South Lakeland District Council

Medium Term Financial Plan

2022/23 to 2026/27

Making South Lakeland the best place to live, work and explore

SOUTH LAKELAND DISTRICT COUNCIL

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Medium Term Financial Plan

Including Financial Strategy and Budget Strategy 2022/23 to 2026/27

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Executive Summary

a) The purpose of the Medium Term Financial Plan (MTFP) is to enable South Lakeland District Council to ensure the effective planning and allocation of resources to enable the Council to meet the objectives it has set out in its Council Plan. This has been prepared at a time of massive uncertainty with regard to the potential future of the Council following submissions to Government on Local Government Reorganisation in Cumbria and also the impact of Covid-19 pandemic and its longer-term impact on the economy. The MTFP will be considered by Cabinet on the 21 July before approval at Council on the 27 July 2021.

b) Although in a better financial position than may other local authorities, the Council has seen significant changes its budgets due to the impact of Covid-19. Although restrictions are set to be eased from 19 July 2021 it is unclear how, and for how long, Covid-19 will have an impact on the Council's finances. The MTFP for 2021/22 expected the net cost to the Council to be £5.8m over the 5-year model but the impact has been significantly mitigated by government grants.

c) The financial position over the medium term shows an annual revenue budget deficit of £18k for 2021/22 rising to £2.6m by 2025/26. Levels of deficit are dependent upon robust underlying assumptions around income and expenditure changes. Work to implement these savings and ensure a balanced budget for 2022/23 onwards will continue and be reported as part of the 2022/23 budget process.

d) The Council budgeted to generate £10m of income through fees and charges annually with a further £9m from Council Tax: this high level of fees and charges has increased the Council's financial exposure to Covid-19. However, the Council is still dependent on monies from the Government (expected to reduce from £6.8m to £2.6m during the period covered by this plan). The Government's planned changes to local authority funding have been delayed due to Brexit, the General Election and now Covid-19. There is now great uncertainty about whether and when these changes will be implemented: the plan assumes no changes until April 2023.

e) Capital Funding – The capital programme reflects the major review of assets in 2018/19 to ensure current service provision is to be maintained using existing assets. Not all of these expenditure plans will be accepted and taken forward once assessed for suitability and affordability. There has been an increase in funding capital expenditure from borrowing as other capital resources are exhausted. The current approved capital programme includes two large, externally funded schemes where the Council is the accountable body.

f) Reserves - the Council's reserves were £29m at the start of 2021/22 of which the majority are earmarked, including a one-off balance of £12m due to timing of recognition of business rate income in 2020/21 which will be used in 2021/22. The risk assessment proposes that the Council should also maintain general reserves of circa £6m.

g) Overall the Council's financial position has been weakened by Covid-19, although the impact in 2020/21 was offset by additional government grant. The General Fund balances and reserves appear strong for 2022/23 due to robust financial management processes and a good track record in achieving efficiency savings. Challenging times are ahead to identify and decide upon options that will provide the solution to the remaining revenue deficits.

Helen Smith, Finance Lead Specialist, SLDC, July 2021

1. Introduction

1.1. The Medium Term Financial Plan (MTFP) is a key element of the financial management structure of local authorities which seeks to ensure there are sufficient resources available to deliver the Council priorities:

Organisational Leadership: demonstrating clear strategic direction & vision in which financial management is embedded in organisational culture. Adherence to professional **standards** promoted by leadership team and evidenced

Transparency at core of financial management: using consistent, meaningful, understandable data reported frequently with evidence of periodic officer action and elected member decision making

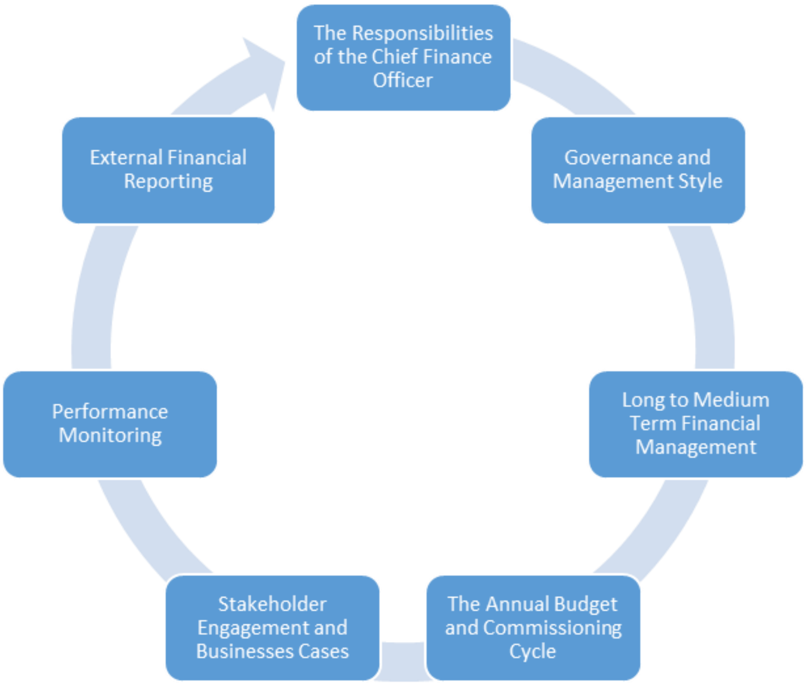
Long term sustainability of local services at the heart of all financial management processes

Accountability: medium term financial planning drives annual budget process supported by effective risk management, quality supporting data and whole life costs

Sources of **assurance** recognised as effective tool, mainstreamed into financial management: includes political strutiny, external audit, internal audit & inspection

1.2. The medium-term financial planning process has been in place for a number of years and is an established part of the budget setting process. It provides a forecast of the cost of continuing to provide existing levels of service and the resources, both capital and revenue, that are likely to be available to the Council over the period, any shortfalls and sets out how this will be managed. This document is reviewed regularly during the year: regular review and update is essential to ensure the MTFP takes full account of any changes in the Council's aspirations, strategic and service delivery priorities, changes in Government legislation, financial regulation and funding streams.

1.3. The MTFP considers the Council's major service strategies and plans, the external financial environment, the financial demands of services and the Council's existing and projected financial resources. The MTFP is reviewed annually but covers a rolling 5-year period. It was last reviewed in July 2020 as part of the 2021/22 budget setting process and the financial model was last updated and approved alongside the Council's budgets in February 2021. It is therefore a key element of the financial management cycle:



1.4. The MTFP is supported by:

- The annual revenue budget
- The Capital Strategy and capital programme
- The Reserve Strategy and risk assessment of the level of reserves
- The Treasury Management Strategy (including the Investment Strategy and Borrowing Strategy)
- The Council's Constitution, in particular the Financial Procedure Rules and Contract Procedure Rules

and supports the Council Plan and Commissioning Strategy.

2. Vision for South Lakeland and local context

2.1. The MTFP aims to support the Council's overall vision for the District: "Working together to make South Lakeland the best place to live, work and explore".

2.2. The Council's vision and priorities are set out in the Council Plan, the Council's most important strategic document. It is part of a suite of corporate documents and links closely with the MTFP as well as other strategic documents such as the Commissioning Strategy, the Performance Management Framework, the Local Plan and other Council strategies, projects and programmes.

2.3. The Council Plan sets out the Council's long term vision and direction, provides strategic direction for other plans and strategies, underpins our influencing activity with Government and partners, enables activity to be focused on strategic objectives and provides a consistent basis for the prioritisation of resources, our commissioning and performance management frameworks and the roll-out of the new way of working under Customer Connect. It provides a concise statement of who we are and what we are about that is accessible to members, Council staff, partners and communities.

2.4. Following a major rewrite in 2018, the plan was subjected to light touch revisions in 2019. The 2020-2025 plan predated a number of important developments including the Covid pandemic and its influence on the District's economy and its communities, the adoption of carbon reduction targets, the declaration of a Poverty emergency and the emergence of proposals for local government re-organisation in Cumbria.

2.5. The 2021-2026 plan has been reviewed in the light of the Covid Pandemic and the other major developments outlined above. Fortunately because of the long term focus of the plan, the vision and strategic priorities remain valid. Indeed the key priorities of working across boundaries, reducing deprivation and addressing the climate crisis have increased in importance.

2.6. One key change is a greater emphasis on strategic alignment in the context of Morecambe Bay. Co-operation on economic development, infrastructure, housing and employment growth as well as skills and knowledge is increasing and will be vital as we emerge from the impact of the Pandemic. Other potential areas of collaboration include inequality and deprivation, population health and carbon reduction. All of this will increase in importance if proposals for local government re-organisation move forward.

2.7. A second change is updating the plan to reflect and give additional impetus to the progress made on the Council's approach to sustainability and climate change. The plan incorporates targets for carbon reduction and provides a strategic framework for carbon reduction.

2.8. Another key change is a greater emphasis on fairness and reducing disadvantage and inequalities. Work on personal financial resilience needs to be redoubled as many people have been placed under financial stress as never before. The plan needs to make sure that people have access to the support they need and are directed to those most able to help.

2.9. Whilst South Lakeland is already a very good place to live, work and explore in many ways for many people, there are areas where we need to do more and the plan identifies four priority areas where activity needs to be focussed to achieve the vision. These are;

2.10. WORKING ACROSS BOUNDARIES – DELIVERING SUSTAINABLE REGIONAL GROWTH ACROSS MORECAMBE BAY; the plan reflects the fact that together with Lancaster and Barrow, South Lakeland is at the centre of a powerful economic region of more than 320,000 people. The plan seeks to use the combined weight of the whole area to secure the investment, growth and transport infrastructure that will deliver a thriving and diverse sub-regional economy with a skilled workforce, a balanced housing market to meet needs, great leisure services to encourage healthy lifestyles and a strong cultural offer. It sees opportunities to extend co-operation to health, carbon reduction and tackling deprivation and inequality.

2.11. DELIVERING A BALANCED COMMUNITY – A SOUTH LAKELAND FOR ALL AGES; this means addressing the challenges posed by our shrinking workforce and ageing population. It means retaining young people, attracting economically active people and young families and ensuring that housing, services and infrastructure meet the needs of older people. It also means promoting localism and helping communities to help themselves.

2.12. DELIVERING A FAIRER SOUTH LAKELAND – A SOUTH LAKELAND FOR EVERYONE; this means taking action to address housing, health and income inequalities and increasing financial resilience. This means working in partnership with the third sector to rebuild financial resilience following the impact of the Covid pandemic, preventing homelessness and supporting vulnerable people, addressing inequalities in access to housing, addressing issues such as accessibility to people with disabilities and working through the Cumbria Joint Public Health Strategy and through Population Health strategies in Morecambe Bay to improve health outcomes and reduce health inequalities;

2.13. ADDRESSING THE CLIMATE EMERGENCY – A CARBON NEUTRAL SOUTH LAKELAND; this means enshrining the Council's carbon reduction targets (for SLDC to be carbon neutral by 2030 and for the District to be carbon neutral by 2037) A comprehensive action plan for carbon reduction is being implemented. The Council Plan sets the strategic direction for this work and is the means by which carbon reduction is mainstreamed within the Council.

2.14. The plan will be underpinned by a comprehensive performance management framework which sets out a comprehensive range of outcomes and measures performance against these.

2.15. The Council Plan sets out the strategic approach to how the Council will shape delivery of the outcomes. The priorities will be delivered by ensuring we are equipped to provide the best, most cost effective services. To achieve this we will:

- create an environment for people to thrive
- deliver excellent, value for money, services
- play a leadership role and influence others
- empower customers and communities
- be a forward thinking, innovative, council.

2.16. Our Council Plan is influenced by our key three values:

- empowering people: By listening to our customers and our employees, their ideas and comments will help us make improvements to customer service and workforce development

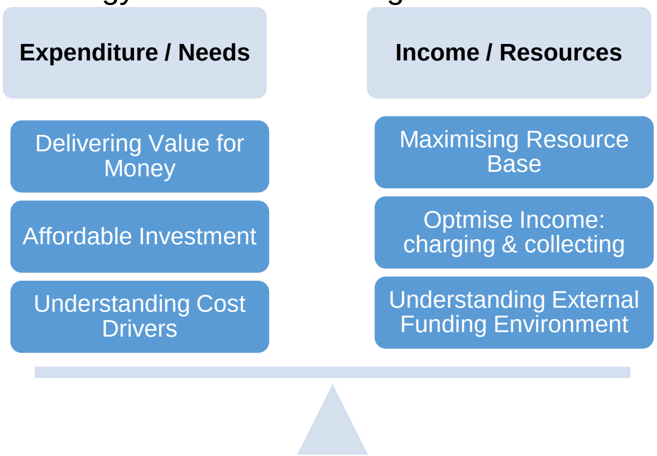
- excellence: Seeking continuous improvement in what we do, ensuring that our actions address the needs of South Lakeland
- open and transparent: Being courteous, efficient and transparent in our dealings with the public

2.17. Cabinet on 24 June 2020 approved the Commissioning Strategy 2020 for consultation as part of the Council's Budget and Policy Framework. Commissioning is the whole cycle of how our services, programmes, projects and partnerships are planned, designed, developed, delivered, managed, evaluated and terminated. The strategy is a strategic and integrated approach to how we best turn the Council's priorities into actions for the benefits of the people and communities of South Lakeland. The proposed strategy is included at **Appendix 7** to this document. Our Commissioning Strategy sets the framework for how we use the total resources available to the Council in order to improve outcomes for South Lakeland residents in the most efficient, effective, equitable and sustainable way. The Commissioning Strategy is supported by the MTFP, the Procurement Strategy, the Customer Strategy and the People Strategy. The Council is in the process of preparing a Commercial Strategy and also uses its Digital Strategy and Asset Management Strategy to direct resources.

3. Financial strategy

3.1. An essential requirement of any successful organisation is financial stability that requires strong corporate governance supported by effective procedures, processes and controls with Council-wide involvement in supporting an integrated approach to the preparation of soundly based capital and revenue bids for resources. The MTFP is based on sound financial assumptions that are based on robust assessments. The 'robustness' of the MTFP is highlighted in the **Appendices** to this strategy which show the key elements of the Council's financial management framework. The risks log at **Appendix 6** summarises the key financial risks facing the Council and the steps to be taken to mitigate these risks.

3.2. The Council's financial strategy is to balance budgets:



This is supported by:

a **Five year budgets:** the Council sets budgets for a five year period.

b **Strong financial management:** The Council controls and monitors the actual position of the authority on a regular basis setting out actions to correct any emerging issues.

c **Asset maintenance:** the Capital Programme should ensure adequate programmes of maintenance to sustain values of key assets, especially income-generating assets.

d **Legal transactions:** the approval and adoption of the Council's Constitution, particularly the Budget and Policy Framework, Financial Procedure Rules and the Contract Procedure Rules set foundations for ensuring legal transactions alongside the whole system of internal control reviewed annually in the Annual Governance Statement.

e **Working with others:** to ensure all services are delivered by the most appropriate body. This may require the Council to work in partnership or to facilitate provision by other bodies.

f **Minimise financial risk** including holding reserves as appropriate and sustainable levels of debt.

g **Strategic risk management**: to identify, monitor and mitigate significant risks to the Council's services, performance and resources.

3.3. The Council has a duty to ensure value for money in everything it undertakes. Value for Money (VFM) is an assessment of whether or not we obtain the maximum benefit from the goods and services we both acquire and provide, within the resources available to achieve it. This assessment includes considerations about suitability, quality, whole life costs and the relationship between economy, efficiency and effectiveness and is summarised as:

"In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people."

3.4. Value for money remains an integral part of the external audit opinion. The latest general feedback within the audit of the 2019/20 accounts and incorporating the MTFP approved in July 2020 was that the Council had consolidated previous improvements and demonstrates good value for money across our services.

3.5. The rest of this paper uses these principles to construct the Medium Term Financial Plan for 2021/22 – 2025/26.

4. Covid-19

4.1. Covid-19 has had a widespread impact on the world. Local authority spending throughout the country has been effected and this has been particularly significant for district councils. During 2020/21 the Government issued additional grants to mitigate much of the short-term impact on local government finances: while the Council initially expected to use £2.0m of reserves to offset the costs of Covid-19 in 2020/21 the actual use of reserve was £54,000 towards the estimated £256,000 cost of Covid-19 (with savings in business as usual activities offsetting the remaining cost). The medium-term impacts are yet to emerge fully and as yet, we don't have data across a range of factors important to the health, wellbeing and resilience of residents and communities. This is a picture which will develop further and will feed into the main 2022/23 budget setting process.

4.2. **Local Economy**: South Lakeland's economy has been identified as particularly vulnerable to the impacts of Covid-19 due to its high reliance on the visitor economy, particularly a predominance of employment in the accommodation, food and drink, arts and entertainment, leisure and retail sectors. There was an initial loss in tourism revenue in Cumbria during lockdowns but significant.

4.3. April 2021 figures showed 8,700 employees (around 1/3rd of those in employment) were still furloughed in South Lakeland, representing the largest amount in Cumbria and 19% of its total. Over the duration of the furlough scheme since July 2020 23,800 employees have been furlough at some point. Numbers of people currently out of work and actively seeking work increased from 645 in January 2020 to 2,545 by May 2020 but then has fallen back to 1,800 by May 2021.

