

Report to: Cabinet

Date: 4 February 2021

Title: General Fund Revenue Budget 2021/22 and Capital Programme

Report of: Homira Javadi, Chief Finance Officer

Cabinet member: Councillor Zoe Nicholson, Deputy Leader of Council, Cabinet Member for Finance and Assets

Ward(s): All

Purpose of report: To agree the updated General Fund budget and updated MTFS, together with the updated Capital Programme position.

Decision type: Budget and policy framework

Officer recommendation(s): Members are asked to recommend the following proposals to Full Council:

- i) The General Fund budget for 2020/21 (Revised) and 2021/22 (original);
- ii) An increase in the Council Tax for Lewes District Council of £5 (per annum) resulting in a Band D charge for general expenses of £197.08 (per annum) for 2021/22;
- iii) The revised General Fund capital programme 2021/22 as set out in Appendix 3.
- iv) That Cabinet endorses the continuation of the Flexible use of Capital Receipts and refers on to Council for approval.
- v) To note the section 151 Officer's sign off as outlined in the report.

Reasons for recommendations: The Cabinet has to recommend to Full Council the setting of a revenue budget and associated council tax for the forthcoming financial year by law.

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1 Background

- 1.1 The Council published its draft Medium-Term Financial Strategy (MTFS) for 2020/21 to 2024/25 in September 2020. This is a key document, which demonstrates alignment with the Council Corporate Plan, and how the Council plans to target its financial resources in line with its key priorities and stated aims and objectives.
- 1.2 The MTFS included a set of financial assumptions and forecasts up to the financial year 2024/25, based on the most up to date information available at the time.
- 1.3 This report presents the updated forecast financial position for 2021/22, taking into account the capital strategy and programme approved by Council in February 2020, budget changes identified since the publication of the MTFS and the latest intelligence regarding the Spending Review announcement on 25 November 2020 and the provisional 2021/22 local government funding settlement subsequently announced on the 17 December 2020.
- 1.4 The 2021/22 budget has been prepared during one of the most challenging and uncertain times due to the ongoing impacts of Covid19 on the Council's finances, staff, residents, and local economy.
- 1.5 Government spending to combat Covid19 and mitigate its impact on businesses and individuals has led to record levels of public sector borrowing, and there is continuing uncertainty over the core funding that will be available to local authorities over the medium term.
- 1.6 One of the key outcomes of the Corporate Plan is achieving a robust financial strategy, the 2021/22 budget and medium-term financial strategy has been aligned to the Council's 5 Strategic priorities as shown in the following chart:

Key Factors

2 Financial Impact of Covid19

- 2.1 The Council has played a significant role in responding to Covid19, in supporting businesses and the most vulnerable in our communities as well as running essential services.
- 2.2 The financial impact of Covid 19 has been an evolving picture throughout 2020/21 and this will continue into 2021/22. The Council is forecasting additional costs in 2020/21 in the region of £2.2m including homelessness prevention, redeployment costs, support for the Leisure services, additional PPE, community grants and cleaning costs.
- 2.3 The Council's income streams have also been affected, with projected losses in the region of £1.5m including trade waste, car parking, planning income, and rental income.
- 2.4 The Government has provided support to local authorities through £4.6bn, new burdens funding, and £3.2m towards homelessness. However, Lewes District

Council's share of this £1.449m, falls short of the projected costs and losses in 2020/21.

- 2.5 The Council's capital programme has also been severely impacted by COVID19 with several projects falling behind schedule. The delivery of the programme may also be impacted by supply difficulties, for example increased costs from suppliers to cover the cost of additional PPE.
- 2.6 The financial impact of Covid19 for 2021/22 and beyond is difficult to predict, income streams have been reviewed and revised where appropriate and minimal costs are anticipated at this stage.

