

Allerdale Borough Council

Executive - 2 December 2019

Council - 11 December 2019

Quarter 2 Finance Report and Revised Budget 2019-20

The Reason for the Decision

To inform members of financial performance against budget for the period April to September 2019 and seek approval for the revised revenue and capital budgets for 2019-20.

Summary of options considered

The Council's revenue and capital budgets for 2019-20 were approved by Council in March 2019. Monitoring of the actual and forecast outturn positions against the budget has identified additional budget pressures along with a number of budget savings. The balance and use of earmarked reserves has also been reviewed.

Approval is now sought for a revised 2019-20 budget.

Recommendations

It is recommended that Council:

- note the forecasted position against the original revenue and capital budgets at the end of quarter 2
- approve the revised budget (inclusive of spend from earmarked reserves) of £17,043k
- approve the revised net revenue budget requirement of £15,681k
- approve an additional release from the Council's earmarked reserves of £678k
- approve an increase in the contribution from the Council's General Fund of £32k
- approve the revised three year capital budget (including proposed financing) of £34,846k comprising £8,628k in 2019-20, £25,148k in 2020-21 and £1,070k in 2021-22
- note the revised position on earmarked and un-earmarked general fund balances.

Legal Implications	Statutory requirement to set (and maintain) a balanced budget.
Community Safety Implications	None
Health and Safety and Risk Management Implications	<p>The budget contains provision for the Council to discharge its obligations under health and safety legislation, and to maintain adequate levels of reserves in order to manage risks.</p> <p>There are risks that the Council will not be able to operate within agreed budgetary provisions but this can be minimised by the financial monitoring process and by the prudent policy on the level of reserves and balances.</p>
Equality Duty considered / Impact Assessment completed	As part of the budget growth bids and savings bids process.
Wards Affected	All
The contribution this decision would make to the Council's priorities	<p>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.</p> <p>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.</p>
Is this a Key Decision	Yes
Portfolio Holder	Cllr Mike Johnson
Lead Officer	<p>Catherine Nicholson, Head of Financial Services, 01900 702503 catherine.nicholson@allerdale.gov.uk</p>

Report Implications (Please delete where applicable).

Community Safety	N	Employment (external to the Council)	Y
Financial	Y	Employment (internal)	Y
Legal	Y	Partnership	Y
Social Inclusion	Y	Asset Management	Y
Equality Duty	Y	Health and Safety	Y

1.0 Executive Summary

- 1.1 This report summarises the Council's financial performance against budget for the period April to September 2019 and seeks approval for the revised revenue and capital Budgets for 2019-20.

Quarter 2 – Monitoring position

- 1.2 The headline messages at the end of quarter 2 of 2019-20 are:

Revenue Budget

- (i) Against the original budget expenditure on services of £15,003k, the Council is currently projecting an overspend of £707k.
- (ii) During the year the Council has identified the need for an additional budget of £553k to support the interim waste contract and the procurement of external advice related to the evaluation of options for future delivery of waste services. This additional budget, funded from release of earmarked reserves, will increase the projected outturn to £15,484k.
- (iii) After taking into account the £553k to be released from earmarked balances, and £32k reduction in income from Taxation and Government Grants, the projected outturn position will result in a £60k increase in the contribution required from the General Fund to finance the budget.

Earmarked Reserves Budget

- (iv) Following publication of the 2018-19 outturn position, the budgeted use of Reserves was increased from £395k to £1,705k to reflect the profiling of expenditure presented as part of that report.
- (v) A variance of £208k (underspend) is projected against this updated budget.

Capital Budget

- (vi) The capital budget is forecast to be underspent by £8.853 million.
- (vii) The forecast underspend will be reduced by re-profiling £3.527 million of the budget to subsequent financial years, leaving an underspend of £5.327 million.

Treasury Management

- (viii) Treasury management activities during the quarter were carried out in accordance with the Council's treasury management and investment strategies and within the limits established by the approved treasury and prudential indicators for 2019-20.
- (ix) No new external borrowing was undertaken during the three months ending 30 September 2019.

Revised Revenue and Capital Budgets

Revised revenue Budget

- 1.3 On 6 March 2019, Council approved a revenue budget for 2019-20 comprising:
- total planned revenue expenditure of £15,398k, including parish precepts of £2,198k
 - a net budget requirement of £15,003k, including planned use of earmarked balances of £395k.
- 1.4 To address budget pressures and savings identified through in-year budget monitoring and update the planned use of earmarked reserves, the revised revenue budget proposal set out in this report includes:
- a £1,583k increase in planned revenue expenditure, compared with the original 2019-20 revenue budget, increasing the total (including parish precepts of £2,198k) from £15,398k to £16,953k
 - an increase in planned use of earmarked reserves (compared to the original budget) of £1,102k (£208k decrease compared to the re-profiled post 2018-19 outturn total of £1,705k)
 - an increase in the net budget requirement of £453k from £15,003k to £15,456k (including planned use of earmarked balances of £1,497k).
- 1.5 The changes to the 2019-20 Net Service Expenditure Budget of £453k comprise:
- recurring (net savings) adjustments, impacting on the Council's base budget of £126k
 - non-recurring adjustments (growth) of £579k.
- 1.6 These changes:
- reduce the Council's recurring (base) budget from £11,575k to £11,449k; and
 - increase the Net Service Expenditure budget for 2019-20 from £12,805k to £13,258k.

Revised Capital Budget

- 1.7 In March 2019, Council approved a three year capital budget of £32,178k (comprising £9,928k in 2019-20, £21,180 in 2020-21 and £1,070k in 2021-22), financed as follows:

Capital financing	£'000	Comment
grants and contributions	6,671	including £3,046k in 2019-20
borrowing	25,127	including £6,502k in 2019-20
capital receipts	380	
revenue	0	
earmarked reserves	0	
TOTAL – capital financing	32,178	

- 1.8 The capital budget was subsequently increased to £34,623k to reflect the addition of budget carried forward from 2018-19 of £2,444k. The capital budget carried forward comprises £903k financed from grants, £75k from capital receipts and £138k from General Fund Balances. The remaining £1,328k comprises planned capital expenditure that will be met from borrowing.

- 1.9 The proposed revised capital budget for the three years 2019-20 to 2021-22 is £34,846k. The revised budget includes:
- re-profiling adjustments involving the transfer of £3,527k of previously approved expenditure and associated financing from 2019-20 to 2020-21 in order to reflect current expenditure forecasts
 - growth bids of £589 (£147k in 2019-20 and £442k in 2020-21),
 - budget savings and other reductions of £366k.

- 1.10 The revised capital budget is funded as follows:

Capital financing	£'000	Comment
capital receipts	532	including £75k b/f from 2018-19
grants and contributions	6,182	including £903 b/f from 2018-19
borrowing	27,994	including £1,328k b/f from 2018-19
general fund balances	138	b/f from 2018-19
TOTAL – capital financing	34,846	

Impact on General Fund Balances

- 1.11 The proposed changes to the 2019-20 revenue and capital budgets will reduce the planned (net) use of General Fund Balances by £68k. After releasing £553k of previously earmarked reserves back to the general fund, this will bring the total planned use of general fund balances during 2019-20 down from £510k to £442k. The total planned use in 2019-20 of £510k comprises £304k to finance the

revenue budget (£857k offset by £553k released from earmarked reserves) and £138k to finance the capital programme.

2.0 Introduction

2.1 This report summarises the Council's financial performance against budget for the period April to September 2019 and seeks members' approval for the revised revenue and capital budgets for 2019-20.

Financial performance against budget for the period April to September 2019

2.2 The Council's financial regulations require the Section 151 Officer (Head of Financial Services) to report regularly (at least quarterly), to Executive, the latest financial position against budget.

2.3 This report outlines for both the Council's Revenue budget (section 3) and Capital budget (section 5), the forecast outturn for 2019-20 based on net expenditure to the end of September 2019 and the projected net expenditure to 31 March 2020.

