

**Revenue Budget 2021/22, Medium Term Financial Strategy (2021 - 2023), 2021/22 Treasury Management Strategy and Capital Programme (2021 - 2026)**

**EXECUTIVE MEMBER:** Mike Starkie, Elected Mayor  
**LEAD OFFICER:** Steven Brown, Director of Financial Resources  
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**WHAT BENEFITS WILL THESE PROPOSALS BRING TO COPELAND RESIDENTS?**

These proposals ensure the proper administration of the Council's financial affairs to enable the continued delivery of services to Copeland residents.

**WHY HAS THIS REPORT COME TO THE EXECUTIVE?**

This report forms part of the Budget & Policy Framework within an Elected Mayor authority. Council is receiving this information to consider and endorse the Elected Mayor's proposed budget for 2021/22 and Medium Term Financial Strategy projections up to 2022/23.

**RECOMMENDATIONS:**

Executive is asked to consider the report and:

1. Recommend to Council the Mayor's 2021/22 proposed Revenue Budget requirement of £8,626k and 2021 – 2023 Medium Term Financial Strategy as set out in Section 2 of this report which includes the fees & charges schedule for 2021/22 as set out in Appendix A and use of reserves schedule as set out in Appendix B.
2. Recommend to Council the Mayor's proposal to increase Council Tax by 1.95% for 2021/22 and delegate authority to the Council's Section 151 Officer to approve the necessary Council Tax calculations in accordance with sections 31 – 36 of the Local Government Finance Act 1982;
3. Recommend to Council the Mayor's proposed Capital Strategy for 2021/22 as set out in Appendix C that includes the proposed Capital Programme for 2021/22 – 2025/26.
4. Recommend to Council the 2021/22 Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Strategy as set out in Appendix D.

5. Recommend to Council the updated Local Council Tax Support Scheme as set out in paragraph 6.1.
6. Recommend to Council the Pay Policy as set out in Section 7 and Appendix F.
7. Note the responses to the budget consultation as set out in Appendix G.
8. Note the Statement of the Responsible Financial Officer (Section 151 Officer).

## 1. INTRODUCTION

- 1.1. The purpose of this report is to present to Council the Elected Mayor's proposed budget for 2021/22. The report sets out the:
  - a) Medium Term Financial Strategy (MTFS) 2021 – 2023 and Elected Mayor's proposed budget for 2021/22;
  - b) Fees and Charges;
  - c) Use of Reserves;
  - d) Council Tax Increase for 2021/22;
  - e) Capital Investment Strategy including the Capital Programme for 2021 – 2026;
  - f) Treasury Management Strategy and Annual Investment Strategy for 2021/22;
  - g) Local Council Tax Support Scheme;
  - h) Pay Policy; and
  - i) Statement of the Responsible Financial Officer (Section 151 Officer).
- 1.2. Full Council approved the Council's Corporate Strategy for 2020-24 on 16th December 2019 and it was to be published following the Council's approved budget which was set in February 2020. Early in March 2020, it was clear that with the global pandemic taking a rapid grip and moving the Council into emergency response, the approved, but unpublished, Corporate Strategy which had been written pre-Covid did not anticipate nor reflect the devastating impact of the pandemic on residents, communities, businesses and Copeland's economy.
- 1.3. As an intense response to Covid-19 recovery came to the fore very quickly highlighting the challenges and difficulties never presented before on such a scale, it seemed appropriate and necessary to rework the formerly approved Corporate Strategy 2020-24 to reflect this new era which lay ahead, and, it would have been remiss on behalf of Council not to incorporate additional changes required during what will be a prolonged recovery and reboot period over

many years. This reworked Corporate Strategy 2020-24 was approved by Council on 15<sup>th</sup> December 2020.

