

Allerdale Borough Council

Executive – 21 February 2018

Budget 2018-19 – Revenue and Capital

The Reason for the Decision

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

Summary of options considered

The Council has a statutory requirement to approve a balanced budget.

The draft budget proposes an increase in Council Tax of £5 on band D properties with proportionate increases being applied to properties in other council tax bands.

A number of growth bids and savings bids have been submitted and are considered in this report.

A public consultation exercise relating to options included in the Council's draft budget proposals was carried out between December 2017 and January 2018.

Recommendations

It is recommended that:

1. The total planned revenue expenditure is £15,670,916 including parish precepts of £2,024,054.
2. £14,604,435 is approved as the Council's net Budget requirement for 2018-19.
3. An increase in Council Tax of £5 on band D Properties, with proportionate increases being applied to properties, in other council tax bands is approved.
4. No changes are made to the Council's Council Tax Reduction discount scheme and that the current scheme remains in place for 2018-19.
5. The amount of council tax support funding to be paid to Town and Parish Council is set at £20,666 (Appendix A).
6. The revenue estimates as approved are used in the calculation of the basic amount of tax under Section 31 of the Local Government Finance Act 1992.

7. The minimum level of non-earmarked general fund balances is set at £2.7m and that no maximum level is set.
8. That the capital budget of £18,972,755 (comprising £14,592,755 in 2018-19, £2,340,000 in 2019-20 and £2,040,000 in 2020-21) is approved.
9. That the proposed capital budget for 2018-19 is financed as follows:
 - grants and contributions£9,043,255
 - borrowing.....£5,530,000
 - revenue£3,500
 - earmarked reserves £16,000

Financial / Resource Implications

As set out in the report. The revenue estimates will form part of the calculation of the overall council tax level to be set.

Legal Implications

Statutory requirement to set a balanced budget.

Community Safety Implications

None

Health and Safety and Risk Management Implications

The budget contains provision for the Council to discharge its obligations under health and safety legislation, and to maintain a reserve in order to manage risks.

There are also risks that the Council will not be able to operate within agreed budgetary provisions but this can be minimised by the financial monitoring process and by the prudent policy on the level of reserves and balances.

Equality Duty considered / Impact Assessment completed

As part of the budget growth bids and savings bids process.

Wards Affected

All

The contribution this decision would make to the Council's priorities

The revenue budget is set to support the Council in achieving priorities through the Council Plan and to facilitate control of expenditure on its activities.

Is this a Key Decision

Yes

Portfolio Holder

Councillor Barbara Cannon

Lead Officer

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Report Implications

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

1.0 Introduction

- 1.1 The Council has a statutory responsibility to set a balanced budget for each financial year. In short, this means the Council's expenditure on services must be contained within the available funding envelope.
- 1.2 This report sets out the:
- outcome of the 2018-19 Budget Consultation exercise
 - proposed revenue budget for 2018-19, and
 - proposed capital budget for the three year period 2018-19 to 2020-21.
- 1.3 This report also sets out the chief finance officer's report to the Council (made under section 25 of the Local Government Act 2003) on the:
- (a) the robustness of the estimates made for the purposes of the Council's budget calculations, and
 - (b) the adequacy (or otherwise) of the Council's financial reserves.
- 1.4 Members are required to have regard to the report made under s25 of the Local Government Act 2003 when making decisions about the Council's budget calculations.

2. Budget Consultation

- 2.1 Consultation with the public and other key stakeholders is essential to informing the Council's priorities and the financial plans which underpin delivery of those priorities, including the Council's annual budget. Consultations informing the 2018/19 budget process comprised:
- the survey of residents undertaken during July and August 2016

- a budget consultation focusing on specific budget issues carried out during December 2017 and January 2018.

Survey of Residents

- 2.2 The Council commissioned NWA Social and Market Research to undertake a general survey of residents seeking their views on satisfaction with services, with their quality of life and their area. During the survey exercise a total of 7,078 questionnaires were posted out to randomly selected addresses across the Council's area. A total of 2048 surveys were completed (29%).
- 2.3 The headlines of the survey included:
- very high levels of satisfaction (82%) with their locality as a place to live and with the way Allerdale Borough Council provides services (74%)
 - very high levels of satisfaction with key services for example household waste recycling sites (84%), refuse collection (93%) and doorstep recycling 78%
 - less than half of respondents expressing satisfaction with 'public car parking' (48%), 'public sport/ leisure facilities' (47%), 'theatres/ concert halls' (45%), 'museums/ galleries' (37%), and 'public toilets' (36%)
 - over half of respondents (52%) indicating they would like to see more 'preparation for flooding events' whilst 'street cleaning' (38%), 'public toilets' (31%), 'public car parking' (29%) and local markets (28%) ranked highest amongst the services which respondents would like to see more of
 - economic development and job prospects are key concerns for residents
 - support from the majority of respondents for the different ways the Council could provide services, including working with other organisations to reduce costs, making services operate commercially and providing better quality facilities, but less of them
 - support from the majority of respondents, for a rise in Council Tax to protect key services.

Budget Consultation

- 2.4 The 2018-19 Budget consultation was held between 14th December 2017 and 19th January 2018. The consultation was accessible via the Council's website. Hard-copy versions of the consultation were also made available at Council offices. The consultation document was sent out to numerous partner organisations such as town and parish councils and other local bodies and was actively promoted through the local press, the Council's website and social media. Responses could be submitted on-line using the Cumbria-wide consultation portal, by email or in hard copy format.

- 2.5 The consultation document summarised the financial challenges facing the Council and the steps being taken by the Council to bridge the financial gap arising from the year on year reductions in central government grants. To supplement the feedback received from the residents' survey the budget consultation sought views on proposals related to:
- setting next year's Council Tax
 - increasing fees and charges in line with inflation.
- 2.6 The majority of the responses to the budget consultation were in favour of the proposals put forward in the consultation document with approximately two thirds of respondents in favour of increasing:
- Allerdale's portion of the Council Tax bill by £5 on Band D properties (with proportionate increases to properties in other council tax bands)
 - the Council Tax empty homes premium from 50% to 100%
 - fees and charges by 3% in line with inflation.
- 2.7 A summary of consultation responses can be found in Appendix K.

3. National and Local Context

2015 Spending Review and Autumn Statement

- 3.1 Local authorities have taken the biggest hit in terms of central government cuts since 2010. The scale of reduction, along with a degree of volatility around the phasing and timing of these cuts has made it very difficult for authorities to plan their spending priorities strategically. The need for effective medium term planning has never been stronger.
- 3.2 The government's response to these concerns was the offer of a 4 year settlement guarantee, paid to councils for the 4 year period from April 2016 to the financial year 2019-20. It covers Revenue Support Grant, transitional funding and Rural Services Delivery Grant. 97% of councils accepted the multi-year settlement offer for 2016-17 to 2019-20.
- 3.3 This Council chose to take advantage of this offer and published, in line with terms of the multi-year offer, its Efficiency Plan in October 2016. DCLG duly confirmed that we were to receive the multi-year settlement.

Autumn Statement 2016

- 3.4 The Autumn Statement 2016, delivered on 23 November 2016 confirmed the government's commitment to the departmental spending plans set out in the 2015 Spending review. It also included the announcement that the Government will no longer seek to deliver a budget surplus by the end of the current parliament but will instead seek to return public finances to balance 'as early as possible in the next Parliament. Although reductions in departmental

spending and further fiscal tightening were avoided, there was no easing of austerity for public services.

