

# Allerdale Borough Council

**Executive - 24 November 2021**

**Council - 8 December 2021**

## Quarter 2 Finance Report and Revised Budget 2021-22

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<b>Portfolio holder</b>	Councillor Colin Sharpe PH Finance and Legal
<b>Report from</b>	Catherine Nicholson, Chief Officer – Assets telephone no: 01900-702503 email: catherine.nicholson@allerdale.gov.uk
<b>Wards affected</b>	All
<b>Is this a key decision</b>	Yes

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### 1.0 The reason for the decision

- 1.1 To inform members of financial performance against budget for the period April to September 2021 and seek approval for the revised revenue and capital budgets for 2021-22. The report also summarises the resources required to fund the implementation costs of Local Government Reorganisation (LGR) within Cumbria and the contribution from Allerdale BC.

### 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. note the requirement for a county wide LGR Implementation Reserve
  - iii. approve the establishment of an implementation reserve/ budget provision of up to £1.6 million as Allerdale BC's contribution to the LGR implementation costs, subject to contributions being approved by all the Cumbrian authorities
  - iv. delegate responsibility to the Chief Officer – Assets (section 151 officer) to identify a funding source for the Implementation Reserve from earmarked reserves, and to pay the contribution, or appropriate proportion thereof, to the County Council in January 2022
  - v. approve the revised budget (inclusive of spend from earmarked reserves) of £19.691m
  - vi. approve the revised net revenue budget requirement of £15.911m

- vii. approve the revised three year capital budget (including proposed financing) of £42,193k, comprising £7,569k in 2021-22, £19,280k in 2022-23 and £15,344k in 2023-24
- viii. note the revised position on earmarked and un-earmarked general fund balances.
- ix. note the updated forecast MTFP.

### **3.0 Executive Summary**

- 3.1 This report summarises the Council's financial performance against budget for the period April to September 2021 and seeks approval for the revised revenue and capital Budgets for 2021-22. Following the announcement of LGR in Cumbria, the report also sets out the resources required to fund the implementation costs of creating two new unitary authorities and the contribution required from Allerdale BC.

#### **Quarter 2 – Monitoring position**

- 3.2 The headline messages at the end of quarter 2 of 2021-22 are:

##### Revenue Budget

- (i) Against the original budget expenditure on services of £15,880k, the Council is currently projecting an overspend of £97k.
- (ii) After accounting for an increase of £72k in income from Taxation and Government Grants, representing forecast income receivable under the government's income guarantee scheme, the projected outturn position will require a contribution from the Council's General Fund reserves of £25k.

##### Earmarked Reserves Budget

- (iii) Following publication of the 2020-21 outturn position, the budgeted use of Reserves was increased from £213k to £2,668k to reflect the profiling of expenditure presented as part of that report.
- (iv) A variance of £488k (underspend) is projected against this updated budget.

##### Capital Budget

- (v) The capital budget is forecast to be underspent by £15.951 million.
- (vi) The forecast underspend is reduced by expected budget carry forward requests and reprofiling adjustments totalling £10.186 million, leaving an underspend (residual variance) of £5.765 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 2021-22.
- (viii) No new external borrowing was undertaken during the three months ending 30 September 2021.

## **Revised Revenue and Capital Budgets**

### Revised revenue Budget

- 3.3 On 3 March 2021, Council approved a revenue budget for 2021-22 comprising:
- total planned revenue expenditure of £16,093k, including parish precepts of £2,567k
  - a net budget requirement of £15,880k, including planned use of earmarked balances of £213k.
- 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 £3,598k increase in planned revenue expenditure, compared with the original 2021-22 revenue budget, increasing the total (including parish precepts of £2,567k) from £16,093k to £19,691k
  - an increase in planned use of earmarked reserves (compared to the original budget) of £3,567k (£1,112k increase compared to the re-profiled post 2020-21 outturn total of £2,668k)
  - an increase in the net budget requirement of £31k from £15,880k to £15,911k (including planned use of earmarked balances of £3,780k).
- 3.5 The changes to the 2021-22 Net Service Expenditure Budget of £31k comprise:
- recurring (net growth) adjustments, impacting on the Council's base budget of £310k.
  - non-recurring adjustments (net saving) of £279k.
- 3.6 These changes:
- increase the Council's recurring (base) budget from £12,299k to £12,609k; and
  - increase the Net Service Expenditure budget for 2021-22 from £13,313k to £13,344k.

### Revised Capital Budget

- 3.7 In March 2021, Council approved a three-year capital budget of £44,285k (comprising £13,330k in 2021-22, £19,109k in 2022-23 and £11,846k in 2022-23), financed as follows:
- capital grants and contributions - £42,932k
  - capital receipts - £311k
  - borrowing and credit arrangements - £1,042k.
- 3.8 The capital budget was subsequently increased to £52,815k to reflect the addition of budget carried forward from 2020-21 of £8,530k. The capital budget carried forward comprises £2,499k financed from grants, £301k from capital receipts and £5k from General Fund Balances. The remaining £5,725k comprises planned capital expenditure that will be met from borrowing.

- 3.9 The proposed revised capital budget for the three years 2021-22 to 2023-24 is £42,193k. The revised budget includes:
- re-profiling adjustments involving the transfer of previously approved expenditure and associated financing to subsequent financial years; this includes the transfer of £8,658k from 2021-22 to 2022-23 (£10k), 2023-24 (£3,498k) and later years (£5,150k)
  - growth bids of £244k (£29k in 2021-22 and £215k in 2022-23),
  - budget savings bids (associated with reported forecast variances at 30 September) of £5,716k, including savings of £5,662k in 2021-22.

- 3.10 The revised capital budget is funded as follows:
- capital grants and contributions - £34,848k
  - capital receipts - £622k
  - general fund balances - £13k
  - borrowing and credit arrangements - £6,710k.

#### Impact on General Fund Balances

- 3.11 The proposed changes to the 2021-22 revenue and capital budgets will result in a net contribution from (un-earmarked) general fund balances of £432k. This compares with a net contribution from general fund balances of £465k included in the original budget for 2021-22. The net change in the planned use of general fund balances of £33k comprises:
- an increase of £8k in the planned use of general fund balances to finance the capital programme
  - a contribution to the general fund of £41k.

#### **Local Government Reorganisation**

- 3.12 Local Government Reorganisation (LGR) for Cumbria was announced on 21 July 2021. From 1 April 2023 the existing six District Councils and County Council will be replaced by two new unitary authorities.
- 3.13 Following the announcement, the Cumbria Chief Finance Officer's Group have undertaken a high level assessment of the financial impact of LGR, and provided an indicative high level budget for implementation of "safe and legal" authorities on 1 April 2023 of £18.920 million.
- 3.14 It is proposed that a County wide implementation reserve be established and all seven Cumbrian authorities contribute to the reserve, with the County Council contributing 50% and the remaining 50% split equally between the district authorities. The contribution from Allerdale BC will therefore be up to £1.6 million.

## **4.0 Background and Introduction**

4.1 This report summarises the Council's financial performance against budget for the period April to September 2021 and seeks members' approval for the revised revenue and capital budgets for 2021-22.

### **Financial performance against budget for the period April to September 2021**

4.2 The Council's financial regulations require the Section 151 Officer (Chief Officer - Assets) 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 2021-22 based on net expenditure to the end of September 2021 and the projected net expenditure to 31 March 2022.

4.4 Reasons for significant variances (+/- £30k) between the full year forecast and the approved estimates (original budget) for 2021-22, 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 10)
- 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 11).

### **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 2021-22 (original) revenue and capital budgets were approved by Council on 3 March 2021.

4.7 The financial management approach agreed by Members, 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 The ongoing impact of the Covid-19 pandemic continues to be closely monitored by officers and regular government returns are completed and submitted to DLUHC. The income guarantee scheme has been extended into the first quarter of 2021-22, and a claim for eligible losses over the period April to June 2021 has been made. Further details are provided in Section 5, paragraphs 5.19, 5.20 and 5.21 of this report.

- 4.9 There are signs of recovery in some of our income streams however there continues to be significant adverse impacts in other areas. Footfall in our main retail centre at Workington continues to suffer and hence our income from the commercial units and the multi-story carpark continue to report unfavourable variances.
- 4.10 As part of this year's revised budget process, budget holders were requested not to submit bids (growth or savings) in respect of revenue budgets. Emphasis was placed on the forecast outturn position provided by budget holders, and the information and explanations provided to support projected outturn variances. All proposed budget revisions have been made by Finance, subject to their:
- review of the financial position against budget after the first six months of the financial year
  - identification of any large variances against budget
  - consideration of these variances in proposing any necessary revisions or supplementary budgets.
- 4.11 This report sets out the Council's proposed:
- revised revenue budget for 2021-22 (section 6), and
  - revised capital budget for the three-year period 2021-22 to 2023-24 (section 8).

