COUNTY COUNCIL

Meeting date: 16 February 2017

From: Deputy Leader

Revenue Budget 2017/18 and Medium Term Financial Plan (2017-2020) and Draft Capital Programme (2017-2022)

PART A - RECOMMENDATION OF CABINET

On the 2nd February 2017, Cabinet agreed the budget proposal for recommendation to Council after consideration of the budget consultation process. Council is asked to agree the recommendations set out in Section 1.

1.0 RECOMMENDATIONS

1.1 Council agrees to a general increase of Council Tax by 1.99% for 2017/18. Council agrees to the additional precept for Adult Social Care of 2.00% for 2017/18.

1.2 If Council approves both the Adult Social Care precept 2% and the general Council Tax increase of 1.99% this would result in:-

a) The net revenue budget requirement for 2017/18 of £375.168m.

b) The Council Tax Requirement for 2017/18 of £213.929m which results in the precepts on the Districts as set out below:-

Table 1 – Precepts	***£***
Allerdale	***38,665,193***
Barrow	***23,952,358***
Carlisle	***42,181,311***
Copeland	***25,877,834***
Eden	***25,773,930***
South Lakeland	***57,478,381***
Total	***213,929,007***

c) *The following levels of Council Tax for each property band as set out below:-*

Table 2 – Council Tax Levels	*2017/18 £*	*2016/17 £*	*Increase (pa) £*
Band A (up to £40,000)	*854.01*	*821.25*	*32.76*
Band B (£40,001 to £52,000)	*996.35*	*958.12*	*38.23*
Band C (£52,001 to £68,000)	*1,138.68*	*1,095.00*	*43.68*
Band D (£68,001 to £88,000)	*1,281.02*	*1,231.87*	*49.15*
Band E (£88,001 to £120,000)	*1,565.69*	*1,505.62*	*60.07*
Band F (£120,001 to £160,000)	*1,850.36*	*1,779.37*	*70.99*
Band G (£160,001 to £320,000)	*2,135.03*	*2,053.12*	*81.91*
Band H (£320,001 and over)	*2,562.04*	*2,463.74*	*98.30*

1.3 Council agrees the 2017/18 Revenue Budget which includes the following:-

a) The draft Medium Term Financial Plan 2017-2020 (Appendix A).

b) The draft CCC Capital Budget for 2017/18 of £163.868m, set within the rolling programme of £322.125m (2017 - 2022).

c) The School's Budget for 2017/18 of £242.825m.

d) The use of reserves and levels of forecast reserves contained in the MTFP.

e) The fees and charges schedule for 2017/18 as set out in Appendix D.

1.4 Council agrees the Treasury Management Strategy for 2017/18 which is set out in Appendix F, specifically the:-

a) Treasury Management Strategy (Section 2) (including the borrowing strategy is set out in Section 2.4).

b) Annual Investment Strategy Statement (Section 3).

c) Prudential Indicators (Section 4).

d) Minimum Revenue Provision (MRP) Policy Statement (Section 5).

1.5 Council agrees the adoption and publication of the statutory Pay Policy Statement 2017/18 set out in Appendix G. This includes setting the minimum hourly rate at the UK Living Wage (as set by the Living Wage Foundation).

1.6 Council approves the transfer of net increases / decreases to Sources of Finance announced after the 16th February 2017 to the Council's Volatility Reserve.

Patricia Bell, Deputy Leader (Portfolio Holder for Finance)

ADVICE OF CHIEF EXECUTIVE

2.0 EXECUTIVE SUMMARY

2.1 ***The purpose of this report is to present to Council the draft Medium Term Financial Plan (MTFP) 2017-2020 which sets out the Council's revenue and capital spending plans, based on the budget saving propositions that were consulted on by Cabinet. The MTFP is attached at Appendix A. In addition to the MTFP, the report sets out the Council's Budget for 2017/18 and the Council Tax Requirement for 2017/18.***

2.2 ***The Budget Proposal has been prepared against a backdrop of:-***

a) ***Continuing austerity in public finances (the Council has agreed £198 million of savings to its annual budgets between 1 April 2011 and 31 March 2017). A requirement for further savings of £51.5m for 2017-20 are set out in this report;***

b) ***Increasing pressures upon key local services, in particular, care for the elderly and care for vulnerable adults and children; and***

c) ***General economic uncertainty in the medium termand future funding uncertainties.***

2.3 ***The Medium Term Financial Plan is the financial expression of the Council Plan. Taken together they demonstrate how the Council intends to align its priorities with its resources to deliver outcomes for the people of Cumbria. The Council Plan (2016-2019) was agreed by Council at its meeting on 18th February 2016 and it sets out five priorities, with a focus on services for children and older adults.***

2.4 ***2017/18 will be another challenging year as the Council's Budget continues to be reduced. This is the eighth year of financial reductions in funding to Local Government from Central Government.***

2.5 ***The Budget Proposal for 2017/18 for Council's consideration assumes:***

a) ***Increase in Council Tax of 1.99% (consistent with referendum limits set by Government);***

b) ***A Precept of 2% on Council Tax for Adult Social Care purposes;***

c) ***General increase in Fees and Charges of 2%; unless statutorily set or to comply with national guidelines;***

d) ***Revenue grants from Central Government are confirmed at levels consistent with the Draft Grant Settlement announced in December 2016;***

e) ***New savings from 1st April 2017 reducing the Revenue Budget by £15m;***

f) ***Capital programme is financed as set out in the report; and***

g) ***Treasury Management Strategy is agreed as set out.***

2.6 ***In 2016/17 all authorities with adult social care responsibilities were given the 'flexibility' to raise Council Tax by an additional 2% to be used on Adult Social Care; called the Adult Social Care Precept. The Council, in common with most local authorities with adult social care pressures, raised a 2% Adult Social Care Precept and assumed a 2% Adult Social Care Precept for 2017/18 and 2018/19.***

2.7 ***The Draft Local Government Finance Settlement announced on 15th December provided local authorities with the flexibility to apply a Social Care Precept of 3% in 2017/18 and 3% in 2018/19 and 0% in 2019/20. This flexibility could provide an additional £2m of funding in 2017/18 and a further £4.3m of funding in 2018/19 to support Adult Social Care services in comparison to MTFP Council Tax assumptions. Cabinet recommended to Council that the Council seeks to levy a 2% adult social care precept for 2016/17. The MTFP assumes this 2% precept is agreed every year for the three years.***

2.8 ***The Local Government Finance Settlement for 2017/18 has not yet been confirmed. It is unlikely to be confirmed before the 20th February 2017. It is recommended that any increases or decreases in grant funding announced following the confirmation of the Local Government settlement 2017/18 will be transferred to the Councils' Volatility Reserve. The principle of transferring balances to a Volatility Reserve relating to funding announcements following the Council meeting has been established in previous years and set out in the report to Cabinet on the 2nd February.***

2.9 ***Since the Cabinet meeting on 2nd February the 2017/18 Net Revenue Budget 2017/18 has been updated to reflect the final Council tax and Business Rates information received from the District Councils. This has increased the Net Revenue Budget for 2017/18 to £375.168m. This is as a result of a total increase in Sources of Finance of £0.746m which has subsequently been transferred to the Volatility Reserve.***

2.10 ***The increased Sources of Finance include an increase of £0.223m in respect of the Council Tax requirement, £0.183m in respect of Council Tax surplus, £0.121m in respect of Retained Business Rates and £0.219m additional Business Rates Grants.***

2.11 ***Table 1 sets out the funding challenge facing the Council. The MTFP (2017-2020) does not take account of the changes from 100% Business Rates Retention due to the uncertainty and assumes an additional 2% precept for Adult Social Care is levied in each of the next three years from local Council Tax payers.***

PDF-XChange Product
Click to buy NOW!
www.tracker-software.com

2.12 Overall it is projected the Council will have to deliver revenue (i.e. annual budget) savings of £250m since 2011/12. £52 million will need to be delivered from 2017/18 to 2019/20.

Table 3 – Summary of Saving	***2011/12 To 2016/17***	***2017/18***	***2018/19***	***2019/20***	***Total Savings***
	£m	***£m***	***£m***	***£m***	***£m***
Existing Savings already identified	198.443	1.165	(0.008)	0.000	199.600
New Savings identified starting 17/18	0.000	15.233	(4.253)	1.150	12.130
Savings still to find	0.000	0.000	26.693	11.527	38.220
Total Savings	198.443	16.398	22.432	12.677	249.950
Total Savings	**198.443**	**16.398**	**35.109**		**249.950**
Total Savings	**198.443**	**51.507**			**249.950**

2.13 The savings required to be delivered in 2017/18 are £16.398 million; split between £1.165m already secured from Council decisions from previous years, and new savings of £15.233m, subject to Council's consideration today, to be introduced from 1st April 2017.

2.14 A budget planning gap remains for years 2 and 3 of the MTFP. The budget gap for the two years is £36m. As a result of having to replace one off savings over the next two years, a total of £38m of new savings to find is required.

2.15 The £38m is split between new savings still to find of £26.7 million estimated for 2018/19 and an additional £11.5 million for 2019/20. This will be a priority for the new Administration following Local Elections in May 2017.

2.16 The Council needs to continue to invest in its infrastructure and assets to be able to deliver local services and recover from the December 2015 floods. The draft CCC Capital Programme for 2017/18 is £163.868m. Included in the draft capital programme 2017/18 – 2021/22 is £20.549m of new schemes proposed in this report. Alongside other proposed amendments and re-profiling of already approved schemes the overall CCC capital programme is proposed at £322.125m over the five years 2017/18 – 2021/22. Details are contained in paragraph 7.1 to 7.83 of this report and within the MTFP.

2.17 In agreeing the Budget for 2017/18, Council will also be required to agree its Treasury Management Strategy for 2017/18. The proposed strategy outlines the Council's approach to cash management, long-term borrowing and investment of cash and this is set out in Appendix E.

2.18 Council is asked to agree the Fees and Charges Schedule (set out in Appendix D) and to note the allocation of budgets to Local Committees (set out in Appendix F).

2.19 *In proposing the draft Budget to Council, the AD-Finance, in her capacity as the Council's Section 151 Officer has considered the robustness of the estimates used in determining the 2017/18 Budget, MTFP and Council Tax requirement for 2017/18 and the adequacy of Council reserves to meet the known financial risks facing the Council over the medium term. The MTFP assumes the level of General Fund Balance (i.e. general revenue reserves) is no less than £10m.*

2.20 *In summary, the Net Revenue Budget proposed for 2017/18 (expenditure less specific grants and fees and charges) is £375.168m. This is based on the assumption that there is a 1.99% increase to the County Council's element of Council Tax for 2017/18 and a further increase of 2.00% for the Adult Social Care precept.*

2.21 *Council is therefore asked to agree to increase Council Tax in total by 3.99% for 2017/18. For a Band D property this represents an increase of £49.15 for the year or a 95 pence increase per week. For a Band A property, this would be £32.76 for the year or a 63 pence increase per week.*

3.0 STRATEGIC PLANNING AND EQUALITY IMPLICATIONS

3.1 *The strategic planning cycle is the process which drives the development of the Council Plan and Budget. The process of reviewing and refreshing the Council's priority outcomes in light of the changing socio-economic context means that resources can be directed to where they are most needed. Directorates can then shape services to deliver outcomes in the most effective and efficient way.*

3.2 *The priorities for the Council are set out in the Council Plan 2016 - 2019. These priorities drive the work of the Council and the strategic planning process.*

a) *To safeguard children and support families and schools so that all children in Cumbria can grow up in a safe environment, and can fulfil their potential*

b) *To support older, disabled and vulnerable people to live independent and healthy lives*

c) *To enable communities to help shape their local services, promote health and wellbeing and support those in poverty*

d) *To provide a safe and well managed highways network, secure infrastructure improvements and support local economic growth*

e) *To be a modern and efficient council*

Click to buy NOW! PDF-XChange Product www.tracker-software.com

3.3 All budget proposals have been subject to an Equality Screening Process. The EIA process suggests that the Budget can proceed and that the Council is complying with its duties under S149 of the Equality Act 2010.

3.4 The majority of budget proposals are technical financial adjustments and do not require an Equality Impact Assessment (EIA). EIAs are considered in Section 11 and have been prepared in relation to:

a) Continuing the Internal Reshaping of the Council, this is attached at Appendix B;

b) Management restructure and changes to Penrith crewing; and

c) Ongoing review and redesign of adult care provision.

4.0 BACKGROUND

4.0.1 The Council is required to approve the Revenue Budget for 2017/18. This is set within the context of the Medium Term Financial Plan (MTFP) 2017-2020. The Revenue budget for Council to agree is contained within the MTFP. The draft MTFP is set out in Appendix A. The MTFP is intended to be a stand-alone document and it is the financial expression of the Council Plan.

4.0.2 This covering report provides a structure to support Council's consideration of the budget and MTFP and includes other supporting appendices. It is prepared to enable Council to approve a balanced budget for 2017/18, and the Council Tax requirement for 2017/18 and to provide the resource context for the planning of services over the next three years.

