

Eden District Council

Executive
23 November 2021

Council
25 November 2021

Quarter 2 Monitoring, Revised Budget 2021/22 and MTFP

Portfolio:	Resources Portfolio
Report from:	Interim Director of Resources
Wards:	All Wards
OPEN PUBLIC ITEM	

1 Purpose

- 1.1 The purpose of the report is to consider Quarter 2 monitoring and a number of additional factors affecting the in-year budget position for both revenue and capital.
- 1.2 To seek approval for the revised capital and revenue budget for 2021/22.
- 1.3 To consider the impact that the revised budget and additional factors have on the Council's Medium Term Financial Plan (MTFP).

2 Recommendations

The Executive is recommended to:

- 2.1 Note the Outturn Position 2020/21 set out at 4.8;
- 2.2 Endorse the LGR implementation reserve of £1.6m and recommend approval by Council;
- 2.3 Endorse the new corporate priority budgets set out at 4.20, to be funded through earmarked reserves, to include those for the Economic Development Framework considered earlier on the Agenda and recommend approval by Council;
- 2.4 Note the Quarter 2 forecast outturn position for revenue as set out at Appendix 1;
- 2.5 Endorse the revised revenue budget 2021/22 set out at Appendix 2 and recommend approval by Council;
- 2.6 Note the Quarter 2 Capital Monitoring position as set out at Appendix 3;
- 2.7 Endorse the revised capital programme as set out at Appendix 4, including the new scheme for Electric Vehicle Charging Points at Appleby £113k and recommend approval by Council;
- 2.8 Note the revised MTFP as set out in Appendix 5;
- 2.9 Note the revised Reserves and Balances position as set out in Appendix 6;
- 2.10 Note the Medium Term Financial Strategy set out from paragraph 4.44.

Council is recommended to:

- 2.11 Note the Outturn Position 2020/21 set out at 4.8;
- 2.12 Approve the LGR implementation reserve of £1.6m;
- 2.13 Approve the additional capital budget of £980k required for Voreda House to be funded through capital receipts;

- 2.14 Approve the new corporate priority budgets set out at 4.20, to be funded from earmarked reserves, to include those for the Economic Development Framework considered separately by the Executive;
- 2.15 Note the Quarter 2 forecast outturn position for revenue as set out at Appendix 1;
- 2.16 Approve the revised revenue budget 2021/22 set out at Appendix 2;
- 2.17 Note the Quarter 2 Capital Monitoring position as set out at Appendix 3;
- 2.18 Approve the revised capital programme as set out at Appendix 4, including the new scheme for Electric Vehicle Charging Points at Appleby £113k to be funded by capital receipts;
- 2.19 Note the revised MTFP as set out in Appendix 5;
- 2.20 Note the revised Reserves and Balances position as set out in Appendix 6;
- 2.21 Note the Medium Term Financial Strategy set out from paragraph 4.44.

3 Background

- 3.1 The Council set its budget in February 2021 with savings targets required to achieve a sustainable medium term forecast. The landscape since the budget was set has changed significantly with the Government decision to implement Local Government Reorganisation (LGR) in Cumbria.
- 3.2 The decision will result in two new Unitary Councils for Cumbria incorporating all County and District Council services based upon an East (Barrow, Eden and South Lakeland) West (Allerdale, Carlisle and Copeland) split.
- 3.3 The Council had along with Carlisle supported an option of a North (Allerdale, Carlisle and Eden) South (Barrow, Copeland and South Lakeland) split.
- 3.4 The timescale for the vesting of the two new Councils has been set at 31 March 2023, which means a significant amount of work will need to be undertaken to deliver LGR in addition to that already required to deliver services to our residents.
- 3.5 The timing of the announcement by Government on the make-up of the new authorities also had implications for the One Eden Programme most notably on the timing and nature for both the staff restructure and refurbishment of Voreda House

