to meet the additional costs associated with increases in local council tax support ('LCTS') caseloads in 2021-22 the grant is unringfenced and can be used to provide other support to vulnerable households, including through local welfare schemes.
- 6.17 Individual authority allocations are determined based on the average working age Local Council Tax Support caseloads in Q1 and Q2 of 2020-21 and the average council tax bill per dwelling in the billing authority's area in 2020-21, compared to the average bill per dwelling in England in 2020-21. Allocations for billing authority areas are apportioned between billing and major precepting authorities in the area, based on their share of the council tax requirement in the area for 2020-21. The Authority's indicative allocation of Local council tax support grant payable in 2021-22 is £150,653.

Business rates (non-domestic rates - NNDR)

- 6.18 Under the business rates retention scheme, 40% of business rates (NNDR) collected is retained by the Council. The remainder is paid to Central Government (50%) and Cumbria County Council (10%). The scheme also provides that certain sums are to be treated as being outside the scheme and retained in their entirety by the Council (or by the Council and the County Council). The Council is also able to retain the growth in the local share of business rates, subject to the payment of a levy to central government, designed to prevent disproportionate increases in the Council's funding as a result of growth in business rates income.
- 6.19 A system of top-up and tariffs ensures the Council's share of estimated business rates income (business rates baseline) does not exceed the level of funding to be provided through the business rates retention scheme (baseline funding). Tariffs, top-ups and baseline funding levels are normally indexed each year in line with the small business rates multiplier (usually set at the September RPI). Top-up, tariffs and baseline amounts have also been adjusted to ensure that the impact of the 2017 revaluation was revenue neutral for local authorities.
- 6.20 As noted above, at the 2020 spending review central government announced its decision to freeze the business rates multiplier in 2021-22. As a consequence the three elements of the Business Rates Retention system (Baseline Need, NNDR Baseline and Tariff/Top Up amounts) normally subject to annual indexation will remain at 2020-21 levels. The Council's baseline funding for 2021-22 is £3.656m and the amount of tariff payable is £7.418m. Authorities will be fully compensated for the freezing of the business rates multiplier in 2021-22 by way of a grant payment made under Section 31 ('s31') of the Local Government Act 2003.
- 6.21 The amount of business rates income available to the Council's general fund and taken into account when setting the budget, is based on an estimate made in January preceding the start of the financial year and included in the government return NNDR 1 (i.e. January 2021 for the 2021-22 Financial Year). This estimate of business rate income, reported in the government return NNDR 1, also determines how much the Council must pay to central government and the County Council during the course of the year.
- 6.22 The estimate of business rates income takes into account any projected changes in the tax base, estimated losses due to appeals and expected collection rates. The amounts paid to the County Council and central government and the amount retained by the Council are fixed at the outset of each year (based on the estimates included in the Council's NNDR 1 return). As a consequence, any difference between estimated amounts and the actual amounts receivable will result in a surplus, or deficit on the Council's Collection Fund. An estimate must therefore be made by the Council of the surplus or deficit on the Collection Fund at the end of the previous financial year. This estimated amount is then shared between the Council, Cumbria County Council and central government and added (or subtracted) from each Authorities share of the following year's non-domestic rating income. The

estimated Collection Fund deficit at 31 March 2021 relating to business rates is £15,348,798. The Council's share of this deficit is £6,139,519.

- 6.23 During 2020-21, central government introduced a number of additional and extended business rates reliefs in response to the Covid-19 pandemic (including, in particular, the increased and expanded retail discount scheme). This has resulted in a significant reduction in the amount of business rates collected from ratepayers in 2020-21 and lead to the significant deficit estimated for 2020-21. The Authority is compensated for this loss in business rates income arising from these additional and extended reliefs by way of additional section 31 grant payable in 2020-21. As noted in the 2020-21 revised budget the additional s31 grant received in the current financial year will be transferred to an earmarked reserve in 2020-21 and released in 2021-22 to offset the reduction in business rates income.
- 6.24 In addition to the existing requirement to estimate separately the collection fund surpluses or deficits for business rates (NNDR) and Council tax (see below), new regulations introduced in response the Coronavirus pandemic, mean that billing authorities must now also separately estimate an 'exceptional balance' for non-domestic rates and council tax. The 'exceptional balance' is the estimated overall surplus or deficit net of any 'prior year' elements included in the overall surplus or deficit. For business rates the exceptional balance also excludes amounts in respect of amended and expanded business rates reliefs which were not included in 2020-21 NNDR1 forms and for which authorities will be compensated through s31 grants. Where the exceptional balance is in deficit this amount must be spread in three equal portions across the three financial years 2021-22 to 2023-24.

Table 3: Allocation of collection fund surplus (business rates) at 31 March 2021

	Share of surplus/ (deficit)	Allocation		
		2021/22	2022/23	2023/24
	£000	£000	£000	£000
Allerdale Borough Council	(6,140)	(6,140)	0	0
Central Government	(7,674)	(7,674)	0	0
Cumbria County Council	(1,535)	(1,535)	0	0
Total estimated surplus	(15,349)	(15,349)	0	0

- 6.25 A summary of the business rate income included in the 2021-22 budget is shown in table 4.

Table 4: Estimated Business Rates (NNDR) funding 2021-22

Funding Element	£'000
Allerdale Share of NNDR Income	11,679
Renewable Energy disregard – retained by billing authority	519
Net tariff payable to Central Government	(7,418)
Share of estimated Collection Fund deficit at 31 March 2021	(6,140)
	(1,360)
Reconciliation adjustment re prior years disregarded income	(35)
Levy payable (net of reduction under pool arrangements)	(472)
Section 31 grant	1,983
Transfer (to)/from Earmarked Reserve (2020-21 s31 Grant)	6,160
Transfer of estimated retained levy to Earmarked Reserve	(654)
Total estimated income from Business Rates	5,622

- 6.26 As part of the business rates retention scheme, local authorities have the option of working with neighbouring authorities to seek formal designation as a pool which is treated as a single authority for the purpose of certain calculations under the scheme. This provides the opportunity to increase the amount of growth in the local share retained locally (through a reduction in the levy rate). Pooling also provides scope to manage the impact of volatility in rates income across a wider economic area.
- 6.27 A Cumbria Business Rates Pool has been in place since April 2014. Prior to 2018-19 membership of the pool consisted of Cumbria County Council Allerdale Borough Council, Barrow Borough Council, Carlisle City Council, Eden District Council and South Lakeland District Council. In 2018-19 membership of the pool was extended to include Copeland Borough Council. After undertaking appropriate due diligence, including modelling the individual position alongside the pool position, the Authority along with Cumbria County Council and the five other district councils in Cumbria, reached a collective decision to continue the Cumbria Business Rates Pool in 2021-22, with no changes to the existing membership.
- 6.28 In 2021-22 it is estimated that business rates income of £654k that would otherwise have been paid to central government through the levy payment, will remain available to the Council's general fund as a result of the agreed pooling arrangement. This estimate is based on past experience of the Authority's share of the retained pool levy. However, the current economic environment now presents multiple potential risks not present in previous years. Assessment of these risks and quantification of their financial impact on the pool remains highly speculative. As a consequence significant uncertainty exists over the value of the retained levy expected from the pool in 2021-22. In recognition of this uncertainty, the estimated value has been not included in the available revenue funding but has instead, been transferred to an earmarked reserve. This reserve will be made available once circumstances allow the value of the retained levy estimated with sufficient certainty.