## **5.0 Summary of Projected Revenue Outturn Position**

- 5.1 Table 1 shows, as at the end of September 2021, the Council's overall projected 2021-22 revenue outturn position. It shows:

### Revenue Budget Expenditure

- net budgeted expenditure of £15.88 million
- a projected outturn (including contributions to reserves) of £15.98 million
- a projected variance (overspend) against the net service expenditure budget for the year to March 2022 of £97k
- net of income from Taxation & Government Grants, the overspend on services will result in a net contribution from balances of £25k.

### Earmarked Reserves Budget

- budgeted expenditure of £2.67 million
- a projected outturn of £2.18 million
- a projected underspend against the earmarked reserves budget (updated to reflect the 2020-21 outturn position) of £488k.

**Table 1 - Summary of Projected Revenue Outturn against Budget**

	Original Budget £'000	Projected Outturn £'000	Projected Variance £'000	Report Ref.
Net Expenditure on Services	13,313	13,410	97	
Parish Precepts	2,567	2,567	0	
<b>Net Expenditure on Services</b>	<b>15,880</b>	<b>15,977</b>	<b>97</b>	5.2
Expenditure on Earmarked Priorities <sup>1</sup>	2,668	2,180	(488)	5.4
<b>Total Net Expenditure</b>	<b>18,548</b>	<b>18,157</b>	<b>(391)</b>	
Less: Planned use of earmarked balances <sup>1</sup>	(2,668)	(2,180)	488	5.4
<b>Net Budget Requirement/ Outturn</b>	<b>15,880</b>	<b>15,977</b>	<b>97</b>	
Funding:				
Taxation & Government Grants	15,420	15,492	72	5.11
Contribution from/(to) General Fund	460	485	25	
<b>Total Funding</b>	<b>15,880</b>	<b>15,977</b>	<b>97</b>	

<sup>1</sup> £213k (original budget) plus £2,455k re-profiling adjustment to reflect 2020-21 revenue outturn

5.2 A breakdown of the overall projected outturn variance (£97k) 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	(1,439)	(1,444)	0	(5)
Finance & Legal	3,857	3,603	0	(254)
Environmental Services	2,036	1,892	25	(119)
Policy, Governance & People Resources	785	880	40	135
Leisure & Tourism	79	78	0	(1)
Customer Experience & Innovation	(19)	74	0	93
Salaries	8,014	8,262	0	248
Parish Precepts	2,567	2,567	0	0
<b>Total</b>	<b>15,880</b>	<b>15,912</b>	<b>65</b>	<b>97</b>

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 On 1 April 2021, the balance in earmarked reserves was £10,460k, comprising:
- £2,883k held for service expenditure
  - £7,577k held for accounting purposes or as contingency against specified risks.
- 5.5 Against the balance of £2,883k, the profiled spend identified for 2021-22 is £2,668k. The remaining balance is profiled to be spent in subsequent financial years.
- 5.6 The current projected outturn for 2021-22 is £2,180k, giving a projected underspend of £488k at the end of quarter 2. £195k of the underspend 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 remaining £293k has been identified as savings. 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 1-4-2021 £'000	Profiled Budget 2021-22 £'000	Projected outturn £'000	Variance £'000
Economic Growth, Community Development & Placemaking	675	564	541	(23)
Finance & Legal	1,386	1,385	1,043	(342)
Environmental Services	299	299	298	(1)
Policy, Governance & People Resources	255	215	135	(80)
Leisure & Tourism	98	98	98	0
Customer Experience & Innovation	170	107	65	(42)
<b>Total held for service expenditure</b>	<b>2,883</b>	<b>2,668</b>	<b>2,180</b>	<b>(488)</b>
Accounting/Contingency reserves	7,577	6,160	6,160	0
<b>Total Reserves</b>	<b>10,460</b>	<b>8,828</b>	<b>8,340</b>	<b>(488)</b>

- 5.7 A summary of projected movements on earmarked reserves is set out in section 10.

## 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**

	<b>Original Budget £'000</b>	<b>Projected Outturn £'000</b>	<b>Variance £'000</b>
Revenue support grant	200	200	0
Rural Services Delivery Grant	342	342	0
New Homes Bonus	261	261	0
Other Gov. grants (Lower Tier Services Grant)	156	156	0
Other Gov. grants (Covid expenditure pressures grant)	565	565	0
Other government grants - LCTS	151	151	0
NNDR funding	11,762	11,762	0
Collection fund surplus/(deficit) - NNDR	(6,140)	(6,140)	0
Council tax – excluding parish element	5,552	5,552	0
Council tax – parish element	2,567	2,567	0
Collection fund surplus/(deficit) - Council Tax	4	4	0
Other – Covid-19 income guarantee	0	72	72
	<b>15,420</b>	<b>15,492</b>	<b>72</b>

**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 NNDR1 return. The retained levy also considers the Collection Fund outturn positions of other pool members. Consequently, 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 2021-22, including related s31 grants is summarised in table 5.

**Table 5 - NNDR (business rates) funding 2021-22**

Funding element	Approved Budget £'000	Projected Outturn £'000	Variance £'000
<b>Fixed Elements:</b>			
Allerdale Share of NNDR Income	11,679	11,679	0
Renewable Energy 'disregard' retained by billing authority	519	519	0
Net tariff payable to Central Government	(7,418)	(7,418)	0
Share of estimated collection fund deficit	(6,140)	(6,140)	0
<b>'Fixed' element of NNDR income</b>	<b>(1,360)</b>	<b>(1,360)</b>	<b>0</b>
<b>Variable Elements:</b>			
Reconciliation adjustment (prior years disregarded income)	(35)	(36)	(1)
Section 31 grant	1,983	5,315	3,332
Levy payable (net of reduction under pool arrangements)	(472)	(474)	(2)
<b>Variable element of NNDR income</b>	<b>1,476</b>	<b>4,805</b>	<b>3,329</b>
<b>Total Fixed &amp; Variable Elements</b>	<b>116</b>	<b>3,445</b>	<b>3,329</b>
Transfer from Earmarked Reserve - 2020-21 s31 grant	6,160	6,160	0
Transfer to Earmarked Reserve - 2021-22 retained levy	(654)	(649)	5
Transfer to Earmarked Reserve - 2021-22 s31 grant	0	(3,334)	(3,334)
<b>Net Credit to the General Fund</b>	<b>5,622</b>	<b>5,622</b>	<b>0</b>

- 5.13 During 2020-21, the government introduced several additional and extended business rates reliefs. This included the increased and expanded retail discount scheme that provided 100% relief for Retail, Hospitality & Leisure and the Nursery discount scheme. At Budget 2021 (3 March 2021), the government announced these reliefs would be extended into the first quarter of 2021-22 and would then continue at a reduced level of 66% (with the 66% scheme subject to a cap on the amount of relief that could be claimed per business). When compared with 2021-22 NNDR1 estimates, this extension of the retail and nursery discount schemes has resulted in a significant reduction in the amount of business rates expected to be collected from ratepayers in 2021-22.
- 5.14 The Authority is compensated for this loss in business rates income by way of additional section 31 grant, payable in 2021-22. However, because the demand on the Collection Fund in respect of business rates is fixed prior to the start of the financial year this creates:
- a favourable variance on the General Fund in 2021-22 (reflecting receipt of both the s31 grant and the Authority's share of the estimated business rates income)
  - a deficit on the Collection Fund in 2021-22 that will need to be disbursed in 2022-23 in accordance with statutory provisions.
- 5.15 To offset the fall in business rates income, generated by the requirement for the Authority to repay its share of the Collection Fund deficit when setting its 2022-23 revenue budget, the additional s31 grant received in 2021-22 will be transferred to an earmarked reserve and released in 2022-23 to offset the reduction in business rates income.

## Covid-19 funding - income guarantee scheme

- 5.16 In July 2020, 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 in 2020-21 as a result of Covid-19 and the consequent reductions in economic activity. The scheme was subsequently extended to cover the first three months of 2021-22 and will operate on the same basis as the 2020-21 scheme. This means that local authorities will be 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. Commercial revenues, including rental amounts, are not considered relevant losses and are not compensated for under this scheme.
- 5.17 For 2021-22, the 2020-21 budgets are to be used as a baseline for measuring losses and, to reflect the seasonality of income, local authorities have been given discretion over how to report losses against budgeted income for the April to June quarter.
- 5.18 The expected amount of compensation receivable under the scheme, is £72k.