Spring and Autumn Budgets 2017

- 3.5 The 2017 Spring Budget presented to the House of Commons on 8 March and the Autumn Budget presented on 22 November 2017, contained a number of announcements relevant to local government and in particular to changes to business rates. Changes impacting on 2018/19 included:
- provision of funding to local authorities to provide discretionary relief to business rate payers where bills have increased significantly following revaluation
 - targeted support for those businesses that lost Small Business Rate Relief entitlement as a result of revaluation 2017
 - from April 2018, the use of Consumer Price Index (CPI) rather than Retail Price Index (RPI) to uprate the multiplier for business rates, bringing forward the change already announced from April 2020;
 - switching the business rates revaluation cycle from five years to three years following the next planned revaluation in 2022
 - extending by one year the £1,000 discount to business rates bills for pubs with a rateable value of less than £100,000 to 2018/19
 - from April 2018, providing local authorities with the power to increase the council tax empty homes premium from 50% to 100%
 - a wide breadth of measures to support the governments objective of increasing the numbers of new homes being built
 - a package of measures to support the continued roll out of Universal Credit.

Local Government finance report and provisional settlement 2018-19

- 3.6 The provisional local government finance settlement for 2018-19 was issued on 19 December 2017 and sets out the distribution of centrally allocated resources for local authorities in England. The final settlement was issued on 6 February 2018 . The figures included in the provisional local government finance settlement for 2018-19 are broadly in line with the indicative figures announced in the four year settlement last year. The only change of note between the provisional and final settlements was the announcement of additional funding through the Rural Services Delivery Grant (see paragraph 4.6).
- 3.7 The Settlement outlines the [provisional] Settlement Funding Assessment – (SFA) (comprising Revenue Support Grant and retained business rates income (baseline funding)) for local authorities and the impact on the core spending power of local authorities. Core Spending Power is the Governments measure of the core components of local government funding. It comprises the aggregate of the Settlement Funding Assessment, assumed income from council tax, New Homes Bonus, Improved Better Care Fund funding and rural services delivery grant).

- 3.8 A summary of the Council's provisional Settlement Funding Assessment and Core Spending Power – over the spending review period - is set out in table 1.

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

	2015-16 £000	2016-17 £000	2017-18 £000	2018-19 £000	2019-20 £000
Revenue Support Grant	2,523	1,700	1,061	652	196
Baseline funding	3,284	3,346	3,414	3,517	3,595
Total – SFA	5,807	5,046	4,475	4,169	3,791
Assumed Council tax	4,537	4,714	4,920	5,150	5,388
New Homes Bonus	1,079	1,533	1,612	1,004	940
Rural Services Delivery Grant	63	324	261	261	261
Other grants ¹	48	48	44	73	110
Core spending power	11,534	11,665	11,312	10,657	10,490
Annual change	-	1.1%	-3.0%	-5.8%	-1.6%
Cumulative change	-	1.1%	-1.9%	-7.6%	-9.1%

¹Compensation for under-indexing the business rates multiplier

- 3.9 Nationally, the government's figures indicate that Core Spending Power will increase by an average of 1.5% in 2018-19, assuming that every council raises their council tax by the maximum permitted without a referendum. For the local government sector as a whole the change over the whole Spending Review period is +2.1%. Despite this broadly 'flat-cash' settlement, this nevertheless presents very significant challenges ahead for councils who will have to make savings sufficient enough to compensate for any additional cost pressures they face.
- 3.10 The maintenance of a broadly flat cash settlement, in the context of significant grant reductions, is achieved largely through an assumption that for 2018-19 and 2019-20:
- social care authorities take up the option to raise council tax in line with the in line with the 3% referendum limit and set the Adult Social Care precept to the maximum allowable level
 - average annual growth in the council tax base remains consistent with the growth achieved by each local authority between 2013-14 and 2017-18
 - district councils will increase their Band D council tax by whichever is the greater of £5 or 3%.
- 3.11 For Allerdale the figures highlight a projected reduction in the Council's core spending power by around 9.1% in cash terms, from £11.53m to £10.49m between 2015-16 and 2019-20. This includes a reduction of approximately £2m (35%) in the Settlement Funding Assessment offset by a projected increase of approximately £0.9m (19%) in council tax income (including base growth and levels increasing by CPI) and £0.12m (10%) in the levels of New Homes Bonus and Rural Services Delivery Grant and other grants over the

spending review period. The revenue grant funding element of the Council's Settlement Funding Assessment is expected to fall from £2.523m in 2015-16 to £0.196m in 2019-20.

- 3.12 The reductions in RSG which underpin the reduction in the Settlement Funding Assessment over the spending review period were timetabled to coincide with the planned transition to 100% local rates retention in 2019-20. However, the Local Government Finance Bill which had been progressing through Parliament until the General Election was called was not included in the Queens speech. The Finance Bill would, amongst other things, have provided the legislative framework for the introduction of 100% Business Rates Retention (BRR). Without a change to primary legislation the move to 100% BRR is not possible. Therefore whilst the Government has indicated they intend to move to 75% local retention by 2020-21 any further move to 100% local retention is unlikely to be implemented before 2022-23 (if at all).
- 3.13 The current four year settlement runs out in 2019-20. Whilst the Government has acknowledged the need to provide future certainty beyond the existing 4-year funding deal, and to meet its manifesto commitment to give councils more control of the taxes they raise locally, there remains a lack of clarity over funding levels after 2019-20. At a time when pressure on local services is increasing this lack of clarity over funding - both at national and local level - places significant limitations on the Council's financial planning beyond the end of the current multi-year settlement.
- 3.14 The Council tax referendum principles have also been announced with the basic referendum limit for Council Tax increased from 2% to 3% for both 2018-19 and 2019-20 to reflect the level of inflation. For district councils increases of less than 3% or up to and including £5 (on a band D property), whichever is higher can be made without triggering a referendum.
- 3.15 For social care authorities the referendum limit, a 3% basic referendum principle will apply in 2018-19 and 2019-20, in addition to the adult social care precept under previously announced rules. The adult social care precept enables social care authorities to increase their council tax by up to 3 per cent (over the existing basic referendum threshold of 3% referred to above) provided the additional (social care) precept increases do not exceed 6% over the 3 year period from 2017-18 to 2019-20. For Police and Crime Commissioners, the limit for 2018-19 is £12 on a Band D property. No referendum limits apply to parish councils for the next three years.
- 3.16 The Core Spending Power figures announced in the provisional settlement include the New Homes Bonus allocations for 2018-19 along with the New Homes Bonus returned element of the funding. The provisional settlement confirms that, as consulted on in 2016, the length of time that the bonus is paid for will reduce from five years to four years in 2018/19. The baseline for housing growth (over which bonus will be paid) will remain at 0.4%. The government has also confirmed that it will not be implementing changes that would have involved withholding New Homes Bonus from local authorities where it considers that planning is not effective in terms of decisions on planning applications and delivering new homes.

- 3.17 Illustrative levels of core spending assume that New Homes Bonus allocations for 2019-20:
- will reduce in line with the national totals set at the Spending Review and which will see payments reduce to £900m in 2019-20
 - are based on each authority's legacy payments with any remaining allocation split between authorities based on their share of the total legacy payments
 - no returned funding associated with the distribution of unclaimed New Homes Bonus funding in 2018-19 or 2019-20.
- 3.18 The actual amount of new homes bonus therefore remains dependent on growth locally and on any future changes to the scheme.
- 3.19 In addition to the Core Spending Power amounts other changes announced as part of the 2018-19 provisional settlement included:
- publication of a consultation paper "Fair funding review: a review of relative needs and resources"; a technical consultation setting out the government's current thinking on updating the current needs assessment formulae; the results of the review will be introduced in 2020-21
 - confirmation that there will be a business rates baseline reset in 2020-21 (to better reflect how much local authorities are actually collecting from business rates) and, from 2020/21, business rates retention will be at 75% (with existing grants, including RSG and Public Health Grant incorporated into business rates retention); At a reset, tariff and top-up levels would be recalculated
 - details of potential business rate pools to pilot 100% rates retention in 2018-19 (The bid submitted by all seven local authorities across Cumbria was not among the successful applications)
 - other funding allocations outside of the local government finance settlement – including allocations of Flexible homelessness support grant: and Homelessness Reduction Act: new burdens funding
 - continuation of the flexibility to use capital receipts to help meet the cost of transformation programmes for a further three years
 - confirmation that planning departments will be able to increase planning fees by 20% where they commit to spending the additional income on their planning services.