3 Economic Background

- 3.1 In November 2020, the Office for Budget Responsibility (OBR) published its independent economic and fiscal forecasts.
- 3.2 The coronavirus pandemic has delivered the largest peacetime shock to the global economy on record. It has required the imposition of severe restrictions on economic and social life; driven unprecedented falls in national income; fuelled rises in public deficits and debt surpassed only in wartime; and created considerable uncertainty about the future. The UK economy has been hit relatively hard by the virus and by the public health restrictions required to control it.
- 3.3 In the central forecast, the combined impact of the virus on the economy and the Government's fiscal policy response pushes the deficit this year to £394 billion (19% of GDP), its highest level since 1944-45, and debt to 105% of GDP, its highest level since 1959-60. Borrowing falls back to around £102 billion (3.9% of GDP) by 2025-26, but even on the loosest conventional definition of balancing the books, a fiscal adjustment of £27 billion (1% of GDP) would be required to match day-to-day spending to receipts by the end of the five-year forecast period.
- 3.4 The support provided to households and businesses has prevented an even more dramatic fall in output and attenuated the likely longer-term adverse effects of the pandemic on the economy's supply capacity. The Government's furlough scheme has prevented a larger rise in unemployment. Grants, loans, and tax holidays and reliefs to businesses have helped them to hold onto workers, keep up to date with their taxes, and avoid insolvencies. Nonetheless, OBR anticipate a significant rise in unemployment – to 7.5% in our central forecast – as this support is withdrawn in the spring.
- 3.5 The economic outlook remains highly uncertain and depends upon the future path of the virus, the stringency of public health restrictions, the timing and effectiveness of vaccines, and the reactions of households and businesses to all of these. It also depends on the impact of Brexit following conclusion of the negotiations. In such circumstances, the value of a single 'central' forecast is limited.
- 3.6 CPI inflation falls from 1.8% last year to 0.8% in 2020, due in part to lower indirect taxes and energy prices, as well as increased slack in the economy. Thanks primarily to relatively weak average earnings growth, inflation remains subdued over the next three years, returning to the 2% target by the end of 2024. Whole

economy inflation (as measured by the GDP deflator) is erratic in the short term, driven by the statistical treatment of public sector output (for example, school closures and the cancellation of non-virus-related operations are treated as raising the implicit price of education and health services). In the medium term, GDP deflator inflation settles at 2%.

4 Spending Review 2020 (SR20) 2021/22

4.1 The Government's three year Comprehensive Spending Review (CSR) was planned to conclude in July 2020, however, on 24 March 2020 the Chancellor announced that the CSR would be delayed 'to enable the Government to remain focussed on responding to the public health and economic emergency'.

4.2 On 21 October 2020, the Chancellor announced the decision to provide a one-year Spending Review in order to prioritise the response to Covid19 and focus on supporting jobs. Details of this SR20 were published on 25 November 2020. The key points that are relevant to Local Government are as follows:

a) Core spending power for local authorities in 2021/22 is estimated to increase by 4.5% in cash terms. In calculating CSP, it has been assumed that authorities will increase Band D by the maximum amount, and that each authority's taxbase has increased in line with their average taxbase growth since 2016/17.

b) £3bn worth of financial support to local authorities in 2021/22 in relation to Covid19 pressures as follows:

- £1.55bn of grant funding to meet additional expenditure pressures as a result of Covid19.
- £670m grant funding to help households that are least able to afford council tax payments.
- Estimated £762m compensation payments for 75% of irrecoverable loss of council tax and business rates revenues in 2020/21.
- Extending the current sales, fees and charges reimbursement scheme for a further 3 months until the end of June 2021.

c) Maintaining the existing New Homes Bonus scheme for a further year with no new legacy payments. This was confirmed in the provisional settlement on 17 December 2020 as two payments in respect of years 8 and 9 as planned, and a further one-off payment (year 11). The Government is inviting views on a replacement for NHB.

d) Continuation of the option for shire districts with the lowest council tax levels allowed increases in council tax of up to 2% or £5 whichever is higher, the £5 was confirmed in the provisional settlement.

e) Rural Services Delivery Grant (RSDG) will continue in 2021/22.

f) £254m of additional resource funding to tackle homelessness and rough sleeping in 2021/22.