4.1 UPDATE SINCE CABINET – 4TH FEBRUARY 2016

Council Tax

4.1.1 Final figures have now been received from the six District Councils in Cumbria. This shows that the Council Tax Base for 2017/18 has increased by a total of 174 Band D Equivalent properties compared to the figures presented to Cabinet on the 2nd February. For 2017/18 this results in increased income from Council Tax of £0.223m.

4.1.2 The final Council Tax Surplus figures provided by the District Councils (relating to previous financial years) total £3.412m for 2017/18, this is an increase of £0.183m compared to the figures presented to Cabinet. Overall this results in additional income from Council Tax of £0.406m for 2017/18.

Business Rates

4.1.3 Final Business rate estimates for 2017/18 have been received from the District Councils. This has resulted in an increase in the forecast of £0.121m Retained Business Rates for 2017/18 since Cabinet.

4.1.4 This information received also provides an update on the value of the Small Business Rates Relief Compensation Grant that is paid by Government. This reflects the National policy to provide business rate relief to small businesses and due to it being a National Policy the District and County Councils are compensated for that loss in income. In 2017/18 the grant is expected to be £0.219m higher than originally estimated; this is reflected as an increase to the General Grants position.

4.1.5 The additional income received in 2017/18 following final Council Tax and Business Rates figures from the District Councils is set out in the table below. There is no change to the sources of finance assumptions in 2018/19 or 2019/20; these will be considered as part of the strategic planning process for 2018 - 2021.

Table 4 – Additional Sources of Finance	**2017/18 £m**	**2018/19 £m**	**2019/20 £m**
Council Tax Requirement	0.223	0	0
Council Tax Surplus	0.183	0	0
Retained Business Rates	0.121	0	0
General Grants – Small Business Rate Relief	0.219	0	0
Subtotal	**0.746**	**0**	**0**

4.1.6 It is recommended that these additional sources of finance are transferred to a Volatility Reserve. This principle was established in previous years and the potential for such a transfer was set out in the report to Cabinet on 2nd February. The Volatility Reserve will be reviewed during Q1 monitoring in 2017/18. The 2016/17 outturn position will have been reported to Cabinet at this point and the opening balance on the General Fund for 2017/18, compared to the target agreed by Council will be known.

Local Government Grant Settlement

4.1.7 The provisional (Draft) Grant Settlement was received on 15th December 2016. The Budget proposal agreed by Cabinet for Council to consider today was based on the figures announced in the Draft Grant Settlement.

4.1.8 The Final Grant Settlement is unlikely to be confirmed before the 20th February 2016. This is later than expected. As a result it is recommended that any increases or decreases to Grants announced within the Settlement will be transferred to the Volatility Reserve.

4.1.9 Overall, the Budget Gap position has not changed as a result of the updated income from sources of finance and the subsequent transfer to reserves. The impact on the Budget Gap position is shown in the table overleaf.

Table 5 – Summary position updated for changes since Cabinet	**2017/18 £m**	**2018/19 £m**	**2019/20 £m**
Consultation Budget Gap – Cabinet, Feb 2017	**0.000**	**26.693**	**38.220**
Council Tax Requirement	(0.223)		
Council Tax Surplus	(0.183)		
Retained Business Rates	(0.121)		

Table 5 – Summary position updated for changes since Cabinet	2017/18 £m	2018/19 £m	2019/20 £m
General Grants –Small Business Rate Relief	(0.219)		
General Grants – Grant Settlement	**(0.746)**	**0.000**	**0.000**
Changes to Sources of Finance			
Transfer to Volatility Reserve	**0.746**	**0.000**	**0.000**
Subtotal	**0.000**	**0.000**	**0.000**
Change to the Budget Planning Gap	**0.000**	**0.000**	**0.000**
Final Budget Planning Gap (Cumulative)	**0.000**	**26.693**	**38.220**

Budget Planning

4.2 2017/18 will be another challenging year as the Council's Budget continues to be reduced. Since June 2010, Local Government has seen reductions in funding from central government alongside changes to the way it is funded. The Council has agreed revenue budgets over the period 2011-2017 which have involved the reduction in day-day spending budgets of £198 million.

4.3 During the year work has been undertaken to determine the resource requirements of the Council through reviewing in-year budget monitoring information, the Autumn Statement announcements, Office for Budget Responsibility's (OBR) Economic and Fiscal Outlook (23rd November 2016) and the announcement of the Draft Local Government Finance Settlement (15th December 2016). For Cumbria the main headlines from these recent announcements are set out below:

a) Following the EU referendum and latest economic conditions the economic outlook for the UK has been downgraded. The Office for Budget Responsibility (OBR) is forecasting that growth is expected to slow down in 2017 and 2018 and inflation is likely to rise as businesses are less certain about investing in the UK and the fall in the value of sterling increases the prices of British imports such as food and fuel.

b) Public Sector borrowing is therefore expected to increase as the national deficit is likely to be higher. The Chancellor committed to additional borrowing and borrowing is now forecast to be £122bn higher in the period until 2021 than forecast in March's Budget. Of this additional borrowing £23bn will be invested in a new National Productivity Investment Fund (see paragraph 7.21) targeted at four areas that are critical for improving productivity: housing, transport, digital communications, and research and development (R&D). The remaining £99bn borrowing is as a result of a change in economic forecasts.

c) There is strong indication that interest rates are set to increase in the medium term.

d) The Chancellor announced that the government has abandoned its commitment to reduce public sector net borrowing to a surplus by the end of this Parliament. It is now planning for a deficit of £21.9bn in 2019/20, compared to the surplus of £10.4bn planned for at Budget 2016, the Government is now committed to returning public finances to balance "as soon as practicable".

e) The Chancellor announced that departmental spending plans set out in the 2015 Spending Review will remain.

f) Reductions to the Revenue Support Grant continue; The Council's Revenue Support Grant in 2012 was £148m and in 2017/18 the draft settlement is £40.6m; this is consistent with the MTFP projections.

g) The annual Social Care Precept of 2% can be applied at 3% in 2017/18 and 2018/19 subject to a maximum of 6% across the period 2017/18 to 2019/20.

h) A new 'adult social care support grant' has been announced for 2017/18 only. This will be allocated between local authorities based on relative need; Cumbria's share is £2.5m. The adult social care support grant will be funded through savings generated by reforms to the government's 'new homes bonus'; this effectively transfers grant funding from lower tier authorities to upper tier authorities. This is not new money, it is a redistribution of funding within the overall funding to Local Government.

i) Following the New Homes Bonus (NHB) consultation launched a year ago the provisional settlement announced the new scheme for 2017/18 onwards; a grant in 2017/18 will be paid on the basis of 5 years award and from 2018/19 on the basis of 4 years award. A baseline growth of housing of 0.4% is required before new homes bonus grant is paid for that year; i.e. there must be a 0.4% housing increase between 2015/16 and 2016/17 before a grant is paid in 2017/18. From 2018/19 additional conditions will be applied which will be subject to further consultation in 2017. The MTFP anticipated lower NHB grant levels in line with the provisional figures.

j) The Valuation Office has completed the revaluation of all businesses effective from April 2017. For Cumbria there has on average been a fall in valuations which is in common with the rest of the north of England. There will be a loss of retained business rate income for the Council and to compensate for this the Business Rates Top up grant has been increased.

4.4 As a result of the analysis of the Autumn Statement and Office for Budget Responsibility's (OBR) Economic and Fiscal Outlook and the announcement of the Draft Local Government Finance Settlement, the Budget Planning Gap 2017/18 – 2019/120 has been updated. These changes are summarised in Table 15 paragraph 6.24 and in the Medium Term Financial Plan (Appendix A).

5.0 MEDIUM TERM FINANCIAL PLAN 2017-2020 – REVENUE SPENDING PLANS

5.1 The Medium Term Financial Plan sets out the Council's Revenue and Capital Spending Plans for the period 2017-22. It is attached as Appendix A.

Revised Budget Planning Gap

5.2 A detailed description of the current financial context was provided within the Budget report presented to Cabinet on 20th October 2016. This set out a Revised Budget Planning Gap for 2017/18 to 2019/20.

5.3 Additional pressures for 2017/18 were identified following outturn reporting for 2015/16 and Q1 (30th June) Budget Monitoring report for 2016/17 considered by Cabinet in September 2016. The following pressures were included in the Revised Budget Gap:

a) Looked After Children – an estimated £5m pressure has been included for 2017/18 – 2019/20 to rebase the Looked After Children's budget to 2016/17 levels. In 2016/17 a one off £5.655m pressure was included, expenditure levels remain at this level and hence inclusion of this pressure increases the budget permanently.

b) The Q1 budget monitoring report had identified three other pressures; £0.8m relating to the net savings shortfall in People Management, Learning & Skills Service Review, £0.6m relating to a delay in fully delivering the Children Services restructure within Children's Services and £0.4m relating to non-delivery of the reshaping the waste services savings through working with District Councils; and

c) The Q1 budget monitoring report also identified that the changes to night time fire service crewing arrangements (duty system) saving is no longer expected to be achieved and will be now be replaced with additional savings from the Fire & Rescue Service, the pressure is presented overleaf and the related savings are set out in the directorate savings section.

5.4 The table overleaf summarised the position in relation to pressures in the October 2016 Cabinet Budget report:

PDF-XChange Product Click to buy NOW! www.tracker-software.com

Table 6 – Pressures	2017/18 Net	2018/19 Net	2019/20 Net
	£m	£m	£m
Looked After Children	5.000	5.000	5.000
People Management, Learning & Skills Service Review (Q1 Pressure)	0.800	0.800	0.800
Children Services delay in restructure (Q1 pressure)	0.600	0.600	0.600
Fire & Rescue Service Day crewing plus duty system saving	0.600	0.600	0.600
Waste	0.400	0.400	0.400
Pressures Total	**7.400**	**7.400**	**7.400**

5.5 Additional Council Tax and Business Rates income was forecast based on the 2015/16 year-end figures from the District Councils, received in June 16, as set out in the table overleaf:

Table 7 – Sources of Finance	2017/18 Net	2018/19 Net	2019/20 Net
	£m	£m	£m
Council Tax: Additional Surplus on Collection Fund	(1.500)	0.000	0.000
Council Tax: Additional growth in Council Tax base	(2.000)	(4.000)	(6.000)
Retained Business Rates	(1.600)	0.800	0.100
Sources of Finance Total	**(5.100)**	**(3.200)**	**(5.900)**

5.6 The October 2016 Cabinet Budget paper identified a revised Budget Gap position of £15.348m in 2017/18 increasing to £32.878m in 2018/19 and increasing further to £46.178m in 2019/20. This takes into account known pressures and updated assumptions in respect of Sources of Finance.

Table 8 - Revised Savings Gap	2017/18	2018/19	2019/20
	£'m	£'m	£'m
Budget Gap - 18th February 2016 (Council)	**13.048**	**28.678**	**28.678**
2019/20 Estimated Budget Gap			16.000
Pressures as at 30 September 2016	7.400	7.400	7.400
Revised Sources of Finance assumptions (Additional Income)	(5.100)	(3.200)	(5.900)
Revised Budget Gap	**15.348**	**32.878**	**46.178**

Corporate Savings – October 2016

5.7 Corporate budgets were reviewed and in the October 2016 budget report a number of savings proposals were identified:

a) Changes to the Minimum Revenue Provision (MRP) Policy. At its November 2016 meeting Council agreed to making amendments to the 2016/17 Minimum Revenue Provision (MRP) Policy. The amendments to the MRP Policy were effective from 1st April 2016. The proposed charge to the revenue Budget in respect of accounting for the borrowing the Council has undertaken to (part-fund) capital investment will now be aligned to the useful life of the underlying asset. The total MRP payable by the Council does not change, but the annual charge is re-profiled. It is assumed that Council will agree the 2017/18 MRP Policy as presented in the 2017/18 Treasury Management Strategy (Appendix E) which continues with this approach;

b) A review of earmarked reserves was undertaken and a one off reduction of £2m identified in 2017/18;

c) Inflation assumptions were updated in summer 2016 with the long term inflation projections available at that time, this resulted in savings being released from inflation; and

d) Savings from further internal reshaping of the Council was forecast to deliver £0.980m additional savings from 2017/18 based on the outcome from the 2016 Corporate Voluntary Redundancy window and vacancy management. In addition further service reviews are ongoing as part of the internal reshaping agenda.

e) Following the triennial valuation process for the Local Government Pension Fund employer contribution rates from 2017 onwards a saving will be achieved by making a prepayment to the Pension Fund (utilising available cash balances within the Council) to reduce the overall payment required. This upfront lump sum payment can only be made because the Council has carefully and appropriately accrued earmarked reserves and these can temporarily be used to assist the cash-flowing of this payment.