4 Report Details

Overview

- 4.1 The LGR decision has had a significant impact on the One Eden Transformation Programme and directly effects the Council's budgets in-year for 2021/22.
- 4.2 The staff restructure requires detailed staffing estimates to be incorporated into a Revised Revenue Budget 2021/22. Making such changes requires Council approval.
- 4.3 The Revised Revenue Budget 21/22 will affect future years budgets and this needs to be recognised through the MTFP.
- 4.4 The LGR programme will require significant additional funding, as yet not budgeted, which will be shared between the existing Districts and County Council. This will have implications for both revenue and capital in 2021/22 and 2022/23.
- 4.5 The LGR decisions shortens the horizons of the current Council and it is therefore important to consider the deliverability of existing corporate priorities and in particular capital schemes given they ordinarily span financial years.
- 4.6 That said the Council will need to take account of the Spending Review '21 in the setting of budgets for 2022/23 and to maintain a MTFP in order to assist in the building of budgets for the new Council from 2023/24.

Revenue Outturn 2020/21

4.7 The Provisional Outturn position for 2020/21 will be approved at Accounts and Governance on 9 December 2021. The outcome whilst not formalised will have an impact upon the level of reserves for both the Revised Estimate and MTFP.

4.8 The table below summarises the Revenue Outturn position for 2020/21:

Net Cost of Services	£000
Covid Related Underspends	450
Slippage	500
Professional Fees	150
	1,100
Grants	
Business Rates & Covid Grants	700
	1,800

4.9 It is clear, across the sector that concerns that “Covid” would result in significant financial pressures have not materialised both due to the support provided by Government and the lack of expenditure on projects included within the budget due to the circumstances.

4.10 The level of underspend is significant and impacts upon the Council’s reserves position, which is the starting point for the Revised Estimate and any revisions to the MTFP.

4.11 The reserves have therefore been updated with the anticipated amendments for the outturn and this is set out in the reserves and balances section below.

LGR Implementation Reserve

4.12 A report setting out the requirements for an implementation reserve to be financed by the 7 existing Local Authorities in Cumbria is set out earlier on this agenda.

4.13 If approved the report creates a significant financial implication for the Council which needs to be incorporated in to the budgets. The implications are mostly for 2022/23 but given the size of the burden and the number of other factors affecting the Councils budgets it need to be incorporated now that they are known.

4.14 The report sets out the expected need for an implementation reserve of £19m to support the establishment of the two new authorities with Eden’s share of this nearly £1.6m.

4.15 To fund this an earmarked reserve will need to be established, which can be achieved through a review of the existing reserves and balances. This will be set out later in the report.

Single Site - Voreda House

4.16 At its meeting on 7 October 2021 the Executive recommended to Council the approval of an increase in the capital budget for Voreda House of £980k to be funded through capital receipts.

4.17 The report sets out the major reasons for the increase in spend, which are set out below:

- *The most significant, is the buoyancy of the construction market set against the contraction of market capacity due to the pandemic. The impact of the pandemic and the associated employee furlough scheme is unprecedented in the construction industry. Construction capacity contracted rapidly and when the government flooded the market with construction project funding, to kick start the economy, the market could not respond at the same pace.*
- *The pandemic has also created significant inflation in the construction industry materials supply chain and labour wage rates are rising rapidly. This is particularly important when considering when the construction budget was set as construction inflation is now increasing on a monthly basis.*

- *The PassivHaus standard, as this is challenging to the market particularly in relation to the building air tightness test. The standard, when combined with the furlough scheme, influenced the response to the tendering exercise culminating in 5 out of the 6 contractors withdrawing from the process. The reality is that the government's intervention in the market has created the conditions for contractors to select less challenging contracts.*

4.18 It is clearly important given the timing of LGR that consideration is given to ensuring the spend remains appropriate and therefore this has been considered from both an Eden and East Cumbria perspective in the reasons set out below:

- The single site proposals for Eden have been long in both the planning and budget for the Council. The decision to acquire Voreda House was taken ahead of both the pandemic and the Government decision on LGR.
- Whilst the pandemic has adversely affected the cost of the scheme LGR has strengthened the needs for the scheme. Providing a modern, fit for purpose local service hub in Penrith is a must given the chosen East-West configuration of the new unitary council's results in a geographically large East authority with significant distances between the main service centres in Eden, Barrow and South Lakeland.
- The Town Hall and Mansion House are not fit for purpose and not completing the project increases the risk of public service jobs being lost to the town and district and footfall that supports the town centre. The regeneration opportunities at Mansion House and the Town Hall would also be put at risk.
- From the perspective of the new authority, not completing the scheme could leave a new authority the burden of 3 administrative buildings, none fit for purpose operationally or financially efficient, instead of 1 that is both.