- 6.29 At successive Autumn Statements and Budgets since 2013, the Chancellor of the Exchequer announced various changes to the business rates system that affect the business rates income of local authorities. In any year, the financial impact of measures is fully met by Central Government and authorities will be compensated for any loss to their “local share” of business rates by means of a Section 31 grant .The following changes will affect the Council’s business rates income in 2021-22:
- (i) permitting ratepayers receiving Small Business Rate Relief that take on an additional property to continue to receive their current relief for 12 months
 - (ii) making permanent the doubling of small business rates relief from 1 April 2017 and changing eligibility thresholds from 2017-18
 - (iii) doubling rural rate relief; to be awarded through discretionary relief until such time as the Government can make the necessary changes to primary legislation
 - (iv) providing support to small businesses, facing large increases as a result of the loss of small business or rural rate relief, due to the revaluation. This relief took effect from 1 April 2017 for a period of 5 years
 - (v) a 100% rate relief scheme for new telecom fibre applicable retrospectively to 1 April 2017 for a period of 5 years
 - (vi) discretionary relief of £1,500 in respect of the office space occupied by local newspapers. Extension of the scheme for a further 5 years until 2024-25 was announced in January 2020
 - (vii) freezing of the Small Business Multiplier for 2021-22.announced at the spending review 2020.
- 6.30 A central government grant under Section 31 of the Local Government Act 2003 will be paid to authorities to compensate them for the ongoing loss of business rates income they suffer as a result of these changes. A grant is also paid to compensate local authorities for the ongoing loss of income they suffer as a result of past decisions made by Government to
- cap the increase in the small business multiplier to 2% in each of 2014-15 and 2015-16 and to CPI from 2018-19 onwards.
 - freeze the small business multiplier at 49.9p for 2021-22.
- 6.31 The 2020 Spending Review also included the announcement that Government are considering options for further Covid-19 related support through business rates reliefs in 2021-22. Pending announcement of information regarding the nature of these reliefs and of compensation payable to local authorities, these schemes are not included within the 2021-22 NNDR1 form.
- 6.32 A reconciliation of the baseline funding contained in the 2021-22 local government finance settlement to the total estimated income from business rates is set out in table 5.

Table 5: Reconciliation of 2021-22 business rates income to baseline funding

Funding Element	£'000
Baseline funding	3,656
Share of retained growth	1,462
Pool gains	654
Renewable Energy disregarded income retained by Authority	484
Share of Collection Fund Surplus/(Deficit)	(6,140)
Transfer (to)/from Earmarked Reserve (2020-21 s31 Grant)	6,160
Transfer of estimated retained levy to Earmarked Reserve	(654)
Total estimated income from Business Rates	5,622

Council tax

- 6.33 Each year the Council must calculate the amount of revenue it needs to raise through council tax (the council tax requirement). Calculation of the council tax requirement is calculated based on the Authority's estimates of:
- the expenditure it will incur in the year less estimates of the income it will receive from government grants, business rates, fees and charges and interest and investment income
 - allowances required for contingencies in relation to amounts to be charged or credited to revenue
 - the financial reserves it will be appropriate to raise in the year for meeting its estimated future expenditure, less
 - the amount of the financial reserves that will be used in the financial year to meet expenditure.
- 6.34 The Authority's council tax requirement must also take into account the amounts the Council is required to transfer during the year between its General Fund and Collection Fund in respect of its share of any surpluses or deficits on the Collection Fund for the previous year in respect of business rates and council tax.
- 6.35 The amount of council tax income available to the Council's general fund in the financial year is fixed at the level determined when the council tax is set. This amount is paid out of the Council's Collection Fund regardless of how much council tax is actually collected during the year. As a consequence, if more council tax is collected than expected a surplus on the Collection Fund will arise; if less is collected, a deficit will result. Statutory provisions require the surplus or deficit on the council tax element of the collection fund for the previous year to be estimated on 15 January of that year. The estimated surplus/deficit on the Collection Fund is shared out, in accordance with statutory provisions, between the Council and the major precepting authorities (Cumbria County Council and the Police and Crime Commissioner for Cumbria) in the following year and taken into account in the budget calculations for that year.

- 6.36 The collection fund surplus in respect of council tax at 31 March 2021, estimated as at 15 January 2021 is £22,119. This comprises a total prior year element of £36,453 (surplus) and an exceptional balance in respect of 2020-21 of £14,334 (deficit). Allerdale Borough Council's share of the estimated surplus is £2,869. The portion of this surplus distributed in 2021-22, after adjusting for the allocation of the exceptional balance to 2020-21 and following two years, under the deficit phasing provisions introduced in December 2020, is summarised in the following table.

Table 6: Allocation of collection fund surplus (council tax) at 31 March 2021

	Share of surplus/ (deficit) £000	Allocation		
		2021/22 £000	2022/23 £000	2023/24 £000
Cumbria County Council	18	24	(3)	(3)
Cumbria Police & Crime Commissioner	2	4	(1)	(1)
Allerdale Borough Council	2	4	(1)	(1)
Total estimated surplus	22	32	(5)	(5)

Proposed council tax increase

- 6.37 The Council has the ability to set any level of council tax increase. However, whilst the Localism Act 2011 abolished Council Tax capping in England, it introduced in its place, a power for local electorates to approve or veto excessive council tax rises. Since 2012-13, an authority setting a council tax increase which exceeds principles endorsed by the House of Commons alongside the local government finance settlement (i.e. which is "excessive") will be required to hold a council tax referendum. The result of a council tax referendum is binding.
- 6.38 In 2016-17 at the start of the four-year offer made to local government the threshold level for shire districts, above which council tax increases was considered excessive, was set at 2% or more than £5 above the amount of council tax in previous year (whichever is higher). In 2018-19 this threshold was increased to 3% or up to and including £5, whichever is higher, to reflect the level of inflation. The £5 threshold applied to band D properties with proportionate increases being applied to properties in other council tax bands. For 2019-20 and 2020-21 the referendum principle limits for shire district councils in two-tier areas returned to the higher of 2% or £5.
- 6.39 The 2020 Spending Review stated that the referendum threshold for increases in council tax would remain at 2% in 2021- 22. It did not however include specific proposals for shire districts, stating instead that MHCLG would set out full details of the council tax referendum principles as part of the consultation on the detailed methodology for the Local Government Finance Settlement for 2021-22. The Council's budget consultation was therefore conducted on the assumption that the additional (£5) flexibility would be

available in 2021-22 and in the event that this additional flexibility was not confirmed, that Council tax would be increase by 1.99%.

- 6.40 The Provisional Settlement for 2021-22 proposed that for 2021-22 district councils, would as in previous years, be permitted to increase council tax by up to 2% or up to and including £5 (whichever is higher) above the authority's relevant basic amount of council tax for 2020-21 without triggering a referendum. These limits were confirmed in February 2021 following publication of the Referendums Relating to Council Tax Increases (Principles) (England) Report 2021/22
- 6.41 Having regard to the referendum principles outlined above the Council proposes to increases Council Tax by £5 on band D Properties, with proportionate increases being applied to properties in other council tax bands. This equates to an increase equal to 2.86% across all council tax valuation bands.
- 6.42 Based on the 2021-22 tax base of 30,889.76 (see below) and the Authority's share of the Band D council tax charge of £179.72, the amount of Council Tax income receivable for 2021-22 is £5,551,508.
- 6.43 For local authorities with responsibility for adult social care (including Cumbria County Council) the referendum principles are extended to include the ability to levy an adult social care (ASC) precept of 3% on top of the core principle of up to 2%, with the option to defer some or all of the ASC precept for use in 2022-23. Police and Crime Commissioners (PCCs) will be allowed increases of up to £15. No referendum limits apply to town and parish councils. However, the continued absence of referendum limits for to town and parish councils remains contingent on the sector evidencing restraint when setting council tax precept levels. As in previous years, the government has indicated that it will keep this approach under review for future years and will take careful account of the increases set by parishes in 2021-22 when reviewing the matter ahead of next year's settlement.
- 6.44 The Council has no control over the increases in the council tax charge implemented by the County Council, Police and Crime Commissioner for Cumbria or the town and parish councils. Together these account for around 90% of the total Council Tax.

