

Eden District Council  
Council

25 February 2021

**Final Budgets 2021/22 & Medium Term Financial Plan**

<b>Portfolio:</b>	Resources and Leader
<b>Report from:</b>	Interim Director of Corporate Services
<b>Wards:</b>	All Wards
<b>OPEN PUBLIC ITEM</b>	

**1 Purpose**

- 1.1 The Council is required to produce a balanced budget for 2021/22 as the basis for calculating its level of Council Tax. It has to base that budget on its Corporate Plan priorities and service delivery requirements estimated for the year, recognising any changes in service demand that may arise in future years.
- 1.2 The Executive made recommendations to Council, on this basis, at its meeting on 16 February 2021.
- 1.3 The report also includes statutory advice of from the Chief Financial Officer on the robustness of the estimates included in the budget and the adequacy of the Council's reserves.

**2 Recommendation**

- 2.1 To consider and approve the balanced budget as set out in Appendix A.
- 2.2 To consider and approve a Council Tax increase of £5 on a Band D property.
- 2.3 To consider and approve the capital programme 2021/22 – 2024/25 set out in Appendix B.
- 2.4 To approve the Medium Term Revenue Plan (MTRP) for 2021/22 to 2024/25 as set out in Appendix C.
- 2.5 To note the impact of the proposed budget on reserves and recommend the reserves to full council as set out in Appendix D.
- 2.6 To note the One Eden Transformation programme savings targets as set out in paragraph 11.3.
- 2.7 To note the budget consultation responses summarised at paragraph 13 and detailed at Appendix E.
- 2.8 To note the contents of the Section 25 statement from the Interim Director of Corporate Services contained in paragraphs 3.5 to 3.13 in relation to robustness of estimates and adequacy of reserves.

**3 Introduction and Section 25 Report**

- 3.1 Section 32 of the Local Government Finance Act 1992, requires the Council to calculate its Budget Requirement for each financial year. The Budget

Requirement will be considered and set as part of this report which also results in the setting of the Council own Council Tax.

- 3.2 A report later on this agenda consolidates the Council's own Council Tax (including local precepts) with the Council Tax set by the County Council, the Police and Crime Commissioner and Town and Parish Councils to produce the total amount that Eden's residents will pay for Council Tax in 2019-2020.
- 3.3 For this Council, the Budget Requirement is the sum of:
  1. The net expenditure on the General Fund revenue account which the Council will incur in performing its functions during the coming year;
  2. Any amounts which the Council estimates that it would be appropriate to transfer to, or from, balances during the year; and
  3. The amount of any precept issued to it for the year by a local precepting authority (town council, parish council, or parish meeting).
- 3.4 Once the Budget Requirement has been determined, the amount of Government funding, and any surplus or deficit on the Collection Fund, is deducted to produce the demand on the Council Tax payers (the Council Tax Requirement). For this purpose, Government funding is taken as Settlement Funding Assessment, Section 31 Grants, Rural Services Delivery Grant (RSDG) and New Homes Bonus (NHB).

### **Section 25 – Robustness of Estimates and Adequacy of Reserves**

- 3.5 Section 25 of the Local Government Act 2003 includes a specific personal duty on the Chief Financial Officer (CFO) to make a report to the authority when it is considering its budget and Council Tax. Also, Section 26 of the Act gives the Secretary of State power to set minimum level of reserves for which an authority must provide in setting its budget. The legislation says that "the provisions are a fall back against the circumstances in which an authority does not act prudently, disregards the advice of its CFO and is heading for serious financial difficulty".
- 3.6 The Local Government Finance Act 1992 also requires that authorities have regard to the level of reserves needed for meeting estimated future expenditure when calculating the next year's budget requirement.
- 3.7 There are also a range of safeguards to ensure authorities do not over-commit themselves financially. These include:
  - The CFO 'S114' powers, which require a report to all members of the authority if there is or is likely to be unlawful expenditure or an unbalanced budget;
  - The Prudential Code which applied to capital financing from 2004/05.
- 3.8 Under Section 25 of the Local Government Act 2003, the Council's Chief Financial Officer is required to report to the Council on:
  - The robustness of the estimates included within the budget;
  - The adequacy of the reserves and balances.
- 3.9 Under the Act, Members must have regard to the contents of this report when making their decisions on the budget. It is proposed that Members consider

the contents of this report when making their decisions on the Council's budgets at this meeting.