## Key Variances

- 5.19 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.
- 5.20 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 £66k. 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 £'000	Non recurring £'000	Salary £'000	Total £'000	
Economic Growth, Community Development & Placemaking	(5)	0	(10)	0	(10)	5
Finance & Legal	(254)	12	(258)	0	(246)	(8)
Environmental Services	(119)	86	(219)	0	(133)	14
Policy, Governance & People Resources	135	118	11	0	129	6
Leisure & Tourism	(1)	0	0	0	0	(1)
Customer Experience & Innovation	93	46	30	0	76	17
Salaries	248	0	0	215	215	33
Parish Precepts	0	0	0	0	0	0
<b>Total</b>	<b>97</b>	<b>262</b>	<b>(446)</b>	<b>215</b>	<b>31</b>	<b>66</b>

## 6.0 Revised revenue budget 2021-22

- 6.1 The proposed revised revenue budget for 2021-22 and the associated increase in the Council's net budget requirement of £31k is summarised in table 7.

**Table 7: 2021-22 Revised Revenue Budget**

Net Expenditure Budget	2021-22		Change £000	Para
	Original Budget £000	Revised Budget £000		
Base Budget	12,389	12,389	0	
Change in salary costs - recurring	(310)	(262)	48	6.10
Recurring growth	474	759	285	6.8
Recurring savings	(254)	(277)	(23)	6.8
<b>Recurring (base) budget</b>	<b>12,299</b>	<b>12,609</b>	<b>310</b>	
Change in salary costs - non-recurring	0	167	167	6.10
Non-recurring growth	1,019	1,761	742	6.9
Non-recurring savings	(5)	(1,193)	(1,188)	6.9
<b>Net Service Expenditure budget</b>	<b>13,313</b>	<b>13,344</b>	<b>31</b>	
Expenditure on earmarked priorities	2,668	3,780	1,112	
<b>Proposed budget (excl. parish precepts)</b>	<b>15,981</b>	<b>17,124</b>	<b>1,143</b>	
Parish Precepts	2,567	2,567	0	
<b>Proposed Budget (incl. parish precepts)</b>	<b>18,548</b>	<b>19,691</b>	<b>1,143</b>	
Less: Planned use of earmarked balances	(2,668)	(3,780)	(1,112)	
<b>Net Budget Requirement</b>	<b>15,880</b>	<b>15,911</b>	<b>31</b>	

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

**Table 8: 2021-22 Revised Revenue Funding**

	2021-22		Change £000	Para
	Original Budget £000	Revised Budget £000		
Government Grants & Taxation	15,420	15,492	72	6.12
Contribution from/(to) General Fund	460	419	(41)	
<b>Total Funding</b>	<b>15,880</b>	<b>15,911</b>	<b>31</b>	

- 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
<b>Recurring adjustments</b>	
Increase to the salary budget	48
recurring growth bids to address forecast variances	285
recurring savings bids to address forecast variances	(23)
<b>TOTAL - Recurring adjustments</b>	<b>310</b>
<b>Non-recurring adjustments</b>	
Reduction in the salary budget	167
non-recurring growth bids to address forecast variances	742
non-recurring savings bids to address forecast variances	(1,188)
<b>TOTAL – Non-recurring adjustments</b>	<b>(279)</b>
<b>TOTAL – Change to net service budget</b>	<b>31</b>

- 6.4 These changes:
- increase the Council's recurring (base) budget from £12,299k to £12,609k; an increase of £310k, and
  - increase the net service expenditure budget for 2021-22 from £13,313k to £13,344k; an increase of £31k.
- 6.5 The revised net service expenditure budget will be met from the increase in income from Government Grants & Taxation associated with the income receivable under the government's 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 <sup>1</sup>	Recurring growth & savings	Non-recurring growth & savings	Salary changes	Revised budget
	£'000	£'000	£'000	£'000	£'000
Economic Growth, Community Development & Placemaking	(1,439)	0	(10)	0	(1,449)
Finance & Legal	3,857	12	(258)	0	3,611
Environmental Services	2,036	86	(219)	0	1,903
Policy, Governance & People Resources	785	118	11	0	914
Leisure & Tourism	79	0	0	0	79
Customer Experience & Innovation	(19)	46	30	0	57
Salaries	8,014	0	0	215	8,229
<b>Net Service Expend.</b>	<b>13,313</b>	<b>262</b>	<b>(446)</b>	<b>215</b>	<b>13,344</b>

<sup>1</sup> 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 bids of £285k and recurring savings bids of £23k, 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 2021-22 and future financial years.

**Table 11: Recurring growth**

Portfolio/Service	Description	Growth £000
<b>Recurring growth bids to address forecast variances</b>		
<b>Customer Experience &amp; Innovation</b>		
IT Services	Additional annual licence costs associated with upgrading from Microsoft 365 E3 licences to E5 licences to enhance the Council's cyber security measures.	25
Arcus System	To meet the annual licence costs associated with the implementation of the Arcus system.	21
<b>Policy, Governance &amp; People Resources</b>		
Strategy, Policy & Performance	To remove a savings target which was originally built into the base budget to be achieved through restructure savings. This has now been replaced by a wider full authority restructure, replacing the need for this specific savings target.	78
Head of Governance	As above, this is to remove a savings target which was originally built into the base budget to be achieved through restructure savings. This has now been replaced by a wider full authority restructure, replacing the need for this specific savings target.	50
<b>Environmental Services</b>		
Off-street Managed Car Parks	Reduce income budget to reflect loss of contracted managed car park.	7
Bin Deliveries	A contract has been placed with AWSL to manage the costs of delivering waste bins. This bid is required to meet the contractual costs above budget.	84
Street Scene	Uplift of budget required to meet the contractual cost of kennelling stray dogs and to cover costs associated with the removal of abandoned vehicles under the Council's statutory duty. A small shortfall in fee income is also forecast.	8
<b>Finance &amp; Legal</b>		
Pension Deficit	Increase in pension lump sum payment.	12
<b>Total recurring growth bids to address forecast variances</b>		<b>285</b>

**Table 12: Recurring savings**

Portfolio/Service	Description	Growth £000
<b>Policy, Governance &amp; People Resources</b>		
Partnership & Collaboration	Budget provision for external professional services is no longer required.	(10)
<b>Environmental Services</b>		
Community Services Pay Group	Savings relating to several expenditure budgets, including agency, travel, equipment and printing costs.	(13)
<b>Total recurring savings to address forecast variances</b>		<b>(23)</b>

## Non-recurring growth and savings bids

- 6.9 Non-recurring growth of £742k and savings bids of £1,188k (net saving of £446k) submitted as part of this report are summarised in tables 13 and 14. If approved, these will impact on the 2021-22 budget but will not impact on the base budget for future financial years.

**Table 13: Non-recurring growth**

Portfolio/Service	Description	Growth £000
<b>Non-recurring growth bids to address forecast variances</b>		
<b>Customer Experience &amp; Innovation</b>		
IT Services	Additional IT equipment costs have been incurred during the year to provide appropriate IT facilities in meeting rooms at Allerdale House.	19
Arcus System	Cost of continuing legacy systems due to delays in the project.	12
<b>Economic Growth, Community Development &amp; Placemaking</b>		
Strategic Partner	To meet the committed costs of external professional services in connection with current and future economic growth development projects.	150
Planning & Development	There have been a number of unexpected major planning applications requiring specialist advice, including retail and legal advice. Additionally, costs in relation to recruitment due to the requirement for a Planning and Building Control Manager.	41
Building Control - Chargeable	Specialist advice has been required on a number of matters to ensure the Council fulfilled its statutory duties in this area.	24
<b>Environmental Services</b>		
Domestic Waste	Unachievable fee income due to not charging for replacement bins.	23
Multi-storey Car Park	The multi-story car park is experiencing significantly lower usage than forecast at the time of setting the budget. This is likely to be a result of people still working from home and changes to people's shopping habits initiated by the pandemic. In addition, a new car park has recently become available within close proximity of the multi-storey car park; motorists may be using the alternative and lower costs parking provision.	270
Off-street – Managed Car Parks	Loss of (fee) income arising from reductions in the use of managed carparks.	7
Street Scene	To meet the costs of measures being put in place as part of the Fly Tipping project, including the clean-up costs of Oldside.	44
Allerdale Waste Services	Mobilisation costs associated with adopting new re-routing and re-rounding plans following options appraisals.	55
<b>Finance &amp; Legal</b>		
Food & Occupational Health	The Council have been pursuing the recovery of costs incurred associated with an investigation carried out by the Food & Occupational Health service following a successful prosecution of the defendant. It is now evident that recovery of these costs will not be possible.	42
Licensing Service	Income losses have been experienced due to reduced numbers of temporary event notice applications having been received over the first half of the financial year, as a result of government restrictions earlier in the financial year in response to the pandemic. In addition, unexpected	12

Portfolio/Service	Description	Growth £000
	irrecoverable costs associated with Counsel advice have been incurred regarding a licensing application appeal. Additional subscription fees have also been required to facilitate compliance with new statutory guidance from government in connection with reviewing taxi conditions.	
Land Charges Service	The Council is experiencing a reduced volume of searches, resulting in a shortfall of fee income against budget.	32
<b>Policy, Governance &amp; People Resources</b>		
Members Service	To meet the forecast costs of room hire to facilitate meetings plus a £1.1k fee income budget not forecast to be achieved.	11
<b>Total Non-recurring growth bids to address forecast variances</b>		<b>742</b>