Council tax base

- 6.45 After calculating its council tax requirement, each local authority then sets its basic amount of council tax (band D) at the level necessary to raise this amount, taking into account its likely collection rate. The basic amount council tax is calculated by reference to the Council's council tax requirement and its council tax base.
- 6.46 The council tax base is the number of Band D equivalent dwellings in a local authority area. The tax base is therefore an estimate of the taxable capacity for the borough as a whole and for each parish area. To calculate the tax, the number of dwellings in each council tax band is reduced to take account of

discounts and exemptions. This includes reductions awarded under the Council's Council Tax Reduction Scheme. The resulting figure for each property band is then multiplied by its proportion relative to Band D (from 6/9 for Band A to 18/9 for Band H) and the total across all eight bands is calculated. An adjustment is then made for the collection rate.

- 6.47 The tax base for 2021-22 has been set at 30,889.76. This represents a decrease of approximately 0.05% on the 2020-21 tax base of 30,905.23.
- 6.48 Council tax raised on behalf of parish and town councils ('Parish Precepts') are incorporated into the Council's general fund budget and council tax requirement. Details of parish precepts for 2021-22 are set out in Appendix A.

7.0 Determination of the council's net budget (budget requirement)

- 7.1 Preparation of the council's 2021-22 net revenue budget begins with a roll forward of the 2020-21 recurring base budget (£12,389k). This figure is then adjusted to accommodate:
- changes to salary costs including the impact of pay awards, incremental pay increases and changes to establishment
 - recurring growth and savings
 - self-sufficiency savings, and
 - non-recurring growth and savings - i.e. those required for the current year only.
- 7.2 In line with the Budget Strategy presented to Executive on 25 November 2020, the key assumptions/parameters adopted as part of this budget are to:-
- prioritise delivery of the Council Strategy
 - address the impact of the Covid-19 Pandemic on the Council's finances
 - continue to identify areas where efficiencies can be made
 - increase income from fees and charges in line with the Council's charging policy
 - increase the base budget to reflect inflationary uplifts to contract prices in line with our contractual commitments and the relevant measure of inflation
 - not to apply a general inflationary uplift to non-pay expenditure in order to drive further efficiencies
 - cost salary expenditure based on an assumed 0% increase in pay-scales effective from 1 April 2021 (with the exception of employees earning less than £24,000 who will receive a minimum £250 increase)
 - continue to allow for a 2% reduction to accommodate staff turnover during the year.
- 7.3 The Council's net revenue budget (budget requirement) for 2021-22 is shown in table 7.

Table 7: 2021-22 Revenue Budget

	2021-22 £000	Reference
Base Budget	12,389	
Change in salary costs - recurring	(310)	7.7
Recurring growth	474	7.8
Recurring savings	(254)	7.9
Recurring (base) budget	12,299	
Change in salary costs – non-recurring	0	
Non-recurring growth	1,019	7.11
Non-recurring savings	(5)	7.12
Net Expenditure	13,313	
Expenditure on earmarked priorities	213	Appendix F
Proposed Budget (excluding parish precepts)	13,526	
Parish precepts	2,567	Appendix A
Proposed Budget (including parish precepts)	16,093	
Less: Planned use of earmarked balances	(213)	Appendix F
Net Budget Requirement	15,880	

7.4 The Council's net budget requirement is funded as follows:

Table 8: 2021-22 Revenue Funding

	2021-22 £000	Paragraph
Revenue support grant	200	6.4
Rural Services Delivery Grant	342	6.6
New Homes Bonus	261	6.8
Other Gov. (Levy Surplus)	0	-
Other Gov. grants (Lower Tier Services Grant)	156	6.12
Other Gov. grants (Covid expenditure pressures grant)	565	6.15
Other government grants - LCTS	151	6.16
NNDR funding	11,762	6.18
Collection fund surplus/(deficit) - NNDR	(6,140)	6.18
Council tax – excluding parish element	5,552	6.32
Council tax – parish element	2,567	
Collection fund surplus/(deficit) - Council Tax	4	6.26
Use of /(contribution to) General Fund Balances	460	
Total funding	15,880	

7.5 The budget for net expenditure in 2021-22, excluding parish precepts and spend on earmarked priorities (met from the use of earmarked reserves) is £13,313k. This compares with a total of £15,647k for 2020-21 (revised

budget). A summary of the changes underlying the movement between the 2020-21 revised budget and the proposed 2021-22 budget, is set out in Appendix C.

- 7.6 A breakdown of the Revenue Budget for 2021-22 by Executive member portfolio is set out in Appendix B.

Change in salary costs - £(310)k (recurring)

- 7.7 This is the net total decrease required to in respect of a number of changes in the salary budgets. These changes include the cost of proposed pay awards for lower paid public sector staff, the cost of annual increments due and changes to staffing structures.

Recurring growth - £474k

- 7.8 Details of recurring growth bids included as adjustment to the Council's base budget are summarised in table 9:

Table 9: Recurring growth bids 2021-22

Bid Detail	Bid £000
Economic Growth, Community Development & Placemaking	
Footway Lighting: Increase in budget for electricity consumption costs.	7
Gypsy and Travellers: Creation of budget for the assessment of encampments, enforcement action, repairs etc.	40
Finance & Legal Portfolio	
Audit Fees: Increase in external audit fees to reflect changes in scope of audit work	9
Banking & Interest: Reduction in investment income budget to reflect forecast interest rates and money market yields	54
MRP & Finance Charges: Increase in the amount required to be set aside from revenue to meet the cost of capital expenditure funded by borrowing	158
Policy, Governance & People Resources Portfolio	
Climate change: Budget provision to support delivery of the Council's climate change action plan	20
Environmental Services Portfolio	
Grounds Maintenance & Street Cleaning Inclusion of Harris Park Bowling Club and Tennis Courts within the Grounds Maintenance contract (£5k) plus inflationary uplift to the contract price (£3k).	8
Multi-Storey Car Park: Contractual uplift on MSCP lease	35
Off street owned car parks: Increased cost of cash collections carried out from the Multi Storey Car Parks	7
Off street owned car parks: Uplift to budget for card payment charges to reflect increased use of card payments.	15
Recycling: Inflationary uplift to contract price plus increase in budget to cover additional handling charges arising from increase in recycling tonnages.	106

Bid Detail	Bid £000
Customer Experience & Innovation Portfolio	
IT services: Upgrade to Civica Icon (cash receipting) system	15
Total recurring growth bids	474

Recurring savings – (£254k)

- 7.9 Details of recurring savings bids included as adjustment to the Council's base budget are summarised below:

Table 10: Recurring savings bids 2021-22

Bid Detail	Bid £000
Finance and Legal Portfolio	
Banking & Interest: Reduction in interest costs to reflect existing PWLB debt, additional borrowing requirements associated with the 2020-21 and 2021-22 capital programme and updated interest rate forecasts for 2020-21 and 2021-22	(96)
Environmental Services Portfolio	
Recycling: Increase in income budget to reflect increase in recycling credit per tonne payable to the Council.	(111)
Trade Waste: Reduction in expenditure on disposal costs to reflect reductions in the levels of trade waste tonnages collected.	(18)
Leisure & Tourism Portfolio	
Carnegie Trust: Agreed reduction in subsidy awarded.	(15)
Customer Experience & Innovation Portfolio	
Benefits: Increase in contribution from central government towards the cost of administering Housing Benefits.	(14)
Total recurring savings bids	(254)

