

Allerdale Borough Council

Executive - 25 November 2020

Council - 9 December 2020

Quarter 2 Finance Report and Revised Budget 2020-21

Portfolio holder	Councillor Jim Lister PH Finance and Legal
Report from	Catherine Nicholson, Head of Financial Services 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 inform members of financial performance against budget for the period April to September 2020 and seek approval for the revised revenue and capital budgets for 2020-21.

2.0 Recommendations

- 2.1 Members are recommended to:

- i. note the forecasted position against the original revenue and capital budgets at the end of quarter 2
- ii. approve the revised budget (inclusive of spend from earmarked reserves) of £19,580k
- iii. approve the revised net revenue budget requirement of £18,105k
- iv. approve an additional release from the Council's earmarked reserves of £2,845k
- v. approve a contribution from the Council's General Fund of £33k
- vi. approve the revised three year capital budget (including proposed financing) of £15,997k, comprising £11,629k in 2020-21, £2,724k in 2021-22 and £1,644k in 2022-23
- vii. note the revised position on earmarked and un-earmarked general fund balances.

3.0 Executive Summary

3.1 This report summarises the Council's financial performance against budget for the period April to September 2020 and seeks approval for the revised revenue and capital Budgets for 2020-21.

Quarter 2 – Monitoring position

3.2 The headline messages at the end of quarter 2 of 2020-21 are:

Revenue Budget

- (i) Against the original budget expenditure on services of £15,260k, the Council is currently projecting an overspend of £2,850k.
- (ii) After accounting for an increase of £2,812k in income from Taxation and Government Grants, comprising £1,594k emergency Covid-19 funding receivable from central government and a forecast of £1,218k receivable under the government's income guarantee scheme, the projected outturn position will require a contribution from the Council's General Fund reserves of £38k.

Earmarked Reserves Budget

- (iii) Following publication of the 2019-20 outturn position, the budgeted use of Reserves was increased from £190k to £1,855k to reflect the profiling of expenditure presented as part of that report.
- (iv) A variance of £380k (underspend) is projected against this updated budget.

Capital Budget

- (v) The capital budget is forecast to be underspent by £9.086 million.
- (vi) The forecast underspend will be reduced by re-profiling £5.788 million of the budget to subsequent financial years, leaving an underspend (residual variance) of £3.298 million.

Treasury Management

- (vii) 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 2020-21.
- (viii) No new external borrowing was undertaken during the three months ending 30 September 2020.

Revised Revenue and Capital Budgets

Revised revenue Budget

- 3.3 On 4 March 2020, Council approved a revenue budget for 2020-21 comprising:
- total planned revenue expenditure of £15,450k, including parish precepts of £2,458k
 - a net budget requirement of £15,260k, including planned use of earmarked balances of £190k.
- 3.4 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 £4,130k increase in planned revenue expenditure, compared with the original 2020-21 revenue budget, increasing the total (including parish precepts of £2,458k) from £15,450k to £19,580k
 - an increase in planned use of earmarked reserves (compared to the original budget) of £1,285k (£380k decrease compared to the re-profiled post 2019-20 outturn total of £1,855k)
 - an increase in the net budget requirement of £2,845k from £15,260k to £18,105k (including planned use of earmarked balances of £1,475k).
- 3.5 The changes to the 2020-21 Net Service Expenditure Budget of £2,845k comprise:
- recurring (net growth) adjustments, impacting on the Council's base budget of £149k.
 - non-recurring adjustments (net growth) of £2,696k.
- 3.6 These changes:
- increase the Council's recurring (base) budget from £12,240k to £12,389k; and
 - increase the Net Service Expenditure budget for 2019-20 from £12,802k to £15,647k.

Revised Capital Budget

- 3.7 In March 2020, Council approved a three year capital budget of £16,440k (comprising £13,295k in 2020-21, £1,611k in 2021-22 and £1,534k in 2022-23), financed as follows:
- capital grants and contributions - £8,365k (including £5,880k in 2020-21)
 - capital receipts - £572k
 - general fund balances - £9k
 - borrowing and credit arrangements - £7,494k (including £6,834k in 2020-21)

- 3.8 The capital budget was subsequently increased to £17,835k to reflect the addition of budget carried forward from 2019-20 of £1,395k. The capital budget carried forward comprises £314k financed from grants, £336k from capital receipts and £89k from General Fund Balances. The remaining £656k comprises planned capital expenditure that will be met from borrowing.
- 3.9 The proposed revised capital budget for the three years 2020-21 to 2022-23 is £15,997k. The revised budget includes:
- re-profiling adjustments involving the transfer of previously approved expenditure to subsequent financial years; this includes the transfer of £647k of expenditure and associated financing from 2020-21 to 2021-22 and 2022-23 year in line with current expenditure forecasts
 - growth bids of £1,515k (£859k in 2020-21, £372k in 2021-22 and £284k in 2022-23),
 - budget savings bids (associated with reported forecast variances at 30 September) of £3,353k, including savings of £3,273k in 2020-21
- 3.10 The revised capital budget is funded as follows:
- capital grants and contributions - £8,103k
 - capital receipts - £908k
 - general fund balances - £94k
 - borrowing and credit arrangements - £6,892k

Impact on General Fund Balances

- 3.11 The proposed changes to the 2020-21 revenue and capital budgets will result in a net contribution to (un-earmarked) general fund balances of £40k. This compares with a net contribution from general fund balances of £98k included in the original budget for 2020-21. The net change in the planned use of general fund balances of £138k comprises:
- £167k release of previously earmarked reserves back to the general fund
 - a reduction of £4k in the planned use of general fund balances to finance the capital programme
 - a contribution from the general fund of £33k to support the revised 2020-21 revenue budget.

4.0 Background and Introduction

- 4.1 This report summarises the Council's financial performance against budget for the period April to September 2020 and seeks members' approval for the revised revenue and capital budgets for 2020-21.

Financial performance against budget for the period April to September 2020

- 4.2 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.

- 4.3 This report outlines for both the Council's Revenue budget (section 5) and Capital budget (section 7), the forecast outturn for 2020-21 based on net expenditure to the end of September 2020 and the projected net expenditure to 31 March 2021.
- 4.4 Reasons for significant variances (+/- £30k) between the full year forecast and the approved estimates (original budget) for 2020-21, are summarised in this report alongside details of how these variances have been addressed in preparing the revised budget.
- 4.5 This report also provides:
- details of forecast expenditure on projects funded from earmarked reserves (section 5)
 - a summary forecast income from business rates, council tax and non-specific (un-ringfenced) grants (section 5)
 - a summary of the impact of the forecast outturn position on earmarked reserves and general fund balances (section 9)
 - details of treasury management activity and confirmation of compliance with the Treasury and Prudential Indicators included in the Council's Treasury Management Strategy Statement (section 10).

Revised Budget

- 4.6 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 2020-21 (original) revenue and capital budgets were approved by Council on 4 March 2020.
- 4.7 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.
- 4.8 Since the Council approved its Revenue and Capital Budgets for 2020-21 the ongoing Covid-19 pandemic has had a significant impact on the Council's finances.
- 4.9 In particular, the Council has experienced significant income variances against budget. The Government introduced a compensation scheme to help counter some of these variances, however full losses are not recoverable and not all income streams are eligible under the scheme. A summary of the scheme is provided at paragraph 5.17.
- 4.10 Monthly returns continue to be completed and submitted to MHCLG on the financial impact of the Covid-19 pandemic and officers continue to monitor the financial position on a monthly basis.
- 4.11 During the course of the pandemic, there has been no certainty around the level of funding expected to be received from the government making it very difficult to

forecast the overall impact on the council's current year finances and its longer term financial plans.

- 4.12 As part of the revised budget process, a series of budget review meetings have been held with the purpose of:
- reviewing the financial position against budget after the first six months of the financial year, focusing in particular on the impact of the pandemic and measures introduced to control transmission of the virus
 - identifying any large variances against budget
 - considering these variances and approving any necessary revisions or supplementary budgets.
- 4.13 This report sets out the Council's proposed:
- revised revenue budget for 2020-21 (section 6), and
 - revised capital budget for the three year period 2019-20 to 2021-22 (section 8).