4. Local Government funding - resources available to support the 2018-19 Revenue Budget

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

- 4.2 The Settlement Funding Assessment represents the authority's share of central government's local government spending control total. In addition to the Settlement Funding Assessment there are also various specific grants (sometimes called targeted grants) distributed outside the settlement. The basis on which these grants are distributed varies from grant to grant. They include non-ringfenced grants, which have no accompanying restrictions on what councils can spend the money on, and ring-fenced grants where the expenditure is controlled to fund a particular service that is a national priority.
- 4.3 The Council's net revenue budget is funded from the following:
- Central Government grants
 - the Business Rate Retention Scheme (non-domestic rates)
 - Council Tax
 - Income from fees and charges
 - Interest and investment income.

Revenue Support Grant

- 4.4 Revenue Support Grant is a non-ringfenced central government grant that can be used to finance revenue expenditure on any service. The amount of Revenue Support Grant to be provided to local authorities is established through the local government finance settlement.
- 4.5 The Council's RSG settlement for 2018-19 - included in the Provisional Finance Settlement for 2018-19 - is £652k. This represents a reduction of £0.408m (38%) on the amount (£1.06m) awarded in 2017-18 and a cumulative reduction of £4.15m (86%) on the amount received in 2013-14 (£4.8m). The Council's RSG allocation for 2018-19 is unchanged from amount included in multi-year settlement announced in 2016-17.

Table 2: Provisional local government settlement 2018-19

Settlement Funding Assessment	2017-18 £000	2018-19 £000	2019-20 £000
Revenue Support Grant	1,061	652	196
Baseline funding	3,414	3,517	3,595
Total	4,475	4,169	3,791

Rural Services Delivery Grant (RSDG)

- 4.6 Rural Services Delivery Grant (RSDG) is a non-ringfenced section 31 grant paid by central government to rural authorities in recognition of the extra costs of delivering public services in sparsely populated areas. The grant is paid to the upper quartile of authorities based on the super-sparsity indicator, a proxy for rurality which ranks authorities by the proportion of the population which is scattered widely using census data and weighted towards the authorities with the sparsest populations.
- 4.7 The Authority's RSDG allocation for 2018-19 is £325,556. This includes the funding increase – announced as part of the provisional 2018-19 settlement –

which increased the indicative amount included in four year settlement to match 2017-18 funding level of £261,249. It also incorporates the additional funding allocation announced as part of the 2018/19 Final Settlement. The allocation for 2019-20 is £261,249.

Other Government Grants – New Homes Bonus

- 4.8 The New Homes Bonus was announced as part of the Comprehensive Spending Review in 2010. It match funds the council tax raised on the net number of additional new homes and long term empty properties brought back into use and is based on data included in the Council Tax Base Return (CTB1) submitted in October each year. In two-tier areas the bonus is split 80:20 between the district and county councils.

Table 3: New Homes Bonus Grant

Year	Year of Payment (Allerdale Borough Council Share)					
	2013-14 £000	2014-15 £000	2015-16 £000	2016-17 £000	2017-18 £000	2018-19 £000
-	84	84	84	84		
-	16	16	16	16		
-	222	222	222	222	222	
-		469	469	469	469	
1			277	277	277	277
2				458	458	458
3					178	178
4						91
Total	322	791	1,068	1,526	1,604	1,004

- 4.9 The provisional allocations of new homes bonus funding for 2018-19 were announced in early December. Final allocations were published alongside the final local government finance settlement in February 2018. The Council's allocation of New Homes Bonus grant funding for 2018-19 is £1,003,560. This is paid as a non-ring-fenced grant meaning the Council is free to decide how to spend it and can spend it on either revenue or capital or place it in reserves.
- 4.10 The 2018-19 settlement confirms that, as announced last year, the length of time the bonus is paid will reduce from five years to four years in 2018-19. However, the government has decided not to make any additional change to the national baseline, below which the Bonus will not be paid. The threshold over which bonus will be paid therefore remains at 0.4% of the council tax base (weighted by band) for 2018-19. The Government does however retain the option to adjust the baseline in subsequent years. After considering responses to the 2018-19 local government finance settlement technical consultation - issued in September 2017- the Government has decided not to implement proposed changes which would have meant bonus being withheld for homes approved by the Planning Inspectorate.

- 4.11 The changes to the methodology for calculating New Homes Bonus coupled with the cessation of legacy payments from earlier years has resulted in a reduction of £600,000 in the amount of grant receivable by the Authority in 2018-19 compared to 2017-18.

Business rates (non-domestic rates- NNDR)

- 4.12 Under the business rates retention scheme, 40% of business rates (NNDR) collected is retained by the Council. The remainder is paid to Central Government (50%) and Cumbria County Council (10%). The scheme also provides that certain sums are to be treated as being outside the scheme and retained in their entirety by the Council (or by the Council and the County Council). The Council is also able to retain the growth in the local share of business rates subject to the payment of a levy to central government designed to prevent disproportionate increases in the Council's funding as a result of growth in business rates income.
- 4.13 A system of top-up and tariffs ensures the Council's share of estimated business rates income (business rates baseline) does not exceed the level of funding to be provided through the business rates retention scheme (baseline funding). Tariffs, top-ups and baseline funding levels are indexed each year in line with the small business rates multiplier (usually set at the September RPI). Top-up, tariffs and baseline amounts have also been adjusted to ensure that the impact of the 2017 revaluation was revenue neutral for local authorities. The Council's baseline funding for 2018-19 is £3.517m and the amount of tariff payable £7.135m.
- 4.14 The amount of business rates income available to the Council's general fund and taken into account when setting the budget is based on an estimate - made in January preceding the start of the financial year and included in the government return NNDR 1. This estimate of business rate income, reported in the government return NNDR 1, also determines how much the Council must pay to central government and the County Council during the course of the year.
- 4.15 The estimate of business rates income takes into account any projected changes in the tax base, estimated losses due to appeals and expected collection rates. The amounts paid to the county council and central government and the amount retained by the Council are fixed at the outset of each year (based on the estimates included in the Council's NNDR 1 return). As a consequence any difference between estimated amounts and the actual amounts receivable will result in a surplus, or deficit on the Council's Collection Fund. An estimate must therefore be made by the Council of the surplus or deficit on the Collection Fund at the end of the previous financial year. This estimated amount is then shared between the Council, Cumbria County Council and central government and added (or subtracted) from each Authorities share of the following year's non-domestic rating income. The estimated Collection Fund deficit at 31 March 2018 is £1,408,988. The Council's share of this deficit is £563,595.

- 4.16 A summary of the business rate income included in the 2018-19 budget is shown in table 4.