Non-recurring growth/savings

- 7.10 There are a number of bids that are non-recurring, i.e. they are required for one year only, and therefore will not directly impact on the base budget. These are summarised in the following tables:

Non-recurring growth - £1,019k

- 7.11 The non-recurring growth bids included in the Council's net budget requirement are summarised in table 11:

Table 11: Non-Recurring growth bids 2021-22

Bid Detail	Bid £000
Economic Growth, Community Development & Placemaking	
Camping & caravanning: Anticipated loss of income due to the Covid-19 pandemic.	200
Workington Town Centre: Reduction in the variable element of rental income from the shopping centre as a consequence of measures taken in response to the Covid-19 pandemic.	65
Gypsy & Travellers: Consultancy costs related to the design and costing-up for a new transient and/or permanent site	15
Festivals & Events: Coast Alive – a cultural festival bringing exciting art installations and performances to our coastal communities in Allerdale and Copeland during the Year of The English Coast 2021.	30
Finance and Legal Portfolio	
Contingencies: To address restructure/potential redundancy implications and issues arising around Local Government reorganisation	460
Financial Services External tax advice in relation capital schemes being undertaken including the Future High Streets and Towns Fund schemes	16
Environmental Services Portfolio	
Workington Nature Partnership: Salary costs associated with the current HLS Agreement.	5
Supporting Leisure Activity: One year grant extension to support Wigton Pool due to the financial impact of the Covid-19 pandemic and the expected continued loss of income.	10
Bereavement Services: Cockermouth Cemetery road repairs and creation of approximately 25 graves	13
Street Scene: Fly-tipping project incorporating the Oldside clear up in conjunction with Network Rail construction work.	30
Policy, Governance & People Resources Portfolio	
Housing Studies: To support the development of a New Housing Strategy from 2021 onwards including completion of a Housing Need and Demand study and Stock Condition Survey.	100
Elections: VAT disclosure	55
Leisure & Tourism Portfolio	
Tourism Incentive: Additional non-recurring budget to support post Covid recovery	20
Total non-recurring growth bids	1,019

Non- recurring savings - (£5k)

- 7.12 Details of non-recurring saving bids included in the Councils net budget requirement are summarised in table 12.

Table 12: Non-recurring savings bids 2021-22

Bid Detail	Bid £000
Environmental Services Portfolio	
Workington Nature Partnership: External funding to be received through existing HLS Agreement.	(5)
Total non-recurring savings bids	(5)

Contingencies

- 7.13 The Council includes in its recurring (base) budget a central contingency budget for unquantifiable risks. The contingency balance held within the base budget for 2021-22 is £191,910. The total contingency balance inclusive of non-recurring bids of £460k is (£651,910).

8.0 Capital budget

- 8.1 Capital expenditure includes the acquisition and construction of non-current assets, such as land and buildings, which have a useful life in excess of 12 months as well as expenditure on additions to, or enhancement of, existing non-current assets. It also includes items such as grants towards capital expenditure incurred by third parties (for example Disabled Facilities Grants).
- 8.2 The following paragraphs set out the Council's proposed capital programme for 2021-22 and the following two financial years (2022-23 and 2023-24) together with a summary of how this expenditure will be financed.
- 8.3 Capital expenditure may also impact on the Council's revenue budget. Where this is the case, the revenue implications of capital expenditure are dealt with as part of the Revenue Budget process. Examples of the revenue implications of capital expenditure include:
- increases/decreases in operating costs, e.g. utilities, maintenance, staff costs or increased income from new or enhanced assets
 - the requirement to set aside from the General Fund an annual amount (the Minimum Revenue Provision), to meet the capital cost of expenditure funded from borrowing or other credit arrangements
 - increased finance costs, either by way of interest on borrowing or the loss of income on investment balances, used to fund capital expenditure.

Financing the capital programme

- 8.4 Resources available to finance capital expenditure include:
- capital receipts (usable proceeds from asset sales)
 - grants and contributions from third parties
 - direct financing from revenue.

- 8.5 Capital expenditure that is not financed up-front from these resources will increase the Council's underlying need to borrow, as measured by the capital financing requirement (CFR). The Council's underlying borrowing is not necessarily the same as its actual borrowing position. The level of external debt will be determined in accordance with the Council's treasury management strategy and practices. As a consequence, an increase in the Council's underlying borrowing position will not necessarily mean a corresponding increase in the amount of external borrowing.
- 8.6 Statutory provisions set out the purposes to which the Council can apply its available capital receipts. The uses specified in regulations include:
- to meet capital expenditure in the current year
 - to reduce the underlying borrowing requirement associated with capital expenditure not financed from capital receipts, grants or revenue
 - to pay a premium charged in relation to any amount borrowed
 - to meet the administrative costs of, or incidental to, a disposal of an asset.
- 8.7 Capital receipts and grants received to date together with (capital) grant funding allocations for 2021-22 have been fully committed to support the Council's capital programme.
- 8.8 In accordance with the Codes of Practice published by the Chartered Institute of Public Finance and Accountancy and good professional practice, capital receipts expected to be received in 2021-22 and subsequent years will only applied to fund new (capital) priorities where, after carrying out option appraisals and whole life costings, it can be demonstrated that this offers better value for money to the Council when compared with alternative uses. Alternative uses include their application to reduce the underlying borrowing requirement associated with past expenditure.

Proposed capital programme

- 8.9 The proposed capital programme covering 2021-22 and the following two financial years is summarised in table 13. A summary of individual schemes included in the proposed three-year capital programme analysed by Executive Member Portfolio is included in Appendix D.

Table 13: Proposed Capital Programme & methods of financing

	Proposed Budget			
	2021-22 £000	2022-23 £000	2023-24 £000	Total £000
Capital Expenditure¹ :				
Econ. Growth, Community Dev. & Placemaking	11,558	17,721	10,468	39,747
Finance & Legal	0	0	0	0
Policy, Governance & People Resources	1,512	1,378	1,378	4,268
Environmental Services	60	11	0	71
Leisure and Tourism	200	0	0	200
Customer Experience & Innovation	0	0	0	0
Total Expenditure	13,330	19,110	11,846	44,286
Financed by:				
External funding sources:				
Disabled Facilities Grant (Better Care Fund)	1,378	1,378	1,378	4,134
Other Housing Grants	57	0	0	57
Other grants & contributions – confirmed	470	295	0	765
Towns Fund Grant (tbc)	2,100	12,150	6,700	20,950
Future High Streets Grant (tbc)	3,268	5,125	3,135	11,528
Cumbria LEP funding (tbc)	5,500	0	0	5,500
Allerdale BC resources:				
Capital Receipts	264	46	1	311
General Fund	0	0	0	0
Borrowing (unfinanced expend.)	294	116	632	1,041
Total financing	13,330	19,110	11,846	44,286

¹ Gross expenditure excludes any proposed budget carry forwards from the approved 2020-21 capital programme; these requests will form part of the 2020-21 Capital Outturn Report.

- 8.10 The proposed capital programme for the three-year period to March 2024 includes the following changes to the existing three-year rolling capital programme:

Table 14: Summary of changes to existing capital programme

	Financial year			Para
	2021-22 £000	2022-23 £000	2023-24 £000	
Gross expenditure				
Previously approved capital programme (2020-21 revised budget)	2,724	1,644	0	-
Reprofiling adjustments (Maryport FHS)	(679)	46	633	
Capital Growth - see table below	11,332	17,439	11,213	-
Capital Savings - see table below	(47)	(19)	0	8.11
Proposed capital programme 2021-22 to 2023-24	13,330	19,110	11,846	

Capital Growth and Savings

- 8.11 A number of new capital expenditure bids have been submitted for approval as part of the 2021-22 budget setting process. These are summarised in table 15.