2.4 Reasons for significant variances (+/- £30k) between the full year forecast and the approved estimates (original budget) for 2019-20, are summarised in this report alongside details of how these variances have been addressed in preparing the revised budget.

2.5 This report also provides:

- details of forecast expenditure on projects funded from earmarked reserves (section 3)
- a summary forecast income from business rates, council tax and non-specific (un-ringfenced) grants (section 3)
- a summary of the impact of the forecast outturn position on earmarked reserves and general fund balances (section 7)
- details of treasury management activity and confirmation of compliance with the Treasury and Prudential Indicators included in the Council's Treasury Management Strategy Statement (sections 8).

Revised Budget

2.6 The Council has a statutory responsibility (under the Local Government Finance Act 1992) to set a balanced budget for each financial year. This means the Council's expenditure on services must be contained within the available funding envelope. The Council's 2019-20 (original) revenue and capital budgets were approved by Council on 6 March 2019.

2.7 The financial management approach agreed by Members in 2012-13 also requires the Council to prepare a revised budget that takes into consideration, the outputs and findings of in-year financial monitoring procedures and quarterly

financial reporting to the Council's Executive. This approach allows for more accurate monitoring of expenditure and enables the Council's Executive to approve revisions and supplementary estimates.

- 2.8 The Executive have adopted a new approach to financial management and review of the budget position. A series of budget review meetings have been held with the relevant Portfolio Holder and Head of Service, with the purpose of:-
- reviewing the financial position against budget after the first six months of the financial year
 - identifying any large variances against budget
 - considering these variances and approving any necessary revisions or supplementary budgets.
- 2.9 The review meetings concluded that whilst the Council has responded well to the financial challenges it has faced since the Spending Round of 2010, the pressure on our finances remains. This means that we have to focus on creating a balanced budget that ensures money is spent appropriately and reflects the priorities of our borough.
- 2.10 Continuing to deliver services in the same way is not affordable and new delivery models in all service areas need to be explored. The Budget Review Group members are keen to shift the focus from reviewing budgets in a detailed manner to one the focuses on services delivered and level of service.
- 2.11 Going forward a series of service reviews are planned to ensure that scrutiny of budgets across the council is maintained and efficiency savings continue to be identified and taken wherever possible.
- 2.12 This report sets out the Council's proposed:
- revised revenue budget for 2019-20 (section 4), and
 - revised capital budget for the three year period 2019-20 to 2021-22 (section 6).

3 Summary of Projected Revenue Outturn Position

- 3.1 Table 1 shows, as at the end of September 2019, the Council's overall projected 2019-20 revenue outturn position. It shows:

Revenue Budget Expenditure

- net budgeted expenditure of £15 million
- a projected outturn (including contributions to reserves) of £15.6 million
- a projected variance (overspend) for the year to March 2020 of £707k. This projection takes into account the need for an additional budget of £553k to support the interim waste contract and the procurement of external advice related to the evaluation of options for future delivery of

waste services, as agreed by Executive on 6 August (£121k) and 16 September (£432k). This additional budget, funded from release of earmarked reserves, will increase the projected outturn from £14.931m to £15.584m.

- Against the original budget of £15.003m, the Council is currently projecting a small overspend of £29k
- after taking into account the £553k to be released from earmarked balances, the projected outturn position will result in a £61k increase in the contribution required from the General Fund to finance the budget.

Earmarked Reserves Budget

- budgeted expenditure of £1.71 million
- a projected outturn of £1.462 million
- a projected underspend against the earmarked reserves budget (updated to reflect the 2018-19 outturn position) of £243k, reflecting changes in the anticipated timing of expenditure from reserves.

Table 1 - Summary of Projected Outturn against Annual Budget

	Original Budget £'000	Projected Outturn £'000	Projected Variance £'000	Report Ref.
Net Expenditure on Services	12,805	13,512	707	
Parish Precepts	2,198	2,198	0	
Net Expenditure on Services	15,003	15,710	707	3.2
Expenditure on Earmarked Priorities ¹	1,705	1,462	(243)	3.4
Total Net Expenditure	16,708	17,172	464	
Less: Planned use of earmarked balances ¹	(1,705)	(1,462)	243	3.4
Net Budget Requirement/ Outturn	15,003	15,710	707	
Funding:				
Taxation & Government Grants	14,631	14,599	(32)	3.8
Contribution from GF:				
GF contribution (Release of earmarked bal.)	0	678	678	
Contribution from/to General Fund	372	433	61	
Total contribution from GF	372	1,111	739	
Total Funding	15,003	15,710	707	

¹ £395k (original budget) plus £1,310k re-profiling adjustment to reflect 2018-19 revenue outturn

- 3.2 A breakdown of the overall projected outturn variance (£707k) by portfolio is shown in Table 2. Further details can be found in Appendix A.

Table 2 – Summary of variance by Portfolio

	Annual Budget £'000	Projected Outturn £'000	Contribution to reserves £'000	Projected Variance £'000
Leader of the Council	1,349	1,361	0	12
Economic Growth	(1,414)	(1,453)	0	(39)
Corporate Resources	5,704	5,311	100	(293)
Housing, Health & Wellbeing	911	965	0	54
Environmental Quality	2,536	3,532	25	1,021
Governance & People Resources	1,308	1,327	0	19
Tourism & Culture	330	314	0	(16)
Transformation	2,081	2,030	0	(51)
Parish Precepts	2,198	2,198	0	0
Total	15,003	15,585	125	707

- 3.3 Significant variances between budget and projected outturn have been addressed through the revised budget. Explanations for significant variances are included within the revised budget proposals set out in section 4.

Projects funded from Earmarked Reserves

- 3.4 At 1 April 2019, the balance in earmarked reserves was £3,467k, comprising:
- £2,203k held for service expenditure
 - £1,264k held for accounting purposes or as contingency against specified risks.
- 3.5 Against the balance of £2,203k, the profiled spend identified for 2019-20 - presented as part of the 2018-19 outturn report - is £1,705k. The remaining balance was profiled to be spent in 2019-20 and subsequent financial years or held to meet contingencies.
- 3.6 The current projected outturn for 2019-20 is £1,462k, giving a projected underspend of £243k at the end of quarter 2. This reflects a change in the anticipated timing of expenditure from the balances available within reserves and is taken into account in the revised budget by way of a re-profiling adjustment. The underspend does not have any impact on the (un-earmarked) general fund balance.

Table 3 - Summary of projected expenditure from earmarked reserves

Reserve Funded projects	Reserve Balance £'000	Profiled Budget 2019-20 £'000	Projected outturn £'000	Budget adjustment to spend £'000
Leader of the Council	(332)	280	180	(100)
Economic Growth	(11)	11	11	0
Corporate Resources	(658)	269	152	(117)
Housing, Health & Wellbeing	(511)	511	511	0
Environmental Quality	(114)	114	109	(5)
Governance & People Resources	(260)	260	239	(21)
Tourism & Culture	(58)	58	58	0
Transformation	(259)	202	202	0
Total held for service expenditure	(2,203)	1,720	1,462	(243)
Accounting/Contingency reserves	(1,264)	0	0	0
Total Reserves	(3,467)	1,720	1,462	(243)

- 3.7 In addition to the £1,462k projected outturn expenditure, £553k will be released back to the un-earmarked General Fund to create a one-off budget to support the interim waste contract and the procurement of external advice related to the evaluation of options for future delivery of waste services. A summary of projected movements on earmarked reserves is set out in section 7.

Taxation and Non-specific grant income

- 3.8 Details of the Council's forecast taxation and non-specific grant income and expenditure for the year, compared with budget, are shown in the following table. This includes income received from:
- Non-ring fenced government grants such as Revenue Support Grant and New Homes Bonus
 - Council tax and Non Domestic Rates (NNDR).