**Table 14: Non-recurring savings**

Portfolio/Service	Description	Saving £000
<b>Economic Growth, Community Development &amp; Placemaking</b>		
Corporate Property Maintenance	Savings achieved through a reduction in the use of council properties (due to adopted working arrangements), in particular Allerdale House, including utility costs and repairs and maintenance. In addition, receipt of insurance recovery income has also contributed to this saving.	(20)
Festivals & Events	Following the purchase of gazebos, savings have been achieved through no longer needing to rent gazebos. Income forecasts are also expected to exceed budget.	(62)
Markets	Following the transfer of the operation in-house in 2020-21, income was affected due to markets being suspended because of Covid making it difficult to estimate budgeted income for 2021-22 at the time of setting the budget. Current projections forecast income budgets to be exceeded.	(24)
Industrial Units	A series of rent reviews and renewals has generated an increase in the projected rental income from industrial units over and above the current budget estimates.	(21)
Camping & Caravan	Current income forecasts based on interim financial statements from the Caravan and Camping Club indicate Allerdale's share will exceed budget.	(99)
<b>Finance &amp; Legal</b>		
Recycling	The sale of recycled materials is a volatile market. Current marketplace prices are significantly higher than in January 2021, coupled with favourable tonnages being collected, is giving rise to significantly higher forecast income than originally budgeted.	(424)
Environmental Protection	Covid restrictions have impacted on the number of routine visits carried out by the Environmental Protection Team, resulting in savings against the budget for travel and mileage costs. In addition, one member of the team has been seconded into another role within the Council and a second position is being covered through agency arrangements, which includes travel expenses as part of their pay rate, both reducing the number of staff claiming travel expenses.	(9)
Banking and Interest	Reduction in borrowing costs to reflect the actual amount of capital expenditure funded from borrowing in 2020-21 and Authority's current PWLB debt portfolio, updated PWLB interest rate forecasts and the impact of changes included in	(125)

Portfolio/Service	Description	Saving £000
	the revised capital programme on the Authority's future external borrowing requirements.	
MRP & Finance Charges	Reduction in 2021-22 MRP to reflect 2020-21 capital outturn position.	(210)
<b>Environmental Services</b>		
Off-street Owned Car Parks	Income from pay and display car park fees in the first half of the financial year indicate that the budget will be significantly exceeded.	(142)
Trade Waste	Income is exceeding budget from sale of recycled materials. This is a volatile market and prices have risen significantly since January 2021 leading to additional income compared to budget.	(52)
<b>Total Non-recurring savings</b>		<b>(1,188)</b>

### Change in salary costs (Pay Groups)

- 6.10 The original budget anticipated that the existing staffing structure would be in place for only 3 months of the financial year, with the new structure in place for the remaining 9 months. The delay to the implementation of the new structure, plus an announcement on a national pay award that was not anticipated at original budget setting has resulted in an additional budget requirement of £215k, of which:
- £48k is recurring growth; these changes will impact on the base budget for 2021-22 and future financial years
  - £167k is non-recurring growth; these changes will not impact on the base budget for future financial years and will ensure that the Council has sufficient resources to support the LGR process.

**Table 15: Changes to salary costs**

	Recurring £000	Non- Recurring £000
Structure changes including reduction in hours	(95)	167
Additional cost of Pay Award	143	0
	<b>48</b>	<b>167</b>

### Use of Contingencies

- 6.11 The total annual budget held for unquantifiable risks is currently £766,947, inclusive of a non-recurring bid of £460k. At the end of Quarter 2, a balance of £115,661 is still available for allocation.

### Government Grants and Taxation Financing

- 6.12 Proposed changes to the financing element of the 2021-22 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	200	200	0	-
Rural Services Delivery Grant	342	342	0	-
New Homes Bonus	261	261	0	-
Other Gov. grants (Lower Tier Services Grant)	156	156	0	-
Other Gov. grants (Covid expenditure pressures)	565	565	0	-
Other government grants - LCTS	151	151	0	-
NNDR funding	11,762	11,762	0	6.13
Collection fund surplus/(deficit) - NNDR	(6,140)	(6,140)	0	-
Council tax – excluding parish element	5,552	5,552	0	-
Council tax – parish element	2,567	2,567	0	-
Collection fund surplus/(deficit) - Council Tax	4	4	0	-
Other – Covid-19 income guarantee	0	72	72	
	<b>15,420</b>	<b>15,492</b>	<b>72</b>	

6.13 A summary of the funding from National Non Domestic Rates (NNDR) in 2021-22 is set out in table 17.

**Table 17: NNDR funding 2021-22**

	Budget £000	Revised £000	Change £000
<b>Fixed Elements:</b>			
Allerdale Share of NNDR Income	11,679	11,679	0
Renewable Energy 'disregard' retained by billing authority	519	519	0
Net tariff payable to Central Government	(7,418)	(7,418)	0
Share of estimated collection fund deficit	(6,140)	(6,140)	0
<b>'Fixed' element of NNDR income</b>	<b>(1,360)</b>	<b>(1,360)</b>	<b>0</b>
<b>Variable Elements:</b>			
Reconciliation adjustment re prior years disregarded income	(35)	(36)	(1)
Section 31 grant	1,983	5,315	3,332
Levy payable (net of reduction under pool arrangements)	(472)	(474)	(2)
<b>Variable element of NNDR income</b>	<b>1,476</b>	<b>4,805</b>	<b>3,329</b>
<b>Total Fixed &amp; Variable Elements</b>	<b>116</b>	<b>3,445</b>	<b>3,329</b>
Transfer from Earmarked Reserve – 2020-21 s31 grant	6,160	6,160	0
Transfer to Earmarked Reserve - 2021-22 retained levy	(654)	(649)	5
Transfer to Earmarked Reserve - 2021-22 s31 grant	0	(3,334)	(3,334)
	<b>5,622</b>	<b>5,622</b>	<b>0</b>

## 7.0 Capital budget – projected outturn position

7.1 The current capital budget is £21.86m, comprising:

- £13.33m approved budget for 2021-22 (approved March 2021)
- £8.53m budget carried forward from 2020-21.

7.2 The projected 2021-22 Capital Outturn position, as at the end of quarter 2 (September 2021), is summarised in table 18. This shows:

- a projected outturn position of £5.909m
- an underspend compared to the budget of £15.951m, including underspends of:
  - £4.40m related to the Regeneration and Investment budget
  - £2.240m in respect of the Maryport Future High Streets initiative
  - £2.0m relating to the Workington Towns funding scheme
  - £5.5m connected with Vertical Farm project, and
  - £0.89m in respect of Disabled Facilities Grants.
- expected budget carry forward requests (£1.528m) and reprofiling adjustments (£8.658m) incorporated into the 2021-22 revised budget, totalling £10.186m
- a residual variance (underspend) compared to budget of £5.765m of which £5.633m is addressed through net savings bids included in the 2021-22 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
<b>Capital Expenditure</b>					
Economic Growth, Community Development & Placemaking	18,796	3,804	(14,992)	9,227	(5,765)
Finance & Legal	0	0	0	0	0
Policy, Governance & People Resources	2,140	1,237	(903)	887	(16)
Environmental Services	595	517	(78)	72	(6)
Leisure & Tourism	244	266	22	0	22
Customer Experience & Innovation	85	85	0	0	0
<b>Total - Capital Expenditure</b>	<b>21,860</b>	<b>5,909</b>	<b>(15,951)</b>	<b>10,186</b>	<b>(5,765)</b>
<b>Capital Financing</b>					
Capital Grants	15,271	4,569	(10,702)	5,183	(5,519)
Capital Receipts	565	413	(152)	108	(44)
General Fund Balances	5	13	8	0	8
Borrowing	6,019	914	(5,105)	4,895	(210)
<b>Total - Capital Funding</b>	<b>21,860</b>	<b>5,909</b>	<b>(15,951)</b>	<b>10,186</b>	<b>(5,765)</b>

### Key Variances

7.3 Commentary on the key projected outturn variances and the impact of these on the revised capital budget is 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 £14,992k (underspend). Projected budget carry forwards and re-profiling adjustments of £9,227k, leaves a net variance of £5,765k. Of this £5,618k is dealt with by way of proposed revisions to the capital budget (see section 8 below).

