

## South Lakeland District Council Cabinet Friday, 20 December 2019 2020/21 to 2024/25 Draft Budget

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**Portfolio:** Finance and Resources Portfolio Holder  
**Report from:** Section 151 Officer  
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**Wards:** (All Wards)  
**Forward Plan:** Budget and Policy Framework Decision included in the Forward Plan as published on 1 October 2019

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### 1.0 Expected Outcome

- 1.1 This report presents the **2020/21 Five Year Draft Budget**. The expected outcome is that Council will be in a position to deliver the priorities set out in the Council Plan within its resources. This will enable the statutory requirement to agree a balanced budget and to set the appropriate Council Tax level for 2020/21. Cabinet on 20<sup>th</sup> December 2019 will be asked to approve the re-profiling of the 2019/20 – 2023/24 capital budgets which form part of the draft capital programme.

The completion of the Customer Connect programme has substantially reduced future budget deficits. A one-year local government finance settlement has the potential for additional, one-off income in 2020/21. Options still need to be developed to use this additional funding to mitigate the expected funding reductions from April 2021.

The final proposed revenue budget and capital programme, including any further amendments, will be taken through the Overview and Scrutiny Committee and then be put forward for approval by Council on 25 February 2020.

### 2.0 Recommendation

#### 2.1 It is recommended that Cabinet:-

- (1) **Note that the development of the Budget is an iterative process between now and Council on the 25 February 2020. The budget is proposed to be consulted upon until the 21<sup>st</sup> February 2020. The assumptions, proposals and calculations included within it will be subject to change as more information from internal and external sources is provided and decisions around the final proposals can be made;**
- (2) **Consider the proposals contained in the report to achieve a balanced budget in 2020/21;**
- (3) **Note the projected surplus position of circa £88k in 2020/21 with deficits starting at £0.9m for 2021/22 rising to circa £1.7m by 2023/24; and**
- (4) **Notes that proposals (1) and (2) form the basis of consultation with stakeholders.**

### 3.0 Background and Proposals

- 3.1 The Council, at its meeting on 23 July 2019 agreed to the proposed Budget Strategy for the current year's budget process as part of the Medium Term Financial Plan (MTFP). The Budget Strategy set out some broad principles which are being used in the preparation of the 2020/21 – 2024/25 Budget.

- 3.2. This report presents a **draft position**. Work will continue to incorporate further changes into subsequent budget reports, such as the finalised staffing establishment following offers in phase 2 of the Customer Connect programme and the central government grant position which is not yet clear. The position set out in this report will form the basis of consultation. The Overview and Scrutiny Committee will consider the report at its meeting on the 17 January 2020. The final Draft Budget Report will incorporate the consideration of the internal and external consultation received at that time and be presented to the 5 February 2020 Cabinet meeting. Any further amendments would be delegated to the Leader and Portfolio Holder in consultation with the s151 officer prior to the reports consideration at the Council meeting on the 25<sup>th</sup> February 2020. The Council will be requested to approve the final **Budget** at its meeting on the 25 February 2020. The budget timetable is presented for information at **Appendix 2**.

## DRAFT GENERAL FUND REVENUE BUDGET

### SUMMARY POSITION

- 3.3. The Medium Term Financial Plan provides a summary five year annual position which includes a projection of the overall surplus or deficit on the General Fund Revenue Budget. The assumptions and financial implications are kept constantly under review as circumstances change. A summary of the known changes at this stage are provided in the table below, the more detailed analysis of expenditure and income is set out in **Appendix 3**.
- 3.4. **Table 1** sets out the summarised estimated annual General Fund Budget requirement across the review period, including the projected deficits. It also shows the savings identified and where the budgets have been reduced.

Table 1: Summary Medium Term Financial Plan

	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
<b>Net draft budget February 2019:</b>	<b>0.0</b>	<b>620.0</b>	<b>867.9</b>	<b>1,352.6</b>	<b>1,985.0</b>
<b>Changes since February 2019:</b>					
Spending Round:					
Additional business rates - continuation of exemption from negative RSG, no baseline reset	0.0	(1,029.0)	(557.0)	(697.0)	(719.0)
Additional rural services delivery grant	0.0	(433.0)	0.0	0.0	0.0
Reduction in council tax - 2% max increase	0.0	50.0	96.0	140.0	180.0
Additional NHB	0.0	(338.0)	(73.0)	(44.0)	(23.0)
Assumed use of NHB	0.0	338.0	73.0	44.0	23.0
Other:					
Revenue Pressures - Unavoidable	49.8	667.7	437.2	444.8	436.3
Revenue Growth	25.1	337.5	155.0	0.0	0.0
Revenue Savings	0.0	(502.1)	(481.1)	(463.0)	(443.0)
Revenue Impact of Capital Requests	0.0	0.0	42.5	(12.5)	(62.5)
Use of Reserves to meet one-off costs	(38.3)	(48.2)	(51.7)	(55.8)	(57.8)
Contribution to Local Project reserve	0.0	433.0	0.0	0.0	0.0
Use of Local Project reserve	0.0	0.0	200.0	150.0	100.0
Contribution to Capital - Local Projects	0.0	0.0	(200.0)	(150.0)	(100.0)
Contribution to Climate Change Reserve	0.0	125.0	0.0	0.0	0.0
Use of Climate Change Reserve	0.0	0.0	(125.0)	0.0	0.0
Reprofiling capital programme: Housing Loan interest receipts moved back 12 months	0.0	60.0	60.0	0.0	0.0
Reprofiling capital programme: Ulverston Leisure Centre savings moved back 18 months	0.0	0.0	220.0	110.0	0.0
Reprofiling capital programme: South Lakeland House/Kendal Town Hall impact moved back 6 months	0.0	0.0	0.0	137.0	12.0
Net impact of capital programme and PWLB rate increases on interest payable/receivable	0.0	(171.0)	51.0	170.0	182.0
Updated Minimum Revenue Provision projections	(32.9)	(198.0)	229.1	145.0	228.7
<b>Net draft budget (projected surplus/deficit) December 19</b>	<b>3.7</b>	<b>(88.2)</b>	<b>944.0</b>	<b>1,271.1</b>	<b>1,741.7</b>

- 3.5. The projections all include the full Customer Connect savings. In addition, the one-off local government finance settlement and deferment of the new funding model until at least April 2021 leaves the Council with substantial additional one-off income of around £1.0m for 2020/21, turning a projected budget deficit into a budget surplus. Options are being developed on how this income can be used to mitigate the longer-term impact of funding changes from April 2021. The projected annual revenue surplus totals circa £88k in 2020/21 but this is a one-year only surplus with a projected deficit for £0.9m in 2021/22 rising to circa £1.7m by 2024/24.
- 3.6. This is the first iteration of the budget and these annual projections are based on information available at the time of preparation along with the broad set of assumptions detailed in paragraph 3.13 below. The assumptions, proposals and calculations included above and on the attached appendices will be subject to change as more information from internal and external sources is provided, calculations and options are refined and as decisions around the final proposals are made.
- 3.7. The Council has a statutory duty to set a balanced budget. Work is underway to resolve the projected deficits from April 2021 onwards. Future year estimates will be kept under review as part of the MTFP process to ensure that savings plans are sufficient to set balanced budgets. Any additional budget pressures or discretionary, fixed term growth items will need to be funded by savings in existing budgets.

## **CUSTOMER CONNECT**

- 3.8. There are two main financial aspects to the Customer Connect programme: the use of reserves to fund the one-off costs of implementation and the expected recurrent savings from the programme. Regular updates have been provided to the Customer Connect Programme Board around both expenditure and the delivery of savings.
- 3.9. The overall budget for Customer Connect was £3.8m to be funded from the Customer Connect reserve set up for this purpose. It is expected that this reserve is sufficient to meet all the remaining Customer Connect costs. The final costs will be reported at the end of the programme.
- 3.10. The Customer Connect staffing changes were expected to generate annual salary savings of £1.55m based on the staffing establishment at June 2018 with £760k to be delivered in 2019/20 and the full £1.55m from 2020/21.
- 3.11. Changes to the staffing structure have been split between phase 1 which covered Leadership team and the majority of the Strategy, Innovation and Resources team excluding Human Resources and the ICT shared service. Phase 1 was implemented in April and May 2019 and is generating in-year recurring savings of £592k, as reported in the Corporate Finance Update elsewhere on this agenda. Phase 2 covers Customer and Commercial Services and Human Resources and will mainly be implemented from January 2020 although some staff have already taken up their new posts. It is expected that the part-year effect from phase 2 will deliver the remainder of the £760k target savings for 2019/20 and that, overall, phases 1 and 2 will deliver the majority of the £1.55m target with a small balance to be met from the ICT team during 2020/21. The staffing budgets in the current draft budget include only the savings from phase 1: the next draft of the budgets will include the appointments for phase 2.
- 3.12. Tracking this saving into future years is challenging as there are temporary posts in the baseline figures which are non-recurring, there has been an increase in costs from the change to the Council's pay grades from April 2019 as a result of the 2018/20 pay settlement and there is a reduction in costs due in the Council's pension contributions from April 2020. When costing the savings from the new model the top of grade has been used but in practice the actual grades will reflect

length of service and actual appointments which will be a mixture of points within each grade. The full £1.55m saving has been incorporated into the current MTFP financial model and variances from these figures will be reflected as the model is updated for actual costs.