- 1.4. The Corporate Strategy sets out the mission for Copeland to '*make Copeland a better place to live, work and visit*' and the vision for the Council being:
  - A globally recognised place of innovation;
  - A major clean energy hub for the UK; and
  - A sustainable place with a resilient economy that supports thriving communities.
- 1.5. The Council's budget is a financial reflection of the Corporate Strategy that is set in the context of the challenges presented by the Covid-19 pandemic and wider pressures.
- 1.6. The annual budget setting process for 2021/22 began in November 2020 with the Mayor setting the key priority for the budget; *to meet our statutory commitments, with discretionary services resourced through income and grants.*
- 1.7. The projections in the Medium Term Financial Strategy have been refreshed to reflect the announcements made in the 2021 Spending Review, the 2021/22 Local Government Finance Settlement, Q3 Budget Monitoring Report and the Mayor's response to the 2021/22 Budget Consultation.
- 1.8. This budget is based on announcements in the Local Government Finance Settlement and estimates for both Council Tax and Business Rates.
- 1.9. In relation to Parishes they must formally notify the Council of their precept requirements by the end of January each year, at the time of writing there are no parishes outstanding, following the setting of this budget the formal Council Tax Setting (of the Council Tax Requirement) can take place.
- 1.10. Following approval of the budget for 2021/22, and the receipt of the precept information from the Parishes, Police and County Council, Council approval is sought to delegate responsibility to the Council's Section 151 Officer to formally set the Council Tax Requirement (CTR)

for Copeland Borough Council by the statutory deadline of 11 March.

## **2. Medium Term Financial Strategy**

- 2.1. The projections in the Medium Term Financial Strategy have been refreshed to reflect the 2020 Spending Review, the 2021/22 Local Government Finance Settlement, Q3 Budget Monitoring Report and the Mayor's response to the 2021/22 Budget Consultation.

### **Funding - 2020 Spending Review and Local Government Finance Settlement**

- 2.2. The Chancellor of the Exchequer presented the 2020 Spending Review on 25 November 2020, this includes the Government's departmental budgets; it confirmed that core spending power for Local Government would rise along with a package of measures to support Local Government in their response to Covid-19. It was a one-year spending review that covered only 2021/22 with a multi-year spending possibly announced later in 2021.
- 2.3. The detailed implications for each local authority was subsequently provided in the Provisional Local Government Finance Settlement on the 17 December 2020 and finalised on the 4 February 2021. The main announcements relevant to Copeland Borough Council (CBC) are set out below:
- The council tax referendum limit of 2% or £5, whichever is higher for local authorities.
  - The Revenue Support Grant (RSG) will be maintained at 2020/21 levels at £40k, this compares to the 2013/14 level £3,312k, reflecting the period of austerity that local government has undergone over the last decade.
  - The 2021/22 Rural Services Delivery Grant will also be maintained at 2020/21 levels of £48k.
  - A one year lower tier services grant to ensure that no authority has a total Core Spending Power less than in 2020/21, for CBC in 2021/22 this is £107k; and
  - A further year of the current New Homes Bonus Scheme, for CBC in 2021/22 this is £61k;

## **Funding - Council Tax**

- 2.4. The Council's main funding source is council tax. This year, council tax funds 55% of net revenue expenditure. Since 2013 local authorities have borne the financial risk associated with the Council Tax Reduction Scheme which forms part of the Council taxbase calculation. For the first time since 2013 the Council's taxbase has reduced, and thus the amount of Council Tax the Council can collect. This is due, in large part, to the increase in the number of residents requiring local council tax support. The increase in council tax support is due to the recession brought about from the COVID-19 pandemic that has resulted in financial hardship for many households. The MTFS assumes an annual increase of 0.5% to the council taxbase for the period of the MTFS.

## **Funding - Business Rates**

- 2.5. The 50% Business Rates Retention system has been in place since 2013 and allows local government as a whole to retain 50% of the business rates it collects. There is a system of redistributing this 50% across local government based on local authorities individual 'Need' through a system of 'Top ups' and 'Tariffs'. CBC, along with all district councils, is a Tariff paying authority with the amount of business rates it collects above its 'Need' being paid over to the County Council and Government. In 2021/22 CBC will retain £3,244k of the £36,207k it collects from businesses.
- 2.6. In 2020/21 the Council has not seen a significant decline in business rates, with various COVID-19 related reliefs and small business rate reliefs in place however, many businesses, particularly on the high street, are managing significant financial pressures with a possible consequential impact on the Council's business rate income in future years.

## **Funding Reform**

- 2.7. Earlier in the year the Government announced that they would not be proceeding with the implementation of the Review of Relative Needs and Resources (formerly the Fair Funding Review) and 75% business rates retention in 2021/22. The announcement did not provide a revised date for implementation however, the MTFS along with the majority of the sector is assuming that reform changes will

be implemented for financial year 2022/23.