5.0 Summary of Projected Revenue Outturn Position

- 5.1 Table 1 shows, as at the end of September 2020, the Council's overall projected 2020-21 revenue outturn position. It shows:

Revenue Budget Expenditure

- net budgeted expenditure of £15.26 million
- a projected outturn (including contributions to reserves) of £18.1 million
- a projected variance (overspend) against the net service expenditure budget for the year to March 2020 of £2.85 million, underpinned by the impact of the Covid-19 pandemic on many of the Authority's largest income streams including parking, commercial rents, trade waste and recycling and planning, and by its impact on the delivery of planned savings associated with the Authority's transformation and efficiency programmes
- net of income from Taxation & Government Grants, the overspend on services will result in a net contribution from balances of £38k.

Earmarked Reserves Budget

- budgeted expenditure of £1.86 million
- a projected outturn of £1.48 million
- a projected underspend against the earmarked reserves budget (updated to reflect the 2019-20 outturn position) of £380k, reflecting changes in the anticipated timing of expenditure from reserves.

Table 1 - Summary of Projected Revenue Outturn against Budget

	Original Budget £'000	Projected Outturn £'000	Projected Variance £'000	Report Ref.
Net Expenditure on Services	12,802	15,652	2,850	
Parish Precepts	2,458	2,458	0	
Net Expenditure on Services	15,260	18,110	2,850	5.2
Expenditure on Earmarked Priorities ¹	1,855	1,475	(380)	5.4
Total Net Expenditure	17,155	19,585	2,470	
Less: Planned use of earmarked balances ¹	(1,855)	(1,475)	380	5.4
Net Budget Requirement/ Outturn	15,260	18,110	2,850	
Funding:				
Taxation & Government Grants	15,260	18,072	2,812	5.8
Contribution from/(to) General Fund	0	38	38	
Total Funding	15,260	18,110	2,850	

¹ £190k (original budget) plus £1,665k re-profiling adjustment to reflect 2019-20 revenue outturn

5.2 A breakdown of the overall projected outturn variance (£2,850k) 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	Planned Contribution to reserves £'000	Projected Variance £'000
Economic Growth, Community Development & Placemaking	(217)	638	25	880
Finance & Legal	4,958	4,681	0	(277)
Environmental Services	2,726	4,633	0	1,907
Policy, Governance & People Resources	2,749	2,672	40	(37)
Leisure & Tourism	324	277	0	(47)
Customer Experience & Innovation	2,262	2,686	0	424
Parish Precepts	2,458	2,458	0	0
Total	15,260	18,045	65	2,850

5.3 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 6.

Projects funded from Earmarked Reserves

- 5.4 At 1 April 2020, the balance in earmarked reserves was £3,248k, comprising:
- £1,948k held for service expenditure
 - £1,300k held for accounting purposes or as contingency against specified risks.
- 5.5 Against the balance of £1,948k, the profiled spend identified for 2020-21 is £1,855k. The remaining balance is profiled to be spent in subsequent financial years.
- 5.6 The current projected outturn for 2020-21 is £1,475k, giving a projected underspend of £380k at the end of quarter 2. This reflects a change in the anticipated timing of expenditure from the balances available within earmarked reserves and is accounted for within the revised budget by way of a re-profiling adjustment. The reported 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 1-4-2020 £'000	Profiled Budget 2020-21 £'000	Projected outturn £'000	Variance £'000
Economic Growth, Community Development & Placemaking	650	604	582	(22)
Finance & Legal	215	250	140	(110)
Environmental Services	439	404	399	(5)
Policy, Governance & People Resources	305	305	106	(199)
Leisure & Tourism	61	61	61	0
Customer Experience & Innovation	278	231	187	(44)
Total held for service expenditure	1,948	1,855	1,475	(380)
Accounting/Contingency reserves	1,300	0	0	0
Total Reserves	3,248	1,855	1,475	(380)

- 5.7 In addition to the £1,475k projected outturn expenditure, £167k will be released back to the un-earmarked General Fund. A summary of projected movements on earmarked reserves is set out in section 9.

Taxation and Non-specific grant income

- 5.8 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	Forecast Outturn	Variance
	£'000	£'000	£'000
Revenue support grant	199	199	0
Rural Services Delivery Grant	326	326	0
New Homes Bonus	606	606	0
Council tax - excluding parish element	5,400	5,400	0
Council tax – parish element	2,458	2,458	0
Collection fund surplus/(deficit) - Council Tax	21	21	0
NNDR funding (see table 11)	6,250	6,250	0
Other Grants - Covid-19 emergency funding	0	1,594	1,594
Other - Covid-19 income guarantee	0	1,218	1,218
	15,260	18,072	2,812

NNDR Funding (business rates)

- 5.9 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.
- 5.10 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
 - the retained levy that the Council receives back from the pool or
 - the 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).
- 5.11 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 year's outturn position.
- 5.12 The composition of funding available from business rates in 2020-21, including related s31 grants is summarised in table 5.

Table 5 - NNDR (business rates) funding 2020-21

Funding element	Approved Budget £'000	Projected Outturn £'000	Variance £'000
Fixed Elements:			
Allerdale Share of NNDR Income	11,168	11,168	0
Renewable Energy 'disregard' retained	522	522	0
Net tariff payable to Central Government	(7,418)	(7,418)	0
Share of estimated collection fund surplus	138	138	0
'Fixed' element of NNDR income	4,410	4,410	0
Variable Elements:			
Reconciliation adjustment (prior year disregarded income)	(9)	(7)	2
Section 31 grant	2,298	8,498	6,200
Levy payable (net of reduction under pool arrangements)	(449)	(491)	(42)
Variable element of NNDR income	1,840	8,000	6,160
Total Fixed & Variable Elements	6,250	12,410	6,160
Transfer to Earmarked Reserve	0	(6,160)	(6,160)
Net Credit to the General Fund	6,250	6,250	0

- 5.13 During 2020-21, a number of additional and extended business rates reliefs have been introduced 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 expected to be collected from ratepayers in 2020-21.
- 5.14 The Authority is compensated for this loss in business rates income by way of additional section 31 grant payable in 2020-21. Based on the latest forecasts this has increased the expected amount of s31 grant receivable in 2020-21 by an estimated £6.2m. However, because the demand on the Collection Fund in respect of business rates is fixed prior to the start of the financial year, the full impact of the cost of these additional and extended reliefs (i.e. the Authority's share of the collection fund deficit generated by the additional reliefs granted) and compensated through payment of s31 grant, will not be borne by the general fund until 2021-22. To offset the significant fall in business rates income in 2021-22, generated by the need to repay the collection fund deficit when setting the 2021-22 revenue budget, the additional s31 grant received in the current financial year (net of changes to the net levy payment and prior year disregard) will be transferred to an earmarked reserve in 2020-21 and released in 2021-22 to offset the reduction in business rates income.
- 5.15 Other variances in respect of business rates income comprise:
- a £42k increase 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 £2k in the amount repayable in respect of the preceding years disregarded income (renewable energy) following confirmation of the 2019-20 outturn position.

Covid-19 funding - emergency funding tranches 2, 3 and 4 (£1,594k)

- 5.16 During the current financial year the Authority has received emergency funding from the government totalling £1,148,067 in the form of unringfenced grants to meet urgent and unforeseen costs and other financial pressures arising from the Covid-19 pandemic. A further allocation of £446,161 (tranche 4) was announced in October bringing the total awarded to the Authority in 2020-21 to £1,594,228.

