

Eden District Council  
Council

24 February 2022

**Final Budgets 2022/23 & Medium Term Financial Plan**

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

**1 Purpose**

- 1.1 The Council is required to produce a balanced budget for 2022/23 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 Cabinet made recommendations to Council, on this basis, at its meeting on 22 February 2022.
- 1.3 The report also includes statutory advice 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**

It is recommended that Council:

- 2.1 Consider and approve the balanced budget as set out in Appendix 1;
- 2.2 Consider and approve a freeze on Eden District element of the Council Tax for 2022/23;
- 2.3 Consider and approve the capital programme 2022/23 – 2025/26 as set out in Appendix 2;
- 2.4 Approve the Medium Term Financial Plan (MTFP) for 2022/23 to 2025/26 as set out in Appendix 3;
- 2.5 Note the impact of the proposed budget on reserves and approve the reserves as set out in Appendix 4;
- 2.6 Note the budget consultation responses summarised at section 13 and detailed at Appendices 5 & 6 (*Appendix 6 to follow on closure of the consultation 21 February*);
- 2.7 To note the contents of the Section 25 statement from the Interim Director of Resources contained in paragraphs 3.5 to 3.12 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's 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 2022/23.
- 3.3 For this Council, the Budget Requirement is the sum of:
- a) The net expenditure on the General Fund revenue account which the Council will incur in performing its functions during the coming year;
  - b) Any amounts which the Council estimates that it would be appropriate to transfer to, or from, balances during the year; and
  - c) 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 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 Councils Chief Financial Officer is required to report to the Council on:
- The robustness of the estimates included within the budget;

- The adequacy of 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.

**Statement from Interim Director of Resources, (Chief Financial Officer):**

- 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 inevitable risks, however these have been properly considered and budgets set to reflect those risks.
- 3.12 The level of reserves and balances for 2022/23 are more than adequate, in the medium term the impact of Local Government Reorganisation will mean that the Council no longer exists and risks such as local government funding changes are not a factor. The projected reserves and balances at the end of the medium term are also therefore more than adequate.

## **4 Background**

- 4.1 On 7 November 2019, the Council adopted a new Corporate Plan 2019-2023, which set out the vision and strategic priorities for the Council for the following 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 focussed 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.

### **Local Government Reorganisation and Covid-19**

- 4.3 From 1 April 2023, the current six district councils in Cumbria and Cumbria County Council will be replaced by 2 new unitary authorities. Eden, alongside South Lakeland District Council, Barrow Borough Council and part of Cumbria County Council, will create the Westmorland and Furness Unitary Authority.
- 4.4 A structural changes order has been laid before Parliament and is anticipated to be approved in late March. In addition, the Government has said that it is intending to make a direction under section 24 of the Local Government and Public Involvement in Health Act 2007.
- 4.5 The Finance Scrutiny Committee in its deliberations on the budget asked what impact a section 24 direction might have on the Council.
- 4.6 A section 24 direction will seek to control excessive expenditure and potentially limit what existing authorities can do with asset acquisitions or disposals.
- 4.7 The exact details and timing of the direction are not yet known however previous directions in similar circumstances have prevented the entering into new or variations of existing contracts both revenue and capital, without the written approval of the new Shadow Authority.
- 4.8 It is therefore not a blanket control and clearly the values applied will be critical. It could cause some practical issues during the final year of the Council, but once the final details are known a review will be made to assess where there might be the need to seek authority to from the new Shadow Authority.
- 4.9 A further implication of LGR is the impact on staff resources. A significant proportion of staff across the organisation are contributing to the workstreams and packages set up to deliver the new Authorities.
- 4.10 The availability of external and replacement resources has also been affected, and we are already having difficulties back-filling gaps left.
- 4.11 Whilst, not as extreme as LGR the Covid-19 pandemic also continues to have an effect on the Council with absences increasing and secondments still needed to work on Covid support projects.
- 4.12 The effect is to put pressure on delivery of statutory functions and corporate priorities and this will need to be carefully balanced through the financial year.
- 4.13 Budgets for 2022/23 have been prepared taking this into account and in particular considering
- resourcing available during 2022/23 to complete plans
  - Funding required to meet resourcing requirements through alternative methods (eg interims & contractors).

- 4.14 Although the resources market is expected to continue to be limited past 2022/23, economies of scale from the combining of the authorities due to Local Government Reorganisation means that we do not expect this to cause the same level of pressures on the new Unitary authority and the MTFP reflects this.

