

Westmorland and Furness Shadow Authority

Date: 7 March 2023

Title: Draft Revenue Budget 2023/24 and Medium Term Financial Plan (2023-2028) and Draft Capital Programme (2023-2028)

Report from: Andrew Jarvis, Cabinet Member for Finance

Report Author: Pam Duke, Director of Resources, s151 Officer

Wards: All

Key Decision: Key

1.0 Purpose/Summary of report

- 1.1 This purpose of this report is to set out the spending plans for the Council in its first draft Revenue Budget 2023/24 and Medium Term Financial Plan (2023 -2028) for Westmorland and Furness Council. This includes the proposed Capital Programme 2023-2028
- 1.2 The budget proposals set out the financial considerations and estimates on the different elements of Local Government funding (including the Council Tax requirement for 2023/24), national and local financial pressures and proposed savings as well as plans for the future to invest and transform the Council to achieve its Council Plan priorities.
- 1.3 The ambition of Westmorland and Furness Council is to ensure that it is a great place to live, work and thrive; placing people at the centre of everything it does, working hard to maximise the opportunities that the natural environment brings and being ambitious for the local communities and residents.
- 1.4 The Council wants to support people to have healthy lives, reduce inequality, drive delivery of carbon net zero, support our communities and enable sustainable economic growth. The focus on these issues will make a positive difference. It also knows that achieving the transformation of services and the delivery of the Council Plan must be delivered in a financially sustainable way.

1.5 The report sets out the: -

- a) Draft Medium Term Financial Plan (MTFP) 2023-2028
- b) Revenue spending plans to achieve a balanced budget in 2023/24 (including the HRA budget 2023/24)
- c) Council Tax Requirement for 2023/24
- d) Draft Capital Programme for 2023-2028
- e) Draft Treasury Management Strategy for 2023/24
- f) Fees and charges policy
- g) Locality Board Budgets
- h) Senior Leadership Pay Policy Statement

1.6 This proposed Revenue Budget (MTFP and Capital programme) brings together the financial plans of the sovereign District and Borough Councils (Eden, South Lakeland and Barrow) and the disaggregated Cumbria County Council financial plans and updates those to present the Westmorland and Furness financial position.

1.7 As well as the complexity of creating a new Unitary Council this report also includes the wider context of continued global and national economic uncertainty and the continued constraints around Local Government Funding. This is important context as this uncertainty and complexity will mean that there is more risk in the budget than in previous years and the key financial risks have been identified and mitigations established.

1.8 This report provides an update on the overall financial planning work that has been undertaken since the report to Shadow Authority Cabinet in November 2022 and presents the latest funding position, budget pressures and proposed savings, key financial risks and challenges and opportunities going forward.

1.9 Some of the key elements of the revenue budget presented are:

- Supporting the Council's priorities through investment in both Integration and improvement activities in year and development and implementation of a significant transformation programme to drive through the opportunities that becoming a Unitary Council brings and delivering on the ambition in the Council Plan.
- Capital investment of £253m over a five-year period
- Recognition in the budget of circa £12m of exceptional inflation pressures on energy, fuel and contract increases across both revenue and capital expenditure and estimated pay awards.
- Proposed below inflation increases in Council Tax of 4.99% in line with Government assumptions. This is 2.99% increase

in general council tax plus 2% for the Adult Social Care Precept

- Additional support for the service areas most affected by significant cost increases and sufficiency risks including Children's services and inclusion of specific grant funding to support Adult services ensuring that the Council continues to protect the services for the most vulnerable
- Protection of frontline services in recognition that there is a need to stabilise, harmonise and integrate services as the Local Government reorganisation process continues.

1.10 On 24 February 2023, the Shadow Authority Cabinet agreed the 2023/24 budget proposal and MTFP 2023-2028 for recommendation to Shadow Authority after consideration of the budget consultation responses.

2.0 Recommendations to Shadow Executive:

- (1) Consider and note the responses to the budget consultation;
- (2) Note the Director of Resources/(Section 151 officer) Section 25 Report as at Section 5 including her review of the robustness of the estimates and the adequacy of the reserves
- (3) Agree to a 2.99% increase in general council tax and an additional 2% increase for the Adult Social Care precept for 23/24 resulting in an overall increase of 4.99%
- (4) Agree to Harmonise Council Tax levels for Westmorland and Furness in the first year, as contained in paragraphs 3.28 to 3.33.
- (5) Agree to the intention to introduce a 100% Council tax premium on second homes from 1 April 2024, *subject to the Levelling Up Bill achieving royal assent.*
- (6) Agree subject to the approval of 2.2 and 2.3 to a Council Tax requirement of £152.700m which results in a Band D Council Tax of £1,740.89 for Westmorland and Furness Council, noting the two separate reports to Shadow Authority on Calculating and setting the 2023/24 Council Tax Base
- (7) Agree to a Net Revenue Budget Requirement of £268.478m:
 - a) a five-year Medium Term Financial Plan 2023/24 -2027/28 (see Appendix A).
 - b) The schools budget for 2023/24 of £155.5m including £71.1m for academies and free schools and other providers
 - c) The use of reserves and levels of forecast reserves contained in the MTFP (See Appendix A)

