

COUNTY COUNCIL

Meeting date: 14 February 2019

From: Deputy Leader of the Council

DRAFT REVENUE BUDGET 2019/20 AND MEDIUM TERM FINANCIAL PLAN (2019 - 2022) AND DRAFT CAPITAL PROGRAMME (2019 - 2024)

PART A - RECOMMENDATION OF CABINET

On the 7th February 2019, 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 RECOMMENDATIONS

- 1.0 *Council agrees to a general increase of Council Tax by 1.99% for 2019/20. Council agrees to the additional increase to the precept for Adult Social Care of 2.00% for 2019/20.*
- 1.1 *If Council approves both the Adult Social Care precept increase of 2% and the general Council Tax increase of 1.99% this would result in:-*
- a) *The net revenue budget requirement for 2019/20 of £378.755m.*
 - b) *The Council Tax Requirement for 2019/20 of £236.497m which results in the precepts on the Districts as set out below:-*

<i>Table 1 : Precepts</i>	<i>£</i>
<i>Allerdale</i>	<i>42,476,383</i>
<i>Barrow</i>	<i>27,041,150</i>
<i>Carlisle</i>	<i>46,892,836</i>
<i>Copeland</i>	<i>28,478,309</i>
<i>Eden</i>	<i>28,558,766</i>
<i>South Lakeland</i>	<i>63,049,177</i>
<i>Total</i>	<i>236,496,621</i>

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

Table 2a : Council Tax Levels	2018/19 £	2019/20 £	Increase (pa) £
<i>Band A (up to £40,000)</i>	888.09	923.52	35.43
<i>Band B (£40,001 to £52,000)</i>	1,036.10	1,077.44	41.34
<i>Band C (£52,001 to £68,000)</i>	1,184.11	1,231.36	47.25
<i>Band D (£68,001 to £88,000)</i>	1,332.13	1,385.28	53.15
<i>Band E (£88,001 to £120,000)</i>	1,628.16	1,693.12	64.96
<i>Band F (£120,001 to £160,000)</i>	1,924.19	2,000.96	76.77
<i>Band G (£160,001 to £320,000)</i>	2,220.22	2,308.80	88.58
<i>Band H (£320,001 and over)</i>	2,664.26	2,770.56	106.30

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Table 2b : Council Tax Levels	2018/19	2019/20		
	Total £	Core Spending 1.99% Increase £	Adult Social Care Precept 2.00 % increase £	Total £
<i>Band A (up to £40,000)</i>	888.09	17.67	17.76	923.52
<i>Band B (£40,001 to £52,000)</i>	1,036.10	20.62	20.72	1,077.44
<i>Band C (£52,001 to £68,000)</i>	1,184.11	23.56	23.69	1,231.36
<i>Band D (£68,001 to £88,000)</i>	1,332.13	26.51	26.64	1,385.28
<i>Band E (£88,001 to £120,000)</i>	1,628.16	32.40	32.56	1,693.12
<i>Band F (£120,001 to £160,000)</i>	1,924.19	38.29	38.48	2,000.96
<i>Band G (£160,001 to £320,000)</i>	2,220.22	44.18	44.40	2,308.80
<i>Band H (£320,001 and over)</i>	2,664.26	53.02	53.28	2,770.56

1.2 **Council agrees the budget proposals as set out in the report and detailed in the Medium Term Financial Plan 2019-2022 (Appendix A) resulting in the 2018/19 Revenue Budget which includes the following:-**

- a) **The Medium Term Financial Plan 2019-2022 (Appendix A).**
- b) **The CCC Capital Budget for 2019/20 of £105.822m set within the rolling programme of £195.898m (2019 – 2024).**
- c) **The School's Budget for 2018/19 of £251.248m.**
- d) **The use of reserves and levels of forecast reserves contained in the MTFP.**
- e) **The fees and charges schedule for 2018/19 as set out in Appendix C.**

- f) Delegation to Cabinet of the authority to set the final charges for the Works Permit Scheme following completion of the consultation exercise and to amend the 2019/20 fees and charges schedule within the Medium Term Financial Plan 2019-22.**
- 1.3 Council agrees the Treasury Management Strategy for 2019/20 which is set out in Appendix D, 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).**
- 1.4 Council approves the transfer of net increases / decreases to Sources of Finance confirmed after the 7th February 2019 to the Council's Volatility Reserve.**
- 1.5 Council agrees the adoption and publication of the statutory Pay Policy Statement 2019/20 set out in Appendix F. This includes setting the minimum hourly rate at the UK Living Wage (as set by the Living Wage Foundation).**

Peter Thornton, Deputy Leader of the Council (Portfolio Holder for Finance)

ADVICE OF CHIEF EXECUTIVE AND DIRECTOR OF FINANCE (S151 OFFICER).

2 EXECUTIVE SUMMARY

2.0 The purpose of this report is to present to Council the Budget Proposal for 2019/20. The report sets out the:-

- a) Draft Medium Term Financial Plan (MTFP) 2019-2022**
- b) Revenue spending plans to achieve a balanced budget in 2019/20**
- c) Council Tax Requirement for 2019/20**
- d) Draft Capital Programme for 2019 – 2024**
- e) Draft Treasury Management Strategy for 2019/20.**

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

- a) Continuing austerity in public finances. When setting its previous 8 annual budgets the Council has agreed £249 million of savings between 1st April 2011 and 31st March 2019. A requirement for further savings of £47m for 2019-22 are set out in this report.**
- b) Increasing demand for key local services, in particular, care for older people and care for vulnerable adults and children; and**
- c) Uncertainty in relation to estimated income levels from the principal sources of finance raised locally i.e. Council Tax and Business Rates.**

2.2 The Medium Term Financial Plan (MTFP) 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 for the next three financial years 2019/20 to 2021/22.

2.3 The priorities for the Council are set out in the Council Plan 2018-22 which was agreed by Council on 15th February 2018. These shape and have driven, the work of the strategic planning process for 2019/20.

2.4 The financial and service challenges are not new or unique to Cumbria. All Councils are facing difficult financial times, as in addition to funding reductions from central government we have an unprecedented level of demand on services especially from those who need us most. This means that future financial sustainability is not just about securing efficiencies, it is also about managing demand. The drive for efficiency has been a priority for local government since the early 2000s and it will remain so. Over the period from 2011/12 to date, the Council has made savings of £249million.

- 2.5 ***In recent years, the Council has fundamentally changed the way it works including changes to commissioning and buying services, rationalisation of the property portfolio, major changes to the way the council is structured and a reduction of the council's workforce through voluntary redundancy, ending of fixed term contracts, reductions in recruitment and reshaping of some services. Increasingly services are being delivered online improving the customer experience, allowing 24 hour access and creating efficiencies that can be invested elsewhere.***
- 2.6 ***Despite severe cuts from Government, the Council has continued to invest in a range of major capital projects that provide real benefits to residents and service delivery. For example, the continued investment in the highway and specific projects such as provision of two new care homes in Carlisle and Whitehaven due to open in Spring 2019.***
- 2.7 ***The Council is committed to improving outcomes for the people of Cumbria and building a sustainable future. This will mean building on our assets including making the most of the talents of our committed workforce, working with others and taking a more commercial approach where appropriate. We will of course, continue to honour our commitment to residents and deliver essential services to the most vulnerable.***
- 2.8 ***We will need to increase our focus on offering early help to those in need, promoting independence and independent living, and providing a better range of preventative services by working closely with our partners and communities***
- 2.9 ***The Budget Proposal for 2019/20 set out in this report will secure a balanced revenue budget for next year i.e. the Council's estimated day to day expenditure will be funded from its estimated income. The budget proposal for Council's consideration assumes:***
- a) ***Increase in General Council Tax of 1.99%;***
 - b) ***An additional Precept of 2% on Council Tax for Adult Social Care purposes;***
 - c) ***Increases in Fees and Charges as set out in the Fees and Charges Schedule (Appendix C);***
 - d) ***New savings from 1st April 2019 reducing the Revenue Budget by £22.7m;***
 - e) ***Capital programme is financed as set out in the report;***
 - f) ***Business Rates are confirmed by District Councils at the end of January 2019 consistent with planning assumptions; and***
 - g) ***Treasury Management Strategy is agreed as set out (Appendix D).***
- 2.10 ***The Government allowed those councils with Adult Social Care (ASC) responsibilities to introduce a 2% precept on Council Tax in December***

2015 for the financial year 2016/17. This recognised the increasing cost pressures upon councils in relation to provision of adult social care. The Council implemented the 2% Adult Social Care precept for 2016/17.