Table 4 -Taxation and Non-specific grant income

	Budget £'000	Forecast Outturn £'000	Variance £'000	Para
Revenue support grant	196	196	0	-
Rural Services Delivery Grant	326	326	0	-
New Homes Bonus	838	838	0	-
Council tax – excluding parish element	5,304	5,304	0	-
Council tax - parish precepts	2,198	2,198	0	-
Collection fund surplus/(deficit) - Council Tax	37	37	0	-
NNDR funding	5,732	5,700	(32)	3.9
	14,631	14,599	(32)	

- 3.9 With the exception of a small anticipated reduction in NNDR income (business rates) of £32k no other variances are currently projected in respect of income from Taxation and Non-specific grant income.

Key Variances

- 3.10 Significant variances between budget and projected outturn have been addressed through the revised budget. A summary of projected outturn variances and associated changes included in the revised budget, are set out in the table below.

Table 5 – Impact of identified variances on the revised budget

	Outturn Variance £'000	Budget Adjustments				Un-adjusted £'000
		Recurring £'000	Non recurring £'000	Salary £'000	Total £'000	
Leader of the Council	12	10	0	(10)	0	12
Economic Growth	(39)	0	(25)	(28)	(53)	14
Corporate Resources	(293)	(56)	(153)	(9)	(318)	(75)
Housing, Health & Wellbeing	54	14	30	(10)	34	50
Environmental Quality	1021	0	978	(9)	969	51
Governance & People Res.	19	14	0	(4)	10	23
Tourism & Culture	(16)	0	0	0	0	(16)
Transformation	(51)	0	(37)	(26)	(63)	12
Parish Precepts	0	0	0	0	0	0
Total	707	(18)	693	(96)	579	71

- 3.11 Variances not considered significant have not been addressed through changes to the budget. When taken together, these variances are currently projected to have a net adverse impact on the Authority's overall financial position of £71k. These remaining variances will continue to be monitored and reported on as part of the regular monitoring reports and action taken to reduce or eliminate them over the remainder of the financial year.
- 3.12 At the meeting of the Executive on 16th September 2019 a decision was made to approve an alternative service delivery model for Waste and Recycling Services, with the preferred option being the creation of a local authority trading company.. The Business Plan was delegated to the Head of Community Services and is set out in a separate report to this Executive. In order for the service to become operational in 2020-21 there is a budget requirement of £375k in this financial year. A total of £250k can be found by virement from existing budgets with the remaining budget (£125k) being funded from repurposed Earmarked Reserves.

Budget/ Reserve	£ Amount
Tackling Inequalities – virement	£100,000
Strategic Priorities - virement	£100,000
Asset Transfer – virement	£50,000
Earmarked Reserve – Corporate Priorities	£50,000
Earmarked Reserves – volatility fund	£75,000
TOTAL	£375,000

4.0 Revised revenue budget 2019-20

4.1 The proposed revised revenue budget for 2019-20 and the associated increase in the Council's net budget requirement of £678k is summarised in table 6.

Table 6: 2019-20 Revised Revenue Budget

Net Expenditure Budget	2019-20		Change £000	Para
	Original Budget £000	Revised Budget £000		
Base Budget	11,533	11,533	0	
Change in salary costs - recurring	210	103	(107)	4.10
Recurring growth	1,089	1,098	9	4.8
Recurring savings	(1,257)	(1,285)	(28)	4.8
Recurring (base) budget	11,575	11,449	(126)	
Change in salary costs - non-recurring	14	25	11	4.10
Non-recurring growth	1,243	2,373	1,130	4.9
Non-recurring savings	(27)	(364)	(337)	4.9
Net Service Expenditure budget	12,805	13,483	678	
Expenditure on earmarked priorities	395	1,462	1,067	
Proposed budget (excl. parish precepts)	13,200	14,945	1,745	
Parish Precepts	2,198	2,198	0	
Proposed Budget (incl. parish precepts)	15,398	17,143	1,745	
Less: Planned use of earmarked balances	(395)	(1,462)	(1,067)	
Net Budget Requirement	15,003	15,681	678	

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

Table 7: 2019-20 Revised Revenue Funding

	2019-20		Change £000	Para
	Original Budget £000	Revised Budget £000		
Government Grants & Taxation	14,631	14,599	(32)	4.15
Contribution from General Fund:				
GF contribution (Release of earmarked bal.)	0	678	678	
Contribution from/to General Fund	372	404	32	
Total contribution from General Fund	372	982	610	
Total funding	15,003	15,681	678	

4.3 Changes to the 2019-20 Net Service Expenditure Budget of £678k comprise:

	£'000
Recurring adjustments	
reduction in the salary budget	(107)
recurring growth bids to address forecast variances	(4)
recurring growth – supplementary bids	13
recurring savings bids to address forecast variances	(28)
TOTAL - Recurring adjustments	(126)
Non-recurring adjustments	
increase to the salary budget	11
non-recurring growth bids to address forecast variances	1,100
non-recurring growth bids– supplementary bids	30
non-recurring savings bids to address forecast variances	(337)
TOTAL – Non-recurring adjustments	804
TOTAL – Change to net service budget	678

4.4 These changes:

- reduce the Council's recurring (base) budget from £11,575k to £11,449k; a decrease of £126k, and
- increase the net service expenditure budget for 2019-20 from £12,805k to £13,483k; an increase of £678k.

4.5 The revised net service expenditure budget includes £678k that will be met from a release of earmarked balances back to the general fund. Inclusive of this item, the revised budget will increase the overall contribution required from the General Fund to finance the budget by £610k. Net of the contribution from earmarked reserves, the changes will see an overall increase of £68k in the contribution required from the general fund.

Changes to the Net Service Expenditure Budget

- 4.6 A summary of the proposed changes to the net service expenditure budget is set out in table 8.

Table 8: Summary of Net Service Expenditure by Portfolio

Portfolio	Original budget ¹ £'000	Recurring growth & savings £'000	Non-recurring growth & savings £'000	Salary changes £'000	Revised budget £'000
Leader of the Council	1,449	10	0	(10)	1,449
Economic Growth	(1,314)	0	(25)	(28)	(1,367)
Corporate Resources	5,704	(56)	(153)	(9)	5,386
Housing, Health & Wellbeing	911	14	30	(10)	945
Environmental Quality	2,336	0	978	(9)	3,180
Governance & People Resources	1,308	13	0	(4)	1,317
Tourism & Culture	330	0	0	0	330
Transformation	2,081	0	(37)	(26)	2,018
Net Service Expend.	12,805	(19)	793	(96)	13,483

¹ Adjusted for in-year virements and revised portfolios

- 4.7 Further details of the growth and saving bids underlying these increases are set out below.

Recurring Growth and Savings bids

- 4.8 Details of the net recurring growth bid of £9k and recurring savings bid of £28k, included as adjustments to the Council's base budget, are summarised in tables 9 and 10. If approved, these changes will impact on the base budget for 2019-20 and future financial years.

Table 9: Recurring growth

Portfolio/Service	Description	Growth £000
Recurring growth bids to address forecast variances		
Leader of the Council		
Strategy, Policy and Performance	Annual contribution to support Moorclose Community Centre. Specifically this would contribute towards the costs of employing a centre manager to help ensure the successful operation and development of the centre. It is proposed that this is initially for four years with a review during year three.	10
Corporate Resources		
MRP & Finance Charges	Reduction in recurring growth bid (included in original 2019-20 budget), related to the MRP charge for 2019-20, generated from the net underspend (i.e. after adjusting for budgets carried forward to 2019-20) reported in the 2018-19	(28)

Portfolio/Service	Description	Growth £000
	Capital Outturn Report.	
Housing, Health & Wellbeing		
Pest Control	Projected shortfall in income.	14
Total Recurring growth bids to address forecast variances		(4)
Recurring growth – supplementary bids		
Governance & People Resources		
Allerdale Focus Hub	Additional budget to fund a new permanent role to co-manage the Allerdale Local Focus Hub. Subject to job evaluation and approval, the annual recurring cost of the post (based on current pay-scales and assuming Grade P scp 40) is £53,571. An appointment to the post is not expected until January 2020 limiting the required growth bid in 2019-20 to three months.	13
Total recurring growth		9

Table 10: Recurring savings

Portfolio/Service	Description	Growth £000
Corporate Resources		
Banking & Interest	Increase in interest income to reflect investment returns achieved in the period April to September and forecast returns anticipated over the remainder of the financial year.	(28)
Total recurring savings		(28)

Non-recurring growth and savings bids

- 4.9 Non-recurring growth of £1,130k and savings bids of £337k (net value £793k) submitted as part of this report are summarised in tables 11 and 12. If approved, these will impact on the 2019-20 budget but will not impact on the base budget for future financial years.