4.4. Financial uncertainty, cash flow challenges and unknown customer demand have caused a lack of business confidence in their long-term survival. While businesses in high-visitor areas appear to have reopened but town centres outside the National Parks have seen lower return of footfall. South Lakeland's high streets will continue to face a very challenging period, with consumer confidence taking time to return.

4.5. Despite Covid-19, the UK Prosperity Index 2021, produced for the Centre for UK Prosperity programme by the Legatum Institute, found South Lakeland's enterprise conditions (scored on business environment, labour market flexibility and domestic market contestability) to be the best of all the 379 local authority areas in the UK. South Lakeland also had the second highest overall prosperity score of the 24 non- metropolitan authorities in the North West. Prosperity among local authorities was measured both overall and by 12 individual metrics: safety and security; personal freedom; governance; social capital; investment environment; enterprise conditions; infrastructure; economic quality; living conditions; health; education; and natural environment.

4.6. During 2020/21 the Council paid over £100m in cash grants to businesses and individuals around the district relating to Covid-19:

	Volume	**Total Paid £000**
Coronavirus Small Business Rate Relief	3,897	38,990
Coronavirus Retail Grants	1,412	22,925
Closed Business Grants	4,044	5,998
Local Restrictions Support Grant Closed	47	78
Christmas Support Payments	105	105
Tier4 Closed Business Grant	4,142	1,094
January Local Restrictions Support Grant Closed	4,153	9,219
Closed Business Lockdown Payment	4,153	18,435
February Local Restrictions Support Grant Closed	4,120	9,569
Total processed as agent	**26,073**	**106,413**
Coronavirus Discretionary Grant Fund	523	3,746
Test and Trace Support Payments	153	78
Additional Restrictions Grant	1,468	2,692
Local Government Support Grant Open	1,620	1,769
Total processed as principal	**3,764**	**8,284**
Grand Total	**29,837**	**114,697**

Support was also given to business through the Non Domestic Rates system, in the form of new and expanded reliefs. This reduced businesses rates bill and the amount of rates collectable by the Council in the NNDR Collection Fund.

Council Financial Impact

4.7. **Income from customers**: the greatest impact to date has been the reduction in income from fees and charges, especially car park income, due to the drop in visitors to town centres and tourist centres.

Car Park Income collections (including under management agreements):

	2018 £000	2019 £000	2020 £000	2021 £000
April	452	487	0	297
May	488	465	14	453
June	489	473	74	573
Total Q1	1,429	1,425	88	1,323

Reductions in other areas of income have not been as serious in terms of value although the percentage reduction in some areas has been higher. Although income has started to recover it is currently unclear when, if ever, income will return to former levels. On 2 July 2020 the Government announced a new scheme to help to reimburse lost income during the pandemic and boost cash flow. Where losses are more than 5% of a council's planned income from sales, fees and charges, the government will cover them for 75p in every pound lost. This will cover losses up to the end of June 2021 and £1.8m was claimed for 2020/21. The financial projections assume income will not fully recover until March 2024.

4.8. **Council Tax:** The Council budgeted to collect £89m of Council Tax in 2020/21 on behalf of the preceptors. The level of tax takes into account number, occupation and type of properties across the district measured in band D equivalent properties (the taxbase), the expected level of collection and the expected level of claim for Council Tax Reduction Scheme (CTRS).

	Band D Council Tax	Budgeted Council Tax Income 2020/21	Estimated Cost of Council Tax Reduction Scheme – Working Age Claimants
	£	£000	£000
South Lakeland District Council	199.54	9,121	282
Average Parish Council	39.05	1,785	55
Cumbria County Council	1440.56	65,851	2,034
Cumbria Police & Crime Commissioner	265.59	12,141	375
	1944.74	88,898	2,746

The taxbase for 2021/22 has fallen by 315 properties compared to 2020/21 mainly due to an increase in the number of properties eligible for discounts under CTRS:

change in taxbase due to:	2020/21	2021/22	Movement
Number of properties	53,628.0	53,728.0	100.0
No Exempt properties	-960.0	-1,080.0	-120.0
100% discount	-694.0	-565.0	129.0
Adjustments additions	404.8	418.8	14.0
Adjustments deletions	-31.5	0.0	31.5
Adjustments discounts	-67.0	-129.5	-62.5
CT reduction scheme discounts	-3,358.4	-3,772.7	-414.3
Total 50% discounts adj for disabled	-79.5	-74.5	5.0
No single person occupancy	-4,226.8	-4,281.8	-55.0
Class G exemptions	10.5	12.0	1.5
Long term empty with premium	96.4	105.4	9.0
total before adj for band D equiv	44,722.5	44,360.7	-361.8
Relevant Amount (Band D equivalent)	46,173.7	45,855.2	-318.5
scaling for collection rate @99%	45,712.0	45,396.6	-315.3

4.9. **Business Rates:** the Council collects Non-Domestic Rates (usually known as business rates although payable for most non-business properties as well unless they pay council tax or are agricultural) and shares the income with Government (50%) and Cumbria County Council (10%) after reductions for reliefs, discounts and bad debts. The Government has made funding available for additional Retail, Hospitality and Leisure reliefs and Nursery reliefs given to business rate payers. The total amount of rates expected to be collected in 2020/21 was reduced by over 60% from £44m to under £20m. Similar reliefs have been granted for the first part of 2021/22. The Government will reimburse the Council for the additional relief granted. This relief gives a very significant financial boost to eligible businesses.

The current business rate projection assumes £5.4m of cumulative business rate growth above baseline and £0.8m receipts from the business rates pool. The financial impact on business rates is especially hard to predict as the large number of reliefs will temporarily obscure the potential number of businesses who will either not be trading or will be unable to pay their business rate bill from April 2021.

4.10. **Expenditure:** The full additional costs were lower than initially expected. The greatest additional costs relate to supporting the test and trace programme, costs of compliance, additional costs of processing benefit claims and requested support to suppliers, particularly the leisure provider. The Council also agreed emergency funding to charities and incurred additional IT and staff costs around remote working and virtual meetings which are not expected to be recurring costs. At the moment it is anticipated that the additional costs in 2021/22 will be fully offset by the additional Government grant received of £0.448m.

4.11. **Reserves:** Twelve months ago the Council assumed the majority of the costs of Covid-19 would be met from the use of reserves. As a result it was expected that general fund reserves would fall below the recommended minimum level, with the Working Balance being completely depleted. This required further savings throughout the Medium Term Financial Plan period in order to balance the budget and rebuild reserves. Due to additional government grant, careful cost management and savings in business as usual activities it was only necessary to use £54k of General Reserve in 2020/21. As a result it is no longer necessary to rebuild the General Reserve in 2022/23 onwards, releasing £315.8k of contribution to reserves for 2022/23 – 2024/25.

Full details are shown in **Appendix 2**.

4.12. **Capital Programme:** The Council approved an ambitious capital programme of £18.9m for 2020/21 (before carry-forwards from 2019/20). Full delivery of this programme was not achievable and a large proportion of that capital programme was carried forward to 2021/22 following a review of phasing and affordability. Whilst this may have a beneficial impact on capital financing charges it should be noted that there are a number of schemes that contribute directly to income. The viability of some capital projects may be effected by Covid-19. Other schemes are funded through time-limited grant offers: the Government has been approached to relax the time-limit on these schemes to ensure delivery.

5. Local Government Reorganisation

5.1. At the time this MTFP has been prepared the Council is waiting to hear the outcome of consultation by the Government on the future structure of Councils in Cumbria. The Government sent a letter sent to councils in Cumbria, North Yorkshire and Somerset in October 2020 inviting submissions on 'locally-led proposals for unitary government' in those areas. A joint proposal for a new unitary Bay authority was developed alongside a new North Cumbria authority covering Allerdale, Carlisle, Copeland and Eden.

5.2. Respondents were able to email or complete an online survey, indicating their views on four proposals put forward for local government reorganisation in Cumbria:

- Barrow, South Lakeland and Lancaster jointly submitted a proposal for two unitary councils: 'The Bay' comprising the area covered by Barrow Borough, South Lakeland District and Lancaster City Councils and 'North Cumbria', comprising the area covered by Allerdale Borough, Carlisle City, Copeland Borough and Eden District Councils.
- Allerdale and Copeland jointly submitted a proposal for two unitary councils: 'West Cumbria' comprising the area covered by Allerdale Borough, Carlisle City and Copeland Borough Councils and 'East Cumbria' comprising the area covered by Barrow Borough, Eden District and South Lakeland District Councils.
- Carlisle and Eden jointly submitted a proposal for two unitary councils: 'North Cumbria' comprising the area covered by Allerdale Borough, Carlisle City and Eden District Councils and 'South Cumbria' comprising the area covered by Barrow Borough, Copeland Borough and South Lakeland District Councils.
- Cumbria County Council submitted a proposal for a single unitary council covering the county area of Cumbria County 'One Cumbria'.

5.3. Under The Bay plan, the district councils of Barrow, Lancaster and South Lakeland and county council in Cumbria would be replaced with a newly created, single tier 'unitary' local authority for the area. The new authority would deliver the services currently provided by both the district and county councils such as waste and recycling collections, public realm, planning, highways and transport and adult and children's social care.

5.4. In a joint letter sent in June 2020 to Robert Jenrick MP, Secretary of State for Housing, Communities and Local Government, the Leaders of the three Councils proposing The Bay wrote:

> "The Bay has strong cross party support in each of our local authorities and as the new team of Leaders we are working together to develop plans to implement changes, subject to your decision on local government re-organisation. We believe

that The Bay and North Cumbria proposal is the option that best meets your criteria.

"Our proposal is an opportunity to positively transform the area at a time when our communities and economies are rebuilding from the pandemic. Both The Bay and proposed North Cumbria unitary will improve local government and service delivery, provide stronger leadership and more sustainable structures.

"Our proposals deliver comparable benefits to reorganisation to a county unitary in the short term but crucially, are more resilient in the longer term. Our priority, like yours, is to deliver public value through a sustainable and resilient local council that delivers priority services and empowers communities. Our proposal is a bold vision for local government reform. There's a public service imperative to focus on what public services need to do to respond to today's society and needs. Our proposals are about reform as much as reorganisation, focussing on the major agendas of community power, community wealth, health and well-being and the climate emergency."

Communities across the Morecambe Bay area have already sent a strong signal to Government on its proposals for local government reorganisation, with a Government minister confirming a significant number of supportive responses on The Bay proposal during the Government's recent consultation, which closed in April.

"The Bay has strong local support. It is the only proposal on the table that has very clear local support from the public. 70% of the 3,000 residents who participated in our online consultation and 60% of those who were asked in an independent poll by Survation, said they support our proposals, as did many stakeholders in the public sector, community organisations, town and parish councils, and local business.

"We trust that the strong evidence we have presented from our consultation, along with the evidence from the Government's own consultation, will assure you that our proposals are the option which commands local support."

5.5. A budget has been requested of £250k to provide working budget to help the organisation prepare and enter a transition programme for LGR work. The full costs of transition may be circa £13m – though this would be met through contributions from all councils undergoing reorganisation. All Councils involved will need to model how such outgoings would be budgeted for in the respective Councils financial plans.

6. Horizon Scanning: Other Key Risks

Economic Outlook

6.1. The coronavirus outbreak has done huge economic damage to the UK and to economies around the world. After the Bank of England took emergency action in March 2020 to cut Bank Rate to 0.10%, it left Bank Rates unchanged at its subsequent meetings, although some forecasters had suggested that a cut into negative territory could have happened prior to more recent months when strong recovery started kicking in. However, the minutes of the Monetary Policy Committee in February 2021 made it clear that commercial banks could not implement negative rates within six months; by that time the economy would be expected to be recovering strongly and so there would be no requirement for negative rates.

6.2. One tentative increase in Bank Rate from 0.10% to 0.25% has now been pencilled in for quarter 2 of 2023/24 as an indication that the Bank of England will be moving towards some form of monetary tightening around this time. However, it could well opt for reducing its stock of quantitative easing purchases of gilts as a first measure to use before increasing Bank Rate so it is quite possible that we will not see any increase in Bank Rate in the three-year forecast period shown.

6.3. There are significant risks to any economic forecasts:

i. COVID vaccines do not work to combat new mutations and/or new vaccines take longer than anticipated to be developed for successful implementation.
ii. The lockdowns cause major long-term scarring of the economy.
iii. The Government implements an austerity programme that supresses GDP growth.
iv. The MPC raises tightens monetary policy too early – by raising Bank Rate or unwinding QE.
v. The MPC tightens monetary policy too late to ward off building inflationary pressures.
vi. Major stock markets e.g. in the US, become increasingly judged as being over-valued and susceptible to major price corrections. Central banks become increasingly exposed to the “moral hazard” risks of having to buy shares and corporate bonds to reduce the impact of major financial market sell-offs on the general economy.
vii. Geo-political risks are widespread e.g. German general election in September 2021 produces an unstable minority government and a void in high-profile leadership in the EU when Angela Merkel steps down as Chancellor of Germany; on-going global power influence struggles between Russia/China/US.

National Policy

6.4. **Spending Review:** Aafter the government implemented a one-year spending review due to the coronavirus pandemic, HM Treasury and government departments are expected to publish a full three-year review in autumn 2021. This review will set the direction of government for the remainder of the parliament, and will reveal much about the future of public services after Covid-19. Major decisions need to be made around the resilience of public services to respond to shocks like pandemics, translating the government’s levelling-up agenda into long-term reforms, and building the post-Brexit business environment that will allow the UK to flourish on the global stage.

6.5. **Changes to Business Rates Retention**: A number of changes were planned by the Government initially from April 2019 but initially delayed due to

Brexit and now further delayed due to Covid-19. The proposals are expected to have a significant impact on the business rate income retained: both the amount to be retained and the Fairer Funding review to change how it is distributed. As a result the level of income from business rates is particularly difficult to predict from April 2022 even before the impact of Covid-19. The Fair Funding Review, also now delayed until at least April 2022, is expected to prioritise social care and other services provided by other authorities in 2- tier areas over services provided by district councils. There was also a baseline reset due in April 2021 which would redistribute growth in business rates. It has not yet been confirmed when this will take place or the form it may take. Initially in was intended to redistribute all growth from the areas where the growth has occurred to areas of greater need. Again, it is generally considered that this is unlikely to benefit district councils. The financial model now assumes that these major funding reforms will now be delayed until April 2023. A delay has been getting more and more likely in recent months and the chances of funding reform being fully implemented in 2022-23 are now very slim indeed. There is no confirmation yet from MHCLG and we may have to wait until the autumn for an announcement. A delay does not necessarily mean a roll-over of the current settlement into 2023/24, with additional funding for social care. For instance, ministers might still decide to tackle the amount of accumulated business rates growth that authorities are retaining (possibly as high as £1.5bn). Should limited reforms be implemented in April 2022 and announced in December 2021 (as is usual) it may not be possible to implement sufficient quick savings to offset lost funding and it may be necessary to use reserves to balance the budget for 2022/23. The General Reserve includes an element for lost grant and could be used to offset a single-year shortfall while longer-term savings are delivered.

6.6. **Business Rate Pooling**: Business Rate Pools were established to share the risks of changes in business rate income between Councils in exchange for the reward of avoiding payment of 50% levy on growth in income above baseline. The Council has been a member of the Cumbria Business Rate Pool since it was established in 2014. The Council has received around £800k annually of additional resources through the pool. If the reset were to go ahead then the ability to generate more income from the pool would be foregone along with lost growth of roughly equal value. It is expected that business rate pooling would cease when the new rate retention system is introduced as it is expected that levy would be abolished. If the new system is delayed it is probable that the Cumbrian pool will continue in its current form, dependent upon the impact of Covid-19. This has been reflected in the financial model for 2022/23 only.

6.7. **Revenue Support Grant:** Since 2013 the Government has been reducing the proportion of funding to Councils paid as Revenue Support Grant so Councils become more reliant on business rate income. Under the old system the Council received £3.0m of grant in 2013/14 but this dropped to £0m by April 2018 and was due to be negative funding of £613k for 2019/20 through an increase in tariff from business rates but in the end this has not been implemented. If the implementation of business rate reforms are delayed it is uncertain if similar arrangements will continue for from April 2022.

6.8. **Rural Services Delivery Grant:** The final settlement for 2021/22 indicated that the Council will receive £454k of Rural Services Delivery Grant. It is expected that this will also be absorbed into the Fair Funding Review and business rate reset. Rural Services Delivery Grant and Transition Grant were introduced for a limited period by the Government to reduce the impact when the funding formula was frozen in 2013 without increasing funding for the additional costs of providing services in areas of high population sparsity.

6.9. **New Homes Bonus (NHB):** This scheme was introduced in 2011/12 as a way to encourage local authorities to facilitate housing growth. The grant is top sliced from Revenue Support Grant and paid as a un-ring fenced revenue grant. The Government has indicated the NHB is not delivering the policy objective of increasing new houses and will cease from 2020/21 with only legacy payments made after April 2021. A Lower Tier Services Grant was introduced for 2021/22 to dampen the impact of the reduction NHB for district/unitary councils, who receive 80% of NHB.

6.10. **Welfare Reforms and Universal Credit:** Universal Credit was to be introduced between 2013 and 2017 through the Welfare Reform Act. Universal Credit is an integrated working-age credit that will provide a basic allowance with additional elements for children, disability, housing and caring. It will support people both in and out of work. For local authorities, this means the link between Housing Benefit and Council tax discounts will be broken and that universal credit will be administered by the Department of Work and Pensions. As Universal Credit currently only applies to new working age claim it is assumed the Council will continue to administer housing benefit for the duration of the MTFP.