- 2.8. The Council currently benefits from over c£600k annually from the extra business rates it collects over its 'Need'; known as the 'business rates growth'. The funding review is expected to result in local authorities losing any growth. The Council, along with the sector, is lobbying to retain this business rates growth however, this MTF5 assumes this growth will be lost from 2022/23.

### **Funding – COVID-19**

- 2.9. During 2020/21 the Government put in place a number of initiatives to support individuals and businesses impacted by the pandemic. The Council has administered many of these, including:
- payment of various grants to local businesses;
  - awarding reliefs to many small and local businesses in the retail and hospitality sector;
  - Making Test and Trace Support Payments;
  - Processing the £20 Universal Credit boost to housing benefit recipients; and
  - Reducing Council tax bills through the COVID-19 hardship fund.
- 2.10. Council finances have been significantly affected since the start of the pandemic and is expected to continue to be impacted during 2021/22 and probably beyond, depending on the time taken for the economy to recover. The main sources of COVID-19 financial support for local authorities in 2021/22 is set out below:
- £450k grant for additional COVID19 related expenditure pressures;
  - £125k Local Council Tax Support Grant to meet the additional costs associated with increases in local council tax support caseloads in 2021/22 ; and
  - Sales, fees and charges (SFC) compensation scheme to compensate local authorities for 75% of the irrecoverable and unavoidable losses from sales, fees and charges for the first

three months of 2021/22.

### **Budget Cost Pressures – COVID-19 Emergency Response**

2.11. An additional grant of £450k has been provided in 2021/22 for COVID-19 related service pressures, it is assumed in this budget that COVID-19 cost pressures will be met within this budget. If the COVID-19 cost pressures exceed this budget it is expected that additional funding will be provided by Government, which is consistent with the COVID-19 funding received during 2020/21. A COVID-19 cost pressure of £450k has therefore been included in the 2021/22 budget.

### **Other Budget Pressures**

2.12. The Q3 budget monitoring report identified a number of pressures. Some of these pressures are as a result of dealing with the Emergency Response and therefore assumed to be funded from the Emergency grant set out in the previous paragraph. There are other cost and income pressures that are arising from the downturn in the economy, demand and underlying pressures in services. These pressures are set out below and built into the budget:

- Rebasing Service Budgets – a number of service budgets have consistently overspent in recent years to meet increasing service demands or external pressures. This budget includes pressures in ICT of £250k, Revenues & Benefits of £150k and Refuse & Recycling of £599k to enable the service to balance its budget in 2021/22.
- Finance & Audit – additional budget of £145k is required to meet the increase in external audit fees and resource required to meet demands in the service.
- Planning – additional budget of £200k in 2021/22 and £100k in 2022/23 to complete the Local Plan.
- Reinstate General Fund – the Q3 budget monitoring report identifies a pressure of £180k, a one off contribution has been added to the 2021/22 budget to reinstate the general fund to its minimum level of £2m.

## **Pay, Price and Contract Inflation**

- 2.13. In the one year Spending Review the Chancellor confirmed there will be a public sector pay freeze but promised to protect the wages of NHS staff and low earners. Local Government pay is determined between the employers and unions and thus cannot be set by the Government. The unions have said that their pay claim will not be lodged until next year. In common with most local authorities a prudent 2% has been included in the budget for a pay award.
- 2.14. Price inflation has been frozen and contract inflation is in line with the Council's contracts and is reflected in these budget proposals.

## **Local Government Reform**

- 2.15. A budget of £125k in 2021/22 and 2022/23 has been included to meet any additional costs of local government re-form.