Table 11: Non-recurring growth

Portfolio/Service	Description	Growth £000
Non-recurring growth bids to address forecast variances		
Corporate Resources		
Corporate Property Maintenance	Improvement work to the public play area in Moorclose Ward to deliver a safe, welcoming leisure area for residents that will encourage and promote a healthier community.	10
Public Conveniences	Implementation of proposed legislation that would have provided 100% mandatory business rate relief for public conveniences from April 2019 has been delayed. The budget saving included in the original 2019-20 budget has consequently been reversed.	12

Portfolio/Service	Description	Growth £000
Environmental Quality		
Community Services - domestic waste, trade waste & recycling	Increase in budget, agreed by Executive on 06/08/2019, to meet the costs of the interim waste service contract with FCC. Funded from the release of the Strategic Priorities Earmarked Reserves to the General Fund, the additional budget will part fund the interim agreement for a period of up to four months. The balance the required funding (£233k) will be met from the existing Strategic Priorities budget.	121
Community Services - domestic waste, trade waste & recycling	Additional budget provision, agreed by Executive on 16/09/2019, to cover extension of the interim waste contract to 31 March 2020 (£287k) and to meet legal and technical advice related to the evaluation of options for the future delivery of waste services (£145k). The additional budget will be funded from the release of Earmarked Reserves to General Fund Balances.	432
Community Services - recycling	Budgetary impact of temporary suspension of domestic recycling services including: <ul style="list-style-type: none"> • loss of income from Recycling Credits £160,137 • saving from reduction in reprocessing costs for garden waste and commingled recyclates (£78k) • additional income from commingled recyclates due to variations in sales prices (£23k). 	59
Waste Services	Upfront service costs	125
Corporate Contingencies	Variances	100
Community Services – waste contract operational costs	Increase in budget to meet costs associated with mobilisation of the interim waste contract : <ul style="list-style-type: none"> • £42k - legal advice • £129k - bin distribution • £34k - agency staff • £20k - letters re: suspension of service • £6k - other costs 	231
Bereavement Services	Projected shortfall in income.	10
Total Recurring growth bids to address forecast variances		1,100
Non- recurring growth – supplementary bids		
Health, Housing and Wellbeing		
Environmental Health	Increase in budget to meet the cost of temporary staff resources needed to facilitate the secondment of Environmental Health staff to support implementation of the Arcus Software System.	30
Total Non-recurring growth		1,130

Table 12: Non-recurring savings

Portfolio/Service	Description	Saving £000
Economic Growth		
Festivals & Events	Saving due to not undertaking the Allerdale Days in Manchester during 2019-20.	(25)
Corporate Resources		
MRP & Finance Charges	Reduction in Minimum Revenue Provision (MRP) charge for 2019-20 arising from the unfinanced portion of approved 2018-19 capital budget carry forwards (i.e. the amount of capital budget reprofiled from 2018-19 to 2019-20 funded from borrowing).	(80)
Banking and Interest	Reduction in PWLB borrowing costs to reflect the deferral of borrowing from 2018-19 and the impact of changes made to the expected timing of capital expenditure funded from borrowing across financial years.	(195)
Transformation		
DWP – targeted grants	Funding for Verify Earnings and Pensions Alerts service 2019-20 notified after approval of 2019-20 budget	(19)
Universal Credit	Additional new burdens income received in relation to the provision of support to claimants transitioning from legacy benefits to Universal Credit.	(18)
Total Non-recurring savings		(337)

Change in salary costs (Pay Groups)

4.10 Details of the recurring and non-recurring salary cost adjustments made to net service expenditure are included in table 13. They include:

- recurring savings of £107k; these changes will impact on the base budget for 2019-20 and future financial years
- non-recurring changes of £11k; these changes will not impact on the base budget for future financial years.

Table 13: Changes to salary costs

	Recurring £000	Non- Recurring £000
Structure changes including reduction in hours	(61)	11
Posts filled on different Spinal Column Points (SCP)	(41)	0
Other minor changes to staff costs	(5)	0
	(107)	11

Use of Contingencies

- 4.11 The original approved budget included a contingency amount of £105,050 to cover unexpected expenditure. At the end of Quarter 2 the balance was fully allocated.

Strategic Priorities

- 4.12 The original approved budget for 2019-20 included a £0.5million budget to meet revenue costs associated with the development and delivery of major capital projects, procurement activities and other tasks connected with the delivery of strategic priorities. In addition £229k (the unused portion of the 2018-19 budget of £1.5m budget carried forward to 2019-20) was held in an earmarked strategic priorities reserve at 1 April 2019.
- 4.13 To date the following allocations have been made from the strategic priorities budget and associated strategic priorities earmarked reserve.

Table 14 Allocations made from the strategic priorities budget

	Revenue (service budget) £000	Earmarked Reserve £000	Combined Position £000
Opening Balance (1 April 2019)	500	229	729
Professional Advice	0	(49)	(49)
Stadium Legal costs	(90)	(59)	(149)
Housing Company Legal costs	(25)	0	(25)
Reedlands Road Development	(95)	0	(95)
Major Contract procurement	(50)	0	(50)
Waste Contract	(233)	(121)	(354)
Demolition & removal - Stadium	(2)	0	(2)
Ground investigations - Stadium	(5)	0	(5)
Remaining Unallocated Balance	0	0	0

Government Grants and Taxation Financing

- 4.14 Proposed changes to the financing element of the 2019-20 budget - including income from non-ring fenced government grants and business rates (NNDR) - are summarised in table 15.

Table 15- Taxation and non-specific grant income

	Original Budget £000	Revised Budget £000	Change £'000	Para
Revenue support grant	196	196	0	-
Rural Services Delivery Grant	326	326	0	-
New Homes Bonus	838	838	0	-
Council tax – excluding parish element	5,304	5,304	0	-
Council tax - parish precepts	2,198	2,198	0	-
Collection fund surplus/(deficit) - Council Tax	37	37	0	-
NNDR funding	5,732	5,700	(32)	4.15
	14,631	14,599	(32)	

- 4.15 A summary of the changes in funding from National Non Domestic Rates (NNDR) is set out in table 16.

Table 16 - NNDR funding 2019-20

	Budget £000	Revised £000	Change £000
Fixed Elements:			
Allerdale share of NNDR Income	10,802	10,802	0
Allerdale share of NNDR Income- Renewable energy	508	508	0
Net tariff payable to Central Government	(7,299)	(7,299)	0
Share of estimated collection fund deficit at 31.3.19	13	13	0
'Fixed' element of NNDR income	4,024	4,024	0
Variable Elements:			
Reconciliation adjustment re prior years disregarded income	(97)	(106)	(9)
Section 31 grant	2,280	2,204	(76)
Levy payable (net of reduction under pool arrangements)	(475)	(422)	53
Variable element of NNDR income	1,708	1,676	(32)
	5,732	5,700	(32)

- 4.16 The amount of NNDR income available to the general fund and taken into account when setting the budget each year is based on the figures contained in the government return - NNDR1.
- 4.17 Although the NNDR1 form fixes a significant portion of NNDR income available to the Council's general fund for the financial year, it does not fix the:
- levy the Council pays to the Cumbria business rates pool
 - retained levy that the Council receives back from the pool or
 - grant it receives from central government to compensate for certain business rate reliefs (section 31 grant)

- the balance of amount payable or receivable in respect of the preceding years disregarded income (renewable energy reconciliation adjustment).