6.11. **Homelessness:** For the last 2 financial years the maximum number of households in temporary accommodation at any one time was above the target of 20. For Q4 2020/21 there were 33 households (27 households for Q4 2019/20) - this rise is due to the increase in cases presenting during the Covid-19 pandemic. The main reasons for homelessness are: the reduced benefits for people of age under 35 years; high rents and loss of private sector tenancy; lack of affordable housing; family relationship breakdowns with young adults leaving home – sometimes leaving home due to abuse. The implementation of the Homelessness Reduction Act in April 2018 has also influenced results and this is reflected both regionally and nationally. While additional grants have assisted with the additional costs relating to Covid-19 cases there is a potential additional cost in the future.

6.12. **Environment Bill:** the Government is proposing a consistent set of materials to be recycled by each authority from households and businesses, including weekly collection of food waste. The Council currently collects cans, plastics, paper & card, glass and green waste free of charge fortnightly. The financial impact of the proposals has not yet been evaluated.

Transformational Change and Customer Connect

6.13. The Council recognised that transformational change will be required to deliver the improvements to services within the significant reductions in resources available in future years. The Customer Connect Programme has three elements: digital, people and places. The programme should deliver a more efficient way of working for everyone, faster and better services, value for money for taxpayers, more time to help vulnerable residents, improved customer satisfaction and a highly-skilled modern workforce.

6.14. It is essential that the Council continues to progress with Customer Connect to ensure the organisation is fit for the future and is sustainable. It is assumed that the Council will move to digital delivery and customer self-help, as set out in the Customer Strategy approved by Cabinet on 24 June 2020. There is a degree of risk associated with this type of change, especially when combined with the impact of Covid19 and therefore the capacity of management to drive change. It is estimated that the proposed investment of c£3.848m delivered savings of £740k in 2019/20 and will then deliver on-going revenue savings, initially of £1.55m per year. There are also likely to be indirect savings as a result of new ways of working which have not yet been identified. The programme includes the preparation and implementation of the Commissioning Strategy and framework to review the need for services and to review how services should be provided, including de-commissioning of services where necessary.

Other Major Strategic Reviews

6.15. As well as the potential impact of Local Government Reorganisation a number of major strategic reviews are currently underway including:

- the preparation of a new Local Plan;
- review of potential Levelling Up Fund bids
- the implementation of the Property and Land Management Strategy which guides the Council on land and building investment, disposals and acquisitions through the Strategic Asset Management Plan Board (SAMP Board)
- the Leisure Facilities Strategy and future of Ulverston Leisure Centre;
- the implementation of the Environment Agency's Kendal Flood Relief Scheme, a major programme which will require the engagement of the Council as owner of land, local planning authority and as accountable body for elements of external capital funding which may be applied in the Scheme;
- the Economic Development Strategy for South Lakeland, and the wider Morecambe Bay functioning economic, housing, health and travel to work area through the new Lancaster and South Cumbria Joint Committee;

- contributing to the delivery of the Cumbria Public Health Strategy;
- implementation of the Council Policy on Climate Change.

These may require changes in current spending and funding plans.

6.16. The Council is committed to working with partners and other key stakeholders to deliver services within South Lakeland. In addition to the initiatives above, this includes formal arrangements, such as Cumbria Local Economic Partnership (LEP), Cumbria Business Rate Pool, formal contractual arrangements as a result of competitive tendering; transfer of assets or management of assets between organisations; sharing of premises and informal collaborations.

6.17. Some shared arrangements exist for providing services within the organisation: currently South Lakeland shares IT with Eden District Council and are jointly implementing the digital platform element of the Customer Connect programme.

7. Financial Challenge

Financial context

7.1. The Budget Reports for 2020/21 included updates of the financial model and concluded that the Council's future financial outlook was likely to continue to be challenging over the next few years as reductions in overall public spending and changes in local government funding. Meeting new cost pressures requires a rigorous approach to identifying efficiencies, enhanced productivity, and reprioritisation of spending within services.

Key issues and assumptions

7.2. The table below summarises the key assumptions built into the current financial model and highlights where changes may be needed when the financial model is updated.

	Base Assumption	2021/22	2022/23	2023/24	2024/25
Inflation: pay award	2% increase per annum + increments July 2021: 1.5% offer rejected by unions	0% - to be increased based 2% on negotiations with unions	2%	2%	2%
Inflation on contracts	2% base	2%	2%	2%	2%
Pension contribution	Includes allowance for McCloud case	20.1%	20.1%	20.1%	20.1%
Bank base rate	Assume no change in base rate for interest receivable: June 2021:	0.1%	0.1%	0.1%	0.1%

	Base Assumption	2021/22	2022/23	2023/24	2024/25
Average investment rate: Core investments		0.10%	0.10%	0.10%	0.10%
Average investment rate: Operational investments		0.10%	0.10%	0.10%	0.10%
Borrowing rate: Existing debt		4.43%	4.43%	4.43%	4.43%
Borrowing rate: New 25-year (property)	Assumes PWLB 1% additional premium continues	2.40%	2.50%	2.60%	2.60%
Borrowing rate: New 10-year (vehicles and other) for	Assumes PWLB 1% additional premium continues	1.80%	1.90%	2.00%	2.00%
Business rate multiplier	Pence per £1 rateable value (RV) – increase by CPI	49.9	50.9	51.92	52.95
Business rate retention scheme: assumed income above baseline	Based on April 2023 reset	£3.505m	£0m	£0m	£0m
Business rate retention scheme: District share		50%	50%	50%	50%
Business rate retention scheme reset	When growth is redistributed based on need. Note: reset now delayed, potentially April 2023 at earliest	No	Full	N/a	N/a
Business rate retention scheme reset: damping		-	4-years	-	-
Business rate pool	SLDC participation in Cumbria business rate pool: avoids payment of levy to Government	Yes	No	No	No
Council tax	£5pa band D increase	£204.54	£209.54	£214.54	£219.54
Council tax base (No of band D equivalents)	250 increase per year	45,396.81	45,646.81	45,896.81	46,146.81
Council tax reduction scheme: Number of claimants	Reflects Covid-19	2,520	2,490	2,460	2,430
Council tax: assumed collection rate	Reflects Covid-19	99%	99%	99%	99%
Council tax on empty homes	Approved Feb 2021	100% premium	200% premium	300% premium	300% premium
Other income generation	Assume minimum of inflationary growth, not necessary through increases in levels of fees	2%	2%	2%	2%
New Homes Bonus	Scheme wound-up from 2020/21	£68k	£44k	£23k	£0k

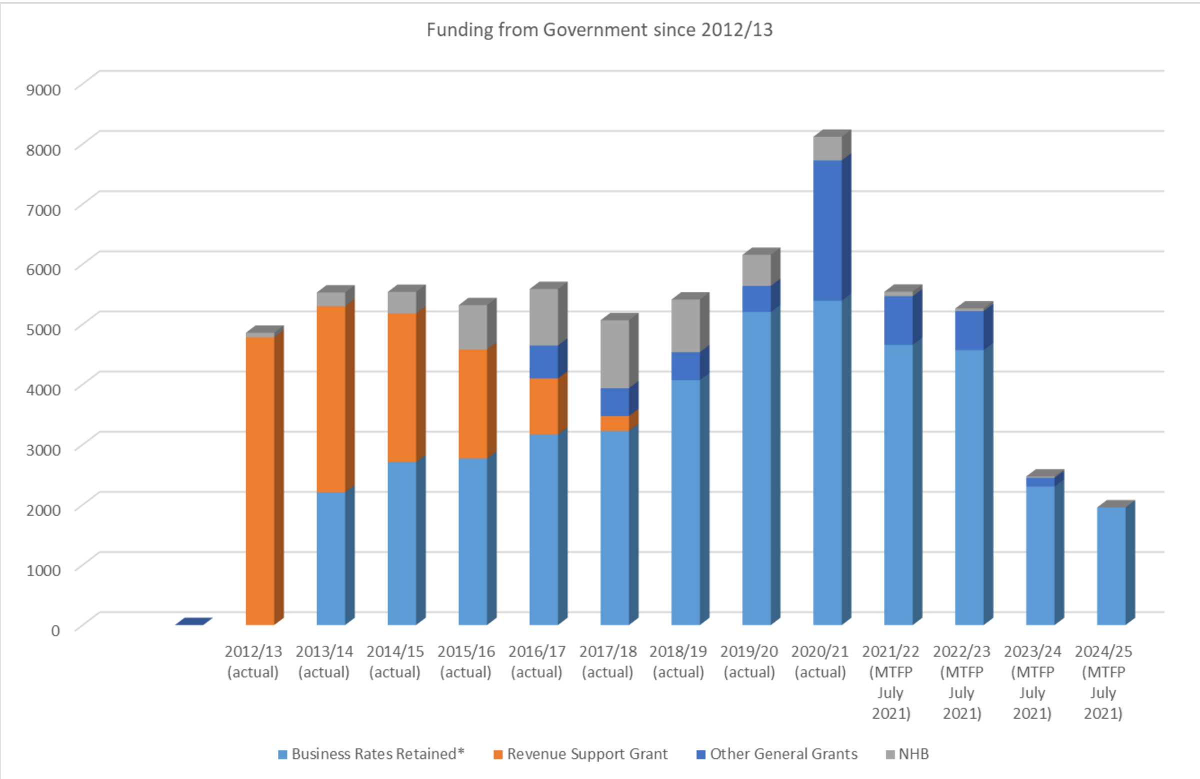
7.3. The MTFP financial model assumes pay inflation of 2% for 2022/23 and onwards. The financial impact of a 1% movement in pay inflation is around £240k change in the general fund employee budget. The employee budget is reduced by 4% (£478k) for vacancies and turnover for most services: this reduction is monitored regularly and has been reduced to 2% for rota-ed staff from April 2020. The Council follows national pay awards and the national local government pay spine. The pay offer of 1.5 for

2021/21 has been currently being considered by employers after it was rejected by unions.

7.4. In the MTFP financial model inflation on contract prices has been uplifted by appropriate indices as stated in the conditions of the contracts. No inflationary increase has been applied to the general services budget, except specific items such as utilities where inflation is unavoidable. We will continue to monitor the impact of this policy, including the impact at contract renewal. The financial impact on running costs of a 1% movement in inflation is around £310k.

Business Rates and Government Grant

7.5. As a result of the Government's cuts to Council income and changes in funding from grant to rate retention the Council's income from these sources has reduced. This reduction is expected to continue for district councils due to the notable pressure to increase funding for social care while total local government funding beyond the current finance settlement was expected to be unchanged. The table and chart below show Government support since 2012/13 and the projected income until 2025 based on the position at February 2021: the level and timing of changes in funding cannot currently be predicted. There is an opportunity for politicians from rural areas to lobby for increased funding through SPARSE and similar organisations.



7.6. The high levels of income from business rates are due to the Council having seen strong growth in the number and rateable value of properties since 2015. The financial projections assume the current funding arrangements will be rolled-forward into 2022/23 including Rural Services Delivery

Grant, the current sharing arrangements for business rate income, levy and baselines. However, it is assumed that New Homes Bonus is not rolled-forward and at the moment is it assumed there is no Cumbria business rate pool beyond 2022/23. The full implementation of the new funding arrangements has been assumed from April 2023 with the impact damped over 4 years. Implementation of a new baseline to redistribute growth will be particularly challenging during a period of very unusual levels of reliefs, discounts and potential levels of business failures.

Council Tax

7.7. The Council is committed to do all it can to reduce the financial burdens placed upon its residents and the Council was able to freeze its average band D Council tax for the five consecutive years from 2010/11 to 2015/16. Since 2016/17 there is now an expectation from Government that annual increases in Council tax will form an integral part of the resources supporting local authorities. There is also an assumption, built into the Government's calculation of Spending Power, that Council's will increase Council tax by the maximum permissible amount.

7.8. The MTFP assumes the Council's average band D Council tax will increase by £5 per annum for a Band D equivalent property (from £204.54 at 1 April 2021). The Council has limited income generated from Council tax; for every £1 increase in the average Band D Council tax there is only an additional £45k of income.

7.9. Due to the uncertainty surrounding the level of future business rate income due to system changes and the unpredictability of external income then Council tax is the most stable of income sources for the Council. Therefore any decision to change levels of Council tax must have regard to the medium and long-term implications on the Council's financial stability. The decision on Council tax is reviewed every year as part of the budget and Council tax setting process. The Council has a history of retaining lower levels of Council tax increases.

Income Generation

7.10. The Council relies on a number of external income sources and Covid-19 has significantly affected our income streams, in particular in service areas linked to tourism and visitors e.g. car parking charges. A number of significant fees, including liquor licences and planning application fees are set by Government. The Government increased planning fees during 2018 but with conditions attached on the use of the additional income to be applied to the improvement of the planning service. The Local Government Association has campaigned for local freedom for authorities to set fees based on local circumstances.

7.11. Income from fees and charges are a key element of financial sustainability for the Council. Income from car park charges exceed all other income sources except Council tax. Overall the fees for pay and display and pay on exit parking have not increased from 2011/12 until April 2021 and offers have been introduced. Income, however, has grown since then due to improvements at the various sites, enforcement and small changes at individual sites where usage was previously low. The increase was based on the car parking strategy which considered a review of tariffs linked to location, but also any decisions need to consider the experience at each site, including the implications for traffic management, usage, economic development and revenue. Future income flows from car parking may change as the balance between tourism and retail is expected to change in the future.

7.12. Any proposals to reduce income streams are treated as growth bids. All fees and charges are set in accordance with the Council's Policy on Fees and Charges, last approved in July 2017. It is intended that a new Commercial Strategy will be prepared and approved during 2021/22 – no adjustments have been made to the financial projections for changes that may arise from this new strategy.

7.13. Historically the Council had a good history for debt collection but the current circumstances suggest higher levels of irrecoverable debt should be expected, at least in the short-term. Monitoring information which is produced monthly will be further enhanced to provide information on evaluating the effectiveness of debt recovery actions, associated costs, and the cost of not recovering debt promptly.

7.14. The financial model assumes income from external charges in general increases by 2% annually with the exception of recycling credits (assume frozen but they should increase annually by an agreed amount set in legislation) and includes reviewing individual charges to ensure the balance of income generation is appropriate.

7.15. Nationally revenue resources have declined, which has increased pressure to maximise returns on investments. The Council is required to follow Government regulations which require investments to be rated based on security, liquidity and return, in that order of importance. The Council's income from investments is controlled by its Treasury Management Strategy and Investment Strategy, part of the Prudential Code for Local Authorities which sets out how Councils can borrow and invest.

Service Demand and Other Budget Pressures

7.16. The Government expects local authorities to play a major part in revitalising the local economy and at the same time bear a share of the costs of Covid-19. Nationally the greatest pressure on demand for services is due to the aging population profile and is mainly affecting immediate health and social care budgets. There has been little concentration on longer term preventative measures such as housing, employment and leisure, many of these services are provided by district councils in 2 tier areas. Councils have increased requirements to prevent homelessness and have also seen an increase in the number of cases.

7.17. The Council seeks to increase household financial resilience to address incomes lower than the national average in South Lakeland and increasing numbers of families on the lowest wages. SLDC have a building financial resilience together collaborative initiative with public, private and third sector partners. The Council aims to provide long term strategies that will have a genuine effect on future poverty levels, such as educational and skills attainment, housing affordability, access to work and healthy lifestyles. No funding has yet been included for the Council's aspiration to tackle poverty through economic growth and education / skills.

7.18. The 2021/22 – 2024/25 financial model assumes levels of demand will remain constant. Increases in demand are addressed as a service budget pressure within the annual budget setting process.

7.19. The Council will monitor trends in the economy, particularly the predicted change in town centres from retail to other uses while the importance of tourism to the local economy has increased. The impact of these changes on the Council's service delivery and balance between costs and income streams will be kept under review.

The Projected Net Budget Position

7.20. The financial model (detailed in **Appendix 2**) shows deficits over the future 5 year period of between £0.0m and £2.6m.