Covid-19 funding - income guarantee scheme (£1,218k)

- 5.17 In July, the government announced an income guarantee scheme, under which authorities will be compensated for 75% of losses of income from sale, fees and charges - for example, car parking charges - arising as a result of Covid-19 and the consequent reductions in economic activity. Under the scheme, authorities are required to absorb losses of up to 5% of their planned sales, fees and charges income, with the government compensating them for 75% of the losses in excess of the 5% threshold. Crucially however, commercial revenues, including rental amounts, are not considered relevant losses and will not be compensated for under this scheme.
- 5.18 The amount receivable by the Authority under the income guarantee scheme is based on actual irrecoverable losses incurred, compared to the budgets set by the Authority for eligible income streams. The amount receivable will therefore be subject to change over the course of the financial year as the full extent of irrecoverable revenue losses emerge.
- 5.19 At the end of September 2020, the estimated amount of compensation receivable under the scheme for the year to March 2021, based on forecast (net) losses associated with eligible income streams, is £1,218k. This compares with an estimate of £1,471k at the end of July. The decrease of £253k reflects a reduction in the estimated net irrecoverable losses and is largely offset by a corresponding increase in expected income receivable from fees and charges.

Key Variances

- 5.20 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 table 6 below.
- 5.21 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 just £5k. 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.

Table 6 – Impact of identified variances on the revised budget

	Outturn Variance £'000	Budget Adjustments				Un- adjusted £'000
		Recurring	Non recurring	Salary	Total	
		£'000	£'000	£'000	£'000	
Economic Growth, Community Development & Placemaking	880	125	818	8	951	(71)
Finance & Legal	(277)	9	(312)	(161)	(464)	187
Environmental Services	1,907	36	1,981	(113)	1,904	3
Policy, Governance & People Resources	(37)	0	79	(22)	57	(94)
Leisure & Tourism	(47)	(41)	0	6	(35)	(12)
Customer Experience & Innovation	424	(11)	334	109	432	(8)
Parish Precepts	0	0	0	0	0	0
Total	2,850	118	2,900	(173)	2,845	5

6.0 Revised revenue budget 2020-21

6.1 The proposed revised revenue budget for 2020-21 and the associated increase in the Council's net budget requirement of £2,845k is summarised in table 7.

Table 7: 2020-21 Revised Revenue Budget

Net Expenditure Budget	2020-21		Change £000	Para
	Original Budget £000	Revised Budget £000		
Base Budget	11,449	11,449	0	
Change in salary costs - recurring	146	177	31	6.10
Recurring growth	1,042	1,279	237	6.8
Recurring savings	(397)	(516)	(119)	6.8
Recurring (base) budget	12,240	12,389	149	
Change in salary costs - non-recurring	0	(204)	(204)	6.10
Non-recurring growth	756	4,447	3,691	6.9
Non-recurring savings	(194)	(985)	(791)	6.9
Net Service Expenditure budget	12,802	15,647	2,845	
Expenditure on earmarked priorities	1,855	1,475	(380)	
Proposed budget (excl. parish precepts)	14,657	17,122	2,465	
Parish Precepts	2,458	2,458	0	
Proposed Budget (incl. parish precepts)	17,115	19,580	2,465	
Less: Planned use of earmarked balances	(1,855)	(1,475)	380	
Net Budget Requirement	15,260	18,105	2,845	

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

Table 8: 2020-21 Revised Revenue Funding

	2020-21		Change £000	Para
	Original Budget £000	Revised Budget £000		
Government Grants & Taxation	15,260	18,072	2,812	6.12
Contribution from/(to) General Fund	0	33	33	
Total Funding	15,260	18,105	2,845	

6.3 A summary of the proposed changes to the Net Service Expenditure Budget of is set out in table 9.

Table 9: Summary of changes to Net Service Expenditure budget

	£'000
Recurring adjustments	
Increase to the salary budget	31
recurring growth bids to address forecast variances	237
recurring savings bids to address forecast variances	(119)
TOTAL - Recurring adjustments	149
Non-recurring adjustments	
Reduction in the salary budget	(204)
non-recurring growth bids to address forecast variances	3,691
non-recurring savings bids to address forecast variances	(791)
TOTAL – Non-recurring adjustments	2,696
TOTAL – Change to net service budget	2,845

6.4 These changes:

- increase the Council's recurring (base) budget from £12,240k to £12,389k; an increase of £149k, and
- increase the net service expenditure budget for 2020-21 from £12,802k to £15,647k; an increase of £2,845k.

6.5 The revised net service expenditure budget will be met from the increase in income from Government Grants & Taxation associated with the additional unringfenced grants awarded in response to the Covid-19 pandemic (Covid-19 emergency funding tranches 2, 3 and 4 and grant receivable under the income guarantee scheme).

Changes to the Net Service Expenditure Budget

6.6 A summary of the proposed changes to the net service expenditure budget by portfolio is set out in table 10.

Table 10: Summary of Net Service Expenditure by Portfolio

Portfolio	Original budget ¹	Recurring growth & savings	Non-recurring growth & savings	Salary changes	Revised budget
	£'000	£'000	£'000	£'000	£'000
Economic Growth, Community Development & Placemaking	(217)	125	819	8	735
Finance & Legal	4,958	8	(312)	(161)	4,493
Environmental Services	2,726	37	1,980	(113)	4,630
Policy, Governance & People Resources	2,749	0	79	(22)	2,806
Leisure & Tourism	324	(41)	0	6	289
Customer Experience & Innovation	2,262	(11)	334	109	2,694
Net Service Expend.	12,802	118	2,900	(173)	15,647

¹ Adjusted for in-year virements and revised portfolios

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

Recurring Growth and Savings bids

6.8 Details of the net recurring growth bid of £237k and recurring savings bid of £119k, included as adjustments to the Council's base budget, are summarised in tables 11 and 12. If approved, these changes will impact on the base budget for 2020-21 and future financial years.

Table 11: Recurring growth

Portfolio/Service	Description	Growth £000
Recurring growth bids to address forecast variances		
Customer Experience & Innovation		
IT Services	Replacement of the existing £40k recurring capital budget supporting a rolling program of upgrades to, and replacement of, desktop computers, laptops and tablets with a recurring £40k revenue budget.	40
Customer Services	Incorporation of front of house services at Wigton office into the leased office agreement. This additional cost is offset by a saving within the Customer Services pay group.	5
Economic Growth, Community Development & Placemaking		
Building Control	Reduction in fee income from site inspections carried out on behalf of Carlisle City Council following the decision by Story Homes and Persimmon Homes to use NHBC rather than LABC for building control.	25
Planning	Reduction in planning applications and associated fee income particularly in relation to larger schemes as result of past land banking activity by developers.	100
Environmental Services		
Parks & Grounds Maintenance	Reduction in income following cessation of grass cutting for a small number of parish councils & private groups	9
Trade Waste	Removal of fee income budget in relation to charges for replacement bins.	50

Portfolio/Service	Description	Growth £000
Finance & Legal		
Corporate Management	Increase in External Audit Fees.	8
Total recurring growth bids to address forecast variances		237

Table 12: Recurring savings

Portfolio/Service	Description	Growth £000
Customer Experience & Innovation		
Benefits	To realign budget with mid-year estimates of Housing Benefit Subsidy receivable.	(56)
Leisure & Tourism		
Solway Coast AONB	Grant funding of salary costs.	(41)
Environmental Services		
Allerdale Fleet	Revision to budget to reflect current expenditure forecast	(22)
Total recurring savings to address forecast variances		(119)

Non-recurring growth and savings bids

- 6.9 Non-recurring growth of £3,691k and savings bids of £791k (net value £2,900k) submitted as part of this report are summarised in tables 13 and 14. If approved, these will impact on the 2020-21 budget but will not impact on the base budget for future financial years.