Table 4: Estimated Business Rates (NNDR) funding 2018-19

Funding Element	£'000
Allerdale Share of NNDR Income	11,075
Renewable Energy disregard – retained by billing authority	557
Net tariff payable to Central Government	(7,135)
Share of estimated Collection Fund deficit at 31 March 2018	(564)
	3,933
Levy payable (net of reduction under pool arrangements)	(516)
Section 31 grant	1,547
	1,031
Total estimated income from Business Rates	4,964

- 4.17 As part of the business rates retention scheme, local authorities have the option of working with neighbouring authorities to seek formal designation as a pool which is treated as a single authority for the purpose of certain calculations under the scheme. This provides the opportunity to increase the amount of growth in the local share retained locally (through a reduction in the levy rate). Pooling also provides scope to manage the impact of volatility in rates income across a wider economic area.
- 4.18 After undertaking appropriate due diligence including modelling the individual position alongside the pool position the Authority entered into a formal pooling arrangement comprising Cumbria County Council and all six Cumbrian District councils. A Cumbria Business Rates Pool has been in place since April 2014. Membership of the pool previously consisted of Cumbria County Council Allerdale Borough Council, Barrow Borough Council, Carlisle City Council, Cumbria County Council, Eden District Council and South Lakeland District Council. Membership of the pool has been extended in 2018-19 to include Copeland Borough Council.
- 4.19 In 2018-19 it is estimated that additional business rates income of £423k – that would otherwise have been paid to central government through the levy payment – will remain available to the Council's general fund.
- 4.20 The 2017 Budget and Autumn Statements (2013 – 2017) included various changes to the business rates system that affect the business rates income of local authorities. The following changes will affect the Council's business rates income in 2018-19:
- (i) permitting ratepayers receiving Small Business Rate Relief that take on an additional property to continue to receive their current relief for 12 months)
 - (ii) making permanent the doubling of small business rates relief from 1 April 2017 and changing eligibility thresholds from 2017-18

- (iii) providing discretionary relief of £1,500 in respect of the office space occupied by local newspapers
- (iv) doubling rural rate relief; to be awarded through discretionary relief until such time as the Government can make the necessary changes to primary legislation.
- (v) providing support to small businesses, facing large increases as a result of the loss of small business or rural rate relief, due to the revaluation. This relief took effect from 1st April 2017 for a period of 5 years.
- (vi) discretionary scheme administered by Billing Authorities, available to ratepayers facing large increases as a result of revaluation. This relief would take effect from 1st April 2017, for a period of 4 years
- (vii) providing relief of up to £1,000 relief, to Pubs with a Rateable Value below £100,000, ratepayers facing large increases as a result of revaluation. This relief would take effect from 1st April 2018, for 1 year.

4.21 A central government grant under Section 31 of the Local Government Act 2003 will be paid to authorities to compensate them for the ongoing loss of business rates income they suffer as a result of these changes. A grant is also paid to compensate local authorities for the ongoing loss of income they suffer as a result of past decisions made by Government to cap the increase in the small business multiplier and for the impact of the decision to use CPI rather than RPI to update the business rates multiplier from April 2018.

4.22 A reconciliation of the baseline funding contained in the 2018-19 local government finance settlement to the total estimated income from business rates is set out in table 5.

Table 5: Reconciliation of 2018-19 business rates income to baseline funding

Funding Element	£'000
Baseline funding	3,517
Share of retained growth	939
Pool gains	423
Renewable Energy disregarded income retained by Authority	557
Share of Collection Fund Deficit	(564)
s31 Grant on multiplier cap (excluded from growth/levy)	92
Total estimated income from Business Rates	4,964

Council tax

4.23 Each year the Council must calculate the amount of revenue it needs to raise through council tax (the council tax requirement). Calculation of the council tax requirement is calculated based on the Authority's estimates of:

- the expenditure it will incur in the year less estimates of the income it will receive from government grants, business rates, fees and charges and interest and investment income

- allowances required for contingencies in relation to amounts to be charged or credited to revenue
- the financial reserves it will be appropriate to raise in the year for meeting its estimated future expenditure, less
- the amount of the financial reserves that will be used in the financial year to meet expenditure.

- 4.24 The Authority’s council tax requirement must also take into account the amounts the Council is required to transfer during the year between its General Fund and Collection Fund in respect of its share of any surpluses or deficits on the Collection Fund for the previous year in respect of business rates and council tax.
- 4.25 The amount of council tax income available to the Council’s general fund in the financial year is fixed at the level determined when the council tax is set. This amount is paid out of the Council’s Collection Fund regardless of how much council tax is actually collected during the year. As a consequence if more council tax is collected than expected a surplus on the Collection Fund will arise; if less is collected, a deficit will result. Statutory provisions require the surplus or deficit on the council tax element of the collection fund for the previous year to be estimated on 15th January of that year. The estimated surplus/deficit on the Collection Fund is shared out – in accordance with statutory provisions - between the Council and the major precepting authorities (Cumbria County Council and the Police and Crime Commissioner for Cumbria) in the following year and taken into account in the budget calculations for that year.
- 4.26 The estimate of the collection fund surplus in respect of council tax at 31 March 2018, to be distributed in 2018-19, is £696,200 of which Allerdale Borough Council’s share is £91,201.

Table 6: Allocation of collection fund surplus (council tax) at 31 March 2018

	Share of surplus/(deficit) £000
Cumbria County Council	516
Cumbria Police and Crime Commissioner	89
Allerdale Borough Council	91
Total estimated surplus	696

Proposed council tax increase

- 4.27 The Council has the ability to set any level of council tax increase. However, whilst the Localism Act 2011 abolished Council Tax capping in England it introduced, in its place, a power for local electorates to approve or veto excessive council tax rises. Since 2012-13 an authority setting a council tax increase which exceeds principles endorsed by the House of Commons alongside the local government finance settlement (i.e. which is “excessive”)

will be required to hold a council tax referendum. The result of a council tax referendum is binding.

- 4.28 For 2016-17 and 2017-18 the threshold level, above which council tax increases was considered excessive was set at 2% or more than £5 above the amount of council tax in previous year (whichever is higher). This threshold was also included in the technical consultation on the 2018-19 Local Government Finance Settlement issued by the Government in September. The Council's budget consultation was therefore conducted on the assumption that the threshold that applied in 2017-18 would continue to apply in 2018-19.
- 4.29 However, in the Provisional Finance Settlement the Government announced an increase in the referendum threshold. For shire district councils the threshold for 2018-19 was increased to 3% or up to and including £5, whichever is higher, to reflect the level of inflation. The £5 threshold applies to band D properties with proportionate increases being applied to properties in other council tax bands.
- 4.30 The Council therefore proposes to increase Council Tax by £5 on band D Properties, with proportionate increases being applied to properties, in other council tax bands. This equates to an increase equal to 3.19% across all council tax valuation bands.

Council tax base

- 4.31 After calculating its council tax requirement each local authority then sets its basic amount of council tax (band D) at the level necessary to raise this amount, taking into account its likely collection rate. The basic amount council tax is calculated by reference to the Council's council tax requirement and its council tax base.
- 4.32 The council tax base is the number of Band D equivalent dwellings in a local authority area. The tax base is therefore an estimate of the taxable capacity for the borough as a whole and for each parish area. To calculate the tax the number of dwellings in each council tax band is reduced to take account of discounts and exemptions. This includes reductions awarded under the Council's Council Tax Reduction Scheme. The resulting figure for each property band is then multiplied by its proportion relative to Band D (from 6/9 for Band A to 18/9 for Band H) and the total across all eight bands is calculated. An adjustment is then made for the collection rate.
- 4.33 The tax base for 2018-19 has been set at 30,359.94. This represents an increase of 0.6% on the 2017-18 tax base of 30,183.13.
- 4.34 Council tax raised on behalf of parish and town councils ('Parish Precepts') are incorporated into the Council's general fund budget and council tax requirement. Details of parish precepts for 2018-19 are set out in Appendix B.