5.8 The table below summarises the corporate savings.

Table 9 – Corporate Savings	**2017/18 Net**	**2018/19 Net**	**2019/20 Net**
	£m	**£m**	**£m**
Revise Minimum Revenue Provision (MRP) Policy - in year 2016/17	(4.000)	0.000	0.000
Revise Minimum Revenue Provision (MRP) Policy for 2017/18 onwards.	(5.000)	(4.600)	(4.200)
Release of usable earmarked revenue reserves	(2.000)	0.000	0.000
Additional Inflation Savings	(2.000)	(4.000)	(5.300)
Continuing the Internal reshaping of the Council	(0.980)	(0.980)	(0.980)
Pension prepayment (in advance)	(0.218)	(0.500)	(0.750)
	(14.198)	**(10.080)**	**(11.230)**

Directorate Savings – October 2016

5.9 During the summer, work progressed to determine directorate savings. The following directorate savings were identified in the October 2016 Budget report:

a) In line with previous decisions to make contractual savings, there will be a further £0.250m saving from a contractual review in 2017/18.

b) The fees and charges schedule of the Council will be updated to include a charge payable by schools converting to academy status. The proposed charge (of around £5,000 per school) has been determined on the basis of resources required across the Council i.e. children's services, legal, property, HR and finance related activity to facilitate the decision taken by individual schools. Schools receive a grant from the DfE to prepare for academy status.

c) Commissioned adult care packages are being reviewed in line with previous decisions of Council, an additional saving has been identified from this work which will be delivered in 2017/18. Work is underway with service users to redesign care and support on an individual basis, ensuring their needs are met appropriately.

d) Savings within the Fire and Rescue Service of £0.300m in respect of a management restructure and changes to Penrith crewing without reducing the number of fire engines or current level of emergency response; delivers the same service in a different way.

e) The new retained fire fighter pensions scheme was expected to result in a pressure of £0.500m to employers (this was included permanently in the 2015/16 budget). It is now expected that only £0.200m will be required hence (£0.300m) can be released as a saving. It is expected that a future increase to employers' contributions (potentially in 2018/19) may still be required but until confirmed by Central Government it is not included in the MTFP assumptions.

5.10 The table below summarises the latest position in relation to directorate savings:

Table 10 – Directorate Savings	**2017/18 Net**	**2018/19 Net**	**2019/20 Net**
	£m	**£m**	**£m**
Ongoing review of contracts	(0.250)	(0.250)	(0.250)
Fees and Charges	(0.050)	(0.050)	(0.050)
Ongoing review and redesign of adult care provision	(0.250)	(0.250)	(0.250)
Fire & Rescue Service Management restructure and changes to Fire crewing	(0.300)	(0.300)	(0.300)
Reduced employer pension costs for retained firefighters	(0.300)	(0.300)	(0.300)

PDF-XChange Product Click to buy NOW! www.tracker-software.com

Table 10 – Directorate Savings	2017/18 Net	2018/19 Net	2019/20 Net
	£m	£m	£m
Total New Directorate Savings	**(1.150)**	**(1.150)**	**(1.150)**

5.11 After allowing for the Corporate and Directorate savings the October 2016 Budget report to Cabinet for Consultation with the public presented a balanced budget for 2017/18. However to balance the budget gap for the three year period from 2017/18 to 2019/20, additional savings of £33.798m were required. A summary is presented below:

Table 11 – Summary position	2017/18 Net	2018/19 Net	2019/20 Net
	£m	£m	£m
Revised Budget Gap – October 2016	**15.348**	**32.878**	**46.178**
Corporate Savings	(14.198)	(10.080)	(11.230)
Directorate Savings	(1.150)	(1.150)	(1.150)
Total Savings identified	**15.348**	**11.230**	**12.380**
Consultation Budget Gap – October 2016	**(0.000)**	**21.648**	**33.798**

Efficiency Strategy

5.12 On the 20th October 2016 Cabinet also approved its Efficiency Strategy 2017- 2020 and submitted that to Government. This was in response to Government offering a three year multiyear settlement in respect of certainty of the core funding streams of Revenue Support Grant, Transitional Grant and the Rural Services Delivery Grant if Councils published a three year efficiency strategy.

5.13 The strategy identified three principles for change (as defined in the Council Plan 2016 - 2019) that will drive the development of future savings to support the delivery of a balanced budget over a three year period:

a) Promoting self-help and Independence;

b) Area based working and shaping services locally; and

c) Reshaping and efficiency.

5.14 Due to local elections in May 2017 savings from these areas were indicative in the Efficiency Strategy and will be confirmed through the Councils strategic planning process. It will be a priority for the new Council after May 2017 to set a refreshed MTFP within the context of a new Council Plan. The Efficiency Strategy will be updated as part of that process.

5.15 The Efficiency Strategy also included an option to utilise the Government's new capitalisation flexibility. This is explained further in the capital section of this report.

5.16 On the 16th November 2016 the Council received confirmation from DCLG that the Efficiency Strategy 2017-2020 had been accepted and the Council was formally approved to be part of the Multi Year settlement agreement for 2017/18, 2018/19 and 2019/20 inclusive.

6.0 CHANGES SINCE OCTOBER 2016

Additional Pressures

6.1 The 2016/17 Q2 revenue budget monitoring report was presented to Cabinet on the 15th December 2016. Further work has been undertaken to review the risks and emerging pressures in 2016/17 as at the Q3 position (31st December 2016) and from that work additional cost pressures relating to Adult Social Care have been identified to be included within the 2017/18 budget.

6.2 These pressures are risks that have materialised in 2016/17 and are expected to have a permanent impact on the budget. They are;

a) Reduced Level of Health Care Services Income from Service Users (Health and Care services):

There has been a downward trend over recent years with regards to income received from personal contributions. The Health and Care Budget was rebased in 2014/15 and virements to reduce income and related expenditure were approved in 2015/16. Overall the income budget has reduced from £45m in 2015/16 to £38.8m in 2016/17, a reduction of £6.2m. This trend in reduced income has continued in 2016/17.

There are a number of reasons for this significant decrease in income from personal contributions. The principal factors relate to lower numbers of 'paying' customers and a greater number of full fee payers making their own arrangements for care. In addition, the relationship between increasing use of direct payments, on-going re-assessment of care packages and contributions, reductions and changes in staffing and systems in 2016/17 and permanent administration arrangements going forward is multi-faceted.

It is proposed that a permanent pressure of £2.5m is included in the budget. This would be a permanent re-basing of this budget. Risks of further reductions in income will need to be assessed in 2017/18 and any increased pressure to be accommodated must be considered in the longer term i.e. for the MTFP beyond 2018.

b) Reablement / Domiciliary Care:

The Council is looking to increase the capacity for the provision of independent sector domiciliary care services, with a view to enhancing the focus of internal reablement activity, in order to collectively support

PDF-XChange Product Click to buy NOW! www.tracker-software.com

the reduction of Delayed Transfers of Care (DToC) within the NHS attributable to Social Care. Demand for reablement and independent sector domiciliary care services has continued to grow, largely due to seasonal and increasing demographic demand pressures. As a result expected efficiencies from the capacity of the independent sector to provide domiciliary care and release Cumbria Care resources, as assumed in the budget, have not been realised in-year, resulting in a budget pressure in 2016/17.

The budget pressure in 2016/17 is estimated at £0.2m as it is a part year effect from 1st January 2017. The actual cost pressure in 2017/18 will depend upon demand pressures, the ability to recruit into the additional reablement posts, the ability of the independent sector to meet demand, and the extent of the impact of reablement. Risks in relation to this activity will need to be monitored – as it has direct link to the Better Care Fund. A minimum cost pressure of £1m is required to be accommodated in 2017/18.

6.3 The Budget Planning Gap 2017/18 – 2019/20 has been updated for these Adult Social Care pressures:

Table 12 – Summary position updated for Adult Social Care	**2017/18 £m**	**2018/19 £m**	**2019/20 £m**
Budget Planning Gap at (October 2016)	**(0.000)**	**21.648**	**33.798**
Adult Social Care Pressures			
Reduced Level of Health Care Services Income from Service Users	2.500	2.500	2.500
Reablement / Domiciliary Care	1.000	1.000	1.000
Increase / (Decrease) in Budget Gap – Pressures	**3.500**	**3.500**	**3.500**
Revised Budget Planning Gap	**3.500**	**25.148**	**37.298**

Grant Changes

6.4 The Provisional Local Government Finance Settlement was announced on the 15 December 2016 and provided an update on a number of the Council's grants as set out in the paragraphs below.

Improved Better Care Fund

6.5 The 2015 Spending Review announced that £1.5bn nationally would be added to the ring-fenced Better Care Fund (BCF) progressively from 2017/18 reaching £1.5bn in 2019/20, the Council's share of this was not included in the 2016 – 2019 MTFP. An extrapolation value of the increase in the Better Care Fund for 2017/18 was included in the October 2016 Budget Gap position estimated at £1.1m. The Draft Settlement confirmed the additional allocation for the Council is £1.1m in 2017/18.

6.6 The Draft Grant Settlement also confirmed that the additional Better Care Fund will be paid directly to local authorities as a Section 31 General Grant.

6.7 It was initially assumed that the additional BCF income would be required to be spent on 'new' schemes. It was therefore assumed not to be available to support Council services. However given the increased investment in home care services and in particular the expansion of the reablement service it is proposed that this additional grant income will be utilised to support that cost pressure (see paragraph 6.2b).

6.8 For 2018/19 and 2019/20, because of the uncertainty of the conditions around the additional income, it has continued to be assumed that there is a corresponding increase in costs i.e. the additional incomes does not reduce the Budget Planning Gap.

Better Care Fund

6.9 Health and Social Care Integration is a priority for both the County Council and the NHS. Developing effective ways to coordinate care and integrate services around the person is seen nationally and locally as key to improving outcomes and ensuring high quality and sustainable services in the future.

6.10 The Better Care Fund was fully in place in 2015/16. Under the mandate to NHS England for 2017/18, NHS England is required to ring-fence £3.582 billion nationally within its overall allocation to Clinical Commissioning Groups to establish the Better Care Fund. In addition there will be an allocation for 2017/18 in respect of the Disabled Facilities Grant, £394 million in 2016/17, which is paid directly from the Government to local authorities (principally District Councils).

6.11 Of the £3.582 billion indicative Better Care Fund allocation to Clinical Commissioning Groups, £1.018 billion of that allocation is ring-fenced for NHS out of hospital commissioned services.

6.12 It is expected that in 2017/18 there will be a risk share element to the Better Care Fund. Given ongoing concerns within the Cumbria health economy the BCF income will likely be subject to performance criteria. This will be negotiated as part of the BCF sign off during 2017. At the time of preparing this report, the only approach that can be taken is that any risk share apportioned to the County Council will be required to be funded from reserves.

6.13 In summary the Council's Budget 2017/18 assumes £20.5 million of base Better Care Fund and the additional £1.081m Improved Better Care Fund allocation.

Adult Social Care Support Grant

6.14 A new 'adult social care support grant' was announced for 2017/18 only and allocated between local authorities based on relative need; Cumbria's share is £2.5m. The adult social care support grant will be funded through savings generated by reforms to the government's 'new homes bonus'; this effectively transfers grant funding from lower tier authorities to upper tier authorities.

New Homes Bonus

6.15 The New Homes Bonus (NHB) was introduced in 2011/12 and is funded by a top slice from the Revenue Support Grant (RSG). It is a grant paid by Central Government to all upper and lower tier councils to incentivise them to increase the number of available homes with 80 per cent paid to the district council and the remaining 20 per cent going to the county council. It adversely impacts on the County Council as more RSG is lost than received in NHB grant.

6.16 Following the New Homes Bonus consultation launched a year ago the provisional settlement announced the new scheme for 2017/18 onwards; a grant in 2017/18 will be paid on the basis of 5 years award and from 2018/19 on the basis of 4 years award. There will be a baseline growth of housing of 0.4% required for the annual grant award for 2017/18 and from 2018/19 additional conditions will be applied which will be subject to further consultation in 2017.

6.17 Across Cumbria initial analysis shows that 4 out of 6 districts have seen a reduction in their new homes bonus whilst 2 have seen a slight increase. The change between 2016/17 and 2017/18 will depend on the number of houses built in the year that drops out (2011/12) as well as in the latest year (2016/17) that will impact on the change in grant.

6.18 In 2016/17 the Council received £1.886m of New Homes Bonus grant funding. The MTFP had assumed this reduced from 2018/19 onwards when it was expected that the new funding regime would be implemented. The provisional settlement confirmed the Council's assumptions which are broadly in line with the MTFP:

Table 13 – New Homes Bonus	**2017/18**	**2018/19**	**2019/20**
New Homes Bonus – Draft Grant Settlement (December 2016)	(1.865)	(1.271)	(1.219)
New Homes Bonus – MTFP (October 2016)	(1.896)	(1.191)	(1.191)
NHB Grant Changes - Increase / (Decrease) in Budget Planning Gap	**0.031**	**(0.080)**	**(0.028)**

Education Services Grant

6.19 The Education Services Grant (ESG) was introduced in 2013 and is paid to local authorities to fund the duties that local authorities deliver for all pupils. For 2017/18 the grant will be transferred into the Dedicated Schools Grant as a specific grant, with School Forum approval required for this grant to be centrally retained to continue to support the statutory education services is relates to. This element for 2017/18 is estimated at £0.996m; Schools Forum at its meeting in Nov 16 approved in principle for this element to be centrally retained for 2017/18. This will be utilised to fund existing Children services activities originally funded by ESG. The original estimate in the MTFP for the ESG grant was £1.215m which is a shortfall of £0.219m.