- 2.11 **It was confirmed by Government that councils could continue to increase the Adult Social Care precept in 2017/18, 2018/19 and 2019/20 to a maximum 6% over the period. The Council levied the ASC precept at 2% in 2017/18 and 2018/19 and is proposing to increase this by 2% for 2019/20. Beyond 2020, in the absence of government announcements, no further ASC precept is assumed.**
- 2.12 **The Final Local Government Finance Settlement was announced on 29th January 2019. This has been reviewed and there are no changes to the draft Local Government Finance Settlement announced in December 2018 with the exception of the Brexit Preparations Grant which is to be used to fund additional planning and capacity in order to plan for an orderly exit from the EU and do appropriate contingency planning.**
- 2.13 **Table 3 sets out the funding challenge facing the Council. Overall permanent reductions in expenditure to be delivered over the next three financial years (2019 – 2022) are estimated to be £46.9m. Therefore there is a total of £296.4m of savings required to maintain a balanced budget for the Council over the 11 year period from 2011/12.**
- 2.14 **Not all the savings proposed for 2019/20 or for the future two years of the MTFP are permanent. £17.5m of savings are non-recurring and this results in total savings required for the three years of £64.5m, to deliver a balanced budget over the period.**

Table 3 : Summary of Savings	2011/12 to 2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	Total
Existing Savings already identified	249.409				249.409
New savings identified		22.730	3.832	0.085	26.647
Savings still to find		0.000	29.844	7.993	37.837
Total savings required		22.730	33.676	8.078	64.484
Impact of previous years non-recurrent savings		(9.575)	(2.081)	(5.882)	(17.538)
Total Savings	249.409	13.155	31.595	2.196	296.355
Total Savings	249.409	46.946			296.355

- 2.15 **The savings/reductions in expenditure or growth in income still to find to balance the budget for 2020/21 and 2021/22 are £29.8m and £8m respectively i.e. £37.8m. The identification of these will be a priority for the Council in 2019/20, as it continues with its commitment to achieve long term financial sustainability.**
- 2.16 **The Council needs to continue to invest in its infrastructure and assets to be able to deliver local services. The draft Capital Programme for 2019/20 is £105.822m. Included in the draft programme 2019/20 – 2023/24 is £10.232m of new schemes proposed in this report.**

Alongside other proposed amendments and re-profiling of already approved schemes the overall capital programme is proposed at £195.898m over the five years 2019/20 – 2023/24. Details are contained Section 7 of this report and within the MTFP.

- 2.17 ***In agreeing the Budget for 2019/20, the Council will also be required to agree its Treasury Management Strategy for 2019/20. 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 D.***
- 2.18 ***Council is asked to agree the Fees and Charges Schedule (set out in Appendix C).***
- 2.19 ***Council is asked to note the allocation of budgets to Local Committees (set out in Appendix E).***
- 2.20 ***In proposing the draft Budget to Council, the Director of Finance, in her capacity as the Council's Section 151 Officer has considered the robustness of the estimates used in determining the 2019/20 Budget, MTFP and Council Tax requirement for 2019/20 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 £15m.***
- 2.21 ***In conclusion, the draft Revenue Budget proposed for 2019/20 (expenditure less specific grants and fees and charges) is £378.755m. This is based on the assumption that there is a 1.99% increase to the County Council's element of Council Tax for 2019/20 and a further increase of 2.00% for the Adult Social Care precept, consistent with the current MTFP planning assumptions. If Council agree this level of Council Tax increase i.e. a total of 3.99% for 2019/20, it means an increase in a Band D property of £53.15 for the year (£1.02p per week). For a Band A property, this would be £35.43 for the year (68p per week).***

3 STRATEGIC PLANNING AND EQUALITY IMPLICATIONS

- 3.0 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.
- 3.1 The outcomes for the Council are set out in the Council Plan 2018 - 2022. These outcomes drive the work of the Council and the strategic planning process.
- People in Cumbria are Healthy and Safe
 - Places in Cumbria are Well-Connected and Thriving
 - The Economy in Cumbria is Growing and Benefitting Everyone

- 3.2 All budget proposals have been subject to an Equality Screening Process. This involves identifying savings that would require an Equality Impact Assessment (EIA). The Equality Screening Process suggests that the Budget can proceed and that the Council is complying with its duties under S149 of the Equality Act 2010.
- 3.3 The majority of new budget proposals are technical financial adjustments and do not require an equality impact assessment.
- 3.4 In relation to specific savings with particular EIA considerations these have been taken into account and further work will be done on these savings as the budget is implemented.

4 BACKGROUND

- 4.0 The Council is required to approve the Council's Budget for 2019/20. This is set within the context of the Medium Term Financial Plan (MTFP) 2019-2022. The draft budget for Council has been recommended by Cabinet and 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.
- 4.1 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 agree a balanced budget for 2019/20, and the Council Tax requirement for 2019/20 and to provide the resource context for the planning of services over the next three years.
- 4.2 The draft Net Revenue Budget for 2019/20 is £378.755m. The Gross Budget of the Council is £826.224m, this includes the earmarked Dedicated Schools Grant to non-Academy Schools in Cumbria of £251.248m excluding the Schools Budget the forecast total expenditure on Council services in 2019/20 is £592.585m. This represents a continuing and significant investment in local public services. The extent of the Council's responsibility was summarised in the Budget Consultation document launched in November and to give a flavour of its activities and impact:-
- Maintains 4,900 miles of carriageway (4th largest in UK)
 - Undertakes over 6,500 enrolments on 960 adult education courses
 - Ensures appropriate support for over 8,000 adults
 - Cares for over 600 looked after children
 - Maintains around 1,775 bridges
 - Maintains around 50,000 street lights
 - Maintains around 142,000 gullies
 - Grits routes equivalent of Carlisle to Barcelona on each full run
 - Attends around 11 emergencies per day by Fire and Rescue Service
 - Helps around 7,000 people become more active
 - Deals with around 700 fires per annum
 - Is achieving good or outstanding ratings in our residential care homes
 - Is currently investing £12m in two new state of the art care homes

- Is currently investing £9.5m into improving school buildings

5 UPDATE SINCE CABINET – 7TH FEBRUARY 2019

- 5.0 At the date of publication of this report there have been no further announcements of grant notifications from Central Government. Final Business Rates estimates for 2019-20, have been received from some of the District Councils. The Budget has not been revised to take account of this information. Council is recommended to approve the transfer of consequential net increases/decreases to Sources of Finance to the Council's Volatility Reserve. This will be reflected in the Quarter 1 (2019-20) monitoring position when it is reported to Cabinet later in the year.

6 MEDIUM TERM FINANCIAL PLAN 2018-2022 – REVENUE SPENDING PLANS

Budget Planning

- 6.0 The Medium Term Financial Plan sets out the Council's Revenue and Capital Spending Plans. The revenue plan is for the period 2019-22. It is attached as Appendix A.
- 6.1 2019/20 will be another challenging year for financial planning as the Council's Budget continues to reduce. 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 2011-2019 which have involved the reduction in day to day spending budgets of £249 million.
- 6.2 During the year, work has been undertaken to determine the resource requirements of the Council through reviewing in-year budget monitoring information, the Autumn Budget announcements, Office for Budget Responsibility's (OBR) Economic and Fiscal Outlook (29th October 2018) and the announcement of the Draft Local Government Finance Settlement (13th December 2018). For Cumbria the main headlines from these recent announcements are set out below:
- (a) The latest economic outlook for the UK for 2018 growth is lower than previously forecast at 1.3%, this was due to the snowy conditions early in 2018 resulting in a weak first quarter. Growth is expected in 2019 of 1.6% and 1.7% in 2020 and 1.8% in 2021. The impact of Brexit could have severe short term implications on economic activity, and government has asked councils to prepare for a 'no deal' scenario.
 - (b) Public Sector net borrowing has been reduced to below 2% of GDP and is forecast to continue to fall until 2022/23. The October position was better than that forecast in March and resulted in the additional spending the Chancellor announced in his Autumn Statement 2018.

- (c) Reductions to the Revenue Support Grant continue. 2019/20 is the final year of the current four year grant settlement. The Council's Revenue Support Grant in 2012 was £148m and in 2019/20 the Draft Settlement is £17.8m; this is consistent with the MTFP projections and is a reduction of £130.2m.
- (d) At the same time as announcing the Draft Settlement on 13th December 2018, Government launched its Fair Funding and Local Business Rates Retention Consultations. The framework of local government funding will change radically from 1st April 2020, but the detail is not yet known leading to tremendous uncertainty in financial planning beyond 2019/20. The MTFP (2019-2022) assumes, in the absence of government announcements, that beyond 2020 the Council continues to receive a share of Business Rate income no less than it currently receives. This is set out more fully in Appendix A.

6.3 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 2019/20 – 2021/22 has been updated. These changes are summarised in the Medium Term Financial Plan (Appendix A).

Council Tax Consideration

- 6.4 The Council included a proposal for a 1.99% General increase in Council Tax as part of the November budget assumptions. This was included in the budget consultation document. The consultation closed on the 7th January 2019.
- 6.5 The **General Council Tax** referendum threshold was announced in the Draft Settlement on 13th December 2018. It has been increased for 2019/20 to 3%, in line with last year.
- 6.6 The increase to the referendum threshold provides an option for Council to implement a further 1% increase from 1.99% to 2.99% in 2019/20. The additional Council Tax income in 2019/20 from the additional 1% increase is estimated to be £2.3m. An additional 1% increase in 2019/20 would also result in additional Council Tax in future years as there is a bigger baseline as a result of a larger increase in 2019/20. Overall the increase in Council Tax by 1% in 2019/20 would result in the following additional income for the Council.

Table 4 : Additional Income from a 1% increase in Council Tax in 2019/20	2019/20 £m	2020/21 £m	2021/22 £m
Increase in the General Council Tax of 1% for 2019/20	(2.275)	(2.334)	(2.381)

- 6.7 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 County Council, in common with most local authorities with adult social care pressures, raised a 2% Adult Social Care Precept in 2016/17. This reflected Government

assumptions of the Adult Social Care precept contributing to each Council's spending power.