Table 13: Non-recurring growth

Portfolio/Service	Description	Growth £000
Non-recurring growth bids to address forecast variances		
Customer Experience & Innovation		
Revenues	Loss of income from court summons (net of payments to HMCS) as a consequence of Covid-19.	90
Benefits	Reduction in income from the recovery of overpaid Housing Benefits. This follows from the suspension of recovery action on new debt, by both the Authority and DWP during Q1 & Q2 of 2020-21, in response to the Covid-19 pandemic.	70
IT services	Additional ICT service costs incurred due to Covid-19, including: i) enabling all BT One Phone service users to work remotely, ii) enabling officers to access data services remotely in the absence or temporary loss of a residential internet service.	42
Covid-19 Homelessness	Additional costs incurred in accommodating rough sleeps as part of the Governments response to the COVID-19 crisis.	132
Economic Growth, Community Development & Placemaking		
Corporate Property Maintenance	Demolition of Westfield Welfare building.	22
Camping & Caravan Site	Lockdown and other measures imposed in response to the Covid-19 pandemic meant the camping & caravan site was closed until July 2020. Although the site has now re-opened,	410

Portfolio/Service	Description	Growth £000
	its closure, along with additional costs incurred to make the campsite Covid-19 safe is expected to have a significant impact on the Authority's share of profits from the site in 2020-21.	
Workington Town Centre	Reduction in the variable element of the quarterly rental income from the shopping centre as a consequence of lockdown, government restrictions and social distancing measures introduced in response to the Covid-19 pandemic.	89
Planning	Reduction in planning fee income as a consequence of the Covid-19 pandemic. Furloughing of staff by several key developers meant no submissions were received from them during lockdown and despite the subsequent easing of restrictions, indications are that no applications are expected from them during the remainder of the current financial year.	78
Markets	Loss of income as a result of the cancellation of markets due to the Covid-19 pandemic and the reduction in the number of stalls to facilitate social distancing following their subsequent reopening.	116
Reopening High Streets Safely	Costs relating to the reopening of high streets safely following the national lockdown; Eligible expenditure of up to £86k is eligible for reimbursement from an ERDF grant allocation from Central Governments Reopening High Streets Safely Fund.	86
Reedlands Business Park project	Establishment of a non-recurring revenue budget to accommodate the write off of previously capitalised project expenditure and unwind associated capital financing. This includes recognition of the requirement to repay ERDF grant funding drawn-down to date of £145,559. This follows the decision made by the Executive on 14 October to discontinue the project. The impact of this write-off on unearmarked general fund balances is partly offset by the release of £95k from the Strategic Priorities Earmarked Reserve and the removal of interest costs on related borrowing of approximately £24k (included in Banking and Interest savings bid below).	270
Environmental Services		
Domestic Waste	Costs associated with FCC operating the domestic waste service from 1 April 2020 to 3 April 2020.	23
Domestic Waste	Costs associated with the delivery of replacement bins.	34
Recycling	Removal of charge for replacement bins.	32
Recycling	Costs associated with the delivery of replacement bins.	102
Trace Waste	Costs associated with the delivery of replacement bins.	5
Trade Waste	Loss of income (net of reductions in disposal costs) as a result of reductions in trade collections arising as a consequence of business closures during lockdown and other measures imposed in response to the Covid-19 pandemic.	420
Off-street – Owned Car Parks	Reduction in income from Machines, Season Tickets & Fixed Penalties due to Covid-19; This includes the impact of the temporary closure of car-parks and other local and national measures introduced in response to the pandemic	1,090

Portfolio/Service	Description	Growth £000
Multi-storey Car Park	Loss of parking income at the MSCP arising from temporary closure of the car park and other measures introduced in response to the pandemic.	213
Off-street – Managed Car Parks	Loss of (fee) income arising from reductions in the use of managed car parks as a result of the lockdown and other measures introduced in response to the pandemic.	32
Sport & Leisure Centres	Additional budget pressures arising from closure of the Council's leisure centres as a result of the Covid-19 including the expected loss of budgeted income of £45k, receivable under the profit share arrangements with GLL and the agreement made to provide £40k of additional funding to GLL in response to circumstances created by the Covid-19 pandemic.	78
Finance & Legal		
Banking & Interest	Reduction in investment income to reflect the significant falls in market yields since March 2020, investment returns achieved in the period April to September and forecast returns anticipated over the remainder of the financial year.	40
Covid-19 General Costs	Unbudgeted costs associated with the Authority's response to the Covid-19 pandemic.	37
Policy, Governance & People Resources		
Assistance - Housing Services	Reduction in fee income associated with the delivery of Disabled Facilities and Empty Homes Grants programme as a consequence Covid-19 and the restrictions in place during lockdown.	34
Track & Trace	Expenditure to match grant received to fund the Council's work on the Track and Trace process.	96
Head of Governance & Regulatory	Removal of savings targets built into the 2020-21 budget, which will not be achieved due the impact of Covid-19.	50
Total Non-recurring growth bids to address forecast variances		3,691

Table 14: Non-recurring savings

Portfolio/Service	Description	Saving £000
Economic Growth, Community Development & Placemaking		
Corporate Property Maintenance	Reduction in the use of utilities due to Covid-19 working arrangements.	(22)
Festivals & Events	Savings arising from the cancellation of Taste Cumbria, Workington Christmas promotions and the suspension of the small grants fund during 2020-21.	(118)
Head of Development Services	Budget no longer required. Post fully funded from application of grant income carried forward at 31 March 2020 and included in Earmarked Reserves.	(6)
Town Centres	No advertising and promotions required in the financial year due to Covid-19.	(20)
Reopening High Streets Safely	Government grant received to support the Covid-19 safety measures required in reopening the high streets	(86)
Finance & Legal		
Business Grants Covid-19	Receipt of additional New Burdens Grant for the administration of Business Grants introduced by government in response to the Covid-19 pandemic.	(170)
Insurance	Savings against budget on premiums paid in 2020-21.	(25)

Portfolio/Service	Description	Saving £000
Banking and Interest	Reduction in borrowing costs to reflect PWLB borrowing undertaken in 2019-20, updated interest rate forecasts for 2020-21 and changes included in the revised capital programme in respect of the timing and amount of capital expenditure funded from borrowing.	(150)
MRP & Finance Charges	Reduction in 2020-21 MRP to reflect 2019-20 capital outturn position	(44)
Environmental Services		
Community Services Pay Group	Income received from secondment of Operations Manager to AWSL.	(13)
Street Cleansing	Savings achieved through contractual arrangements.	(11)
Recycling	Increase in income from domestic recycling (net of disposal cost) as a result of an increase recycling activity generated from the imposition of lockdown restrictions in response to the Covid-19 pandemic.	(25)
Policy, Governance & People Resources		
Track & Trace	Grant received to support the Council's Track and Trace work.	(96)
Human Resources	New priorities coupled with a reduction in training requests due to the Covid-19 pandemic.	(5)
Total Non-recurring savings		(791)

Change in salary costs (Pay Groups)

- 6.10 Details of the recurring and non-recurring salary cost adjustments made to net service expenditure are included in table 15. They include:
- recurring growth of £31k; these changes will impact on the base budget for 2020-21 and future financial years
 - non-recurring savings of £204k; these changes will not impact on the base budget for future financial years.

Table 15: Changes to salary costs

	Recurring £000	Non- Recurring £000
Structure changes including reduction in hours	(36)	(204)
Additional cost of Pay Award	67	0
	31	(204)

Use of Contingencies

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

Government Grants and Taxation Financing

- 6.12 Proposed changes to the financing element of the 2020-21 budget - including income from non-ring fenced government grants and business rates (NNDR) - are summarised in table 16.

Table 16: Taxation and non-specific grant income

	Original Budget £000	Revised Budget £000	Change £'000	Para
Revenue support grant	199	199	0	-
Rural Services Delivery Grant	326	326	0	-
New Homes Bonus	606	606	0	-
Council tax – excluding parish element	5,400	5,400	0	-
Council tax - parish precepts	2,458	2,458	0	-
Collection fund surplus/(deficit) - Council Tax	21	21	0	-
NNDR funding	6,250	6,250	0	6.13
Other Grants – Covid-19 emergency fund	0	1,594	1,594	5.16
Other – Covid-19 income guarantee scheme	0	1,218	1,218	5.17
	15,260	18,072	2,812	

- 6.13 A summary of the funding from National Non Domestic Rates (NNDR) in 2020-21 is set out in table 17.