### **BUDGET STRATEGY ASSUMPTIONS**

3.13. The draft budget proposals for 2020/21 and onwards include:

- a) Inflation in the base budget in accordance with the Budget Strategy (only where contractually committed or unavoidable).
- b) Salary budgets have been prepared based on a staffing structure including phase 1 Customer Connect appointments and an allowance for further savings from phase 2. A revised salary budget will be prepared for Overview and Scrutiny Committee in January 2020 which will reflect the staffing establishment to be approved by Human Resources Committee on 26 November 2019 including phase 2 of Customer Connect.
- c) From April 2020 onwards the detailed budgets include 2% for inflationary pay awards. The local government pay settlement for April 2020 is still to be agreed.
- d) The Government announced a five-year target to increase the National Living Wage (NLW) to £10.50 per hour in September 2019 and to extend the NLW to apply from the age of 21 rather than 25. The local government pay settlement for 2019/20 has a minimum hourly rate (excluding apprentices) of £9.00 per hour which is higher than the new NLW levels and is equal to the Real/Foundation Living Wage which was announced in November 2018. Any increases in the National Living Wage above 2% will be a budget pressure in future budget drafts.
- e) The staffing budgets for all services currently include a reduction of 4% as a vacancy allowance: in theory there are savings when posts are vacant and usually a saving where a new appointment is at the bottom of the pay scale while staff budgets assume existing staff receive an annual increment, as required by the local government terms and conditions - Green Book. During the current financial year the vacancy saving has been difficult to achieve due to all the staff changes arising from Customer Connect but mainly due to the need to cover shifts where minimum staffing levels are required e.g. waste collection, hostel, car park attendants. There is a budget pressure being proposed to reduce this 4% to 2% for rota-ed services with a view to potentially reducing to 0% if necessary next year.
- f) The Council is required to offer staff a pension from the Local Government Pension Scheme with the Cumbria scheme administered by Cumbria County Council. The Council's pension contributions are re-calculated every 3 years based on a full revaluation carried out by external actuaries. Nationally and locally most individual pension funds were in deficit due to a combination of reduced contributions during the 1980s, lower than expected investment returns and reductions in payments based on a single percentage against a decline in overall salary costs. For the last decade pension contributions have been based on a percentage contribution for current costs and a lump sum contribution to reduce the deficit. The draft pension results suggest that the Council's long-term work to manage the deficit reduction, including pre-payment of contributions, and higher than expected investment returns have resulted in eliminating the deficit. The deficit contributions for 2019/20 would have been £802k but this was reduced to £739k through prepayment of the deficits at the start of the 3-year period: no deficit payments will be required from April 2020 onwards. However, it is expected that the Council's payments for current costs

will increase by at least 3% from 16.2% to 19.2% as a result of lower projected investment returns in the future and changes to demographic projections. On the estimated staffing budget for 2020/21 this is estimated to be an overall net saving in pension costs of around £300k, which allows for potential increases in future costs arising from the McCloud ruling that the transitional arrangements for the introduction of the current pension scheme were discriminatory on the grounds of age. The final contributions rates will be available from late November 2019 and will be included in the next draft budget figures.

- g) On 9 October the Government increased the interest rates for local authorities borrowing from the Government through the Public Works Loans Board (PWLB) by 1% without any prior warning or consultation. This has been reflected in the estimates for interest payable.
- h) Capital charges will be reviewed within the final budget proposals presented to February Council. These have no impact on the MTFP projections as they are not charged against Council Tax.

### **GOVERNMENT FUNDING AND OTHER REVENUE BUDGET UNCERTAINTIES**

3.14. The figures presented include certain assumptions where work is on-going or where information is not yet available. A key factor going forward will continue to be central government funding. The expected change to 75% business rates retention and a new funding distribution model from April 2020 has been delayed until at least April 2021. The Government have announced there will be a single-year settlement for 2020/21 and have issued the technical consultation.

3.15. The key uncertainties are:

- a) The MTFP assumes support from general government grant, such as Revenue Support Grant, is in line with the technical consultation issued in October 2019 with a continuation of the existing model, no reduction in funding for negative Revenue Support Grant and a continuation of Rural Services Delivery Grant and New Homes Bonus. The MTFP projections have been adjusted to reflect this expectation: the Provisional Local Government Finance Settlement will now be after the Election. Any significant changes to the assumed funding, if known, will be reported to Council on 17 December.
- b) From 2021 the whole system of Government funding is expected to change: the financial model assumes the overall funding from Government through general grants or retained business rates will continue to decline by the same rate as has been seen during the multi-year settlement from 2015-2019 excluding one-off adjustments such as the negative Revenue Support Grant. This reflects the current indications that funding of local government overall will stabilise at current levels but that funding will be targeted at social care.
- c) It is expected that the existing business rate pool will continue for 2020/21. Due to the level of uncertainty around these arrangements, the funding is built into budgets 1 year in arrears so this can be used to support financial years 2021/22 onwards. Any unallocated balance remains within the NNDR pool reserve which is earmarked for economic development (**Appendix 10**).
- d) Interest payable and receivable will continue to be reviewed prior to the final budget being set in February 2020 to ensure this reflects the most up to date interest rate projections and capital programme funding assumptions.

- 3.16. The MTFP assumes the New Homes Bonus will be split 60:40 between support for the capital programme, which has been used to support housing, and Locally Important Projects (LIPs), including community planning and the £1,000 budget per member for community projects. The Government consulted in autumn 2015 about reducing the level of New Homes Bonus and this was partially implemented from April 2017. Further changes are expected to be confirmed as part of the 2020/21 local government finance settlement and it is expected that New Homes Bonus will be limited from April 2020 and discontinued from April 2021. SLDC does not use the NHB to balance its base budgets. Funding of approved schemes in the capital programme has been reviewed to reflect expected funding but future projects will need to be reviewed as clarity is provided.
- 3.17. In order to enable a programme to continue of support to local projects the draft budget proposals include the establishment of a new reserve for locally important projects. This reserve will be funded by the Rural Services Delivery Grant received in 2020/21 which is expected to be £433k. It is also proposed that up to £100k of any remaining surplus in 2020/21 after final budget adjustments have been made would also be added to this new reserve. This would enable a taper of the current level of funding from around £200k over a 4-year period. It is also proposed that a Climate Change reserve is established in 2020/21 to enable the re-profiling of expenditure between 2020/21 and 2021/22 relating to the Climate Change Coordinator and project funding and carbon reduction.
- 3.18. Overall, although there are still uncertainties, the Council is in a strong position to set a balanced budget for 2020/21 and to address the level of deficit from 2021/22. From April 2021 however it is worth reiterating that the challenges arising from the change in Government support through the Fair Funding Review and changes to business rate retention could have a significant impact.

## **RECURRING REVENUE BUDGET PRESSURES**

- 3.19. There are a number of recurring budget pressures and adjustments that have been identified through the budget process. As identified in **Table 1**, these total £630k for 2020/21 decreasing to £436 by 2023/24. The details of these are contained within **Appendix 4**.
- 3.20. The largest single pressure relates to one off costs regarding work required to future-proof systems, processes and policies around s106 and other agreements across planning, planning policy and legal services.
- 3.21. The other large budget pressures are on-going and relate to falling market prices for recyclable materials and a reduction in the vacancy allowance for rota-ed services, both of which have been reported as part of the Corporate Financial Update report for Quarter 2 2019/20.

## **2020/21 GROWTH PROPOSALS**

- 3.22. The detail of revenue growth items is included at **Appendix 5**. These are for one off projects over a one to two year timeframe. These include feasibility studies, masterplans and funding for a climate change project.

## **SAVINGS PROPOSALS**

- 3.23. A number of savings proposals have been brought forward as part of the budget exercise excluding any savings relating to Customer Connect which are being collected separately. These total £502.1k in 2020/21 falling to £443k by 2024/25. These are detailed in **Appendix 6**. The amount and nature of the savings identified are considered reasonable and deliverable from 2020/21.
- 3.24. The main savings relates to a reduction in pension contributions (see section 3.13 f above) and the result of re-tendering the insurance contract in 2019, this is offset by changes following the review of corporate budgets.

## REVENUE IMPACT OF CAPITAL REQUESTS

- 3.25. **Appendix 7** includes details of the impact of capital schemes on revenue costs/income. The impact has been assessed at a cost of £42.5k for 2021/22 to increased income of £62.5k recurring from 2023/24.

## SAVINGS AND EFFICIENCIES

- 3.26. Significant savings targets of £740k rising to £1.550m were agreed in July 2018 from the Customer Connect Programme and are on target for delivery as reported above. Further work will be carried out to identify proposals to meet the additional amounts required. This process needs to be flexible according to the challenges and opportunities that arise to meet the projected deficits, which are very likely in themselves to change, particularly given the large uncertainty over business rates retention. Updates will be provided in subsequent budget reports.

## FEES AND CHARGES

- 3.27. The MTFP assumes that income to be generated from fees and charges will total £10.3m for 2020/21. This figure has been adjusted to reflect the budget pressures from **Appendix 4**, where these relate to fees and charges.
- 3.28. The 2020/21 car parking income budgets have been inflated by 2% in line with the MTFP. The base income budget was increased from April 2020 by £160k per year, to reflect the budget monitoring for 2018/19. Monitoring for 2019/20 suggests that this additional income is not being achieved. A budget pressure has been included for the £160k but is slightly reduced by a proposal to increase permit fees to address the in-balance between daily tickets and annual charges (**Appendix 4**). At this stage it is not proposed to adjust other charges. Hourly rates have been frozen on most car parks since April 2011. This is subject to annual review.
- 3.29. Lake Administration Committee considered and approved fees and charges on 4 October 2019 and Licensing Committee considered its fees 4 November 2019.

## COUNCIL TAX

- 3.30. The Government has encouraged Councils over the last 4-years to move towards financial self-sufficiency through increasing the proportion of income raised by Council tax rather than government grant. Increases of up to £5 or 3% were permitted in 2019/20 and the MTFP assumed Council tax would continue to rise by £5 per annum to £200.63 at April 2020 which equates to 2.56% per band D property for 2020/21.
- 3.31. The 2019 Spending Review and technical consultation for 2020/21 reduced the maximum permitted increase from the higher of £5 or up to 3% down to 2%. The 2% increase has been applied for each year of the financial model. A 2% increase would be equivalent to an increase of £3.91. Full details of the settlement, including limits around Council Tax are likely to be provided with the Local Government Finance Settlement in December 2019. Each 1% increase in Council Tax generates an additional £89k of income to the Council.
- 3.32. The 2% increase in Council tax is a planning assumption for budgeting purposes only at this stage. The actual level of Council tax to be charged is a decision by Council as part of the budget approval process in February.
- 3.33. The MTFP assumes an increase in the Council tax base of 250 band D properties for 2020/21. At £200.63 per band D this is equivalent to an additional £50k of Council tax each year for this Council. The actual tax base for 2020/21 will be calculated in December 2019 and will be included in future budget reports. This will also include any distribution of anticipated surpluses or deficits from 2019/20.

## 4 CAPITAL PROGRAMME

- 4.1 Proposals for new areas of capital expenditure were considered by Cabinet Portfolio Holders on the 9 October 2019 and were prioritised with reference to the funding available. The resulting proposed capital programme is presented at **Appendix 8**. A summary of the proposed capital expenditure up to 2024/25 is shown below:

**Table 2: Summary Draft Capital Programme Expenditure**

2019/20 Revised	2020/21	2021/22	2022/23	2023/24	2024/25	Total 2019/20 to 2024/25
£000	£000	£000	£000	£000	£000	£000
6,988.3	18,874.7	15,926.4	5,169.1	2,822.0	2,983.0	52,763.5

- 4.2 There were a number of capital bids prioritised. These include:
- a) £550k in relation to improvements to the Environment Agency lead Flood Relief Scheme Improvements, to be funded from reserves;
  - b) £65k for the purchase of further bins and boxes for waste services;
  - c) £480k for structural repairs to Westmorland Shopping Centre Car Park to extend the life of the shopping centre to 25 years;
  - d) £90k for the refurbishment of Ellerthwaite depot to create office accommodation for rent;
  - e) £50k for match-funding the extension and refurbishment to Rothay Park toilets by the Lakes Parish Council to provide an opportunity to purchase food/drink;
  - f) £500k for actions arising from the Kendal Parking Study to include the potential purchase of land, upgrading of machinery and improved signage;
  - g) £27k for roofing repairs to The Monument, Kirkby Lonsdale.