g) The Government have indicated that they are unlikely to extend further Covid19 related support through business rates reliefs, outline plans for 2021/22 reliefs are expected in the New Year

h) Public sector pay freeze in 2021/22 for some workforces, pay rises for NHS workers and increases for the lowest paid. The Government has no formal role in the decisions around annual local government pay increases, these are developed through negotiations between the LGA and the relevant trade unions.

i) Confirmation that the Fair Funding Review, Business Rates Review and business rates reset will be delayed. A fundamental review of the business rates system will be undertaken, and the Government are considering responses to the call for evidence. A final report with conclusions of this review is expected spring 2021.

j) To support businesses in the near-term, the Government has decided to freeze the business rates multiplier in 2021/22, saving businesses in England an estimated £575m over the next five years. Local authorities will be fully compensated through S31 grants.

k) Reform of the Public Works Loan Board (PWLB) lending terms, ending the use of the PWLB for investment property bought primarily for yield. The Government cut PWLB lending rates to gilts + 100bps for Standard Rate and gilts + 80bps for Certainty Rate, with effect from 26 November 2020.

l) The government is launching a new Levelling Up Fund worth £4bn (£600m in 2021/22), to invest in local infrastructure that has a visible impact on people and their communities and will support economic recovery. Bids for projects of around £20m that can be delivered in 2-3 years will be considered. The Prospectus is likely to be released early in the New Year.

m) £300 million of new grant funding for adult and children's social care, in addition to the £1bn announced at SR19 that is being maintained in 2021/22. In addition, local authorities will be able to levy a 3% adult social care precept.

n) Negative Revenue Support Grant is now fully funded.

4.3 The Provisional Finance Settlement was announced on the 17 December 2020 and provided Lewes with additional funding of £663k which has been built into the 2021/22 budget. This can be broken down as follows:

- a new Lower Tier Services grant of £96k to help mitigate the reduction in core spending power as a result of the New Homes Bonus changes.
- New Homes Bonus was £73k more than originally estimated.
- Additional Emergency Covid-19 grant of £494k.

The headlines are as follows:

- No increase to the Business Rates baseline funding.
- £150m compensation for under-indexing the Business Rates multiplier, Lewes's share of this is being assessed currently. At this stage this has not been built into the baseline numbers as this will form part of the forecast Business Rates budgets that will be calculated in January along with the East Sussex Business Rates Pool forecasts.
- New one-off Lower Tier Services grant introduced of £111m to ensure no council will have less funding available in 2021/22 than 2020/21. Lewes's allocation is £96k.
- Lewes's share of the £1.55bn 5th tranche of Covid19 grant funding has been confirmed at £494k.
- New Local Council Tax Support Grant £670m – outside the core settlement and is to fund authorities for the expected increase in Local Council Tax Support in 2021/22. This grant is to be allocated between East Sussex County Council, Police and Crime Commissioner and Lewes District Council. Provisional allocations are as follows:

East Sussex County Council	£905k
Sussex Police Crime & Commissioner	£121k
East Sussex Fire & Rescue Services	£58k
Lewes District Council	£196k