**Table 19: Economic Growth portfolio key variances**

	<b>Outturn Variance £'000</b>	<b>C/fwd &amp; Reprofiled £'000</b>	<b>Residual Variance £'000</b>	<b>Budget revision £'000</b>
Strategic Acquisitions	(379)	379	0	0
Maryport Regeneration (HAZ)	(86)	18	(68)	68
Regeneration and Investment	(4,400)	4,400	0	0
Solar Panels	(50)	0	(50)	50
Kirkgate Centre Contribution	(100)	100	0	0
Workington Hall Repairs	(90)	90	0	0
Maryport Future High Streets	(2,240)	2,240	0	0
Workington - Accelerated Towns funding	(147)	0	(147)	0
Workington Towns funding scheme	(2,000)	2,000	0	0
Vertical Farm - Grant contribution	(5,500)	0	(5,500)	5,500
<b>Total</b>	<b>(14,992)</b>	<b>9,227</b>	<b>(5,765)</b>	<b>5,618</b>

Strategic Acquisitions – (underspend of £379k; budget to be carried forward to 2022-23 as part of the 2021-22 capital outturn report)

- 7.5 The Strategic Acquisitions capital budget was established to meet the cost of acquiring and redeveloping commercial properties to support business start-ups and the small business sector. No expenditure has been incurred against this budget in the period April to September 2021. 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 2021-22 revised budget. A request to carry forward any unused budget at the end of the current financial year is however expected to be submitted as part of the 2021-22 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.

Maryport Regeneration (HAZ) (£86k underspend; £18k budget reprofiled to 2022-23 and £68k to be removed from budget)

- 7.7 The capital element of this programme of works involves:
- the refurbishment of four key high street buildings (including Maryport Town Hall, the Maritime Museum, Heron Foods and 68 Crosby Street)
  - an extensive shop-front grant scheme to facilitate the replacement of some of the poorer quality shopfronts
  - small-scale public realm improvements.

- 7.8 The total budget for the programme of works is £872k. Expenditure of £21k was incurred on the programme in 2020-21 leaving a remaining budget of £851k. This is currently profiled to be spent across financial years 2021-22: £451k (including £106k carried forward from 2020-21) and 2022-24: £400k. The scheme is funded from Heritage Action Zone Funding from Historic England of £593k (including capital funding of £470k); private sector contributions of £122k, capital receipts of £150k and borrowing of £130k.
- 7.9 The forecast variance of £86k at the end of September 2021 includes £68k in respect of expenditure funded from private sector contributions. As noted in the 2020-21 capital outturn report, following changes to delivery and funding arrangements, expenditure adjustments of £68,500 in 2021-22 and £54,000 in 2022-23 are required to remove from the existing budget, that portion of total scheme expenditure funded from private sector contributions along with the related financing.
- 7.10 These changes have been incorporated into the 2021-22 revised capital budget along with a reprofiling adjustment of £17,975 between 2021-22 and 2022-23 to align the budget with current expenditure plans.

Regeneration and investment (£4,400k underspend; budget to be reprofiled to 2022-23)

- 7.11 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 was incurred against this budget in 2020-21. £600k of the available budget was however transferred to provide match funding for the Lillyhall Infrastructure scheme. The remaining budget of £4.4m was carried forward from 2020-21 to 2021-22.
- 7.12 No expenditure has been charged against the available budget during the six months to September 2021 and, in the absence of any formal plans to utilise the available budget during the remainder of 2021-22, the current budget of £4.4m has been reprofiled from 2021-22 to 2022-23 as part of the 2021-22 revised budget cycle. The budget of £4.4m is funded entirely from borrowing. Expenditure incurred against this budget will therefore generate a minimum revenue provision (MRP) charge to the general fund estimated at up to £147k per annum. In line with statutory guidance and the Authority's MRP policy, the MRP charge to the General Fund normally begins in the financial year following the one in which the expenditure (funded from borrowing) is incurred. The proposed reprofiling adjustment will therefore result in commencement of the related MRP charge, and its inclusion in the Authority's revenue budget, being pushed back from 2022-23 to 2023-24.

Solar Panels (underspend of £50k; budget to be removed from capital programme)

- 7.13 The current budget of £50,000 was established in 2020-21 and subsequently reprofiled to 2021-22, to fund a contribution towards the costs of installing solar panels at Allerdale House. To meet the overall costs of the scheme, its delivery was contingent on obtaining funding from the Public Sector Low Carbon Skills Fund (LCSF). However, the Authority's application for funding was not successful and, consequently, it has not been possible to progress the scheme. The budget has therefore been removed from the capital programme as part of the 2021-22 revised budget proposals.

Kirkgate Centre Contribution (underspend of £100k to be carried forward to 202-23 as part of the 2021-22 capital outturn report)

- 7.14 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 receipt of a satisfactory business case and the outcome of a bid made to the Heritage Lottery Fund by the charitable trust responsible for running the centre.
- 7.15 No expenditure was incurred on the project in the period April to September 2021 and no expenditure is currently forecast to be incurred during the current financial year due in part to enforced closures caused by Covid. However, the trust has begun to complete building surveys to inform options appraisals and develop a business case. The proposed 2021-22 revised capital budget includes no changes to the existing budget. A request to carry forward any unused budget to 2022-23 is however expected to be submitted as part of the 2021-22 capital outturn report.

Workington Hall Repair Scheme (£90k forecast underspend; budget to be carried forward to 2022-23 as part of the 2021-22 capital outturn report)

- 7.16 The budget of £250k covers refurbishment and consolidation works necessary to ensure continued progression towards eventual removal of the building from the At Risk Register. Works with an estimated value of £150k are scheduled to be completed between October and the end of the current financial year, bringing total forecasted expenditure on the project during 2021-22 to £160k. Works to other areas of the building recently identified as unsafe are not currently expected to commence until 2022-23. No revisions to the existing budget are proposed as part of the 2021-22 revised budget. However, a request to carry forward any unused budget at the end of the current financial year is expected to be submitted as part of the 2021-22 outturn report.

Maryport Future High Streets initiative - £2,240k underspend; budget to be reprofiled to 2022-23 and later years

- 7.17 The 2021-22 original capital budget included a budget of £12,252k, profiled across financial years 2021-22 to 2023-24, in respect of the Maryport Future High Streets Initiative. The scheme incorporates a number of projects relating to the regeneration of Maryport Town Centre. These cover:
- enhancement of the public realm areas with a focus on pedestrian improvements and surface enhancements on Curzon & Senhouse Streets, landscaping work and rationalising street furniture
  - developing a semi covered market space on vacant land at 64, Senhouse Street (Empire Yard)
  - redevelopment of the former Carlton Cinema as a community hub
  - redevelopment of the Wave to provide a more comprehensive leisure and activities hub which will incorporate a leisure pool as well as additional features such as e-bike hire and charging centre
  - purchase and redevelopment of Christchurch building to form an Arts and Heritage Hub
  - conversion of retail units into high quality apartments (grant scheme).
- 7.18 The primary source of funding for these projects is a capital grant of £11,528k from the Governments Future High Streets Fund. The balance is funded from other grants £17k, capital receipts £75k and borrowing £632k. No expenditure was profiled to be spent in 2020-21. However, during 2020-21 the Authority incurred capital expenditure of £30,641 in connection with the acquisition of the former Carlton Cinema and Christchurch building. The resulting overspend was carried forward to 2021-22 reducing the available budget in 2021-22 from £3,313k to £3,283k.
- 7.19 Overall scheme costs, based on the latest submission to the Department for Levelling Up, Housing and Communities (DLUHC), remain unchanged. However, current expenditure forecasts show significant changes to the expected timing of expenditure across financial years when compared to the original budget. Expenditure in 2021-22 is currently forecast at £1,042,459 compared to the current budget of £3,282,651 resulting in a forecast underspend in 2021-22 of £2,240,192. This is underpinned by underspends of £2,124,387 related to changes to the expected timing of expenditure associated with the purchase and redevelopment of Christchurch building (£435,390), the acquisition and redevelopment of the former Carlton Cinema (£610,774) and the redevelopment of the Wave centre (£1,078,223).
- 7.20 To reflect these changes the following revisions have been made to the profiling of expenditure across financial year as part of the 2021-22 revised budget cycle:
- £2,250,192 reprofiled from 2021-22 to 2022-23
  - £10,000 reprofiled from 2022-22 to 2021-22
  - £98,571 reprofiled from 2022-23 to 2023-24.

#### Workington - Accelerated Towns funding (£147k underspend-residual saving)

- 7.21 The revised 2020-21 capital budget included £502,136, funded from the Accelerated Towns Fund grant allocation, for the acquisition and demolition of the former Opera House, Workington. However, following negotiations, the current owner offered to demolish the building enabling the Authority to purchase the cleared site. Contracts were exchanged on 16 March 2021 with completion due once demolition works complete on site. Total expenditure incurred in 2020-21 totalled £20,295. The unused budget of £481,841 was carried forward to 2021-22. Accelerated Towns Fund Grant not applied to this scheme in 2020-21 was utilised to finance the Underpass & Public Realm Scheme (Brow top Enhancements scheme) for which use of Accelerated Towns Fund Grant was also approved.
- 7.22 The change, from 'acquisition and demolition of the former Opera House to purchase the cleared site, has had a favourable impact on costs and contributed to a favourable forecast variance for 2021-22 of £146,832. Forecast schemes costs of £335,009 in 2021-22 are now expected to be fully financed from Accelerated Towns Fund Grant. The forecast underspend will also allow Accelerated Towns Fund Grant of £133,006, previously earmarked to finance this scheme, to be redirected to finance the Underpass & Public Realm Scheme (Brow top Enhancements scheme). This, coupled with the £281,285 of Accelerated Towns Funding utilised to finance the Opera House (£20,295) and Brow top (£261,690) schemes in 2020-21, will bring the total amount of Accelerated Towns Funding applied to an amount equal to the Authority's £750,000 allocation.