More details are included in **Appendix 7** and these schemes are included as bids in the draft capital programme at **Appendix 8**.

- 4.3 There are a number of significant potential additional service areas and schemes to be added to the capital programme that have yet to be prioritised and or allocated a capital and or revenue budget. These schemes would lead to additional capital budget costs on top of those presented in **Appendix 8**. These include:
- a) Schemes relating to car parking including consideration of the potential for new sites, for example in Arnside, reconfiguration options and the siting of electric charging points.
  - b) Acquisition of land for employment sites within the district
  - c) The review of the Kendal depot location is also not included as yet. A report setting out the likely financial implications and benefits and timescales will be provided in due course.
  - d) Options for the future of Kirkby Lonsdale library.

- 4.4 Although the capital programme contains estimates of expenditure for future years, these rely on the income budgets being met (eg Capital Receipts, Right to Buy and VAT shelter). All elements of the programme, and particularly those areas with recurring budgets, will be reviewed annually with reference to the actual resources available.



- 4.5 It was reported in the Quarter 2, 2019/20 Financial Update Report that certain elements of the capital programme would be underspent in year and would require re-profiling into subsequent years. This includes the ERDF funded scheme for flood alleviation works at Mintsfeet, Kendal, the vehicle and plant programme, refurbishment of South Lakeland House/Kendal Town Hall, Ulverston Leisure Centre and the loans to housing associations. These are reflected in **Appendix 8** within the updated 2019/20 programme along with other schemes where the need for re-profiling has been highlighted.
- 4.6 Community Infrastructure Levy (CIL) is not currently reflected in the capital programme or its funding. The Council has started to receive modest levels of income from CIL. The governance arrangements over when and how to allocate this and the Infrastructure Delivery Plan were approved by Cabinet on 13 September 2017.
- 4.7 A summary of the draft capital programme funding is in the table below. This shows the proposed use of capital resources in support of the capital programme (see **Appendix 8**).

**Table 3: Capital Funding 2019/20 to 2023/24**

	Balance April 2019 £000	Estimated Income £000	Use in capital programme £000	Projected Balance March 2024 £000
<b>General</b>				
Usable Capital Receipts	1,188.9	349.0	(1,401.6)	136.3
VAT Shelter receipt	932.0	1,100.0	(2,029.0)	3.0
New homes bonus (capital)****	1,581.1	513.0	(1,983.0)	111.1
<b>Earmarked or allocated</b>				
Revenue (LIPS)	537.4	240.0	(721.6)	55.8
IT replacement reserve	81.2	400.0	(466.7)	14.5
Major Repairs Reserve	155.4	750.0	(888.2)	17.2
General Revenue contributions	324.2	1,150.0	(2,000.6)	(526.4)
Cap grants and contributions (inc S106)	871.6	10,793.0	(11,484.2)	180.4
Disabled Facilities Grants	177.4	3,150.0	(3,263.3)	64.1
Community Housing Fund*	2,233.4	0.0	(470.0)	1,763.4
Right to Buy receipt**	4,544.5	3,500.0	(6,495.0)	1,549.5
<b>Borrowing</b>				
Funding from borrowing***.	0.0	18,577.0	(18,577.3)	(0.3)
<b>Total</b>	<b>12,626.9</b>	<b>40,522.0</b>	<b>(49,780.5)</b>	<b>3,368.4</b>

\*Ring fenced for Community Housing Schemes

\*\*Ring fenced to support replacement of affordable housing.

\*\*\*'Prudential Borrowing'; this may not result in taking on new loans but requires revenue charge to cover the cost over the assets' life

\*\*\*\*Subject to annual confirmation and settlement

- 4.8 **Table 1** includes some amendments to the Minimum Revenue Provision (MRP) in the financial model. These changes reflect changes in the profiling of the capital programme as mentioned in section 4.5.

## 5 RESERVES AND WORKING BALANCE

### WORKING BALANCE

- 5.1 The Council's working balance at 1 April 2019 was £1.5m. Working balances are used to help cushion the organisation against uneven cash-flows and avoid unnecessary borrowing. The balance on the working balance should be maintained at £1.5m.

## OTHER RESERVES

5.2 The Council holds a General Reserve of monies set aside to form a buffer against future financial risks in the medium term and to enable the Council to progress major organisational and transformational changes by providing resources to fund the initial costs of these developments.

5.3 Authorities in England and Wales are required to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement. An annual review is carried out to assess risks including:

- pay and pension costs
- inflationary pressures
- interest rates
- Government grant
- income from fees and charges

The Council considers the impact of holding monies unnecessarily in reserves giving the ongoing impact on local residents and taxpayers. The External Auditor considers the level of reserves each year to ensure the amounts held are sufficient but not excessive. There is no theoretical “correct” level of reserves because the issues that affect an authority’s need for reserves will vary over time.

5.4 Reserves are also available to support the strategically important projects listed in the capital programme that have yet to be allocated a budget including land acquisition for car parking and employment sites and the depot review. These are subject to further option appraisal and business case development.

5.5 **Appendix 9** shows the latest risk-based calculation of a minimum recommended working balance and General Reserve for 2019/20. This suggests the overall projected balance is slightly higher than necessary. It is proposed this surplus should be used to offset the projected deficits from 2021/22 onwards. The fundamental principle governing the use of reserves is that they should not be used to fund recurring expenditure.

5.6 The Council also has a Statutory Duties Reserve which consisted of an original sum of £150k set aside for legal and other statutory requirements with delegation to Senior Management Team to approve the use of the monies, topped back up at year end if necessary. The use of these amounts is reported as part of the Corporate Financial Update process.

5.7 The Council holds a number of other reserves for various reasons. **Appendix 10** summarises the individual reserves, their purpose and their expected balances and movements as reported in the MTFP in July 2019 and will be updated as part of the next phase of budget preparation to include the new reserves referred to above. The projected reserves reflect contributions in but do not anticipate the element of spend to cover contingencies which are not predictable when they will be spent.

5.8 **Table 4** summarises the projected balances on reserves and the working balance at the end of each financial year.

**Table 4: Reserves summary**

	31/03/2018	31/03/2019	31/03/2020	31/03/2021	31/03/2022	31/03/2023
	£000	£000	£000	£000	£000	£000
General Reserves	(8,600)	(6,684)	(4,893)	(5,093)	(5,293)	(5,493)
Capital Reserves	(2,424)	(1,343)	(1,215)	(1,132)	(1,055)	(1,033)
Earmarked Reserves	(4,392)	(3,570)	(3,560)	(3,560)	(3,560)	(3,560)
<b>Total Reserves</b>	<b>(15,417)</b>	<b>(11,596)</b>	<b>(9,668)</b>	<b>(9,785)</b>	<b>(9,907)</b>	<b>(10,086)</b>
Working Balance	(1,500)	(1,500)	(1,500)	1,500	(1,500)	(1,500)
<b>Total Reserves and Working Balance</b>	<b>(16,917)</b>	<b>(13,096)</b>	<b>(11,168)</b>	<b>(11,285)</b>	<b>(11,407)</b>	<b>(11,586)</b>

## **6 NEXT STEPS**

- 6.1 This draft Budget Report will be updated as both internal and external issues become clearer. Updated budget figures will be considered by Overview and Scrutiny Committee on 17<sup>th</sup> January 2020 including full projections for 2024/25. The local government finance settlement will be reflected in the final budget proposals to be presented to Cabinet on 5<sup>th</sup> February and Council 26<sup>th</sup> February 2019 for approval.
- 6.2 The Government has already announced changes to the business rates funding system for 2020. As well as the increase in local retention of business rates to 75% through the reduction of the 50% central share of business rates retained by the Government to 25% and replacement of certain grants the Government is reviewing the needs formula which will control how much business rates will be retained locally. A national working group including the Department of Communities and Local Government (DCLG), HM Treasury, the Local Government Association (LGA), professional organisation and representatives of interested groups such as the District Council's Network (DCN) meets to discuss the proposals which are badged as the Fair Funding Review. These developments will be monitored and fed into the MTFP as the details are clarified.

## **CONSULTATION**

- 6.3 This report provides a first draft of the **2020/21 Five Year Budget**. This will be subject to the statutory four week period following approval of this report by Cabinet. Consultation responses received will be reported back to Cabinet on 5<sup>th</sup> February 2020 with final responses included in the report to Council on 25<sup>th</sup> February 2020. The Council's Budget and Policy framework procedure rules states "The consultation period in each instance will ideally be not less than 8 weeks but no longer than 12 weeks." The Council will receive comments up to 21 February 2020, providing an eight week consultation period. On this occasion the consultation period has been constrained by purdah rules for the General Election which was outside the control of the Council.
- 6.4 The Lake Administration, Planning and Licensing Committees will receive and consider the elements of the draft Budget Report which are relevant to them. The Overview and Scrutiny Committee will be asked to consider the latest draft budget proposals at its January 2020 meeting.

## **7.0 Alternative Options**

- 7.1 This report presents alternative options in relation to potential budget pressures and savings, new capital programme bids, one off revenue growth bids and fees and charges. The proposals together aim to meet the Council's statutory duty to set a balanced Budget for 2020/21.

## **8.0 Links to Council Priorities**

- 8.1 This report sets out the first draft Budget to enable the consideration of how the Council's priorities will be delivered. Setting a sound framework for budget preparation assists in the delivery of all corporate outcomes. This strategy has been developed within the context of the MTFP.

## **9.0 Implications**

### **Financial, Resources and Procurement**

- 9.1 The draft Budget aims to safeguard the Council's financial position and ensure a balanced budget for 2020/21 and an improved position in the years that follow.

## Human Resources

- 9.2 This report has no direct impact on the staffing of the Council; individual savings and growth proposals may have direct staffing implications.

## Legal

- 9.3 The Council is required to approve its budget and set its Council tax before 11<sup>th</sup> March 2020 immediately prior to the start of the financial year (Local Government Act 1992) This report outlines the Councils proposals and starts the process of consultation on the budget with the final approval of the budget by Council at its meeting on 25 February 2020.

## Health, Social, Economic and Environmental

- 9.4 Have you completed a Health, Social, Economic and Environmental Impact Assessment? No
- 9.5 If you have not completed an Impact Assessment, please explain your reasons: This report contains proposals to set a balanced budget for 2020/21 which will be subject to further consultation. Specific issues that require HSEIAs will be addressed within the final budget proposals presented to Council 25 February 2020.