6.20 Government has announced that there will be transitional funding for the period April 2017 to August 2017 to reflect the significant reduction in the ESG and this was confirmed on 20th December 2016. The estimated transitional funding for Cumbria is £1.222m; £0.219m of this general grant will transferred to Children services to be used to meet the shortfall in 2017/18, referred to in paragraph 6.19, leaving an additional £1.003m of general grant to support the Council's budget.

Table 14 – Education Services Grant	**2017/18**	**2018/19**	**2019/20**
ESG Specific Grant (via DSG) Draft Grant Settlement	(0.996)	(0.996)	(0.996)
ESG Transitional General Grant (April 17-Sept 17) – Provisional Settlement	(1.222)	0	0
Transfer of ESG General Grant to Children's Services to fund MTFP shortfall	0.219	0	0
Subtotal	**(1.999)**	**(0.996)**	**(0.996)**
ESG Specific Grant – MTFP (October 2016)	(1.215)	(1.215)	(1.215)
ESG Grant Changes - Increase / (Decrease) in Budget Planning Gap	**(1.003)**	**0.219**	**0.219**

6.21 There was an (unexpected) increase in the Rural Services Delivery Grant in 2016/17 as Government sought to recognise the service challenges presented in a super sparse area such as Cumbria. The provisional settlement increased the 2019/20 Rural Services Delivery Grant by £1.075m compared to the previous MTFP assumptions for 2019/20. The settlement confirmed the Rural Services Delivery Grant levels for the next three years; £4.659m for 2017/18, £3.584m for 2018/19 and back up to £4.659m for 2019/20.

6.22 The MTFP assumptions relating to the Extended Rights to Free Travel Grant has also been updated following the 2016/17 levels reported to Cabinet in the September 2016 Q1 budget monitoring report.

Business Rates

6.23 The Provisional Local Government Finance Settlement also provided information to enable the business rate income assumptions to be updated:

a) The Valuation Office completed the revaluation of all businesses effective from April 2017. For Cumbria there has on average been a fall in valuations which is in common with the rest of the north of England. There will be a loss of retained business rate income of £2m in 2017/18 for the Council and to compensate for this the Business Rates Top up grant has been increased.

b) Since October 2016 further analysis has been undertaken of expected business rates for 2017/18. Recent monitoring information from the Business Rates Pool and Districts is proposing that the Council's share of Retained Business Rates is now estimated to be £1m lower than originally forecast in the MTFP due to a number of factors; approval of a number of unexpected appeals in Eden and South Lakeland, reduced

PDF-XChange Product Click to buy NOW! www.tracker-software.com

growth evidenced in the most recent monitoring information and a possible increase in appeals following revaluation (effective from April 2017). The additional ESG transitional funding of £1.003m will broadly offset this £1m business rates pressure.

c) The Draft Grant Settlement announced provisional Section 31 Business Rates Relief Compensation grants; to compensate the Council for lost Business Rates retention income including the cap on the increase in the small business multiplier to 2% in 2014-15 and doubling of Small Business Rate Relief. There is an increase in these grants of £0.105m compared to the MTFP assumptions.

6.24 The Budget Planning Gap 2017/18–2019/20 has been updated for the other grant changes and business rates:

Table 15 – Summary position updated for other grant changes and business rates	**2017/18 £m**	**2018/19 £m**	**2019/20 £m**
Revised Budget Planning Gap	**3.500**	**25.148**	**37.298**
Grant Changes			
Improved Better Care Fund	(1.081)	(9.489)	(17.167)
Improved Better Care Fund – pressure on requirement to use funding to support additional services	0	9.489	17.167
Adult Social Care Support Grant	(2.518)	0	0
New Homes Bonus	0.031	(0.080)	(0.028)
Education Services Grant	(1.003)	0.219	0.219
Rural Services Delivery Grant	0.000	0.000	(1.075)
Extended Rights to Free Travel Grant	0.061	0.061	0.061
Subtotal	**(4.510)**	**0.200**	**(0.823)**
Business Rates			
Retained Business Rates – Revised assumptions	1.000	1.000	1.000
Retained Business Rates – Revaluations	2.007	2.241	4.637
Business Rate Top Up Grant - Revaluation	(2.007)	(2.241)	(4.637)
Section 31 Business Rates Relief Compensation Grants	(0.105)	(0.105)	(0.105)
Business Rates Subtotal	**0.895**	**0.895**	**0.895**
Revised Budget Planning Gap	**(0.115)**	**26.243**	**37.370**

Deliverability of new savings

6.25 The deliverability of the proposed new savings presented in the Budget Consultation report to Cabinet in October has been reviewed.

6.26 The October 2016 budget consultation included a £0.250m saving relating to an ongoing review of contracts. Since the savings consultation began our responsibilities have changed in relation to a contract that was expected to change and deliver this saving and it will be removed for 2017/18 and future years.

6.27 Following the continuing review of earmarked reserves it has been identified that an additional £0.135m of earmarked reserves can be released in 2017/18 to address this adjustment and to maintain a balanced budget position for 2017/18. This is as a result of the ability to release additional general grant reserves received before March 2014; these have all now been released as part of the 2017/18 one off use of reserves.

6.28 A corporate saving for inflation is proposed based on the latest inflation rates forecasted by the Office for Budget Responsibility (OBR). However it has also been stated that there is a risk that growth is expected to slow down in 2017 and 2018 and inflation may rise as businesses are less certain about investing in the UK and the fall in the value of Sterling increases the prices of British imports such as food and fuel. The Autumn 2016 OBR inflation rates have now been factored into the Councils MTFP planning assumptions; the OBR's RPI projections are 3.4% in 2017/18 and 2018/19 and reducing slightly to 3.1% in 2019/20. Following this review the original savings can still be proposed but if inflation rates increase above the level set out in the MTFP it may result in a budget pressure.

Table 16 - Revised Budget Planning Gap after sources of finance and updated saving proposals	**2017/18 £m**	**2018/19 £m**	**2019/20 £m**
Revised Budget Planning Gap Table 13	**(0.115)**	**26.243**	**37.370**
Remove Children Services contract savings	0.250	0.250	0.250
Additional saving 2017/18 only – release of Earmarked savings	(0.135)	0	0
Increase / (Decrease) in Budget Gap – Pressures	**0.115**	**0.250**	**0.250**
Revised Budget Planning Gap position – Jan 17 after sources of finance and updated saving proposals	**0.000**	**26.493**	**37.620**

Other Changes

Prudential Borrowing

6.29 There is an additional £5m prudential borrowing proposed in 2018/19 and 2019/20 as part of the capital financing for the capital programme for 2017/18 – 2021/22(see paragraph 7.65). This results in an additional revenue cost for the Treasury Management budget of £0.2m in 2018/19 rising to £0.6m from 2019/20.

6.30 The table below identifies that £38m of savings are required to be identified at a future date to deliver a balanced budget in the medium term; this has increased the cumulative budget gap by £4m since the October 2016 position presented to Cabinet. The changes from the October position presented to Cabinet and the position set out in this report are summarised in the table below:

Click to buy NOW! PDF-XChange Product www.tracker-software.com

Table 17 – Summary position updated for other changes	2017/18 £m	2018/19 £m	2019/20 £m
Consultation Budget Gap – October 2016	**0**	**21.648**	**33.798**
Adult Social Care Pressures	3.500	12.989	20.667
Additional Adult Social Care Funding	(3.599)	(9.489)	(17.167)
NHB Grant Changes	0.031	(0.080)	(0.028)
ESG Grant Changes	(1.003)	0.219	0.219
Rural Services Delivery Grant	0.000	0.000	(1.075)
Extended Rights to Free Travel Grant	0.061	0.061	0.061
Business Rates	0.895	0.895	0.895
Revenue cost of additional £5m prudential borrowing in 2017/18	0.000	0.200	0.600
Changes to Sources of Finance & Pressures	**(0.115)**	**4.795**	**4.172**
Ongoing review of contracts saving removed	0.250	0.250	0.250
Release of Earmarked Reserves 17/18	(0.135)	0.000	0.000
Subtotal	**0.115**	**0.250**	**0.250**
Change to the Budget Planning Gap	**0.000**	**5.045**	**4.422**
Final Budget Planning Gap (Cumulative)	**0.000**	**26.693**	**38.220**

Refugees

6.31 On 15th December 2016 the County Council agreed to act as lead authority for the provision of resettlement support in Cumbria for refugees and to sign the North West regional agreement to offer support to Unaccompanied Asylum Seeking Children (UASC) in response to the Government's National Transfer Scheme that had been established to help disperse children seeking asylum in areas such as Kent and unaccompanied asylum seeking children leaving Calais or other European Countries. Partners across Cumbria would make a collective offer to Government to resettle 285 refugees over three years between 2017-2020. Refugees are expected to be settled in Cumbria from April 2017. There are national funding arrangements in place for the Transfer Scheme, although the detail is not fully understood and so the financial impact (costs and grant income) have not been reflected in the budget estimates at this stage.

Residential Care – Independent sector

6.32 Residential Care – increases to rates payable. The Council provides a contribution towards the cost of care where the recipients do not fund the full cost of care themselves. A consultation letter was sent to providers in December 2016 setting out a proposed increase to rates payable per week to independent residential care and nursing providers. In setting the rates payable for that residential care in 2017/18, an increase of 3.2% in relation to 2016/17 is included in this budget proposal. This increase reflects inflationary cost pressures of providers, in particular the increase to the National Living Wage from £7.20 per hour in 2016/17 to £7.50 per hour in 2017/18 as set by the Government (effective from 1st April 2017).

PDF-XChange Product Click to buy NOW! www.tracker-software.com

6.33 Following that consultation it has been determined that the increase proposed for independent sector Older Adult rates is 3.2% for Bands 2, 3 and 4. Band 1, the lowest band, was removed from the pricing structure in 2016/17.

6.34 What is termed the “usual” price for the cost of independent residential care proposed for 2017/18 is stated in the table below:

Table 18 – Usual Price for Residential Care (Independent Sector)				
	April 2016 Per week (£)	**April 2017 Per week(£)**	**% increase**	**£ per week increase**
Band 2	463	478	3.2%	15
Band 3	538	555	3.2%	17
Band 4	492	508	3.2%	16

Consultation Feedback

6.35 In considering the Revenue Budget for 2017/18, the savings contained in the MTFP have been subject to public consultation with Members, staff and a range of stakeholders. The formal consultation and engagement phase on the budget propositions commenced on the 20th October 2016 and ended on the 20th January 2017.

6.36 Engagement and consultation through Scrutiny is an important part of this process. A scrutiny workshop was held on the 4th November 2016 and the response considered by Cabinet on the 15th December 2016.

6.37 Appendix C sets out the feedback from the consultation. Members' considered this feedback prior to recommending this Budget to Council

6.38 90 dedicated responses were received from the public as part of the official consultation.

6.39 The responses focused on the two key questions

a) Should we increase Council Tax by 1.99% to avoid having to make a further £4m of savings in 2017/18; or leave Council Tax at the current rate?

b) Should we take up the Government's proposal for a 2% precept to support Adult Social Care services to avoid having to making a further £4.1m of savings or leave Council Tax at the current rate?

6.40 Appendix C also summarises the range of written comments received as part of the consultation. Members' consideration of this feedback is required.

6.41 Overall, the consultation response supports a 2% precept to support Adult Social Care services, which was consistent with the Government's position on the ASC precept at the time consultation commenced.

Summary – Net Revenue Budget for 2017/18

6.42 Following all the amendments presented in this report the Net Revenue Budget for 2017/18 has increased to £374.828m. After taking account of general grants and the Council's share of locally retained business rates, the Council Tax Requirement for 2016/17 is £213.929m.

Fees and Charges

6.43 In determining the Gross Budget for the Council estimated income from specific grants and fees and charges are included. This supports expenditure on services.

6.44 The recommended fees and charges increases for 2017/18 are linked to inflation assumptions at 2%. Where changes to fees and charges, other than statutory charges, are below or above assumed inflationary increases this is shown in the schedule and often relates to rounding of fees and charges to reasonable values. Where fees and charges are set by statutory bodies the relevant inflation factors have been applied or are still to be confirmed.

6.45 The only exception to this is within the Registration Service. Following advice from the General Register Office governing body, the Fees and Charges have been realigned to meet current working practices. In line with the 2016/17 budget monitoring position income levels have increased with a corresponding increase in expenditure. 2017/18 income levels are expected to remain comparable with 2016/17.

6.46 In respect of non-residential care services the fairer charging weekly cost ceiling will be raised to £478 per week (re paragraph 6.34). This is the maximum the Council will charge users of non-residential community services. This is in line with the existing policy whereby it is set equivalent to the cost of the lowest residential band cost, now Band 2, and therefore does not provide a disincentive to move from non-residential care to residential care services. The ceiling for 2016/17 was £463 per week.