## **Items to Balance the Budget**

- 2.16. In common with many local authorities and government strategy, the Council's 2020/21 MTFS was predicated on building up commercial income to fund its net budget. The downturn in the economy brought about by the global COVID-19 pandemic, shift in local government strategy, and the potential local government reorganisation in Cumbria, has led to a change in the financial strategy for the Council. Whilst the commercial agenda continues to be at the forefront of the Council's plans to become financially sustainable, this change means it is unlikely to deliver commercial income to the extent set out in the previous MTFS (c£1.3m p.a. from 2022/23).
- 2.17. To be prudent the Council has removed the commercial income budget from this MTFS. Discussions have been held with Government on the change in financial strategy and financial support, by way of a capitalisation directive, has been provisionally accepted in 2021/22 of up to £1.5m to set a balanced budget whilst it develops a sustainable financial strategy. There may be additional support for 2022/23 but that will be subject to further conversations following the spending review later in the year. The capitalisation directive is permission to borrow to finance revenue expenditure; any external borrowing would be subject to a 1% higher interest rate. This funding and repayment costs have been built into the MTFS.

- 2.18. The Council is legally required to balance the budget. The 2021/22 budget gap is £1,845k, in order to balance the 2021/22 budget there will be a drawdown from the External Resources Reserve to fund the budget gap. The budget gap in 2022/23, assuming no additional funding or efficiencies, is £4,261k in 2023/24.
- 2.19. An analysis of the key assumptions underpinning the budget gap, including inflationary, demand and income assumptions has been undertaken. Financial modelling of the current, best and worst case scenarios on the Council's budget gap is set out below:

<b>£'000</b>	<b>2021/22</b>	<b>2022/23</b>
Current	1,845	4,261
<i>Best</i>	<i>688</i>	<i>3,299</i>
<i>Worst</i>	<i>2,308</i>	<i>4,646</i>

### **Financial Sustainability**

- 2.20. Broad high level modelling of the current, best and worst case scenarios on the Council's resources considers the available 'usable' revenue reserves that, if required, would need to be directed to supporting the Council's revenue budget if no additional income or savings can be realised. Usable reserves are made up of the general and earmarked reserves that, if required, would be redirected to balance the budget.

<b>£'000</b>	<b>2020/21</b>	<b>2021/22</b>	<b>2022/23</b>
Current	(8,018)	(6,560)	(2,299)
Best		(7,917)	(3,561)
Worst		(5,797)	(1,514)
<i>Min Reserves</i>	<i>(2,000)</i>	<i>(2,000)</i>	<i>(2,000)</i>

### **Risks**

- 2.21. COVID-19 costs and impact on the economy – the budget is predicated on COVID-19 costs being met by the additional grant received in the budget of £450k, if costs are higher it is expected there will be additional grant. Additional costs, and lost income, arising from the pandemic may continue for many years to come. For example car parking income may never return to previous levels and

it may be years before council tax reliefs return to pre-covid levels etc.

- 2.22. Other economic factors such as inflationary pressures, impact on businesses, jobs all have a financial impact on the Council. The budget has assumed some level of economic impact on Council Tax and Business rates however, depending the depth of the recession and impact locally, there may be additional financial pressures in future years.
- 2.23. Business Rate Appeals – the risk of appeals is a permanent feature of local government accounts and provision for these is made in the accounts. However, an appeal from Sellafield Ltd, the largest business rate payer in the district, may have a significant impact on the local authority finances, as was seen in 2015. It is therefore prudent that the Council retains a reasonable level of reserves in the event of an unexpected appeal.
- 2.24. Spending Review – The spending review is due later this financial year and will be set against the backdrop of unprecedented levels of government borrowing to fund the response to the pandemic. It is assumed that additional funding will not be received in the settlement and a best case scenario is probably no change to current funding levels.
- 2.25. Fair Funding and Business Rates Retention – As set out previously the Council currently benefits from over c£0.6m annually from the extra business rates it collects over its 'Need'; known as the 'Business Rates Growth'. The loss of Business Rates Growth has been assumed in the budget from 2022/23 when business rates are expected to be reset to baseline however, there is considerable call from the sector for this to be retained by local authorities. The fair funding review will result in a redistribution of funding based on the perceived 'Need' of individual local authorities. Modelling based on the latest sector view of the government changes shows that CBC will receive additional funding of c£150k however, until the changes are announced this will remain a funding risk.

## 2021/22 Budget Consultation

2.26. The budget consultation ran from 13<sup>th</sup> December to 8<sup>th</sup> January. It was posted on Copeland Council's website and social media. A press release was sent to more than 90 media contacts and the consultation was featured in newsletters to Councillors and members of the public on multiple occasions. The consultation attracted 52 online responses from individuals and one response from Millom Town Council (see Appendix G1 & G2). The responses received in relation to the Council Tax and Fees and Charges are included in the appendices.