	2021/22 £000	**2022/23 £000**	**2023/24 £000**	**2024/25 £000**	**2025/26 £000**
Service Expenditure	25,761.9	24,223.2	24,246.2	24,682.2	24,963.9
Service Income	(13,301.6)	(12,632.5)	(12,953.7)	(13,241.5)	(13,622.8)
Net Service Budget (excluding capital charges)	12,460.3	11,590.7	11,292.5	11,440.7	11,341.1
Council Tax	(9,285.4)	(9,564.8)	(9,846.7)	(10,131.1)	(10,417.9)
Business Rates	(4,001.9)	(3,694.8)	(2,161.2)	(2,302.0)	(1,956.7)
Government Grant	(809.2)	(648.5)	(145.7)	0.0	0.0
Interest Receivable/Payable	530.7	662.0	843.0	945.4	1,019.8
Minimum Revenue Provision	1,187.5	1,379.4	1,395.5	1,656.5	1,911.6
Other Corporate Items	(64.1)	573.6	721.1	542.2	733.2
(Surplus)/Deficit assuming £5 Band D Council Tax increase from April 2021 onwards	**17.9**	**297.6**	**2,098.6**	**2,151.7**	**2,631.1**

7.21. While costs over the five-years of the model are generally reducing overall there is a big estimated reduction in income from business rates and Government grant due to expected changes in the Government's scheme for Council's to retain business rate income, as set out above, and the recurring impact of Covid-19. The changes to the financial model since February 2021 are:

Amendments for Medium Term Financial Plan July 2021:	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000
Pay award - reinstate 2% pay award assumption for 2021/22	214.0	213.8	223.1	227.3	231.8
Covid-19 - remove rebuilding of General Reserve - not required	(315.8)	(315.8)	(315.8)	(315.8)	0.0
Local Government Reorganisation	250.0	0.0	0.0	0.0	0.0
Delay in Local Government funding reform					
- Rural Services Delivery Grant	0.0	(454.9)	0.0	0.0	0.0
- Lower Tier Services Grant	0.0	(47.9)	0.0	0.0	0.0
- Business Rate Retention	0.0	(1,434.6)	0.0	0.0	0.0
- Cumbria Business Rate Pool income received	0.0	(876.4)	0.0	0.0	0.0
- Cumbria Business Rate Pool income to reserve	0.0	876.4	0.0	0.0	0.0
Interest Payable - lower borrowing in 2020/21, higher interest rate	(130.3)	(31.5)	80.9	111.5	163.6
Projected (Surplus) / Deficit July 2021	**17.9**	**297.6**	**2,098.6**	**2,151.7**	**2,631.1**

7.22. These projections are based on the achievement of all savings proposals approved to date and that the underlying assumptions around income and expenditure changes are robust. First draft projections to 2026/27 suggest the deficit will increase in line with trends over the last 4 years mainly as a result in the reduction in Government grant. Further work will be carried out to test the underlying assumptions: updates on the projected deficit for 2026/27 will be reported during the 2022/23 budget setting process.

7.23. The Council is focused on achieving savings, primarily through efficiencies. During the budget and planning process there is an emphasis on ensuring resources are directed to priority areas in line with the Council Plan, with service efficiencies monitored and reviewed highlighting where further savings can be made. The introduction of a Commissioning Framework and a Commercial Strategy will help balance service demand and income generation. However, the size of the budget gap suggests that efficiencies may not be enough to bridge the gap.

7.24. The Budget Strategy for 2022/23 must concentrate on closing the revenue deficits, either through increases in income or reductions in expenditure. Where capital expenditure is required or able to generate future revenue savings it should be prioritised. Unless funding from earmarked resources, no revenue budget growth bids (including reductions in income) should be accepted until all budget pressures are funded and the 2022/23 budget deficit is met.

Key Financial Commitments

7.25. The Council has long term contracts for the provision of leisure services, grounds maintenance and property services (property services being reviewed with effect from September 2021).

Reserves

7.26. The Council will retain its approved minimum Working Balance level of £1.5m, reviewing this regularly in the light of changing financial risk assessment. Risks to the Council's financial position could derive potentially from budget overspend, loss of investment income, contractual/legislative failure or challenge and emergency events. Historically, the Council has a good record of outturn financial position being within budget, therefore this is not seen as a high risk to the Council and it is not necessary to make additional significant provision.

7.27. The Council also considers the impact of holding monies unnecessarily in reserves given the ongoing impact of the economic downturn to local residents and taxpayers. It should be stressed that there is no theoretically "correct" level because the issues that affect an authority's need for reserves will vary over time.

7.28. The level of risk posed by contractual or legislative failure and emergency events is difficult to predict, but it would be a low probability with a potentially high impact. However, it is not appropriate to set aside large amounts of reserve against the possibility of this happening. **Appendix 3** assesses the main financial risks facing the General Fund revenue accounts and the suggested appropriate level of reserve required to offset this risk, were it to materialise and can be summarised as:

Potential Risk	**£0**
Potential Additional Costs (excluding pay)	651
Pay, vacancies and pensions	237
Savings not achieved	651
Changes to existing government funding regimes	1,990
Other Loss of Income	515
Risk Management	500
Emergency Contingency	1,000
Recommended Risk Base Reserve Balances	**5,544**

7.29. In setting budgets and projections for individual years, it is important that the use of reserves is sustainable and not increasing and creating an unsustainable future problem. The fundamental principle within the Council's Policy on Reserves and Balance governing the use of reserves is that they should not be used to fund recurring expenditure. If exceptional circumstances make this a necessity, the use of the reserve should be clearly stated and approved as an exception to the rule.

7.30. Total reserves were £29.2m at 31/3/21 including the General Reserve (£5.096m) and working balance (£1.5m). All other reserves are either earmarked by statute, legal agreement, Council decision or the purpose for which a grant has been given. A summary of the levels of reserves at the start and end of the MTFP period are shown below. Use of reserve is only included in the projections when the associated expenditure is included in the capital programme or revenue budgets. A copy of the policy for reserves and balances can be found in **Appendix 4** including details of the projected balance on each reserve.

	31/03/2021 £000	31/03/2022 £000	31/03/2023 £000	31/03/2024 £000	31/03/2025 £000	31/03/2026 £000
General Reserves	(6,909)	(5,060)	(5,216)	(5,416)	(5,616)	(5,816)
Capital Reserves	(2,629)	(479)	(558)	(766)	(951)	(1,136)
Earmarked Reserves	(18,180)	(5,778)	(5,421)	(5,086)	(5,086)	(5,086)
Total Reserves	**(27,718)**	**(11,317)**	**(11,194)**	**(11,268)**	**(11,653)**	**(12,038)**
Working Balance	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)
Total Reserves and Working Balance	**(29,218)**	**(12,817)**	**(12,694)**	**(12,768)**	**(13,153)**	**(13,538)**

The balances are particularly high at 31/3/21 due to the NNDR surplus reserve. Due to statutory requirements around recognition of income from business rates and proper accounting practice for grant recognition there is a timing difference between recognising grant from Government for additional business rate reliefs and the recognition of the resulting lost income. The NNDR surplus reserve had a balance of £11.7m at 31/3/21 which will be used to match costs in 2021/22 and 2022/23.

7.31. The balances beyond March 2021 are less certain as expenditure from reserves and working balances to meet unexpected demands obviously cannot be predicted, for example around £1m of reserves was required to reinstate flood damaged property not covered by insurance or Government grant following the December 2015 floods and the cost of Covid-19 is likely to be between £1.5m and £2m. The figures assume the reserve is rebuilt between 2021/22 and 2024/25 but this is dependent upon identifying sufficient savings to balance the budget.

Capital

7.32. The Council's Capital Strategy sets out how the Council will manage its capital investments in the future. It is agreed on an annual basis and sets out how capital contributes to the achievement of the Council's corporate objectives, how capital resources are allocated and how capital projects should be managed and monitored to ensure the outcomes are delivered. The Capital Strategy was approved by Council in February 2021.

7.33. The Council's Property and Land Management Strategy (approved by Cabinet on 28 November 2018) guides the Council on land and building investment, disposals and acquisitions. This aims to ensure investment is prioritised in the right areas to balance the Council's estate over the medium and long term and in the wider context of other assets in public ownership, to ensure sufficient governance is in place to allow the estate to flex and ensuring that the decisions achieve a balance of requirements for capital receipts, investment and revenue income generation.

The strategy also lead to the establishment of the Strategic Asset Management Plan Board (SAMP Board) which will provide oversight and governance and ensure a more strategic approach to the management of its property estate.

7.34. All capital investment and disposal decisions have been made with reference to the strategic objectives within the Council Plan. The Capital Funding strategy is set out below:

Capital Receipts	**What**: from asset sales, 100% can be used to support capital expenditure **Use:** not allocated or committed prior to receipt, unless inextricably linked to specific project Receipts from Right to Buy will be earmarked for replacement homes Capital receipts from the capital portion of finance lease income on Council owned properties earmarked for capital expenditure on the Council's property assets
Borrowing	**What:** Must be in accordance with requirements of Prudential Code and the Treasury Management Strategy **Use:** Vehicle and Plant Programme. Otherwise there should be an identifiable, long-term source of revenue funding for the associated revenue (debt financing) cost
Government Grants & 3rd Contributions	**Use:** In accordance with conditions of grant
Revenue Contributions	**What:** Declining source as revenue budgets becoming more pressured **Use:** Required to meet certain project that cannot be capitalised e.g. feasibility, training and abortive costs
Community Infrastructure Levy	**What:** levy on new housing and retail development outside the national parks, 15% to parish Council **Use:** in accordance with approved scheme, once received and in accordance with statutory timetable
Reserves	**What:** Monies set aside for specific purpose, some earmarked e.g. New Homes Bonus reserve or used to smooth the timing and application of revenue contributions e.g. IT reserve **Use:** in accordance with Policy on Reserves and Balances
Leases	**What:** Finance leases are treated as capital, operating leases as revenue. **Use:** Finance leases not used unless exceptional reasons for doing so

7.35. The capital programme for 2020/21 to 2025/26 was approved by Council in February 2021 and revised in March 2021. The programme shown at **Appendix 5** has been updated for requested carry-forwards from 2020/21 and other minor budget changes and reflects the projected levels of resources.

2021/22 Latest	2022/23	2023/24	2023/24	2024/25	Total 2021/22 to 2025/26
£000	£000	£000	£000	£000	£000
26,816.7	13,516.0	6,153.0	2,983.0	1,223.0	50,691.7

7.36. The Council’s capital programme has, in general, been funded by the use of capital receipts, contributions, major repairs reserve or from capital grants. The Council now has low levels of uncommitted capital resources to fund new projects and will need to either limit future capital expenditure, re-allocated existing funding, use more revenue funding or borrow to deliver the capital programme. This review will also consider deliverability of the existing programme and will be carried out as part of the 2022/23 budget cycle with a target to report to Cabinet and Council in autumn 2021.

7.37. The Government has changed their guidance for the use of government borrowing (from the Public Works Loan Board (PWLB)) from November 2020. Local authorities are only able to access the PWLB where no part of its capital programme can be deemed to be commercial in nature and falling under the "asset for yield" category, for the current year and the following three years. The guidance notes are set out below which introduce controls over spend by category. It will be necessary to amend the existing capital bid process to ensure that bids are compliant with both the Commissioning Strategy and these restrictions.

1. Service Spending: Activity that would normally be captured in the Capital Outturn return (COR) in the following areas:
    a. Education
    b. Highways and Transport
    c. Social Care
    d. Public Health
    e. Culture & Related Services
    f. Environmental & Regulatory Services
    g. Police
    h. Fire and Rescue Services
2. Housing: Activity as would normally be captured in the COR under HRA or General Fund Housing
3. Economic Regeneration: For projects/schemes to come under this heading they must meet one or more of the following characteristics:
    a. It addresses economic or social market failure. Where services, facilities or amenities would not otherwise be provided by the private sector
    b. We are making a significant investment in the asset beyond its purchase price
    c. It generates significant additional activity that would not otherwise happen without LA intervention, creating jobs and / or social or economic value.
    d. Income generated are recycled within the project or applied to related regeneration projects, rather than being applied to wider services
4. Preventative action: For projects/schemes to come under this heading they must meet all of the following characteristics
    a. Intervention prevents a negative outcome such as buying and conserving assets of community value that would otherwise fall into disrepair, or providing support to support to maintain economic activity that would cease otherwise
    b. there is no realistic prospect of support from a source other than the local authority
    c. the local authority has an exit strategy and does not propose to hold the investment for longer than is necessary to achieve the objectives that justified the intervention e.g. completion of land assembly
    d. The intervention takes the form of grants, loans, sale and leaseback, equity injections or other forms of business support that generate a balance sheet asset.
5. Treasury Management: This covers the refinancing or extending of existing debt from any source and the externalisation of internal borrowing
6. Asset for Yield: Would have one or more of the following characteristics
    a. Buying land or existing buildings to let out at a market rate
    b. buying land or buildings which were previously operated on a commercial basis which is then continued by the local authority without an additional investment or modification.
    c. Buying land or existing building other than housing which generate income and are intended to be held indefinitely.

The decision over whether a project complies with the terms of the PWLB is for the LA's Section 151 officer.

Where projects and scheme have characteristics of several different categories the Section 151 Officer will need to use their professional judgement to assess the main objective of the investment and consider which category is the

If a LA wishes to on-lend money to deliver objectives in an innovative way, the government would expect that spending to be reported in the most appropriate category.

Auditors will be expected to review the internal decision making process around borrowing and investment, including the assessment of whether their plans are compliant with the lending terms of the PWLB. While they do not have the power to overrule the assessment of the Section 151 Officer if they raise concerns about the process then HM Treasury may contact the Local Authority to understand the situation

7.38. 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 allocated a capital and or revenue budget. These schemes would lead to additional capital budget costs on top of those presented in **Appendix 5**. These include:

a) Schemes relating to car parking including consideration of the potential for new sites, 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 and Ulverston depot locations 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) Potential spend to reduce the carbon footprint of the Council, potentially including significant changes to buildings, changes to car parks to reflect changes in usage or to introduce electric charging option and changes to vehicles. Options will be considered using HM Treasury models to value carbon savings.

While currently not prioritised and so not allocated budget, these schemes must be included as part of the overall longer-term capital plans, as they are aspirational should suitable funding be identified. These schemes will be subject to detailed business case assessment before they become part of the approved draft capital programme and will only be selected with overall consideration of the affordability of the capital programme.

7.39. The decisions of how to fund capital expenditure, including the treasury management decision of whether to borrow externally, are taken at the end of the financial year by the Finance Lead Specialist under delegated powers. The decisions are based on the Treasury Management framework for the relevant financial year and ensuring value for money. Underspends on schemes may not be automatically diverted to other schemes. This will be considered against the demands of the programme as a whole, any reserve project list and funding requirements for the following year.

Revenue implications of capital programme

7.40. One of the key drivers for the Council's approach to capital expenditure is revenue affordability. Most Capital Projects have financial implications on the annual revenue budget. The revenue implications can take a variety of forms and they include debt costs, loss of investment income and annual non-capital financing costs, e.g. salaries, rent, rates, energy costs, on-going maintenance costs and any income generated from the scheme or project.

7.41. The Council has largely used capital receipts and reserves to fund capital expenditure with borrowing only used to fund the vehicle and plant programme. This borrowing has been met internally through cash balances. The current capital programme includes the use of borrowing to fund the replacement of Ulverston Leisure Centre and the refurbishment of South Lakeland House and Kendal Town Hall. It is unlikely the Council will be able to fund this borrowing internally so will be reviewing the best time to borrow externally. The Council's finance model assumes any borrowing will be undertaken mid-financial year. Officers will consult the Council's Treasury Management advisors to determine the optimal time to borrow, which may identify an opportunity to achieve lower interest payments in the future.

7.42. One of the largest revenue cost is the Minimum Revenue Provision (MRP). This is the statutory requirement to charge the revenue account with the principle cost of borrowing over the life of the asset created. For the purposes of this calculation, borrowing is treated as any expenditure not funded by capital receipts or contributions.

7.43. The Council has moved from using leasing to fund the purchase of vehicles and plant to outright purchase funded by borrowing. Once a full cycle of vehicle and plant renewal is reflected in the MRP these annual increases will reduce. The current MRP projections are based on the Capital Programme approved in February 2021 and will be revised as part of the 2022/23 budget preparation process.

Sensitivity analysis and scenario planning

7.44. Risk Management is a key feature of the Council's financial planning process. The Council is very aware of the need for effective risk management and considers that the assessment and minimisation of all types of risk to be vital. It has an adopted Risk Management Strategy in place, and the financial risks to the Council are assessed in the context of the Council's overall approach to risk management.

7.45. To mitigate risk the Council regularly monitors its budgets. The corporate Risk Management process is used by South Lakeland to identify, monitor and report on risks. Quarterly performance monitoring reports provide a platform for the Members to scrutinise the financial and non-financial performance (e.g. local and national indicators).

7.46. Details of the risks facing the Council were discussed in section 5 and the table below summarises the financial implications if assumptions made in the MTFP change in the future. This gives some indications to the kind of risks which need to be allowed for in considering the level of reserves in future years.

Assumption: impact over 4-years of a 1% change in 2021/22:	2021/22 £000	2022/23 £000	2023/24 £000	2024/25 £000	Total over 4-year period £000
Inflation: pay award 1% higher than assumed (2% currently assumed)	133.1	136.6	140	142.8	552.5
Pension contribution: contribution rate 1% higher than expected (20.1% currently assumed)	101.5	104.2	106.9	108.9	421.5
Inflation on contracts: 1% higher than expected (2% currently assumed)	286.8	288.8	290.8	292.8	1159.2

Average investment rate 1% higher than assumed (although this depends on timing as some investments are at fixed rates). Current assumption 0.1% base rate	-269	-199	-205	-243	-916
Average borrowing rate 1% higher than assumed	68	158	205	241	672
Retained business rate income: overall rate collectable 1% lower than assumed	130.5	133.1	133.1	133.1	529.8
Income from car parks: 1% lower than assumed	46.5	47.9	49.4	50.4	194.2
Income from council tax: 1% lower than assumed (current assumption £5pa band D increase)	94	96.8	99.7	10.3	300.8

7.47. Some of the greatest risks are around the assumptions relating to income from business rates from April 2022 when the current arrangements may change: currently the Government plans are unclear around the nature and timing of the business rate reset. The MTFP assumes the current funding levels will continue for 2022/23. There are also a number of variables that will have an impact on income from business rates. Depending on the assumptions made, income retained by the Council from 2022/23 could vary by around 130% or £2.2m for 2022/23.