Table 15: Summary of Capital Bids

Capital Scheme	Financial year			Total bid £000	Para
	2021-22 £000	2022-23 £000	2023-24 £000		
Capital Expenditure:					
Growth Bids					
DFG - Mandatory Grants	164	164	1,378	1,706	8.12
Workington Hall	250	0	0	250	8.14
Otley Road Property	50	0	0	50	8.15
Vertical Farm	5,500	0	0	5,500	8.16
Maryport FHS	3,268	5,125	3,135	11,528	8.20
Workington Towns Funding	2,100	12,150	6,700	20,950	8.28
sub-total - growth bids	11,332	17,439	11,213	39,984	
Savings Bids					
Biodiversity & green Infrastructure	(16)	0	0	(16)	8.36
Leased assets acquisitions	(31)	(19)	0	(50)	8.39
sub-total - savings bids	(47)	(19)	0	(66)	
Net Growth Bid	11,285	17,420	11,213	39,918	
Financed by:					
DFG Housing Grant	164	164	1,378	1,706	
Other grants & contributions	(16)	0	0	(16)	
Towns Fund Grant (tbc)	2,100	12,150	6,700	20,950	
Future High Streets Grant (tbc)	3,268	5,125	3,135	11,528	
LEP funding - Vertical Farm	5,500	0	0	5,500	
Capital receipts	50	0	0	50	
Lease	(31)	(19)		(50)	
Borrowing (unfinanced expenditure)	250	0	0	250	
	11,285	17,420	11,213	39,918	

Disabled Facilities Grants (DFG) (£1,706k growth bid 2021-22 to 2023-24)

- 8.12 Pending confirmation of the Authority's grant funding allocation for 2021-22 and future years, budgeted DFG expenditure for 2021-22 has been set at £1,378k, based on the Authority's grant income allocation for 2020-21. For 2022-23 and 2023-24, the annual capital budget for DFGs has also been included at a provisional amount of £1,378k. This amount includes the addition of a growth bid of £164k to the amounts already included in the

capital programme in both 2021-22 and 2022-23. These estimates will be revised to align with future grant funding allocations once these have been confirmed. This will ensure that the DFG expenditure budget continues to reflect available grant funding.

- 8.13 Following approval of the revised 2020-21 capital budget, the Authority received a further allocation of DFG grant funding allocation for 2020-21 of £163,505, bringing the total allocation for 2020-21 to £1,377,770. In addition to the growth bid to the DFG budgets for 2021-22 and 2022-23 the budget proposals summarised in Appendix D also includes an increase to the DFG budget for 2020-21 of £163,505 to reflect this additional allocation.

Workington Hall (£250k growth bid -2021-22)

- 8.14 The current capital budget for this scheme of £211k covers refurbishment and consolidation works necessary to ensure progression towards eventual removal of the building from the At Risk Register. The project is funded from a grant of £150k from Historic England with the balance being met from capital receipts (12k), general fund balances (£43k), and borrowing (£6k). The proposed budget increase of £250k, funded from borrowing, will facilitate an extension to the ongoing programme of works and ensure continued progression towards eventual removal of the building from the At Risk Register. The additional budget allocation will bring the total budget for the scheme during financial years 2020-21 to 2021-22 to £461,522.

Conversion of Otley Road Property (£50k growth bid- 2021-22)

- 8.15 The current capital programme includes a budget of £130k to meet the cost of converting the existing commercial property at Otley Road Keswick into much needed residential accommodation. Expenditure on the scheme will be funded from capital receipts. The additional budget bid of £50,000, submitted as part of the 2021-22 budget cycle, is to meet the costs of additional works associated with planning conditions (solar panels, flood defence works and associated work) which were not included in the original costs of the development.

Vertical Farm (£5,500k growth bid- 2021-22)

- 8.16 The budget growth bid submitted as part of the 2021-22 budget cycle, relates to a proposed contribution of £5,550k towards the development of a centre of excellence and integrated vertical farming solution at the strategic site at Lillyhall North, Workington. The scheme will use of funds made available, via the Cumbria Local Enterprise Partnership, from the Governments new Getting Building Fund. Announced in July 2020, the £900 million Getting Building Fund aims to support the UK's economic recovery following the COVID-19 crisis by supporting the delivery of shovel-ready infrastructure projects, agreed with mayors and Local Enterprise Partnerships to boost economic growth, and fuel local recovery and jobs.
- 8.17 The proposed scheme and associated budget remains subject to the successful outcome of a £5.5m grant funding application to the Cumbria Local

Enterprise Partnership's Getting Building Fund programme. If successful Allerdale Borough Council will act at the Accountable Body in relation the administration of grant funding provided by the Cumbria Local Enterprise Partnership'. Overall project costs are anticipated to be in the region of £12.5m with the balance of expenditure being funded through private sector investment.

- 8.18 Vertical farming is a form of indoor agriculture where plants are cultivated in stacked systems (or 'towers') and forms part of a growing sector, controlled environment agriculture (CEA), which aims to optimize plant growth. Indoor farms such as this use techniques and technology that offer a progressive way to complement traditional farming methods.
- 8.19 The project represents an opportunity for true transformation for Cumbria and is part of the Council's vision for Cumbria that will drive economic growth, contribute to technological advancement and innovation, create secure and sustainable food supplies and address key socio-political issues such as food poverty and obesity while creating a strong circular economic model for the local area. In addition to creating a range of high-skilled and entry level jobs, the project links directly to the Authority's objective of supporting local economic recovery post Covid-19 and enables diversification of the Cumbrian agricultural sector by building resilience, expanding from pastoral and dairy farming into agri-tech to create a sustainable future.

Maryport Future High Streets Initiative (£11,528k growth 2021-22 to 2023-24)

- 8.20 The three-year capital programme 2020-21 to 2022-23 approved in March 2020 included £500k (£250k in 2021-22 and 2022-23) to support the programme of works being developed as part of the business case for the Maryport Future High Streets Initiative.
- 8.21 A report setting out the detailed business case for the Regeneration of Maryport Town Centre was subsequently presented to the Council's Executive on 15 July 2020. Following approval of the business case and the Authority's £724k contribution towards the capital costs of the scheme, the final business case was submitted to the Government's Future High Streets Fund team on July 30 2020. The submission contained a total funding ask of £16,677k.
- 8.22 To align the capital budget with the contribution agreed by the Council's Executive in July 2020 a growth bid of £132k was approved as part of the 2020-21 revised budget cycle. Coupled with a reprofiling adjustment of £250k to move the existing budget of £250k from 2022-23 to 2021-22 and the reallocation of £92k from the Housing Improvements budget, this brought the total capital budget (in 2021-22) to £724k. The Authority's contribution is funded from grants (£17k), capital receipts (£75k) and borrowing £633k.
- 8.23 On 29 December 2020 the Authority received notification of an in-principle funding offer from the Future High Streets Fund of £11,527,839. This equated to 69% of the Authority's funding ask. At the time of writing, this funding offer is subject to the Authority's submission of updated proposals to reflect the

funding envelope. The final deadline for submissions is Friday 26 February 2021.