Revision of Corporate Priorities

4.19 The LGR decision shortens the life of EDC and impacts upon the deliverability of the Corporate Plan and Priorities within it. It is therefore an opportune time to reconsider those priorities with a view to focussing on those that can be achieved within the remaining life of the Council.

4.20 It provides an opportunity to identify a small number of key one off schemes and projects that can be delivered in the remaining time for the Council. The Economic Development Framework item is a summary of schemes considered in a separate Executive report. The table sets out the schemes, which if approved would be funded through earmarked reserves:

Name	Description	21/22	22/23
Sustainability Fund - COP26	Increase funding to support communities, and Parish and Town Councils in implementing zero carbon and biodiversity schemes	£40,000	£160,000
Parks & Open Spaces	Establish a fund to enable the improvement of parks and open spaces	£20,000	£80,000
Enhanced Environmental Enforcement	CCTV/Staff – subject to options appraisal being drafted currently	£0	£50,000
Machine for collecting dog waste	To buy a machine & trailer to scoop up dog waste. Increase scope of Urbaser contract to utilise the machine.	£37,500	£0
Economic Development Framework	Funding to deliver the schemes approved by the Executive on 23 November 2021	£20,000	£760,000
		£117,500	£1,050,000

Quarter 2 Revenue Monitoring 2021/22

- 4.21 The Quarter 2 monitoring set out at Appendix 1. It shows the detailed year to date and forecast outturn position for the period April 2021 - September 2021 for the Councils revenue budgets.
- 4.22 The net expenditure on services is affected by a number of issues, which have an impact upon the budgets that were set in February.
- 4.23 The biggest of these is the staffing restructure, which wasn't completed to the timescales originally anticipated. This has a direct impact on the savings target set to balance the budget.
- 4.24 The savings target is also impacted by the delay in delivery of Voreda House.
- 4.25 LGR will also have a continuing and growing affect on the Council's resources and capacity to deliver, it is important that this is reflected in the budget to ensure delivery for both the new and existing authorities.
- 4.26 The significant variances in the projected outturn position have been summarised in the table below:

	£
Salaries Savings	(390,000)
Covid Related Underspends	(259,000)
Professional Fees	(156,000)
Higher Recycling Income	(110,000)
Increase in Agency / Fixed Term Contract Costs	514,000
Voluntary Redundancy Costs	404,000
Lower Rental Income	152,000
Miscellaneous	(85,000)
Net Cost of Services Projected Overspend	70,000

- 4.27 The salaries position reflects a combination of vacant posts and the adjustments made through the staffing restructure. This is also offset by the increase in Agency costs for a number of posts that are currently filled through interim arrangements.
- 4.28 Whilst, there are one of variances such as the Covid underspend and VR costs the overall position is a significant improvement on the Original Budget, which required an additional £213k of reserves to meet the shortfall in savings target.

Revised Revenue Budget 2021/22

- 4.29 The Council has a statutory responsibility (under the Local Government Finance Act 1992) to set a balanced budget for each financial year. This means the Council's expenditure on services must be contained within the available funding envelope. The Council's 2021/22 revenue budgets was approved by Council on 25 February 2021.
- 4.30 Whilst, the Council wouldn't ordinarily set a revised revenue budget mid-year the level of changes outlined above combined with the statutory responsibility mean that it is necessary.
- 4.31 The revised revenue budget 2021/22 is set out in detail at Appendix 2. The table below sets out the summary position.