#### Workington - Towns funding scheme (£2m underspend; budget to be reprofiled to 2022-23 and later years)

- 7.23 The three-year capital programme 2021-22 to 2023-24, approved in March 2021, included a budget of £20,950k relating to capital expenditure on the six priority projects contained in the Workington Town Investment Plan (TIP) and profiled to be spent during the period 2021-22 to 2023-24. The TIP formed the basis of the Authority's application for grant funding from the Government's Towns Fund. Further capital expenditure of £3,500k profiled to be spent in 2024-25 brought the total (capital) grant funding ask to £24,450k. The six priority projects included in the TIP were:
1. Port of Workington – Clean Energy and Logistics Hub
  2. Innovation and Entrepreneurship Programme
  3. Townscape and Connectivity Improvements
  4. Digital Accelerator
  5. Workington Sports Village
  6. Central Pocket Park.
- 7.24 In March 2021, the Authority received notification that Government would provide funding of up to £23.1m including capital funding of £22.4m, in respect of projects 1 to 5 above across financial years 2021-22 to 2025-26. Following agreement of the Heads of Terms the Authority now has a period of up to 12 months in which to develop the agreed projects and business cases in detail. This information will then be subject to assessment and agreement by Government, prior to funding being released in accordance with an agreed funding profile.

7.25 Following submission of an updated financial profile to DLUHC in September 2021, forecast and budgeted expenditure for 2021-22 and subsequent years has been updated in line with this submission. A summary of the changes made as part of the 2021-22 revised budget cycle is set out in the following table:

**Table 20: Workington - Towns funding deal - summary of budget changes**

Year	Original budget	Current / forecasts (revised budget)	Reprofiling adjustment
	£'000	£'000	£'000
2021-22	2,100	100	(2,000)
2022-23	12,150	5,600	(6,550)
2023-24	6,700	10,100	3,400
2024-25	3,500	5,200	1,700
2025-26	-	1,400	1,400
<b>Total</b>	<b>24,450</b>	<b>22,400</b>	<b>(2,050)</b>

7.26 Revenue costs associated with the further development and implementation of a Town Deal for Workington, including the costs of developing detailed business cases and project delivery, are not included the revised capital budget figures shown above. It should also be noted that the current capital budget covers only expenditure to be met from Towns Fund grant. Expenditure to be met from match funding, including match funding of £6.1m associated with the Workington Sports Village is also excluded from the current capital budget.

Vertical Farm - Grant contribution (£5,500k underspend; budget to be removed from capital programme)

7.27 The budget of £5,500k was established to meet a proposed financial contribution towards the development of a centre of excellence and integrated vertical farming solution at the Authority's strategic site at Lillyhall North, Workington. The contribution was to be financed by a grant from the Cumbria Local Enterprise Partnership's Getting Building Fund programme. However, following approval of the Authority's (original) 2021-22 capital budget, it was confirmed that the project would no longer be proceeding through the LEP funding programme. The budget is therefore no longer required and has been removed from the capital programme, along with the associated financing, as part of the revised budget process for 2021-22

## Policy, Governance and People Resources

- 7.28 The capital budget for the Policy, Governance and People Resources portfolio is currently forecast to be underspent by £903k. Projected budget carry forwards total £887k, leaving a net variance (after forecast budget carry-forwards) of £16k. This residual variance is dealt with by way of proposed revisions to the capital budget of £15k (see section 8 below).

**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	(887)	887	0	0
Conversion of Otley Road	29	0	29	(29)
Ladore Toilets - conversion	(44)	0	(44)	44
Healthy Homes (Empty Homes)	(1)	0	(1)	0
<b>Total</b>	<b>(903)</b>	<b>887</b>	<b>(16)</b>	<b>15</b>

Disabled Facilities Grants (£887k underspend; £887k to be carried forward to 2022-23 as part of the 2021-22 capital outturn report)

- 7.29 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 disabled facilities grant (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.
- 7.30 The DFG budget for 2021-22 is £1,932,117. This includes £554,612 carried forward from 2020-21. Total expenditure on DFGs in the six months to September 2021 was £270,649. This compares with expenditure of £134,279 and £429,463 for the corresponding six-month periods in 2020-21 and 2019-20 respectively. Based on the value of grants approved but not yet paid and current levels of grant approvals, the forecast outturn expenditure for the year to March is £1,044,867. This results in a forecast underspend of £887,250 compared to the current budget and £332,638 when compared to the original budget, (i.e. excluding budget carried forward from 2020-21). No changes to the existing budget have been made as part of the 2021-22 revised budget cycle. At the end of the current financial year any unused budget will be re-profiled to 2022-23.

Conversion of Otley Road (£29k overspend; £29k growth bid submitted)

- 7.31 The budget of £99,783 (including £49,783 carried forward from 2020-21) relates to the conversion of Council owned commercial property, at Otley Road, Keswick, into residential accommodation. The total budget for this scheme is £180k. Expenditure of £80,217 was incurred on the scheme in 2020-21. A further £129,026 expected to be spent on the scheme in 2021-22 resulting in a forecast overspend of £29,243. To accommodate the increase in fees and construction costs which underpin the forecast overspend, a growth bid of £29,243, funded from capital receipts, has been submitted as part of the 2021-22 revised budget cycle.

Ladore Toilets conversion (£45k underspend; budget to be removed from capital programme)

- 7.32 The budget of £44,500 (including £10k carried forward from 2020-21) was established to redevelop the disused toilet block adjacent to the Ladore Hotel, in the Borrowdale Valley, into holiday accommodation. As noted in the 2020-21 Capital Outturn report, commencement of this project has been delayed pending the resolution of planning issues related to the site. In recognition of the timescale involved in resolving these issues, the scheme has been removed from the capital programme and part of the 2021-22 revised budget cycle.

## Environmental Services

- 7.33 The overall forecast variance against the capital budget for the Environmental Services portfolio summarised below, is £78k (underspend). An expected budget carry forward request, to be submitted as part of the 2021-22 capital outturn report, leaves a residual variance of £6k (underspend).

**Table 22: Environmental Services portfolio key variances**

	Outturn Variance £'000	C/fwd & Reprofiled £'000	Residual Variance £'000	Budget revision £'000
Biodiversity & Green Infrastructure programmes	(72)	72	0	0
Brow-Top Enhancement Schemes	(6)	0	(6)	0
<b>Total</b>	<b>(78)</b>	<b>72</b>	<b>(6)</b>	<b>0</b>

Biodiversity & Green Infrastructure programmes £72k underspend - to be carried forward to 2022-23 as part of the 2021-22 capital outturn report)

- 7.34 A budget of £231,698 (including £160,480 carried forward from 2020-21) is included in the capital programme to meet the costs of a number of environmental initiatives including the Get Cumbria Buzzing – West Cumbria’s Pollinator project. The remaining budget is currently profiled to be spent in financial years 2021-22 (£220,562) and 2022-23 (£11,136) and is funded from grants of £142,416 and borrowing of £89,282.
- 7.35 All delivery partners involved in “Get Cumbria Buzzing” have struggled to deliver within the initial programme timescale due to the impact of Covid. For this reason, Cumbria Wildlife Trust, the accountable body for “Get Cumbria Buzzing”, has been granted a 6-month project extension by the Lottery, meaning a new project completion date of November 2022. In line with this extension, a number of our projects will therefore now be delivered in the 2022-23 financial year. No proposals to revise the profiling of the existing budget across financial years have been submitted during the 2021-22 revised cycle. However, a request to carry forward any unused budget to 2022-23 is expected to be submitted as part of the 2021-22 capital outturn report.

## Leisure and Tourism

7.36 The capital budget for the Leisure and Tourism portfolio is currently forecast to be overspent by £22k. No additional budget has been requested to meet this overspend.

**Table 23: Leisure and Tourism portfolio key variances**

	Outturn Variance £'000	C/fwd & Reprofiled £'000	Residual Variance £'000	Budget revision £'000
Helena Thompson Museum Development	22	0	22	0
<b>Total</b>	<b>22</b>	<b>0</b>	<b>22</b>	<b>0</b>

## 8.0 Revised Capital Budget

8.1 A summary of the proposed adjustments to the three year capital budget is set out in table 24. These changes comprise:

- re-profiling adjustments, resulting in a net budget reduction of £8,658k in 2021-22 offset by net increases of £10k in 2022-23, £3,498k in 2023-24 and £5,150k in financial years 2024-25 and 2025-26
- growth bids of £244k (£29k in 2021-22 and £215k in 2022-23),
- budget savings bids (associated with reported forecast variances at 30 September) of £5,716k, including £5,662k in 2021-22.