- 8.24 The budget growth bid of £11,528k submitted as part of the 2021-22 budget cycle and allocated across financial years 2021-22 - £3,268k, 2022-23 - £5,125k and 2023-24 - £3,135k, reflects the in-principle funding offer from the Future High Streets Fund. It does not include those elements of the proposed scheme funded from private sector contributions (currently estimated at £221k) or revenue costs associated with project delivery or future operating activity.
- 8.25 Application of this budget remains subject to the submission of revised plans and confirmation of funding, detailed financial evaluation of the revenue impact of proposals on the Council's MTFP and establishment of delivery plans.
- 8.26 Pending finalisation of updated proposals key elements of the scheme – based on a provisional assessment of revised plans - are summarised below:

Table 16: Maryport FHS component projects (provisional)

Scheme element	Original Ask £000	Revised Plan ¹ £000
Enhancement of the public realm areas with a focus on pedestrian improvements and surface enhancements on Curzon & Senhouse Streets, landscaping work and rationalising street furniture.	3,976	576
Developing a semi covered market space on vacant land at 64, Senhouse Street (Empire Yard)	2,131	2,131
Redevelopment of the former Carlton Cinema as a community hub	2,268	2,268
Redevelopment of the Wave to provide a more comprehensive leisure and activities hub which will incorporate a leisure pool as well as additional features such as ebike hire and charging centre.	4,184	4,184
Purchase and redevelopment of Christchurch building to form an Arts and Heritage Hub	1,250	1,250
Conversion of retail units into high quality apartments. (Grant scheme)	2,868	1,119
Total bid (financed from FHS grant)	16,677	11,528

¹ provisional assessment

- 8.27 In addition to the growth bid of £11,528k, the proposed capital programme for the three-year period 2021 to 2024 also includes reprofiling adjustments to transfer £679k of the existing £724k budget and associated financing from 2021-22 to:
- 2022-23 - £46k, and
 - 2023-24 - £633k.

Workington Towns Fund schemes (growth bid £20,950k)

- 8.28 In September 2019 Workington was one of 101 towns invited to work towards agreeing a Town Deal and develop proposals for up to £25m of funding from the £3.6 billion Towns Fund announced by the Prime Minister in July 2019.
- 8.29 The overarching aim of the Towns Fund is to drive the sustainable economic regeneration of towns to deliver long term economic and productivity growth. This will be done through:
- Urban regeneration- ensuring towns are thriving places for people to live and work, including by:
 - increasing density in town centres;
 - strengthening local economic assets including local cultural assets
 - site acquisition, preparation, remediation, and/or development; and
 - making full use of planning tools to bring strategic direction and change.
 - Skills and enterprise infrastructure
 - driving private sector investment and small business development; ensuring towns have the space to support skills and small business development.
 - Connectivity
 - developing local transport schemes that complement regional and national networks;
 - supporting the delivery of improved digital connectivity.
- 8.30 The key element within the process for agreeing a Town Deal is the submission of a Town Investment Plan (TIP) setting out the strategic case for Town Deals, with the evidential and analytical basis for the selection and design of the projects proposed in it. The TIP (and specifically the quality of the TIP) represents the key determinant of the amount of investment from the Towns Fund and will be assessed, by MHCLG, to inform a Heads of Terms offer. Following agreement of Heads of Terms there will be a period of up to 12 months in for Towns to develop the agreed projects and business cases in detail. This information will then be subject to assessment and agreement by Government prior to funding being released in accordance with an agreed funding profile. Town Deals will cover a period of up to five years.
- 8.31 The form and content of the Town Investment Plan is specified in the Towns Fund guidance and comprises two sections. The first sets out the context, analysis, strategy and a high-level delivery plan along with evidence of stakeholder engagement. The second sets out the detail of the projects that have been prioritised for inclusion with the TIP including estimates of project costs, timescales and spend profile.
- 8.32 A report containing the draft Town Investment Plan for Workington, developed by the Workington Town Deal board in conjunction with council officers and external consultants, was considered and approved (in principle) by the Council's Executive on 14 October 2020. Final approval and submission of the

Town Investment Plan was delegated to the Chief Executive and Deputy Leader of the Council, in consultation with the Chair of the Workington Town Deal Board. The Town Investment Plan for Workington was submitted to MHCLG on 30 October 2020. An announcement on the outcome of that submission is expected later this year.

- 8.33 The budget growth bid of £20,950k submitted as part of the 2021-22 budget cycle, reflects the total capital funding ask included in the submission to the Government's Towns Fund and profiled to be spent across financial years 2021-22 - £2,100k, 2022-23 - £12,150k and 2023-24 - £6,700k. Revenue costs associated with the further development and implementation of a Town Deal for Workington, including the costs of developing detailed business cases and project delivery, are not included in this amount. Expenditure associated with the Workington Sports Village to be met from match funding of up to £6m is also excluded from the growth bid.
- 8.34 The priority projects included within the Town Investment Plan which underpin the capital funding bid, including the portion of the funding ask submitted to Government which is currently profiled to be spent in 2024-25 and subsequent years, are summarised below:

Table 17: Priority projects included in the Workington Town Investment Plan

Scheme element	2021-22 to 2023-24 £000	2024-25 & after £000	Total £000
Port of Workington – Clean Energy and Logistics Hub – provision of serviced employment land at the port and on the Oldside site to enable investment in key sectors serviced by the port.	3,800	1,000	4,800
Innovation Centre and Entrepreneurship Programme – proposed flexible town centre office space solution for start-up and growing businesses in West Cumbria, as well as high quality co-working space for local knowledge workers, located on the Central Car Park site.	7,450	0	7,450
Townscape and Connectivity Measures – a series of projects focused on providing high quality public realm, urban connectivity and green infrastructure across the town centre's key corridors.	3,300	1,500	4,800
Digital Accelerator – investment in digital equipment in one of the training providers in Lillyhall to allow them to offer Level 4 and 5 qualifications in digital skills to West Cumbrian residents.	1,500	0	1,500
Workington Sports Village – provision of a multipurpose sports village that will provide high quality inclusive and accessible sporting facilities for both community and professional clubs that will be sustainable in the long term. The attraction of major sporting and other events will bring additional visitors to the town.	4,400	1,000	5,400
Central Pocket Park – provision of a pocket park as a 'meanwhile use' on the former Opera House site, as part of a wider longer-term redevelopment of this part of the town centre.	500	0	500
Total (Capital bid)	20,950	3,500	24,450

- 8.35 Pending completion of the funding application process, the proposed budget and its application remains provisional and contingent upon:
- the outcome of Government's assessment of the TIP (TIP review and detailed project assessment) and, if the Town Investment Plan is judged to be of the required standard and contain viable projects, agreement of Heads of Terms providing an agreement in principle for funding
 - development of the agreed projects and detailed business detail for assessment (including delivery arrangements and detailed assessment of the revenue consequences of the projects on the Council's on MTFP)
 - agreement of final projects and funding profile

Biodiversity & Green Infrastructure programmes (savings bid £16k)

- 8.36 The Council is currently involved as a key partner with a two externally funded projects focussed on green infrastructure and biodiversity:
- (i). "Let's Get Cumbria Buzzing" – West Cumbria's Pollinator project.
 - (ii). ERDF application under Priority 6: Protecting and Restoring Biodiversity...including Green Infrastructure.
- 8.37 As part of the 2020-21 budget cycle the original budget of £95,000, established in 2019-20 to enable the Authority to contribute to the match funding "packages" for both initiatives, was increased to £267,043 to reflect scheme costs to be met from Heritage Lottery Fund (HLF) grant funding (allocated via Cumbria Wildlife Partnership). Expenditure of £15,918, fully funded from HLF grant was incurred on the project in 2019-20. These costs were treated as revenue expenditure and included in the 2019-20 revenue outturn along with the associated grant funding received from the Heritage Lottery Fund, of £15,918. However, no adjustment was made to the 2019-20 capital budget to reflect this expenditure and the unused capital budget of £25k was carried forward, in full, from 2019-20 to 2020-21.
- 8.38 The adjustment of £15,918 proposed as part of the current budget cycle amends the remaining budget for this project to £251,125 and realigns it with the previously agreed budget and remaining HLF funding. The remaining budget is currently profiled to be spent in financial years 2020-21 (£180k), 2021-22 (£60k) and 2022-23 (£11k). This will be funded from grants (£156k) and borrowing (£95k).