6.47 Council is recommended to agree the Fees and Charges Schedule for 2017/18 as set out in Appendix D.

General Grants

6.48 The Medium Term Financial Plan provides analysis of the General Grants expected to be received by the Council over the next three years. For 2017/18 the Council expects to receive £33.783m; at the time of writing this report not all of the grants have been confirmed so estimates are provided. Details of all General Grants are provided in the MTFP (Appendix A).

Specific Grants

6.49 In the MTFP there is analysis of the specific grants the Council expects to receive during 2017/18; at the time of writing this report not all of the grants have been confirmed so estimates are provided. In total this is £286.637m of which the majority £234.966m is Dedicated Schools Grant (CCC schools only). The MTFP sets out the main specific grants the Council receives.

Local Committee Budgets

6.50 The proposed budgets as they relate to Local Committees were presented to the Leadership and Local Committees Chairs Meeting on 26th January 2017 and these are set out in Appendix F. The process by which Local Committee budget allocations are determined is that they are considered by County Council in total as part of the overall budget setting process, and individual allocations are agreed by Cabinet.

6.51 In total the revenue allocation for Local Committees in 2017/18 is £7.989m.

6.52 In terms of the Local Committees budget, there is flexibility on the use of the General Provision, 0-19 Services, Universal Youth Services, School Crossing Patrols and Local Member Schemes. Highways revenue allocations must be spent on highways activities and the Neighbourhood Teams, Sandgate Hydrotherapy Pool and Money Advice allocations are ring fenced to those areas. They can be supplemented by other budgets.

6.53 In respect of Capital allocations the Council receives two annual grants from Dft; Integrated Transport Allocations and Maintenance Allocations. In total for 2017/18 the Council will receive £28.875m. This total allocation is then allocated across the four elements of the Transport Capital Programme. The Local Committee capital allocation is £19.057m for 2017/18. Added to this is the £2.500m additional capital allocation introduced in 2014/15 resulting in a total Capital allocation for 2017/18 of £21.557m.

6.54 It is for individual Local Committees to determine priorities in order to maintain the highway and deliver the Integrated Transport Plan.

6.55 The final 2017/18 budget also includes the 2016/17 reprofiled sums totalling £0.069m to give a final budget of £21.626m for 2017/18 as set out in the table below:

Table 19 - 2017/18 Local Committee – Highways Capital Allocations	**£m**
2017/18 Local Committee Highways Capital Base Budget	19.057
Additional Capital	2.500
Total allocation before approved reprofiles and accelerated spend	**21.557**
Capital (Eden) accelerated from 17/18 (Sep 16 Council)	(0.054)
Capital (Carlisle) reprofiled 16/17 to 17/18 (Sep 16 Council)	0.123
Total – reprofiles/ accelerated spend (Sep 16 Council)	**0.069**
2017/18 Local Committee - Highways Capital Allocations	**21.626**

6.56 Appendix F shows the proposed budgetary allocations for each Local Committee as agreed by Cabinet. For 2017/18 the total revenue allocation is £7.989m and capital allocation is £21.626m.

6.57 Cabinet has approved both the Local Committee revenue allocations and the overall highways capital allocations subject to the agreement of the overall

PDF-XChange Product
Click to buy NOW!
www.tracker-software.com

budget by Council.

Schools Expenditure

6.58 The Education Funding Agency launched the second stage consultation on a National Funding Formula for schools on 14th December 2016, including a separate second stage consultation on High Needs Funding Reform; the arrangements for which will be implemented from April 2018 (2018/19 financial year). The deadline for responding to both consultations is 22nd March 2017. The Council will respond to these consultations.

6.59 Schools expenditure is funded from a Dedicated Schools Grant (DSG). The 2017/18 Schools' Funding Settlement was announced on 21st December 2016 which gave a provisional figure for DSG of £341.725m for Cumbria for 2017/18. Of this £242.825m is estimated to be for CCC schools with £98.900m estimated to fund academies directly, this compares to £234.966m for CCC schools and £97.570m for academies in 2016/17. The grant allocation will be updated in July 2017 to reflect the January 2017 early years census. Further information is provided within the MTFP (Appendix A).

Employer contribution rates – Local Government Pension Scheme (LGPS)

6.60 The current service employer contribution rate, in respect of staff who are members of the Cumbria LGPS, following the triennial valuation 2016 has increased from 13.5% of pensionable pay to 14.9%. The cost impact of the increase was assumed and has been contained in original Budget planning assumptions. All employers in the Fund received a briefing at the November Employers Forum from the Actuary in respect of the new contribution rates. There is no increase to the budget planning gap as a result of this increase.

Revenue Budget – Summary Budget Gap 2011 - 2020

6.61 The Budget Proposal for 2017/18 is a balanced budget position.

Table 20 – Summary of Saving	***2011/12 To 2016/17***	***2017/18***	***2018/19***	***2019/20***	***Total Savings***
	£m	***£m***	***£m***	***£m***	***£m***
Existing Savings already identified	198.443	1.165	(0.008)	0.000	199.600
New Savings identified	0.000	15.233	(4.253)	1.150	12.130
Savings still to find	0.000	0.000	26.693	11.527	38.220
Total Savings	198.443	16.398	22.432	12.677	249.950
Total Savings	**198.443**	**16.398**	**35.109**		**249.950**
Total Savings	**198.443**	**51.507**			**249.950**

6.62 The savings required to be delivered in 2017/18 are £16 million; split between £1 million already secured from Council decisions from previous years, and new savings of £15 million, subject to Council's consideration today, to be introduced from 1st April 2017.

PDF-XChange Product Click to buy NOW! www.tracker-software.com

6.63 A budget planning gap remains for years 2 and 3 of the MTFP. The budget gap for the two years is £36m. As a result of having to replace one off savings over the next two years, a total of £38m of new savings to find is required. This will be a priority for the new Administration following the local elections in May 2017.

7.0 MEDIUM TERM FINANCIAL PLAN 2017 - 2022 – CAPITAL SPENDING PLANS

7.1 The Medium Term Financial Plan (MTFP) sets out the Council's Revenue and Capital Spending Plans. The Capital Programme encompasses a five year period; with primary focus on the next three years for the MTFP.

7.2 This report asks Council to agree the draft 2017/18 Capital Budget, set within the overall Capital Programme from 2017-2022.

7.3 Any proposed changes to the Capital programme that affect 2016/17 will be recommended to Cabinet for approval as part of the Q3 budget monitoring reported to Cabinet in March 2017.

7.4 The development of the capital programme is an incremental process throughout the year. There are a number of potential schemes that are in development which will progress during 2017/18 but it is not recommended that they are included in the Capital Programme at this stage. These are reported in paragraph 7.51 and within the MTFP as 'Potential Schemes'.

7.5 As individual business cases for schemes are approved by Cabinet they will be recommended to Council for inclusion in the capital programme on a quarterly basis. The latest update to the full Capital Programme was agreed by Council at its meeting on the 7th September 2016.

7.6 The report also updates Council on the capital financing assumptions. All new schemes proposed to be included in the 2017/18 – 2021/22 programme are fully funded, as are all existing schemes. The detail is shown in paragraph 7.83 in the capital financing section.

7.7 The new schemes proposed within the draft capital programme focus on delivering the Council's priorities and enhancing the assets that the Council owns to ensure they are fit for purpose to deliver effective services to the community of Cumbria.

7.8 The Council's asset management strategy aims to reduce the Council's building stock (excluding schools) significantly over the next few years resulting in surplus assets available to be sold. The capital programme therefore concentrates spend on those buildings that the Council intends to keep for the longer term.

7.9 As service reviews are completed as part of the Council's strategic planning process there is an expectation that further release of surplus assets may be available. Work continues at both at a Directorate level, by the Area Planning team and by the Property team to ensure an efficient and fit for purpose asset base is maintained for the delivery of services. Increasingly, joint working with partners is being explored, for example, the Co-located

Emergency Response Centre in Ulverston which provides a fit for purpose asset for both the County Fire Service and the Ambulance service.

7.10 As part of the Q2 monitoring report presented on 15th December 2016, Cabinet approved to recommend to Council:

a) the inclusion of the £3.600m capital spend associated with the A591 flood recovery scheme and associated funding;

b) the approval of the proposed reprofiling of £3.426m of approved capital spend into future years;

c) the approval of £0.250m in 2017/18 for the LEP Kendal Infrastructure (Burton Rd cycleway) Scheme funded from County Council capital financing initially and repaid from Growth Deal grant in 2018/19.

7.11 The Council capital programme for 2016/17 revised to reflect the Q2 monitoring report recommendations is £140.196m; this excludes the Accountable Bodies programme. This was set within an overall Council capital programme of £441.666m for the period 2016/17 – 2019/20.

7.12 In planning the 2017/18 – 2021/22 Capital Programme it is assumed that if already approved schemes have slippage at the end of the 2016/17 financial year the value of that slippage will be automatically carried forward to 2017/18. Slippage reflects a delay in timing of planned and approved spend on schemes that have already been approved by Cabinet and Council. At Q2 slippage was estimated at £1.461m for 2016/17.

7.13 Excluding 2016/17 the Council Capital programme before any inclusion of new schemes, reprofilings etc for 2017/18 – 2021/22 is £301.470m.

7.14 The proposed draft capital programme within this report also includes:

a) Inclusion of new capital schemes identified through the strategic planning process and approved by the Strategic Investment Group

b) Additional reprofilings and virements of already approved schemes to reflect updated information

c) Changes to scheme totals to reflect additional funding and contributions e.g. section 106, partner contributions etc

d) Removal of schemes where technical issues have arisen

New Capital Schemes

7.15 As stated previously the development of the Capital Programme is an incremental process. The new schemes that are proposed for inclusion in the Capital Programme are shown in the table below. In total the proposed new schemes value £20.549m. They are all fully funded.

Table 21 New Capital Schemes	**2016/17 £m**		**2017/18 £m**	**2018/19 £m**	**2019/20 £m**	**Scheme Total 2017-2020 £m**
Increased Priority Capital Maintenance for Schools			3.000	0.000	0	3.000
Devolved Formula Capital – devolved to schools			1.315	0.000	0	1.315
ICT Investment			0.400	1.000	0.600	2.000
Replacement of Fire Vehicles			0.750	1.000	1.000	2.750
Additional Pot Hole Action Funding – Highways			2.053	0.000	0.000	2.053
National Productivity Investment Fund			4.606	0.000	0.000	4.606
Area Planning			0.000	0.525	0.000	0.525
Capitalisation of Revenue Saving costs	0.500		1.500	2.500	0.000	4.500
Strategic Flood Recovery	4.700		0.300			0.300
Total value of new schemes	**5.200**		**13.924**	**5.025**	**1.600**	**20.549**

7.16 *Increased Priority capital maintenance for schools* - is required due to the significant and increasing backlog maintenance issues due to insufficiency of government funding in order to deliver the priority 1 maintenance (safe, wind and watertight) work that is required. The additional £3m of capital spend is to reduce the risk of school closures due to maintenance failures during 2017/18, however this is continuing issue that will need to be addressed in future years.

7.17 *Devolved Formula Capital* – This scheme is fully funded by a grant from DfE and is delegated to schools based on a per pupil value to support schools to deliver an element of capital maintenance locally. The scheme value is an estimate based on last year's grant. The actual value of the grant for 2017/18 will be announced in April 17 as it is based on January 2017 pupil numbers.

7.18 *ICT investment* – This scheme supports a number of different strands of ICT investment that is required across the Council. This includes implementation of a corporate digital platform, introduction of an intrusion detection system, continued roll out of ICT equipment to key business areas, the continued roll out of audio/visual equipment to modernise Council meeting rooms and meet Better Places for Work standards and ongoing strengthening of our data centre and underlying ICT infrastructure.

7.19 *Replacement of Fire Vehicles* – There is a requirement to replace existing Fire engines as they become obsolete. This scheme provides a replacement programme for the fire engines to meet safety and maintenance requirements.

7.20 *Additional Pot Hole Action Funding* – Government announced in November 16 that the Pot Hole Action Fund would be increased nationally by £70m for 2017/18. This increases Cumbria's allocation from £1.444m in 2016/17 to £2.053m in 2017/18.

7.21 *National Productivity Investment Fund* - Government announced in November a new fund aimed to reduce congestion at key locations, upgrade or improve the maintenance of local highway assets to improve access to

PDF-XChange Product
Click to buy NOW!
www.tracker-software.com

employment and housing, to develop economic and job creation opportunities. Cumbria's allocation is £4.606m in 2017/18. Work is ongoing to identify and prioritise potential schemes that could benefit from this funding.

7.22 *Area Planning* - Council in September 2016 approved a virement of £1.5m from the Corporate Maintenance scheme to support capital requirements linked to area planning changes. This was allocated £0.5m in 2016/17 and £1m for 2017/18. This is assumed in the capital programme. Work has been ongoing on a number of schemes with individual business cases being developed and approved by the Area Planning Board and SIG to be delivered in 2017/18 and 2018/19.