- 3.10 In reviewing the estimates and reserves I have looked at the significant risks faced by the Council and the reserves and balances held in financial mitigation of those risks.
- 3.11 I conclude that the processes that have been followed in the setting of the budget are sound and robust. There are inevitably risks, however these have been properly considered and budgets have been set to reflect those risks.
- 3.12 The level of reserves and balances for 2021/22 are more than adequate. However, in the medium term their adequacy will rely upon the delivery of the One Eden Transformation Programme and the outcome of the changes expected in Government funding.
- 3.13 The savings targets in the One Eden Programme are achievable and the estimates for changes in Government funding prudent however the Council must be aware and ready to adapt should the landscape change in the future.

## **4 Background**

- 4.1 The Council adopted, on 7 November 2019, a new Corporate Plan 2019 – 2023, which set out the vision and strategic priorities for the Council for the next four years:

### **Vision**

Our vision for Eden is of a place where people act together to meet the needs of all and ensure the well-being of future generations.

### **Strategic Priorities**

#### **Sustainable**

Make our Council financially viable, customer focused and zero carbon. Co-produce economic opportunities and strategies which will protect Eden's working cultural landscapes and biodiversity, aiming to store more carbon than is produced in the District.

#### **Healthy, Safe and Secure**

Improve housing, both new build and existing, working towards self-sufficiency in energy; and co-produce healthy, connected, prosperous communities, for all, young and old, urban and rural.

#### **Connected**

Improve digital connectivity, transport and access to attract and support businesses, employees and families, connecting Eden with the global economy and knowledge industries. People connected in communities and with access to education, work, healthcare and leisure and combat isolation.

#### **Creative**

Encourage innovation in tourism, food and green industries and support businesses to respond to national and global changes. Develop arts and cultural activities to add to town centre vibrancy; support communities; and improve health and wellbeing.

- 4.2 The Council sets its budget in order to deliver the strategic priorities and maintain a sustainable medium term financial future for the Council.
- 4.3 In February 2020, before the pandemic, the Council set its budget to deliver £1.3m in savings through the approved the One Eden Transformation Programme designed to transform the Council in to a customer focussed organisation operating from a single site.
- 4.4 Whilst the strategic priorities and transformation programme remain important the Council has had to adapt to manage the outcomes of the Covid19 pandemic. It's worldwide and national implications have also been seen across the Eden district.
- 4.5 The Council has had to switch its resources fundamentally to manage during this period initially to ensure the safety of our staff and residents, then to distribute the Governments financial support to businesses and residents and whilst that has continued to operate Test, Track and Trace and enforcement across the district.
- 4.6 The pandemic has created significant pressure on Council services, staff and finances. The funding provided by the Government has helped us manage financially and we have worked hard to ensure that staff are supported whilst they in turn support our communities and businesses through this extremely challenging period.
- 4.7 The Council has continued successful operation of not just most of its statutory services, but has also adapted service provision when the rules have required. Working with the Council's leisure operator Greenwich Leisure to ensure the Leisure Centres were open safely during the periods that they were allowed to be is one example.
- 4.8 It is clear that the current pressures will continue in to the new financial year. The focus will remain on statutory service delivery and ensuring that the support to our staff, businesses and residents continues as long as it is required.
- 4.9 The One Eden Transformation Programme has also been delayed due to the pandemic. Work has restarted with new timescales and savings targets and we are track to deliver in the new financial year which is covered in detail in section 10.
- 4.10 The formal budget setting process for 2021/22 began in September 2020 with a review of the Medium Term Financial Strategy and Resources Plan considered by both Budget Planning Committee and the Executive.
- 4.11 The strategy captures the requirement for the priorities, set out in the Corporate Plan to be resourced and aligned with the Medium-Term Financial Plan. The strategy also set out the expected implications to be faced and the plan for dealing with them during the budget setting process.
- 4.12 The strategy finally sets out the framework and timetable for the setting of the budget and a set of guidelines, which are explained below.
- 4.13 The Executive produced its draft budget for consultation on 20 January 2021. The responses to date are considered at paragraph 12 below any additional responses will be considered before the Council meeting on 25 February 2021.