7.48. All local authorities are required to ensure there are sufficient resources available to meet the expenditure in the year: the Council receives a formal report from the Chief Finance Officer (for SLDC the Finance Lead Specialist) as part of the budget setting process. The Council continuously monitors factors that may push a local authority into tipping into unstainable expenditure, including intelligence from other bodies including Grant Thornton and the Local Government Association. Not all authorities share the same level of resilience or risk. Providing the assumptions in this MTFP are sound, the policies and recommendations are followed and the savings targets are met the Council is not expected to fall into deficit other than for the impact of Covid-19.

8. Addressing the Budget Gap

8.1. The following approach is recommended to identify savings. There will be some savings which can be generated in the short-term to bridge the gap in 2022/23, others will need up to 18 months to consider for approval:

a. Business as usual **budget monitoring**, ensuring value for money in all transactions during the year. Identifying issues and agreeing action plans to address issues early to prevent significant financial variances.

b. Using the **Commissioning Strategy** to prioritise services and spend…..

c. **Priority based budgeting** to clearly link business planning and budgeting and focus on Council Plan priorities.

d. Review of **procurement strategy & contract management** to ensure the costs of each route to market is reviewed, whole life costs are considered and multi-disciplinary project teams are used to consider all potential contract issues early in the procurement process. A review of the Council's expenditure on third party service provision, including potential re-procurement of services to secure better market rates. Effective contract management of all significant projects through the Contract Management team.

e. Further delivery of the **Customer Connect** approach, through continuous improvement in digital enabled processes, the implementation of the Customer Strategy to drive more customer transactions to self-serve, releasing resources for other priorities, and review of the areas of operation not already covered by the Customer Connect programme.

f. The Council is, in the main, a people-driven organisation with a large proportion of our expenditure linked to staff costs. The Customer Connect programme has implemented a new operating model, with re alignment of how work is processed in the organisation, a reduction of management layers and broader spans of control. A review of **human resources** policies and procedures, particularly around temporary and agency staff, expenses, sickness and absence management, will complement the work that has already taken place.

g. **Commercial Strategy**: a Commercial Strategy is being developed. The principles of the strategy need to be Implemented to ensure that there is a co-ordinated, focused approach to maximise commercial opportunities where available, providing a positive contribution to the Council's overall financial sustainability whilst enhancing the reputation of the Council in the provision of its services.

   The Commercialisation strategy identifies how the authority can use its financial, staff and asset resource in a way that maximises short and long term income generation and social value benefits, whilst delivering the priorities within the Council Plan.

   The strategy will cover, how the authority's services can operate in a more commercial way including opportunities for joint working, consultancy etc; how we can maximise the use of our land and buildings

,including subletting, concessions, solar panels etc; options for direct commercial activity and how we can use commercial activities to drive social value whilst managing our risk exposure.

The strategy will consider risks around use of additional income to balance budgets: the pandemic has shown that income may be very volatile and uncontrollable as a result of economic shock. The Council already budgets for over £5m of income from customers and saw significant drops in car park income as a result of the pandemic.

h. Working with **Partners** to ensure all projects and services are delivered by the most effective body.

i. Reviewing potential use of **alternative funding** to delivery Council priorities, including new Government initiatives which may duplicate planned Council spend, or more focussed use of earmarked reserves.

Managing Budgets and Forecasting

8.2. Accountability and responsibility: whilst the Finance Lead Specialist as Section 151 officer has overall responsibility for reporting the financial position, the responsibility and accountability for the financial position of services lies with the budget holder. If the budget holder cannot resolves issues within their own service area budgets these should be dealt with by Directors with an overarching expectation that pressures arising will be accommodated within overall service budgets. All budget holders are responsible for ensuring external income is maximised for their service and for seeking out new opportunities to generate income. By following the approach set out in this MTFP there should be sufficient resources to deliver services in all teams.

8.3. Finance business partnering: the finance team is creating a business partnering approach to support budget holders and Directors in the financial management of their services. The main focus of the finance business partnering approach is to:

a. Look at a specific business problem and propose solutions based on research and insight;

b. Perform and analyse benchmarking against other areas and services to improve business decision making;

c. Work with business intelligence to understand activity and cost drivers;

d. Support services to look at the totality of investment against objectives;

e. Support services to focus on being sustainable;

f. Support services in developing business cases and support with project managing change through greater involvement in strategic decision making;

g. Work to better understand, manipulate and extract better outcomes from contracts, improving deliverables and forward planning procurement exercises.

9. Conclusion and Way Forward

9.1. Although the financial model hasn't been fully updated, a budget shortfall is still expected from April 2022, albeit much smaller than predicted in February 2021 as a result of delaying the impact of finance reform. The largest variables in the financial model are the timing and nature of change in Government funding and the nature and the extent of disruption from Covid-19.

9.2. The MTFP should be considered in the context of the following issues:

a. The Council is now in a much-improved financial position compared to 12 months ago due to adequate General Fund balances and reserves before the pandemic, robust financial management practices, additional short-term Government support and an excellent track record in achieving efficiency savings should assist the resolving of the current position.

b. The underlying financial model has not been updated except for the impact of a potential pay award, the impact of Covid-19 on reserves, borrowing forecasts and the business rate timing changes. Full reviews of the model are underway, particularly around the impact of Covid-19 on collection of business rates, council tax and the timing of changes in these estimates. The model will be updated in future updates of the MTFP projections.

c. Further significant key decisions will still be needed to deliver savings while safeguarding frontline services to maintain a balanced budget beyond the Customer Connect programme.

d. Significant changes were expected to the local government finance system from April 2021 which are expected to reduce income available to the Council: the timing of these changes is now very uncertain.

e. The size of the capital programme significantly increased in 2020/21 to reflect 2 major grant-funded schemes and major renewals of Council assets. The Property and Land Management Strategy identifies the need for further significant spending if services are to continue using the existing assets. A capital prioritisation exercise will be required to ensure the capital programme is deliverable.

f. Inflation and other budget pressures may increase spend above the projections included in the financial model.

g. Any changes to the financial position will be closely monitored and updates to the financial projections will be reported during the 2022/23 budget process. The financial model is reviewed at least quarterly and forecasts are updated as necessary and reported as part of the Quarterly Corporate Financial Update process.

9.3. **Consultation:** The Council carries out regular consultation with local people, customers, stakeholders, and partners organisations to establish current and future needs and priorities of the community. The MTFP is submitted to Cabinet annually for approval. It is usually subject to challenge and scrutiny through the Overview and Scrutiny Committee before final approval by Council: due to tight timescales it will be considered by Overview and Scrutiny Committee after approval by Council. The Council consults on its budget proposals with business ratepayers in accordance with statutory requirements.

9.4. **Equality Impact Assessments (EIA):** The Council is committed to ensuring equality and diversity issues are given proper consideration. Equality Impact Assessments are an important part of our decision making to enable us to assess the impact of decisions on our residents, stakeholders and customers. Where the impact is high mitigation plans can be developed to reduce the impact of decisions. These are completed in accordance with national guidance and best practice. In developing individual budget proposals officers have undertaken equality impact assessments. An overall equality impact assessment was prepared for the 2020/21 budget process and proposals and this will be reviewed as part of each annual budget process.

Appendices to the Medium Term Financial Plan

1	Budget Process and Strategy 2022/23 – 2025/26
2	General Fund Revenue Account Forecast 2021/22 – 2024/25
3	Risk Assessment of the General Reserve & Working Balance
4	Policy on Reserves and forecast reserves 2020/21 – 2024/25
5	Capital Expenditure and Income Forecast
6	Risk and Opportunity Log
7	Draft Commissioning Strategy

Document Author and contact details: Helen Smith, Finance Lead Specialist,
Accountable Director: David Sykes, Director of Strategy, Innovation and Resources
Document Reference: MTFP 2021-2026
Previous review dates and changes made:

- July 2021 full review
- February 2021 updated financial position

Date for review: July 2022 and at least quarterly update of financial model

Budget process and strategy 2022/23 to 2026/27

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 2022/23 Budget Strategy

1. This proposed Budget Strategy explains the approach to setting a balanced budget for 2022/23 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 23 February 2021.

2. To address future deficits, savings options have been approved for 2021/22 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 critically evaluating the impact of expenditure on the achievement of council priorities and as a result:

    2.1. increasing income

    2.2. reducing costs by improving service efficiency including the use of assets

    2.3. reduction of costs through cutting overheads

    2.4. alternative service delivery mechanisms

    2.5. ceasing to deliver services

3. Leadership team will use the following approach to inform the proposals:

    3.1. business as usual **budget monitoring**, ensuring value for money in all transactions during the year. Identifying issues and agreeing action plans to address issues early to prevent significant financial variances.

    3.2. using the **Commissioning Strategy** to prioritise services and spend

    3.3. **priority based budgeting** to clearly link business planning and budgeting and focus on Council Plan priorities.

    3.4. review of **procurement strategy & contract management**.

    3.5. further delivery of the **Customer Connect** programme

    3.6. review of **human resources** policies and procedures, particularly around temporary and agency staff, expenses, sickness and absence management

3.7. **Commercial strategy**: a Commercial Strategy is being developed. The Council will provide the right services, to the right markets, at the right time and at the right price.

3.8. working with **partners**

3.9. Reviewing potential use of **alternative funding** to delivery Council priorities, including new Government initiatives which may duplicate planned Council spend, or more focussed use of earmarked reserves.

4. The detailed service and capital budgets will be reviewed to ensure that these remain reasonable, with reference to the 2020/21 out-turn, monitoring during 2021/22 and the Service Managers' knowledge of any changes due to take effect over the budgeting time frame.

General Fund Services

5. The overall General Fund Service budget strategy is that:

5.1. budgets will be updated by Finance for known, externally-driven changes to salaries including inflation; they will also update capital charges and recharges;

5.2. all establishment changes must be treated as growth bids or savings and forwarded to Human Resources Committee at the appropriate time;

5.3. minor virements and cost neutral changes (less than £10k gross) can be made to base budgets without bid documents;

5.4. changes identified as part of the Customer Connect programme and savings identified as part of the corporate prioritisation exercise will be worked up into budget amendments as part of the budget process;

5.5. 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.

6. More detail of the approach is given below:

6.1. Salary budgets are increased by known incremental advances. From April 2022 2% will be included for inflationary pay awards. A 4% reduction will be allowed for vacancies and turnover on all salary cost centres except for rota-ed services; 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.

6.2. 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.

6.3. 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.

6.4. Fees and Charges need to be consistent with income budgets. This process must involve:

6.4.1. review of 2020/21 out-turn and any relevant multi-year trends;

6.4.2. review of current 2021/22 budget position and the likely impact of Covid-19;

6.4.3. review of future year income budget; and

6.4.4. assessment of the options for any changes to fees (structures as well as tariff) and the impact of this on the income budget.

6.4.5. For any service area where income budgets are £100k or more per annum, this process will be documented. All services must review the potential for new fees.

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

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

6.6. 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.

6.7. No growth bids will be accepted unless growth is to be funded from earmarked resources.

6.8. Reserves will be used in accordance with their agreed policies with the fundamental principle that they are not used to fund recurring expenditure.

6.9. Effective consultation will be carried out in accordance with the Corporate Consultation strategy.

6.10. Schemes which attract external funding need to be considered with reference to the Council Plan and capacity to deliver.

6.11. The Budget assumes a £5 Council tax increase annually from April 2022 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.

6.12. The working balance contributions be reviewed against the current long-term target minimum General Fund working balance of £1,500,000 by 31 March 2022; any surplus over this target should be transferred to the General Reserve.

Capital

7. The approach to setting the capital programme will be as follows:

7.1. 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.

7.2. It is assumed that no new Bids will be considered unless they are invest to save or unavoidable. Schemes which attract external funding should be considered in the light of capacity to deliver, with resources identified to deliver these and need to be prioritised with reference to the Council Plan.

7.3. 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 2022/23 to 2030/31 Capital Programme. Bids will be considered alongside future expected spend on major projects, as indicated in the capital programme.

7.4. Existing schemes within the programme will also be reviewed with reference to their progress and any external funding restrictions with the assumption that all schemes should be deferred by at least 12 months.

7.5. 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

7.6. 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.

7.7. 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.

7.8. 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 2022/23 Budget and Council Plan timetable

<table>
<tr><th>Task</th><th>Who</th><th>Date</th></tr>
<tr><td>Update the Medium Term Financial Plan and Budget Strategy</td><td>CMT and Cabinet Members/ S151 Officer</td><td>Cabinet 21 July;
Council 27 July,
O&S 27 August</td></tr>
<tr><td>Preparation of detailed base budgets</td><td>Budget Holders and Finance</td><td>August – 7 December Cabinet</td></tr>
<tr><td>Review of Council Plan and Options for Closing the Gap
Develop proposals for change
Revenue Savings/Increased Income Proposals
Vehicle and Plant budget proposals</td><td>Develop July & August</td><td rowspan="3">Cabinet 20 October 2021</td></tr>
<tr><td>CMT Bid consideration</td><td>Special CMT</td></tr>
<tr><td>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</td><td>Leadership Team, Cabinet Members and Finance</td></tr>
<tr><td>Public consultation on proposals</td><td>Finance Lead Specialist</td><td>8 weeks, 20 Oct - 20 Dec</td></tr>
<tr><td>Fees and Charges - Lake Admin</td><td rowspan="2">Operational Lead Place and Environment</td><td>tbc</td></tr>
<tr><td>Fees and Charges - Licensing</td><td>tbc</td></tr>
<tr><td>Quarter 2 Monitoring and Capital Programme phasing update</td><td>Finance Specialist, Finance & Assets PH and Cabinet Members</td><td></td></tr>
<tr><td>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</td><td>Leadership Team and Finance

Cabinet Members</td><td>Cabinet 7 December 2021</td></tr>
<tr><td></td><td>4 weeks (statutory) consultation period commences</td><td>10 Dec - 17 Jan (not counting Christmas/New Year)</td></tr>
<tr><td>Budget Briefing before Council with Draft Council Plan
Budget update as appendix to Q2 monitoring
Approve Council Plan</td><td>Council</td><td>14 December 2021</td></tr>
</table>

1st Draft Service Budget Update for provisional settlement Draft Treasury Management Strategy Procurement Schedule	O&S	Special Meeting early January 2022
Relevant Service Budget Report extracts including Fees and Charges	Planning Committee Licensing Committee Lake Admin Committee	
Quarter 3 Monitoring	Finance Specialist/Finance and Resources PH and Cabinet Members	O&S 4 Feb Cabinet 9 Feb Council 22 Feb
Formulation of Final Budget proposal (including impact of final settlement) Consideration of O&S and other consultees comments from 9 Dec draft Budget proposals Final Treasury Management Strategy Procurement Schedule	Cabinet	9 February 2022
Approval of Budget, Council Tax, Procurement Schedule and Treasury Management Strategy	Council	22 February 2022

Medium Term Financial Plan Forecast 2021/22 - 2025/26

This table sets out detail of the latest draft budgets for 2021/22 onwards updated for the 2020/21 outturn and expected timing of local government finance reforms