	Original 2021/22	Revised 2021/22	Variance 2021/22
	£000	£000	£000
Net Expenditure on Services	9,160	9,614	454
Expenditure on Priorities	0	617	617
Total Expenditure	9,160	10,231	1,071
Reduction in Direct Revenue Funding	2,765	1,596	(1,169)
Capital Accounting Adjustments	(507)	(507)	0
Use of Earmarked Reserves	(2,227)	(2,213)	14
Total Adjustments & Use of Reserves	31	(1,124)	(1,155)
Net Budget Requirement	9,191	9,107	(84)
Government Grants	(5,007)	(5,007)	0
Taxation	(4,184)	(4,184)	0
Total Funding	(9,191)	(9,191)	0
(Surplus)/Deficit	0	(84)	(84)

4.32 The revised estimate reflects an anticipated surplus of £84k compared against the original budget. This reflects a position where the original savings target has been met.

Capital Outturn 2020/21 & Quarter 2 Capital Monitoring 21/22

4.33 Capital Outturn 2020/21 will also be formalised at Accounts and Governance Committee on 9 December 2021. The anticipated final position is incorporated in to the Quarter 2 Capital Monitoring, which shows additional scheme slippage of £2m as highlighted in the table below.

Scheme	Outturn Slippage
	£000
EXPENDITURE	
IT Renewals	53
Parish Footway Lighting	45
Leisure Centre Equipment & Maintenance	216
Single Site - Voreda House	777
Funding - Heart of Cumbria Properties	440
Disabled Facility Grants	161
Newton Road Affordable Housing	144
Green Business Support Fund	150
Total	1,986

4.34 The Quarter 2 Capital Monitoring 21/22 is set out at Appendix 3 and contains expenditure between April 2021 and September 2021.

4.35 The total expenditure to date is £1m compared to a budget of £8.1m. The lack of expenditure reflects both the pandemic and the lack of resources and capacity caused by the requirements of LGR.

4.36 As with Revenue it is important to set a revised estimate, which reflects what is deliverable for 20/21. This involves either slipping or stopping a number of schemes.

4.37 All schemes have therefore been discussed with scheme budget holders to ensure that the budgets are accurate for 2021/22 and 2022/23.

4.38 This has resulted in a number of amendments detailed in the table and further explanations below:

Scheme	Action	Revised 2021/22	Forecast 2022/23	Forecast 2023/24	Forecast 2024/25	Total
Development Management System	Slip	(116)	116			0
Financial, Payroll & HR System	Remove	(350)				(350)
Castle Park Vision	Slip	(187)	187			
Parish Footway Lighting	Remove/ Slip	(404)	50			(354)
Single Site - Voreda House	Increase	(883)	883			0
Funding - Heart of Cumbria Properties	Reduce	(797)				(797)
Discretionary Renovation Grants	Slip	(100)	100			0
Disabled Facility Grants	Slip	(200)	200			0
Housing Innovation Fund	Remove	(358)				(358)
Green Business Support Fund	Reduce	(150)				(150)
Housing Delivery	Remove	(650)				(650)
Green Homes Grant Extension	Add	150				150
Green Home Exemplar	Add	50	400			450
Penrith Football Club Grant	Add	100				100
EV Charging Points - Appleby	Add	113				113
		(3,782)	1,936	0	0	(1,846)

- Development Management System - the scheme is progressing and the expenditure has been re-profiled across the two financial years.
- Financial, Payroll & HR System - the system was included in the budget prior to the decision on LGR and there is not the time to procure and implement ahead of vesting day.
- Castle Park Vision - subject to the approval of Executive the scheme will be commencing shortly with spend re-profiled to 2022/23.
- Parish Footway Lighting - the scheme has reduced significantly in recent years the reduction retains £50k in the programme, which is likely to be more than sufficient for any schemes up to vesting day.
- Single Site - Voreda House - the additional funding reflects the Executive recommendation made at its meeting of 7 October 2021.
- Funding - Heart of Cumbria Properties - the reductions reflect the proposed transfer of the properties back to the Council. This results in an overall reduction of capital resources required to acquire the properties.
- Discretionary Renovation Grants - re-profiles the budget to 2022/23.
- Disabled Facility Grants - reflects the spreading of resources to set a deliverable budget for the remaining financial years.
- Housing Innovation Fund - the budget has been removed as the scheme is no longer deliverable in the timescales remaining before vesting day.
- Green Business Support Fund - the scheme is currently being implemented and the reduction in budget reflects what we expect to be able to deliver in the time remaining before vesting day.