2.27. The Mayor has considered the responses and confirmed the following for the 2021/22 budget:

- Council tax will increase by 1.95%; and
- Fees and Charges will be reviewed to ensure they cover costs, are competitive and where applicable, raise them by RPI in line with current inflation rates. These are set out in Appendix A.

## Summary: Medium Term Financial Strategy (MTFS) 2021 – 2023 and Revenue Budget for 2021/22

2.28. The following table shows the projections for the refreshed MTFS including the 2021/22 budget year.

	2021/22 £'000	2022/23 £'000
2020/21 Base Budget (after one off items removed)	9,532	9,532
Pay, Price and Contract Inflation Pressures	340	680
Other items	1,974	1,244
Efficiencies and Use of Reserves	125	125
<b>Base Budget</b>	<b>(3,345)</b>	<b>135</b>
<b>Revised Sources of Finance Total</b>	<b>8,626</b>	<b>11,716</b>
	<b>(8,626)</b>	<b>(7,455)</b>

### ***Pay, Price and Contract Inflation***

2.29. Paragraph 2.13 sets out the additional pressures included in the proposed budget.

<b>Pay, Price and Contract Inflation</b>	<b>2021/22 £'000</b>	<b>2022/23 £'000</b>
Pay Inflation & Increments	190	380
Non pay / contract inflation	150	300
<b>Pay, Price and Contract Inflation</b>	<b>340</b>	<b>680</b>

### **Service Pressures**

2.30. Paragraph 2.12 sets out the additional pressures included in the proposed budget.

<b>Pressures</b>	<b>2021/22 £'000</b>	<b>2022/23 £'000</b>
COVID19 Costs	450	
ICT Base Budget Pressure	250	250
Revenues & Benefits - rebasing	150	150
Rebase Refuse & Recycling Budget	599	599
Reinstate General Fund to £2m	180	
Completion of the Local Plan	200	100
Increased Audit & Finance Team Costs	145	145
<b>Service Pressures</b>	<b>1,974</b>	<b>1,244</b>

### **Other Items**

2.31. Paragraph 2.15 sets out the other items included in the proposed budget.

<b>Other items</b>	<b>2021/22 £'000</b>	<b>2022/23 £'000</b>
Local Government Re-organisation	125	125
<b>Service Investments</b>	<b>125</b>	<b>125</b>

### ***Efficiencies and Use of reserves***

2.32. Paragraph 2.16 sets out the efficiencies and use of reserves included in the proposed budget.

<b>Efficiencies and Use of Reserves</b>	<b>2021/22 £'000</b>	<b>2022/23 £'000</b>
Capitalisation Directive	(1,500)	135
Planned use of EMRs	(1,845)	
<b>Efficiencies from Efficiency Plan</b>	<b>(3,345)</b>	<b>135</b>

### ***Sources of Finance***

2.33. The table Overleaf sets out the updated sources of Finance based on the Final Finance Settlement and latest assumptions about Council Tax and Business Rates. The Council Tax forecasts assume an annual increase in the Copeland Borough Council element of the Council Tax of 1.95%.

<b>Sources of Finance</b>	<b>2021/22 £'000</b>	<b>2022/23 £'000</b>
Revenue Support Grant	(40)	(40)
Rural Services Delivery Grant	(48)	(48)
Lower Tier Services Grant	(107)	0
COVID19 - Emergency Support Grant	(450)	0
COVID 19 Local Council Tax Support Grant	(125)	0
Business Rates	(3,244)	(2,622)
Change to Baseline Need	0	(147)
Business Rates Pooling	(100)	0
New Homes Bonus	(61)	(35)
Council Tax	(4,453)	(4,563)
Council Tax: Collection Fund Surplus	2	0
<b>Revised Sources of Finance Total</b>	<b>(8,626)</b>	<b>(7,455)</b>

### ***Council Tax Requirement for 2021/22***

2.34. The impact of the 1.95% increase on Band D and B (highest number of properties in the borough) is detailed in the Table below:

<b>Property Band</b>	<b>2020/21 £</b>	<b>2021/22 £</b>	<b>Extra Cost £</b>	<b>Extra Cost Per Week £</b>
Disabled A	116.83	119.10	2.28	0.04
A	140.19	142.93	2.73	0.05
B	163.56	166.75	3.19	0.06
C	186.92	190.57	3.64	0.07
D	210.29	214.39	4.10	0.08
E	257.02	262.03	5.01	0.10
F	303.75	309.67	5.92	0.11
G	350.48	357.31	6.83	0.13
H	420.57	428.78	8.20	0.16
Increase (%)		1.95%		

### **3. Use of Reserves**

- 3.1. Getting the balance of risk right is important so that money is only held to ultimately support the delivery of services to the Council's residents and communities. Reviewing the Reserves and Balances that the authority holds allows the Council to demonstrate that its finances are being managed prudently.
- 3.2. Revenue reserves and balances play a key role in the management of the Council's finances. They are used as a contingency to mitigate against risk, to fund new policy initiatives and to support the Council's revenue and capital budgets when needed. The key essence of reserves and balances is that they are held at an appropriate level, reviewed regularly and used to support one-off initiatives and/or support the Council through transition periods on a time limited basis.

#### **General Fund**

- 3.3. The opening balance on the General Fund as at April 2021 is forecast to be £1,833k, this is below the minimum level of the general reserve of £2m. This 2021/22 budget includes a transfer to the general fund of £180k to return the reserve to its minimum level.
- 3.4. The £2,000k minimum level of General Fund Balance is there to meet material risks and uncertainties that arise that cannot be covered by the approved budget or existing reserves, and for emergencies. It does not provide funds for additional investment, rather it is there to ensure the approved budget can be delivered if specific material risks materialise.
- 3.5. The minimum level of the General Fund was assessed at £2m for the 2020/21 budget as set in February 2020. Taking into account all known factors and anticipated risk areas, the General Fund Risk Based Reserve has been reviewed by the Section 151 Officer, who has determined this Reserve is to be maintained to the level of at least £2m over the period of the Medium Term Financial Strategy. If the Balance on this reserve is projected to fall below the recommended risk-based level, then Council must give priority to restoring the balance.

## **Earmarked Reserves**

- 3.6. Earmarked reserves are established to meet specific needs that have been identified and agreed. New reserves or changes to the use of existing reserves must be approved by the Executive either through the budget monitoring or budget setting process.
- 3.7. The adequacy and appropriateness of each earmarked reserve is reviewed twice yearly – firstly, within the budget setting process (this report refers) and again when they are reported as part of the outturn process, which is used to inform decisions on carry forwards. Once the purpose of an earmarked reserve has been fulfilled, or the balance is higher than is needed, any remaining balance is returned, in the first instance, to the General Fund.
- 3.8. The projected balance on the Earmarked Reserves as at 31<sup>st</sup> March 2021 is £8,883k; of this £2,478k relates to external contributions for future projects and £2,008k relates to the External Resources Shortfall. This 2021/22 budget will utilise majority of the External Resources Shortfall reserve.

## **4. Capital Investment Strategy**

- 4.1. 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 expenditure incurred by third parties (for example the Disabled Facilities grants). An effective Capital Investment Strategy ensures that asset management planning and the delivery of major projects are key activities in ensuring that the Council meets its corporate and service aims and delivers its core services. The Capital Strategy is set out Appendix B, this includes the proposed capital programme for 2021/22 to 2025/26.

### **Capital Strategy**

- 4.2. The Capital investment Strategy sets out how the capital programme is developed. It highlights the issues and options that influence capital spending and sets out how the resources and capital programme is managed. The strategy sets out the Council's ambitions in the short, medium and long term and includes:

- Strategic Ambition;
  - Current capital priorities;
  - Available and Potential investment levels;
  - Alternative sources of funding capital expenditure;
  - Prudential Borrowing; and
  - The proposed Capital Programme for the period 2020/21 to 2024/25.
- 4.3. The proposed Capital Programme for the period 2021/22 to 2025/26 includes schemes that were planned for 2020/21 that are now expected to be spent in future years. The Q3 budget monitoring report identified a number of schemes where it was unlikely that the budget would be spent in the year. Following a refresh of the capital programme as part of the Q3 budget monitoring process, a total of £10m is identified to be reprogrammed into future years; this is identified in the Capital Strategy.
- 4.4. The proposed Capital Programme includes provision for a number of new schemes to be met from prudential borrowing using internal resources initially and then external borrowing; prudential borrowing is where the debt costs have to be funded from the Council's revenue budget, or from generating additional ongoing longer term income streams. Prudential borrowing will only be used where there is a clear financial case, such as major regeneration schemes which provide a return that meets the borrowing costs, "invest to save" projects, or "spend to earn" schemes. The principle of affordability is therefore a key consideration. The new schemes are set out in the Capital Strategy.

### **Financing the Capital Programme**

- 4.5. The resources available to finance the capital programme include:
- External Grants and Contributions;
  - Capital receipts from the disposal of assets;
  - Reserves; and

- Borrowing (Internal or External).
- 4.6. The proposed financing of each scheme in the Capital Programme for 2021/22 to 2025/26 is set out in the Capital Investment Strategy in Appendix C. Capital receipts are forecast to largely be utilised over the period of the capital programme and borrowing increased by a maximum of £36m through use of prudential borrowing. The borrowing level is forecast to increase to 4.6 times the Council's net budget, which is less than the average borrowing levels of 5 times net budget across all shire district councils. Borrowing will initially be made using cash and investment balances (internal borrowing) and then by PWLB loans (external borrowing). These investment decisions will be undertaken in accordance with the Council's Treasury Management Strategy.
- 4.7. The revenue implications of future borrowing includes the repayment of debt and interest, whether this is internal or external debt, is included in the revenue budgets in the MTFS. It should be noted however that a key assumption applied is that the future costs of borrowing can be recovered from the net operating income of future investment decisions.

### **Summary**

- 4.8. The Capital Investment Strategy shows sets out how the capital programme is developed, the issues and options that influence capital spending and sets out how the resources and capital programme is managed. The main risk relates to ensuring the net income can meet the financing costs where there is a decision regarding borrowing to finance the investment, this however will be considered as part of the business case for the scheme. On balance the strategy is affordable over the longer term.

## **5. Treasury Management Strategy and Annual Investment Strategy for 2020/21**

- 5.1. This section sets out the Council's Treasury Management Strategy Statement for 2021/22, in accordance with the CIPFA Code of Practice on Treasury Management. The Annual Investment Strategy and the Minimum Revenue Provision (MRP) Strategy for 2021/22 are also incorporated as part of the Statement. So too are the Prudential Indicators as required within the Prudential Code for Capital Finance

in Local Authorities.

- 5.2. The Council will receive each year the following reports: Annual strategy and plan in advance of the year (this report) and an annual report after its close. It will also receive updates as appropriate through the budget monitoring reports to the Executive.
- 5.3. As required under the Code, the Treasury Management Strategy Statement for 2021/22, which also incorporates both the Investment Strategy for that year and the Minimum Revenue Provision Policy Statement, is set out in Appendix 1. Within this Appendix are the Prudential Indicators that must be determined under the requirements of the CIPFA Prudential Code for Capital Finance in Local Authorities.
- 5.4. The Treasury Management Strategy Statement itself has the following Appendices:
  - Appendix 1A - Shows the approved Countries that the Council can place investments with (currently restricted to those only within the UK)
  - Appendix 1B – the scheme of delegation detailing which Committees are responsible for certain aspects of Treasury Management
  - Appendix 1C – The role of the S151 Officer.

## **6. Local Council Tax Support Scheme**

- 6.1. The Local Council Tax Support Scheme (LCTS) was approved by Council on 22 January 2013. Under the current scheme none of the funding reduction has been passed on to claimants and the Council meets the cost. The Local Council Tax Support Scheme (LCTS) is subject to new regulations that are in force from 11 February 2021. The scheme has been altered accordingly to reflect the following changes:
  - Non dependant deductions and applicable amounts upratings;
  - Some minor amendments to make provision for the treatment of some types of payments;

- Any payments relating to Grenfell Tower Fire are to be disregarded;
- Amendments to the meaning of ‘pensioner’ and ‘person who is not a pensioner’ in relation to mixed age couples; and
- Amendments relating to the treatment of being habitually resident.