	Budget **2021/22** **£000**	Budget **2022/23** **£000**	Budget **2023/24** **£000**	Budget **2024/25** **£000**	Budget **2025/26** **£000**
Base Budget:					
Expenditure					
Employee Costs	14,410.7	14,479.0	14,668.2	14,946.8	15,237.7
Running Costs	10,887.2	9,530.4	9,354.9	9,508.1	9,494.4
Total Service Expenditure	**25,297.9**	**24,009.4**	**24,023.1**	**24,454.9**	**24,732.1**
Income					
Car Parking Income	(4,955.3)	(5,102.9)	(5,204.9)	(5,309.0)	(5,411.9)
Contributions from other Local Authorities and Public Bodies	(10.3)	(10.3)	(9.9)	(9.6)	(9.6)
General Income	(3,912.5)	(4,027.1)	(4,206.6)	(4,180.2)	(4,226.3)
Government Grants	(1,374.9)	(387.7)	(387.7)	(558.7)	(727.7)
New Homes Bonus	(87.8)	(44.0)	(23.0)	0.0	0.0
Lake Income	(1,478.7)	(1,548.7)	(1,579.6)	(1,611.1)	(1,643.0)
Recycling Credits	(1,482.1)	(1,511.8)	(1,542.0)	(1,572.9)	(1,604.3)
Total Service Income	**(13,301.6)**	**(12,632.5)**	**(12,953.7)**	**(13,241.5)**	**(13,622.8)**
Net Service Budget before Capital Charges	**11,996.3**	**11,376.9**	**11,069.4**	**11,213.4**	**11,109.3**
Capital Charges	16,138.2	9,814.8	4,572.9	4,345.3	4,376.8
Net Service Budget after Capital Charges	**28,134.5**	**21,191.7**	**15,642.3**	**15,558.7**	**15,486.1**
Corporate items					
Interest Receivable	(36.3)	(39.5)	(44.4)	(52.3)	(59.1)
Interest Payable	697.3	733.0	806.5	886.2	915.3
Other Government Grants					
Rural Services Delivery Grant	(454.9)	0.0	0.0	0.0	0.0
Lower Tier Services Grant	(95.8)	0.0	0.0	0.0	0.0
Local Council Tax Support Grant	(112.8)	0.0	0.0	0.0	0.0
Local Tax Income Guarantee	(145.7)	(145.7)	(145.7)	0.0	0.0
Income from Council Tax (net of Parish Precept)	(9,285.4)	(9,564.8)	(9,846.7)	(10,131.1)	(10,417.9)
Parish Grant	92.0	92.0	92.0	92.0	92.0
Retained Business Rates	(4,659.2)	(2,260.2)	(2,161.2)	(2,302.0)	(1,956.7)
Contribution to pool Reserve	657.3	0.0	0.0	0.0	0.0
Direct Revenue Financing of Capital Programme	113.0	84.0	63.0	40.0	40.0
Minimum Revenue Provision	1,187.5	1,379.4	1,395.5	1,656.5	1,911.6
Reversal of Capital Charges	(16,138.2)	(9,814.8)	(4,572.9)	(4,345.3)	(4,376.8)
Collection Fund surplus/deficit	11,232.0	460.2	460.2	0.0	0.0
Adjustment from NNDR surplus/deficit reserve	(10,755.9)	(289.7)	(289.7)	0.0	0.0
Transfers to/from Reserves	(429.4)	542.9	711.5	726.0	601.2
Total Corporate Items	**(28,134.5)**	**(18,823.2)**	**(13,532.0)**	**(13,430.0)**	**(13,250.4)**
February 2021 Council: (Surplus)/Deficit assuming £5 Band D Council Tax increase from April 2021 onwards	**0.0**	**2,368.5**	**2,110.3**	**2,128.7**	**2,235.7**
Amendments for Medium Term Financial Plan July 2021:	**2021/22 £000**	**2022/23 £000**	**2023/24 £000**	**2024/25 £000**	**2025/26 £000**
Pay award - reinstate 2% pay award assumption for 2021/22	214.0	213.8	223.1	227.3	231.8
Covid-19 - remove rebuilding of General Reserve - not required	(315.8)	(315.8)	(315.8)	(315.8)	0.0
Local Government Reorganisation	250.0	0.0	0.0	0.0	0.0
Delay in Local Government funding reform					
- Rurual Services Delivery Grant	0.0	(454.9)	0.0	0.0	0.0
- Lower Tier Services Grant	0.0	(47.9)	0.0	0.0	0.0
- Business Rate Retention	0.0	(1,434.6)	0.0	0.0	0.0
- Cumbria Businss Rate Pool income received	0.0	(876.4)	0.0	0.0	0.0
- Cumbria Businss Rate Pool income to reserve	0.0	876.4	0.0	0.0	0.0
Interest Payable - lower borrowing in 2020/21, higher interest rate	(130.3)	(31.5)	80.9	111.5	163.6
Projected (Surplus) / Deficit July 2021	**17.9**	**297.6**	**2,098.6**	**2,151.7**	**2,631.1**

RISK ASSESSEMENT OF LEVEL OF RESERVES: 31/3/22

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%	353	177	Assumed at 1% of Gross Revenue Budget for 2020/21
Underachievement of Charges Income targets and spending exceeds budgets	4	50%	508	254	Estimate of 5% Customer Receipts Income forecasts for 2020/21
Underachievement of Investment Income	4	50%	259	130	1% of exposure of average balance of £13m
Insurance Excesses	5	50%	47	24	Based on 10% of insurance premia payments
Potential costs of legal challenges	4	50%	700	350	Based on estimated cost of a public enquiry or legal challenge
Savings not achieved	2	25%	2,603	651	Savings target at 31/3/25
Vacancy target not delivered	2	25%	439	110	Staff vacancy target topsliced from salary budgets
Pay increase	3	50%	141	70	2% allowance made in budget for pay increase from April 2020. Impact of additional 1% pay award
Increase in pension contributions	4	50%	113	57	Allowance for 1.0% increase in pension fund contributions at next triennial revaluation
Changes to existing government funding regimes	6	25%	5,945	1,486	25% of Total of RSG/transitional grant/Rural Services grant/NNDR retained funding, based on 2020/21 final settlement (on top of reduction already reflected in budgets)
Changes to existing external grants and contributions	4	50%	1,007	504	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
Reduction in business rate income	4	50%	227	114	SLDC share, based on 5% reduction in rateable values, based on 2017 list
Council tax reduction scheme	4	25%	67	17	SLDC share, based on 10% increase in claims based on 2020/21 estimate
Risk Management	9	100%	500	500	Monies set aside to meet the one-off costs of risk management
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.
TOTALS			**14,309**	**5,544**	
Maximum Risk Based Reserve Balances				**14,309**	Total Financial Exposure
Recommended Risk Base Reserve Balances				**5,544**	from above
Minimum Risk Based Reserve Balances				**3,577**	25% of Total Financial Exposure
Projected Level of Reserves					
- General Fund Working Balance				1,500	Projected balance 31/3/22
- General Reserve				4,536	Projected balance 31/3/22
Projected Level of Reserves (General Fund)				**6,036**	
Projected (Shortfall)/Excess of Current Reserve Balance over Risk Based Reserves				**492**	assumes use the recommended risk based balance

Reserves Summary

The purpose of this table is to set out the projected balance on the Council's usable reserves over the MTPF period.

Reserve			Type	**Balance 31/3/2021 £000**	**Balance 31/3/2022 £000**	**Balance 31/3/2023 £000**	**Balance 31/3/2024 £000**	**Balance 31/3/2025 £000**	**Balance 31/3/2026 £000**	**Responsible Lead**	Summary, Purpose and Commentary
General Reserve			General	(5,096)	(4,536)	(4,736)	(4,936)	(5,136)	(5,336)	Finance Lead Specialist	The main use of this reserve in recent years has been to fund the one-off costs of COVID-19, 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)	(150)	(150)	(150)	(150)	(150)	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
Carry-forward Reserve			General	(440)	125	168	168	168	168	Finance Lead Specialist	Part of General Reserve earmarked for revenue budgets carried forward from 2017/18 to future years.
Climate Change Reserve			Earmarked	(83)	0	0	0	0	0	Strategy Lead Specialist	To fund climate change work initially approved as part of 2020/21 budget
Community Housing Fund			Earmarked	(1,821)	(1,259)	(1,259)	(1,259)	(1,259)	(1,259)	Operational Lead – People, Welfare and Income Maximisation	income received from Government for Community Housing Fund not spent in year.
S106 / Commuted Sums Reserve			Earmarked	(330)	(330)	(330)	(330)	(330)	(330)	Operational Lead – Place and Environment	Income received under various s106 agreements not spent in year
Council Tax Hardship Reserve			Earmarked	(76)	(76)	(76)	(76)	(76)	(76)	Finance Lead Specialist	Income from Government earmarked for alleviation of hardship for those in need
Cumbria NDR Pool Income Reserve			Earmarked	(3,123)	(2,123)	(2,055)	(2,010)	(2,010)	(2,010)	Operational Lead – Place and Environment	Income from Cumbria NNDR pool, earmarked for economic development
Cumbria NDR Pool volatility Reserve			Earmarked	(440)	(440)	(440)	(440)	(440)	(440)	Finance Lead Specialist	Share of NNDR pool income retained by pool to offset potential future deficits
Customer Connect Reserve			General	(790)	(64)	(64)	(64)	(64)	(64)	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.
Economic Development Fund			General	(239)	(239)	(239)	(239)	(239)	(239)	Operational Lead – Place and Environment	To encourage economic development in the District and to ensure that unused funds in a particular year can be carried forward.

Appendix 4

Reserve			Type	Balance 31/3/2021 £000	Balance 31/3/2022 £000	Balance 31/3/2023 £000	Balance 31/3/2024 £000	Balance 31/3/2025 £000	Balance 31/3/2026 £000	Responsible Lead	Summary, Purpose and Commentary
General Fund Major Repairs Reserve			Capital	(399)	176	91	6	(79)	(164)	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: • acts as a backstop for emergency major repairs • accumulates funds as necessary to meet an abnormal year in maintenance terms, • is able to assist in meeting regular maintenance costs.
Improving South Lakeland			General	(30)	(30)	(30)	(30)	(30)	(30)	Operational Lead – Place and Environment	To match fund schemes within South Lakeland
Insurance Reserve			General	(30)	(30)	(30)	(30)	(30)	(30)	Finance Lead Specialist	To meet expected cost of MMI insurance levy
IT Replacement Reserve			Capital	(45)	(45)	(45)	(45)	(45)	(45)	Digital Lead Specialist	To fund the replacement of hardware and software with a preference for the updating of the corporate and networking infrastructure.
LABGI			General	(5)	(5)	(5)	(5)	(5)	(5)	Operational Lead – Place and Environment	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)	(30)	(30)	(30)	(30)	(30)	Operational Lead – Place and Environment	Monies provided towards Arts Strategy and related activities carried forward for use in subsequent years.
LSVT Environmental Warranties			Earmarked	(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)	(37)	(37)	(37)	(37)	(37)	Operational Lead – People, Welfare and Income Maximisation	Monies left to the Council as a bequest to be used for housing for the elderly in Grange
Neighbourhood Plans Reserve			Earmarked	(25)	(25)	(25)	(25)	(25)	(25)	Strategy Lead Specialist	Monies left to the Council as a bequest to be used for housing for the elderly in Grange
New Homes Bonus Reserve			Capital	(1,954)	(702)	(746)	(769)	(769)	(769)	Finance Lead Specialist	New reserve to enable forward funding of eligible schemes through the Council's New Homes Bonus protocol
NNDR Surplus Reserve			Earmarked	(11,701)	(945)	(656)	(366)	(366)	(366)	Finance Lead Specialist	Timing gap between recognising s31 grant and recognising offsetting NDR collection fund deficits.
Personal Financial Resilience Reserve			Earmarked	(86)	(86)	(86)	(86)	(86)	(86)	Operational Lead – People, Welfare and Income Maximisation	New reserve created from unclaimed members allowances earmarked to improve financial resilience
Revenue Funds for Capital			Capital	(231)	92	142	42	(59)	(159)	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		0	0	0	0	0	Finance Lead Specialist	Initiatives to enable the provision of affordable housing: transfer of unspent balance at end of year
Tax Income Guarantee Scheme			General	(130)	(130)	(130)	(130)	(130)	(130)	Finance Lead Specialist	Grant received 2020/21 to be offset against Covid-19 related Council Tax losses in 2021/22 onwards

Reserve			Type	Balance 31/3/2021 £000	Balance 31/3/2022 £000	Balance 31/3/2023 £000	Balance 31/3/2024 £000	Balance 31/3/2025 £000	Balance 31/3/2026 £000	Responsible Lead	Summary, Purpose and Commentary
Building Control Fee Income Reserve			Earmarked	11	11	11	11	11	11	Operational Lead – Place and Environment	Statutory ring fenced reserve to record surpluses and losses on building control.
Local Land Charges Reserve			Earmarked	9	9	9	9	9	9	Operational Lead – Place and Environment	Statutory ring fenced reserve to record surpluses and losses on local land charges.
Hackney Carriage Licensing Reserve			Earmarked		0	0	0	0	0	Operational Lead – Place and Environment	Statutory ring fenced reserve to record surpluses and losses on licensing.
Licensing Act Reserve			Earmarked	(166)	(166)	(166)	(166)	(166)	(166)	Operational Lead – Place and Environment	Statutory ring fenced reserve to record surpluses and losses on licensing.
Misc Licensing Reserve			Earmarked		0	0	0	0	0	Operational Lead – Place and Environment	Statutory ring fenced reserve to record surpluses and losses on licensing.
Gambling Licensing Reserve			Earmarked		0	0	0	0	0	Operational Lead – Place and Environment	Statutory ring fenced reserve to record surpluses and losses on licensing.
Total Reserves excluding working balance				**(27,718)**	**(11,317)**	**(11,194)**	**(11,268)**	**(11,653)**	**(12,038)**		
GF Working balance				**(1,500)**	**(1,500)**	**(1,500)**	**(1,500)**	**(1,500)**	**(1,500)**	Finance Lead Specialist	Buffer against unforeseen & emergency expenditure in-year, inflationary demands, adverse cash flow, inability to use capital resources.
Total Usable Reserves				**(29,218)**	**(12,817)**	**(12,694)**	**(12,768)**	**(13,153)**	**(13,538)**		

Capital Programme 2021/22-2025/26

GL Code	Programme Spending by Project	Portfolio	2021/22 Approved Feb 2021	amendments March 2020	amendments Outturn	2021/22 Latest £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	Total 2021/22 to 2025/26 £000
KDE06	ERDF funded flood defence works	Climate Emergency and Localism	2,163.0	0.0	-407.5	1,755.5	2,273.0	381.0	0.0	0.0	4,409.5
KXB27	Energy-saving building enhancements	Climate Emergency and Localism	0.0	30.0	47.9	77.9	0.0	0.0	0.0	0.0	77.9
KFL01	Footway Lighting	Customer and Commercial Services and People	25.0	85.0	0.0	110.0	25.0	25.0	0.0	0.0	160.0
KLR31	Nobles Rest	Customer and Commercial Services and People	0.0	0.0	3.9	3.9	0.0	0.0	0.0	0.0	3.9
KMR33	Braithwaite Fold Caravan Park extention	Customer and Commercial Services and People	0.0	0.0	0.9	0.9	0.0	0.0	0.0	0.0	0.9
KNM56	Millerground Public Open Space, Access and Play Project	Customer and Commercial Services and People	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
KNMxx	Play Areas (including community funded schemes and schemes arising from the Play Space Audit)	Customer and Commercial Services and People	159.8	12.4	-77.2	95.0	65.0	65.0	65.0	65.0	355.0
KPY42	Car Parking Machines	Customer and Commercial Services and People	0.0	84.2	0.0	84.2	0.0	0.0	0.0	0.0	84.2
KPY44	Town and Car Park signing	Customer and Commercial Services and People	0.0	0.0	8.7	8.7	0.0	0.0	0.0	0.0	8.7
KPY45	South Lakeland House carpark works	Customer and Commercial Services and People	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
KPY46	Car park re-surfacing	Customer and Commercial Services and People	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
KPY48	Parkside Road, Kendal car park	Customer and Commercial Services and People	0.0	0.0	144.1	144.1	0.0	0.0	0.0	0.0	144.1
KPY49	Windermere Road car park, Grange	Customer and Commercial Services and People	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
KPY50	Purchase of Car Park Dowker Lane	Customer and Commercial Services and People	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
KCI01	Scaling On Street Charing infrastructure		0.0	173.8	10.0	183.8	0.0	0.0	0.0	0.0	183.8
KSC91	Vehicle & Plant Programme (inc bins and boxes)	Customer and Commercial Services and People	499.0	860.0	-22.5	1,336.5	820.0	2,049.0	2,235.0	475.0	6,915.5
		Customer and Commercial Services and People	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
KCD01	Castle Dairy flood damage reinstatement	Economy, Culture and Leisure	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
KIP01	LIPS (excluding contributions to SLDC property included under individual properties)	Economy, Culture and Leisure	0.0	0.0	90.0	90.0	0.0	0.0	0.0	0.0	90.0
KLC03	New Ulverston Leisure Centre	Economy, Culture and Leisure	250.0	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	79.8	0.0	0.0	79.8	0.0	0.0	0.0	0.0	79.8
KLH08	Abbot Hall redevelopment	Economy, Culture and Leisure	0.0	615.0	0.0	615.0	0.0	0.0	0.0	0.0	615.0
KLL18	Cockshott Point Entrance Improvements	Economy, Culture and Leisure	0.0	0.0	1.4	1.4	0.0	0.0	0.0	0.0	1.4
KMR21	Kendal Museum contribution	Economy, Culture and Leisure	0.0	85.0	0.0	85.0	0.0	0.0	0.0	0.0	85.0
KMR31	Festival Infrastructure	Economy, Culture and Leisure	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
KMR34	Kendal Castle (funded from LIPS)	Economy, Culture and Leisure	0.0	0.0	38.1	38.1	0.0	0.0	0.0	0.0	38.1
KMR35	Burton Hertiage Grant Scheme (funded from LIPS)	Economy, Culture and Leisure	0.0	0.0	106.3	106.3	0.0	0.0	0.0	0.0	106.3
KPE18	Kendal to Lancaster towpath trail	Economy, Culture and Leisure	120.0	0.0	0.0	120.0	0.0	0.0	0.0	0.0	120.0
KRE53	Kendal Town Centre Public Realm	Economy, Culture and Leisure	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
KDP03	Refurbishment of Ellerthwaite Depot to create office accommodation for rent	Finance and Resources	80.0	0.0	7.6	87.6	0.0	0.0	0.0	0.0	87.6