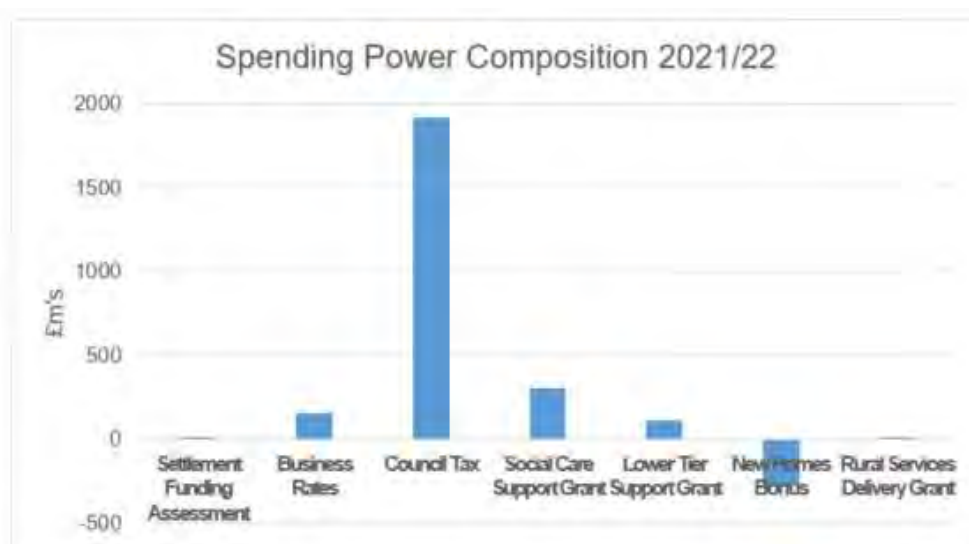
## 5 Final Local Government Finance Settlement

5.1 The final Local Government Finance settlement was announced on 4 February 2021 and there are no changes from the provisional settlement.

5.2 The table below sets out all of the Government funding streams, which beyond 2021/22 is extremely uncertain and remains almost impossible to predict.

Grants and Funding	Provisional 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25
	£000	£000	£000	£000
Settlement Funding Assessment	1,716	0	0	0
Section 31 Grants (Gov't Discounts)	197	0	0	0
Cumbria Business Rates Pool	450	0	0	0
Rural Services Delivery Grant	711	0	0	0
New Homes Bonus	232	0	0	0
Lower Tier Services Grant	263	0	0	0
Other Government Grants (Covid-Q1)	261	0	0	0
Future Government Funding	0	3,212	3,212	3,212
<b>Total</b>	<b>3,830</b>	<b>3,212</b>	<b>3,212</b>	<b>3,212</b>

5.3 The final settlement follows the Governments spending review announcement that funding to the sector would increase by 4.5%. The following chart sets out the change in Core Spending Power used to calculate the increase identifying the key areas where the additional funding would be generated:



5.4 The chart shows that the vast majority of the increase in funding would be generated through additional Council Tax by both increases in the taxbase and the Band D.

## 6 Revenue Budget 2021/22

6.1 The revenue budget proposals are set out at Appendix A and are unchanged from those approved and presented for consultation in January.

## 7 Capital Programme 2021/22 – 2024/25

- 7.1 The capital budget proposals are set out in Appendix B. They incorporate three changes from the original programme approved in January.
- 7.2 The first two relate to ICT schemes approved by Council in July 2020 for the implementation of a new Development Management System and Finance, HR and Payroll system. These were excluded from the original proposals in error.
- 7.3 The third relates to a change in the budget for the Single Site - Voreda House project. The Council has been successful in an application for Government funding to ensure the decarbonisation of Voreda House. The grant awarded is £856k and the budget has been amended to reflect the increased funding which will finance the additional work required to make the build and building zero carbon.

## 8 Council Tax Increase 2021/22

- 8.1 It is proposed that the level of Council Tax for Eden District be increased by £5 per annum from £195.75 to £200.75 for a band D property.
- 8.2 The implications of the increase by Band are set out in the table below:

Council tax band	Valuations	Annual cost 2020/2021	Proposed cost 2021/2022	Proposed increase pence per week
Band A	Under £40,001	£130.50	£133.83	6p
Band B	£40,001-£52,000	£152.25	£156.14	7p
Band C	£52,001-£68,000	£174.00	£178.44	9p
Band D	£68,001-£88,000	£195.75	£200.75	10p
Band E	£88,001-£120,000	£239.25	£245.36	12p
Band F	£120,001-£160,000	£282.75	£289.97	14p
Band G	£160,001-£320,000	£326.25	£334.58	16p
Band H	Over £320,000	£391.50	£401.50	19p

## 9 Medium Term Financial Plan 2020/21 – 2023/24

- 9.1 The Medium Term Financial Plan (attached at Appendix C) has been updated to reflect the revenue implications of the changes to the Capital Programme.
- 9.2 The funding gap remains the same at £803k in 2021/22 rising to £1.2m in 2024/25. The funding gap will be addressed through the implementation of the

future phases of the One Eden Transformation Programme, which are set out in detail below.