- 6.8 For 2017/18 Government provided Councils with the option to increase the Adult Social Care precept by a total of 6% over a three year period 2017/18 - 2019/20. The options were, for example, to increase the Adult Social Care Precept by 3% in 17/18 and 18/19 with a zero increase in 2019/20 or have a 2% increase for each of the three financial years. The Council chose to keep the increase at 2% rather than 3% for 2017/18 and 2% for 2018/19. The MTFP assumes another 2% increase is proposed for Adult Social Care for 2019/20 in line with Government proposals. This was included in the budget consultation document.
- 6.9 Cabinet have recommended to Council a draft Revenue budget 2019/20 that includes a 2% increase for the Adult Social Care Precept and a 1.99% increase for General Council Tax these are consistent with those set out in the Budget Consultation agreed by Cabinet at its meeting in November 2018.

Revised Budget Planning Gap

- 6.10 A detailed description of the current financial context was provided within the Budget report presented to Cabinet on 22nd November 2018. This updated the February 2018 budget planning gap for the period of the next MTFP from 2019/20 to 2021/22 as set out below:

November 2018			
Table 5 : Revised Budget Gap – Updated for Sources of Finance & Pressures	2019/20 Net (£m)	2020/21 Net (£m)	2021/22 Net (£m)
Budget Gap (Feb 2018)	19.729	43.501	51.530
Sources of Finance (Autumn Budget)	(6.769)	0.027	0.015
Revised Budget Gap (Nov 2018)	12.960	43.528	51.545
Pressures (Nov 2018)	9.770	15.000	15.000
Revised Budget Gap (Updated for Sources of Finance & Pressures)	22.730	58.528	66.545

Pressures – Growth in Budget

- 6.11 The Budget Gap presented in November included growth to meet identified pressures. Additional pressures requiring budget growth for 2019/20 were identified following the Quarter 1 (Q1) (30th June) Budget Monitoring report for 2018/19 considered by Cabinet in September 2018. The pressures included for 2019/20 totalled £9.770m rising to £15m in 2020/21 and 2021/22, reflecting expected increasing demand and cost pressures beyond 2020.
- 6.12 The MTFP sets out an explanation of each pressure, but the most significant relates to Children Looked After (CLA). This reflects the experience of the Council in this year (and past years) in both increasing numbers and complexity of care needs of the most vulnerable children to be addressed. The pressure to accommodate CLA is an issue being felt nationally by upper

tier Councils with responsibilities for Children’s social care, with over 88% of Councils recently reporting they are over budget in this area.

- 6.13 The Council increased weekly foster care fees by 100% payable to its own foster carers this year and the recent recruitment of child and family workers to support families in need and the commitment in the Capital Programme to provide two new four bedded units for looked after children reflects some of the activity underway to mitigate some of the budgetary consequence of this demand and sufficiency of supply of placements pressure.
- 6.14 In preparing the Budget proposal for Cabinet, the total step up in pressures to £15m in 2020/21 was reviewed and amended. The additional pressure to be funded since the November report to Cabinet relates to the increase in employer’s contribution rates for Fire Service pensions following the government’s revision to discount rates for the purposes of valuing the future cost of pensions. A grant has been provided in 2019/20 to part fund this pressure (see sources of finance section below) but the impact will be permanent. The pressures to accommodate have been held at the 2019/20 level of £10.938m reflecting the reality that whatever pressures do emerge there will not necessarily be the capacity to absorb them through growth in overall resources.
- 6.15 Planning for 2020/21 continues – both cost and demand pressures and the outcome of Fair Funding and the new 75% Business Rates Retention Scheme in the autumn will determine this envelope.

Table 6 : New Spending Pressures	2019/20 Net (£m)	2020/21 Net £m)	2021/22 Net (£m)
Children Looked After– estimated impact of current number and full year effect of 19/20 (including Legal Fees)	8.000	8.000	8.000
Learning Disability – Transforming Care pressure	1.000	1.000	1.000
Special Educational Needs (SEND) School Transport – estimated impact of current number and full year effect in 19/20	0.600	0.600	0.600
Coroners – Ongoing gap in base budget	0.170	0.170	0.170
Assumed Step Up in Pressures in Years 2 and 3	0.000	5.230	5.230
Total Spending Pressures (Nov 18)	9.770	15.000	15.000
Fire and Rescue Services – Discount rate change by Government Actuary Department leading to increase in employer pension contribution rates	1.168	1.168	1.168
Reduction to assumed step up in Pressures in Years 2 and 3	0.000	(5.230)	(5.230)
Total Spending Pressures (Feb 19)	10.938	10.938	10.938
Movement from Nov 18	1.168	(4.062)	(4.062)

Sources of Finance

- 6.16 The core sources of Finance for the Council are government grants (where these are not service specific), Council Tax and Business Rates income. Assumptions since the November report to Cabinet have been revised.
- 6.17 The Provisional Local Government Finance Settlement was announced on the 13 December 2018 and provided an update on a number of the Council’s

grants as set out in the table overleaf. The key points from the Draft Settlement for Cumbria are:

- (e) Cumbria was not selected as one of the 15 areas to become a 75% Business Rates Retention Pilot in 2019/20. There were a total of 35 applications to become a pilot in 2019/20.
- (f) Reductions to the Revenue Support Grant continue. Revenue Support Grant in 2012 was £148m and in 2019/20 the settlement is £17.757m; this is fully consistent with our existing MTFP projections.
- (g) The General Council Tax referendum threshold has been increased to 3% for 2019/20, in line with last year.
- (h) The level of Rural Services Delivery Grant has been increased nationally for 2019/20 by £16m this is an increase of £1.147m for the Council compared to the MTFP assumptions.
- (i) Nationally, there has been an additional £180m of one off funding announced for 2019/20 from the surplus on the Business Rates Retention levy/safety net account. This has been provisionally allocated via the 2013/14 Settlement Funding Amount allocations, an additional £1.341m for the Council. This has subsequently been removed from 2019/20 (see para 6.22).
- (j) In September HM Treasury announced changes to the discount rate to assess the long term cost of unfunded public sector pensions (including fire). This results in increased employer contributions from 1 April 2019 estimated to be £1.168m, this is to be part funded by a one off S31 Grant for 2019/20 only, confirmed as £1.075m.
- (k) In addition to the Revenue Support Grant some other grant announcements have been received, e.g. New Homes Bonus Allocation and Social Care in Prisons.

6.18 The sources of finance changes from the Provisional Local Government finance settlement are set out in the tables overleaf:

Table 7 : Sources of Finance Changes	2019/20 £m	2020/21 £m	2021/22 £m
Budget Planning Gap – Nov Cabinet 2018	0	31.966	39.898
75% Business Rates Retention Pilot not approved	0	0	0
Business Rates			
Business Rates – Top up Grant	(0.041)	0	0
Grant Changes			
Levy Account Surplus	(1.341)	0	0
Rural Services Delivery Grant	(1.147)	0	0
New Homes Bonus	0.190	0.190	0.190
Adult Social Care Support Grant	0.010	0	0
Fire Pension			
Pressure : Additional contribution	1.168	1.168	1.168
Additional S31 Grant (Fire)	(1.075)		
(Increase) / Decrease in Funding	(2.236)	1.358	1.358
Provisional Budget Planning Gap (13 December 2018)	(2.236)	33.324	41.256

6.19 In summary, since the budget consultation was launched in November there have been announcements and updates resulting in extra funding of (£3.404m) and an extra cost pressure of £1.168m for 2019/20 as shown in the table below. This resulted in potential additional resources for 2019/20 of (£2.236m).

Table 8 : For information - summary of changes in funding	2019/20 £m	2020/21 £m	2021/22 £m
Changes to sources of finance	(3.404)	0.190	0.190
Additional pressure	1.168	1.168	1.168
(Increase) / Decrease in Funding	(2.236)	1.358	1.358

6.20 Following the above, further announcements have been received relating to a series of small value grants. The most significant announcements are explained in following paragraphs.

6.21 The Council receives a S31 Business Rates Compensation Grant which recompenses authorities for any loss of income incurred under the business rates retention scheme. The Council has received £1.710m more than that previously assumed in the MTFP.

6.22 In the Draft Grant Settlement additional one off funding from the Business Rates Levy Account Surplus was indicated. The allocation to Cumbria was £1.341m. It was confirmed via a teleconference call with local government by James Brokenshire, Secretary of State for Housing, Communities and Local Government on 8 January 2019 that this will be allocated and received

in 2018/19. This one off grant will be reflected in the Q3 monitoring report to Cabinet in March.

- 6.23 The most significant source of funding is Council Tax. Updated estimates from CTB1s from District Councils confirmed in December indicated that the forecast growth for Council Tax base for 2019/20 and future years was lower than previously estimated. These adjustments are reflected here and this results in reduced Council Tax income of £1.987m for 2019/20, £3.862m and £3.940m in 2020/21 and 2021/22 respectively.
- 6.24 Final Council tax base figures for 2019/20 were received on 25th January 2019, growth in base has been revised upwards since December 2018 and gives an increase to sources of finance of £0.797m in 2019/20, £0.816m in 2020/21 and £0.833m in 2021/22. For the Collection Fund balances in 2018/19 an overall deficit is now confirmed, we had expected a surplus of £0.500m. For 2020/21 and 2021/22 this is now assumed to be neither a surplus or a deficit.
- 6.25 Overall, this results in a reduction in additional funding for 2019/20 from the (£2.236m) to (£0.877m). These further changes are shown in Table 9 below.