Grant to Parish Councils re Local Support for Council Tax

- 4.35 Under the Welfare Reform Act 2012, Council Tax benefit paid to low income households was abolished from 1st April 2013. In its place, all Billing Authorities were required to put in place a Local Support for Council Tax scheme (LSCT), which is a discount scheme (similar to single person discounts but with variable rates of discount depending on individual circumstances). The changes introduced by the 2012 Act also necessitated amendments to the way in which the Council Tax base is calculated.
- 4.36 Prior to 2014-15, funding for Council Tax Support schemes was separately identifiable in the formula grant settlement. However, since 2014-15 this funding has been “rolled up” into the Council’s Revenue Support Grant which has subsequently been scaled back and hence the amount of grant available to pass onto parishes continues to reduce.
- 4.37 MHCLG has continued to stress that it is for each local authority to determine how the funding to Town and Parish councils is allocated. Whilst there are no plans to make the redistribution of these monies compulsory, the Government is expecting some funding to be allocated to parishes. As this Authority’s revenue budget continues to come under pressure from reductions in Central Government funding, the level of redistributed to parishes also needs to be reviewed.
- 4.38 The MHCLG’s preferred approach to funding local precepting authorities in relation to local council tax support schemes is through a voluntary arrangement whereby billing and local precepting authorities agree the amount of funding, allocated initially to billing authorities, to be passed down to local precepting authorities.
- 4.39 In 2017-18 the amount of CTRS grant funding passed to Town and Parish Councils was reduced from £61,997 to £41,332. In 2018-19 it is proposed that:
- the budget for CTRS grant is set at £20,666; the reduction of £20,665 reflecting the previously agreed phased withdrawal of funding in response to the reductions in Central Government grant received by the Council
 - the grant to be redistributed is allocated based on the indicative council tax discount entitlements included in calculation of the Council’s Council Tax Base.
- 4.40 The proportionate share of the £20,666 grant allocated to individual Parish and Town Councils is summarised in Appendix A to this report.
- 4.41 Members are requested to approve the allocation of this grant to Parish Councils. The grant will be paid as part of the normal precept funding to Parish & Town Councils. Members are also requested to note that 2018-19

will be the final year that CTRS grant will be paid to parish and town councils.

5. Determination of the council's net budget (budget requirement)

- 5.1 Preparation of the council's 2018-19 net revenue budget begins with a roll forward of the 2017-18 recurring base budget (£11,932k). This figure is then adjusted to accommodate:
- changes to salary costs including the impact of pay awards, incremental pay increases and changes to establishment
 - recurring growth and savings;
 - self-sufficiency savings, and
 - non-recurring growth and savings - i.e. those required for the current year only.
- 5.2 The key the assumptions / parameters adopted as part of this budget are to:-
- prioritise delivery of the council plan with a strong emphasis on supporting economic growth to support our self-sufficiency plans
 - continue to identify areas where efficiencies, can be made
 - increase income from fees and charges in line with the Council's charging policy
 - increase the base budget to reflect inflationary in line with our contractual commitments based on the relevant measure of inflation
 - not to apply a general inflationary uplift to non-pay expenditure in order to drive further efficiencies
 - cost salary expenditure based on revised structures and continue to allow for a 2% reduction to accommodate staff turnover during the year;
 - increase expected income from Council tax based on an increase of by £5 p.a. on band D Properties, with proportionate increases being applied to properties, in other council tax bands is approved.
- 5.3 The Council's net revenue budget (budget requirement) for 2018-19 is shown in table 7.

Table 7: 2018-19 Revenue Budget

	2018-19 £000	Reference
Base Budget	11,932	
Change in salary costs	135	5.7
Recurring growth	526	5.8/Appendix D
Recurring savings	(676)	5.9/Appendix D
Self-sufficiency savings	(422)	5.10
Recurring (base) budget	11,495	
Non-recurring growth	1,102	5.13/Appendix E
Non-recurring savings	(17)	5.15/Appendix E
	12,580	
Expenditure on earmarked priorities	1,066	Appendix I
Proposed Budget (excluding parish precepts)	13,646	
Parish precepts	2,024	Appendix B
Proposed Budget (including parish precepts)	15,670	
Less: Planned use of earmarked balances	(1,066)	Appendix I
Net Budget Requirement	14,604	

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

Table 8: 2018-19 Revenue Funding

	2018-19 £000	Paragraph
Revenue support grant	652	4.4
Rural Services Delivery Grant	325	4.6
Other government grants (New Homes Bonus)	1,004	4.8
Council tax – excluding parish element	5,100	4.23
Council tax – parish element	2,024	
Collection fund surplus/(deficit) - Council Tax	91	4.26
NNDR funding	5,528	4.12
Collection fund surplus/(deficit) - NNDR	(564)	4.12
Use of /(contribution to) General fund Balances	444	
Total funding	14,604	

5.5 The draft net expenditure for 2018-19, excluding parish precepts and spend on earmarked priorities (met from the use of earmarked reserves) is £12,580k. This compares with a total of £12,715k for 2017-18 (revised budget). A summary of the changes underlying the movement between the 2017-18 (revised budget) and the proposed 2018-19 budget is set out in Appendix F.

5.6 A breakdown of the Revenue Budget for 2018-19 by Executive member portfolio is set out in Appendix C.

Change in salary costs - £135k

- 5.7 This is the total increase required to cover a number of changes in the salary budgets. These changes include the cost of the nationally agreed pay award, the cost of annual increments due and changes to staffing structures

Recurring growth - £526k

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

Table 9: Recurring growth bids 2018-19

Bid Detail	Bid £000
Parks & Grounds Maintenance: Risen Costs (Contractual inflationary increase)	24
Street Cleansing: Risen Costs (Contractual inflationary increase)	25
Domestic Waste: Risen Costs (Contractual inflationary increase)	36
Trade Waste: Risen Costs (Contractual inflationary increase)	6
Recycling: Risen Costs (Contractual inflationary increase)	31
Off-street Car Parks - Owned: Increase in NNDR costs	74
Sports & Leisure Centres: Risen Costs (Contractual inflationary increase)	25
Sports & Leisure Centres: Scheduled reduction in contribution received from GLL to compensate the Council for additional revenue financing costs associated with improvement works at Cockermouth Sports centre	22
Fleet management: Increase on the annual cost of Allerdale Fleet to reflect current vehicles lease costs	11
Asset Transfer: Increase in budget to bring Community assets up to a transferable state	50
Banking & Interest: Increase in interest costs to reflect full year impact of additional PWLB loans expected to be drawn down in 2017-18 and the part year cost of additional loans expected to be drawn down in 2018-19	82
Minimum Revenue Provision: Increase in MRP charge associated with unfinanced capital expenditure incurred prior to 1 April 2018	65
Revenues: Reduction in recovery of court costs reflecting improvements to collections and arrears as a result of increased choice of payment methods, improved take up of Council Tax direct debits and more targeted recovery action	20
IT Services: Increase in existing budget to accommodate renewal of software licences to enable continued usage of Office 365, Microsoft Enterprise Mobility Solutions and Azure Premium Products, as well as a number of tools used to support the remainder of the on-premise IT infrastructure	35
Council tax discounts: Discretionary council tax discount for care leavers	3
AONB: Increase in match funding related to annual DEFRA grant	2
Second Homes Grant: Revision to second homes grant income from Cumbria County Council	15
Total recurring growth bids	526

Recurring savings – (£676k)

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

Table 10: Recurring savings bids 2018-19

Bid Detail	Bid £000
Bereavement Services: Uplift in income to reflect increases in fees and charges	(5)
Trade Waste: Increase in net income to reflect current trends in income, increases in fees and charges and expected growth in customer numbers	(32)
Recycling Services: Increase in net income from recycling credits and sale of recycled materials	(3)
Off-street - Owned Car Parks: Increase in pay and display income to reflect increases in fees and charges	(35)
Carnegie Trust: Agreed reduction in subsidy awarded	(15)
Building control (chargeable): Increase in Building Regulations fees	(25)
Planning and Development: Increase planning fee income	(49)
Planning and Development: Reduction in consultancy costs	(15)
Town Centres: Reduction to budget for town centre environmental projects	(30)
Insurances: Reduction in insurance premiums	(38)
Environmental Protection: Reduction in expenditure associated with private water supplies risk assessments (Programme will be completed in 2017-18 in accordance with the Private Water Supply Regulations)	(6)
Gypsy & Travellers: General reduction in budget	(10)
Assistance - Housing Services: Increase in fees (net of additional pay costs) levied in connection with the award of Disabled Facilities, Discretionary and Empty Homes grants	(30)
Referral Centre: Reduction in support required by Referral centre for victims of sexual assault	(15)
Revenues & Benefits: Reduction in cost of housing benefit payments (net of subsidy payments received)	(14)
Multi- Storey Car Park (MSCP): Reduction in MSCP net operating budget	(75)
Property services: Reduction in operational property maintenance budget	(30)
Footway lights: Reduction in footway lighting utility and maintenance budget	(13)
Public Conveniences: Reduction in budget for repair, facility and utilities of public toilets	(25)
Electoral Registration: Reduction to budget for printing and postage costs	(10)
Apprenticeships: Reduction to salary budget for apprentices	(25)
Economic Regeneration: Moot Hall, Hadrians Wall & Cumbria Tourism costs to be met from the tourism budget	(30)
Economic Regeneration: Reduction in recurring Economic Regeneration (partnership services) budget	(10)
Corporate Management: Reduction in external audit fees	(10)