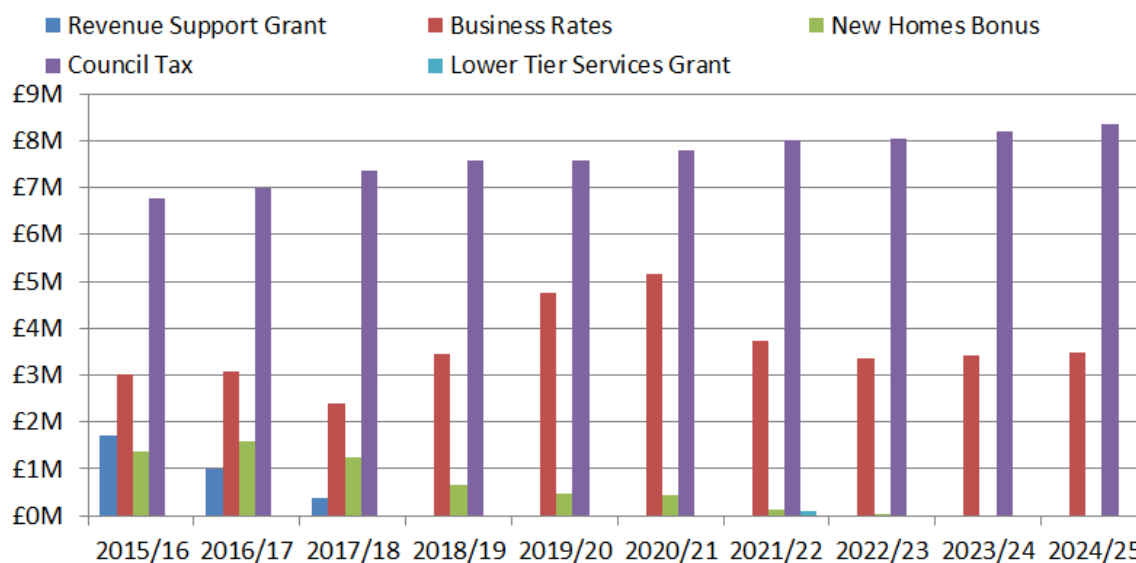
This has not been included in the funding at this stage until further work can be undertaken to establish how to fairly allocate Lewes's share.

- 4.4 The impact of above funding streams in the Council's budget and MTFs are summarised and included in the table below:

Table 1: Provisional Finance Settlement and Other Funding Resources

	2020/21 £m	2021/22 £m	2021/22 £m	2022/23 £m	2024/25 £m
Business Rates	4.790	2.994	3.054	3.115	3.177
Business Rate – Enterprise Zone	0.304	0.304	0.304	0.304	0.304
Business Rates - Surplus	0.073	0.472	-	-	-
Council Tax	7.713	7.876	8.034	8.194	8.358
Council Tax - Surplus	0.083	0.122	-	-	-
New Homes Bonus	0.439	0.141	0.016	-	-
CTax Support Grant	0.344	0.344	0.344	0.344	0.344
Lower Tier Service Grant	-	0.096	-	-	-
Total Resources	13.746	12.349	11.751	11.957	12.183

Chart 1: Funding Resources



Note the above includes annual surpluses and deficits relating to business rates and council tax.

5 Council Tax

5.1 The aggregate Band D council requirement comprises two elements:

- Special Expenses in respect of the cost of managing and maintaining parks and open spaces. The cost of each site is charged to the council taxpayers of that part of the district area in which it is located.
- General Expenses, all other costs.

5.2 The Council has made a commitment to passing on changes in the cost of the upkeep of open spaces. Special Expenses amounts are shown in the table below:

Table 2: Special Expenses

Town/Parish Area	Special Expenses 2021/22 £	Band D 2021/22 £	Special Expenses 2020/21 £	Band D 2020/21 £
Lewes	344,430	56.12	344,430	56.12
Newhaven	134,940	36.53	134,940	36.53
Telscombe	57,720	22.78	57,720	22.78
Seaford	58,590	6.17	58,590	6.17
Peacehaven	41,100	8.56	41,100	8.56
Chailey	1,120	0.86	1,120	0.86
Ringmer	4,410	2.35	4,410	2.35
TOTAL SPECIAL EXPENSES	642,310	17.45	642,310	17.45

- 5.3 Applying a £5 increase to the General Expenses element of the Council Tax gives a Band D tax amount of £197.08 as shown in the table below:

Table 3: Council Tax

	2020/21 £	2021/22 £	Change £	Change %
<i>Band D</i>				
<i>Special Expenses</i>	17.45	17.45	0.00	0.0%
<i>General Expenses</i>	192.08	197.08	5.00	2.6%
Total	209.53	214.53	5.00	2.39%

- 5.4 The Council has to give an indication of likely future council tax rises, it is still expected that council tax will rise by 2% per annum in line with inflation for each of the next three years. This is within the Government's target for inflation (1-3%) and the current ceiling on rises that would otherwise require a referendum.
- 5.5 Within this context, for 2021/22, the Council will raise £7.9M from its share of the council tax. This is determined by multiplying the council tax base of Band D equivalent dwellings by the Band d tax rate of £214.53 per annum.