6.2. The scheme is to be included as Appendix E to this report.

## **7. Pay Policy**

7.1. Chapter 8 of the Localism Act 2011 sets out the minimum statutory requirements for Councils with regard to openness and accountability in local pay. The Council is required by Section 38(1) of the Act to publish a Pay Policy Statement. In preparing its Statement, the Council must have regard to the guidance which has been issued under Section 40 of the Act and the Department for Communities and Local Government Supplementary Guidance February 2013. Therefore, there is a requirement for the annual Pay Policy Statement to be approved by Full Council and published with the Budget by 31 March. Appendix F is attached for approval.

## **8. Statement of the Responsible Financial Officer (Section 151 Officer)**

8.1. In accordance with the Local Government Act 2003, the Section 151 Officer is required to form a view on the robustness of the estimates used in setting the Elected Mayor’s proposed budget for 2021/22 and the adequacy of reserves. In forming this view, the Section 151 Officer has placed reliance on information and records provided to him throughout the budget setting process.

8.2. In relation to the robustness of estimates, the audit certificate for the 2018/19 Statement of Accounts is outstanding although the opinion for the financial statements has been provided by the Auditor and approved by the Audit Committee. The financial statements for 2018/19 are being audited now and the 2019/20 financial statements will be audited later this year. There are no changes to the main balances impacting on the financial standing of the Council, the Section 151 Officer is satisfied however that information held for budgeting and reporting purposes is sound.

- 8.3. The preparation of the Budget for 2021/22 and MTF5 (2021-2023) has been particularly challenging in this period of sustained uncertainty. This is the context for all local authorities and Copeland is not unique. There is uncertainty in relation to the impact of COVID-19 and the response that will be required, given that the recovery may take some years. There is also uncertainty regarding the funding of local government from central Government as we await the results of the Fair Funding Review and changes to the mechanism of funding from locally retained business rates which have been delayed.
- 8.4. The underlying pressures remain from COVID-19 for the foreseeable future and the timing and extent of the return of economic activity, which generates taxation to fund the majority of public services, is also unclear.
- 8.5. Given these uncertainties it is extremely difficult to budget beyond the next 12 months. The financial modelling set out in paragraph 2.20 predicts income and expenditure for 2022/23 and shows that the Council cannot continue to rely on its usable reserves to balance the budget. Over the next 12 months, as the funding and costs become clearer for the medium term the Council must consider options to balance the budget in the medium term without having to rely on reserves.
- 8.6. The Section 151 Officer has carried out a new risk assessment on the Reserves and Balances of the authority and this has been considered in Section 3. Based on approval of the report as presented, the Section 151 Officer is satisfied that the level of the Risk Based Reserve (Balances) will be adequate for the 2021/22 financial year.

## **9. STATUTORY OFFICER COMMENTS**

- 9.1. Legal comments are: No legal issues arise from the report.
- 9.2. The Monitoring Officer's comments are: The Authority must set its Net Budget Requirement and Council Tax Requirement by 11th March each year. This report seeks endorsement by Council of the 2021/22 Revenue Budget for recommendation to full council in February 2021. The report forms part of the process to ensure that the Council meets its statutory obligations. At this stage no legal issues arise.

9.3. The Section 151 Officer's comments are: Contained within the report

9.4. EIA Comments

9.5. Policy Framework

9.6. Other consultee comments, if any:

## **10.RESOURCE REQUIREMENTS**

10.1. As set out in the report.

## **11.HOW WILL THE PROPOSALS BE PROJECT MANAGED AND HOW ARE THE RISKS GOING TO BE MANAGED?**

11.1. Regular budget monitoring arrangements and reporting to the Executive.

### **List of Appendices:**

Appendix A1	Fees and Charges Schedule
Appendix A2	Fees and Charges Schedule (Planning Applications)
Appendix B	Use of Reserves schedule
Appendix C	Capital Investment Strategy
Appendix D	Treasury Management Strategy Statement (TMSS), Minimum Revenue Policy Statement and Annual Investments Strategy
Appendix E	Local Council Tax Support Scheme
Appendix F	Pay Policy
Appendix G1	Budget consultation Responses
Appendix G2	Millom Town Council response to Copeland B.C. Budget Consultation