Table 17: NNDR funding 2020-21

	Budget £000	Revised £000	Change £000
Fixed Elements:			
Allerdale share of NNDR Income	11,168	11,168	0
Allerdale share of NNDR Income- Renewable energy	522	522	0
Net tariff payable to Central Government	(7,418)	(7,418)	0
Share of estimated collection fund surplus	138	138	0
'Fixed' element of NNDR income	4,410	4,410	0
Variable Elements:			
Reconciliation adjustment re prior years disregarded income	(9)	(7)	2
Section 31 grant	2,298	8,498	6,200
Levy payable (net of reduction under pool arrangements)	(449)	(491)	(42)
Variable element of NNDR income	1,840	8,000	6,160
Total Fixed & Variable Elements	6,250	12,410	6,160
Transfer to Earmarked Reserve	0	(6,160)	(6,160)
	6,250	6,250	0

7.0 Capital budget – projected outturn position

7.1 The current capital budget is £14.69m, comprising:

- £13.3m approved budget for 2020-21
- £1.39m budget carry forward from 2019-20.

7.2 The projected 2020-21 Capital Outturn position, as at the end of quarter 2 (September 2020), is summarised in table 18. This shows:

- a projected outturn position of £5.604m
- an underspend compared to the budget of £9.086m (including £4.40m related to the Regeneration and Investment budget and £2.563m relating to the Reedlands Road Development)
- expected budget carry forward requests (£5.141m) and reprofiling adjustments (£0.647m) incorporated into the 2020-21 revised budget, of £5.788m
- remaining underspend of £3.298m including £3.273m addressed through net savings bids included in the 2020-21 revised budget proposals.

Table 18: Capital Programme – Projected Outturn by Portfolio

	Current Budget £'000	Projected Outturn £'000	Outturn Variance £'000	C/Fwd & Reprofiling £'000	Residual Variance £'000
Capital Expenditure					
Economic Growth, Community Development & Placemaking	10,907	2,561	(8,346)	5,151	(3,195)
Finance & Legal	47	0	(47)	0	(47)
Policy, Governance & People Resources	1,601	1,164	(437)	437	0
Environmental Services	752	736	(16)	0	(16)
Leisure & Tourism	1,258	1,058	(200)	200	0
Customer Experience & Innovation	125	85	(40)	0	(40)
Total - Capital Expenditure	14,690	5,604	(9,086)	5,788	(3,298)
Capital Financing					
Capital Grants	6,193	3,741	(2,452)	518	(1,934)
Capital Receipts	908	540	(368)	341	(27)
Earmarked Reserves	0	0	0	0	0
Revenue Budget	0	0	0	0	0
General Fund Balances	98	71	(27)	0	(27)
Borrowing	7,444	1,252	(6,192)	4,929	(1,263)
Credit Arrangements	47	0	(47)	0	(47)
Total - Capital Funding	14,690	5,604	(9,086)	5,788	(3,298)

Key Variances

- 7.3 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, Community Development & Placemaking

- 7.4 The overall forecast variance against the capital budget for the Economic Growth, Community Development & Placemaking portfolio is £8,346k (underspend). Projected budget carry forwards and re-profiling adjustments of £5,151k, leaves a net variance of £3,195k of which £3,168k is dealt with by way of proposed revisions to the capital budget (see section 8 below).

Table 19: Economic Growth portfolio key variances

	Outturn Variance £'000	C/fwd & Reprofiled £'000	Residual Variance £'000	Budget revision £'000
Strategic Acquisitions	(379)	379	0	0
Demolition Moorclose Sport Centre	(22)	0	(22)	(22)
Lillyhall Infrastructure	(600)	0	(600)	(600)
Reedlands Road Development	(2,564)	0	(2,564)	(2,564)
Maryport Regeneration (HAZ)	(221)	221	0	0
Regeneration and Investment	(4,400)	4,400	0	0
Markets - Plant and Equipment	(27)	0	(27)	0
Solar Panels	(50)	50	0	0
Kirkgate Centre Contribution	(100)	100	0	0
Workington Hall Repair Scheme	18	0	18	18
Other	(1)	1	0	0
Total	(8,346)	5,151	(3,195)	(3,168)

Strategic Acquisitions – (underspend of £379k; budget to be carried forward to 2021-22)

- 7.5 The capital budget of £379,329 (funded from capital receipts and borrowing) was established to meet the costs of acquiring and redeveloping commercial properties to support business start-ups and the small business sector. This includes £200,000 carried forward from 2019-20. No expenditure has been incurred against this budget in the period April to September 2020. However, the Council continues to explore opportunities to acquire land and property that will contribute to the delivery of key strategic objectives.
- 7.6 No revisions to the existing budget are proposed as part of the 2020-21 revised budget and a request to carry forward any unused budget will be submitted as part of the 2020-21 outturn report. This will ensure the budget remains available to take advantage of property acquisition and development opportunities that support the achievement of Council Priorities.

Demolition Moorclose Sport Centre (underspend of £22k; budget removed from capital programme)

- 7.7 The remaining budget for this scheme was earmarked to meet a financial contribution towards the cost of a new boiler system for the Moorclose Community Centre. This budget (financed from general fund balances) is no longer required and has been removed from the capital programme as part of the 2020-21 revised budget proposals.

Lillyhall Infrastructure (underspend of £600k; budget removed from capital programme)

- 7.8 The Council is seeking to progress development of the site, acquired in 2018-19, by securing planning approval and carrying out enabling infrastructure works, alongside an element of speculative commercial development, to enable 'product' in terms of sites and units to be brought to the market and thus provide availability and certainty to attract business to the location. No expenditure was incurred on the project in the period April to September 2020.
- 7.9 Expenditure on this scheme was expected to be financed from LEP Grant funding (£1.6m) and other private sector contributions (£600k). The latter is, however, no longer expected to be forthcoming. Match funding to meet the total forecasted scheme expenditure of £2.2m will instead be met from the Regeneration and Investment budget (see below), resulting in the reported forecast variance of £600k against the current Lillyhall Infrastructure budget. This is addressed in the revised budget proposals (see below).

Reedlands Road Development – (underspend of £2,564k; budget removed from capital programme)

- 7.10 The Reedlands Road scheme involves the development of additional industrial units on land, owned by the Authority at Reedlands Road, Workington. Initial site survey work identified difficult ground conditions, the presence of mine-workings and the need for further ground investigation works to be carried out as part of the detailed design process.
- 7.11 These investigations identified underlying mine-workings, buried obstructions and extremely poor ground conditions requiring changes to the original construction plans. These have in turn contributed to a significant increase in forecast project costs. At the end of RIBA Stage 4, estimated project costs had increased to £3,765,987 compared with a total scheme budget of £2,829,463. In response to the escalation in costs and the challenges posed by the difficult ground conditions, the project was paused and a full options appraisal undertaken. Following this appraisal a report was presented to the Council's Executive on 14 October recommending that members approve discontinuation of the project. The forecast underspend reflects the recommended discontinuation of the scheme, including the write-off to revenue of project costs incurred during 2020-21.
- 7.12 Following the Executive's decision on 14 October to approve discontinuation of the project, the remaining budget (£2.564m) and associated financing (grant £1.341m and borrowing of £1.223m) has been removed from the capital programme as part

of the 2020-21 revised budget proposal. A non-recurring revenue bid of £269,677 has also been included in the revised 2020-21 revenue budget to accommodate to the write off of previously capitalised project expenditure and unwind associated capital financing. This includes recognition of the requirement to repay ERDF grant funding drawn-down to date of £145,559.

Maryport Regeneration (HAZ) (£221k underspend; budget reprofiled to 2021-22 and 2022-23)

- 7.13 The current budget of £280k, comprising 150k approved in 2019-20 (funded from capital receipts) and £130k (funded from borrowing) transferred from the Healthy Homes (Empty Homes) budget in 2020-21 is earmarked to support the Maryport Regeneration Heritage Action Zone (HAZ) Programme. No expenditure was charged against this budget in the six months to September 2020. £58,750 of the existing budget is forecast to be spent during the remainder of the current financial year with the remaining budget (£221,250) forecast to be utilised in 2021-22 (£105,000) and 2022-23 (£116,250).
- 7.14 The Authority's contribution of £280,000 is earmarked as a contribution toward those elements of the project expenditure meeting the statutory definition of capital as defined in the Local Government Act 2003. Programme costs relating to repairs and other items of revenue expenditure will not be eligible to be met from the Council's contribution (although these may be eligible for HAZ grant funding).