4.18 Amounts relating to levy payments and section 31 grant are based on the Collection Fund outturn position rather than on the estimates included in the NNDR 1 return. The retained levy also takes into account the Collection Fund outturn positions of other pool members. As a consequence, the amount of income the Council receives and pays in relation to these items is subject to change over the course of the financial year. The renewable energy reconciliation adjustment is based on the previous years outturn position.

4.19 Based on current forecasts for 2019-20 and the 2018-19 outturn position, the variable element of NNDR income is anticipated to be £32k lower than originally budgeted, the reduction reflecting:

- a decrease of £76k in the amount of section 31 grant the Council expects to receive to compensate it for the loss of business rates income, that results from the award of certain reliefs and other changes to the business rates system made by central government in 2019-20 and previous years
- a £53k reduction in the estimated amount of levy (net of reduction under pool arrangements) the Council expects to pay, based on current forecasts of the Collection Fund outturn positions of pool members.
- an adjustment of £9k in the amount repayable in respect of the preceding years disregarded income (renewable energy) following confirmation of the 2018-19 outturn position.

5.0 Capital budget – projected outturn position

5.1 The current capital budget is £12.37 million, comprising:

- £9.93m approved budget for 2019-20
- £2.44m budget carried forward from 2018-19.

5.2 The projected 2019-20 Capital Outturn position, as at the end of quarter 2 (September 2019), is summarised in table 17. This shows:

- a projected outturn position of £3.52 million
- an underspend compared to the budget of £8.853m million (including £5m related to the proposed community stadium)
- budget carry forward requests of £3.527 million which have been accommodated within the revised capital budget by way of re-profiling adjustments
- remaining underspend of £5.326 million.

Table 17: Capital Programme – Projected Outturn by Portfolio

	Current Budget £'000	Projected Outturn £'000	Outturn Variance £'000	Re-profiled £'000	Variance £'000
Capital Expenditure					
Economic Growth	8,074	723	(7,351)	2,351	(5,000)
Corporate Resources	373	399	26	14	40
Housing, Health & Wellbeing	1,840	1,448	(392)	392	0
Environmental Quality	630	549	(81)	0	(81)
Tourism & Culture	1,131	361	(770)	770	0
Transformation	325	40	(285)	0	(285)
Total - Capital Expenditure	12,373	3,520	(8,853)	3,527	(5,326)
Capital Financing					
Capital Grants	3,949	1,859	(2,090)	2,090	0
Capital Receipts	455	255	(200)	240	40
Earmarked Reserves	0	0	0	0	0
Revenue Budget	0	0	0	0	0
General Fund Balances	138	129	(9)	9	0
Borrowing	7,831	1,277	(6,554)	1,188	(5,366)
Total - Capital Funding	12,373	3,520	(8,853)	3,527	(5,326)

Key Variances

- 5.3 Commentary on the key projected outturn variances and the impact of these on the revised capital budget are set out in the following paragraphs.

Economic Growth

- 5.4 The overall forecast variance against the capital budget for the Economic Growth portfolio is £7,351k (underspend). A projected budget carry forward (re-profiling adjustment) of £2,351k, leaves a net variance of £5,000k.

Table 18: Economic Growth portfolio key variances

	Outturn Variance £'000	Budget C/F £'000	Variance £'000
Strategic Acquisitions	(99)	99	0
Reedlands Road Development	(2,202)	2,202	0
Community Stadium	(5,000)	0	(5,000)
Kirkgate Centre Contribution	(50)	50	0
Total	(7,351)	2,351	(5,000)

Strategic Acquisitions – (underspend of £99k to be carried forward to 2020-21)

- 5.5 A capital budget of £950k, funded from borrowing, was established in 2016-17 for the acquisition and redevelopment of commercial properties to support business start-ups and the small business sector. This budget was subsequently increased by £347k in 2017-18. £551k was utilised in 2017-18 for the purchase at Otley Road, Keswick with a further £269k used in 2018-19 for the acquisition of Lonsdale Park, Workington and to meet costs related to the purchase of land at Lillyhall. The remaining budget is £476k. This includes £83k carried forward from 2018-19. Expenditure of £177k was incurred in the six months to September 2019 on the acquisition of the lease for Derwent Park Stadium with a further £200k forecasted to be spent in the current financial year on other acquisitions.
- 5.6 The remaining budget (£99k) will be re-profiled to 2020-21 where it will remain available to take advantage of property acquisition and development opportunities that support achievement of Council Priorities.

Reedlands Road Development – (underspend of £2,202k to be carried forward to 2020-21)

- 5.7 The Reedlands Road scheme involves the development of additional industrial units on land, owned by Allerdale Borough Council, at Reedlands Road, Workington. These units will allow the Authority to secure additional revenue income whilst supporting business in the area. The total scheme budget is £2.55m, funded from ERDF grant of up to £1.5m and borrowing of £1.05m. The remaining budget for the scheme (net of expenditure incurred in 2018-19) is £2,497,251. This includes £1,112,219 brought forward from 2018-19. The remaining budget is currently profiled to be spent in full during 2019-20.
- 5.8 Ground conditions and presence of mine-workings on site have required additional surveys and site investigations to be carried out. This has extended the pre-construction timetable and pushed back the timing of the construction phase. Based on current forecasts, a budget of £295,541 will be required to meet expenditure in 2019-20 with the balance of the existing budget (£2,201,710) re-profiled to 2020-21.

Community Stadium – (underspend of £5m)

- 5.9 The current capital budget includes £25m for the construction of an 8,000-capacity stadium to replace Derwent Park and Borough Park stadia as the home for Workington Town RLFC and Workington AFC. The development also incorporates extensive office accommodation and a full-size synthetic pitch for community use.
- 5.10 At the time of preparing the original 2019-20 budget, final costs had yet to be confirmed. The budget and the profiling of the overall budget across financial years (£5m in 2019-20 and £20m in 2020-21) therefore remained indicative. The original 2019 -20 capital budget assumed the development would be funded from

PWLB borrowing totaling £23.375m, with the balance expected to be met from third party grants and contributions (£1.625m receivable in 2020-21).

- 5.11 In submitting the original budget for approval it was stressed that a final decision to proceed with the proposed scheme remained subject to submission of a full business case and detailed financial appraisal, demonstrating the value for money, prudence, affordability and financial sustainability of the development over the life of the asset and associated borrowing.
- 5.12 In June 2019, following consideration of the full business case, the Council's Executive concluded that the scheme was too expensive and the financial risks to the Council too great for it to proceed in its current form. Officers were subsequently directed to prepare a revised business case and delivery timetable aimed at reducing the size and specification of the stadium and achieving significant reduction in scheme costs.
- 5.13 The costs of developing a revised budget case will be met from the Council's revenue budget and no capital expenditure is forecast to be spent in the current financial year. Pending completion of a revised business case and delivery timetable no revisions have been made to the existing budget provision. A forecasted underspend of £5m is therefore expected in the current financial year. The expected grants and contributions of £1.625m have, however, been removed from the three year capital programme, leaving the scheme wholly funded from borrowing.

Kirkgate Centre Contribution (underspend of £50k to be carried forward to 2020-21)

- 5.14 A capital budget of £100k, funded from borrowing, was approved in 2017-18, to enable the Council to make a capital contribution in support of a project to renovate and extend the facilities at the Kirkgate Arts and Heritage Centre, Cockermouth. The Council's contribution is subject to the outcome of a bid made to the Heritage Lottery Fund by the charitable body responsible for running the centre. The budget was originally profiled to be spent in full during 2019-20. Current forecasts are for £50k to be spent in 2019-20 with the remaining £50k re-profiled to 2020-21.