### **Budget Setting Process**

- 4.15 The formal budget setting process began in November 2021 with the presentation and approval of the Quarter 2 monitoring, revised budget and MTFP to Cabinet and Council. The preparation of this report took into account known and expected changes in the 2021/22 year and future years and therefore presented a base for the more detailed work on the budget for 2022/23.
- 4.16 The budget guidelines, as presented at November Council as part of the revised budget, were followed in preparation of the budget, which included workshops of officers and Cabinet members to discuss pressures and opportunities.
- 4.17 The Cabinet produced its draft budget for consultation on 20 January 2022. There have been no responses to date, any responses will be considered before the Council meeting on 24 February 2022.

## **5 Final Local Government Finance Settlement**

- 5.1 On 7 February 2022, the Secretary of State for the Department of Levelling Up Housing and Communities made a statement on the final local government finance settlement for 2022/23.
- 5.2 The statement sets out the Council's Settlement Funding Assessment, which is the replacement for Business Rates Retained along with the Rural Services Delivery Grant and New Homes Bonus (NHB).
- 5.3 In addition, the Government has confirmed the extension, for 2022/23, of the Cumbria Business Rates Pool of which the Council is a member.
- 5.4 The settlement is again a one year deal with the Fair Funding Reforms suspended for at least a further year due to the Covid19 pandemic.
- 5.5 The funding related to the settlement is largely in line with previous years. There is however an additional services grant.
- 5.6 The table below sets out all of the Government funding streams, which beyond 2022/23 are extremely uncertain and remain almost impossible to predict.

Grants & Funding	Provisional 2022/23	Forecast 2023/24	Forecast 2024/25	Forecast 2025/26
	£'000	£'000		
Business Rates Funding	3,555			
Rural Services Delivery Grant	711			
New Homes Bonus	386			
Lower Tier Services Grant	77			
Services Grant	12			
Future Government Funding		4,741	4,741	4,741
<b>TOTAL</b>	<b>4,741</b>	<b>4,741</b>	<b>4,741</b>	<b>4,741</b>

5.7 In addition, EDC has been awarded £1,029,778 from the COVID-19 Additional Relief Fund (CARF). The fund will be available to support those businesses affected by the pandemic but that are ineligible for existing support linked to business rates. So we are looking at businesses that aren't retail, leisure or hospitality.

5.8 The Council operates the fund on an Agency basis so it sits outside of the revenue budget and hence isn't included above.

## **6 Revenue Budget 2022/23**

6.1 The revenue budget proposals are set out at Appendix 1 and remain, in total value, unchanged from those approved are presented for consultation in January.

6.2 Changes that have been made are the following:

- Correction of allocation of services to Directorates;
- Virement of budgets between services where they had been allocated to the wrong budget in the proposal.

## **7 Capital Programme 2022/23 – 2025/26**

7.1 The Capital Programme proposals are set out in Appendix 2. They incorporate one change from the original programme approved in January.

7.2 Addition of £54k spend in 2022/23 in relation to King George V Field, Appleby for reconstruction of the drains.

## **8 Council Tax 2022/23**

8.1 The options for Eden set by Government without the requirement for a local referendum are an increase of 2% or £5, whichever is greater.

8.2 A £5 increase in the band D would equate to 2.6% and would raise £104,000 in 2022/23. The increase would cost a Band D taxpayer around 10p per week.

8.3 The Council's finances are in a strong position and the Proposed Settlement agreement is favourable for 2022/23.

8.4 It is proposed that the level of Council Tax for Eden District remain the same at £200.75 for a Band D property. This has been supported by the Finance Scrutiny Committee at their meeting of 4 January 2022.

8.5 The proposed Council Tax per band is set out in the table below:

Band	Valuation	Annual Cost 2021/22	Proposed Cost 2022/23	Change
A	Under £40,001	£133.83	£133.83	0%
B	£40,001-£52,000	£156.14	£156.14	0%
C	£52,001-£68,000	£178.44	£178.44	0%
D	£68,001-£88,000	£200.75	£200.75	0%
E	£88,001-£120,000	£245.36	£245.36	0%
F	£120,001-£160,000	£289.97	£289.97	0%
G	£160,001-£320,000	£334.58	£334.58	0%
H	Over £320,000	£401.50	£401.50	0%

## 9 Medium Term Financial Plan 2022/23 – 2024/25

9.1 The Medium Term Financial Plan (attached at Appendix 3) has been updated to reflect the revenue implications of the changes to the Capital Programme (section 7.2 of this report) and use of Reserves (Section 10.1 of this report).