Table 9 : Post Provisional Settlement Changes	2019/20 £m	2020/21 £m	2021/22 £m
(Increase) / Decrease in Funding (Table 8)	(2.236)	1.358	1.358
Confirmation of General Grants to 1 Jan 2019	(0.086)	(0.086)	(0.086)
Increase in NNDR S31 Grant	(1.710)	(1.710)	(1.710)
Business Rate Levy Account surplus	1.341	0.000	0.000
Reduction in Council Tax Base Growth (December)	1.987	3.862	3.940
Adjustment to Council Tax Base Growth (January)	(0.797)	(0.816)	(0.833)
Deficit in Council Tax 2018/19 (January)	0.624	0.500	0.500
Total changes to sources of finance post provisional settlement	1.359	1.750	1.811
Total Movement in Net funding	(0.877)	3.108	3.169
Transfer to Volatility Reserve (2019/20)	0.877	0.000	0.000
Total Movement in Net funding	0.000	3.108	3.169

- 6.26 As in previous years, the additional net funding for 2019/20 (£0.877m) has been transferred to the volatility reserve at this stage, pending confirmation and review of final sources of funding, in particular Business Rates from our District Councils. There is no requirement, therefore to identify further savings proposals to secure a balanced budget proposal for 2019/20.
- 6.27 For completeness, Table 10 overleaf summarises the cumulative changes to sources of finance and pressures that have taken place since November 2018.

Table 10 - Summary of changes in funding since Nov 2018	2019/20 £m	2020/21 £m	2021/22 £m
Table 8 : Changes to sources of finance	(3.404)	0.190	0.190
Table 9 : Changes to sources of finance	1.359	1.750	1.811
Total changes to sources of finance	(2.045)	1.940	2.001
Table 6 : Movement in pressures	1.168	(4.062)	(4.062)
Total Movement in Net funding	(0.877)	(2.122)	(2.061)
Transfer to Volatility Reserve (2019/20)	0.877	0.000	0.000
Total Movement in Net funding	0.000	(2.122)	(2.061)

Summary

- 6.28 In conclusion, the budget gap for 2019-2022, updated for the new pressures and sources of finance adjustments £65.047m, as set out in the table below:-

Table 11 : Revised Budget Gap – Updated for Sources of Finance & Pressures	2019/20 £m	2020/21 £m	2021/22 £m
Nov 18 Budget Gap (Table 1)	22.730	58.528	66.545
Sources of Finance (Table 6)	(2.045)	1.940	2.001
Revised Budget Gap	20.685	60.468	68.546
Movement in pressures (Table 5)	1.168	(4.062)	(4.062)
Transfer to Volatility Earmarked Reserve	0.877	0.000	0.000
Revised Budget Gap (Updated for transfer to Volatility Reserve Feb 19)	22.730	56.406	64.484
<i>Change in the Budget Gap Nov 18 to Feb 19</i>	<i>0.000</i>	<i>(2.122)</i>	<i>(2.061)</i>

Savings and Income Proposals – November 2018

- 6.29 The November 2018 budget report to Cabinet identified saving and income opportunities across a number of themed areas as set out in the table overleaf. Some of these are new; others are the full year effect of changes already implemented in the current year, and the majority are related to existing programmes of activity.
- 6.30 These present the approach that the Council is taking to reshape for the future, with the aim of ensuring it is financially sustainable. This thematic approach provides an opportunity for the Council to think differently and challenge existing practice in order to ensure that in the longer term the Council can support the people of Cumbria within its funding envelope. The table overleaf summarises by theme the proposals required to meet the budget gap in 2019/20.

Table 12 : Themed Proposals (Nov 18)	2019/20 Net (£m)	2020/21 Net (£m)	2021/22 Net (£m)
New Programmes			
Enterprise & Efficiency	(3.349)	(3.196)	(3.381)
Working Together	(0.515)	(1.830)	(1.830)
Subtotal	(3.864)	(5.026)	(5.211)
Existing Programmes			
Enterprise & Efficiency	(1.250)	(1.150)	(1.050)
Working Together	(17.616)	(20.386)	(20.386)
Subtotal	(18.866)	(21.536)	(21.436)
Total New Savings identified	(22.730)	(26.562)	(26.647)
<i>Change between years</i>	<i>0</i>	<i>(3.832)</i>	<i>(0.085)</i>

6.31 They have been driven by the thematic work referred to above and for 2019/20 a significant element of the proposals are from 'Working Together'. These are savings that can be achieved and delivered through applying existing policies and programmes, working together with our partners and through enterprise and efficiency including income generation to keep the impact on service delivery to a minimum. As stated earlier, identifying such proposals is becoming harder. A summary of the individual budget saving proposals are presented in the MTFP (Appendix A).

6.32 There are no changes or additions to the savings requirement for 2019/20 since November 2018 Cabinet proposal.

Budget Consultation

6.33 In considering the Revenue Budget for 2019/20 the formal consultation document was launched at the 22nd November 2018 Cabinet and ended on the 7th January 2019. Cabinet sought views and comments on the proposed 1.99% increase in Council Tax for general purposes in 2019/20.

6.34 In relation to engagement with stakeholders a communications and engagement plan included:

- Launch of consultation on 22nd November 2018 with release of documents including a dedicated web page media release.
- The document was available as a pdf download, interactive online version and online survey.
- Posted on homepage of internet, intranet and Your Cumbria news website.
- Engagement with Area Management Teams to ensure printed copies were available in localities
- Communications to all staff via a Corporate Message
- Social media was used to generate interest via Facebook and Twitter.
- Information provided to the Trade Union representatives
- The following were also notified about the consultation:
 - All Chief Executives of the Cumbria Chief Executives Group
 - Cumbria Association of Local Councils (CALC)

- Schools Forum
- Chamber of Commerce
- Third sector

- 6.35 Engagement and consultation through Scrutiny is an important part of this process. Scrutiny workshops were held on the 25th July and the 3rd December 2018, the response considered by Cabinet on the 20th December 2018.
- 6.36 Appendix B sets out the feedback from the consultation. Members' consideration of this feedback is required before agreeing the Budget. Members should, therefore, ensure that they have appraised themselves of the outcome of consultation. Copies of the full consultation responses have been made available to Members through their Group offices.
- 6.37 208 responses have been received in response to the Budget Consultation that took place from November 2018 to January 2019.
- 6.38 This report is based on 208 budget survey responses (9 paper and 199 submitted online). Only data where respondents have opted to indicate to what extent they agree or disagree, in the budget consultation survey document, have been used to generate the quantitative data in this report.
- 6.39 The consultation **is not** designed to be a statistically representative sample of public opinion in Cumbria but a gauge of the opinions of those people and organisations that have chosen to participate in the process.
- 6.40 Overall 60% of respondents supported the 1.99% general Council Tax income increase.
- 6.41 A significant number of the responses provided feedback in respect of the proposed approach to meeting the challenges ahead and building a financially sustainable future. This included:-
- 'Working Together'* building better and stronger working with partners, involvement of Third Sector organisations when designing and delivering new services.
- 'Enterprise and Efficiency'* generating income using existing resources, joined up lobbying to central government for funding, changes to the governance of the Council e.g. a Unitary Council,
- 6.42 This feedback will be reviewed as part of the ongoing strategic planning process to ensure the three year Budget Gap is balanced.

Other Matters - Outstanding Items

- 6.43 Business Rates information was expected to be finalised at the end of January. Under the Business Rate Retention Scheme the Council retains 10% of actual business rates raised in Cumbria. For budgeting purposes, business rate income is taken from forecasts provided by the District Councils. The draft revenue budget is presented using updated information based on estimates received from the District Councils in November 2018. Final forecasts were expected from the District Councils by the 31st January

2019 in line with MHCLG (formerly DCLG) deadlines. These could increase or reduce the expected income from Retained Business Rates for 2019/20.

- 6.44 If the final forecasts for Business Rates 2019/20 increase beyond the estimates included so far then the Budget report to Council will include the increase as a transfer to the Business Rates Volatility reserve as in previous years. Income from Retained Business Rates is volatile due to not only changes in the number of businesses on which business rates are charged but also the likely level of successful appeals that may be agreed during 2019/20.
- 6.45 District Council's constantly review the position on appeals and each year confirm to the Council and MHCLG through their returns the impact that outstanding appeals are expected to have on Retained Business Rates. Year on year volatility in appeals presents a significant risk to the stability of forecasting of local income for the Council's base budget, particularly as MHCLG's information requirement is at a late stage in the budget process. The Business Rates Volatility reserve provides a measure of 'shock' absorbance and a better ability to manage year on year changes.
- 6.46 The final figures for Business Rate estimates are not included in this Budget report to Council as not all have been received.
- 6.47 For 2019/20 the six Cumbria Districts and the County Council will again combine as a new Cumbria Business Rate Pool from 1 April 2019. The existing Business Rate Pool will cease as at 31 March 2019. The potential financial benefits to the County Council of the Pool have been included in the 2019/20 Budget at a level of £0.700m. Due to all the reasons highlighted above this income is volatile and will depend upon the levels of business rate growth achieved across all the Districts during the 2019/20 financial year.
- 6.48 **Residential Care Independent sector rates** - In 2018/19 commissioners implemented a new set of contracting arrangements to reflect changes in the law and best practice and to support the provider market to develop the increasingly complex residential and nursing care services required to meet the changing needs of the Cumbrian population. The new contracting arrangements operate as an Approved Provider list.
- 6.49 It is envisaged that the following changes to the rates payable per week to independent residential care and nursing providers are implemented from the first Monday in April (1st April 2019).