Bid Detail	Bid £000
Camping and Caravan site Keswick: Uplift in lease rental income to reflect increase in revenue received by the site operator following completion of site improvements	(119)
Total of service bids with an individual value <10k	(7)
Total recurring savings bids	(676)

Self - sufficiency savings (£422k)

- 5.10 The 2018-19 budget is set within the context of the Council's Medium-Term Financial Plan (see Appendix J). This shows that, in order for the Council to remain financially sustainable and continue to meet its statutory obligation to deliver a balanced budget it will need to address a funding deficit of approximately £2.6m over the period 2018-19 to 2020-21. These savings are in addition to delivering the self-sufficiency savings (£422k) and other recurring savings included in the proposed 2018-19 budget.
- 5.11 The Council's self- sufficiency programme includes the delivery of targeted reductions (recurring savings) in the Councils base budget of £422k in 2018-19 (summarised in Table 11 below).

Table 11: 2018-19 Self Sufficiency Savings Target

Service	2018-19 £000
Economic Growth	
Economic Development Initiatives	(60)
Operational Efficiencies	
IT Services	(30)
Planning and Development	(20)
Sports & Leisure Centres	(87)
Service Delivery	
Corporate & Service Reviews	(175)
Town and parish transfers	(50)
Total self-sufficiency savings	(422)

Non-recurring growth/savings

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

Non-recurring growth - £1,102k

- 5.13 The non-recurring growth bids included in the Council's net budget requirement are summarised in table 12:

Table 12: Non-Recurring growth bids 2018-19

Bid Detail	Bid £000
Shop Front Improvements: Continuation of the existing town centre improvement scheme for a further year.	50
IT Services: One-off cost of renewing of software licensing, maintenance and support for firewalls and IT security appliances for a further 3 years	17
IT Services: Replacement of existing data storage equipment and software	20
Supporting Leisure Activities: Support for Wigton Baths	15
Strategic Priorities: Budget provision to meet revenue costs associated with the development and delivery of major capital projects, procurement activities and other tasks connected with the delivery of strategic priorities	1,000
Total non-recurring growth bids	1,102

- 5.14 In addition to the items identified above the Council holds a central contingency budget for unquantifiable risks. The contingency balance held for 2018-19 is £111,780.

Non- recurring savings - (£17k)

- 5.15 Details of non-recurring saving bids included in the Councils net budget requirement are summarised in table 13.

Table 13: Non-recurring savings bids 2018-19

Bid Detail	Bid £000
Community Safety: Reduction in £10k annual funding to Cumbria Community Safety Partnership	(10)
Homelessness: Homeless Reduction Act new burdens grant (net of expenditure associated with the additional duties contained within the Homelessness Reduction Act)	(7)
Total non-recurring savings bids	(17)

6. Capital budget

- 6.1 Capital expenditure includes the acquisition and construction of non-current assets, such as land and buildings, which have a useful life in excess of 12 months as well as expenditure on additions to or enhancement of existing non-current assets. It also includes items such as grants towards capital expenditure incurred by third parties (for example Disabled Facilities Grants).
- 6.2 The following paragraphs set out the Council's proposed capital programme for 2018-19 and the following two financial years (2019-20 and 2020-21) together with a summary of how this expenditure will be financed.
- 6.3 Capital expenditure may also impact on the Council's revenue budget. Where this is the case the revenue implications of capital expenditure are dealt with as part of the Revenue Budget process. Examples of the revenue implications of capital expenditure include:
- increases/decreases in operating costs, e.g. utilities, maintenance, staff costs or increased income from new or enhanced assets.
 - the requirement to set aside from the General Fund an annual amount (the Minimum Revenue Provision), to meet the capital cost of expenditure funded from borrowing or other credit arrangements
 - increased finance costs, either by way of interest on borrowing or the loss of income on investment balances, used to fund capital expenditure.

Financing the capital programme

- 6.4 Resources available to finance capital expenditure include:
- Capital receipts (usable proceeds from asset sales)
 - Grants and contributions from third parties
 - Direct financing from revenue.
- 6.5 Capital expenditure that is not financed up-front from these resources will increase the Council's underlying need to borrow, as measured by the capital financing requirement (CFR). The Council's underlying borrowing is not necessarily the same as its actual borrowing position. The level of external debt will be determined in accordance with the Council's treasury management strategy and practices. As a consequence an increase in the Council's underlying borrowing position will not necessarily mean a corresponding increase in the amount of external borrowing.

- 6.7 Statutory provisions set out the purposes to which the Council can apply its available capital receipts. The uses specified in regulations include:
- to meet capital expenditure in the current year
 - to reduce the underlying borrowing requirement associated with capital expenditure not financed from capital receipts, grants or revenue
 - to pay a premium charged in relation to any amount borrowed
 - to meet the administrative costs of or incidental to a disposal of an asset.
- 6.8 Capital receipts and grants received to date together with (capital) grant funding allocations for 2018-19 have been fully committed to support the Council's capital programme.
- 6.9 In accordance with the Codes of Practice published by the Chartered Institute of Public Finance and Accountancy and good professional practice, capital receipts received in 2018-19 and subsequent years will only be applied to fund new (capital) priorities where – after carrying out option appraisals and whole life costings - it can be demonstrated this offers better value for money to the Council when compared with alternative uses. Alternative uses include their application to reduce the underlying borrowing requirement associated with past expenditure.

Proposed capital programme

- 6.10 The proposed capital programme covering 2018-19 and following two financial years is summarised in table 14. A detailed summary of individual schemes included in the proposed three year capital programme is included in Appendix G.
- 6.11 As well as the proposed capital programme, the current administration is continuing with its ambitions to make sustainable improvements to the borough and the lives of the residents. The Council recognises that it is likely to need significant investment to advance the priorities and ambitions being identified and is exploring the possibility of significant infrastructure projects which could add £30 million to the capital programme.
- 6.12 These schemes will all need to follow the principles as set out in the new Capital Investment Strategy and full business cases will need to be submitted and approved before the schemes are recommended for inclusion in the capital budget. Please refer to the Capital Investment Strategy report which is a separate item on this agenda for further details on this.
- 6.13 It is envisaged that this will be a major commitment for this Council and that a commitment to working with both the private sector and other public sector bodies to identify new funding streams will play a significant role in the future.

- 6.14 Should the council be unable to secure the levels of external funding required to proceed with these schemes, then it will also explore the option to increase borrowing.
- 6.15 The financial implications of these potential schemes will be incorporated into the Treasury Strategy and Budgets as and when the scheme business cases are given full approval.