## Equality and Diversity

- 9.6 Have you completed an Equality Impact Analysis? No
- 9.7 If you have not completed an Impact Assessment, please explain your reasons: This report contains proposals to set a balanced budget for 2020/21 which will be subject to further consultation. Specific issues that require EIAs will be addressed within the final budget proposals presented to Cabinet on 5<sup>th</sup> February and Council on 25<sup>th</sup> February 2020.

## 10. Risk

Risk	Consequence	Controls required
Failure to create a balanced and sustainable budget by February 2020	Includes: inability to deliver corporate priorities, inappropriate spending, and inappropriate reductions in services.	Identification of sound budget guidelines in an agreed strategy reduces the risk of an unaffordable budget and/or precipitate budget reductions. Monitoring of progress against the budget timetable reduces the need for last-minute budget adjustments.
Insufficient staff capacity to deliver on growth items within capital and revenue budgets	Inability to deliver services to expected levels or additional costs of temporary staff. Potential underspends and potential slippage in expenditure to subsequent years.	Review resources required to ensure growth bids are realistic and deliverable, including other unavoidable staffing pressures
Revenue budget and Capital Programme may not be integrated and aligned with Council Plan.	Resources not directed to achieving corporate outcomes, leading to inappropriate spending.	Both the revenue budget and the Capital Programme are now embedded in the corporate planning cycle. All revenue budgets and capital programme schemes are linked to Council plan priorities

Risk	Consequence	Controls required
Reduction in funding from Government is greater than estimated or announced too late for adjustments to be made to budgets	In-year budgetary pressure and potential overspending, jeopardising service delivery.	Close monitoring of Government announcements, potential short-term use of revenue contingency provision and General Reserve followed by review for following year.

### Contact Officers

Helen Smith, Finance Lead Specialist and Section 151 Officer,  
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Claire Read, Finance Specialist, [Claire.Read@southlakeland.gov.uk](mailto:Claire.Read@southlakeland.gov.uk), 01539 793152

### Appendices Attached to this Report

Appendix No.	Name of Appendix
1	Budget process and strategy
2	Budget Timetable
3	MTFP Financial Model
4	Budget Pressures
5	One-off Revenue Growth Proposals
6	Savings Proposals
7	Revenue Implications of Capital Requests
8	Draft Capital Programme 2019/20 to 2023/24
9	Risk Assessment of Level of Reserves
10	Reserves Summary

### Background Documents Available

Name of Background document	Where it is available
Medium Term Financial Plan approved Council 23 July 2019	<a href="https://tinyurl.com/y35xefgw">https://tinyurl.com/y35xefgw</a>
The 2020/21 Local Government Finance Settlement Technical Consultation	<a href="https://tinyurl.com/y4db7w99">https://tinyurl.com/y4db7w99</a>

### Tracking Information

Signed off by	Date sent
Legal Services	6/11/19
Section 151 Officer	6/11/19
Monitoring Officer	6/11/19
SMT	6/11/19

<b>Circulated to</b>	<b>Date sent</b>
Lead Specialist	6/11/19
Human Resources Manager	6/11/19
Communications Team	6/11/19
Leader	6/11/19
Committee Chairman	N/A
Portfolio Holder	6/11/19
Ward Councillor(s)	N/A
Committee	N/A
Executive (Cabinet)	27/11/19
Council	N/A

## Budget process and strategy 2020/21 to 2024/25

By incorporating the Budget Strategy within the Medium Term Financial Plan the Council ensures the two parts of the budget process are seamless and consistent. The proposed budget strategy is shown below:

### Proposed 2020/20 Budget Strategy

- a. This proposed Budget Strategy explains the approach to setting a balanced budget for 2020/20 in accordance with the principles set out in the Medium Term Financial Plan. Through the MTFP updates, corporate issues have been addressed that will alter the future years position from the budget that was approved on 26 February 2019.
- b. To address future deficits, savings options have been approved for 2019/20 and for future years. Savings will also be sought to provide funding for budget pressures to ensure the Council Plan priorities are delivered. Members will be asked to consider the range of options for savings put forward and which are to be consulted on. These may include:
  - increasing income
  - reducing costs by improving service efficiency including the use of assets
  - reduction of costs through cutting overheads
  - alternative service delivery mechanisms
  - ceasing to deliver services
- c. The detailed service and capital budgets will be reviewed to ensure that these remain reasonable, with reference to the 2018/19 out-turn, monitoring during 2019/20 and the Service Managers' knowledge of any changes due to take effect over the budgeting time frame.

### General Fund Services

- d. The overall General Fund Service budget strategy is that:
  - budgets will be updated by Finance for known, externally-driven changes to salaries including inflation; they will also update capital charges and recharges;
  - all establishment changes (other than related to the implementation of Phase 2 of Customer Connect) must be treated as growth bids or savings and forwarded to Human Resources Committee at the appropriate time;

- virements and minor (less than £10k gross) cost neutral changes can be made to base budgets without bid documents;
- changes identified as part of the Customer Connect programme and savings identified as part of the Corporate Savings Exercise will be worked up into budget amendments as part of the budget process;
- all other changes, including those that are statutory or demand led will need to be brought forward for consideration as part of a budget amendment process, signed-off by the Lead Officer and Portfolio Holder.

e. More detail of the approach is given below:

- 1 Salary budgets are increased by known incremental advances. From April 2020 2% will be included for inflationary pay awards. A 4% reduction will be allowed for vacancies and turnover on all salary cost centres; posts which are currently vacant will be budgeted at the scale mid-point; rates and thresholds for PAYE, NI and pension deductions will be updated.
- 2 No allowance will be made for inflation in expenditure budgets unless contractually committed or unavoidable (e.g. energy, fuel and utility bills); the current inflation assumptions built in to the base will be reviewed and updated where necessary. Where a contract is due for re-tendering a review of the appropriate inflation rate and budget should be undertaken and a budget pressure bid prepared where necessary.
- 3 Future year's income base budgets already have inflationary growth built into them. Where this cannot be met or managed through reductions in expenditure, this will be identified as a budget pressure.
- 4 Fees and Charges need to be consistent with income budgets. This process must involve:
  - a. review of 2018/19 out-turn and any relevant multi-year trends;
  - b. review of current 2019/20 budget position;
  - c. review of future year income budget; and
  - d. assessment of the options for any changes to fees (structures as well as tariff) and the impact of this on the income budget.
  - e. For any service area where income budgets are £100k or more per annum, this process will be documented. All services will review the potential for new fees.

Fees and Charges must be consistent with the Council's Corporate Charging Policy as approved in July 2017.

- 5 Existing base budgets will be challenged to identify savings that can be released to offset projected budget deficits.



- 6 Budget Pressures: the delivery of the Council Plan requires constant review of budgets to ensure funding is available to deliver the Council Plan priorities. Any increases to expenditure or decreases to income base budgets (excluding 1 and 2 above) will be either matched corporately by a compensating saving or will need to be submitted as budget pressures. The de-minimis is set at £10k.
- 7 If the budget deficit is balanced then resources may be made available for growth bids: where growth is to be funded from earmarked resources only then bids will be accepted as part of the budget process.
- 8 Reserves will be used in accordance with their agreed policies with the fundamental principle that they are not used to fund recurring expenditure.
- 9 Effective consultation will be carried out in accordance with the Corporate Consultation strategy.
- 10 Schemes which attract external funding need to be considered with reference to the Council Plan and capacity to deliver.
- 11 The Budget assumes a £5 Council tax increase annually from April 2020 onwards. The decision on the actual Council tax each year will be taken by Council in February and will be influenced by current Government policy and the influence of this on local government funding.
- 12 The working balance contributions be reviewed against the current long-term target minimum General Fund working balance of £1,500,000 by 31 March 2020; any surplus over this target should be transferred to the General Reserve.

## Capital

- f. The approach to setting the capital programme will be as follows:
  - 1 A longer-term view will be taken of spending needs to balance priorities and resources more evenly over the life of the capital programme and to reflect the Property and Land Management Strategy . The Council's property advisors will be consulted as to the on-going maintenance programme with the aim being to develop a 10 year programme for recurring capital costs.
  - 2 Bids for new initiatives which recover the investment in a 5 year period will be prioritised. Capital Bid documents will be required prior to a scheme being accepted as part of the Capital Programme. These are to be signed-off by the relevant Portfolio Holder and will be prioritised by Members as part of developing the 2020/21 to 2024/25 Capital Programme. Bids will be considered alongside future expected spend on major projects, as indicated in the capital programme.

- 3 Schemes which attract external funding should be considered in the light of capacity to deliver these and need to be prioritised with reference to the Council Plan.
- 4 Existing schemes within the programme will also be reviewed with reference to their progress and any external funding restrictions.
- 5 Capital receipts will only be committed once they have been received. Although there are known sources of capital receipts (e.g. South Lakes Housing VAT Shelter/Right to Buy receipts), future aspirations will take into account the resources required to support unavoidable recurring costs. Right to Buy receipts will be earmarked for social housing to replace the units sold that generated the receipt.

## Budget Process

- g. The approach to the review of the current-year budget, based on budget monitoring, will continue. The 5 year position will be set out as part of the process.
- h. Regular budget reports will be provided to inform Members on the emerging issues. This will integrate information from review of base budgets, higher level factors (such as the grant settlement) represented in the MTFP and the corporate savings process.
- i. Following approval of these proposals, Lead Officers, managers and finance staff will work together on the preparation of budgets based on the strategy set out (ensuring consultation with the relevant Portfolio Holders). Work will continue to be undertaken on refining the options for reducing the deficits currently projected and inclusion in the future Budget reports.