6 2020/21 Revised Budget

- 6.1 The 2020/21 has been significantly impacted by the Covid-19 pandemic in terms of income losses and additional costs. The Council's Chief Finance Officer has been monitoring the financial impact of the pandemic on the Council's resources since the first national lockdown in March 2020. In helping members to assess the likely impact of the virus in a difficult to predict and plan for environment, a scenario based planning approach was introduced. This was to provide a range of outcomes and impacts based on a number of assumptions as summarised in the following table:

Table 4: Scenarios

Scenarios	Key assumption	Based on	Impact
1 – Best Case	July recovery and bounce back	MHCLG advice	Financial impact - manageable
2- Mid Case	Partial lockdown, slow recover and a longer term bounce back	Broader information	Financial impact - manageable with significant reduction in the Council's financial resilience.
3- Worst Case	Full year of lockdown	Developed at the time of the first lockdown. Prior to receiving any financial support.	Financial impact far in excess of available resources

Following campaigns by various networking groups and the ministry's greater understanding of the financial impact on the councils resources, series of financial support packages such as emergency COVID grant (T1,£39k- T2 £1m, T3157k and £225k) and later income compensation grants (75% of the 95% income loss relating to fees and charges) were introduced.

Whilst the Government has provided encouraging amounts of funding, there has still been a net cost to the Council. The following table sets out the key variances for 2020/21 and the funding being used to ensure a balanced budget is maintained.

Table 5: 2020/21 Major Movements

2020/21 Budget Variances	
Additional pressures	£
Reduced car parking income	420,000
Reduced rental income	334,000
Reduced FIT Income re Solar Panel Trading A/C	29,000
Corporate savings/ new income deferred	300,000
Loss of income from summons Costs and Liability Order	210,000
Reduced Recycling Credits (net)	59,000
Housing - additional net costs	777,000
Additional ICT costs	70,700
Provision of emergency and lockdown COVID support	1,449,700
	3,649,400
Efficiencies and other funding	
Reduced pension costs	(160,000)
Democratic Services - remote working savings	(23,800)
Other Net Budget Changes	(7,600)
Housing Revenue Account - additional services	(142,100)
Income Recovery Grant	(800,000)
Emergency COVID19 grant	(1,449,700)
Allocation of Contingency Budget	(342,150)
Use of Covid Reserve	(516,900)
Contributions from Reserves - Grant funded schemes	(207,150)
	(3,649,400)

6.3 A breakdown of the general fund summary is included at Appendix 1.

7 Medium Term Financial Position

7.1 The MTFS sets out the Council's four-year spending and funding plans, and is the financial framework for the development of the detailed 2021/22 budget.

The latest MTFS, as approved by Cabinet on 24 September 2020, forecast budget gaps in each of the next four financial years as follows:

Table 6: Previous MTFS Forecasts

	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Budget Forecast	16,836	15,021	14,326	14,372	14,409
External Funding	(12,825)	(12,240)	(12,419)	(12,639)	(12,914)
Annual Budget Gap	4,011	2,781	1,907	1,733	1,495
Cumulative Budget Gap	4,011	6,792	8,699	10,432	11,927

- 7.2 The MTFS has been updated with the latest forecast position. This incorporates the on-going impact of any pressures and mitigations identified in the first quarter's budget monitoring from 2020/21 and newly identified budget pressures. The forecast budget gap for 2021/22 has reduced by £1.443m to £1.338M, mainly due to additional funding from the provisional settlement (£663k), and improved assumptions on income losses and associated recovery claims (£1m).
- 7.3 A summary of the revised position, including the updated savings requirement, is shown in following sections.