## 10 Reserves & Balances

- 10.1 The Council's Earmarked Reserves, General Fund Balance and Capital Resources are set out at Appendix D.

## 11 One Eden Transformation Programme & Savings Target

- 11.1 The One Eden Transformation programme is a customer focussed and transformative change programme designed to deliver a sustainable and fit for purpose future organisation and the savings outlined in the MTFP above to ensure a sustainable future for the Council.
- 11.2 The programme has been significantly rescheduled due to the Covid19 pandemic however progress has now been made in delivery through all of the workstreams.
- 11.3 The programme has been set up to be flexible in delivery of the savings required to deliver a sustainable forecast for the Council in the medium term. The table below sets out the current estimated savings compared to the overall savings target required:

	2021/22	2022/23	2023/24	2024/25	Total
	£	£	£	£	£
Single Site	25,369	76,107	50,738	50,738	<b>202,951</b>
Commercial - Heart of Cumbria	162,084	33,608	34,510	37,136	<b>267,337</b>
Commercial - Voreda House	30,000	0	0		<b>30,000</b>
Commercial - E.g. Old London Road	0	35,000	35,000	0	<b>70,000</b>
Operational Delivery - Contracts	0	0	200,000	0	<b>200,000</b>
HR - Restructure	372,459	75,253	0	0	<b>447,712</b>
<b>Total</b>	<b>589,912</b>	<b>219,967</b>	<b>320,247</b>	<b>87,874</b>	<b>1,218,000</b>
Savings Target Check Total	803,000	244,000	25,000	146,000	<b>1,218,000</b>
Required Use of Reserves	213,088	24,033	-295,247	58,126	<b>0</b>

- 11.4 The table identifies savings in 2021/22 where significant progress has been made and estimate calculations, which give confidence that they are deliverable. Those in forecast years are prudent but will require additional work to ensure that they are delivered. This is set out in greater detail below.

### Single Site/Commercial – Voreda House

- 11.5 A detailed business plan is being prepared for the transformation of Voreda House into a modern, zero carbon public service hub, designed to secure and future proof the delivery of quality services to customers in the area whatever the configuration of local government going forward. This has been used for the calculations both for the pre-tender estimate for capital expenditure as well as the revenue savings achievable. The Council has been conditionally awarded £856,000 government grant to fit out the building to achieve net zero carbon in line with our Sustainable Strategic Priority.
- 11.6 The level of estimated savings has been based upon a reduction of costs from Mansion House from quarter four 2021/22 and a further reduction from the Town Hall from quarter three 2022/23 reflecting the anticipated timetable for

their respective disposal and repurposing. The savings level is prudent and doesn't include any commercial savings from the disposal of either building.

- 11.7 The commercial income for Voreda House relates to the estimated rental stream that could be achieved through partners sharing the building. Work underway with a number of potential partners and the value provides a prudent estimate of what could be achieved in the likely available space.

#### **Commercial – Heart of Cumbria**

- 11.8 The Heart of Cumbria Ltd is currently under review and will be considered by Council at the meeting on 25 February. If the recommendations are accepted the savings identified would be delivered. Obviously, if they aren't approved additional savings would need to be identified through the programme.

#### **Commercial – Other**

- 11.9 The Council is aware that there are other commercial development and investment opportunities that could be progressed. An example of this is the proposal to build light industrial units at Old London Road.
- 11.10 The site has relevant planning permission and the scheme will be refreshed with a view to bringing forward a scheme in the new financial year, which with capital investment, could deliver the estimated revenue savings incorporated.
- 11.11 Other opportunities can now start to be explored, which if successful would add flexibility in to the savings programme.

#### **Operational Delivery – Contracts**

- 11.12 The Council's current waste contract comes to an end in 2022. Initial work was undertaken to identify the preferred potential new operating model and service configuration at the end of the current contract.
- 11.13 The Government's announcement regarding potential Local Government Reorganisation has led the Council to re-assess the options given that the Council may not exist in the medium term.
- 11.14 This is due to the significant financial and human resources required to deliver any of the options, which could be wasted if reorganisation goes ahead. The range of operating models evaluated is being widened to cover forms of shared services with other authorities, which are likely to be less costly to establish as well as potentially delivering financial efficiencies.
- 11.15 There is also the potential for a different configuration of waste and recycling collections aligned to the emerging national waste strategy to deliver financial efficiencies. Development of the national waste strategy has been held up by COVID but government have indicated that consultation on proposals, including details of financial support, is expected to be restarted in the spring, allowing detailed evaluation on options to commence. The timescale set for the saving reflects the earliest that this could be achieved by.