Regeneration and investment (£4,400k underspend unused budget to be carried forward to 2021-22)

- 7.15 Following the Executive's decision in June 2019 not to proceed with previous proposals for the stadium development, the capital budget of £5m previously allocated for the project in 2019-20 was reprofiled from 2019-20 to 2020-21 and repurposed for use in supporting regeneration and investment opportunities. No expenditure has been incurred against this budget in the period April to September 2020. £600k of the available budget has however been allocated to provide match funding for the Lillyhall scheme in order to offset the funding shortfall created by the loss of third party contributions (see comments above).
- 7.16 To reflect this allocation the 2020-21 revised budget proposals include the transfer of 600k (funded from borrowing) from the Regeneration and Investment budget to the Lillyhall Infrastructure budget. A request to carry forward any unused budget, currently forecast at £4.4m, to 2021-22 will be submitted as part of the 2020-21 capital outturn report.

Solar Panels (underspend of £50k budget to be reprofiled to 2021-22)

- 7.17 The budget of £50,000 was established to support the installation of solar panels on operational properties. As a consequence of the Covid-19 pandemic, it has not been possible to progress this scheme. No expenditure has therefore been incurred on the project in the period April to September 2020 and no expenditure is expected to be incurred on the project during the current financial year. The revised budget includes proposals to re-profile the existing budget from 2020-21 to 2021-22.

Kirkgate Centre Contribution (underspend of £100k to be carried forward to 2021-22)

- 7.18 A budget of £100k was approved in 2017-18 to enable the Council to make a capital contribution to support the financing 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. No expenditure was incurred on the project in the six months to September 2020 and no expenditure is currently forecast to be incurred during the current financial year. The proposed 2020-21 revised capital budget includes no changes to the existing budget and a request to carry forward any unused budget to 2021-22 will be submitted as part of the 2020-21 capital outturn report.

Workington Hall Repair Scheme (£18k forecast overspend; Budget growth bid of £18k)

- 7.19 The current capital budget of £194k 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 (£26k) and borrowing (£6k). Work commenced on site in September and is expected to be completed by the end of the current financial year. Forecasted expenditure at the end of September reflects contracted costs, inclusive of provisional sums and contingencies contained within the tender submission that may need to be utilised as work progresses.
- 7.20 A bid of £17,893, funded from general fund balances, is included in the 2020-21 revised budget proposals to cover the forecasted expenditure and ensure sufficient budget exists should it be necessary to draw on contingencies to accommodate variations required to the original scope of works as work progresses.

Finance and Legal

- 7.21 The capital budget for the Finance and Legal portfolio is currently forecast to be underspent by £47k. This is addressed by way of a savings bid included in the revised capital budget proposals for 2020-21.

Table 20: Finance and Legal key variances

	Outturn Variance £'000	C/fwd & Reprofiled £'000	Residual Variance £'000	Budget revision £'000
Leased Assets - property, vehicles & equipment	(47)	0	(47)	(47)
Total	(47)	0	(47)	(47)

Leased Assets - property, vehicles & equipment (underspend £47k); budget removed from capital programme

- 7.22 The current capital budget was predicated on the assumption that changes to the rules governing the accounting treatment of leases would come into force on 1 April

2020 and 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 £97k, including £47k in 2020-21, was therefore established to cover the initial cost of assets expected to be acquired under leases on or after 1 April 2020.

- 7.23 In response to Covid-19, CIPFA/LASAACs Local Authority Accounting Code Board took the decision in March 2020 to defer implementation of IFRS 16 from 1 April 2020 to 1 April 2021 in-line with the government's Financial Reporting Advisory Board's proposals for central government departments. As a consequence, the 2020-21 capital budget of £47k will not be required.

Policy, Governance and People Resources

- 7.24 The capital budget for the Policy, Governance and People Resources portfolio is currently forecast to be underspent by £437k. This is matched by a forecast budget carry forward (re-profiling adjustment) of £437k, leaving no overall variance.

Table 21: Policy, Governance and People Resources portfolio key variances

	Outturn Variance £'000	C/fwd & Reprofiled £'000	Residual Variance £'000	Budget revision £'000
Disabled Facilities Grants	(261)	261	0	0
Discretionary Grants	(50)	50	0	0
Ladore Toilets - conversion	(34)	34	0	0
Housing Improvement Projects	(92)	92	0	0
Total	(437)	437	0	0

Disabled Facilities Grants (£261k underspend; £261k to be carried forward as part of 2020-21 capital outturn report)

- 7.25 This scheme involves mandatory and discretionary grant support to individuals to meet the cost of housing adaptations that enable people to stay living in their own home for longer. The Authority has a statutory duty to provide adaptations to the homes of disabled people who qualify for a mandatory DFG. Expenditure on DFGs is fully funded from an annual grant paid to upper-tier authorities as part of the Better Care Funding allocations and cascaded to district councils responsible for providing DFGs. During the period April to September, Covid-19 and the measures introduced to control transmission of the virus, has had a significant impact on the ability of contractors to undertake work related to DFG applications and on the levels of DFG expenditure incurred to date. It has also added to the challenges of forecasting demand for grant support and levels of expenditure over the remainder of the year.
- 7.26 In recognition of the unpredictability of demand for DFGs and the additional uncertainties generated by the Covid-19 pandemic, over levels of expenditure expected to be incurred over the remainder of the current financial year, no adjustment has been made to the existing budget. A request to carry forward any

unused budget and associated grant funding will be submitted as part of the 2020-21 capital outturn report.

Discretionary Grants (£50k underspend) budget reprofiled from 2020-21 to 2021-22

7.27 The budget of £50k was established to provide match funding in connection with an application to the Electricity North West Empowering Our Communities Fund, to deliver the Cold to Cosy Homes Scheme, in Allerdale, from April 2020. Expenditure on this scheme is financed from capital grants (£40k) and capital receipts (£10k). The scheme was launched in September and will run over two years. However there are currently no plans in place to utilise this budget during the current financial year and the £50k budget has been reprofiled from 2020-21 to 2021-22 as part of the 2020-21 revised budget proposals.

Ladore Toilets – conversion (£34k underspend; budget reprofiled to 2021-22)

7.28 The budget of £44,500 was established for the development of the disused toilet block adjacent to the Ladore Hotel in the Borrowdale Valley into holiday accommodation. Expenditure on this scheme is financed from capital receipts. Forecasted expenditure on this scheme in 2020-21 is £10,000. The remaining £34,500 from the existing budget has been reprofiled from 2020-21 to 2021-22 as part of the 2020-21 revised budget proposals.

Housing Improvement Projects (£92k underspend; budget reprofiled to 2021-22)

7.29 A budget carry forward of £91,938 was agreed as part of the 2019-20 capital outturn report and allocated to support the Maryport Future High Street Fund scheme. No expenditure has been incurred against this budget in the period April to September 2020 and no expenditure is forecasted to be incurred over the remainder of the current financial year.

7.30 The 2020-21 revised budget includes the proposal to reprofile the available budget from 2020-21 to 2021-22 where it will be used to support the Maryport Future High Street Fund scheme.

Environmental Services

7.31 The overall forecast variance against the capital budget for the Environmental Services portfolio summarised below, is £16k.

Table 22: Environmental Services portfolio key variances

	Outturn Variance £'000	C/fwd & Reprofiled £'000	Residual Variance £'000	Budget revision £'000
LATCo - vehicles and Equipment	(17)	0	(17)	0
Car Park - signage and equipment	(5)	0	(5)	0
Brow-Top Enhancement Schemes	6	0	6	0
Total	(16)	0	(16)	0

Leisure and Tourism

- 7.32 The capital budget for the Leisure and Tourism portfolio is currently forecast to be underspent by £200k. This is matched by a budget carry-forward (re-profiling adjustment) of £200k included in the 2020-21 revised budget proposals, leaving no overall variance.