## High level 2020/21 Budget and Council Plan timetable

Task	Who	Due date	Gatekeeping
Update the Medium Term Financial Plan and Budget Strategy	SMT and Cabinet Members/ FS Manager	O&S 12 July; Cabinet 17 July; Council 23 July	
Preparation of detailed base budgets	Budget Holders and Finance	August – 28 November Cabinet	n/a
<b>Service Development Proposals &amp; Review of Council Plan</b>			
Complete Capital Bid Pro Forma Revenue Growth Bid Pro Forma Revenue Savings/Increased Income Vehicle and Plant budget proposals	Lead Officers in consultation with Finance, Portfolio Holders and appropriate Members	20 September 2019	n/a
SMT Bid consideration	Special SMT	26 September 2019	24 September 2019
Informal Cabinet/SMT Meeting – Budget Prioritisation Meeting •review savings proposals •consider fees and charges proposals •consider score the Revenue and Capital bids •consider consultation process	Leadership Team, Cabinet Members and Finance	09 October 2019	n/a
Fees and Charges - Lake Admin	Jim Maguire	04 October 2019	19 September 2019
Fees and Charges - Licensing	Fiona Inston	04 November 2019	
Quarter 2 Monitoring and Capital Programme phasing update	Finance Specialist, Finance & Resources PH and Cabinet Members	O&S tbc Cabinet 27/11, and Council 17/12	12 November 2019
1st Draft Budget Report including: 1) Updated MTFP 2) Draft 5 year detailed Base Revenue and Capital Budgets 3) Draft 5 year Budget Options for Service Growth and Savings (including increases in income) 4) Draft Fees and Charges Options 5) Repairs and Maintenance Budget Final draft Council Plan	Leadership Team and Finance  Cabinet Members	Cabinet 27 November Cabinet 20 December	12 November 2019 5 December 2019
	4 weeks (statutory) consultation period commences		n/a
Budget Briefing before Council with Draft Council Plan Budget update as appendix to Q2 monitoring Approve Council Plan	Council	17 December 2019	n/a 02 December 2019
<b>Provisional Local Government Finance Settlement - late December?</b>			
1 <sup>st</sup> Draft Service Budget Update for provisional settlement Draft Treasury Management Strategy Procurement Schedule  Relevant Service Budget Report extracts including Fees and Charges	O&S  Planning Committee Licensing Committee Lake Admin Committee	17 January (02/01 GK)  30 January 2020 20 January 2020 24 January 2020	02 January 2020
<b>Final Local Government Finance Settlement - late January? (at least 4 weeks after provisional settlement)</b>			
Quarter 3 Monitoring	Finance Specialist/Finance and Resources PH and Cabinet Members	O&S tbc Cabinet 5 Feb and Council 25 Feb (GK 14/01)	14 January 2020
Formulation of Final Budget proposal (including impact of final settlement, if announced)  Consideration of O&S and other consultees commnets from 20 Dec draft Budget proposals Final Treasury Management Strategy Procurement Schedule	Cabinet	05 February 2020	21 January 2020
Approval of Budget, Council Tax, Procurement Schedule and Treasury Management Strategy	Council	25 February 2020	10 February 2020

Additional reports may be taken to meetings in addition to this timetable if required e.g. spending review, significant changes to funding settlement

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This table sets out detail of the Medium Term Financial Plan financial model.

	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
<b>Expenditure</b>					
Employee Costs	13,883.8	13,283.6	13,701.7	14,059.2	14,393.0
Running Costs	9,565.3	9,523.4	9,564.8	9,693.7	9,568.3
Reduction in Running Costs/Additional Income due to capital programme	0.0	(64.0)	(124.0)	(431.0)	(690.0)
Customer Connect	2,031.0	0.0	0.0	0.0	0.0
<b>Total Service Expenditure</b>	<b>25,480.1</b>	<b>22,743.0</b>	<b>23,142.5</b>	<b>23,321.9</b>	<b>23,271.3</b>
<b>Income</b>					
Car Parking Income	(4,553.4)	(4,639.6)	(4,727.5)	(4,817.2)	(4,817.2)
Contributions from other Local Authorities and Public Bodies	(67.5)	(67.9)	(68.2)	(68.5)	(68.5)
General Income	(4,134.2)	(4,220.9)	(4,284.5)	(4,267.6)	(4,267.6)
Government Grants	(483.9)	(560.7)	(560.7)	(590.7)	(390.7)
New Homes Bonus	(516.7)	(338.0)	(73.0)	(44.0)	(23.0)
Lake Income	(1,459.5)	(1,492.6)	(1,518.6)	(1,544.2)	(1,544.2)
Recycling Credits	(1,425.3)	(1,468.1)	(1,512.1)	(1,557.5)	(1,557.5)
<b>Total Service Income</b>	<b>(12,640.5)</b>	<b>(12,787.8)</b>	<b>(12,744.6)</b>	<b>(12,889.7)</b>	<b>(12,668.7)</b>
Unavoidable Revenue Pressures - See Appendix 4 full details	49.8	667.7	437.2	444.8	436.3
Unavoidable Revenue Growth - See Appendix 5 full details	25.1	337.5	155.0	0.0	0.0
Unavoidable Revenue Savings - See Appendix 6 full details	0.0	(502.1)	(481.1)	(463.0)	(443.0)
Unavoidable Revenue Impact of Capital Bids - See Appendix 7 full details	0.0	0.0	42.5	(12.5)	(62.5)
Net Impact of Capital Programme and PWLB Rate Increases	0.0	(171.0)	51.0	170.0	182.0
<b>Revenue Bids</b>	<b>74.8</b>	<b>332.1</b>	<b>204.6</b>	<b>139.3</b>	<b>112.8</b>
<b>Net Service Budget</b>	<b>12,914.4</b>	<b>10,287.3</b>	<b>10,602.5</b>	<b>10,571.5</b>	<b>10,715.4</b>
<b>Corporate items</b>					
Interest Receivable	(223.1)	(259.8)	(327.3)	(355.0)	(393.2)
Interest Payable	567.0	1,163.4	1,178.4	1,199.1	1,262.1
Other Government Grants	(451.0)	(433.0)	0.0	0.0	0.0
Income from Council Tax (net of Parish Precept)	(8,903.8)	(9,131.5)	(9,365.8)	(9,604.5)	(9,849.7)
Parish Grant	92.0	92.0	92.0	92.0	92.0
Retained Business Rates	(4,650.4)	(3,784.7)	(2,797.0)	(2,421.3)	(2,047.0)
Contribution to pool Reserve	1,113.8	0.0	0.0	0.0	0.0
Direct Revenue Financing of Capital Programme	705.7	378.0	313.0	234.0	163.0
Minimum Revenue Provision	718.8	784.7	1,250.4	1,371.0	1,566.8
Collection Fund surplus/deficit	42.2	0.0	0.0	0.0	0.0
Transfers to/from Reserves	147.3	863.7	174.4	240.1	290.1
Transfers from Reserves: Customer Connect	(2,031.0)	0.0	0.0	0.0	0.0
Use of reserves to meet one-off costs	(38.3)	(48.2)	(176.7)	(55.8)	(57.8)
<b>Total Corporate Items</b>	<b>(12,910.7)</b>	<b>(10,375.5)</b>	<b>(9,658.6)</b>	<b>(9,300.3)</b>	<b>(8,973.7)</b>
<b>(Surplus)/Deficit assuming 2% Council Tax increase</b>	<b>3.7</b>	<b>(88.2)</b>	<b>944.0</b>	<b>1,271.1</b>	<b>1,741.7</b>

#### CHANGES TO PROJECTED DEFICIT SINCE MTFP APPROVED JULY 2019:

	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
<b>Net draft budget (projected deficit) July 2019</b>	<b>0.0</b>	<b>620.0</b>	<b>867.9</b>	<b>1,352.6</b>	<b>1,985.0</b>
Spending Review:					
Additional business rates - continuation of exemption from negative RSG, no baseline reset	0.0	(1,029.0)	(557.0)	(697.0)	(719.0)
Additional rural services delivery grant	0.0	(433.0)	0.0	0.0	0.0
Reduction in council tax - 2% max increase	0.0	50.0	96.0	140.0	180.0
Additional NHB	0.0	(338.0)	(73.0)	(44.0)	(23.0)
Assumed use of NHB	0.0	338.0	73.0	44.0	23.0
Revenue Pressures - Unavoidable	49.8	667.7	437.2	444.8	436.3
Revenue Growth	25.1	337.5	155.0	0.0	0.0
Revenue Savings	0.0	(502.1)	(481.1)	(463.0)	(443.0)
Revenue Impact of Capital Requests	0.0	0.0	42.5	(12.5)	(62.5)
Use of Reserves to meet one-off costs	(38.3)	(48.2)	(51.7)	(55.8)	(57.8)
Contribution to Local Project reserve	0.0	433.0	0.0	0.0	0.0
Use of Local Project reserve	0.0	0.0	200.0	150.0	100.0
Contribution to Capital - Local Projects	0.0	0.0	(200.0)	(150.0)	(100.0)
Contribution to Climate Change Reserve	0.0	125.0	0.0	0.0	0.0
Use of Climate Change Reserve	0.0	0.0	(125.0)	0.0	0.0
Reprofiling capital programme: Housing Loan interest receipts moved back 12 months	0.0	60.0	60.0	0.0	0.0
Reprofiling capital programme: Ulverston Leisure Centre savings moved back 18 months	0.0	0.0	220.0	110.0	0.0
Reprofiling capital programme: South Lakeland House/Kendal Town Hall impact moved back 6 months	0.0	0.0	0.0	137.0	12.0
Net impact of capital programme and PWLB rate increases on interest payable/receivable	0.0	(171.0)	51.0	170.0	182.0
Updated Minimum Revenue Provision projections	(32.9)	(198.0)	229.1	145.0	228.7
<b>Net draft budget (projected deficit) November 2019</b>	<b>3.7</b>	<b>(88.2)</b>	<b>944.0</b>	<b>1,271.1</b>	<b>1,741.7</b>

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The purpose of this appendix is to set out the revenue budget pressures from 2020/21 onwards

## Revenue Pressures - Unavoidable

Scheme	Portfolio	Ops Manager	Description	2020/21	2021/22	2022/23	2023/24	2024/25
<b>Planning Advertising Budget</b>	Housing and Innovation	Gareth Candlin	To meet increased statutory requirements on the public advertisement of planning applications	17.5	17.5	17.5	17.5	17.5
<b>Parking Income</b>	Finance and Resources	Sion Thomas	Projected car parking income is lower than currently budgeted	160.0	160.0	160.0	160.0	160.0
			Partially offset by an increase in permit fees to give a better balance between daily parking fees and annual fees	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)
<b>Sale of Recyclable Materials</b>	Finance and Resources	Sion Thomas	Due to global market conditions we are not receiving the same level of income for recyclable materials as in the past.	110.0	110.0	110.0	110.0	110.0
<b>Langstone House</b>	Finance and Resources	Sion Thomas	Revenue budget previously removed from Langstone House budget code as expectation was for Langstone House to be sold. Currently WTC still occupy the site and therefore costs such as services and rates still payable.	13.0	13.0	13.0	0.0	0.0
<b>Specialist Legal Governance and Democracy</b>	Customer and Commercial Services and People	Linda Fisher	There has been a significant upturn in the work for the legal services team due to the significant ambitions within the council plan and this extra resource will ensure all aspects of this area of work can be delivered to the highest expected standards.	46.3	48.7	51.6	52.4	54.0
				(25.0)	(25.0)	(25.0)	(25.0)	(25.0)
<b>Level 2 Case Manager for Legal Governance and Democracy</b>	Customer and Commercial Services and People	Linda Fisher / Simon McVey	The Legal Governance and Democracy Lead Specialist will keep an overview of the work taking place in the work programme and attend the O and S Committee.	26.9	28.0	29.2	30.4	31.0
<b>Reduce vacancy allowance from rota-ed services</b>	Finance and Resources	Helen Smith	e.g. waste collection, hostel, WMS CCP attendants. These services need a certain level of staffing - where staff are absent then additional resources are required so there is no overall saving on vacancies reduce vacancy savings to 2% rather than 4% and monitor delivery during 2020/21	91.5	95.0	98.5	101.0	103.0
<b>Commercial Project Team</b>	Customer and Commercial Services and People	Linda fisher / Gareth Candlin	The Council has an ambitious future work programme and needs to ensure that its Economic Development, Planning Policy, Planning, Legal and Procurement resource is adequately equipped to deal with its commitments and also needs to future proof our systems and processes.	153.0	0.0	0.0	0.0	0.0