- Housing Delivery - the budget has been split in to two separate schemes Green Homes Grant Extension to allow additional funding for the scheme and the Green Home Exemplar, which has been re-profiled to 2022/23.
- Penrith Football Club Grant - reflects the grant previously approved by Council.
- EV Charging Points - Appleby - reflects the recommendation from the Executive to approve a grant to the Environment Agency.

4.39 The revised capital programme, which reflects the amendments above is set out at Appendix 4.

Impact on Medium Term Financial Plan

4.40 The changes to the Revised Estimates for both capital and revenue have been incorporated in to the MTFP, which is set out at Appendix 5.

4.41 Whilst, detailed work on the budget for 2022/23 has yet to be undertaken the funding gaps created across the medium term are manageable and the level of reserves and balances maintained show that the Council remains in a sustainable financial position.

Impact on Reserves and Balances

4.41 The Reserves and Balances position is set out in Appendix 6.

4.42 There are two main changes that create additional or reserves to be reused:

- The revenue outturn position creates additional Earmarked Reserves of £1.8m.
- The Heart of Cumbria requires £1.5m less in earmarked reserve due to the transition back to the Council.

4.43 The additional reserves available have been used as follows:

- Revenue scheme slippage reserve £500k has been set up to reflect the schemes slipped at outturn;
- A Corporate Priorities reserve £1.2m has been set up to fund the additional corporate priorities;
- The LGR Implementation Reserve £1.6m has been established to fund the expected costs of LGR for EDC.

Medium Term Financial Strategy

4.44 As well as reviewing the Revised Estimate position the Council needs to take a strategic approach to the management of its financial resources. This is in spite of the LGR decision as the Council will still need to produce a balanced budget for 2022/23 as well as producing demonstrating a sustainable forecast for the medium term, which will help the new Council in the setting of its budgets.

4.45 The strategy considers all of the factors that impact upon the Council's resources. At this point of the year, they are assessed to form the Resources Plan that will be used by officers when setting budget and forecasts and ultimately when setting the Council Tax in February 2022 for 2022/23.

4.46 The Resources Plan is essentially the financial strategy expressed in numbers and is known as the Medium Term Financial Plan (MTFP). The MTFP is at the heart of the Council's financial planning and is the tool that measures the medium term financial sustainability of the Council.

4.47 The MTFP is presented to Members of this Committee and the Executive regularly during the year and as part of the budget approval process. The MTFP was last approved as part of budget setting at Council 27 February 2021 and is attached at Appendix 1.

Resources Plan – Funding

4.48 The major funding streams for the Council are set out below:

- Government Funding - Business Rates/Pooling
- Government Funding - Rural Services Delivery Grant
- Government Funding - New Homes Bonus
- Council Tax

Government Funding - General

4.49 The total level of Government funding for 2021/22 was 48% (£3.8m). This is a critical funding stream for the Council and any reduction would have a detrimental effect on the Council's financial sustainability.

4.50 The Council receives its Government funding through the new Department for Levelling Up, Housing & Communities (DLUHC) overall budget.

4.51 On 28 October 2021 the Chancellor of the Exchequer set out his budget and Spending Review 21.

4.52 There were a number of announcements that could have an impact on the Council's budget and forecasts. As usual some will only be translated in to numbers when the Provisional Settlement is received in December.