**Table 24: Revised Capital Budget – summary of changes**

Capital Scheme	Financial year			
	2021-22 £000	2022-23 £000	2023-24 £000	Total £000
<b>Original Budget</b>	13,330	19,109	11,846	44,285
Budgets Carried fwd from 2020-21	8,530	0	0	8,530
<b>Current budget (Sept. 2021)</b>	<b>21,860</b>	<b>19,109</b>	<b>11,845</b>	<b>52,815</b>
Re-profiling adjustments	(8,658)	10	3,498	<b>(5,150)</b>
Capital Growth - see table below	29	215	0	<b>244</b>
Capital Savings - see table below	(5,662)	(54)	0	<b>(5,716)</b>
<b>Proposed Revised Budget</b>	<b>7,569</b>	<b>19,280</b>	<b>15,344</b>	<b>42,193</b>

### Capital Growth and Savings

8.2 A summary of the reprofiling adjustments, savings and growth bids included in the 2021-22 revised budget proposals is set out in table 25. With the exception of the growth bid submitted in relation to the Lillyhall Infrastructure project, changes made to the 2021-22 capital budget relate exclusively to the reported variances at 30 September and other reprofiling adjustments outlined in Section 7 above.

**Table 25: Summary of Capital Bids and Savings**

Capital Scheme	Financial year			Total bid £000
	2021-22 £000	2022-23 £000	2023-24 £000	
<b>Growth Bids</b>				
Lillyhall - Infrastructure	0	215	0	215
Conversion of Otley Road	29	0	0	29
<b>sub-total - growth bids</b>	<b>29</b>	<b>215</b>	<b>0</b>	<b>244</b>
<b>Savings Bids</b>				
Maryport Regeneration (HAZ)	(68)	(54)	0	(122)
Solar Panels	(50)	0	0	(50)
Vertical Farm - grant contribution	(5,500)	0	0	(5,500)
Ladore Toilets - conversion	(44)	0	0	(44)
<b>sub-total - savings</b>	<b>(5,662)</b>	<b>(54)</b>	<b>0</b>	<b>(5,716)</b>
<b>Total Bids</b>	<b>(5,633)</b>	<b>161</b>	<b>0</b>	<b>(5,472)</b>
Towns fund deal reprofile post 2023-24	-	-	(5,150)	(5,150)
<b>Total Adjustment to Budget</b>	<b>(5,633)</b>	<b>161</b>	<b>(5,150)</b>	<b>10,622</b>

Lillyhall - Infrastructure (growth bid £215k)

- 8.3 The current 2021-22 capital budget of £1.76m, carried forward from 2020-21, covers planning approval for a hybrid application to include detailed approval for enabling infrastructure and speculative industrial and commercial development, along with the delivery of enabling infrastructure works on Council owned land at Lillyhall. Following confirmation of planning consent, on-site work commenced in March 2021. Total expenditure incurred in 2020-21 was £437,494. The project (total value £2.2m) is financed from Growth Deal grant funding from Cumbria LEP (£1.6m) and borrowing (£600k).
- 8.4 At the end of September 2021, total expected costs of the scheme had increased by £214,680 to £2,414,680. To meet these additional costs, expected to be incurred in 2022-23 and address the corresponding overspend, a growth bid of £214,680 has been submitted as part of the 2021-22 revised budget cycle.
- 8.5 Following approval of the original capital budget for 2021-22, the amount of Growth Deal grant funding available from Cumbria LEP was confirmed at £1,789,761. £50,001 of this additional grant will be used to finance expenditure in 2021-22 and reduce the amount of expenditure to be met from borrowing. The remaining £139,760 will be applied to finance the budget bid of £214,690, with the balance of financing (£74,920) being met from the use of capital receipts.

**Proposed revised capital programme**

- 8.6 The original three-year capital budget, inclusive of the approved budget carry forward from 2020-21 is £52,815,206. This comprises planned expenditure of £21,860,513 in 2021-22, £19,109,427 in 2022-23 and £11,845,266 in 2023-24.

8.7 The proposed revised three-year capital budget of £42,192,129 is summarised in Table 26. This comprises:

- the original capital budget of £52,815,206, less
- net capital savings bids of £5,473,077 and
- re-profiling adjustments to move existing budget from 2023-24 to 2024-25 and 2025-26 of £5,150,000.

**Table 26: Proposed revised capital programme**

	Current 3-yr budget £000	Budget change (new bids) £000	Revised Budget £000	Revised expenditure profile <sup>1</sup>		
				2021-22 £000	2022-23 £000	2023-24 £000
<b>Gross expenditure</b>						
Economic Growth, Community Development & Placemaking	46,984	(10,607)	36,377	4,520	17,891	13,966
Finance & Legal	0	0	0	0	0	0
Policy, Governance & People Resources	4,896	(15)	4,881	2,125	1,378	1,378
Environmental Services	606	0	606	595	11	0
Leisure & Tourism	244	0	244	244		
Customer Experience & Innovation	85	0	85	85	0	0
<b>Total Expenditure:</b>	<b>52,815</b>	<b>(10,622)</b>	<b>42,193</b>	<b>7,569</b>	<b>19,280</b>	<b>15,344</b>
<b>Financed by:</b>						
<b>External grant funding:</b>						
Disabled Facilities Grant (BCF)	4,688	0	4,688	1,932	1,378	1,378
SCP Housing grant	57	0	57	40	17	0
LEP Growth Deal funding	1,272	190	1,462	1,322	140	0
Other grants Solway coastal path	215	0	215	215	0	0
Other grants /contributions	202	0	202	191	11	0
Accelerated Towns Fund	468	0	468	468	0	0
HAZ Grant	459	0	459	216	243	0
HAZ -Private sector contribution	122	(122)	0	0	0	0
Towns Fund Grant	20,950	(5,150)	15,800	100	5,600	10,100
Future High Streets Grant	11,497	0	11,497	1,043	7,221	3,233
LEP funding - Vertical Farm	5,500	(5,500)	0	0	0	0
<b>Total Grant Funding</b>	<b>45,430</b>	<b>(10,582)</b>	<b>34,848</b>	<b>5,527</b>	<b>14,610</b>	<b>14,711</b>
<b>ABC resources &amp; borrowing</b>						
Capital Receipts	612	10	622	472	149	1
General Fund	5	8	13	13	0	0
Borrowing (unfinanced expend.)	6,768	(58)	6,710	1,557	4,521	632
<b>Total financing</b>	<b>52,815</b>	<b>(10,622)</b>	<b>42,193</b>	<b>7,569</b>	<b>19,280</b>	<b>15,344</b>

<sup>1</sup> inclusive of re-profiling adjustments

## Financing of Capital Expenditure

- 8.8 The net capital savings bids of £10,623,077 outlined above will result in:
- a net reduction in capital expenditure funded from grants over the three years covered by the capital budget of £10,582,739
  - a net reduction in the amount of capital expenditure funded from borrowing and credit arrangements of £57,549
  - £9,663 increase in the use of capital receipts
  - £7,548 increase in the use of general fund balances to fund the capital programme.

## Capital Resources

- 8.9 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 27. The impact on the Council's General Fund and Earmarked (General Fund) balances is set out in section 9 of this report.

**Table 27: 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 2021	862	612	251
Received in prior year (receipt in advance at 31.3.21)	0	0	1,705
Received during 2021-22 (YTD)	735	1,378	2,991
Forecast receivable in 2021-22	0	0	884
<b>Available for allocation</b>	<b>1,597</b>	<b>1,990</b>	<b>5,831</b>
<b>Allocation:</b>			
Financing proposed capital budget 2021-22	(472)	(1,972)	(3,555)
Financing budget after 2021-22	(150)	(18)	(2,085)
Ring-fenced resources not yet brought into budget	(45)	0	(191)
<b>Balance unallocated</b>	<b>930</b>	<b>0</b>	<b>0</b>

- 8.10 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.
- 8.11 Capital receipts received in the six months to September include:
- £605k from the repayment of AIP loan notes
  - £115k from the sale of land at Lillyhall
  - £15k from the repayment of capital grants (DFGs).

- 8.12 Capital receipts included in table 27 do not include anticipated receipts from property disposals or other (capital) transactions expected to be completed in 2021-22. 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.
- 8.13 The use of currently unallocated capital receipts, together with any additional capital receipts received after the date of this report, will be considered as part of the 2022-23 budget setting process.