Table 23: Leisure and Tourism portfolio key variances

	Outturn Variance £'000	C/fwd & Reprofiled £'000	Residual Variance £'000	Budget revision £'000
Solway Coast Pathway	(200)	200	0	0
Total	(200)	200	0	0

Solway Coast Pathway (Underspend of £200k to be carried forward to 2020-21)

- 7.33 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 is funded by a grant of £1million from the Coastal Communities Fund (CCF) and £250k from the RDPE Tourism Infrastructure Fund. Expenditure of £203,271 was incurred during financial years 2018-19 and 2019-20. The remaining budget for this scheme currently stands at £1,046,729, including £276,949 carried forward from 2019-20.
- 7.34 Construction work to create the Solway Coast pathway is now underway with work to create the new section of path between Allonby and Silloth due to be completed by the end of the current calendar year. A schedule of associated capital works has also been drawn-up in line with the Coastal Communities funding bid. Elements of these associated works (car park improvement works and resurfacing of the existing path) will be completed during the current financial year alongside the work being carried out by main contractor. Other elements require planning and or third-party land-owner consent and will be undertaken in the 2021-22 financial year following completion of feasibility and prioritisation exercises.
- 7.35 Current forecasts are for expenditure in the region of £847k to be spent during the current year with the remainder of the project budget (£200k) to be spent in the 2021-22 financial year. In line with these forecasts the proposed revised capital budget for 2020-21 include an adjustment to £200k to reprofile £200k from 2020-21 to 2021-22.

Customer Experience and Innovation

- 7.36 The capital budget for the Customer Experience and Innovation portfolio is currently forecast to be underspent by £40k. This is addressed by way of a savings bid included in the revised capital budget proposals for 2020-21.

Table 24: Customer Experience and Innovation portfolio key variances

	Outturn Variance £'000	C/fwd & Reprofiled £'000	Residual Variance £'000	Budget revision £000
IT Equipment	(40)	0	(40)	(40)
Total	(40)	0	(40)	(40)

IT Equipment (£40k underspend – budget removed)

- 7.37 The current capital programme includes a recurring capital budget of £40k per annum, funded from borrowing, to support a rolling program of upgrades to, and replacement of, desktop computers, laptops and tablets.
- 7.38 To reduce the administrative burden associated with the capitalisation of large numbers of small value items, which individually and collectively are not material to the Authority's financial statements, the cost of such items are typically charged against the revenue budget rather than capitalised with only items of significant value recorded as capital expenditure. To better reflect the accounting treatment of these items, the proposed revised budget for 2020-21 includes the removal of the recurring capital budget from the capital programme and its replacement with a recurring revenue growth bid of £40k.

8.0 Revised Capital Budget

- 8.1 A summary of the proposed adjustments to the three year capital budget is set out in table 25. These changes comprise:
- re-profiling adjustments of £781k, including the transfer of £647k of expenditure and associated financing from 2020-21 to 2021-22 in line with current expenditure forecasts
 - growth bids of £1,515k (£859k in 2020-21, £372k in 2021-22 and £284k in 2022-23),
 - budget savings bids (associated with reported forecast variances at 30 September) of £3,353k, including £3,273k in 2020-21.

Table 25: Revised Capital Budget – summary of changes

Capital Scheme	Financial year			
	2020-21 £000	2021-22 £000	2022-23 £000	Total £000
Original (Current) Budget	14,690	1,611	1,534	17,835
Re-profiling adjustments	(647)	781	(134)	0
Capital Growth - see table below	859	372	284	1,515
Capital Savings - see table below	(3,273)	(40)	(40)	(3,353)
Proposed Revised Budget	11,629	2,724	1,644	15,997

Capital Growth and Savings

- 8.2 In addition to the reprofiling adjustments and savings and growth bids associated with reported variances at 30 September outlined in Section 7, a number of new capital expenditure bids have been submitted for approval as part of the 2020-21 revised budget proposals. These are summarised in table 26.

Table 26: Summary of Capital Bids and Savings

Capital Scheme	Financial year			Total bid £000
	2019-20 £000	2020-21 £000	2021-22 £000	
Growth Bids				
Maryport Regeneration (HAZ)	101	240	284	625
Workington - Towns funding scheme	502	0	0	502
Brow-Top Enhancement Schemes	238	0	0	238
Maryport Future High Streets initiative	0	132	0	132
Workington Hall Repair Scheme*	18	0	0	18
sub-total - growth bids	859	372	284	1,515
Savings Bids				
Demolition Moorclose Sport Centre*	(22)	0	0	(22)
Lillyhall – Infrastructure*	(600)	0	0	(600)
Reedlands Road*	(2,564)	0	0	(2,564)
Leased Assets - property, vehicles & equipment *	(47)	0	0	(47)
IT Equipment *	(40)	(40)	(40)	(120)
sub-total - savings	(3,273)	(40)	(40)	(3,353)
Total Bids	(2,414)	332	244	(1,838)

*to address reported variance at 30 Sept

Maryport Regeneration (HAZ) (growth bid £625k)

- 8.3 Following confirmation in April of the award of Heritage Action Zone Funding from Historic England of £592.5k (including capital funding of £470k) the 2020-21 revised capital programme includes proposals to:
- reprofile the existing budget across the financial years 2020-21 to 2022-23 in line with current delivery timetable and expenditure profile
 - increase in the total scheme budget though a growth bid of £625k allocated across financial years 2020-21 to 2022-23 and funded from HAZ grant of £470k and private sector contributions of £155k.
- 8.4 Key capital projects within the scheme include the refurbishment of four key high street buildings (including Maryport Town Hall and the Maritime Museum), an extensive shopfront grant scheme and public realm works. The growth bid of £625k brings the total budget for the scheme to £905k. This is funded from the HAZ grant of £470k, private sector contributions of £155k, capital receipts of £150k and borrowing of £130k.

Workington - Towns funding scheme and Brow-top enhancement schemes (growth bid £750k)

- 8.4 As part of Central government response to aid economic recovery from the Covid-19 pandemic, the Authority was invited to submit proposals for accelerated funding through the Towns Fund programme in respect of projects capable of being completed by the end of the current financial year.
- 8.5 The Authority was notified in September of its success in securing funding of £750k, to fund a number of capital projects that are in line with the Towns Fund intervention framework. More specifically, the funding will be used to:
- expand the existing Brow-top enhancement scheme to:
 - create a dedicated cycleway through the underpass between Central Way and the Brow Top car park, improve lighting and introduce Workington themed artwork to the walls of the underpass to make it more attractive for users
 - make public realm improvements to the Cloffocks area adjacent to Workington Leisure Centre by creating an outdoor events and activity area. This will include new pathways for walking and jogging, a new paved area to create a suitable space for a mobile big screen for public viewing of major events and high-quality outdoor gym equipment
 - support the proposed demolition and redevelopment of the former Opera House site in the town centre.

Maryport Future High Streets initiative (growth bid £132k)

- 8.6 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. This expenditure is unfinanced and will be met from borrowing.
- 8.7 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 contributions 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. An announcement on the outcome of that submission is expected later this year.
- 8.8 The growth bid of £132k included in the 2020-21 revised budget proposals, coupled with a reprofiling adjustment of £250k to move the existing budget of £250k from 2022-23 to 2021-22 and £92k allocated from the Housing Improvements budget, brings the total capital budget (in 2021-22) to £724k. This represents the Authority's contribution towards the capital costs of the scheme and aligns the budget provision with the contribution agreed by the Council's Executive in July. Scheme costs to be financed from Future High Streets grant funding and from other (private sector) contributions are not currently included in the capital programme and any further adjustment to the capital budget to reflect those costs and related funding, remains subject to the outcome of the grant application process.