Table 7: Summary of Revised MTFS Position

	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000
Budget Forecast	14,605	13,687	14,519	14,565	14,602
External Funding	(13,746)	(12,349)	(11,751)	(11,957)	(12,183)
Initial Budget Gap	859	1,338	2,768	2,608	2,419
Use of Contingency	(342)				
Use of Covid Reserve	(517)				
Member's Allowances		(20)			
Grant Funding Allocation		(350)			
Remote Working		(15)	(15)	(15)	(15)
Service Review Savings (Finance, Internal Audit, Regeneration & CMT)		(127)	(127)	(127)	(127)
Transformational Savings		(583)	(583)	(583)	(583)
Pay Award savings		(243)	(243)	(243)	(243)
Budget Gap	0	0	1,830	1,671	1,483

It should be noted that the business rates income figure for 2021/22 is subject to change following the completion of the NNDR1, which is due at the end of January.

Previously, any additional amounts arising from this have been set aside in the Business Rates Equalisation Reserve. However, it is planned for any potential amounts arising in 2021/22 to be allocated to:

- The creation of a capital programme acceleration reserve.
- The creation of a commercial asset resilience planning reserve.
- To top up those reserves used to fund Covid-19 reserve.

- 7.4 The amounts to be allocated will be subject to the finalisation of the business rates income estimates, and will form part of the final budget proposals to Full Council.
- 7.5 The forecast budget gaps from 2022/23 onwards are worse case scenarios taking on board the minimum baseline being used for business rates income and assumptions that the on-going impact of additional housing costs will continue.
- 7.6 To mitigate against these gaps, the Council will be reviewing its asset base to optimise asset use, making them work better for our communities, or to generate additional capital receipts.
- 7.7 Further papers will be developed and submitted to Cabinet in due course.

8 Reserves

- 8.1 The following table sets out the reserves position for 2020/21 and 2021/22.

Table 8: Reserves Summary

Reserves Summary	Balance as at 01-Apr-20 £000's	Transfers into Reserves £000's	Transfers out of Reserves £000's	Balance as at 31-Mar-21 £000's	Transfers into Reserves £000's	Transfers out of Reserves £000's	Balance as at 31-Mar-21 £000's
Asset Maintenance	(2,200)	-	300	(1,900)	-	-	(1,900)
Economic Regeneration	(1,666)	(304)	470	(1,500)	(274)	304	(1,470)
Managing In-Year Economic Downturn	(296)	-	296	0	-	-	0
Revenue Grants & Contributions	(503)	(404)	-	(907)	-	-	(907)
Strategic Change	(1,265)	-	300	(965)	-	-	(965)
Vehicle & Equipment Replacement	(751)	-	-	(751)	-	-	(751)
Elections Reserve	0	(30)	-	(30)	(30)	-	(60)
Business Rates Equalisation Reserve	0	(1,073)	104	(969)	-	-	(969)
Covid-19	0	(1,800)	516	(1,284)	-	-	(1,284)
Total Earmarked Reserves	(6,681)	(3,611)	1,986	(8,306)	(304)	304	(8,306)
General Fund Reserve	(3,425)	-	800	(2,625)	-	-	(2,625)
Total Reserves	(10,106)	(3,611)	2,786	(10,931)	(304)	304	(10,931)

Note that the balances as at 01 April 2020 are still subject to audit.

As previously reported, the £1.8m Covid-19 reserve was established by the following transfers:

- 8.2
- Asset Maintenance - £300k
 - Managing In-Year Economic Downturn - £296k
 - Strategic Change - £300k
 - Business Rates Equalisation - £104k
 - General Fund - £800k

Additional transfers have been made in respect of the following:

- Economic Regeneration – net (£166k) in respect of the Newhaven Enterprise Zone, Future High Streets Fund & Newhaven Town Deal. In 2021/22 the net transfer of (£30k) relates solely to the Newhaven Enterprise Zone.

- Revenue Grants - £404k, mainly in respect of Housing Needs grants received but not budgeted to be used at present.
- Election - £30k is now set aside each year to spread the cost of local elections.
- Covid-19 - £516k has been used to fund the additional costs incurred in 2020/21.

8.3 The General Reserve is forecast to be £2.625m by 31 March 2021 which is within the appropriate levels and £625k above the recommended minimum level of £2m.