Table 13 : New Care Bandings

NEW CARE BANDINGS	2018-19 Fee Rates (excluding nursing costs)	2019-20 Proposed new banding rate (April 19)	£ Inc	% Inc
Residential	£500	£520	£20	4%
Physically Frail –Residential and nursing	£580	£603	£23	4%
Residential dementia	£605	£629	£24	4%
Nursing dementia	£620	£645	£25	4%

- 6.50 It is envisaged these rates are only available to those providers who are on the Approved Provider list. Providers who elected not to become part of the approved list retained their existing prices and will not receive the updated fee rates.
- 6.51 Where the Council does not contribute to the cost of care for the people we place in the Independent sector (i.e. full fee payers) they will be charged the cost as referred to in Table 13 above or where a different need determines a separate individual cost that full cost will be charged.

Summary – Net Revenue Budget for 2019/20

- 6.52 Following all the amendments presented in this report the Net Revenue Budget for 2019/20 is £378.755m. After taking account of general grants and the Council's share of locally retained business rates, the Council Tax Requirement for 2019/20 is £236.497m.

Fees and Charges

- 6.53 In determining the Gross Budget for the Council estimated income from specific grants and fees and charges are included. This supports expenditure on services.
- 6.54 The recommended fees and charges increases for 2019/20 are set out in this report (Appendix C). Where appropriate the Fees & Charges have been rounded 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.

General Grants

- 6.55 The Medium Term Financial Plan provides analysis of the General Grants expected to be received by the Council over the next three years. For 2019/20 the Council expects to receive £37.258m; at the time of writing this report not all of the grants have been confirmed so estimates are provided.

Specific Grants

- 6.56 In the MTFP there is analysis of the specific grants the Council expects to receive during 2019/20; at the time of writing this report not all of the grants have been confirmed so estimates are provided. In total this is £323.980m of which the majority £251.248m is Dedicated Schools Grant (CCC maintained schools only excluding academies). The MTFP (Table 13) sets out the main specific grants the Council receives.

Local Committee Budgets

- 6.57 The proposed budgets as they relate to Local Committees were shared electronically with the Leadership and Local Committees Chairs in place of the meeting planned for 24th January 2019 and these are set out in Appendix E. 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; individual allocations are agreed by Cabinet.
- 6.58 In total the revenue allocation for Local Committees in 2019/20 is £7.938m.

- 6.59 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.
- 6.60 In respect of Capital allocations the Council receives two annual grants from Department for Transport (DfT); Integrated Transport Allocations and Maintenance Allocations. For 2019/20 the Council has estimated these grants to total £28.875m, this is in line with the 2018/19 Capital Programme. The total allocation is then allocated across the four elements of the Transport Capital Programme.
- 6.61 It is for individual Local Committees to determine priorities in order to maintain the highway and deliver the Integrated Transport Plan.
- 6.62 The proposed base budget for Local Committee Highways capital in 2019/20 is £17.440m. The final budget for 2018/19 was £18.057m. The reduction of (£0.617m) is in line with the Capital Programme agreed by Council in February 2018 and is in line with the indicative allocation from DfT. The Highways Capital Budgets are based on achieving Band 2 Incentive Fund funding.
- 6.63 It has become apparent that a number of strategically important assets need significant investment with Jubilee Bridge and Kendal A591 bypass to name but two. The funding required to maintain these assets is significant and would seriously affect the Local Committee budgets if funded from these individual budgets. In 2018/19 it was agreed by Council that if Band 3 was achieved in 2018/19 and beyond, the additional funding would be used for the Strategic Asset Maintenance Fund. In 2019/20, it is expected this will be in the region of £2.269m, this is an increase from 2018/19 and is in line with the indicative allocation from DfT and is in line with the 2018/19 Capital Programme.
- 6.64 Appendix E shows the budgetary allocations for each Local Committee. For 2019/20 the total revenue allocation is £7.938m and capital allocation is £17.440m.
- 6.65 Cabinet approved both the Local Committee revenue allocations and the overall highways capital allocations subject to the agreement of the overall budget by Council.

Schools Expenditure

- 6.66 Schools expenditure is funded from a Dedicated Schools Grant (DSG). The 2019/20 Schools' Funding Settlement was announced on 17 December 2018 which gave a provisional figure for DSG of £356.389m for Cumbria for 2019/20. Of this £251.248m is estimated to be for CCC maintained schools, with £105.141m estimated to fund academies directly, this compares to £249.093m for CCC schools and £101.619m for academies in 2018/19. The grant allocation will be updated in July 2019 to reflect the January 2019 early years census. Further information is provided within the MTFP (Appendix A).

Employer contribution rates – Local Government Pension Scheme (LGPS)

- 6.67 The current service employer contribution rate, in respect of staff who are members of the Cumbria LGPS, for 2019/20 is 14.9% in accordance with the outcome of the 2016 triennial valuation. This is consistent with the rate applied to the Council in 2017/18. The next Actuarial Valuation will be based on the position as at 1st April 2019 with the impact of the valuation being reflected in the employer contribution rates from 2020/21.

Revenue Budget – Summary Budget Gap 2011 - 2022

- 6.68 The Budget Proposal for 2019/20 is a balanced budget position.

Table 14 : Summary of Savings	2011/12 to 2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	Total
Existing Savings already identified	249.409				249.409
<i>New savings identified</i>		22.730	3.832	0.085	26.647
<i>Savings still to find</i>		0.000	29.844	7.993	37.837
Total savings required		22.730	33.676	8.078	64.484
Impact of previous years non-recurrent savings		(9.575)	(2.081)	(5.882)	(17.538)
Total Savings	249.409	13.155	31.595	2.196	296.355
Total Savings	249.409	46.946			296.355

- 6.69 Total savings to be delivered over the next three financial years (2019/20 – 2021/22) are estimated to be £46.9m. This results in a total of £296.4m of savings required to maintain a balanced budget for the Council over the 11 year period from 2011/12.
- 6.70 Due to the one off nature of many of the 2019/20 proposed efficiency savings after securing £22.7m savings next year, the savings still to find to balance the budget based on current planning assumptions over the following two year period is £37.8m in total for 2020/21 and 2021/22.

7 MEDIUM TERM FINANCIAL PLAN 2019 - 2024 – CAPITAL SPENDING PLANS

- 7.0 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.
- 7.1 This report asks Council to approve the draft 2019/20 Capital Budget, set within the overall Capital Programme from 2019-2024. The schemes included and proposed in the Capital Programme will be delivered in the three year period 2019–2022. New schemes continue to be developed and progressed for inclusion into the Capital Programme for the wider period of 2019-2024. These schemes will be recommended for inclusion to Council on an incremental basis as business cases are approved by Cabinet for inclusion in the Capital Programme on a quarterly basis.
- 7.2 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 2019/20 but it is not recommended that they are included in the Capital Programme at this stage. These are included in MTFP (Appendix A) as 'Potential Schemes'.
- 7.3 The report also updates Council on the capital financing assumptions. All new schemes proposed to be included in the 2019/20–2021/22 Programme are fully funded, as are all existing schemes. The detail is shown in paragraph 7.46 onwards in the capital financing section.
- 7.4 The Capital Programme is developed to achieve the Council's priorities.
- 7.5 It is important to note the Capital Programme aims to strike a balance between ensuring that we meet our strategic priorities and vision whilst at the same time ensuring schemes represent value for money. In particular we want to aim for schemes which help reduce the Council's running costs through invest to save projects e.g. harnessing the future benefits of IT for example, supporting residents and communities to do more and helping with the economic growth within the county.
- 7.6 The Capital Programme sets out the Council's investment plans over the next 3 years to achieve the Council's priorities and vision. For instance, there is a new project aiming to create in-county residential capacity for Cumbrian children which meets the council vision of ensuring people in Cumbria are healthy and safe.
- 7.7 The Capital Programme also contributes to the Council outcome that 'Places are in Cumbria are well connected and thriving', through highway network management and capital schemes, and also continuing the development of new schemes and bids for improvements to the highway network, such as through work on the Carlisle Southern Link Road and Grizebeck grant bids.
- 7.8 The Capital Programme also looks to support the economy in Cumbria to ensure it is growing and benefits everyone, not only through the supply chain management and engagement, but also with local businesses. For instance, the Capital Programme is delivering junction improvement works and a car park for BAE Systems.