4.53 The announcements are highlighted below and their impact considered within the narrative for each funding stream.

- *A multi-year settlement, with an estimated average real-terms increase of 3% p.a. The Spending Review 2021 provides English councils with £1.6 bn of new grant funding in each of the next three years, which is in addition to funding to implement social care reform.*
- *£37.8 million of additional funding over the SR21 period to tackle cyber security challenges facing councils and invest in local authority cyber resilience.*
- *£500 million Household Support Fund announced on 30 September will provide £421m to local authorities in England to help the most vulnerable this winter. 50% of the funding is ringfenced for households with children.*
- *£34.5 million of additional funding over the SR21 period to help strengthen procurement and commercial capacity, establish the Audit Reporting and Governance Authority as the new local audit systems leader, and help local councils meet new transparency requirements.*
- *The housing settlement includes £300m locally-led grant funding that will be distributed to mayoral combined authorities and local authorities to unlock smaller brownfield sites for housing and improve communities.*
- *The Department for Levelling Up, Housing and Communities (DLUHC) will set out full details of the council tax referendum principles and proposed approach to allocating grant funding through the Local Government Finance Settlement.*
- *English local authorities will be fully compensated for the loss of income as a result of new and extended business rates reliefs and will receive new burdens funding for the associated administrative and IT costs.*
- *The referendum threshold for increases in council tax is expected to remain at 2% per year, with an additional 1% social care precept for upper tier authorities.*

Business Rates Retention Scheme (BRRS)

- 4.54 This element of Government funding makes up approximately 31% of the Councils overall funding for 2021/22. The announcement of a multi-year settlement is welcomed albeit that this will be more helpful in setting the budgets for the new Unitary Council. A multi-year settlement helps plan for the medium term with much greater certainty than a one year.
- 4.55 There was no mention of the Fairer Funding Reform on Business Rates even though the Government has concluded its review into the system. It appears that this has been replaced by more frequent revaluations every 3 years from 2023. Revaluations create volatility in funding and this could have implications for setting the new authorities budget. It won't though have any impact on EDC.
- 4.56 The forecasts for 2022/23 were set based upon the Reforms having been completed and the likely adverse impact on Districts and will be revised in the MTFP.
- 4.57 The pooling element of the business rates funding is estimated to deliver in excess of £450k in 2021/22. The pooling element of the grant rewards business rates growth within a District and attracts additional funding dependant on the level of growth for both the Districts and County Councils.

Rural Services Delivery Grant (RSDG) & New Homes Bonus (NHB)

- 4.58 These are two additional tranches of Government funding, which are currently independent from the Business Rates Retention Scheme. They make up the remaining 17% of Government funding in 2021/22. There was no specific mention of either in the Spending Review it is therefore anticipated that they will continue until at least 2022/23.

Council Tax

- 4.59 Council Tax makes up the remaining 52% (£4.2m) of the Councils funding for 2021/22. In 2021/22 Council Tax was increased by £5 on a Band D property and generated an additional £104k per annum. The projected increase in tax base generated an additional £24k.
- 4.60 The current regime for Council Tax sees the Secretary of State decide each year what an 'excessive' increase would be. A Council seeking an increase beyond this level would need to get approval in a referendum.
- 4.61 Last year the limit was 2% or £5, whichever was the greater, on a Band D equivalent. The referendum threshold is expected to remain at 2% or £5 however this won't be confirmed until the Provisional Settlement is announced in December.

Resources Plan – Expenditure

- 4.62 The Council's estimated gross expenditure is £10.5m for the budget 2021/22. When setting the budget and forecast we will need to consider all of the implications on the costs of delivering services.
- 4.63 The starting point for this is to use the budget from previous years, however the current economic landscape means that we cannot rely on those estimates. We have undertaken a zero based exercise through the staff restructure and this has been used to form the Revised Estimate 2021/22. It is critical though that the remainder of the budget is developed on a Zero Base, with every budget line considered and justified, compared with previous years and assessed against need.
- 4.64 This exercise will be undertaken across the autumn between the finance team, budget holders and assistant directors for sanction by the Corporate Leadership Team and inclusion in the Draft Budget.

- 4.65 The approach will be formalised into Budget Guidelines and presented alongside the budget timetable recommended from this Committee to the Executive and set out later within this report.
- 4.66 In addition, we need to consider how growth in expenditure is dealt with. The economic landscape and current financial position means that growth is not affordable in the medium term. In these circumstances it is important to ensure any growth is managed and this should be done by ensuring the net impact of growth is zero.
- 4.67 Practically, this means that where growth is necessary it is offset by either reductions in expenditure or increases in income in other areas.