Proposed revised capital programme

- 8.9 The original three year capital budget, inclusive of the approved budget carry forward from 2019-20 is £17,835,418. This comprises planned expenditure of £14,690,282 in 2020-21, £1,611,000 in 2021-22 and £1,534,136 in 2022-23.
- 8.10 The proposed revised three year capital budget of £15,997,384 is summarised in Table 26. This comprises the original capital budget of £17,835,418, net capital savings bids of £1,838,034 and re-profiling adjustments.

Table 27: Proposed revised capital programme

	Current budget	Budget change (new bids)	Revised Budget	Revised expenditure profile ¹		
	£000	£000	£000	2020-21 £000	2021-22 £000	2022-23 £000
Gross expenditure						
Economic Growth, Community Development & Placemaking	11,407	(1,909)	9,498	8,071	1,027	400
Finance & Legal	97	(47)	50	0	31	19
Policy, Governance.& People Resources	4,029	0	4,029	1,425	1,390	1,214
Environmental Services	839	238	1,077	990	76	11
Leisure & Tourism	1,258	0	1,258	1,058	200	0
Customer Experience & Innovation	205	(120)	85	85	0	0
Total Expenditure:	17,835	(1,838)	15,997	11,629	2,724	1,644
Financed by:						
External grant funding:						
Disabled Facilities Grant (BCF)	3,642	0	3,642	1,214	1,214	1,214
SCP Housing grant	57	0	57	0	57	0
ERDF grant	1,341	(1,341)	0	0	0	0
LEP Growth Deal funding	1,600	0	1,600	1,600	0	0
Contribution - Lillyhall	600	(600)	0	0	0	0
Coastal Communities Fund	797	0	797	797	0	0
Other grants - Workington Hall	150	0	150	150	0	0
Other grants - Solway Coast	250	0	250	50	200	0
Other grants /contributions	242	(10)	232	175	46	11
Accelerated Towns Fund	0	750	750	750	0	0
HAZ Grant	0	470	470	69	171	230
HAZ -private sector contribution	0	155	155	32	69	54
ABC resources & borrowing						
Capital Receipts	908	0	908	647	261	0
General Fund	98	(4)	94	94	0	0
Borrowing (unfinanced expend.)	8,053	(1,211)	6,842	6,051	675	116
Credit Arrangements	97	(47)	50	0	31	19
Total financing	17,835	(1,838)	15,997	11,629	2,724	1,644

¹ inclusive of re-profiling adjustments

Financing of Capital Expenditure

- 8.11 The net capital savings bids of £1,838,034 outlined above will result in:
- a net reduction in capital expenditure funded from grants of £575,694
 - a net reduction in the amount of capital expenditure funded from borrowing and credit arrangements of £1,258,196
 - a reduction in the use of general fund balances to fund the capital programme of £4,144.
- 8.12 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.
- 8.13 The draw-down of additional external loans, whether from the PWLB or another source, will also increase the amount of interest payable. Reductions in interest costs arising from the reduction in the amount of capital expenditure funded from borrowing are included within the savings bids outlined in section 6 of this report.

Capital Resources

- 8.14 The impact of the proposed revised capital programme and associated financing on the levels of capital resources (capital receipts and capital grants) available to the Council is summarised in table 28. The impact on 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	1,134	57	191
Received in prior year (receipt in advance at 31.3.20)	0	0	872
Received during 2020-21 (YTD)	20	1,214	2
Forecast to be received in 2020-21	0	0	2,749
Available for allocation	1,154	1,271	3,814
Allocation:			
Financing proposed capital budget 2020-21	(648)	(1,214)	(3,623)
Financing budget after 2021-22	(261)	(57)	0
Ring-fenced resources not yet brought into budget	(45)	0	(191)
Balance unallocated	200	0	0

- 8.15 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.
- 8.16 Capital receipts included in table 28 do not include anticipated receipts from property disposals or other (capital) transactions expected to be completed in 2020-21. 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.
- 8.17 Any additional capital receipts received after the date of this report will be considered as part of the 2021-22 budget setting process.

9.0 Impact on General Fund and Earmarked Reserve Balances

General Fund balances

- 9.1 The impact of the proposed revisions to the 2020-21 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	3,357	3,357	0
Adjustment to reflect the 2019-20 outturn position	(213)	(213)	0
Audited Balance at 1 April 2020	3,144	3,144	0
Add: Release of Earmarked Reserves to GF	0	167	167
Less: Approved use for 2020-21 capital programme ¹	(98)	(94)	4
Less: Use of GF to support 2020-21 Revenue Budget	0	(33)	(33)
Forecast balance at 31 March 2020	3,046	3,184	138
Retained - Minimum Balance	(2,700)	(2,700)	0
Available for Use	346	484	138

¹ budget carried forward from 2019-20

Review of Earmarked Reserves

- 9.2 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.

- 9.3 The original budgeted use of earmarked reserves was set before the 2019-20 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 2019-20 outturn position and the expected timing of expenditure from earmarked reserves.
- 9.4 The Earmarked Reserve Balance at 1 April 2020 of £3,248k, can be split as follows:
- £1,948k held for service expenditure
 - £1,300k held for accounting purposes or as contingency against specified risks.
- 9.5 The balance at 31 March 2020 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 2019	3,467	3,467	3,467
Projected movement in 2019-20	(2,015)	(2,015)	(2,015)
Adjustment to reflect the 2019-20 outturn position	0	1,796	1,796
Balance at 1 April 2020	1,452	3,248	3,248
Less: Release to General Fund	0	0	(167)
Add Planned Contributions to Earmarked Reserves	65	65	65
Add Planned Contributions –s 31 grant (NNDR)	0	0	6,160
Less: Planned use in 2020-21 - revenue	(190)	(1,855)	(1,475)
Less: Planned use in 2020-21 - capital	0	0	0
Forecast balance at 31 March 2021	1,327	1,458	7,831

¹ adjusted to reflect 2019-20 outturn and budget carry forwards

- 9.6 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.

10.0 Treasury Management

Treasury Management activity

- 10.1 A summary of treasury management activity during August and 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

- 10.2 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.

- 10.3 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 2020-21. This was approved by the Full Council on 4 March 2020.
- 10.4 During the period August to September and year to date, the Council has operated within the limits established by the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement 2020-21.
- 10.5 Further information relating to the Council's treasury management activities during the six month period ending 30 September 2020 and compliance with the approved treasury and prudential indicators for 2020-21, can be found in the Treasury Management Operations – Mid-year review 2020-21. This is presented as a separate item on the Council Agenda.

11.0 Updated Medium Term Plan

- 11.1 The Council's medium term financial plan (MTFP) 2020-21 to 2022-23 has been updated to incorporate this revised budget. A copy of the updated plan will be presented to members as part of the 2022-23 Budget Strategy and Medium Term Financial Plan Update report.

12.0 Delivery arrangements

- 12.1 Not applicable to this decision/report

13.0 Implications and Impact

Contribution to Council Strategy Priorities, Outputs and Outcomes

- 13.1 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

- 13.2 Financial issues and implications are included within the main body of this report.

Legal and governance implications

- 13.3 The Authority has a statutory obligation to set (and maintain) a balanced budget.

Risk analysis

13.4 Not applicable to this decision/report.

Increasing satisfaction and service

13.5 Not applicable to this decision/report.

Equality impacts

13.6 Not applicable to this decision/report.

Health and Safety impacts

13.7 Not applicable to this decision/report.

Health, wellbeing and community safety impacts

13.8 Not applicable to this decision/report.

Environmental/sustainability impacts

13.9 Not applicable to this decision/report.

Other significant implications

13.10 There are no other significant implications arising from report.

Appendices attached to this report

Appendix	Title of appendix
Appendix A	Projected revenue outturn by portfolio
Appendix B	Capital expenditure to date and forecast outturn
Appendix C	Proposed revised capital budgets – 2020-21 to 2022-23
Appendix D	Revised position on Earmarked Reserves
Appendix E	Summary of Treasury Management Activity April to September 2020

Background documents available

Name of background document	Where it is available
None	

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