Corporate Resources

- 5.15 The capital budget for the Corporate Resources portfolio is currently forecast to be underspent by £26k. This is offset by a forecast budget carry forward (re-profiling adjustment) of £14k, leaving a residual variance of £40k.

Table 19: Corporate Resources portfolio key variances

	Outturn Variance £'000	Budget C/F £'000	Variance £'000
Workington Hall Repair Scheme	(14)	14	0
Helena Thompson Museum Development	40	0	40
Total	26	14	40

Workington Hall Repair Scheme (underspend £14k)

- 5.16 The current capital budget of £37,549 brought forward from 2018-19 (£50,000 less expenditure of £12,460 incurred in 2018-19) covers refurbishment and consolidation works necessary to ensure progression towards eventual removal of the building from the At Risk Register. The budget is partly funded from general fund balances (£32k), with the remainder being met from borrowing. Forecast expenditure in 2019-20 is £23k. The remaining budget (£14k) will be re-profiled to 2020-21.

Helena Thompson Museum (overspend £40k)

- 5.17 The scheme addresses DDA compliance issues, such as surfacing within the court yard entrance and other capital enhancement works to the Museum. The existing budget for this scheme is £180,000 and is financed from capital receipts. The remaining budget, net of expenditure incurred in 2018-19 is £175,290. Tenders for the works have now been returned with the lowest tender being approximately £40,000 above the existing budget. To enable the scheme to proceed, the proposed revised capital budget includes a capital bid of £40,000 (funded from capital receipts) to reflect updated project costings.

Housing Health and Wellbeing

- 5.18 The capital budget for the Housing Health and Wellbeing portfolio is currently forecast to be underspent by £392k. This is matched by a forecast budget carry forward (re-profiling adjustment) of £392k, leaving no overall variance.

Table 20: Housing Health and Wellbeing portfolio key variances

	Outturn Variance £'000	Budget C/F £'000	Variance £'000
Healthy Homes (Empty Homes)	(152)	152	0
Conversion Otley Rd	(90)	90	0
Maryport Container Village	(150)	150	0
Total	(392)	392	0

Healthy Homes (Empty Homes) (£152k underspend)

- 5.19 The Healthy Homes (Empty Homes) budget was established to provide grant support to enabled empty homes to be brought back into use. The current budget for this scheme is £241,555. This includes £141,555 brought forward from 2018-19. Expenditure on this scheme is unfinanced and will be met from borrowing. Forecasted expenditure for the current year is £89,987.
- 5.20 To support the wider Maryport Regeneration programme, it is proposed that the remaining budget (£151,569) is targeted towards providing support for the successful Historic England Heritage Action Zone bid. To that end, a report is being commissioned to develop a plan for the High Street area. The remaining budget has been re-profiled to 2019-20 pending completion of that plan.

Conversion Otley Road (£90k underspend)

- 5.21 The current years capital programme includes a budget of £130k to convert the Council's commercial property at Otley Road, Keswick, in order to provide much needed residential accommodation in the heart of Keswick. The Council has supported the development of affordable accommodation in Keswick for many years and this property will be used to support families wanting to rent in the area on a long-term basis. Forecast expenditure on this project in 2019-20 is £40k. The remaining budget will be re-profiled to 2020-21.

Maryport Container Village (£150k underspend)

- 5.22 As part of the wider Maryport Regeneration Programme, the current capital programme includes a budget of £150k, funded from capital receipts, for the creation of a Container Village on the harbour side. Following reassessment of the scheme, in the context of the wider regeneration programme, a funding bid has been submitted to the Rural Payments Agency to deliver improvements to two areas of the harbour incorporating a reduced scheme in relation to the Container Village. If the bid is successful, the Authority's would be required to make a modest funding contribution of around £5k to £10k towards scheme costs.
- 5.23 Pending the outcome of the grant application, the existing budget of £150,000 has been re-profiled from 2019-20 to 2020-21 to support the wider regeneration programme.

Environmental Quality

- 5.24 The overall forecast variance against the capital budget for the Environmental Quality portfolio is £81k.

Table 21: Environmental Quality portfolio key variances

	Outturn Variance £'000	Budget C/F £'000	Variance £'000
Vehicle and wheeled bin acquisition costs	(45)	0	(45)
Keswick Car Park Enhancements	(36)	0	(36)
Total	(81)	0	(81)

Vehicle and wheeled bin acquisition costs (£45k underspend)

- 5.25 A budget carry forward of £135,809, funded from borrowing, was approved as part of the 2018-19 capital outturn report, to meet remaining vehicle and wheeled bin acquisition costs associated with the waste collection and recycling service. Following a review of the costs to be met from this budget, the overall budget requirement for 2019-20 has been reduced to £90,996. The remaining balance of the existing budget has been removed from the capital programme.

Enhancement to Lakeside Carpark Keswick (£36k saving)

- 5.26 A capital budget of £70k to reconfigure Lakeside Car Park and create 34 additional parking bays was approved in 2018-19. Works were expected to be phased over 2018-19 (£35k) and 2019-20 (£35k). The scheme was completed in 2018-19 at a cost of £26,994. Following receipt of the final invoice the remaining budget (after adjusting for an over accrual of expenditure in 2018/19) has been removed from the capital programme.

Tourism & Culture

- 5.27 The capital budget for the Tourism & Culture portfolio is currently forecast to be underspent by £770k. This is matched by a budget carry-forward (re-profiling adjustment) of £770k, leaving no overall variance.

Table 22: Tourism & Culture portfolio key variances

	Outturn Variance £'000	Budget C/F £'000	Variance £'000
Solway Coast Pathway	(770)	770	0
Total	(770)	770	0

Solway Coast Pathway (Underspend of £770k to be carried forward to 2019-20)

- 5.28 A budget of £1,250k was approved in 2018-19 to support the creation of a multi-user coastal pathway, linking Silloth-on-Solway, the West Cumbria Cycle network and the Hadrian's cycle route. The scheme will be funded by a grant of £1m from the Coastal Communities Fund (CCF) and £250k from the RDPE Tourism Infrastructure Fund (subject to a successful outcome to the funding bid). £160k was initially allocated to be spent in 2018-19 with the balance being utilised in

2019-20. Remaining budget for this scheme currently stands at £1,130,907, including £41,007 carried forward from 2018-19.

- 5.29 Construction is currently expected to commence in January 2020 although this remains contingent upon securing Common Land consent for a section of the path. Current forecasts are for expenditure in the region of £360k to be spent during the current year with the remainder of the project budget (£769,780) to be spent in the 2020-21 financial year.

Transformation

- 5.30 The capital budget for the Transformation portfolio is currently forecast to be underspent by £285k.

Table 23: Tourism & Culture portfolio key variances

	Outturn Variance £'000	Budget C/F £'000	Variance £'000
Flood resilience	(285)	0	285
Total	(285)	0	285

Flood Resilience (£285k underspend – budget removed)

- 5.31 An annual capital budget of £100k in each of the three years 2017-18 to 2019-20 was established in 2017-18 to support a range of small and medium sized projects in the borough that demonstrate a clear link to reducing the risk of flooding. The intention was that these would be community based schemes supported by local flood action groups and medium sized schemes in partnership with the Environment Agency and other partners. Expenditure on this scheme is unfinanced and will be funded from borrowing. The current remaining budget inclusive of unused amounts carried forward from 2017-18 and 2018-19 is £285,000. No expenditure is forecast in the current financial year and the unused budget has been removed from the capital programme.

6.0 Revised Capital Budget

- 6.1 A summary of the proposed adjustments to the three year capital budget is set out in table 24. These changes comprise:
- re-profiling adjustments of £3,527k, outlined above, involving the transfer of £3,527k of expenditure and associated financing from 2019-20 to 2020-21 to reflect current expenditure forecasts
 - growth bids of £589k (£147k in 2019-20 and £442k in 2020-21),
 - budget savings of £366k in 2019-20.