Table 14: Proposed Capital Programme & methods of financing

	Proposed Budget			
	2018-19 £000	2019-20 £000	2020-21 £000	Total £000
Gross expenditure¹ :				
Housing, Health & Wellbeing	1,638	2,150	2,000	5,788
Tourism & Culture	1,250	0	0	1,250
Localities & Environmental Quality	465	150	0	615
Transformation	40	40	40	120
Economic Growth	11,200	0	0	11,200
Total Expenditure	14,593	2,340	2,040	18,973
Financed by:				
External funding sources:				
Disabled Facilities Grant (Better Care Fund)	1,358	1,000	1,000	3,358
Single Capital Pot (SCP) Housing grant	30	33	0	63
ERDF grant	1,500	0	0	1,500
LEP Growth Deal funding	4,800	0	0	4,800
Solway Pathways grants	1,250	0	0	1,250
Other grants and contributions	105	0	0	105
ABC resources:				
General Fund/Revenue contribution	4	0	0	4
Earmarked Reserves	16	0	0	16
Capital Receipts	0	0	0	0
Unfinanced expenditure (borrowing)	5,530	1,307	1,040	7,877
Total financing	14,593	2,340	2,040	18,973

¹ Gross expenditure does not include any proposed budget carry forwards from the approved 2017-18 capital programme; these requests will form part of the Capital Outturn Report.

- 6.16 The proposed capital programme for the three year period to March 2021 includes the following changes to the existing three year rolling capital programme:

Table 15: Summary of changes to existing capital programme

	Financial year			Para
	2018-19 £000	2019-20 £000	2020-21 £000	
Gross expenditure				
Previously approved capital programme (2017/18 revised budget)	15,266	2,190	0	-
Previously approved recurring capital expenditure programme (IT replacement)	0	0	40	-
Re-profiling of previously approved expenditure	(1,000)	0	1,000	6.18
Capital growth & savings bids submitted for approval	327	150	1,000	6.20
Proposed capital programme 2018/19 to 2020/21	14,593	2,340	2,040	

- 6.17 A detailed reconciliation of the proposed 2018-19 capital budget to the revised 2017-18 capital budget is included in Appendix H.

Re-profiling adjustments

- 6.18 Re-profiling adjustments involve the transfer of previously agreed budgets and associated financing across financial years from 2018-19 to 2020-21 to reflect current expenditure forecasts.

Table 16: Re-profiling adjustments

	2018-19 £000	2019-20 £000	2020-21 £000	Para
Gross expenditure				
Healthy Homes	(1,000)	0	1,000	6.13
Total re-profiling adjustment	(1,000)	0	1,000	
Financed by:				
Borrowing (unfinanced expend.)	(1,000)	0	1,000	6.13
	(1,000)	0	1,000	

Healthy Homes

- 6.19 The Healthy Homes scheme is aimed at securing improvements to sub-standard homes on an individual, block or area basis. This budget was originally allocated to deliver key objectives within the Housing Strategy including securing improvements to sub-standard homes on an individual, block or area basis. The Council is currently undertaking a number of economic development studies which are also relevant to the Healthy Homes scheme. Pending completion of these studies work on delivering the Healthy Homes programme has been deferred to enable the findings from these studies to be considered. To reflect this deferral the previously agreed budget of £1m allocated to 2018-19 has moved to 2020-21. No changes are proposed to the previously agreed budget of £1m in 2019-20.

Capital Growth and Savings

- 6.20 A number of new capital expenditure bids have been submitted for approval as part of the 2018-19 budget setting process. These are summarised in table 17.

Table 17: Summary of Capital Bids

Capital Scheme	Financial year			Total bid £000	Para
	2018-19 £000	2019-20 £000	2020-21 £000		
DFG - Mandatory Grants			750	750	6.16
DFG - Discretionary Grants	89		250	339	6.16
Healthy Homes (Empty Homes)	100			100	6.18
Securing Affordable Homes	(20)			(20)	6.20
Harrington Reservoir	8			8	6.22
Brow-Top Enhancement Schemes	150	150		300	6.23
	327	150	1,000	1,477	
Financed by:					
DFG Housing Grant	89	0	1,000	1,089	
SCP Housing Grant	(20)	20		0	
Other grants & contributions	(12)			(12)	
Earmarked reserves	16			16	
Revenue	4			4	
Borrowing (unfinanced expend.)	250	130		380	
	327	150	1,000	1,477	

Disabled Facilities Grants (DFG)

- 6.21 The DGF programme involves the provisions of grant support to cover the cost of housing adaptations to enable people to stay living in their own home for longer. 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 from central government. This grant is paid to upper-tier authorities as part of the Better Care Funding allocations and cascaded to district councils responsible for providing DFGs.
- 6.22 Pending confirmation of the Authority's grant funding allocation for 2018-19, budgeted expenditure for 2018-19 has been set at £1,358k, based on the grant income allocation and forecasted expenditure in 2017-18. This figure includes a growth adjustment of £89k to align the proposed expenditure budget with the estimated funding available. For 2019/20 and 2020/21 budgeted expenditure on DFGs has been set, provisionally at £1m. These estimates will be revised to align with funding allocations once these are known. This will ensure that budget expenditure continues to reflect available funding.

Healthy Homes – Empty Homes (£100k growth bid)

- 6.23 The Healthy Homes scheme is aimed at securing improvements to sub-standard homes on an individual, block or area basis. The 2016-17 capital budget included an allocation of £200k to support the introduction of a Home Improvement programme and extend the existing grant scheme to install central heating systems in homes that currently have no heating. This was accompanied by a budget of £1m in each of the three subsequent years (2017-18 to 2019-20).
- 6.24 As noted above the previously agreed budget allocation of £1m for 2018-19 is no longer required. The current budget of £50k (allocated to support bring empty homes back into use) comprises £100k unspent budget brought forward from 2016-17 less a re-profiling adjustment of £50k included in the revised 2017-18 budget to move £50k from 2017-18 to 2018-19. A growth bid of £100k will bring the budget for 2018-19 to £150k. This will be used to provide grant support to enable empty homes to be brought back into use. Expenditure on this scheme is unfinanced and will be met from borrowing.

Securing Affordable Homes (£20k reduction in budget)

- 6.25 As part of the 2016-17 capital programme a budget of £50k was approved for 2016-17 and each of the three subsequent years. This budget was targeted at providing grant support to assist registered housing providers to improve housing stock in high need areas, which would otherwise be sold. It was anticipated that there would be 5 grants provided each year based on prior experience. However the Council has received fewer requests for disposals than was initially anticipated.
- 6.26 It is therefore proposed that the previously agreed budget for 2018-19 of £50k is reduced by £20k to £30k. Combined with the expected carry-forward of £20k from 2017-18 this will bring the total available budget for 2018-19 to £50k and allow the scheme to continue as originally planned. Expenditure on this scheme over the two year period 2018-19 to 2019-20 (excluding the expected budget carry forward) will be funded from grants (£63,000) and borrowing (£17,000).

Harrington Reservoir (£8k growth bid)

- 6.27 The scheme - approved during the 2017-18 budget cycle - involves restoration works at Harrington Reservoir Local Nature Reserve. The scheme expenditure of £175k includes an adjustment of £8k to update previous expenditure estimates following completion of a tendering exercise for the required works. The scheme will be partially financed from external grants and contributions totalling £105k and £20k from Revenue (£4k) and Earmarked Revenue Reserves (£16k). The remaining unfinanced expenditure of £50k will be met from borrowing.

Brow-Top Enhancement Schemes (£300k growth bid)

- 6.28 A capital bid of £300k has been submitted as part of the 2018-19 budget proposals to enhance the quality of the public realm in the vicinity of Brow Top, Workington, transform the Central Way underpass and develop vacant land immediately to the west of the Leisure Centre to create a dedicated events and activity area. The proposed budget, which will be funded from borrowing, includes:
- £125k (£25k of which is expected to be incurred in 2018/19 and £100k in 2019/20) to support a redesign of the Central Way Underpass
 - £100k for public realm enhancement works in the Brow Top and Derwent Street, including new paving and fencing, alleviation of surface drainage problems, the creation of new landscaped seating area and comprehensive signage replacement
 - £75k to develop vacant land adjacent to the Workington Leisure Centre as an events and activities space.