7.23 Some area planning schemes will achieve capital receipts through the release of assets and combining service delivery locally. These receipts will be ring fenced to be used to deliver these and further area planning schemes and will not be available for the general capital programme. For some schemes an element of the Corporate Maintenance Fund (CMF) will also be utilised.

7.24 The schemes that have been approved include:

Table 22 – Area Planning

	Scheme spend			Proposed Funding			
	2017/18 £m	2018/19 £m	Total for Scheme £m	Area planning £m	CMF £m	Capital receipts £m	Total £m
Barrow Library	0.500	0.700	**1.200**	0.775	0.300	0.125	**1.200**
Whitehaven Hub	0.400	0.500	**0.900**	0.500	0.000	0.400	**0.900**
Ambleside Library	0.150	0.000	**0.150**	0.150	0.000	0.000	**0.150**
Total	**1.050**	**1.200**	**2.250**	**1.425**	**0.300**	**0.525**	**2.250**

7.25 The capital programme will increase by £0.525m to reflect the additional investment from the additional capital receipts ring-fenced to the delivery of the area planning schemes. The remainder of the schemes will be funded through the existing area planning scheme or as a contribution from the corporate maintenance programme.

7.26 *Capitalisation of revenue saving costs* – Government introduced a capital receipts capitalisation flexibility in 2016 and the Council through its Efficiency Strategy proposed using this flexibility to support the delivery of revenue savings.

7.27 The capitalisation flexibility allows the Council to charge revenue costs to the capital programme and hence finance the expenditure from capital receipts. To allow this there must be a clear business case showing how the revenue spend / investment will deliver additional revenue savings for the council. The flexibility is designed to help Councils' balance their budgets over the medium term.

7.28 The Council must also identify which assets the Council will aim to sell to finance the capitalisation flexibility spend and these must be separate to those identified to be spent for funding the main capital programme spend.

7.29 For budget planning purposes it is assumed that £4.500m of revenue spend will be capitalised over 2016/17 – 2018/19 to enable delivery of revenue savings. For 2016/17 it is expected that £0.500m of revenue saving costs can be charged to the capital programme. Cabinet in March 2017 will be requested to include this scheme into the capital programme as part of Q3 monitoring. For 2017/18 the draft capital programme presented in this report proposes a scheme of £1.500m in 2017/18 and £2.500m in 2018/19.

7.30 It is expected that the majority of the costs incurred will relate to Voluntary Redundancy (VR) and pension strain costs resulting from delivery of staffing savings following service reviews or a Corporate VR process. The capitalisation flexibility will supplement the use of the Modernisation Reserve for such costs.

7.31 *Strategic Flood Recovery Grant* – this capital scheme relates to an award of a grant of up to £5m to United Biscuits UK Limited (United Biscuits), utilising capital funding from the Department for Communities & Local Government. It is for the purposes of undertaking flood resilience works at its Carlisle factory in response to the storm events of December 2015 and to give the site protection against future storm events. This would help guarantee production at the Carlisle factory, thus safeguarding 710 permanent jobs directly, additional seasonal workers and many others in the local supply chain. On 2nd February Cabinet approved the decision to award the grant.

Virements between schemes

7.32 The proposed capital programme for Council to approve includes changes and virements between schemes. These will have no impact on the overall total value of the capital programme. These proposed changes and virements are:

a) Inclusion of the Individual Access Needs for schools schemes within the overall priority schools maintenance budget. Annually this budget has been estimated at £0.150m but it is needs led and will be managed as part of the overall schools maintenance budget.

b) Leachate Management – waste. It is proposed that the estimated cost of £0.2m per annum from 2017/18 will be delivered utilising the existing Corporate Maintenance Fund.

c) Virement of £0.500m from the Strategic Acquisition Fund in 2017/18 to Corporate Maintenance Fund to deliver additional maintenance required on Highways depots.

d) Virement of £0.200m in 2017/18 from Priority Schools Maintenance to Samuel Kings Alston scheme.

e) Virement of £1m from the Extra Care housing approved schemes in 2017/18 to the Extra Care housing available for new schemes. This follows the completion of the Brampton Extra Care Housing Scheme in October 2016, no other schemes are being delivered in 2016/17 or planned for 2017/18 at this time. The Extra Care Housing Framework

Click to buy NOW! PDF-XChange Product www.tracker-software.com

was advertised in December 2017 and the Extra Care Housing Grant Scheme will be advertised in February 2017. As future schemes are developed business cases will be presented to Cabinet for approval. This increases the available funding for contributing to future potential extra care housing schemes to £4m.

Highways Transport Block schemes – allocation of spend

7.33 In respect of the Highways Integrated Transport Block (ITB) and Maintenance Block funded schemes for 2017/18 the Capital programme already included an estimated value for the schemes of £26.621m (£2.546m ITB, £24.075m Block Maintenance Allocation). The methodology for providing funding for these schemes has been revised by Government and now includes an element of Incentive Funding. Cumbria County Council will be submitting the self-assessment at a Band 3 level for 2017/18. If confirmed this will result in an additional £2.254m of funding. This would result in a total of £28.875m for the Highways and Integrated Transport Maintenance Block in 2017/18. Confirmation of the funding is expected in March 2017.

7.34 Each year the needs based allocation reduces with increased funding available through the Incentive Fund. In 2018/19 it is expected that the Council will continue to achieve Band 3 which would results in a combined ITB, Block Maintenance allocation and Incentive Fund scheme value of £28.875m.

7.35 The proposed overall budget allocations for each area of the Highways Integrated Transport Maintenance Block follow the same allocations by proportion as in previous years and are shown in the table below. The revised allocations within the proposed capital programme across the schemes are shown in the table below:

Table 23: Transport Maintenance Allocations 2017/18

Block Heading	**Block Sub-Heading**	**Reprofile from 2016/17 (already approved) £m**	**Budget (New allocation) 2017/18 £m**	**Total Budget 2017/18 £m**
Integrated Transport Block (ITB)	Engineering Safety (ESS) – Studies and Implementation Measures	0	0.300	0.300
	Infrastructure Deficit support to District Councils	0.290	0.385	0.675
	Countryside Access Improvements	0	0.100	0.100
	Community Transport Improvements	0.285	0.000	0.285
	Traffic signals and Network traffic systems	0	0.190	0.190
	Sub-Total:	**0.575**	**0.975**	**1.550**
Primary Route Network (PRN)	Planned Lifecycle Maintenance		5.703	
Bridges and Structures	Planned Lifecycle Maintenance		3.140	
Non-Primary Route Network (NPRN)	Planned Lifecycle Maintenance		19.057	
	Total:		**28.875**	

7.36 The proposed allocations to each Local Area Committee of the Non-Primary Route Network budget of £19.057m remain unchanged from those in the previous year. These are as follows:

Table 24: Local Committee NPRN Capital Allocation 2017/18

Area	Allerdale £m	Barrow £m	Carlisle £m	Copeland £m	Eden £m	South Lakeland £m	Total £m
NPRN	3.914	1.357	3.375	1.971	4.004	4.436	19.057
£2.5m split	0.498	0.251	0.526	0.270	0.384	0.571	2.500
Total Allocation	4.412	1.608	3.901	2.241	4.388	5.007	21.557

Reprofiling

7.37 Following a review of the deliverability of the schemes within the capital programme the following reprofiling of scheme spend between financial years is included within the proposed capital programme. This reflects the latest position in respect of more certainty following consultant/contractor involvement. This involves the transfer of £29.476m of spend from 2017/18 to 2018/19 and also bring forward £0.150m of spend from 2019/20 to 2018/19.

7.38 The following reprofiles are included in the proposed capital programme. The table shows the reduction () or increase in the annual profiled spend.

Table 25 : Re-profiled Schemes

Scheme	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	Total Impact on capital programme £m
Sandside Lodge – transfer spend to 2018/19. Completion expected in Summer 2018		(2.988)	2.988	0	0
James Rennie – transfer spend to 2018/19. Completion expected in Spring 2018		(0.366)	0.366	0	0
Campus Whitehaven – Completion expected in Sept 18		(2.000)	2.150	(0.150)	0
Modernising Cumbria Care – Completion Date –Sept 18		(2.000)	2.000	0	0
DfT funded flood recovery scheme		(19.000)	19.000	0	0
Connecting Cumbria –Phase 2	(0.186)	(3.122)	3.308	0	0
Overall change	**(0.186)**	**(29.476)**	**29.812**	**(0.150)**	**0**

7.39 *Dft Flood Recovery scheme* – The three year Infrastructure Recovery Programme (IRP) is now profiled to spend £28.6m in 2016/17, £45m in 2017/18 and £44m in 2018/19 following the reprofiling of £19m from 2017/18 to 2018/19. It is also proposed that the remaining spend from the 2009 Flood recovery scheme of £1.047m and the remaining spend on the Severe Weather Allocation 2015 of £0.500m is merged and delivered as part of the overall IRP.

PDF-XChange Product Click to buy NOW! www.tracker-software.com

7.40 *Connecting Cumbria Phase 1* is due to be completed in 2016/17 with financial close in 2017/18. It is expected that an underspend position will be achieved and performance targets being achieved. This will be confirmed in 2017/18. In addition to the public sector funded element of the contract, BT are contracted to invest a contribution to the scheme. For Phase 1 this contribution has not been fully utilised. It is therefore proposed that £1.403m of this unused contribution is transferred to Phase 2 and delivered as part of that programme of works.

7.41 *Connecting Cumbria Phase 2* contract with BT started in 2016/17 delivering further superfast broadband services to Cumbria. The scheme total is £6.460m (the proposed capital programme has been corrected to reflect this correct value). This is funded £2.860m from BDUK and £3.600m from Growth Deal funding.

7.42 In addition to the Phase 1 underspend on the BT contribution of £1.403m BT is also required to provide a further £2.503m of investment in Cumbria over the next seven years linked to strong levels of service take up. They have agreed to invest this early as part of the Phase 2 contract. The principle of using this funding and the Phase 1 unused contribution as part of Phase 2 has been endorsed by BDUK.

7.43 The additional £3.906m (£1.403m +£2.503m) is estimated to deliver superfast broadband services to an additional 3,000 premises by circa September 2018. This additional spend will not be reflected in the Council's capital programme as the Council will not receive the funding directly, instead BT will contribute directly to the scheme. The spend and subsequent outcomes will still be monitored as part of the overall contract monitoring process.

7.44 The introduction of the BT contribution does allow the Growth Deal grant spend to be reprofiled to be utilised in 2018/19 and 2019/20 rather than in 2017/18 as the BT contribution will be utilised along with the BDUK grant first. The BT contribution is not shown in the County Council capital programme as it is funded direct by BT.

Table 26 – Connecting Cumbria	**2016/17 £m**	**2017/18 £m**	**2018/19 £m**	**Total £m**
Original scheme profile	2.400	4.000	0.140	6.540
Correction to project total			(0.080)	(0.080)
Reprofile an element of the Growth Deal funding	(0.186)	(3.122)	3.308	0
Revised scheme spend (excluding BT contribution)	**2.214**	**0.878**	**3.368**	**6.460**

Cumbria Local Growth Deal Projects

7.45 Already approved within the County Council and Accountable Body capital programme are a number of Local Growth Fund Schemes. Where these are being delivered by the County Council on behalf of the LEP they are shown within the County Council Capital Programme, where partners are delivering the schemes directly they are reported within the Accountable Body element of the capital programme. The spend by the County Council for 2017/18 is estimated at £6.576m

7.46 The Cumbria Growth Deal grant allocation for 2017/18 is £4.174m. Spend is planned above the grant value by utilising underspends from previous years and also utilising £3m of the Cumbria Infrastructure Fund.

7.47 Growth Deal 3 Schemes – Government announced on 23rd January 2017, an allocation of £12.7m to Cumbria in respect of Growth Deal 3 schemes. This is significantly less awarded than the original bid of £165m. The schemes that will receive Growth Deal 3 funding are as follows:-

a) Carlisle Station and the Citadels redevelopment;

b) Whitehaven Town Centre;

c) Lillyhall North;

d) Skills Capital Funding; and

e) Growing our Potential.

7.48 The profile of the Growth Deal grant has not been announced and hence the scheme spend is not proposed for inclusion within the Council and/ or Accountable Body capital programme at this stage. As further information is provided and revised business cases for the schemes are approved by the LEP the inclusion of the schemes in the capital programme will be requested.

Schemes removed

7.49 The Port of Workington Riverside Wall capital investment project requires review. Originally tendered at £2.4m issues with ground conditions in the river are likely to add a further £1.8m to the works. The work is currently on hold whilst alternative engineering solutions are being investigated. The original scheme value was £3.154m. £1.470m has been spent in 2016/17 and the updated capital programme assumes the removal of the remainder value of the scheme from the capital programme in 2016/17 (£1.684m) pending a review of what is required. As and when the scheme is further developed Cabinet will be asked to recommend to Council the inclusion of a new scheme.