- 7.9 Capital investment shapes the future, it can act as a catalyst and enabler for change. It can also act as an important driver for economic growth - stimulating regeneration and construction, and improving quality of life for our residents.
- 7.10 With a challenging financial environment for the foreseeable future, it will be important to focus our limited capital resources on our strategic priorities and those projects which generate a return on investment. Going forward we will develop a Capital Investment Strategy to set out the long-term context in capital expenditure and investment. We will ensure due consideration is given to both risk and reward and impact on the achievement of priority outcomes.
- 7.11 With a longer term focus we will embed an increasingly commercial approach into the way we conduct our business and re-think how we best focus our capital investment to achieve transformational change in our service delivery. We will also remain agile and flexible to respond innovatively to new opportunities, changes in national policy and external funding.

Strategic Management Strategy refresh

- 7.12 Buildings are more than just a base from which a service is delivered or in which staff work. Good management of our property assets can be a very valuable tool to enable us to deliver our priorities for the people of Cumbria, drive regeneration and make our services more flexible and responsive to our customers' needs.
- 7.13 The Strategic Asset Management Strategy 2011 to 2021 set out the vision for Cumbria County Council's property assets and describes how the Council will use its property assets to drive and support the delivery of the Council's corporate priorities. The focus to date has been on improving buildings, changing their use or selling them and reinvesting the money in our frontline services. At the heart of the strategy is using our property to support communities, using an Area Planning approach, to ensure our resources and assets are tailored to individual area's needs.
- 7.14 Having significantly reduced the asset base it is more important than ever to make the best use of the remaining assets to enable us to achieve our Council outcomes and priorities. We will maximise the potential for the innovative use of our community based assets, and those of our partners, with a refreshed focus on the role of shared assets in early intervention, prevention and promoting independence
- 7.15 In 2019 we will be undertaking a review and refresh of the Strategic Asset Management Strategy, to align to the Council Plan, Customer Strategy and Workforce Strategy for the period 2018 – 2022.
- 7.16 The Council approved a Capital Programme for 2018/19 in February 2018 of £135.135m for Council delivered schemes and £2.000m for schemes where the Council is Accountable Body.
- 7.17 Following changes approved by Council in June and September 2018 the Council Capital Budget showed a net increase of £6.203m to £141.338m.

7.18 Quarter 2 showed a net decrease of £10.065m in the required Capital Budget 2018/19. This reflected a number of changes as outlined in Table 4 below, giving a revised Council Capital Programme of £131.636m, this excludes the Accountable Bodies programme.

Table 15 : Summary of 2018/19 Capital Budget Changes	£m
Capital Programme following June & September Council	141.338
Q1 Changes recommended by Cabinet in September for Council approval:	
Additional Contributions – External	0.843
Q2 Changes recommended by Cabinet in December for Council approval:	
Additional Contributions – External	0.112
Total Budget Adjustments	(1.525)
Re-profiling from 2018/19 to Future Years	(9.630)
Total Accelerated Spend	0.498
Total Council Capital Programme 2018/19 at Q2	131.636

7.19 As part of the Q2 monitoring report presented on 20th December 2018, Cabinet approved the following to recommend to Council; and these are reflected in this updated Capital Programme:-

- f) Reduction of £1.000m associated with the Portland Square Development.
- g) Reduction of £0.525m of other reductions agreed under Cabinet delegations.
- h) Acceleration of £0.498m spend from 2020/21 into 2018/19 Capital Programme associated with the Carlisle Southern Link Road.
- i) Re-profiling of £9.630m of schemes of approved capital spend to future years.

7.20 The Council Capital Programme for 2018/19 revised to reflect the Council amendments and the Q2 monitoring report recommendations is £131.636m excluding the Accountable Bodies programme. This was set within an overall Council Capital Programme of £280.070m for the period 2018/19 – 2021/22.

7.21 In planning the 2019/20 – 2021/22 Capital Programme it is assumed that if already approved schemes have slippage or accelerated spend at the end of the 2018/19 financial year the value of that slippage or accelerated spend will be automatically carried forward to 2019/20. Slippage reflects a delay in timing of planned and approved spend on schemes that have already been approved by Cabinet and Council. At Q2 Cabinet was asked to recommend to Council that £9.630m of capital spend is re-profiled to future years and £0.498m is brought forward from 2020/21 in respect of accelerated spend.

7.22 Excluding 2018/19, the Council's Capital Programme before the inclusion of new schemes, re-profiling etc. for 2019/20 – 2021/22 is £148.434m.

7.23 In updating the draft Capital Programme 2019-2022, this report also sets out:

- j) Inclusion of new capital schemes identified through the strategic planning process and approved by the Strategic Investment Group.
- k) Additional re-profilings of already approved schemes to reflect updated information.
- l) Changes to scheme totals to reflect additional funding and contributions e.g. section 106, partner contributions etc.

New Capital Schemes

7.24 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 overleaf. In total, the proposed new schemes value £22.236m. They are all fully funded.

Table 16 : Capital Schemes	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	Scheme Total 2019- 2022 £m
<u>New Capital Schemes</u>					
2018 Additional Highways Funding	12.004				
Total New Capital Schemes 2018/19	12.004				
County Hall Car Park		0.750			0.750
Citadel Car Park		0.400			0.400
Better Places For Work – West Cumbria		1.500			1.500
Highways Fleet Replacement		1.680			1.680
SEND Fleet Vehicles		1.350	0.600		1.950
Residential Provision for Children and Young People		1.000	1.000		2.000
Area Planning 2019/20		1.000			1.000
Enterprise Schemes		0.952			0.952
Total New Capital Schemes 2019-2022		8.632	1.600	0	10.232
<u>Continuation of current capital grants and additional contributions</u>					
North Carlisle Primary School – feasibility study		0.500			0.500
DSG funded CMF - Contribution to Schools		0.500	1.000	1.000	2.500
S278 BAE Junction works		0.535			0.535

Table 16 : Capital Schemes	2018/19 £m		2019/20 £m	2020/21 £m	2021/22 £m	Scheme Total 2019- 2022 £m
Integrated Care Community (NHS funded)			0.090			0.090
Co-located Emergency Response Centre - Ulverston			1.000			1.000
Adjustment to Area Planning scheme			(0.858)			(0.858)
Ulverston Infrastructure Scheme to Accountable Bodies			(2.500)	(2.500)		(5.000)
Schools' Capital Maintenance				4.795	4.795	9.590
Highways Maintenance & Band 3 Incentive Fund 2021/22 (indicative)					28.875	28.875
Total Continuation of current capital grants and additional contributions			(0.733)	3.295	34.670	37.232
<u>Re-profiling/Accelerated spend of schemes</u>						
Inclusion Strategy			(3.000)	3.000		0
A592/A684 Road Safety Foundation Schemes			(1.000)	1.000		0
Fire Vehicle Replacement Programme			(0.999)	0.999		0
Countryside Access Improvements (Other)			0.070		(0.070)	0
Total re-profilings/accelerated spend			(4.929)	4.999	(0.070)	0
Net Increase to Capital Programme	12.004		2.970	9.894	34.600	47.464

- 7.25 *2018 Additional Highways Funding:* In late November 2018 government announced this additional funding for highway maintenance activities to be spent within the 2018/19 financial year. Guidance identifies that this funding be used for a broad range of maintenance activities to roads and associated structure such as bridges. While this additional funding is much needed and welcomed the announcement of this funding during the winter maintenance period with a requirement to spend prior to financial year end creates some significant delivery challenges.
- 7.26 *County Hall Car Park:* This project entails the improvement of the parking facilities at County Hall through re-surfacing, re-marking and minor other changes that will enable the car-park to serve wider public use on a commercial basis thereby improving access to parking facilities in Kendal while also generating revenue income to the County Council. The project is self-financing with a 3 year payback period for the initial capital investment through the income from expected ticket purchases. The project will contribute to the new income generation proposal of £0.100m included in the MTFP.
- 7.27 *Citadel Car Park:* This project entails the creation of city centre parking facilities at the Citadel site in Carlisle (former County Council "Courts" complex) through re-surfacing, re-marking and minor other works that will enable the creation of public parking facilities to service both visitors to the city centre and provide much needed parking capacity in the vicinity of

Carlisle rail station. The project is self-financing with a 3-year payback period for the initial capital investment through the income from expected ticket purchases. The project will contribute to the new income generation proposal of £0.100m included in the MTFP.

- 7.28 *Better Places For Work – West Cumbria:* This project will see the refurbishment of West Cumbria House enabling more staff to be moved to this location. This project will deliver improvements to staff accommodation through access to modern, open plan and high standard office accommodation while also delivering significant revenue savings through moving out of leased in properties, as well as removing financial liabilities associated with back-log maintenance requirements. The project is self-financing with a 3-year payback period for the initial capital investment through savings in property lease costs.
- 7.29 *Highways Fleet Replacement:* The existing highways operational fleet was in large part purchased in early 2012 and so is approaching 8-years of age. For an operational fleet of this nature which is subject to both heavy use and high mileage a replacement programme is now required in order to ensure that vehicle availability and performance is maintained. The replacement of the highways fleet will be funded through the highways fleet earmarked revenue reserve.
- 7.30 *SEND Fleet Vehicles:* In order to expand the successful pilot project for the County Council to directly deliver transport to SEND youngsters to both a greater number of routes and into the provision of transport to some of our mainstream pupils this capital funding is required to support a rolling three-year programme of vehicle purchases. The capital funding will be repaid through savings made in the school transport revenue funding.
- 7.31 *Residential Provision for Children and Young People:* This project aims to create additional in county residential capacity for Cumbrian children within the looked after system. The project will reduce the reliance on out of County placements. The project will contribute to the new savings proposal of £0.140m included in the MTFP.
- 7.32 *Area Planning 2019/20:* Additional funding for area planning schemes. Funding for such schemes is expected in future years.
- 7.33 *Enterprise Schemes:* The Council Plan states that we will invest wisely on a commercial basis and take advantage of commercial opportunities where appropriate for Cumbria. The Council will be a Council that is enterprising and innovative, finding new ways to generate income to support priority services and exploring new ways of doing things. The capital funding will enable ideas to be converted into delivery and assist the development of enterprise throughout the organisation.
- 7.34 *Schools' Capital Maintenance (additional)* is required due to the significant and increasing backlog of maintenance issues in order to deliver the priority 1 maintenance (safe, wind and watertight) work that is required. The current estimated government grant is only £4.795m per year, yet we estimate the current backlog will cost upwards of £7.5m per year and this is only to safe, wind and watertight level.