Table 24: Revised Capital Budget – summary of changes

Capital Scheme	Financial year			Total £000
	2019-20 £000	2020-21 £000	2021-22 £000	
Original Budget	12,372.6	21,180.0	1,070.0	34,622.6
Re-profiling adjustments (table 17)	(3,526.6)	3,526.6	0	0
Capital Growth & Savings (table 25)	(218.5)	441.9	0	223.4
Revised Budget	8,627.5	25,148.5	1,070.0	34,846

Table 25: Summary of Capital Bids and Savings

Capital Scheme	Financial year			Total bid £000
	2018-19 £000	2019-20 £000	2020-21 £000	
Helena Thompson Museum	40	0	0	40
Vehicle and wheeled bin acquisition costs	(45)	0	0	(45)
Enhancement to Lakeside Carpark Keswick	(36)	0	0	(36)
Flood Resilience	(285)	0	0	(285)
Reedlands Road Development	0	280	0	280
Mandatory Disabled Facilities Grants	97	0	0	97
Workington Hall	0	162	0	162
Dearham Cemetery	10	0	0	10
Total Bids	(219)	442	0	223

Capital Growth and Savings

- 6.2 In addition to the reprofiling adjustments outlined above, a number of new capital expenditure bids have been submitted for approval as part of the 2019-20 revised budget proposals. These are summarised in table 25 above.

Capital Growth and Savings Bids

Reedlands Road Development (growth bid of £279,463 - 2020-21)

- 6.3 As outlined above, this project is currently running behind schedule. This follows a requirement to undertake additional surveys and site investigations as a consequence of the ground conditions and the presence of mine-workings on site. Since original costings for the scheme were produced there has also been a significant increase in anticipated costs of the project.
- 6.4 Estimated whole project costs currently stand at £2,829,463 compared to a previously agreed budget of £2,550,000. A projected overspend of £279,463. To address the escalation in costs and forecasted overspend against the existing

budget, a growth bid of £279,463, funded from borrowing, has been included in the proposed capital programme and allocated to the financial year 2020-21.

Disabled Facilities Grants (DFG) (growth bid of £97k - 2019-20)

- 6.5 The DFG programme involves the provisions of grant support to cover the cost of housing adaptations to enable people to stay living in their own home for longer. Expenditure on DFGs is funded from an annual grant from central government. This grant is paid to upper-tier authorities as part of the Better Care Funding allocations and cascaded to district councils responsible for providing DFGs.
- 6.6 Pending confirmation of the Authority's grant funding allocation for 2018-19, budgeted expenditure for 2019-20 was originally set at £1,125k based on the grant income allocation and forecasted expenditure in 2018-19. This was subsequently increased to £1,227k to reflect budget and associated financing carried forward from 2018-19.
- 6.7 Following confirmation of the 2019-20 DFG grant funding allocation from MHCLG, a further increase of £97k has been incorporated into the proposed revised capital budget. This brings the total DFG budget for 2019-20 to £1,324k and aligns the budget with available funding comprising the:
- 2019-20 DFG grant funding allocation of £1,214k
 - amount of unallocated grant brought forward from 2018-19 (£95k), and
 - value of grants repaid during the period April to September 2019 (£15k).

Workington Hall (growth bid of £162,460 - 2020-21)

- 6.8 As noted above, the current remaining capital budget for this scheme is £37,549 (£50,000 less expenditure of £12,460 incurred in 2018/19 carried forward from 2018-19). Since approving the original budget for 2019-20 and 2018-19 budget carry forwards the Authority has received notification of a successful application of grant funding of £150,000 from Historic England. This grant will part fund the cost of restoration works, estimated at £212,000, and needed to ensure continued progressions towards the buildings eventual removal from the At Risk register.
- 6.9 A growth bid of £162k (allocated to financial year 2020-21) will increase the remaining budget to £200k and the overall budget to £212k. £150,000 will be funded from the Historic England grant. The balance (£12k) will be funded from capital receipts.

Dearham Cemetery (growth bid £10,000 – 2019-20)

- 6.10 The growth bid of £10,000 covers proposed drainage works to enable a currently unusable section of the cemetery to be used for burials and the interment of cremated remains. Extending to approximately 100 burial plots, the work would

create additional capacity to meet demand for burial plots and offer the potential of securing future income from the purchase of grave plots and burial fees in excess of £200k.

Proposed revised capital programme

- 6.11 The original three year capital budget, inclusive of the approved budget carry forward from 2018-19 is £34,622,613. This comprises planned expenditure of £12,372,613 in 2019-20, £21,180,000 in 2020-21 and £1,080,000 in 2021-22.
- 6.12 The proposed revised three year capital budget of £34,846,061 is summarised in Table 26. This comprises the original capital budget of £34,622,613, net capital growth bids of £223,448 and re-profiling adjustments.

Table 26: Proposed revised capital programme

	Original budget £000	Budget change (new bids) £000	Revised Budget £000	Revised expenditure profile ¹		
				2019-20 £000	2020-21 £000	2021-22 £000
Gross expenditure						
Economic Growth	28,073	280	28,353	5,723	22,630	0
Corporate Resources	374	212	586	409	177	0
Housing, Health & Wellbeing	3,840	97	3,937	1,546	1,391	1,000
Environmental Quality	800	(81)	719	549	140	30
Tourism & Culture	1,131	0	1,131	361	770	0
Transformation	405	(285)	120	40	40	40
Total Expenditure:	34,623	223	34,846	8,628	25,148	1,070
Financed by:						
External grant funding:						
Disabled Facilities Grant (BCF)	3,226	83	3,309	1,309	1,000	1,000
SCP Housing grant	92	0	92	92	0	0
ERDF grant	1,500	0	1,500	179	1,321	0
Coastal Communities Fund	881	0	881	111	770	0
Other grants - Workington Hall	0	150	150	0	150	0
Other grants - Solway Coast	250	0	250	250	0	0
Other grants - Stadium	1,625	(1,625)	0	0	0	0
ABC resources & borrowing						
Capital Receipts	455	77	532	280	252	0
General Fund	138	0	138	129	9	0
Borrowing (unfinanced expend.)	26,456	1,538	27,994	6,278	21,646	70
Total financing	34,623	223	34,846	8,628	25,148	1,070

¹ inclusive of re-profiling adjustments

Financing of Capital Expenditure

- 6.13 The net capital savings bids of £223,448 outlined above include:
- growth bids of £279,463 and savings bids of £365,846 funded from borrowing
 - growth bids of £232,748 funded from grants and £77,083 from capital receipts
 - a reduction of £1,625,000 in the amount of capital expenditure related to the Community Stadium development, funded from grants and matched by a corresponding increase in the amount of expenditure met from borrowing.
- 6.14 The net savings bids of £86,383, funded from borrowing, combined with the removal of grants from the expected funding for the community stadium development, will increase the total amount of capital expenditure funded from borrowing, over the three years covered by the revised capital programme, to £27,993,973. This includes a total borrowing requirement of £25,000,000 related to the Community Stadium development.
- 6.15 Expenditure which is unfinanced (and funded either from PWLB loans or internal borrowing) will require the Council to make an annual charge to its general fund to meet the capital cost of this expenditure. This charge, known as the minimum revenue provision (MRP), is calculated in accordance with the Council's approved MRP policy and is normally charged from the financial year following the one in which the expenditure is incurred. Any expenditure which is unfinanced (i.e. met from borrowing) will therefore generate an increase in the amount of MRP included in the revenue budget.
- 6.16 The draw-down of additional external loans, whether from the PWLB or another source, will also increase the amount of interest payable. The estimated impact of the revised capital programme on the Council's MRP and interest costs is shown in table 27. Based on updated interest rate forecasts provided by the Council's Treasury advisors and estimated additional (PWLB) borrowing of up to £31.4m over the three years to March 2022 (including borrowing of £3.9m in respect of capital expenditure incurred in 2018-19), it shows that between 2019-19 and 2021-22 interest and MRP costs are forecast to increase from £1.5m to £3.9m.