8.4 The final budget report to Full Council will include a review of reserves and their adequacy as part of the Section 151 Officer Section 25 report. This will also include a more detailed narrative on the application and purpose of each reserve, and will also include details relating to the proposals set out in section 7.5 of this report.

9 Financial Planning Cycle

9.1 A typical financial planning cycle for a local authority is a continual process of review and challenge of future years' budget assumptions over a medium-term horizon. This is based on performance against the current year's budget, incorporating the costs and benefits of business change and responding to political and economic factors within the external environment.

Following the publication of this report, work will continue to further validate and monitor delivery against all of the key budget assumptions for 2021/22 and beyond.

Since the publication of the MTFS in September, the Council has reviewed its 2021/22 budget following consideration of the following areas:

- Priority objectives and service plan delivery;
- Planned business change and opportunities for increased value for money;
- Current levels of service demand and performance against budget; and
- The statutory environment that each directorate operates in.

9.2 The key financial assumptions within the MTFS have been refreshed to include the impact of:

- The capital strategy and rolling capital programme approved by Council in February 2019;
- Demographic and service demand pressures, which have been reviewed based on the latest national and local trends and management information available.
- Expenditure and income inflation indices, which have been reviewed using the latest economic data and contract information.
- An assessment of changes to government grants and funding;
- The Council's operational and financial performance in 2019/20 and 2020/21 with due regard given to the on-going impacts in future years.
- Validation of MTFS savings proposals.

Full details of the updated financial assumptions are contained within Appendix 4.

10 Capital Programme

- 10.1 As part of the budget setting process, the Council is required to agree a programme of capital expenditure for the coming four years. The capital programme plays an important part in the delivery of the Council's Corporate Plan and Medium-Term Financial Strategy (MTFS), which in turn supports wider service delivery.
- 10.2 Capital expenditure within the Council is split into two main components, the General Fund Capital Programme and the Housing Revenue Account (HRA) Capital Programme.
- 10.3 Capital programme recognises the spending limitations within the Finance Settlement for 2021/22 on the resources available. Therefore, the programme prioritises delivery to incorporate those projects that are either a statutory requirement or are essential to delivery of the Council's Corporate Plan. The programme includes schemes where the Council has been successful in securing funding from external grants and contributions, and schemes where the Council is pro-actively working with external bodies to secure funding. For these schemes to go ahead it is important that the funding is secured.

The programme has been compiled taking account of the following main principles, to:

- maintain an affordable four-year rolling capital programme;
- ensure capital resources are aligned with the Council's Corporate Plan,
- maximise available resources by actively seeking external funding and disposal of surplus assets; and
- not to anticipate receipts from disposals until they are realised.

The current economic climate also places further emphasis on ensuring that the levels of capital receipts are maximised through improved asset management and through the sale of surplus and underused assets. The Council recognises disposal of its surplus assets key to its overall financing of capital investment and at the same time reduced the demand on the revenue costs of capital.

- 10.4 Capital Funding Sources - The capital investment proposals contained within this MTFS rely upon an overall funding envelope made up of several sources, including borrowing, capital receipts, capital grants and revenue contributions.

Borrowing - The Local Government Act 2003 gave local authorities the ability to borrow for capital expenditure provided that such borrowing was affordable, prudent and sustainable over the medium term. The Council must complete a range of calculations (Prudential Indicators) as part of its annual budget setting process to evidence this. These make sure that the cost of paying for interest charges and repayment of principal by a minimum revenue payment (MRP) each year is considered when drafting the Budget and Medium-Term Financial Strategy. The Council's Draft Revenue Budget and Capital Programme 2021/22 to 2023/24 forecasts £93.7m (HRA of £46.3m and GF of £47.4m) of capital investment over the next three years with £39.8m met from existing or new resources. Over the

course of this MTFs, prudential borrowing of £53.8m (HRA of £26.2m and GF of £27.6m) has been assumed for the General Fund Capital Programme. The full capital programme covering 2021/22 to 2023/24 are contained within Appendix 3.