- 7.35 In December 2018 DfE published the explanatory note on school condition funding and devolved formula capital methodology for financial year 2019–2020. The methodology largely uses the same allocations methodology for the financial year 2019–20 with some minor updates in order to provide stability. The Condition Data Collection, which will provide an up-to-date picture of the condition of the school estate, is expected to complete in autumn 2019 and will help inform future funding policy.
- 7.36 It is estimated that for 2019/20 through to 2021/22 the grant will be £4.795m per annum, which is insufficient to cover our required spend for Prioritised Maintenance for schools, leading to the requirement to fund some of the maintenance spends from corporate funding (prudential borrowing, capital receipts). If the final grant when announced is lower than estimated, additional corporate funding will be required to finance the overall scheme, but our schools remain a priority.
- 7.37 *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 2019/20 will be announced in April 2019 as it is based on January 2019 pupil numbers.

Highways Transport Block schemes – allocation of spend

- 7.38 In respect of the Highways Integrated Transport Block (ITB) and Maintenance Block funded schemes for 2019/20 the Capital Programme already included an estimated value for the schemes of £24.337m (£2.546m Integrated Transport Block, £21.791m Block Maintenance Allocation). The methodology for providing funding for these schemes includes an element of Incentive Funding, Cumbria County Council will be submitting the self-assessment at a Band 3 level for 2019/20. If confirmed this will result in an additional £4.538m of funding. This would result in a total of £28.875m for the Highways and Integrated Transport Maintenance Block in 2019/20. Confirmation of the funding is expected in March 2019. The same level of funding is assumed for 2020/21 and 2021/22 for planning purposes.
- 7.39 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 overleaf. The revised allocations within the proposed Capital Programme across the schemes are shown in the table overleaf:

Table 17 : Transport Maintenance Allocations 2019/20

Block Heading	Block Sub-Heading	Re-profile from/(to) 2018/19 (already approved) £m	Re-profile from/(to) 2020/21 £m	Budget (New allocation) 2019/20 £m	Total Budget 2019/20 £m	Total Budget 2018/19 £m
Integrated Transport Block (ITB)	Engineering Safety (ESS) – Studies and Implementation Measures	0	0	0.300	0.300	0.300
	Infrastructure Deficit support to District Councils	0.412	0	0.385	0.797	0.844
	Countryside Access Improvements	(0.070)	0.070	0.100	0.100	0.095
	Traffic signals and Network traffic systems	0	0	0.190	0.190	0.190
	Sub-Total:	0.342	0.070	0.975	1.387	1.429
Primary Route Network (PRN)	Planned Lifecycle Maintenance	0	0	5.285	5.285	5.472
Bridges and Structures	Planned Lifecycle Maintenance	0	0	2.906	2.906	2.482
Non-Primary Route Network (NPRN) –	Planned Lifecycle Maintenance <i>(Devolved to Local Committee)</i>	0	0	17.440	17.440	18.057
Strategic Asset Management	Planned Lifecycle Maintenance	0	0	2.269	2.269	1.362
	Total:	0.342	0.070	28.875	29.287	28.802

7.40 The proposed allocations to each Local Area Committee of the Non-Primary Route Network budget are as follows:

Table 18 : Local Committee NPRN Capital Allocation 2019/20

Area	Allerdale £m	Barrow £m	Carlisle £m	Copeland £m	Eden £m	South Lakeland £m	Total £m
Non-Primary Route Network (NPRN) –	3.583	1.241	3.089	1.803	3.663	4.061	17.440

7.41 The Pothole Fund £1.241m is split between Local Committee areas on the same basis as the above Non Primary Route Network funding, but it is not devolved to Local Committees for decisions on spending.

Table 19 : Pothole Fund Capital Allocation 2019/20

Area	Allerdale £m	Barrow £m	Carlisle £m	Copeland £m	Eden £m	South Lakeland £m	Total £m
Pothole Fund	0.255	0.088	0.220	0.128	0.261	0.289	1.241

7.42 The proposed Capital Programme for 2019 - 2022 is £195.898m. The Table below summarises the changes:

Table 20 : Proposed Capital Programme for 2019 - 2022

Revised Capital Programme	2018/19 £m		2019/20 £m	2020/21 £m	2021/22 £m	Total 2019- 2022 £m
Capital programme (Q2 Reported Dec 18)	131.636		102.852	45.582	0	148.434
New Schemes	12.004		8.632	1.600	0	10.232
Continuation of current schemes	0		(0.733)	3.295	34.670	37.232
Re-profiling/accelerated spend of schemes	0		(4.929)	4.999	(0.070)	0
Revised Capital Programme	143.640		105.822	55.476	34.600	195.898

Cumbria Local Growth Deal Projects

7.43 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 2019/20 is estimated at £3.851m.

7.44 The Cumbria Growth Deal grant allocation for 2019/20 is £6.818m. Spend is planned above the grant value by utilising underspends from previous years.

Potential Capital Schemes

7.45 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 2019/20 they will be recommended to Council for inclusion in the wider Capital Programme 2019 - 2024. The potential schemes are:

- Carlisle Southern Link Road
- Blue Light Hubs
- Single Site Records Store
- Highways Depot and Fleet Reviews
- Better Places for Work Kendal
- Area planning schemes

- Extra Care Housing
- Modernising Cumbria Care
- Digital Investment

Capital Financing

7.46 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.

Prudential Borrowing

7.47 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.

7.48 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.

7.49 Additional prudential borrowing of £10m had been assumed for 2021/22, in addition to the already approved £25m for 2019/20 and 2020/21. This is to reflect for planning purposes a minimum general requirement for continued investment. The revenue implications of this borrowing are already reflected within the revenue budget.

7.50 This borrowing will support schemes generally in the 2019-2022 Capital Programme. Prudential Borrowing is only approved up to a maximum of three years ahead as part of the Treasury Management Strategy.

7.51 The table overleaf summarises the level of Prudential Borrowing required for the following three years. At this stage £10m of the General Prudential Borrowing is still to be committed to schemes in 2021/22.

Table 21 : New Prudential Borrowing Requirements

Scheme	Prudential Borrowing			TOTAL £m
	2019/20	2020/21	2021/22	
Approved and Committed				
General Schemes	10.000	10.000	0	20.000
Corporate Maintenance	5.000	0	0	5.000
Approved but not yet Committed				
General Schemes (new)			10.000	10.000
Total Prudential Borrowing Requirement	15.000	10.000	10.000	35.000

- 7.52 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.

Revenue Contributions

- 7.53 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.
- 7.54 The Dedicated Schools Grant has previously been utilised each year to fund capital maintenance on schools. The allocation from DSG for 2019/20 was confirmed at £1.712m by the Schools Forum in November 2016. Of the £1.712m, it is expected that £1.000m will be utilised for capital purposes. For planning purposes the assumed level of DSG contribution to the Capital Programme for 2019/20 is £1.000m.

Capital Receipts

- 7.55 A prudent approach to the generation of capital receipts has been taken for the purposes of financing the Capital Programme. Table 22 shows the revised estimates for capital receipts in 2018/19 – 2022/23. Capital receipts in future years will be dependent upon service reviews releasing additional surplus assets for sale.
- 7.56 In 2016 Government 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.
- 7.57 For budget planning purposes it is assumed that £2.500m of revenue spend will be capitalised over 2019/20-2022/23 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 overleaf shows the split between general capital receipts and the capitalisation capital receipts expected.

Table 22 : General Capital Receipts Estimates

	Original forecast General capital receipts for Capital Programme £m	Original Capital receipts (capitalisation flexibility) £m	Revised forecast General capital receipts for Capital Programme £m	Revised forecast Capital receipts (capitalisation flexibility) £m
2018/19	0	2.500	0	1.250
2019/20	0.750	0	0.500	1.250
2020/21	0.500	0	0.500	0
2021/22	TBC	TBC	0.500	0
2022/23	TBC	TBC	TBC	0
TOTAL	1.250	2.500	1.500	2.500

7.58 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 two years which incorporates the original Local Growth Deal projects and the Enhanced Growth Deal projects. Each year the LEP receives 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.