## **9.0 Local Government Reorganisation (LGR) – Implementation Reserve**

- 9.1 The Secretary of State invited proposals on Local Government Reorganisation (LGR) in Cumbria back in October 2020 and consultation on these proposals ended on 19 April 2021.
- 9.2 On 21 July 2021, each local authority within Cumbria was notified that, subject to Parliamentary approval, two new unitary authorities would replace the current local government structure in Cumbria. Allerdale, Carlisle and Copeland areas being the footprint for a new unitary authority covering the west of the county, and Barrow, Eden and South Lakeland, being a footprint for a new unitary authority covering the east of the county. All six districts and the county council will cease to exist in their current format on 31 March 2023 and the new authorities would become effective from 1 April 2023.
- 9.3 The East/West submission suggested that estimated annual savings of between £19.1 million and £31.6 million would be achieved and that the transition (implementation) would require a total one-off investment of between £17.6 million and £23.8 million.
- 9.4 Following the announcement, the Cumbria Chief Finance Officer's Group, attended by all S151 Officers of the seven Cumbrian authorities, have undertaken a high-level assessment of the financial impact of LGR and provided some indicative figures for implementation which have also been sense checked against other authorities which have been through the LGR process.
- 9.5 The work does not deal with the costs of transformation, how any transformation will be funded, nor the level of savings that could be generated. These will be decisions for the new shadow authorities, once established, and will be dealt with at a later date.
- 9.6 The indicative, and high level, budget for implementation of "safe and legal" authorities on 1 April 2023 is £18.920 million as set out in the table below:

**Table 28: LGR Implementation Reserve – County wide**

East/West Unitary Authorities Indicative Implementation Costs	£
Implementation	2,266,667
External Support Costs	5,500,000
Internal Programme Management	4,000,000
ICT Costs	4,000,000
<b>Sub Total</b>	<b>15,766,667</b>
Contingency (20%)	3,153,333
<b>Total Estimated Implementation Costs</b>	<b>18,920,000</b>

- 9.7 These costs and assumptions will continue to be updated as the financial modelling develops and the work streams and themes, established by the LGR Programme Board, commence their work, and identify the level of resources required for delivery.
- 9.8 It is likely that the spend may be incurred over three financial years (2021-22 to 2023-24) with some costs incurred after vesting day. Work is ongoing to fully understand the legacy position and how this will be supported.
- 9.9 For each of the categories of spend above, detailed definitions are being developed to ensure consistency of approach for any expenditure incurred. **Appendix F and G** provides the details to date.
- 9.10 It is therefore proposed that a County Wide Implementation Reserve be established, hosted by Cumbria County Council, to effectively and efficiently record, manage and monitor spend on the implementation of the new authorities. This is the preferred choice of the LGR Programme Board supported by the Finance and Commercial Programme Board, especially given the level of contribution being made by the County Council.
- 9.11 It is further proposed that all seven Cumbrian authorities contribute to the reserve with the County Council contributing 50% and the remaining 50% split equally between the district authorities. The contribution from Allerdale BC will therefore be up to £1.6 million.
- 9.12 Following approval by the individual authorities, it is proposed that the reserve be established for January 2022 and be utilised in accordance with the governance arrangements, which are set out in **Appendix H**.

## **10.0 Impact on General Fund and Earmarked Reserve Balances**

### **General Fund balances**

- 10.1 The impact of the proposed revisions to the 2021-22 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**

	<b>Original Budget £'000</b>	<b>Revised Budget £'000</b>	<b>Change £'000</b>
Opening Balances	3,162	3,162	0
Adjustment to reflect the 2020-21 outturn position	6	6	0
Audited Balance at 1 April 2021	3,168	3,168	0
Add: Release of Earmarked Reserves to GF	0	0	0
Less: Approved use for 2021-22 capital programme	(5)	(13)	(8)
Less: Use of GF to support 2021-22 Revenue Budget	(460)	(419)	41
Forecast balance at 31 March 2022	<b>2,703</b>	<b>2,736</b>	<b>33</b>
Retained - Minimum Balance	(2,700)	(2,700)	0
<b>Available for Use</b>	<b>3</b>	<b>36</b>	<b>33</b>

### Review of Earmarked Reserves

- 10.2 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.
- 10.3 The original budgeted use of earmarked reserves was set before the 2020-21 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 2020-21 outturn position and the expected timing of expenditure from earmarked reserves.
- 10.4 The Earmarked Reserve Balance at 1 April 2021 of £10,460k, can be split as follows:
- £2,883k held for service expenditure
  - £7,577k held for accounting purposes or as contingency against specified risks.
- 10.5 The balance at 31 March 2021 is currently forecast to be spent, during 2021-22, as follows:

**Table 30 - Estimated Earmarked General Fund balances**

	<b>Original Budget £'000</b>	<b>Current Budget<sup>1</sup> £'000</b>	<b>Revised Budget £'000</b>
Opening Balances 1 April 2020	3,248	3,248	3,248
Projected movement in 2020-21	4,583	4,583	4,583
Adjustment to reflect the 2020-21 outturn position	0	2,629	2,629
<b>Balance at 1 April 2021</b>	<b>7,831</b>	<b>10,460</b>	<b>10,460</b>
Less: Release to General Fund	0	0	0
Add Planned Contributions to Earmarked Reserves	719	719	714
Add Planned Contributions –s 31 grant (NNDR)	0	0	3,334
Less: Planned use in 2021-22 - revenue	(6,372)	(8,828)	(9,940)
Less: Planned use in 2021-22 - capital	0	0	0
<b>Forecast balance at 31 March 2022</b>	<b>2,178</b>	<b>2,351</b>	<b>4,568</b>

<sup>1</sup> adjusted to reflect 2020-21 outturn and budget carry forwards

- 10.6 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.

## 11.0 Treasury Management

### Treasury Management activity

- 11.1 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

- 11.2 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.
- 11.3 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 2021-22. This was approved by the Full Council on 3 March 2021.

- 11.4 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 2021-22.
- 11.5 Further information relating to the Council's treasury management activities during the six-month period ending 30 September 2021 and compliance with the approved treasury and prudential indicators for 2021-22, can be found in the Treasury Management Operations – Mid-year review 2021-22. This is presented as a separate item on the Council Agenda.

## **12.0 Budget Strategy and Updated Medium Term Financial Plan**

### **Local Government Reorganisation**

- 12.1 Following the announcement of Local Government Reorganisation in Cumbria, the next financial year will see the last budget setting of Allerdale BC in its current form.
- 12.2 The budget process for 2022-23 will need to reflect the challenges and opportunities that we face in the next financial year as we transition towards the creation of the two new unitary authorities for Cumbria.
- 12.3 In order to do this successfully we will need to adopt a different approach to the budget setting for next year. We will need to be clear about time and resources needed to transition to the new Council and find ways to free up both financial and people resources to enable us to do this. Priorities for next year will be limited, and the focus will be on providing essential (safe and legal) and statutory services.
- 12.4 In section 9 the details of the estimated transition costs are set out, together with the financial contribution that Allerdale BC needs to contribute to these costs. The budget strategy for next year will continue to focus on ways to reduce budgets and spend so that resources can be redirected effectively.

### **Chancellors Budget Announcement and Spending Review**

- 12.5 The Chancellor delivered his Budget and Spending Review 2021 on 27 October 2021 where he announced new grant funding for local government worth £4.8 bn. The details of how this funding will be distributed and which services it will be allocated to were not included in the speech.
- 12.6 There was also no announcement on funding reform or the move to 75% business retention and no confirmation that the reset would be delayed beyond 1 April 2022.
- 12.7 The Council's medium term financial plan (MTFP) has been updated to incorporate the 2021-22 Revised Budget and the latest forecasts on future funding following the high level budget announcements. This is included at Appendix I.
- 12.8 The Provisional Local Government Finance Settlement is due in December and the detail will be incorporated in the 2022-23 budget proposals to Executive and Council.

## **13.0 Delivery arrangements**

13.1 Not applicable to this decision/report

## **14.0 Implications and Impact**

### **Contribution to Council Strategy Priorities, Outputs and Outcomes**

14.1 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**

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

### **Legal and governance implications**

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

### **Risk analysis**

14.4 Not applicable to this decision/report.

### **Increasing satisfaction and service**

14.5 Not applicable to this decision/report.

### **Equality impacts**

14.6 Not applicable to this decision/report.

### **Health and Safety impacts**

14.7 Not applicable to this decision/report.

### **Health, wellbeing and community safety impacts**

14.8 Not applicable to this decision/report.

### **Environmental/sustainability impacts**

14.9 Not applicable to this decision/report.

### **Other significant implications**

14.10 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 – 2021-22 to 2023-24
Appendix D	Revised position on Earmarked Reserves
Appendix E	Summary of Treasury Management Activity April to September 2021
Appendix F	High Level LGR implementation reserve
Appendix G	Criteria – LGR implementation reserve
Appendix H	Governance – LGR implementation reserve
Appendix I	Updated MTFP

## Background documents available

Name of background document	Where it is available
None	

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