7.50 The proposed capital programme for 2017 - 2022 is £322.125m. The Table below summarises the changes:

Table 27 Revised Capital Programme	**2016/17 £m**		**2017/18 £m**	**2018/19 £m**	**2019/20 and future years £m**	**Total 2017-2020 £m**
Capital programme (Dec 16)	n/a		179.420	77.187	44.863	**301.470**
New Schemes	n/a		13.924	5.025	1.600	**20.549**
Reprofiling	(0.186)		(29.476)	29.812	(0.150)	**0.186**
Correction to scheme total (Connecting Cumbria)	n/a			(0.080)		**(0.080)**
Revised Capital Programme	**(0.186)**		**163.868**	**111.944**	**46.313**	**322.125**

Potential Capital Schemes

7.51 There are a number of potential schemes that are still in development. As business cases are finalised and if they are approved by Cabinet throughout 2017/18 they will be recommended to Council for inclusion in the Capital Programme. The potential schemes are:

a) Extra Care Housing Strategy - There is funding already available within the capital programme which is not yet allocated to specific schemes. A framework for delivery of additional Extra Care Housing has been established along with an Extra Care housing Grant scheme. As projects are developed approval of use of this funding will be requested from Cabinet.

b) Prioritised Maintenance schools – it is expected that the additional pressure of £3m per annum will continue for 2018/19 onwards.

c) Better Placed for Work (BP4W) South Lakeland– This scheme is looking at the provision of modern office accommodation in South Lakeland providing a public sector hub.

d) New Primary School, North Carlisle – This reflects demand as a result of new housing development. It is expected that capital costs will be funded from Section106 developer contributions.

Capital Financing

7.52 Capital financing for the capital programme comes primarily from Government grants and borrowing. In addition the Council can utilise capital receipts, accrued through the sale of assets (such as surplus land and buildings), revenue contributions and the use of reserves. The main grants received relate to Highways and Transport and Schools.

Highways and Transport

7.53 In July 2014 DfT confirmed the Integrated Transport Block (ITB) element of the Highways Grant for Cumbria CC as £2.546m for 2016/17 and 2017/18. This followed a review of the formula used to distribute this element of the grant. There are no changes proposed to these allocations.

7.54 In December 2014 DfT announced the Highways maintenance grant allocations for 2016/17 to 2019/20. This followed a consultation on the allocation methodology. The allocation method now includes a gradual change to the Highways Maintenance Block Allocation. The majority of the funding will continue to be on a “needs basis” (but will reduce from 92.3% to 74.3% by 2018/19). There will also be the introduction of an ‘incentive fund’ element (5.1% rising to 18% by 2018/19) which will be allocated based on a self-assessment of the efficiency of the asset management processes. There will also be a ‘challenge fund’ (7.7%) for specific major projects.

7.55 It was announced in December 2014 that for the Highways Maintenance Grant the allocation for 2017/18 would be £24.075m. Indicative allocations for 2018/19 through to 2020/21 are shown in the table below. The table below shows the Highways and Maintenance grant allocation. It is assumed in the financing assumptions that the County Council will achieve Band 3 in 2017/18 and future years hence overall funding is expected to be £28.875m. The S151 Officer (AD Finance) is required by DfT to approve the self-assessment submission for the Incentive fund, based on a detailed assessment and assurance provided by the Directorate.

Table 28 – Highways & Transport	**2017/18**	**2018/19**	**2019/20**	**2020/21**
	£m	**£m**	**£m**	**£m**
Integrated Transport Block	*2.546*	*2.546*	*2.546*	*2.546*
Highways Maintenance Block (Needs)	*24.075*	*21.791*	*21.791*	*21.791*
Highways Maintenance Block (Incentives)	*2.254*	*4.538*	*4.538*	*4.538*
Total	***28.875***	***28.875***	***28.875***	***28.875***

7.56 Government announced in November 2016 that the Pot Hole Action Fund would be increased nationally by £70m for 2017/18. This increases Cumbria's grant allocation from £1.444m in 2016/17 to £2.053m in 2017/18.

7.57 Government also announced a National Productivity Investment Fund. Cumbria's allocation is £4.606m in 2017/18. Schemes are being determined.

Children's Services

7.58 Announcements regarding Children's Services Capital Grants for Priority Maintenance and Devolved Formula Capital are expected in February 2017.

7.59 In respect of the Prioritised Maintenance grant it is estimated that for 2017/18 through to 2019/20 the grant will be £4.863m per annum. The planned spend for Prioritised Maintenance for schools is higher than the annual grant value due to significant pressure on the maintenance budget and the requirement to fund some of the maintenance spends from corporate funding (prudential borrowing, capital receipts). If the grant when announced is lower than estimated additional corporate funding will be required to finance the overall scheme.

7.60 Planning assumptions with respect to Devolved Formula Capital provide for the same level of funding as for 2016/17 being available i.e. £1.315m. The value of the scheme will be adjusted when the final grant figures are announced in April 2017 as this is influenced by pupil number data collected in January 2017. This is devolved direct to schools.

7.61 It was confirmed in February 2015 that the Council will receive £1.773m of Basic Need funding in 2017/18. Basic Need funding allocations are determined by comparing forecast pupil numbers with school capacity; shortfalls in capacity attract funding with adjustments made to avoid double funding places. No assumption of funding being available from 2018/19 onwards has been made. All of the funding available has been allocated to specific schemes.

Health and Care Services

7.62 As part of the Better Care Fund arrangements for 2017/18 it has been indicated that the Council will continue to receive the increased Disabled Facilities Grant. As part of the Better Care Fund agreement this funding is passported to the District Councils. It is expected that this will continue in 2017/18.

Prudential Borrowing

7.63 Under the Prudential Code of Capital Financing the Council is permitted to borrow if it can prove that it is affordable, sustainable and prudent. The Council must meet the whole of the capital financing costs associated with this level of extra borrowing (referred to as Prudential Borrowing) via either compensating savings or by an increase in the level of Council Tax. A fundamental principle when determining affordability of capital spending is that all borrowing undertaken by the Council is secured on its future revenue income. However, note must be taken that in times of reducing and uncertain revenue budgets additional consideration must be given before raising borrowing limits above current levels.

7.64 Due to the levels of pressure already in the revenue budget, and in recognition of the reducing funding levels going forward, prudential borrowing has been kept to a minimum. However this has been balanced against the need to invest in the Council's assets in order to ensure that risks to the public and workforce are managed and also to recognise the need to invest in assets to deliver wider revenue savings.

7.65 Additional prudential borrowing of £5.000m had been assumed for 2019/20 in addition to the already approved £5.000m in 2017/18 and 2018/19. The revenue implications of this borrowing are already reflected within the revenue budget.

7.66 Due to the requirement to continue to invest in the Council's assets and the reducing availability of capital grants and the alternative use of capital receipts (to support delivery of revenue savings) it is proposed that for 2018/19 and 2019/20 an additional £5m of prudential borrowing each year will be recommended. This results in general prudential borrowing levels of £10m per annum in 2018/19 and 2019/20. The revenue implications of this additional borrowing have been included within the proposed revenue budget for 2018/19 and 2019/20 (set out in paragraph 6.29)

7.67 This borrowing will support schemes generally in the 2017-2022 capital programme. Prudential Borrowing is only approved up to a maximum of three years ahead as part of the Treasury Management Strategy.

7.68 As part of last year's capital programme Council approved £5m per annum for corporate maintenance schemes and also approved that it be funded from prudential borrowing. The revenue funding for the borrowing was assumed in the current MTFP assumptions.

7.69 The table overleaf summarises the level of Prudential Borrowing required for the following three years. At this stage the majority of the General Prudential Borrowing has already been allocated to schemes.

Table 29 – New Prudential Borrowing Requirements

Scheme	Prudential Borrowing £m			TOTAL £m
	2017/18	2018/19	2019/20	
General Schemes (approved)	5.000	5.000	0	**10.000**
General Schemes (New)		5.000	10.000	**15.000**
Corporate Maintenance (approved)	5.000	5.000	5.000	**15.000**
Modernising Cumbria Care - self-financing element (approved)	4.000	1.000	0	**5.000**
Total Prudential Borrowing Requirement	**14.000**	**16.000**	**15.000**	**45.000**

7.70 The Treasury Management Strategy determines when the actual prudential borrowing is taken and whether internal borrowing from use of cash flow from reserves or external borrowing is required.

7.71 Government have recently released a consultation on the proposal to introduce a discounted rate of borrowing termed a Local Infrastructure Rate for Local Authorities. Local Authorities have responsibilities for transport, housing and environmental infrastructure. In total, LA's spent £23 billion on capital investment last year. The government wants to support local areas to meet their local infrastructure needs. Government is proposing to offer £1 billion of discounted lending to local authorities, available at a new Local Infrastructure Rate of gilts + 60 basis points to support local infrastructure projects that are high value for money. Qualifying authorities would be able to access the allocation from the Public Works Loan Board, and its successor, for a period of three years to support upfront investment with a maximum term of 50 years.

7.72 The consultation sets out that bids would be considered from principal authorities (County, Unitary and Combined Authorities), the Greater London Authority and its functional bodies, Integrated Transport Authorities and combined authorities for projects in the transport, energy, flood defences, water, waste, and digital communications sectors. As is currently the case, ultimate responsibility for projects, including financing, assessment and delivery and financing the revenue costs associated with the borrowing will be the responsibility of the council.

7.73 The Government's current proposal is that Councils would be required to produce analysis and an estimate of Net Present Value for the project, signed off by the Section 151 Officer, in line with Green Book appraisal guidance. This could include an estimate of net present value, a high level business case, a borrowing profile and a risk assessment.

7.74 Successful bidding authorities would be given an allocation of borrowing at the Local Infrastructure Rate. The Local Infrastructure Rate would only be available to finance the projects for which allocations were given. It would not be available for other non-approved projects, or to refinance existing debts.

7.75 If the Local Infrastructure Rate is approved the Council would review the cost effectiveness of submitting bids for the lower borrowing rate as required.

PDF-XChange Product Click to buy NOW! www.tracker-software.com

Revenue Contributions

7.76 Councils can choose to finance capital expenditure through revenue contributions. With the current demands on revenue funding / service provision however, it is not considered appropriate to place further pressure on the revenue budget at this time. Therefore in the light of the current budgetary situation, no general revenue contribution has been assumed.

7.77 The Dedicated Schools Grant has previously been utilised each year to fund capital maintenance on schools. The allocation from DSG for 2017/18 was confirmed at £1.712m by the Schools Forum in November 2016. Of the £1.712m it is expected that £0.500m will be utilised for capital purposes. For planning purposes the assumed level of DSG contribution to the capital programme for 2018/19 and 2019/20 is £0.500m.

Capital Receipts

7.78 A prudent approach to the generation of capital receipts has been taken for the purposes of financing the capital programme. Table 29 shows the revised estimates for capital receipts in 2016/17 – 2018/19. Capital receipts in future years will be dependent upon service reviews releasing additional surplus assets for sale.

7.79 As stated in paragraph 5.15 Government have introduced a capitalisation flexibility that allows revenue costs incurred to deliver savings to be charged to the capital programme and financed from specific capital receipts.

7.80 For budget planning purposes it is assumed that £4.500m of revenue spend will be capitalised over 2016/17 – 2018/19 to enable delivery of revenue savings. They will be funded from capital receipts from specifically identified surplus assets and ring fenced for this purpose. The table below shows the split between general capital receipts and the capitalisation capital receipts expected.

Table 30 – General Capital Receipts Estimates

	Revised Estimate (Feb 2016) £m	**Revised Estimate (Feb 2017) £m**	**Additional capital receipts – Total £m**	**Additional capital receipts for capital programme £m**	**Additional capital receipts (capitalisation flexibility) £m**
2016/17	1.000	3.000	2.000	1.500	0.500
2017/18	1.000	3.500	2.500	1.000	1.500
2018/19	1.700	2.500	0.800	(1.700)	2.500
2019/20	*TBC*				
2020/21	*TBC*				
2021/22	*TBC*				
TOTAL	**3.700**	**9.000**	**5.300**	**0.800**	**4.500**

Growth Deal Funding

7.81 The Department for Business, Energy & Industrial Strategy (BEIS) have provided the Local Enterprise Partnership (LEP) with an overall profile for the funding allocation to Cumbria LEP for the next 5 years which incorporates the original Local Growth Deal projects and the Enhanced

Growth Deal projects. Each year the LEP will receive confirmation of the funding available in a Grant Determination letter and is dependent upon the S151 Officer of the Council (as the Accountable Body) signing to say the LEP Assurance Framework is fit for purpose.

7.82 The table below shows the overall profile of grant receivable for 2017/18 onwards in respect of Growth Deal 1 & 2. A profile in respect of Growth Deal 3 is being finalised.

Table 31	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	**Total £m**
Growth Deal 1 & 2	9.070	19.557	4.174	3.668	5.596	5.595	**47.660**

Summary

7.83 The table overleaf summarises the capital funding requirements for the County Council Capital Programme 2017 - 2022. All schemes within the County Council Capital Programme are fully funded.