#### **HR – Restructure**

- 11.16 The staff restructure is expected to provide a significant proportion of the savings required. Work has already commenced and the first phase is partially complete.



- 11.17 The remaining two phases are timetabled to be completed in the spring, which will result in the total savings being delivered over a two year period as those in the later phase will only be for part of the year in 2021/22.
- 11.18 The savings estimated are a realistic estimate of what can be achieved without reducing the capacity of the business to a point where it cannot function. The use of technology is continually being developed to support the more efficient operation of services across the business. This will be a key consideration as we enter the second two phases of the restructure.

### **Use of Reserves**

- 11.19 The savings target has been considered over the life of the medium term rather than for each individual year. Given the most significant savings are required in the first two years this helps protect the capacity through the staff restructure.
- 11.20 This will require the use of reserves to balance the savings requirement over the medium term. The Council has sufficient reserves to manage the level required.

## **12 Policy Framework**

- 12.1 The Council has four corporate priorities which are:
- Sustainable;
  - Healthy, safe and secure;
  - Connected; and
  - Creative
- 12.2 The annual budget forms an essential part of the Council's budgetary and policy framework.

## **13 Consultation**

- 13.1 The Budget Consultation commenced on 20 January 2021. To date responses have been received from the Budget Planning Committee and from four residents.
- 13.2 The comments are summarised below and set out in Appendix E, any further comments received prior to the meeting will be presented on the night:
- Council Tax Increase - BPC & 4 residents
  - Prioritise new ways of generating Council income - BPC
  - Agree to require further information on the reconciliation of the budget proposals and the Corporate Plan - BPC
  - Ensure that fees and charges increases are limited to inflation - BPC
- 13.3 The Council is prioritising the generation of commercial income and this is set out at 11.3 above.
- 13.4 The reconciliation between the budget and corporate plan is a significant piece of work and given the lack of modern ICT systems and the current ongoing pressures won't be completed until the new financial year.

13.5 Fees and charges for 2021/22 have been frozen due to the impact of the Covid19 pandemic.

## 14 Implications

### 14.1 Financial and Resources

14.1.1 Any decision to reduce or increase resources or alternatively increase income must be made within the context of the Council's stated priorities, as set out in its Council Plan 2019-2023 as agreed at Council on 7 November 2019.

14.1.2 The nature of the report means that Financial and Resources implications are dealt with throughout the body of the report.

### 14.2 Legal

14.2.1 The Council is mandated to set a balanced budget, explaining how expenditure is funded and the impact upon reserves and balances.

14.2.2 The report complies with the statutory timescales for the setting of the Council's budget and the Council Tax.

### 14.3 Human Resources

14.3.1 There are no direct Human Resources implications.

### 14.4 Statutory Considerations

<b>Consideration:</b>	<b>Details of any implications and proposed measures to address:</b>
Equality and Diversity	There are no implications
Health, Social Environmental and Economic Impact	There are no implications
Crime and Disorder	There are no implications
Children and Safeguarding	There are no implications

### 14.5 Risk Management

<b>Risk</b>	<b>Consequence</b>	<b>Controls Required</b>
A funding gap remains on the Councils MTFP although the position is has improved since last February. The lack of forecast information, pressure on budgets and flexibility in local tax setting continue to make maintaining a sustainable budget in the medium term difficult.	Lack of fiscal control.  Decline in reserves.  Poor External Audit VFM Conclusion.	Budget Setting process needs to be robust and include all stakeholders.  Budget monitoring must be accurate and timely and lead to proactive decision making.

Risk	Consequence	Controls Required
Specific risks are dealt with throughout the report		

## 15 Other Options Considered

15.1 No other options have been considered.

## 16 Reasons for the Decision/Recommendation

16.1 To meet the statutory timescales for the setting of the Council's budget and the Council Tax.

**Background Papers:** None

**Appendices:** Appendix A – Revenue Budget 2021/22  
Appendix B – Capital Programme 2021/22 – 2024/25  
Appendix C – Medium Term Financial Plan  
Appendix D – Reserves and Balances  
Appendix E – Consultation Responses

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