Pay, Pay Inflation and Inflation

- 4.68 Staff pay represents a significant proportion of the Council's gross expenditure. The pay settlement for 2022/23 has yet to be agreed, however the Chancellor announced as part of the Spending Review, that the public sector pay freeze would be lifted.
- 4.69 The Union are currently negotiating a pay settlement of 1.75% and at this stage this is recommended as a prudent level to incorporate into the Draft Budget.
- 4.70 The main inflationary elements of the Council's budget relate to the large contracts in operation for Leisure, Waste and Recycling. The contracts contain uplift indices and these are currently estimated at 2%, however, this may need to be changed following compilation of the detailed estimates.
- 4.71 A general 2% provision on all non-salary and non-contract costs has been assumed in the MTFP to account for unavoidable price increases. Specific inflators are used for certain costs, for example, utilities. The principles of Zero Based budgeting apply here though that inflation isn't just applied, the budget is reviewed and it's only applied where absolutely necessary.

Resources Plan – Income

- 4.72 The Council's net income including income from investments is approximately £3.5m. This is a significant level for an organisation of Eden's size and supports the budget significantly. It does however create a level risk, particularly given the current economic landscape that the Council is over reliant upon income that might not be certain.

Fees and Charges

- 4.73 As part of the normal budget process, budget holders will be asked to consider how to maximise income. Any proposed increases will need to assess the likely impact on service take-up to ensure that total income also increases. The legal powers around such charges must also be assessed before action is taken.

Investment Income

- 4.74 The Council's investments come in 2 forms, treasury and property.
- 4.75 Treasury management income comes from both long and short term investments. The Council remains debt free and has significant investment in the region of £14m.
- 4.76 The longer term investment in the Churches Charities and Local Authorities Property Fund is also being affected. It is important to remember that with this type of investment volatility is expected and that over time the value of property has always risen. As long as the level of returns maintained are reasonable, they're significantly above Base Rate and we don't need to use the cash, which we don't. We should retain the investment expecting that over time it will recover its value.
- 4.77 The major commercial property returns the Council receives are through the investment in New Squares. These have currently been unaffected by pandemic and this is expected to continue.

Reserves

4.78 The Council's a robust level of reserves is an essential part of a sustainable financial forecast shown in the MTFP. Through the budget process the level of reserves will be at the heart of the decision making regarding budgets and the level of savings required to balance the budget.

5 Policy Framework

5.1 The Council has four corporate priorities which are:

- Sustainable
- Healthy, safe and secure
- Connected
- Creative

5.2 The Medium Term Financial sits alongside the Council Plan as one of the key corporate planning documents.

6 Consultation

6.1 The Council's Constitution stipulates that the Executive must put its draft budget proposals forward for formal scrutiny. This will be undertaken from mid-December 2021 to mid-January 2022. This will also be an appropriate period in which to undertake consultation with key stakeholders. As part of the consultation, this report will be sent to key local partners, such as the Eden Association of Local Councils. It will also be included in the web-based information on the budget that is made available for the public.

7 Implications

7.1 Financial and Resources

7.1.1 The key financial implications are explained throughout this report.

7.2 Legal

7.2.1 The Council has a legal duty to ensure its expenditure can be met by its income, inclusive of reserves.

7.3 Human Resources

7.3.1 There are no Human Resources implications.

7.4 Statutory Considerations

Consideration:	Details of any implications and proposed measures to address:
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

7.5 Risk Management

7.5.1 The Council's future financial projections include many areas where there are risks that the actual figures will be different from those projected. These have been identified in the report: see in particular section 3.14. The key uncertainties are how much the Council's income will be under BRRS, NHB and the effects of BREXIT and Covid.

8 Other Options Considered

8.1 No other options have been considered.

9 Reasons for the Decision/Recommendation

9.1 To establish the strategic basis for the start of the budget setting and medium term planning process for 2021/22.

Background Papers: None

Appendices:
Appendix 1: Quarter 2 Revenue Monitoring 2021/22
Appendix 2: Revised Revenue Estimate 2021/22
Appendix 3: Quarter 2 Capital Monitoring 2021/22
Appendix 4: Revised Capital Programme
Appendix 5: Revised MTFP
Appendix 6: Revised Reserves and Balances

Contact Officer: Paul Sutton, Interim Director of Resources