9.2 The net budget requirement for 2022/23 remains the same as that published for consultation in January 2022.

## 10 Reserves and Balances

10.1 The Council's Earmarked Reserves, General Fund Balance and Capital Resources are set out at Appendix 4.

10.2 These are unchanged from the proposed budget issued for consultation except for the following changes:

- The Planning Project Officer post is funded from the Penrith Vision reserve. The costs of the post were previously included in the Net Cost of Services, however the use of the reserve had not been shown in the draft budget.

## 11 Corporate Priorities 2022/23

11.1 In proposing the budget for 2022/23, the Cabinet have considered the pressures on the council due to Covid19 and also the timescales available for corporate priorities due to Local Government Reorganisation. One off events in 2022/23 have also been considered.

11.2 The table below sets out the areas, which if approved, would be funded through earmarked reserves created in 2021/22.

<b>Name</b>	<b>Description</b>	<b>22/23</b>
Open Space / Play Area Improvements	Additional funding for Open Space and Play Areas owned and managed by Eden District Council to maintain and/or renovate	£50,000
Queen's Platinum Jubilee 2022	Funding to support community events in relation to the celebrating of the Queen's Platinum Jubilee	£20,000
Cultural Development Initiatives	Subject to further cabinet approval	£235,000
Business Support Consultant on Economic Development	Extension of contract to 31.3.23	£36,000
Development Management	Additional costs of staffing due to backlog and staff market pressures on planning, enforcement and Ecology Officer	£431,000
Local Plan Review	Additional funding for the review of the Local Plan to reach deadlines in 22/23	£50,000
Zero Carbon Biodiversity initiatives	Subject to further cabinet approval	£100,000
Resources	Additional staffing costs in Resources to support Licencing, Health & Safety and Finance to ensure that legal obligations are met. This is partly due to difficulties with recruitment due to pending LGR.	£163,000
Officer Training & Development	Increase in budget to support Eden staff toward the Local Government Reorganisation and support recruitment and retention	£50,000
Single Site Project	Non-capital costs of moving staff into a single site during 2022/23	£40,000
Microsoft Licences	Increased licencing costs due to old systems which have been delayed for upgrade due to Covid19	£25,000
		<b>£1,200,000</b>

## **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 21 January 2022. To date responses have been received from Finance Scrutiny Committee and no responses have currently been received from residents.

13.2 The Finance Scrutiny Committee have undertaken a review of the draft budget. The Committee created a Task and Finish Group, which met on three occasions to consider their subjects and undertake scrutiny of both staff and portfolio holders.



13.3 At their meeting 8 February the Committee concluded its Scrutiny work and made the following recommendation:

*that the report from The Task & Finish Group, including Appendix A [pages 3-6], is submitted to Cabinet for review, and that the Cabinet acknowledges in the budget report that the SCO may restrict spending during 2022/23.*

13.4 The comments from the Finance Scrutiny Committee are summarised below and set out in Appendix 5, any further comments received prior to the meeting will be presented on the night:

- Ensuring that money invested is not wasted due to the move to the new Unitary. This included ensuring that funding provided to the community was enabling/facilitating rather than subsidising. It also included consideration of commitments going into the new Unitary.
- The size of the bio-diversity allocation was considered small in comparison to the subject matter
- Ensuring that proposed plans were deliverable considering timescales and resources available
- Consideration of whether the planned resources would clear backlogs created during the Covid-19 pandemic
- Concerns over the availability of resources to the council over the next year given market conditions

## **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 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 Resource implications.

### **14.4 Environmental**

14.4.1 There are no direct environmental implications.

## 14.5 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

## 14.6 Risk Management

<b>Risk</b>	<b>Consequence</b>	<b>Controls Required</b>
The continuation of Covid19 creates uncertainty in the short term on priority progression, costs and staffing. This could affect the budget either adversely or short term favourably	Decreased ability to plan in advance	Budget setting process scrutinised including stress testing.  Budget monitoring accurate and timely to lead to pro-active decision making in a timely manner.

## 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.

## Tracking Information

<b>Governance Check</b>	<b>Date Considered</b>
<b>Chief Finance Officer (or Deputy)</b>	16/02/2022
<b>Monitoring Officer (or Deputy)</b>	15/02/2022
<b>Relevant Assistant Director</b>	N/A

**Background Papers:** None

**Appendices**  
Appendix 1 – Revenue Budget 2022/23  
Appendix 2 – Capital Programme 2022/23 – 2025/26  
Appendix 3 – Medium Term Financial Forecast  
Appendix 4 – Revenue Reserves  
Appendix 5 – Consultation Responses

**Contact Officer:** Paul Sutton, Interim Director of Resources