Table 27: Impact of revised capital programme on Interest and MRP costs

	2018-19 actual	2019-20	2020-21	2021-22	2022-23
	£000	£000	£000	£000	£000
Original budget					
MRP	671	1,230	1,289	2,070	2,058
Interest	824	1,100	1,538	1,837	1,767
Total revenue charge	1,495	2,330	2,827	3,907	3,825
Revised Budget – impact of bids					
MRP	671	1,122	1,178	2,079	2,067
Interest	824	906	1,677	1,971	1,871
Total revised revenue charge	1,495	2,028	2,855	4,050	3,938
Of which the following relates to the £25m stadium costs			680	1,795	1,714
Increase/(decrease) in MRP & Interest charge (original to revised)		(302)	28	143	113

Capital Resources

- 6.17 The impact of the revised capital programme and proposed funding on the levels of capital resources (capital receipts and capital grants) available to the Council is summarised in table 28. The impact of the Council's General Fund and Earmarked (General Fund) balances is set out in section 7 of this report.

Table 28: Capital receipts and grants available to fund the capital programme

	Capital Receipts £000	Grant & contributions	
		Housing £000	Non-housing £000
Balance as at 31 March 2019	1,038	227	191
Received in prior year (receipt in advance at 31.3.19)	0	0	881
Received during 2019-20 (YTD)	115	1,214	0
Forecast to be received in 2019-20 ^a	0	0	428
Available for allocation	1,153	1,441	1,500
Allocation:			
Financing proposed capital budget 2019-20	(280)	(1,401)	(540)
Financing budget after 2019-20	(252)	0	(769)
Ring-fenced resources not yet brought into budget	(45)	0	(191)
Balance unallocated	576	40	0

a: Subject to satisfactory outcome of funding applications currently in progress

- 6.18 The items identified as 'Ring-fenced resources' comprise:
- £45,000 relating to proceeds from the sale of Workington Hall Lodge, ring-fenced for improvements to Hall Park
 - £191,213 relating to a number of specific capital grants.
- 6.19 Capital receipts included in table 28 do not include anticipated receipts from property disposals or other (capital) transactions expected to be completed in 2019-20. Capital receipts arising from the disposal of property or otherwise are not allocated to finance the capital programme until received. This avoids the potential impact on the Council's general fund should the Council fail to realise the expected capital receipts and the past financing decisions need to be unwound.
- 6.20 Any additional capital receipts received after the date of this report will be considered as part of the 2020-21 budget setting process.

7.0 Impact on General Fund and Earmarked Reserve Balances

General Fund balances

- 7.1 The impact of the proposed revisions to the 2019-20 revenue and capital budgets on the Council's general fund and earmarked general fund balances (Earmarked Reserves) is summarised in the following tables.

Table 29 - Estimated General Fund (GF) balances

	Original Budget £'000	Revised Budget £'000	Change £'000
Opening Balances	4,044	4,044	0
Adjustment to reflect the 2019-19 outturn position	(154)	(154)	0
Audited Balance at 1 April 2019	3,890	3,890	0
Add: Release of Earmarked Reserves to GF	0	678	678
Less: Approved use for 2019-20 capital programme ¹	(138)	(138)	0
Less: Use of GF to support 2019-20 Revenue Budget	(372)	(1082)	(710)
Forecast balance at 31 March 2020	3,380	3,348	32
Retained - Minimum Balance	(2,700)	(2,700)	0
Available for Use	680	648	32

¹ budget carried forward from 2018-19

Review of Earmarked Reserves

- 7.2 The Council has a number of earmarked reserves, all of which have been created for a specific purpose. 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.
- 7.3 The original budgeted use of earmarked reserves was set before the 2018-19 outturn position was confirmed and before the approval of budget carry forward requests. The revised budget therefore includes adjustments to reflect the available balance of reserves following determination of the 2018-19 outturn position and the expected timing of expenditure from earmarked reserves.
- 7.4 The Earmarked Reserve Balance at 1 April 2019 of £3,467k, can be split as follows:
- £2,203k held for service expenditure
 - £1,264k held for accounting purposes or as contingency against specified risks.
- 7.5 The balance at 31 March 2019 is currently forecast to be spent as follows:

Table 30 - Estimated Earmarked General Fund balances

	Original Budget £'000	Current Budget ¹ £'000	Revised Budget £'000
Opening Balances 1 April 2018	3,804	3,804	3,804
Projected movement in 2018-19	(2,207)	(2,207)	(2,207)
Adjustment to reflect the 2018-19 outturn position		1,870	1,870
Balance at 1 April 2019	1,597	3,467	3,467
Less: Release to General Fund	0	0	(678)
Add planned Contributions to Earmarked Reserves	25	25	125
Less: Planned use in 2019-20 - revenue	(395)	(1,705)	(1,462)
Less: Planned use in 2019-20 - capital	0	0	0
Forecast balance at 31 March 2020	1,227	1,787	1,452

¹ adjusted to reflect 2018-19 outturn and budget carry forwards

- 7.6 Earmarked reserves are subject to ongoing monitoring and review to ensure they are held in-line with Council priorities and that the balance remains at the appropriate level. Further details of the planned use of earmarked reserves are set out in Appendix D.

- 7.7 The release of £553k from earmarked reserves will be used to support the interim waste contract and the procurement of external advice related to the evaluation of options for future delivery of waste services. This release reduces the total balance of reserves held to meet other service expenditure.

8.0 Treasury Management

Treasury Management activity

- 8.1 A summary of treasury management activity during the three months to 30 September and year to date, including details of investment and borrowing transactions and information about the Council's investment and loan (borrowing) portfolios is contained in Appendix E.

Treasury and Prudential Indicators

- 8.2 The Local Government Act 2003 requires the Council to determine and keep under review, limits on how much money it can afford to borrow by way of loans and other forms of credit. The processes the Council must follow in setting these limits (the 'Authorised Limit for External Debt') is set out in the Prudential Code for Capital Finance in Local Authorities to which the Council is required to 'have regard to' under provisions contained in the 2003 Act. In addition to the Authorised Limit, CIPFA's Prudential and Treasury Management Codes and accompanying sector guidance, include a number of other key treasury management indicators designed to support and record local decision making in connection with capital and treasury activities.
- 8.3 The Council's Authorised Borrowing Limit (the statutory limit on borrowing under the Local Government Act 2003), Operational Boundary (the limit beyond which external debt is not expected to exceed) and other indicators and limits required by CIPFA's Prudential and Treasury Management Codes, were set out in the Council's Treasury Management Strategy Statement and Investment Strategy for 2019-20. This was approved by the Full Council on 6 March 2019.
- 8.4 During the quarter ended 30 September 2019, the Council has operated within the limits established by the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement 2019-20.
- 8.5 Further information relating to the Council's treasury management activities during the six month period ending 30 September 2019 and compliance with the approved treasury and prudential indicators for 2019-20, can be found in the Treasury Management Operations – Mid-year review 2019-2020. This is presented as a separate item on the Council Agenda.

9.0 Updated Medium Term Plan

- 9.1 The Council's medium term financial plan (MTFP) 2019-20 to 2021-22 has been updated to incorporate this revised budget. A copy of the updated plan is set out in the 2020-21 Budget Strategy and Medium Term Financial Plan Update report presented as a separate item on this Agenda.

Catherine Nicholson
Head of Financial Services

Supporting Appendices:

Appendix A - Projected revenue outturn by portfolio

Appendix B - Capital expenditure to date and forecast outturn

Appendix C - Detailed current and revised capital budgets – 2019-20 to 2021-22

Appendix D - Revised position on Earmarked Reserves

Appendix E - Summary of Treasury Management Activity