7.59 The table below shows the overall profile of grant receivable onwads in respect of Growth Deal 1, 2 and 3.

Table 23 : Grant Receivable	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	Total £m
Growth Deal 1 & 2 & 3	9.070	19.557	7.124	6.057	6.818	11.694	60.320

Summary

7.60 The table below summarises the capital funding requirements for the County Council Capital Programme 2019 - 2024. All schemes within the County Council Capital Programme are fully funded.

Table 24 : Capital Funding Requirements 2018- 2022	2019/20	2020/21	2021/22 and future years	Total
	£m	£m	£m	£m
Grants	73.999	36.341	33.600	143.940
Contributions	3.674	0.235	0	3.909
Revenue Contribution to Capital	6.704	1.600	1.000	9.304
Capital Receipts	3.850	0	0	3.850
Prudential Borrowing	17.595	17.300	0	34.895
Total for Council Capital Programme	105.822	55.476	34.600	195.898

8 MEDIUM TERM FINANCIAL PLAN 2019-22 – TREASURY MANAGEMENT STRATEGY

- 8.0 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 D meets this requirement and is developed in accordance with the Prudential Code and the Treasury Management Code published by CIPFA.
- 8.1 The development of the Treasury Management Strategy 2019/20 was considered comprehensively by the Audit and Assurance Committee at its meeting on the 11th December 2018. Treasury Management Strategy Training for all Members was provided on 14th January 2019 in advance of Council's consideration in February.
- 8.2 The economic and financial environment in which the Council's treasury operations are undertaken remains challenging and interest rates remain low. As a result, it is considered appropriate for the Council to continue to take a prudent approach to its Treasury Management Strategy.
- 8.3 The proposed 2019/20 Strategy is consistent with the 2018/19 strategy approved by Council in February 2018;
- investments will be deposited with high quality counterparties over relatively short periods, and
 - 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.
 - the Council will continue with its approach to defer borrowing for capital investment by utilising available short term cash balances. However this will continue 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.
- 8.4 As expected, some externalisation of borrowing has occurred during 2018/19 and 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. Consideration will be given during 2019/20 to the potential inclusion in the 2020/21 Treasury Management Strategy for investment in financial instruments with a longer duration that may increase the return on the Council's cash holdings within acceptable risk tolerances.

- 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.
- 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 by Council in January 2018 and has contributed to saving proposals in the period 2017/18 to 2020/21. These are both also set out in the Medium Term Financial Plan.

9 STATEMENT OF ROBUSTNESS, ADEQUACY OF RESERVES AND BUDGET RISK

- 9.0 The Local Government Finance Act 2003 places a duty on the Council to reinforce sound financial management and in this respect the Director of 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.
- 9.1 The Director of Finance confirms that the spending plans identified within the MTFP and the Council Tax calculation for 2019/20 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
- 9.2 The Council's 2019/20 budget has been formulated following a robust process.
- 9.3 There are a number of financial risks that are not funded within the 2019/20 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 prudence, 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.
- 9.4 The main factors relate to the scale of the changes that are due to be implemented and successfully sustaining changes previously made. The

increasing care pressures especially those related to children's care are also important factors to be taken into account.

- 9.5 The focus for this MTFP (2019 – 2022) has been producing a balanced budget for 2019/20. 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.
- 9.6 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.
- 9.7 The General Fund Balance target set by Council in February 2018 was £10m.
- 9.8 The latest budget monitoring forecast presented to Cabinet based on the position at 20th December 2018 reported a budget deficit of £4.593m resulting in an estimated General Fund Balance of £7.312m as at 31 March 2019. However, with the use of one-off monies (contingency budget, unallocated inflation budget) it is expected that the General Fund Balance will be at least £10m by the year end. The overachievement of one-off savings from the re-negotiation of a Highways related contract, concluded in December 2018 provides an opportunity to supplement these balances.
- 9.9 The 31st December 2018 monitoring (Q3 2018/19) position will be reported to Cabinet on 21st March 2019.
- 9.10 Given the extent of uncertainty of sources of funding over the life of the MTFP, the cumulative impact of savings to be delivered and the demand pressures upon adult social care and more specifically, children's social care the Council must look to increase this General Fund Balance where possible.
- 9.11 Reserves provide the cushion to deal with uncertainty, unknowns and unforeseen events in year and the opportunity to respond to service changes outwith existing plans. Reserves afford flexibility and agility, and support a financially sustainable Council, with the uncertain national and local government context i.e. post Brexit, Fair Funding, Adult Social Care Green Paper and the new Local Government Funding Framework.
- 9.12 The Council has seen a significant reduction in its Earmarked Reserves over recent years and this reduction is forecast to continue in 2019/20 and to 2023. Further information on reserves is presented in the MTFP.
- 9.13 Planning in respect of addressing the estimated budget gap for the remaining two years (i.e. 2020/21 and 2021/22) of the Medium Term Financial Plan continues. Financial estimates of the likely revenue spending requirement for a longer period are underway, beyond 2022.
- 9.14 However, the challenge of producing sustainable budgets in the context of continuing grant reductions by central government, changing funding

framework, increasing public expectations and service pressures cannot be underestimated.

- 9.15 Determining the Medium Term 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. Central Government has made it clear that Councils are expected to become reliant on funding it must generate itself, and the proposed introduction of 75% business rates retention scheme reinforces this.
- 9.16 Against this backdrop the Director of Finance (S151 Officer) believes it would be prudent to increase the General Fund Balance target to £15m from 2019/20 as this is the minimum level of General Fund balance the Council requires. This is expected to be funded from the additional (one-off) benefit from the re-negotiation of a contract, additional to that assumed in setting the 2018/19 Budget. The MTFP provides an analysis of risks supporting the level of General Fund reserves. Furthermore, every opportunity must be taken to supplement reserves, where possible.
- 9.17 Finally, it is proposed that any revisions to the Draft Budget and Medium Term Financial Plan (2019-2022) and Capital Programme (2019-2024) between the Cabinet meeting at which this report is considered and the Council meeting of 14th February 2019 be delegated to the Director of Finance (Section 151 Officer) in consultation with the Leader and Deputy Leader of the Council.

10 PAY POLICY STATEMENT 2018/19

- 10.0 Appendix F sets out the Council's Pay Policy Statement for 2019/20. 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:
- i. the methods by which salaries of all employees are determined;
 - ii. the detail and level of remuneration of its most senior employees i.e. 'chief officers', as defined by the relevant legislation;
 - iii. the Committee or Panel responsible for ensuring the provisions set out in this statement are applied consistently throughout the Council.
- 10.1 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).
- 10.2 From 1 April 2019, the minimum pay for employees is £17,364 per annum, which is a ratio of 1:8.4 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 £9.00 per hour.

11 OPTIONS CONSIDERED AND RISKS IDENTIFIED

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

12 REASONS FOR THE RECOMMENDATION / KEY BENEFITS

- 12.0 Reasons for the Recommendation / Key Benefits have been set out throughout the report and appendices.

13 FINANCIAL - WHAT RESOURCES WILL BE REQUIRED AND HOW WILL IT BE FUNDED?

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

14 LEGAL ASPECTS – WHAT NEEDS TO BE CONSIDERED?

- 14.0 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.
- 14.1 The council tax precept must be issued before the 1st March 2019.
- 14.2 Members must have regard to the report of the Section 151 Officer, referred to in Section 9 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.
- 14.3 Members must also have regard to the outcome of consultation undertaken in relation to the budget for 2019/2020 and to the Public Sector Equality Duty in making their decision. Further information in respect of both of these matters in contained in the report.

15 WHAT IS THE IMPACT OF THE DECISION ON HEALTH INEQUALITIES AND EQUALITY AND DIVERSITY ISSUES?

- 15.0 All budget proposals have been subject to an Equality Screening Process. This involves identifying savings that would require an Equality Impact Assessment (EIA). The Equality Screening Process suggests that the Budget can proceed and that the Council is complying with its duties under S149 of the Equality Act 2010.
- 15.1 The majority of new budget proposals are technical financial adjustments and do not require an equality impact assessment.
- 15.2 In relation to specific savings with particular EIA considerations these have been taken into account and further work will be done on these savings as the budget is implemented.

Further Information & Background Documents

- Appendix A Medium Term Financial Plan 2019-2022
 Appendix B Budget Consultation Report 2019/20
 Appendix C Schedule of Fees and Charges 2019/20
 Appendix D Treasury Management Strategy Statement
 Appendix E Local Committee Allocations 2019/20 – Revenue and Capital
 Appendix F Pay Policy Statement 2019/20

Key Facts

Electoral Division(s): All

Executive Decision	Key Decision Included in Forward Plan	Exempt from call-in	Exemption agreed by scrutiny chair	Considered by scrutiny, if so detail below	Environmental or sustainability assessment undertaken?	Equality impact assessment undertaken?
Yes	Yes	No	N/A	Yes	N/A	Yes

Considered by Scrutiny:

Strategic Planning Workshops – 25th July and 3rd December 2018

Cabinet 20th December 2018 - 'Scrutiny Feedback on Strategic Planning'

Previous relevant Council or Executive decisions

- None

Consideration by Overview & Scrutiny

- Yes

Background Papers

Development of the Medium Term Financial Plan (MTFP) 2019 to 2022 – Cabinet
22nd November 2018

Draft Revenue Budget 2019-20 and Medium Term Financial Plan (2019-2022) and
Draft Capital Programme (2019-2024) – Cabinet 7th February 2019

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