The Council's external authorised borrowing limit for 2021/22 is set at £139.3m with a General Fund limit of £107.7m and no external borrowing as at 31 March 2021. The 2021/22 borrowing is estimated as £30.0m. The HRA has no borrowing limit/cap as it takes its income from rents and services charges collected from tenants and spends this money exclusively on building and maintaining housing. Councils are able to borrow money within their HRAs in order to build more homes to provide more income, or even to refurbish or regenerate existing homes. The 2021/22 HRA borrowing is estimated as £61.7m.

Capital Receipts - These are generated when a non-current asset is sold, and the receipt is more than £10K. Capital receipts can only be used to fund capital expenditure or repay borrowing. In determining the overall affordability of its capital programme, the Council is taking a prudent approach of not including anticipated capital receipts as a source of funding in the programme until such a time when the income is received and realised.

Flexible Use of Capital Receipts – The Council has previously used the Flexible Use of Capital Receipts to fund the Joint Transformation Programme. The period over which this facility can be applied is 1st April 2016 to 31st March 2022 and it is proposed to continue this policy to fund or part fund delivery of the Recovery and Reset Programme.

- 10.5 Capital Grant - The Council receives additional grant funding for a variety of purposes and from a range of sources. These include the Ministry of Housing, Communities and Local Government (MHCLG) funding for Disabled Facility Grants and Environment Agency funding for Coastal Management projects.
- 10.6 Revenue Contributions - Although the Council can use its General Fund to pay for capital expenditure, as it has done in the past, the current financial constraints that are on the Revenue Budget means that this option is limited in the medium term.
- 10.7 General Fund Capital Reserves - Capital Short Life Asset Reserve – It is anticipated that this reserve will continue to fund assets with a life of less than 10 years, primarily being IT equipment and vehicles purchases.
- 10.8 HRA Right to Buy (RTB) Capital Receipts – The Right to Buy scheme helps eligible council tenants to buy their home with a discount of up to £84,200 (2021/22). The Council receives the sale proceeds of the Council House.
- 10.9 HRA Other Capital Receipts - These are generated when a fixed asset is sold, and the receipt is more than £10k. Capital receipts can only be used to fund capital expenditure.
- 10.10 HRA Contributions – Funding for capital expenditure on housing can be met from within the HRA. The future funding requirements will be informed by the Council's newly revised 30-year HRA business plan.

- 10.11 HRA Capital Reserves – Although the HRA subsidy system has ceased to exist, transitional arrangements allow the Council to continue to place the Major Repairs Allowance, as detailed in the settlement determination, in the Major Repairs Reserve. This is exclusively available for use on HRA capital expenditure.

11 Financial Appraisal

- 11.1 The S151 Officer will submit her Section 25 report on the robustness of estimates and adequacy of reserves to Full Council in February 2021. This report will be based on a detailed financial resilience and stress test of the Council's proposed income and expenditure plans.

12 Legal implications

- 12.1 Section 151 of the Local Government Act 1972 requires that every local authority make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs.
- 12.2 Sections 42A of the Local Government Finance Act 1992 requires local authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating their budget requirement.
- 12.3 The Chief Finance Officer, appointed under section 151 mentioned above, has a duty to report on the robustness of estimates and adequacy of reserves under section 25 of the Local Government Act 2003.

13 Risk Management implications.

- 13.1 Appendix 4 provides an analysis of risks associated with the MTFS and mitigating actions.

14 Equality analysis

- 14.1 The equality implications of any individual decisions relating to the projects/services covered in this report are addressed within other relevant Council reports.

15 Conclusion

- 15.1 The Council faces considerable financial challenges in the medium term, primarily relating to changes and uncertainty in both public finances and the wider economic environment.

16 Appendices

- Appendix 1 - General Fund Budget Summary
- Appendix 2 – MTFS Assumptions
- Appendix 3 – Capital Programme
- Appendix 4 – Risks

17 Background papers

The background papers used in compiling this report were as follows:

Provisional Local Government Finance Settlement 2021/22