Capital Programme 2021/22-2025/26

GL Code	Programme Spending by Project	Portfolio	2021/22 Approved Feb 2021	amendments March 2020	amendments Outturn	2021/22 Latest £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	Total 2021/22 to 2025/26 £000
KEP53	Extension and refurbishment to Rothay Park toilets (incl Changing Places toilet)	Finance and Resources	59.5	0.0	12.5	72.0	0.0	0.0	0.0	0.0	72.0
KLH07	Kendal Town Hall/South Lakeland House	Finance and Resources	947.5	1,500.0	262.4	2,709.9	0.0	0.0	0.0	0.0	2,709.9
KMR36	Roofing repairs to The Monument, Kirkby Lonsdale	Finance and Resources	0.0	0.0	20.7	20.7	0.0	0.0	0.0	0.0	20.7
KPY38	Structural Repair works to Westmorland Shopping Centre MSCP	Finance and Resources	197.0	0.0	18.0	215.0	240.0	0.0	0.0	0.0	455.0
KPY51	Kendal Car Parking improvements including potential purchase of site, machine upgrades and signage	Finance and Resources	493.5	0.0	0.0	493.5	0.0	0.0	0.0	0.0	493.5
KEP52	Disabled Toilet improvements	Health, Wellbeing and Financial Resilience	0.0	40.0	0.0	40.0	0.0	0.0	0.0	0.0	40.0
CAP A	Environment Agency lead Flood Relief Scheme Improvements	Housing and Innovation	550.0	0.0	0.0	550.0	0.0	0.0	0.0	0.0	550.0
KAH10	Affordable & Empty Homes, Town Centre Properties.	Housing and Innovation	260.0	0.0	-39.0	221.0	260.0	0.0	0.0	0.0	481.0
KAH11	Cross-a-Moor junction improvement	Housing and Innovation	4,531.7	0.0	0.0	4,531.7	0.0	0.0	0.0	0.0	4,531.7
KAH13	S106 funded affordable homes purchase	Housing and Innovation	56.0	0.0	30.0	86.0	0.0	0.0	0.0	0.0	86.0
KAH14	Homeless Accommodation for Families	Housing and Innovation	0.0	0.0	115.4	115.4	0.0	0.0	0.0	0.0	115.4
KAH15	Next Steps Accommodation Programme	Housing and Innovation	0.0	0.0	237.0	237.0	0.0	0.0	0.0	0.0	237.0
KCH01	Community Housing Fund	Housing and Innovation	0.0	0.0	543.0	543.0	0.0	0.0	0.0	0.0	543.0
KDE07	Coastal Communities Fund (includes £1.1 million for Grande Promenade)	Housing and Innovation	1,151.2	1,050.0	150.0	2,351.2	0.0	0.0	0.0	0.0	2,351.2
KGD21	Disabled Facilities Grants	Housing and Innovation	661.0	363.0	200.8	1,224.8	603.0	603.0	603.0	603.0	3,636.8
KIF01	Housing Investment Fund: Loans to Housing Associations	Housing and Innovation	3,000.0	0.0	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	120.0	0.0	0.0	0.0	0.0	120.0
KIT30	Customer Connect	Housing and Innovation	0.0	260.0	24.5	284.5	0.0	0.0	0.0	0.0	284.5
KIT90	IT Replacements	Housing and Innovation	80.0	15.0	15.3	110.3	80.0	80.0	80.0	80.0	430.3
KRE04	Grange Regeneration	Housing and Innovation	157.3	0.0	0.0	157.3	0.0	0.0	0.0	0.0	157.3
KRE66	Grange Promenade Structural works	Housing and Innovation	1,091.0	0.0	0.0	1,091.0	0.0	0.0	0.0	0.0	1,091.0
KRE67	Grange Lido	Housing and Innovation	1,890.0	867.0	28.7	2,785.7	0.0	0.0	0.0	0.0	2,785.7
KRT10	Right to buy replacement scheme	Housing and Innovation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
CAP 1	Ulverston Bank Clock Repairs	Finance and Resources	45.0	0.0	0.0	45.0	0.0	0.0	0.0	0.0	45.0
CAP 2	Transport Software	Customer and Commercial Services and People	35.0	0.0	0.0	35.0	0.0	0.0	0.0	0.0	35.0
CAP 3	Millerground Pumping Station	Finance and Resources	38.0	0.0	0.0	38.0	0.0	0.0	0.0	0.0	38.0
CAP 4	Windemere Jetty Repairs	Finance and Resources	30.0	0.0	0.0	30.0	0.0	0.0	0.0	0.0	30.0
CAP 6	Service Redesign - New Vehicles	Customer and Commercial Services and People	68.0	0.0	0.0	68.0	0.0	0.0	0.0	0.0	68.0
CAP 7	Kendal Market Lift	Finance and Resources	60.0	0.0	0.0	60.0	0.0	0.0	0.0	0.0	60.0
CAP 8	Purchase of Bins and Boxes for Waste Service	Customer and Commercial Services and People	65.0	0.0	0.0	65.0	0.0	0.0	0.0	0.0	65.0
CAP 9	Income Management System Upgrade	Finance and Resources	40.0	0.0	0.0	40.0	0.0	0.0	0.0	0.0	40.0
CAP10	Windermere Road Grange - Flood Aliviation	Finance and Resources Climate Emergency and Localism	0.0	0.0	0.0	0.0	150.0	0.0	0.0	0.0	150.0

Capital Programme 2021/22-2025/26

GL Code	Programme Spending by Project	Portfolio	2021/22 Approved Feb 2021	amendments March 2020	amendments Outturn	2021/22 Latest £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	Total 2021/22 to 2025/26 £000
CAP11	Rough Sleepers / Next Step	Housing and Innovation	152.0	0.0	0.0	152.0	0.0	0.0	0.0	0.0	152.0
CAP12	Gooseholme - Retaining Wall Repairs	Finance and Resources	50.0	0.0	0.0	50.0	0.0	0.0	0.0	0.0	50.0
	Bids subject to further assessment:		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	Car park investments*		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
	Depot review		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
											0.0
	Total		**19,085.3**	**6,160.4**	**1,571.0**	**26,816.7**	**13,516.0**	**6,153.0**	**2,983.0**	**1,223.0**	**50,691.7**

*subject to detailed review of car parking strategy including potential new car parks, reconfiguration options on existing car parks and electric charging points

Reconciliation:		2021/22 Latest £000	2022/23 £000	2023/24 £000	2024/25 £000	2025/26 £000	Total 2021/22 to 2025/26 £000
Capital Programme approved Feb 2021		19,085.3	13,516.0	6,153.0	2,983.0	1,223.0	42,960.3
Reprofiling		6,249.4	0.0	0.0	0.0	0.0	6,249.4
Additional cost - Grange Lido - March 2021		867.0	0.0	0.0	0.0	0.0	867.0
New Scheme & funding - Abbot Hall		615.0	0.0	0.0	0.0	0.0	615.0
Approved Programme July 2021		**26,816.7**	**13,516.0**	**6,153.0**	**2,983.0**	**1,223.0**	**50,691.7**

Capital Funding 2021/22 - 2025/26

	Balance April 2021 £000	Estimated Income £000	Use in capital programme £000	Projected Balance March 2026 £000
General				
Usable Capital Receipts	(2,020.3)	(1,375.0)	2,801.9	(593.4)
New homes bonus / LIPS****	(1,954.2)	0.0	1,640.1	(314.1)
Earmarked or allocated				
IT replacement reserve	(13.6)	(400.0)	380.3	(33.3)
Major Repairs Reserve	(399.4)	(350.0)	985.6	236.2
General Revenue contributions	0.0	(210.1)	210.1	0.0
Other Reserves	(406.6)	(1,350.0)	1,648.1	(108.5)
Cap grants and contributions (inc S106)	(4,184.2)	(11,017.5)	14,417.6	(784.1)
Disabled Facilities Grants	(833.8)	(3,073.0)	3,636.8	(270.0)
Community Housing Fund*	(1,821.0)	0.0	543.0	(1,278.0)
Right to Buy receipt**	(5,469.9)	(3,500.0)	6,896.7	(2,073.2)
Borrowing				
Funding from borrowing***.	0.0	(17,273.5)	17,273.5	0.0
Sub Total	**(17,103.0)**	**(38,549.1)**	**50,433.7**	**(5,218.4)**
Funding to be agreed	0.0	0.0	258.0	258.0
Total	**(17,103.0)**	**(38,549.1)**	**50,691.7**	**(4,960.4)**

*Ring fenced for Community Housing Schemes
**Ring fenced to support replacement of affordable housing. A further £925k is earmarked as contingency for
***'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

Medium Term Financial Plan Risks

Ref	Vulnerability / Trigger	Consequence	Likelihood	Impact	Actions to control this risk
New: 1.	COVID-19	Additional costs, reduced income arising from requirement to respond to COVID-19 epidemic	High	Critical	During 2020/21 the Council has received over £1.4m of additional Government funding to alleviate the impact of COVID-19 on the Council and its residents and businesses. It is not known how long the epidemic may last or how long the financial impact may last. Income and expenditure trends are carefully monitored and analysed.
New: 2	Local Government reorganisation: additional costs of consultation, preparation of transition costs and implementation costs of potential change to local government boundaries and functions	Additional short-term costs	High	Serious	
1.	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.	Low	Marginal	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
2.	The programme of budget reductions does not deliver the required level of savings to correct the forecast inherent budget deficit.	Council will be forced to cut services and/or make knee-jerk and potentially irrational spending reductions.	Low	Critical	Universal acceptance of the problem by heightened awareness. Clear direction and identification of measures by Members and Officers. Strict project management to ensure that proposals are implemented.

Ref	Vulnerability / Trigger	Consequence	Likelihood	Impact	Actions to control this risk
3.	The Customer Connect Programme does not deliver the organisational changes and efficiency savings included in budget forecasts.	Council will be forced to cut services and/or make knee-jerk and potentially irrational spending reductions.	Low	Marginal	Majority of reductions are delivered: monitoring of service delivery and review of final phase of staffing required.
4.	Result of Brexit may potentially change estimated levels of growth, inflation, interest etc.	The Council may have to amend the capital and revenue spending plans to react to changes in funding and potential increased levels of expenditure	Medium	Serious	Monitor impact of decision
5.	Resources cannot be identified to fund new service development.	Corporate outcomes may not be delivered.	Low	Marginal	Accurate assessments of spending needs to be built into the budget forecast. Project management of reduction programme.
6.	Further loss of income from investments as interest rates reduce.	Revenue budget unable to cope with reduced income	Low	Marginal	Close monitoring of returns, already minimal levels of projected interest receipts.
7.	• Provisions for pay, price inflation are inadequate e.g. fuel • Income falls below targets • Government grant is withdrawn suddenly	In-year budgetary pressure and potential overspending, jeopardising service delivery.	Low	Marginal	Close monitoring and short-term use of revenue contingency provision and General Reserve followed by review for following year.
8.	Government devolution approach diverts funding to other areas	Reduction in funding for other services	Medium	Marginal	Monitor proposals for extension of devolution
9.	The resilience of the budget is not re-enforced by the strengthening of reserves and balances.	Budget may not be able to cope with unexpected events and spending plans may have to be curtailed.	Low	Marginal	Close adherence to the Plan's proposals for the maintenance of reserves and balances.

Ref	Vulnerability / Trigger	Consequence	Likelihood	Impact	Actions to control this risk
10.	Government introduction of more stringent capping system through the specification of levels above which a referendum will be triggered	Revenue budget unable to cope with basic inflationary increases, further pressure on resources and service delivery.	Low	Marginal	Maintenance of General Reserve as a buffer against unexpected restriction on council tax increases. The Plan uses realistic assumptions for forward planning.
11.	Government proposals for localisation of business rates, including baseline reset increase uncertainty of major income stream.	Income streams will be insufficient to fund service delivery.	High	Critical	Monitor changes in rateable values & proposals for new development / closures/ other changes. Monitor Government proposals for changes in NNDR legislation. Maintenance of General Reserve as a buffer against unexpected changes in funding.
11a.	Government proposals for additional reliefs for business rates will not be fully funded	As above	As above	As above	As above
12.	Council is reluctant to take the required challenging decisions in a number of service areas e.g. fees & charges or grants payable	Income streams may not be optimised leading to reduced resources available for spending on priority services or projected savings may not be generated	Low	Serious	Financial decisions in non-priority areas should be made on commercial principles backed by sound business cases. Commissioning Framework to include decommissioning.
13.	Budgetary control procedures are not understood and followed – higher likelihood during period of organisational change.	Variances from budgets are not identified and acted upon, leading to inappropriate/unauthorised spending.	Medium	Marginal	Ongoing review of procedures to ensure that budget monitoring information is appropriate and meaningful. Greater emphasis on trend analysis and the use of customer data. Closer liaison between Finance staff and budget holders.

Ref	Vulnerability / Trigger	Consequence	Likelihood	Impact	Actions to control this risk
14.	Reduction in economic development funding if Cumbria LEP is unable to attract significant funding.	Inability to improve employment prospects within the district	Low	Serious	If LEP is unable to invest in economic development there will be increased pressure on the Council's capital programme to invest significant funds.
15.	The Council is unable to meet future demand for services	Service falls below all acceptable standards.	Medium	Critical	Close monitoring of the changing needs and levels of demand and review of resource allocation.
16.	Pension funding	Budget may not be able to cope with additional costs and spending plans may have to be curtailed.	Low	Marginal	Moved to alternative method of contribution based on set percentage for current service accrual and fixed contribution for past service costs; this has reduced inherent problem of declining staff base for contributions. Government reform of pension scheme should alleviate impact of declining investment returns.
17.	Costs of asset maintenance, as identified in the Land and Property Strategy, exceed resources available.	Budgetary pressures force cuts in standards of maintenance.	Medium	Serious	A quinquennial review of maintenance requirements is prepared. The General Fund Planned Maintenance fund exists to meet abnormal spending needs.
18.	Future demographic and other changes demand additional expenditure	Budget inadequate for additional spending demands/potential loss of income due to declining population	Medium	Serious	Monitor impact of demographic changes

Ref	Vulnerability / Trigger	Consequence	Likelihood	Impact	Actions to control this risk
19.	Potential creation of Internal Drainage Board	Unavoidable Levy payable to Internal Drainage Board; under capping rules, levies would count against the Council's Council Tax capping limit.	Low	Marginal	Monitor proposals, review treatment as special expense. Current rules for calculating council tax increases a new levy would count towards triggering a referendum. Government consultation spring 2019.
20.	Potential loss of surplus-generating assets through the proposed Community right to bid and/or failure of assets transferred	Budget may not be able to cope with loss of income/sudden increase in budgets required for remedial costs	Low	Marginal	Review all requests against the Asset Transfer Policy
21.	Higher that estimated increase in costs due to international political uncertainty e.g. fuel	Budget may not be able to cope with additional costs and spending plans may have to be curtailed.	Low	Marginal	Frequent budget monitoring
22.	Reduced ability to attract and retain suitably qualified staff. .	Inability to deliver services to current levels or additional costs of temporary staff	Low	Marginal	Monitor recruitment activity
23.	Welfare reform: additional costs of implementation of Universal Credit due to need to support digital by default application process and payment to claimants rather than landlords.	Potential increase in support costs and potential increase in homelessness cases due to rent arrears. Loss of administration grant towards continuing costs	High	Marginal	Monitor proposals and respond to consultation
24.	Procurement projects: projected savings not generated	Unable to deliver estimated savings, inability to balance budget	Medium	Marginal	Review all savings proposals for deliverability, ensure specification of proposed contract is realistic.

Ref	Vulnerability / Trigger	Consequence	Likelihood	Impact	Actions to control this risk
25.	Procurement projects: challenge to process	Potential legal costs and additional costs of service delivery until challenge resolved	Low	Marginal	All procurement exercises to follow Council's Contract Procedure Rules, which are updated for changes in legislation. Additional legal advice is procured for major or unusual procurement projects
26.	Closure of major employer	Reduction in income from business rates but increase in demand for affordable housing and council tax reduction scheme.	Medium	Marginal	Monitoring of significant employers: impact will increase if multiple major employers close.
27.	Legal challenge, particularly of charging regimes	Potential need to refund income received and contribute to legal costs	Low	Marginal	Potential claims for significant refunds of charges e.g. land charges
28.	Increased tax avoidance, particularly of business rates	Reductions in income from business rates	Medium	Marginal	Monitor claims for reliefs, particularly empty properties
29.	Further changes to New Homes Bonus e.g. increase in threshold	Reduction in income from government	High	Marginal	Currently income from New Homes Bonus is not included as a recurring item in the Council's base budget due to uncertainty about future income streams. Any reduction would reduce the funding available to local projects and may require funding from other Council income streams.
30.	Changes in shopping habits and other behavioural changes reduces income from Council operations	Reduction in income from markets, car parking, public halls etc	Medium	Serious	Will be incremental impact initially: monitor income and usage as part of corporate monitoring process and budgeting process
31.	Increased applications for rate reliefs and/or appeals	Reduction in income from business rates	Medium	Serious	Monitor applications for relief and appeals

SOUTH LAKELAND DISTRICT COUNCIL

Ref	Vulnerability / Trigger	Consequence	Likelihood	Impact	Actions to control this risk
32.	Cumbria Business Rate pool income lower than expected	Reduction in income from pool potentially below single-authority safety-net	Low	Serious	Regular monitoring of business rate income and appeals through Cumbria pool, particularly relating to Sellafield due to abnormally large rateable value.