Scheme	Portfolio	Ops Manager	Description	2020/21	2021/22	2022/23	2023/24	2024/25
Fixed Term Enforcement Officer	Housing and Innovation	Gareth Candlin	To reduce outstanding case load in anticipation of new working practices and outcomes following the Customer Connect model and locality working	34.5	0.0	0.0	0.0	0.0
Dredging Ferry Nab Marina	Finance and Resources	Sion Thomas	Dredging to improve operation of Ferry Nab and to maximise use of the marina. Use of central area is dependant on water levels. Each Summer there are concerns expressed by users over the water levels and the impact on berth holders and day visitors and therefore income.	50.0	0.0	0.0	0.0	0.0
				667.7	437.2	444.8	436.3	440.6
								2,035.8



## Appendix 5

The purpose of this appendix is to set out the revenue growth proposals for 2020/21 onwards

### Revenue Growth

Name	Portfolio	AD area	Description	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
<b>Lowther Street Feasibility Study</b>	Finance and Resources	Sion Thomas	Feasibility to consider future options for Lowther Street following completion of the reconfiguration and refurbishment of SLH and KTH.	0.0	7.5	0.0	0.0	0.0	0.0
<b>Masterplan for North Lonsdale Rd</b>	Finance and Resources	Sion Thomas	To set out future opportunities for Economic Growth in the area. Potential to include part of the GSK site as part of future master planning.	0.0	50.0	0.0	0.0	0.0	0.0
<b>Glebe Masterplan to follow on from BDP masterplan</b>	Finance and Resources	Sion Thomas	In line with Asset Strategy to ensure that Council's assets are being used efficiently and opportunities maximised. The BDP masterplan needs to be updated in line with LDNPA Local Plan.	0.0	75.0	0.0	0.0	0.0	0.0
<b>Arnside Car Park Study</b>	Finance and Resources	Sion Thomas	Exploring the potential of increasing visitor numbers and tourist spend within the village including an assessment of cost / feasibility / viability / pay-back-period for a car park.	0.0	25.0	0.0	0.0	0.0	0.0
<b>Climate Change Co-ordinator and project funding</b>	Climate Emergency and Localism	Dan Hudson	Employment of Climate Change Co-ordinator and Budget for Grants and Environmental Projects	25.0	100.0	75.0	0.0	0.0	0.0
<b>Debt Advisor</b>	Finance and Resources	TBC	To provide a district-wide debt advisory service, preferably including budget training in schools. To ensure the Council is meeting its obligations under the breathing space initiative	0.0	30.0	30.0	0.0	0.0	0.0
<b>Carbon Reduction</b>			Support to Carbon Reduction Schemes	0.0	50.0	50.0	0.0	0.0	0.0
				<b>25.1</b>	<b>337.5</b>	<b>155.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

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The purpose of this appendix is to set out the revenue savings for 2020/21 onwards

### Revenue Savings

Name	Portfolio	AD area	Description	2019/20	2020/21	2021/22	2022/23	2023/24
<b>District Elections 2024/25</b>	Climate Emergency and Localism	Simon McVey	District Election costs will reduce as combined with Police and Crime Commissioner elections	0.0	0.0	0.0	0.0	0.0
<b>DFG Levy Income Saving</b>	Housing and Innovation	Gareth Candlin	Increased income budgets to reflect the true level of income expected.	0.0	(71.9)	(71.9)	(71.8)	(71.8)
<b>Insurance</b>	Finance and Resources	Helen Smith	Reduction in insurance premium following tender exercise in March 2019	0.0	(171.0)	(150.0)	(132.0)	(112.0)
<b>Offset by Corporate Budget Review</b>	Finance and Resources	Helen Smith	Includes updating fuel, utility, rates and other uncontrollable budgets: net impact	0.0	40.8	40.8	40.8	40.8
<b>Pension Contribution</b>	Finance and Resources	Helen Smith	Reduction in pension contributions due to elimination of deficit on SLDC fund - initial estimate based on draft contributions	0.0	(300.0)	(300.0)	(300.0)	(300.0)
<b>General Savings</b>				<b>0.0</b>	<b>(502.1)</b>	<b>(481.1)</b>	<b>(463.0)</b>	<b>(443.0)</b>

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The purpose of this appendix is to set out the revenue savings for 2020/21 onwards  
**Revenue Impact of Capital Requests**

Name	Portfolio	AD area	Description	2019/20	2020/21	2021/22	2022/23	2023/24
Name	Portfolio Holder	Ops Manager		2019/20	2020/21	2021/22	2022/23	2023/24
Structural Repair Works to WMSCCP	Finance and Resources	Sion Thomas	Loss of income during periods when part of car park is closed	0.0	0.0	50.0	50.0	0.0
Refurbishment of Ellerthwaite Depot to create office accommodation	Finance and Resources	Sion Thomas	New income from remodelling of depot	0.0	0.0	(7.5)	(7.5)	(7.5)
Extension and refurbishment to Rothay Park toilets.	Finance and Resources	Sion Thomas	Share of new income from development partner	0.0	0.0	0.0	(5.0)	(5.0)
Actions arising from Kendal Parking Study	Finance and Resources	Sion Thomas	Additional income	0.0	0.0	0.0	(50.0)	(50.0)
<b>General Savings</b>				<b>0.0</b>	<b>0.0</b>	<b>42.5</b>	<b>(12.5)</b>	<b>(62.5)</b>

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## Capital Programme 2019/20-2024/25

GL Code	Programme Spending by Project	Portfolio	2019/20 Approved Feb 2019	Carry-forwards approved May 2019	Re-profiling and adj approved July 19	Re-profiling and adj requested Oct 19	2019/20 Revised	2020/21	2021/22	2022/23	2023/24	2024/25	Total 2019/20 to 2024/25
			£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
KDE06	ERDF funded flood defence works	Climate Emergency and Localism	2,226.7	0.0	0.0	-2,226.7	0.0	2,670.0	2,544.0	126.1	0.0	0.0	5,340.1
KXB27	Energy-saving building enhancements	Climate Emergency and Localism	0.0	139.2	0.0	0.0	139.2	0.0	0.0	0.0	0.0	0.0	139.2
KFL01	Footway Lighting	Customer and Commercial Services and People	25.0	40.7	0.0	-40.7	25.0	65.7	25.0	25.0	25.0	0.0	165.7
KLR31	Nobles Rest	Customer and Commercial Services and People	0.0	6.9	1.3	0.0	8.2	0.0	0.0	0.0	0.0	0.0	8.2
KMR33	Braithwaite Fold Caravan Park extention	Customer and Commercial Services and People	0.0	186.9	0.0	36.5	223.4	0.0	0.0	0.0	0.0	0.0	223.4
KNM56	Millerground Public Open Space, Access and Play Project	Customer and Commercial Services and People	0.0	47.7	0.0	0.0	47.7	0.0	0.0	0.0	0.0	0.0	47.7
KNMxx	Play Areas (including community funded schemes and schemes arising from the Play Space Audit)	Customer and Commercial Services and People	194.0	288.2	44.4	106.3	632.9	65.0	65.0	65.0	65.0	65.0	957.9
KPY42	Car Parking Machines	Customer and Commercial Services and People	0.0	137.4	0.0	0.0	137.4	0.0	0.0	0.0	0.0	0.0	137.4
KPY44	Town and Car Park signing	Customer and Commercial Services and People	0.0	11.7	0.0	0.0	11.7	0.0	0.0	0.0	0.0	0.0	11.7
KPY45	South Lakeland House carpark works	Customer and Commercial Services and People	0.0	370.4	0.0	-36.5	333.9	0.0	0.0	0.0	0.0	0.0	333.9
KPY46	Car park re-surfacing	Customer and Commercial Services and People	25.0	80.3	0.0	0.0	105.3	0.0	0.0	0.0	0.0	0.0	105.3
KPY48	Parkside Road, Kendal car park	Customer and Commercial Services and People	0.0	153.8	0.0	0.0	153.8	0.0	0.0	0.0	0.0	0.0	153.8
KPY49	Windermere Road car park, Grange	Customer and Commercial Services and People	100.0	0.0	0.0	0.0	100.0	0.0	0.0	0.0	0.0	0.0	100.0
KPY50	Purchase of Car Park Dowker Lane	Customer and Commercial Services and People	0.0	0.0	325.0	0.0	325.0	0.0	0.0	0.0	0.0	0.0	325.0
KSC91	Vehicle & Plant Programme (inc bins and boxes)	Customer and Commercial Services and People	1,869.0	112.0	0.0	-1,687.0	294.0	2,281.0	499.0	820.0	2,049.0	2,235.0	8,178.0
KCD01	Castle Dairy flood damage reinstatement	Economy, Culture and Leisure	0.0	4.0	0.0	0.0	4.0	0.0	0.0	0.0	0.0	0.0	4.0
KIP01	LIPS (excluding contributions to SLDC property included under individual properties)	Economy, Culture and Leisure	165.8	208.0	-2.2	0.0	371.6	0.0	0.0	0.0	0.0	0.0	371.6
KLC03	New Ulverston Leisure Centre	Economy, Culture and Leisure	0.0	0.0	0.0	0.0	0.0	250.0	6,000.0	2,950.0	0.0	0.0	9,200.0
KLH02	Coronation Hall alterations	Economy, Culture and Leisure	0.0	79.8	0.0	-79.8	0.0	39.9	39.9	0.0	0.0	0.0	79.8
KLH08	Abbot Hall redevelopment	Economy, Culture and Leisure	100.0	0.0	0.0	-50.0	50.0	50.0	0.0	0.0	0.0	0.0	100.0
KLL18	Cockshott Point Entrance Improvements	Economy, Culture and Leisure	0.0	1.5	0.0	0.0	1.5	0.0	0.0	0.0	0.0	0.0	1.5
KMR21	Kendal Museum contribution	Economy, Culture and Leisure	0.0	85.0	0.0	0.0	85.0	0.0	0.0	0.0	0.0	0.0	85.0
KMR31	Festival Infrastructure	Economy, Culture and Leisure	0.0	24.0	0.0	0.0	24.0	0.0	0.0	0.0	0.0	0.0	24.0
KMR34	Kendal Castle (funded from LIPS)	Economy, Culture and Leisure	0.0	41.0	0.0	0.0	41.0	0.0	0.0	0.0	0.0	0.0	41.0
KMR35	Burton Hertiage Grant Scheme (funded from LIPS)	Economy, Culture and Leisure	80.0	0.0	85.0	0.0	165.0	75.0	0.0	0.0	0.0	0.0	240.0
KPE18	Kendal to Lancaster towpath trail	Economy, Culture and Leisure	0.0	120.0	0.0	0.0	120.0	0.0	0.0	0.0	0.0	0.0	120.0
KRE53	Kendal Town Centre Public Realm	Economy, Culture and Leisure	0.0	15.7	0.0	0.0	15.7	0.0	0.0	0.0	0.0	0.0	15.7
KLH07	Kendal Town Hall/South Lakeland House	Finance and Resources	947.5	0.0	0.0	-947.5	0.0	3,789.9	947.5	0.0	0.0	0.0	4,737.4
KEP52	Disabled Toilet improvements	Health, Wellbeing and Financial Resilience	40.0	10.0	0.0	0.0	50.0	0.0	0.0	0.0	0.0	0.0	50.0