Leased Assets - property, vehicles & equipment; budget removed from capital programme

- 8.39 The revised capital budget for 2020-21 was predicated on the assumption that changes to the rules governing the accounting treatment of leases would come into force on 1 April 2021. These changes would mean that, with the exception of short-term leases and leases of low-value assets, all leased assets and the related lease liabilities will be recognised on the Authority's balance sheet. Under these new requirements the acquisition of an asset

under a lease (excluding short-term leases and leases of low-value assets) will be treated as capital expenditure. A budget of £50k was therefore included in the revised capital three-year capital programme (2020-21 to 2022-23) to cover the initial cost of assets expected to be acquired under leases on or after 1 April 2021.

- 8.40 In response to pressures on council finance teams as a result of the COVID-19 pandemic, the CIPFA LASAAC Local Authority Accounting Code Board announced, in December 2020, that the planned implementation of IFRS 16 Leases in the *Code of Practice on Local Authority Accounting* would now be deferred until the 2022-23 financial year. This aligns with the decision at the Government's Financial Reporting Advisory Board to establish a new effective date of 1 April 2022 for the implementation of IFRS 16. This latest announcement follows the earlier decision made by CIPFA LASAAC in March to defer implementation from 1 April 2020 to 1 April 2021
- 8.41 The implementation of IFRS 16 *Leases* will impact on the accounting treatment of both existing leases in place at 1 April 2022 as well as new leases entered into on or after 1 April 2022. Pending completion of a detailed financial impact assessment, based on data up to and including 1 April 2022 all existing budget provision in respect of leased assets have been removed from the capital programme.

Financing of capital expenditure

- 8.42 Capital Expenditure within the three-year programme will be partly financed from:
- capital grants and contributions of £42.934m (£12.773m in 2021-22, £18.948m in 2022-23 and £11.213m in 2023-24)
 - capital receipts of £311k (including £264k in 2021-22, £46k in 2022-23 and £1k in 2023-24).
- 8.43 The remaining capital expenditure within the three-year programme, £293k in 2021-22, £116k in 2022-23 and £632k in 2023-34 is unfinanced and will be met from borrowing. Borrowing will be undertaken in accordance with the Council's Treasury Management Strategy, either through additional PWLB loans or by using cash and investment balances (internal borrowing).
- 8.44 Unfinanced capital expenditure of £6,051k included in the existing 2020-21 capital budget, coupled with the additional unfunded capital expenditure of £1,042k included in the proposed three-year capital programme 2021-2024 will result in:
- an increase in the underlying need to borrow (the capital financing requirement) from £22,136k at 31 March 2020 to £26,953k at 31 March 2021 followed by a decrease to £24,009k at 31 March 2024
 - an increase the amount of external borrowing from £17.3m (at 31 March 2020) to up to an estimated £23.9m at the end of financial year 2020-21 and £21.9m at 31 March 2024.

- 8.45 The revenue implications of this unfinanced capital expenditure, including the amounts chargeable to the general fund in respect of the associated minimum revenue provision and interest costs on additional borrowing, is included in the revenue budgets for 2021-22 and subsequent years.
- 8.46 Further details of all schemes included in the proposed three- year capital programme 2021-22 to 2023-24 are set out in Appendix D.

9.0 Budget Assurance statement from the Chief Financial Officer

- 9.1 Section 25 of the local Government Act 2003 places a duty on the chief financial officer (Head of Financial Services) to make a report to the Council on the robustness of budget estimates and the adequacy of the Council's reserves. The Council must have regard to this report when making its decisions about budgets and council tax for the forthcoming year. This is because the Council is setting the council tax before the commencement of the year and cannot increase it during the year. It is therefore important that there is an understanding of the risks of increased expenditure or reduced income during the year.
- 9.2 The budget for 2021-22 has been developed in the midst of the global pandemic, which continues to significantly impact service delivery and financial management across the Council. The impacts of this began in March 2020 and will continue for many years to come.
- 9.3 As such, developing a robust set of budget estimates for the coming financial year has been difficult and both these estimates and the risk profile of the Council will continue to change fundamentally over the next 12 months.
- 9.4 However, the budget proposed does represent the most accurate position that is available at this current time. Regular updates will be required to be presented to Executive and Council to ensure that informed decision-making can take place during the year in order to maintain financial sustainability.
- 9.5 In developing this budget, consideration has been given to the ongoing impact of the pandemic. This has also been reflected by central government in the financial settlement awarded to local government. It is difficult to understand and mitigate against the future impact of the pandemic so again this will continue to be monitored and reported on as the year progresses.

Robustness of Estimates

- 9.6 The budget estimates for 2021-22 have been prepared following a robust process, by appropriately qualified and experienced staff in consultation with the service managers. All the budgets have been scrutinised by the Budget Review Group with the relevant Portfolio Holder and the whole process has been properly managed by the Senior Management Team.
- 9.7 The Overview and Scrutiny Committee (Task and Finish Group) has also reviewed the budget process and the draft budget position at their meetings between November 2020 and February 2021.

- 9.8 The Council has monitored the financial impact of the pandemic closely through 2020/21 as we have experienced significant shortfalls in our income together with additional cost pressures. Changes in national and local restrictions together with the levels of government support and both had a significant financial impact. As a result, budget monitoring and forecasting positions have been volatile throughout the year. The outlook for 2021-22 is similarly uncertain, although some government support has been announced.
- 9.9 It is hoped that that roll-out of the vaccination programme should see a return to daily life and normality but this recovery is likely to be variable and demand for services difficult to predict.
- 9.10 As with previous years, there continues to be significant uncertainty around the future funding of local government with a fundamental review of the business rates system likely to impact on the business rates baseline reset and changes to the retention scheme. It is therefore difficult to predict the impact this could have on our business rates income.
- 9.11 The local government finance settlement has confirmed that the funding for New Homes Bonus will end, but not what it might be replaced with. Future growth has therefore been removed from future budget years for NHB and business rates.
- 9.12 Income levels have been subject to regular review at the Budget Review Group meetings and prudent estimates have been made. Fees and charges have been increased for inflation where appropriate and volatile budgets will continue to be closely monitored.
- 9.13 The advice of the Council's treasury management advisers has been taken into account in estimating investment income and borrowing costs. The Council will continue to monitor financial markets closely.
- 9.14 This Council remains part of a Cumbria wide Business Rates Pool and we will continue to monitor our position in the Pool carefully and look at further opportunities to pilot increased business rates retention should they arise.
- 9.15 The Council has identified its key corporate risks and continues to monitor these regularly. There is an increased risk of retaining adequate reserves for unforeseen circumstances, due to the potential impact of the proposed business rates baseline reset and the Fair Funding review. This is making forecasting the medium term financial position beyond 2020-21 particularly difficult. Additional monitoring has been put in place to ensure early recognition of additional losses.
- 9.16 The Council has recognised that it can no longer provide services in the way that we have in the past and our challenge is to re-think and change what we do and how we do it. To achieve this we are embarking on a transformation programme to deliver key changes whilst simultaneously making improvement to the customer experience. As we aim to recover from the impacts of the pandemic, this programme will require focus and direction. Difficult decisions will be required to ensure its objectives are met. There are significant levels of

risk around the estimation and delivery of savings required to ensure the financial sustainability of the council in the medium term.