Risk Prioritisation Matrix

Likelihood					
A High		23,29,32	New 2	New 1 11, 11a
B Medium		8, 13, 24, 26, 28	4, 17,18,30, 31	15
C Low		1, 3, 5, 6, 7, 9, 10, 13, 16, 19, 20, 21, 22, 25, 27	12, 14, 32	2
D Very Low				
	4 Negligible	3 Marginal	2 Serious	1 Critical
	Impact			

Colour key:	
(green)	Low priority risks which require annual review
(blue)	Priority risks which require mitigating controls and quarterly review

New 1 COVID-19
New 2 Local Government Reorganisation
1 Revenue budget & Capital Programme not integrated & aligned with Council Plan.
2 The programme of budget reductions does not deliver the required level of savings to correct the forecast inherent budget deficit.
3 The Customer Connect Programme does not deliver the organisational changes and efficiency savings included in budget forecasts.
4 Result of Brexit
5 Resources cannot be identified to fund new service development.
6 Further loss of income from investments as interest rates reduce.
7 Provisions for inflation are inadequate, income falls below targets, grant is withdrawn suddenly
8 Government devolution approach diverts funding to other areas
9 The resilience of the budget is not re-enforced by the strengthening of reserves and balances.
10 Government introduction of more stringent capping system through the specification of levels above which a referendum will be triggered
11 Government proposals for localisation of business rates, including baseline reset increase uncertainty of major income stream.
11a. Government proposals for additional reliefs for business rates not fully funded
12 Council is reluctant to take the required challenging decisions in a number of service areas e.g. fees & charges or grants payable
13 Budgetary control procedures are not understood and followed – higher likelihood during period of organisational change.
14 Reduction in economic development funding if Cumbria LEP is unable to attract significant funding.
15 The Council is unable to meet future demand for services
16 Pension funding
17 Costs of asset maintenanceexceed resources available.
18 Future demographic and other changes demand additional expenditure
19 Potential creation of Internal Drainage Board
20 Potential loss of surplus-generating assets through the proposed Community right to bid and/or failure of assets transferred
21 Higher that estimated increase in costs due to international political uncertainty e.g. fuel
22 Reduced ability to attract and retain suitably qualified staff. .
23 Welfare reform: additional costs of implementation of Universal Credit due to need to support digital by default application process and payment to claimants rather than landlords.
24 Procurement projects: projected savings not generated
25 Procurement projects: challenge to process
26 Closure of major employer
27 Legal challenge, particularly of charging regimes
28 Increased tax avoidance, particularly of business rates
29 Further changes to New Homes Bonus e.g. increase in threshold
30 Changes in shopping habits and other behavioural changes reduces income from Council operations
31 Increased applications for rate reliefs and/or appeals
32 Cumbria Business Rate pool income lower than expected

SOUTH LAKELAND DISTRICT COUNCIL

Appendix 6

South Lakeland District Council

Commissioning Strategy 2020

We are committed to a strategic and integrated approach to how we best turn the council's priorities into actions for the benefit of the people and communities of South Lakeland. We call this commissioning.

Purpose

Commissioning is the whole cycle of how our services are planned, designed, developed, delivered and managed.

Our Commissioning Strategy seeks to turn the Council Plan into action. By doing so we will:

- Best meet the needs and priorities for South Lakeland,
- Inform and reflect policy direction,
- Guide the choice of service or delivery models and set out how customer and/ or community preferences can influence our choices to meet those needs,
- Ensures that services and programmes are delivered in the most cost effective way, having regard for social value, and continually evaluate the impact and outcomes.

Enabled by

The development and planning of resources and approaches through the following strategies:

Medium term financial plan ⟷ Customer strategy ⟷ People strategy

Managed through

To help us **monitor** the outcomes and achievements from our commissioned services and projects we will have a robust performance management framework in place.

We will, at all stages, ensure our commissioning approach follows professional **standards** and legal requirements.

Performance Management Framework and Risk	Governance

Approach

The commissioning cycle

Analyse - Understanding need and priorities

Engage with local communities, providers and the Voluntary Sector and consider all available evidence (performance data, customer feedback, Value for Money profiles etc.) in order to understand local needs and priorities.

Plan - Catering for need - What do we need to do?

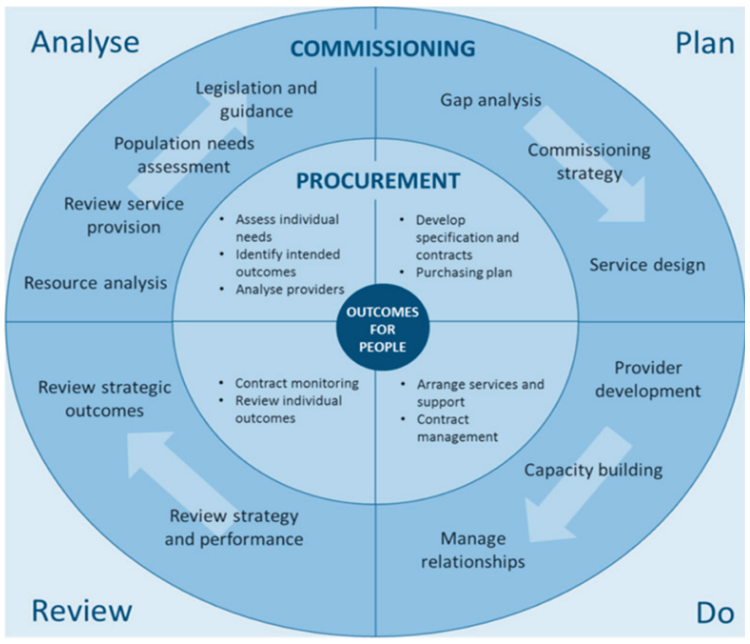
Determine the required outcomes and consider options for delivery.

Do - Meeting need - How will we do it?

Secure the best delivery models to achieve the required outcomes within affordability constraints through options such as procuring new solutions, amendments to contracts, grants, service redesign and renegotiation or resource reallocation.

Review - Have we met need? How do we know we have achieved it?

Review contracts and delivery through performance management activities to ensure that outcomes are being achieved, needs are met and resources and outcomes are sustainable.



Benefits for the council's delivery

Centred on people - shared information on service experience

Collaborative - develop relationships based on trust

Innovative - social return on investments

Sustainable - socially, environmentally and financially

Affordable - economic and efficient services

Better evidenced - single view of the customer

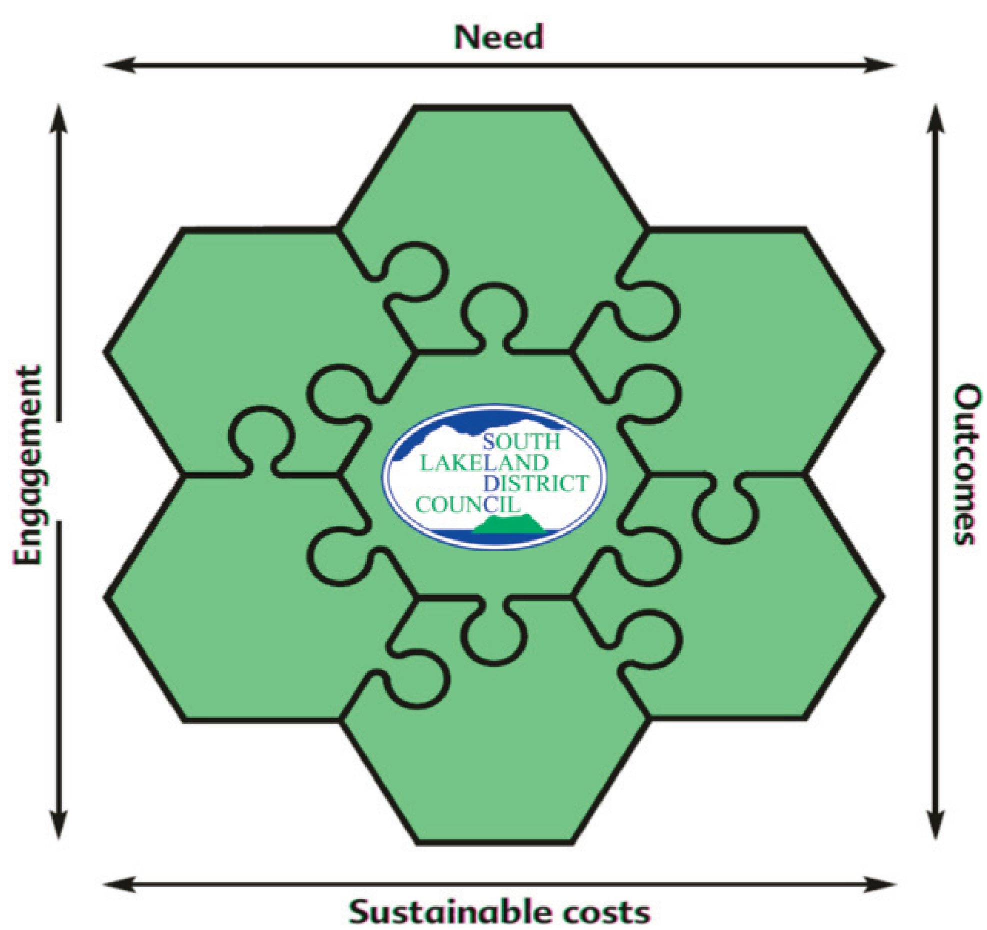
Challenging - transparent about cost and performance

Continuous and planned - constantly evaluate and measure

Re-commission/Decommission - invest in what we know is successful

Aligned activity - smarter and flexible to capitalise on opportunities

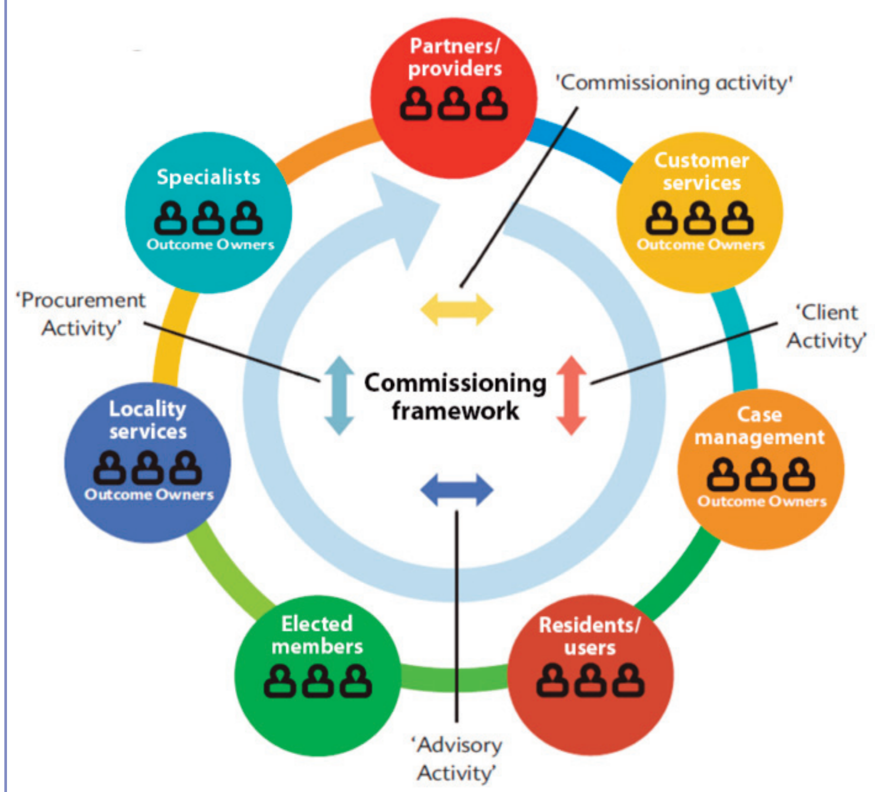
Provider neutral - focus on local need



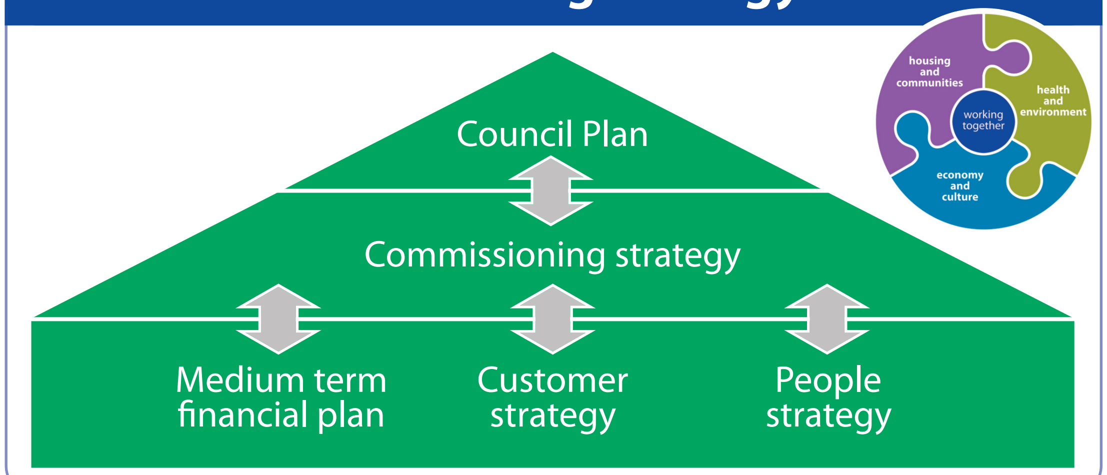
Commissioning Strategy 2020

How we will commission

Our strategic approach will enable the Council Plan priorities to be achieved through an integrated approach to commissioning across the council.



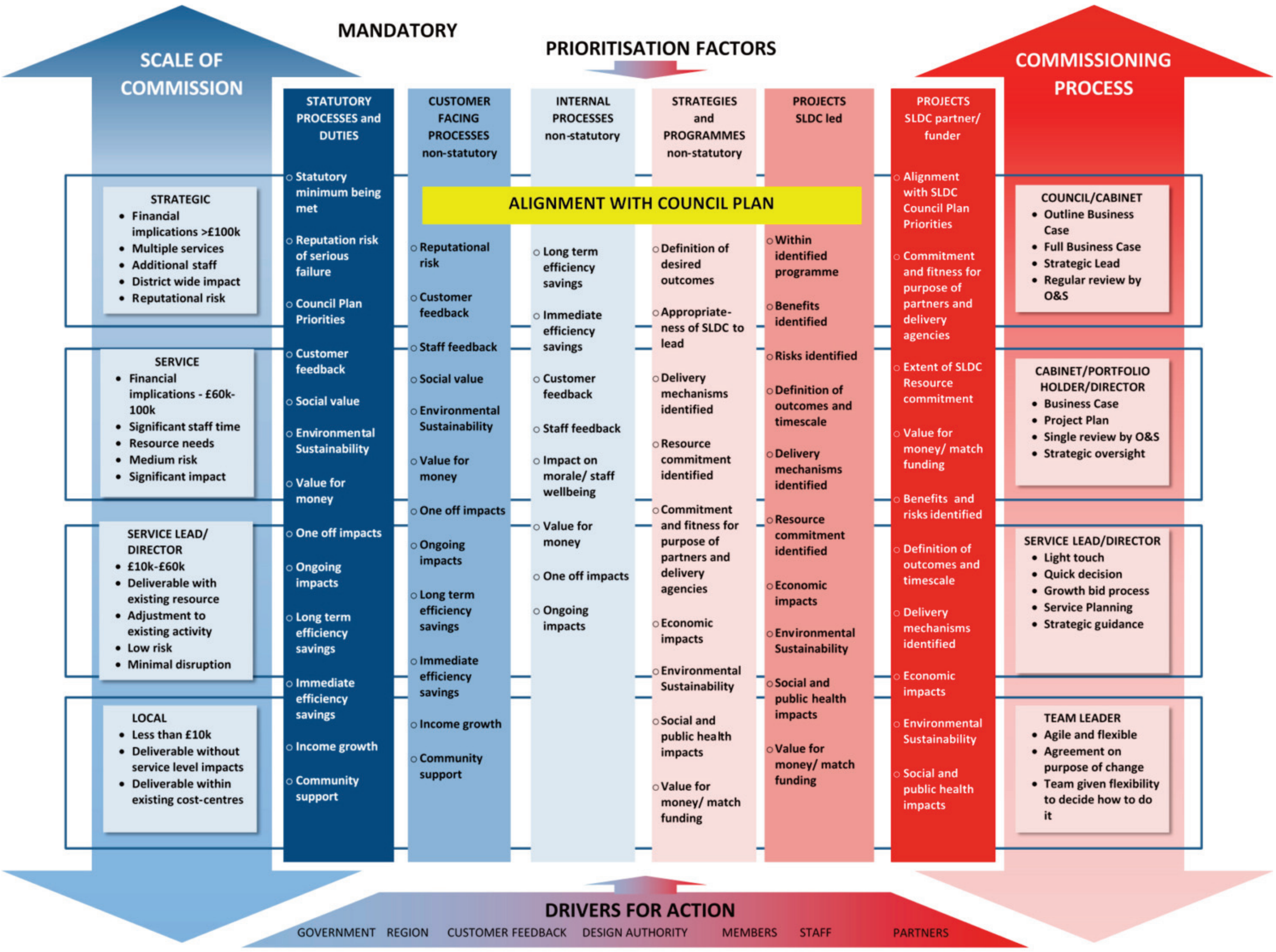
How our commissioning strategy fits in



Outcomes - actual need
Culture - service offering
Activity - aligned to our priorities
Engagement - service users and providers
Jointly - consider the benefits
Experience - single service delivery
Quality - efficiency and value

Innovative - individual and community needs
Support - tap into specialist knowledge
Evaluation - effectively meet needs
Understanding - in-house provision
Value - return from investment

The framework diagram below illustrates how we take practical steps to **prioritising** existing and proposed activities in response to **drivers for action, scale of commissioning activity** and **apply appropriate process**:



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