## Capital Programme 2019/20-2024/25

GL Code	Programme Spending by Project	Portfolio	2019/20 Approved Feb 2019 £000	Carry-forwards approved May 2019 £000	Re-profiling and adj approved July 19 £000	Re-profiling and adj requested Oct 19 £000	2019/20 Revised £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Total 2019/20 to 2024/25 £000
KAH10	Affordable & Empty Homes, Town Centre Properties.	Housing and Innovation	260.0	119.0	92.0	0.0	471.0	260.0	260.0	260.0	0.0	0.0	1,251.0
KAH11	Cross-a-Moor junction improvement	Housing and Innovation	300.0	0.0	0.0	0.0	300.0	0.0	0.0	0.0	0.0	0.0	300.0
KAH13	S106 funded affordable homes purchase	Housing and Innovation	86.0	0.0	0.0	0.0	86.0	0.0	0.0	0.0	0.0	0.0	86.0
KAH14	Homeless Accommodation for Families	Housing and Innovation	461.4	0.0	0.0	-230.7	230.7	230.7	0.0	0.0	0.0	0.0	461.4
KCH01	Community Housing Fund	Housing and Innovation	0.0	470.0	0.0	0.0	470.0	0.0	0.0	0.0	0.0	0.0	470.0
KDE07	Coastal Communities Fund	Housing and Innovation	0.0	0.0	818.3	-818.3	0.0	2,351.2	0.0	0.0	0.0	0.0	2,351.2
KGD21	Disabled Facilities Grants	Housing and Innovation	661.0	0.0	0.0	74.3	735.3	661.0	661.0	603.0	603.0	603.0	3,866.3
KIF01	Housing Investment Fund: Loans to Housing Associations	Housing and Innovation	3,000.0	0.0	0.0	-3,000.0	0.0	3,000.0	3,000.0	0.0	0.0	0.0	6,000.0
KIT27	Mobile Working	Housing and Innovation	0.0	120.0	0.0	0.0	120.0	0.0	0.0	0.0	0.0	0.0	120.0
KIT30	Customer Connect	Housing and Innovation	300.0	168.3	0.0	0.0	468.3	0.0	0.0	0.0	0.0	0.0	468.3
KIT90	IT Replacements	Housing and Innovation	80.0	6.7	0.0	60.0	146.7	80.0	80.0	80.0	80.0	80.0	546.7
KRE04	Grange Regeneration	Housing and Innovation	157.3	0.0	0.0	-157.3	0.0	157.3	0.0	0.0	0.0	0.0	157.3
KRE66	Grange Promenade Structural works	Housing and Innovation	300.0	96.0	0.0	-396.0	0.0	796.0	375.0	0.0	0.0	0.0	1,171.0
KRE67	Grange Lido	Housing and Innovation	960.0	0.0	0.0	-960.0	0.0	1,960.0	0.0	0.0	0.0	0.0	1,960.0
KRT10	Right to buy replacement scheme	Housing and Innovation	0.0	0.0	495.0	0.0	495.0	0.0	0.0	0.0	0.0	0.0	495.0
	<b>New Bids</b>												
CAP A	Flood Relief Scheme Improvements	Housing and Innovation	0.0	0.0	0.0	0.0	0.0	0.0	550.0	0.0	0.0	0.0	550.0
CAP B	Purchase of Bins and Boxes for Waste Service	Customer and Commercial Services and People	0.0	0.0	0.0	0.0	0.0	65.0	0.0	0.0	0.0	0.0	65.0
CAP C	Structural Repair works to Westmorland Shopping Centre MSCP	Finance and Resources	0.0	0.0	0.0	0.0	0.0	0.0	240.0	240.0	0.0	0.0	480.0
CAP D	Refurbishment of Ellerthwaite Depot to create office accommodation	Finance and Resources	0.0	0.0	0.0	0.0	0.0	0.0	90.0	0.0	0.0	0.0	90.0
CAP E	Extension and refurbishment to Rothay Park toilets	Finance and Resources	0.0	0.0	0.0	0.0	0.0	0.0	50.0	0.0	0.0	0.0	50.0
CAP F	Dredging Ferry Nab Marina - moved to revenue	Finance and Resources	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CAP G	Actions arising from Kendal Parking Study	Finance and Resources	0.0	0.0	0.0	0.0	0.0	0.0	500.0	0.0	0.0	0.0	500.0
CAP H	Roofing repairs to The Monument, Kirkby Lonsdale	Finance and Resources	0.0	0.0	0.0	0.0	0.0	27.0	0.0	0.0	0.0	0.0	27.0
	<b>Bids subject to further assessment:</b>												
	Car park investments*		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Employment site land acquisition		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Depot review		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	<b>Total</b>		<b>12,338.7</b>	<b>3,144.2</b>	<b>1,858.8</b>	<b>-10,353.4</b>	<b>6,988.3</b>	<b>18,874.7</b>	<b>15,926.4</b>	<b>5,169.1</b>	<b>2,822.0</b>	<b>2,983.0</b>	<b>52,763.5</b>



## Capital Funding 2019/20 - 2023/24

	Balance April 2019 £000	Estimated Income £000	Use in capital programme £000	Projected Balance March 2024 £000
<b>General</b>				
Usable Capital Receipts	1,188.9	349.0	(1,401.6)	136.3
VAT Shelter receipt	932.0	1,100.0	(2,029.0)	3.0
New homes bonus (capital)****	1,581.1	513.0	(1,983.0)	111.1
<b>Earmarked or allocated</b>				
Revenue (LIPS)	537.4	240.0	(721.6)	55.8
IT replacement reserve	81.2	400.0	(466.7)	14.5
Major Repairs Reserve	155.4	750.0	(888.2)	17.2
General Revenue contributions	324.2	1,150.0	(2,000.6)	(526.4)
Cap grants and contributions (inc S106)	871.6	10,793.0	(11,484.2)	180.4
Disabled Facilities Grants	177.4	3,150.0	(3,263.3)	64.1
Community Housing Fund*	2,233.4	0.0	(470.0)	1,763.4
Right to Buy receipt**	4,544.5	3,500.0	(6,495.0)	1,549.5
<b>Borrowing</b>				
Funding from borrowing***.	0.0	18,577.0	(18,577.3)	(0.3)
<b>Total</b>	<b>12,626.9</b>	<b>40,522.0</b>	<b>(49,780.5)</b>	<b>3,368.4</b>

\*Ring fenced for Community Housing Schemes

\*\*Ring fenced to support replacement of affordable housing.

\*\*\*'Prudential Borrowing'; this may not result in taking on new loans but requires revenue charge to cover the cost over the assets' life

\*\*\*\*Subject to annual confirmation and settlement

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## RISK ASSESSEMENT OF LEVEL OF RESERVES: 31/3/20

Appendix 9

Potential Risk	Risk Score	Weighting	Financial Exposure (£000)	Balance Required (£000)	Comment (Basis of Financial Exposure)
Base Budget Contingency for inflation or other unanticipated rise.	4	50%	262	131	Assumed at 1% of Gross Revenue Budget for 2019/20
Underachievement of Charges Income targets and spending exceeds budgets	4	50%	507	254	Estimate of 5% Customer Receipts Income forecasts for 2019/20
Underachievement of Investment Income	4	50%	259	130	1% of exposure of average balance
Insurance Excesses	5	50%	36	18	Based on 10% of insurance premia payments
Potential costs of legal challenges	2	25%	700	175	Based on estimated cost of a public enquiry or legal challenge
Savings not achieved	2	25%	1,741	435	Savings target at 31/3/24 including customer connect
Vacancy target not delivered	2	25%	564	141	Staff vacancy target topsliced from salary budgets
Pay increase	3	50%	152	76	2% allowance made in budget for pay increase from April 2020. Impact of additional 1% pay award
Increase in pension contributions	3	50%	156	78	Allowance for 1.5% increase in pension fund contributions at next triennial revaluation from April 2023
Changes to existing government funding regimes	6	50%	2,551	1,275	50% of Total of RSG/transitional grant/Rural Services grant/NNDR retained funding, based on 2019/20 budget
Changes to existing external grants and contributions	4	50%	534	267	50% of total revenue grants and contributions received, excluding benefit subsidy and formula grant (based on 2019/20 excluding New Homes Bonus)
Impact of introduction of Universal Credit	2	25%	200	50	Increase in homelessness, changes in administration arrangements, reduction in collection rate etc
Changes to Homelessness requirements	2	25%	200	50	Changes in requirements for homelessness
Localisation of business rates	4	50%	227	114	Assume 5% reduction in rateable values based on 2017/18 estimate
Council tax reduction scheme	4	25%	64	16	SLDC share, based on 10% increase in claims based on 2018/19 estimate
Risk Management	9	100%	500	500	Monies set aside to meet the one-off costs of risk management
Committed expenditure	9	100%	670	670	Expected use of General Reserve 2019/20
Emergency Contingency	9	100%	1,000	1,000	Emergency contingency fund - Council practice to allocate £1m for any unforeseen emergencies. Bellwin scheme cuts in at 0.2% of net budget and provides for up to 85% of eligible costs.
<b>TOTALS</b>			<b>10,325</b>	<b>5,380</b>	
Maximum Risk Based Reserve Balances				<b>10,325</b>	Total Financial Exposure
Recommended Risk Base Reserve Balances				<b>5,380</b>	from above
Minimum Risk Based Reserve Balances				<b>2,581</b>	25% of Total Financial Exposure
<b>Projected Level of Reserves</b>					
- General Fund Working Balance				<b>1,500</b>	Actual balance 31/3/19
- General Reserve				<b>4,784</b>	Actual balance 31/3/19
<b>Projected Level of Reserves (General Fund )</b>				<b>6,284</b>	
<b>Projected (Shortfall)/Excess of Current Reserve Balance over Risk Based Reserves</b>				<b>904</b>	assumes use the recommended risk based balance

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## Reserves Summary

## Appendix 10

The purpose of this table is to set out the projected balance on the Council's usable reserves over the MTPF period. This will be updated as part of the budget setting process.