Adequacy of Reserves

- 9.17 In the current climate it is essential that the Council maintains reserves to deal with uncertainty. Reserves provide the cushion to deal with unknowns and unforeseen events in the year and give the opportunity to respond to unanticipated service changes.
- 9.18 Reserves support a financially sustainable Council by allowing for flexibility and agility. This is important with the uncertain future around local government funding.
- 9.19 The Executive has previously agreed to deploy reserves to meet priorities with the result that earmarked reserves have significantly reduced over recent years.
- 9.20 The Council's Medium Term Financial Plan shows that in addition to the need to draw on its general fund balances in 2021-22, the Council will also need to draw on balances in 2022-23 in order to balance its budget. This will reduce balances below the minimum level of £2.7m and below the level required to meet the projected deficit in 2023-24. The continued use of balances to balance the budget is this unsustainable being 2022-23.
- 9.21 The success of the Transformation and Regeneration Programmes is therefore critical to the Council's financial resilience over the medium term.
- 9.22 The challenge of planning for and addressing the estimated budget gap from 2022 continues. Set in the context of a changing funding framework, increases in public perception and service pressures, this challenge cannot be underestimated. Indeed, the prospect is that district councils generally might suffer if resources are diverted away to fund the spiralling cost of social care and children's services.
- 9.23 The Council continues to face difficult decisions ahead, despite the significant changes and major self-sufficiency achievements made to date.
- 9.24 Determining the future budget requirements and level of reserves and balances is a matter of judgement, however best informed. There remains much uncertainty around future funding levels, but Central Government has been clear that local government is expected to become reliant on funding that it raises itself. This means protecting the Council Tax and NNDR base and increasing other income sources.
- 9.25 We will continue to focus on driving down cost through efficiency savings, growing income and seeking alternative delivery mechanisms but it is probable that the gap will not be closed entirely by such measures and that in the near future Council will have to consider options to reduce spending on or even end some services.

- 9.26 Given the increased level of financial risks due to the expected funding reductions from Central Government there is a case for retaining higher levels of balances. Given these circumstances the current minimum level of balances of £2.7m is still therefore considered to be prudent.
- 9.27 A summary of the expected movement in the general fund reserves over the period covered by the Councils medium term financial plan remaining is shown in table 18.
- 9.28 Based on the information currently available regarding expected levels of funding beyond 2020-21, the Council's general fund balance is expected to fall below the minimum balance of £2.7m in 2021-22 and will be fully expended in 2022-23.

Table 18: Estimated General Fund balances

	2020-21 ¹ £000	2021-22 £000	2022-23 £000	2023-24 £000
Opening Balance at 1 April	3,144	3,162	2,702	1,030
Add: transfer (to)/from Earmarked Reserves	167	0	0	0
Less: Use to finance 2020-21 Capital Programme	(94)	0	0	0
Less: budgeted use of GF to support 2020-21 Revenue Budget	(33)			
Forecast revenue Outturn variance	(22)			
Less: Use to fund 2021-22 Revenue Budget		(460)	0	0
Less: Use to fund 2021-22 Capital Budget		0	0	0
Less: Projected Revenue Surplus/(Deficit) per MTFP			(1,672)	(1,712)
Projected Balance at 31 March	3,162	2,702	1,030	(682)
Less Retained - Minimum Balance	(2,700)	(2,700)	(2,700)	(2,700)
Available for use	462	2	0	0

¹ Based on revised 2020-21 budget;

- 9.29 In addition to general fund balances, the Council also holds Earmarked Reserve balances. These have largely been created from under spends and additional income received in previous years and have been set aside for specific purposes. They include amounts:
- set aside to meet planned future expenditure
 - retained for service departmental use, including budgets carried forward from prior years to meet known commitments
 - relating to unspent revenue grants where there are restrictions on use
 - set aside as a contingency to cushion the impact of unexpected events or transactions.

9.30 These reserves are reviewed on a monthly basis to ensure they are applied in line with corporate priorities. A detailed breakdown of the remaining earmarked reserves is included at Appendix F.

10. Conclusions

10.1 The proposed total revenue expenditure for 2021-22 including Parish precepts is £16,092,480. This includes expenditure of £212,649 that will be funded from earmarked reserves. This results in a net budget requirement of £15,879,831.

10.2 The proposed three year capital budget (2021-22 to 2023-24) £44,285,072. This comprises expenditure £13,330,379 in 2021-22, £19,109,427 in 2022-23 and £11,845,266 in 2023-24. It is proposed this is funded by the following resources:

- Grants and contributions... £42,932,461
- Capital receipts£310,585
- Borrowing..... £1,042,026

10.3 Given the environment that we are currently in with the continuation of the pandemic, then 2021/22 is likely to be another unusual financial year, short term in its outlook.

10.4 With another one-year Spending Review, delayed implementation of the Fair Funding and the continued uncertainty of Covid-19 it is incredibly difficult to set a financial strategy beyond this year. The medium term plan will continue to provide challenges for the Council.

10.5 A key focus over the next 12 months will be to manage the impact that the pandemic has had and will continue to have on the Council's finances and building that understanding into our future financial projections and plans.

10.6 Economic regeneration and place shaping around our key towns, villages and businesses will be a key focus as we look to recover from the current impact of the ongoing restrictions and changes to regulations necessary to address the pandemic.

10.7 The work of the Transformation programme will be key to streamlining and improving efficiencies and the productivity of our back office services which will deliver more digital transformation.

10.8 The programme of change will continue and apply to all services to ensure that this Council is organised to ready meet the challenges that lie ahead.

11.0 Delivery arrangements

11.1 Not applicable to this decision/report

12.0 Implications and Impact

Contribution to Council Strategy Priorities, Outputs and Outcomes

12.1 The revenue budget is set to support the Council in achieving its priorities as set out in the Council Plan and to facilitate control of expenditure on its activities. Sound financial management is essential to successful delivery of the Council's financial plans, achievement of value for money and the stewardship and safeguarding of public money.

Finance/Resource implications

12.2 Financial issues and implications are included within the main body of this report. The revenue estimates will form part of the calculation of the overall council tax level to be set.

Legal and governance implications

12.3 The Council has a statutory responsibility to set a balanced budget for each financial year. In short, this means the Council's expenditure on services must be contained within the available funding envelope.

Risk analysis

12.4 Not applicable to this decision/report.

Increasing satisfaction and service

12.5 Not applicable to this decision/report.

Equality impacts

12.6 Completed as part of the budget growth bids and savings bids process.

Health and Safety impacts

12.7 Not applicable to this decision/report.

Health, wellbeing and community safety impacts

12.8 Not applicable to this decision/report.

Environmental/sustainability impacts

12.9 Not applicable to this decision/report.

Other significant implications

12.10 There are no other significant implications arising from report.

Appendices attached to this report

Appendix	Title of appendix
Appendix A	Parish precepts
Appendix B	Budget analysed by portfolio
Appendix C	Movement in revenue budget 2020-21 (revised) to 2021-22 (original)
Appendix D	Three year capital budget 2021-22 to 2023-24 - summary by portfolio
Appendix E	Capital programme 2021-22 to 2023-24
Appendix F	Summary of Earmarked Reserves by portfolio
Appendix G	Medium Term Financial Plan
Appendix H	Budget Consultation 2021-22 - Summary of Consultation Responses

Background documents available

Name of background document	Where it is available
None	

Report author(s) and contact officer(s):

Catherine Nicholson
Chief Officer Assets & S151
telephone no: 01900-702503
email: <mailto:catherine.nicholson@allderdale.gov.uk>

Barry Lennox
Financial Services Manager
telephone no: 01900-7025086
email: <mailto:barry.lennox@allderdale.gov.uk>