Financing of capital expenditure

- 6.29 Capital Expenditure in 2018-19 will be partly financed from:
- capital grants and contributions of £9,043k (£11,076k for the three year period 2018-19 to 2020-21)
 - Earmarked reserves and revenue contributions (£20k – 2018-19 only)
- 6.30 The remaining capital expenditure, £5.53m in 2018-19 and £7.88m in total across the three year period 2018-19 to 2020-21, is unfinanced and will be funded from borrowing. Borrowing will be undertaken in accordance with the Councils Treasury Management Strategy, either through additional PWLB loans or by using cash and investment balances (internal borrowing).
- 6.31 The revenue implications of this unfinanced expenditure including the amounts chargeable to the general fund in respect of the associated minimum revenue provision and interest costs on additional external loans is included in the revenue budgets for 2018-19 and subsequent years.
- 6.32 Details of all schemes included in the proposed three year capital programme 2018-19 to 2020-21 are set out in appendix G.

7. Budget Assurance statement from the Chief Financial Officer

7.1 Section 25 of the local Government Act 2003 places a duty on the chief financial officer (Head of Financial Services) to make a report to the Council on the robustness of budget estimates and the adequacy of the Council's reserves. The Council must have regard to this report when making its decisions about budgets and council tax for the forthcoming year. This is because the Council is setting the council tax before the commencement of the year and cannot increase it during the year. It is therefore important that there is an understanding of the risks of increased expenditure or reduced income during the year.

Robustness of Estimates

7.2 The budget estimates for 2018-19 have been prepared by appropriately qualified and experienced staff in consultation with the service managers. All the budgets have been scrutinised by the Corporate Leadership Team with the relevant Portfolio Holder and the whole process has been properly managed by the Senior Management Team.

7.3 The Overview and Scrutiny Committee (Task and Finish Group) has also reviewed the budget process and the draft budget position at their meetings during November and December 2017 and February 2018.

7.4 Budgets for staff pay in 2018-19 allow for incremental progression and for a pay award of 2%. The budgets also include a 2% reduction for staff turnover. Contractual inflation has been built in, but in order to drive further efficiencies no other inflation has been provided for on expenditure.

7.5 Income levels have been subject to regular review at the Commercial Board and prudent estimates have been made. Fees and charges have been increased for inflation where appropriate and volatile budgets will continue to be closely monitored.

7.6 The advice of the Council's treasury management advisers has been taken into account in estimating investment income and borrowing costs. The Council will continue to monitor financial markets closely.

7.7 The announcement in the Local Government settlement that Cumbria was not awarded status to pilot 100% business rates retention was disappointing. However, we are now part of a Cumbria wide Business Rates Pool and we will continue to monitor our position in the Pool carefully and look at further opportunities to pilot 100% retention should they arise.

7.8 The Council has identified its key corporate risks and continues to monitor these regularly. There is an increased risk of retaining adequate reserves for unforeseen circumstances, due to the potential impact of the proposed business rates baseline reset and the Fair Funding review. This is making forecasting the medium term financial position beyond 2019/20 particularly

difficult. Additional monitoring has been put in place to ensure early recognition of additional losses.

- 7.9 Reductions in our government grant have continued. Our self-sufficiency plans have worked well to date in helping us to deal with the funding challenges and to reduce our recurring base budget. We now know that by 2019-20 we will be wholly reliant on Council Tax and locally retained Business Rates.
- 7.10 This means that we will need to focus on Growth to ensure that we are a self-funded Council with additional income streams from investments and selling services

Adequacy of Reserves

- 7.11 In the current climate it is essential that the Council maintains reserves to deal with the unexpected, such as continued spending pressures or further reductions in income.
- 7.12 The Council's financial strategy has been to maintain the strength of the balance sheet to provide resilience in the challenging financial environment, whilst reducing the recurring net cost base.
- 7.13 The Executive has previously agreed to deploy balances to meet priorities and this budget continues to ensure funds are set aside for these and to focus on creating economic growth and development. This spend has been taken into consideration when looking at the adequacy of general fund balances.
- 7.14 Given the increased level of financial risks due to the localisation of business rates, then there is a case for retaining higher levels of balances. The current minimum level of balances of £2.7 million is still therefore considered to be prudent.
- 7.15 A summary of the expected movement in the general fund reserves over the period covered by the Councils medium term financial plan remaining is shown in table 18.

Table 18: Estimated General Fund balances

	2017-18 ¹ £000	2018-19 £000	2019-20 £000	2020-21 £000
Opening Balance at 1 April	5,099	4,446	4,002	3,322
Add: transfer (to)/from Earmarked Reserves	0	0	0	0
Less: Use to finance 2017/18 Capital Programme (including carry-forwards)	(730)	0	0	0
Less: budgeted use of GF to support 2017-18 Revenue Budget	0	0	0	0
Forecast revenue Outturn variance	77			
Less: Use to fund 2018-19 Revenue Budget	0	(444)	0	0
Less: Use to fund 2018-19 Capital Budget	0	0	0	0
Less: Projected Revenue Deficit per MTFP ²	0		(680)	(2,645)
Projected Balance at 31 March	4,446	4,002	3,322	677
Retained - Minimum Balance	(2,700)	(2,700)	(2,700)	(2,700)
Available for use	1,746	1,302	622	-

¹ Based on revised 2017/18 budget; ² net of planned transfers to Earmarked Reserves

7.16 In addition to general fund balances the Council also holds Earmarked Reserve balances. These have largely been created from under spends and additional income received in previous years and have been set aside for specific purposes. They include a balance of £1,083k set aside to provide protection against the potential volatility of NNDR income under the business rates retention scheme.

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

8. Conclusions

8.1 The proposed total revenue expenditure for 2018-19 including Parish precepts is £15,670k. This includes expenditure of £1,066k that will be funded from earmarked reserves. This results in a net budget requirement of £14,604k.

8.2 The proposed three year capital budget (2018-19 to 2020-21) is £18,973k comprising expenditure of £14,592k in 2018-19, £2,340k in 2019-20 and £2,040k in 2020-21. It is proposed this is funded by following resources:

- Grants and contributions..... £11,076k
- Earmarked reserves..... £16k
- Revenue contributions..... £4k
- Borrowing.....£7,877k

- 8.3 The Council has seen unprecedented reductions in Government funding since the Comprehensive Spending Review 2010. Coupled with the impact of service pressures and increased demand for some services this has meant the Council has had to make significant budget savings.
- 8.4 In order to strengthen our financial position we recognise that we will have to consider other ways to generate income and be self-sufficient. This will include changes in local taxation, fees and charges and trading activities as well as supporting and prioritising economic growth within the Borough.
- 8.5 The Council has responded in a systematic and planned way and we will continue with this strategy. In order to avoid cuts to frontline services we will explore alternative service delivery options to ensure that we continue to be fit for purpose.
- 8.6 Our future focus will be on economic growth as we recognise that investment in growth supports both our residents and businesses.

Catherine Nicholson

Head of Financial Services

Appendices

- Appendix A Council tax support for parishes
- Appendix B Parish precepts
- Appendix C Budget analysed by portfolio
- Appendix D 2018-19 recurring growth & savings bids – summary by portfolio.
- Appendix E 2018-19 non-recurring growth & savings bids – summary by portfolio.
- Appendix F Movement in revenue budget 2017-18 (revised) to 2018-19 (original).
- Appendix G Three year capital budget 2018-19 to 2020-21 - summary by portfolio
- Appendix H Reconciliation of 2018-19 capital budget to revised 2017-18 capital budget
- Appendix I Summary of Earmarked Reserves by portfolio
- Appendix J Medium Term Financial Plan
- Appendix K Summary of Consultation responses