Reserve	Type	Balance 31/3/2018 £000	Transfer in £000	Transfer out £000	Balance 31/3/2019 £000	Balance 31/3/2020 £000	Balance 31/3/2021 £000	Balance 31/3/2022 £000	Balance 31/3/2023 £000	Balance 31/3/2024 £000	Responsible Lead	Summary, Purpose and Commentary
General Reserve	General	(6,024)	(413)	1,652	(4,784)	(4,314)	(4,548)	(4,748)	(4,948)	(5,148)	Finance Lead Specialist	The main use of this reserve in recent years has been to fund the one-off costs of flooding, staff redundancy and early retirements to enable organisational reorganisation and the discontinuation of direct provision of services. Unless allocated for a particular purpose, revenue budget under-spending and windfalls are added to the General Reserve. (For more details of the risk and an assessment of the potential financial exposure please see the Risk Assessment of Level of Reserves). The Medium Term Financial Plan provisionally assumes a £200,000 annual contribution to the Reserve, depending on quantification of the potential impact of these factors. Any balance on the General Fund working balance above £1.5m is transferred to this reserve as part of the closure of accounts.
Statutory Duties Reserve	General	(150)	0	52	(98)	(98)	(98)	(98)	(98)	(98)	Legal /Governance/ Democracy Lead Specialist	Part of General Reserve earmarked for certain purposes: use delegated to SMT & reported as part of Corporate Financial Monitoring. Includes £50k legal costs/by-election contingency, £40k planning legal costs contingency, £60k enforcement legal costs contingency
Flooding Costs Reserve	General	(14)	0	14	0	0	0	0	0	0	n/a - Closed	Part of General Reserve earmarked for the costs of remediation of December 2015 floods, use delegated to Chief Finance Officer by Council February 2016 - close at 31/3/19 and transfer balance back to General Reserve
Carry-forward Reserve	General	(438)	(381)	428	(391)	0	0	0	0	0	Finance Lead Specialist	Part of General Reserve earmarked for revenue budgets carried forward from 2017/18 to future years.

Reserve	Type	Balance 31/3/2018 £000	Transfer in £000	Transfer out £000	Balance 31/3/2019 £000	Balance 31/3/2020 £000	Balance 31/3/2021 £000	Balance 31/3/2022 £000	Balance 31/3/2023 £000	Balance 31/3/2024 £000	Responsible Lead	Summary, Purpose and Commentary
Building Control Fee Income Reserve	Earmarked	0	(43)	43	0	0	0	0	0	0	Operational - Specialist Services	Statutory ring fenced reserve to record surpluses and losses on building control.
Local Land Charges Reserve	Earmarked	(95)	0	94	(0)	(0)	(0)	(0)	(0)	(0)	Operational - Specialist Services	Statutory ring fenced reserve to record surpluses and losses on local land charges.
Hackney Carriage Licensing Reserve	Earmarked	12	0	10	21	21	21	21	21	21	Operational Lead Case Management	Statutory ring fenced reserve to record surpluses and losses on licensing.
Licensing Act Reserve	Earmarked	(76)	(78)	0	(154)	(154)	(154)	(154)	(154)	(154)	Operational Lead Case Management	Statutory ring fenced reserve to record surpluses and losses on licensing.
Misc Licensing Reserve	Earmarked	32	0	37	69	69	69	69	69	69	Operational Lead Case Management	Statutory ring fenced reserve to record surpluses and losses on licensing.
Gambling Licensing Reserve	Earmarked	13	0	12	25	25	25	25	25	25	Operational Lead Case Management	Statutory ring fenced reserve to record surpluses and losses on licensing.
Community Housing Fund	Earmarked	(2,309)	0	76	(2,234)	(1,764)	(1,764)	(1,764)	(1,764)	(1,764)	Strategy Lead Specialist	income received from Government for Community Housing Fund not spent in year.
Commuted Sums Reserve	Earmarked	(153)	0	19	(134)	(44)	(44)	(44)	(44)	(44)	Operational - Specialist Services	Income received under various s106 agreements not spent in year
Cumbria NDR Pool Income Reserve	Earmarked	(1,169)	(1,007)	599	(1,577)	(2,177)	(1,777)	(1,727)	(1,727)	(1,727)	Operational - Specialist Services	Income from Cumbria NNDR pool, earmarked for economic development
Cumbria NDR Pool volatility Reserve	Earmarked	(299)	(176)	299	(176)	(344)	(344)	(344)	(344)	(344)	Finance Lead Specialist	Share of NNDR pool income retained by pool to offset potential future deficits
Customer Connect Reserve	General	(1,301)	(1,950)	1,216	(2,035)	(4)	(4)	(4)	(4)	(4)	Operational Lead Support Services	To fund the implementation of the Customer Connect Project, initially using the Customer Connect budgets from 2016/17 revenue budgets not spent during 2016/17.
Debt Redemption Reserve	General	(455)	0	455	0	0	0	0	0	0	n/a - Closed	Underspend on budget for interest payment and MRP due to changes in capital programme, originally set aside for future costs of debt repayment. Close at 31/3/19 following transfer to Customer Connect Reserve

Reserve	Type	Balance 31/3/2018 £000	Transfer in £000	Transfer out £000	Balance 31/3/2019 £000	Balance 31/3/2020 £000	Balance 31/3/2021 £000	Balance 31/3/2022 £000	Balance 31/3/2023 £000	Balance 31/3/2024 £000	Responsible Lead	Summary, Purpose and Commentary
Economic Development Fund	General	(167)	(137)	0	(304)	(304)	(304)	(304)	(304)	(304)	Operational - Specialist Services	To encourage economic development in the District and to ensure that unused funds in a particular year can be carried forward.
General Fund Major Repairs Reserve	Capital	(307)	(50)	202	(155)	(260)	238	153	68	(17)	Operational Lead Delivery and Commercial Services	To fund major repairs and maintenance to General Fund properties that are not capitalisable and would be difficult to accommodate in the annual planned maintenance programme. The Reserve: <ul style="list-style-type: none"> <li>• acts as a backstop for emergency major repairs</li> <li>• accumulates funds as necessary to meet an abnormal year in maintenance terms,</li> <li>• is able to assist in meeting regular maintenance costs.</li> </ul>
IT Replacement Reserve	Capital	(74)	(80)	73	(81)	(74)	(74)	(74)	(74)	(74)	Digital Lead Specialist	To fund the replacement of hardware and software with a preference for the updating of the corporate and networking infrastructure.
Kendal Employment Dev. Fund	Earmarked	(0)	0	0	(0)	(0)	(0)	(0)	(0)	(0)	n/a - Closed	Assistance to eligible developing firms in the Kendal area
LABGI	General	(5)	0	0	(5)	(5)	(5)	(5)	(5)	(5)	Operational - Specialist Services	To fund non-recurring initiatives that contribute directly to one or more of the Council's priority initiatives, with a preference for economic development. This fund is now practically fully committed and should be closed once the committed spend is achieved.
Local Arts Strategic Partnership	Earmarked	(30)	0	0	(30)	(30)	(30)	(30)	(30)	(30)	Operational Lead Specialist Services	Monies provided towards Arts Strategy and related activities carried forward for use in subsequent years.
LSVT Environmental Warranties	Earmarked	(282)	0	0	(282)	(282)	(282)	(282)	(282)	(282)	Finance Lead Specialist	To pay for environmental insurance until 2032 relating to warranties given as part of the housing transfer.
Marshall Hooper Reserve	Earmarked	(37)	0	0	(37)	(37)	(37)	(37)	(37)	(37)	Strategy Lead Specialist	Monies left to the Council as a bequest to be used for housing for the elderly in Grange

Reserve	Type	Balance 31/3/2018 £000	Transfer in £000	Transfer out £000	Balance 31/3/2019 £000	Balance 31/3/2020 £000	Balance 31/3/2021 £000	Balance 31/3/2022 £000	Balance 31/3/2023 £000	Balance 31/3/2024 £000	Responsible Lead	Summary, Purpose and Commentary
New Homes Bonus Reserve	Capital	(1,457)	(875)	214	(2,118)	(921)	(406)	(181)	(181)	(181)	Finnace Lead Specialist	New reserve to enable forward funding of eligible schemes through the Council's New Homes Bonus protocol
NNDR Surplus Reserve	Earmarked	(1)	0	0	(1)	(1)	(1)	(1)	(1)	(1)	Finance Lead Specialist	Timing gap between recognising s31 grant and recognising offsetting NDR collection fund deficits.
Planning Delivery Grant Fund	Earmarked	(18)	0	18	0	0	0	0	0	0	Operational Lead Specialist Services	Monies provided by Planning Delivery Grant in 2009/10 carried forward for use in a subsequent years. This source of grant funding has now been discontinued and the fund will be closed when the current balance is spent.
Personal Financial Resilience Reserve	Earmarked	0	(25)	0	(25)	(25)	(25)	(25)	(25)	(25)	Operational Lead Case Management	New reserve created from unclaimed members allowances earmarked to improve financial resilience
Revs and Bens Replacement Reserve	Capital	(10)	0	10	0	0	0	0	0	0	n/a - Closed	Transferred to Customer Connect Reserve following replacement of Revs & Bens system in 2017/18 Closed 31/3/19
Revenue Funds for Capital	Capital	(587)	(100)	380	(307)	394	294	194	94	(6)	Finance Lead Specialist	Monies provided from revenue to support the Capital Programme & fund expenditure that may not be capitalisable: annual contribution £100k
Second Homes Income Reserve	General	(46)	(46)	0	(92)	0	0	0	0	0	Strategy Lead Specialist	Initiatives to enable the provision of affordable housing: transfer of unspent balance at end of year
Social Lettings Reserve	General	0	0	0	0	0	0	0	0	0	n/a - Closed	income from the social lettings scheme set aside for potential losses or repair bills Closed 31/3/19
<b>Total Reserves excluding working balance</b>		(15,447)	(5,361)	5,901	(14,907)	<b>(10,331)</b>	<b>(9,252)</b>	<b>(9,362)</b>	<b>(9,747)</b>	<b>(10,132)</b>		
<b>GF Working balance</b>		(1,500)			(1,500)	<b>(1,500)</b>	<b>(1,500)</b>	<b>(1,500)</b>	<b>(1,500)</b>	<b>(1,500)</b>	Finance Lead Specialist	Buffer against unforeseen & emergency expenditure in-year, inflationary demands, adverse cash flow, inability to use capital resources.
<b>Total Usable Reserves</b>		(16,947)	(5,361)	5,901	(16,407)	<b>(11,831)</b>	<b>(10,752)</b>	<b>(10,862)</b>	<b>(11,247)</b>	<b>(11,632)</b>		