Table 32 – Capital Funding Requirements 2017-2022	**2017/18**	**2018/19**	**2019/20**	**Future Years**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**
Grants	109.139	83.549	36.238	2.500	**231.426**
Contributions	19.514	12.029	0	0	**31.543**
Revenue Contribution to Capital (DSG)	500	500	500	0	**1.500**
Capital Receipts	8.662	4.700	475	0	**13.837**
Prudential Borrowing	26.053	11.166	6.600	0	**43.819**
Total for Council Capital Programme	**163.868**	**111.944**	**43.813**	**2.500**	**322.125**

8.0 Medium Term Financial Plan 2017-20 – Treasury Management Strategy

8.1 The approval of a Treasury Management Strategy is a statutory requirement for every Council. Councils are required to demonstrate that capital investment plans are affordable, prudent and sustainable. The Treasury Management Strategy at Appendix E meets this requirement and is developed in accordance with a Code of Practice produced by CIPFA.

8.2 The draft Treasury Management Strategy was considered in some length by the Audit and Assurance Committee at its meeting on the 6th December 2016. The Strategy, subject to confirmation of the prudential indicators, was approved by the Committee.

8.3 The economic and financial environment in which the Council's treasury operations are undertaken remains challenging. Interest rates remain at historic lows and concerns over the security of financial institutions continue. As a result, the Council continues to take a prudent approach to its Treasury

Strategy. The proposed 2017/18 Strategy is therefore, largely unchanged from that approved for 2016/17;

a) investments will be deposited with high quality counterparties over relatively short periods, and

b) a flexible approach to borrowing for capital purposes will continue with a measured approach to balancing the short term saving from the current internal borrowing position against forecast longer term rate increases. There will be a continual review of the underlying interest rates.

8.4 In previous years the Council has chosen to not commence new borrowing by fully utilising available cash balances. However this continues to be carefully reviewed to avoid incurring higher borrowing costs in the future, when the Council will not be able to avoid new borrowing to finance new capital expenditure, and/or to refinance maturing debt. It is expected that some externalisation of borrowing will occur in 2017/18. Cabinet and Council will be informed through the routine monitoring of Treasury Management activities during the year.

8.5 On the Investment side the Strategy sets out with whom, and at what level, the Council invests its cash balances. The primary focus is to provide security of investments and to minimise risks. Country, Group and Sector limits are set to help manage the risk.

8.6 The Council also needs to approve Prudential Indicators which support the Council in assessing if its capital investment plans are affordable, prudent and sustainable. These are monitored during the year and reported to Council half way through the year, and at the year end.

8.7 The Prudential Indicators cover the capital investment and strategy plans for the next three years.

8.8 The Minimum Revenue Policy determines how the cost of borrowing is charged to the revenue budget (i.e. to ensure the cost is spread over several years to match the useful life of the assets funded through borrowing). The MRP policy was amended in November 2016 and has contributed to saving proposals in 2017/18. There is no further change proposed to the amended MRP policy for 2017/18. These are both also set out in the Medium Term Financial Plan.

9.0 STATEMENT OF ROBUSTNESS, ADEQUACY OF RESERVES AND BUDGET RISK

9.1 The Local Government Finance Act 2003 places a duty on the Council to reinforce sound financial management and in this respect the Assistant Director – Finance, as Section 151 Officer is required to provide a statement on the robustness of the budget and the adequacy of the reserves. The assessment of the management of financial risk is set out in the Medium Term Financial Plan.

9.2 The AD-Finance confirms that the spending plans identified within the MTFP and the Council Tax calculation for 2017/18 are robust estimates that:-

a) Direct resources towards priorities in a way that is achievable

b) Reflect the best estimates of inflation factors available at this time

c) Consider and recognise the major financial risks facing the Council over the medium-term

9.3 The Council's 2017/18 budget has been formulated following a robust process.

9.4 There are a number of financial risks that are not funded within the 2017/18 budget and MTFP. The reasons they are not included i.e. as a pressure, and hence not required to be funded, are due to their uncertainty about the likelihood and potential cost or because they are costs that will only be incurred if action plans and mitigation plans are not fully achieved. It is a matter of judgement, approach (appetite) to risk and prudency, consideration of evidence and confidence in forecasting and potential actions to mitigate the risks that determine if a risk is a risk, or if it is a pressure to be funded, and its value. And at a cumulative level, it is a judgement of the reasonableness of the overall budget proposal taking into account all the risks and the pressures.

9.5 The main factors relate to the scale of the changes that are due to be implemented and successfully sustaining changes previously made. The increasing Social Care pressures against a significant financially stressed Health economy in Cumbria are also important factors to be taken into account.

9.6 The focus for this MTFP (2017 – 2020) has been producing a balanced budget for 2017/18. The budget for 2017/18 is the last budget of this current Council Term.

9.7 In relation to savings delivery, it is not possible to guarantee that every element of the budget can be implemented without issue or variation, or that every issue was fully resolved when the budget was proposed and set. It remains essential that there is robust implementation of the budget, supported by on-going monitoring of financial, service and economic information.

9.8 It must be recognised that given the size of the County's budget it should be possible to manage most non-exceptional in year variations through virement and if necessary in year savings, or if not successful, the use of reserves. The inflation and contingency budget also helps manage in year variations.

9.9 The General Fund Balance at 1st April 2016 was £14.300m. The target set by Council in February 2016 was £13m.

9.10 Following the handing down of the judgment in the highways litigation dispute, in November 2016 where the Council was defendant, the payment will be part funded from General Fund Balances (£3m) in accordance with the risk based assessment of the General Fund Balances agreed at Council in February 2016. This reduces the General Fund Balance to £11.300m.

9.11 The latest budget monitoring forecast presented to Cabinet based on the position at 30th September 2016 reported a budget deficit of £1.501m. Commitment was given by the Corporate Management Team to seek to address this deficit projection in the remainder of the year. However, the projection results in an estimated General Fund Balance of £9.799m as at 31 March 2017.

9.12 The Assistant Director – Finance is satisfied that a General Fund Balance target of £10m from 2017/18 is acceptable in the circumstances. The MTFP provides an analysis of risks supporting the level of General Fund reserves.

9.13 The 31st December 2016 monitoring (Q3 2016/17) position will be reported to Cabinet on 16th March 2017.

9.14 In addition to reduced General Fund Balance the Council is seeing a significant reduction in its Earmarked Reserves. Further information on reserves is presented in the MTFP.

9.15 Planning in respect of addressing the estimated budget gap for the remaining two years (i.e. 2018/19 and 2019/20) of the Medium Term Financial Plan continues.

9.16 Producing a Balanced Budget Proposal for 2018/19 must be a priority for the New Council. However, the challenge of producing sustainable budgets in the context of continuing austerity reductions by central government, public expectations and service pressures cannot be underestimated.

9.17 Determining the budget envelope and funding levels (especially Council Tax and Business Rates) is a matter of judgement, however best informed. It is not a linear or simple process. There is much uncertainty in the medium term. The Council is becoming increasingly reliant on funding it must generate itself, given continued reductions in grant from central government and the proposed introduction of 100% business rates retention in 2019/20.

10.0 PAY POLICY STATEMENT 2017/18

10.1 Appendix G sets out the Council's Pay Policy Statement for 2017/18. The purpose of the statement is to provide transparency with regard to the Council's approach to setting the pay of its employees (excluding teaching staff working in local authority schools) by identifying:

a) the methods by which salaries of all employees are determined;

b) the detail and level of remuneration of its most senior employees i.e. 'chief officers', as defined by the relevant legislation;

c) the Committee or Panel responsible for ensuring the provisions set out in this statement are applied consistently throughout the Council.

PDF-XChange Product Click to buy NOW! www.tracker-software.com

10.2 The pay policy statement sets out the authority's policies relating to:

a) Senior Management ('Chief Officer') remuneration;

b) Other terms and conditions paid to Senior Management ('Chief Officers')

c) Lower paid staff remuneration;

d) Recruitment of Senior Management ('Chief Officers');

e) Pension Contributions;

f) Payments on Termination; and

g) Payment of UK Living Wage(as set by Living Wage Foundation).

10.3 From 1 April 2017, the minimum pay for employees is £16,303 per annum, which is a ratio of 1:8.7 in comparison with the salary of the Chief Executive. This takes into account the additional supplement in respect of the UK Living Wage as set by the Living Wage Foundation. The current rate is £8.45 per hour.

11.0 EQUALITY IMPLICATIONS

11.1 In relation to specific savings with particular EIA considerations; these are as follows:-

a) With regard to the 'Continuing the Internal Reshaping of the Council' saving; every service restructure is subject to the Council's Management of Change policy that includes a consideration of equalities. This is complimented by an overarching People Management analysis that breaks down the workforce into diverse strands. This is attached at Appendix B.

b) The 'management restructure and changes to Penrith crewing' saving within the Fire and Rescue Service has equally followed the Council's Management of Change policy and considered diversity. This has been supplemented by detailed risk information that means services will continue to be directed at the most vulnerable in Cumbria.

c) The 'ongoing review and redesign of adult care provision' saving relates to the Commissioning Strategy previously agreed by Full Council which has already been subject to the Equality Impact Assessment process.

12.0 Options

12.1 Council can approve or reject the recommendations in Part A, or may consider any Amendments proposed in accordance with the Constitution.

13.0 Resource and Value for Money Implications

13.1 The resource and value for money implications are covered throughout this report.

14.0 Legal Implications

14.1 The calculation of the council tax requirement and the formulation of plans and strategies for control of the Council's borrowing, investments, capital expenditure and for determining the Council's minimum reserve position are executive functions. The approval of such plans and strategies and of the Council's council tax precept is the responsibility of the full Council.

14.2 The council tax precept must be issued before the 1st March 2017.

14.3 Members must have regard to the report of the Section 151 Officer, referred to in paragraphs 9.1 to 9.17 of this report, on the robustness of the estimates made for the purposes of its council tax calculations and the adequacy of proposed financial reserves, when making decisions in connection the calculations made to set its precept.

14.4 Members must also have regard to the outcome of consultation undertaken in relation to the budget for 2017/2018 in making their decision.

15.0 Conclusion

15.1 The draft Revenue Budget and draft Capital Programme for 2017/18 and later years are set in the context of the Council Plan and the resources available as described in this report and the Appendices. This is the platform for the next three years to enable delivery of the reduced funding levels whilst still retaining focus on the County's priorities.

15.2 In considering the recommendations to this report Members need to consider the balance that has been struck between the following:

a) the need to achieve the required level of savings to deliver a balanced budget

b) the County's priorities

c) the longer term three-year financial planning period

d) the need for capital investment and its revenue consequences and the serious challenges associated with equal pay and single status

e) the need to deliver value for money

f) the potential impact of future budget changes

g) feedback from the budget consultation process

h) the overall balance of the Council's budget between the needs of service users and the impact of the level of any increase on the council tax.

15.3 The financial challenges facing the Council continue in the Medium Term and cannot be underestimated. Overall the Council will have to deliver savings of £250m between 2011/12 and 2019/20, with £38m of those savings still to be identified.

Chief Executive

Julie Crellin
Assistant Director – Finance

Section 151 Officer

Dawn Roberts
Corporate Director – Resources & Transformation

9th February 2017

APPENDICES –

Appendix A Medium Term Financial Plan 2017-2020
Appendix B Equality Impact Assessment - Continuing the Internal reshaping of the Council
Appendix C Budget Consultation Report 2017/18
Appendix D Schedule of Fees and Charges 2017/18
Appendix E Treasury Management Strategy Statement
Appendix F Local Committee Allocations – revenue and capital
Appendix G Pay Policy Statement 2017/18

Electoral Division(s): All

Executive Decision	Yes		
Key Decision	Yes		
If a Key Decision, is the proposal published in the current Forward Plan?	Yes		
Is the decision exempt from call-in on grounds of urgency?		No	
If exempt from call-in, has the agreement of the Chair of the relevant Overview and Scrutiny Committee been sought or obtained?			N/A
Has this matter been considered by Overview and Scrutiny? If so, give details below.	Yes		
Has an environmental or sustainability impact assessment been undertaken?			N/A
Has an equality impact assessment been undertaken?	Yes		

N.B. ***If an executive decision is made, then a decision cannot be implemented until the expiry of the eighth working day after the date of the meeting – unless the decision is urgent and exempt from call-in and the Corporate Director has obtained the necessary approvals.***

PREVIOUS RELEVANT COUNCIL OR EXECUTIVE DECISIONS
[including Local Committees]

None

CONSIDERATION BY OVERVIEW AND SCRUTINY

Considered by Scrutiny:
Strategic Planning Workshop - 4 th November 2016
Cabinet 15th December 2016 - 'Scrutiny Response on Budget Consultation'

BACKGROUND PAPERS

Cabinet 2nd February 2017 – Recommendation to approve the Draft Revenue Budget 2017/18 and Medium Term Financial Plan (2017 - 2020) and Draft Capital Programme (2017 - 2022)

RESPONSIBLE CABINET MEMBER

Patricia Bell – Deputy Leader and Cabinet Member for Finance

REPORT AUTHOR

Julie Crellin, Assistant Director – Finance (S151 Officer)
Contacts:
Pam Duke, Senior Manager - Accountancy, pam.duke@cumbria.gov.uk, 01228 226267
Steven Brown, Technical Manager, steven.brown@cumbria.gov.uk, 07979800615