- d) The Fees and Charges Policy for 2023/24 (see Appendix C)
 - e) The Senior Leadership Pay Policy Statement for 2023/24 (see Appendix F)
 - f) Housing Revenue Account - balanced budget including the use of £0.770m earmarked reserves and a 3.5% increase on dwelling and garage rents.
 - g) Treasury Management Strategy for 2023/24 (Appendix D)
 - h) Capital Programme for 2023/24 of £104.164m (set within a five-year programme 2023-2028 of £252.786m.
 - i) Equality Impact Assessment (EIA) for Council Tax changes, Fees and charges increases and the Housing Revenue Account rent increases. (See Appendix G)
- (8) Agree that the slippage or accelerated spend position on the District Council and disaggregated County Council 2022/23 capital programmes at 31 March 2023 is included within the 2023/24 Westmorland and Furness capital programme and reviewed as part of Q1 budget monitoring.
- (9) Delegate to the Director of Resources (Section 151 officer) in consultation with the Finance portfolio holder and Asset portfolio holder to approve the capital strategy for 2023/24. This will be then reported back to Council at the earliest opportunity.
- (10) Delegate to the Director of Resources (Section 151 officer) in consultation with the Finance portfolio holder to finalise the fees and charges schedule (2023/24) in accordance with the approved Fees and Charges policy.
- (11) Delegate to the Director of Resources (Section 151 officer) the full range of powers including taking all decisions, implementing decisions and acting as the authorised signatory for the Council to ensure the safe transfer of the Cumbria Pension Fund assets from Cumbria County Council to Westmorland and Furness on the 1 April 2023

3. Background and Proposals

- 3.1 This report presents the first budget and MTFP for the new Unitary Westmorland and Furness Council. The creation of a new unitary council provides the opportunity to transform and improve local services by taking a fresh approach to the delivery of inclusive services to achieve the Council's vision and priorities.
- 3.2 The Council's vision for Westmorland and Furness Council is presented in its Council Plan with a Vision to be a great place to live, work and thrive:

- As a **great place to live**, with strong local and community leadership, housing for all making best use of land and existing buildings, empowered places, proud and resilient, communities, a green and biodiverse environment, support for those that need it, when they need it, and opportunities for children and young people to live healthy, happy lives;
- As a **great place to work**, with a sustainable, inclusive, diverse economy with a growing work force delivering opportunities for high quality jobs, learning, skills and enterprise, support to encourage business creation and improved infrastructure and connectivity.
- As a **great place to thrive**, with opportunities for education, health, and wellbeing, a diverse visitor offer, and thriving cultural economy, support for all to start well, live well and age well, holistic early intervention to support people in need and excellent walking and cycling routes.

3.3 The Council Plan also outlines **seven priorities**, which will form a framework for the new Council to work towards:

- For People – Supporting active, healthy happy lives for young and old
- For People – Supporting people in need and reducing inequality
- For the Climate – Providing leadership in the drive to become carbon net zero
- For Communities – Confident, empowered, resilient communities
- For the Economy and Culture – Sustainable, inclusive economic growth
- For our Customers – At the heart of everything we do
- For our Workforce – Confident, empowered, and inclusive workforce.

3.4 The Council Plan also set out the values for the new Council which will underpin everything that it does and being a caring council is the golden thread that will run through everything that it delivers. The Vision, priorities and values provide the framework for the Council's transformation over the next five years and these aspirations and ambitions will be reflected in service and operational plans that are being developed for all service areas.

3.5 The focus of the Local Government Reorganisation programme for Cumbria has been to establish safe and legal organisations from 1 April 2023 for both new unitary Councils and Cumbria Fire and Rescue service. The ongoing transition and transformation work will build on this going forward. Significant work has been undertaken to establish, challenge and refine the proposed baseline revenue budget position for all three organisations. This report presents the further

work that has been done to ensure the revenue budget, as far as possible, reflects the vision and priorities of the Council Plan and this will continue as the strategic planning process for 2024/25 is developed.

- 3.6 This has had inevitable complexity and in proposing the budget to Council it is recognised that the financial risks for 2023/24 will be increased but as further due diligence and continued detailed analysis of the costs base and budget monitoring takes place these risks will be managed and mitigated.
- 3.7 In February 2022 each of the four sovereign Councils set out their MTFP forecasts for 2023/24 and significant work has been done to aggregate the District Council positions and disaggregate the County Council positions to develop a balanced budget for 2023/24 within a Medium Term Financial Plan.
- 3.8 Cabinet was updated in November 2022 on the progress and approach to developing the 2023/24 budget. This included the principles for disaggregation of the 2022/23 County Council and aggregation of the District Council funding streams and expenditure. This was then adjusted to reflect estimated changes to funding streams both nationally and locally to present an indicative core funding position of £224m. The indicative net revenue expenditure budget was £220m resulting in a £4m budget surplus.
- 3.9 In November Cabinet were updated on the potential impact of including forecast pressures for 23/24 of over £29m including pressures already included within the sovereign council's MTFPs, additional economic pressures relating to inflation and pay awards, estimated Local Government reorganisation pressures and a recognition of the need for net investment to enable delivery of the Council Plan priorities. At the time it was estimated what the additional national funding for 2023/24 could bring and assumed Council Tax increases of 3%. Overall a budget gap of £19m for 2023/24 was estimated.
- 3.10 This report provides an update on those original assumptions and the wider context in which the 2023/24 revenue budget has been proposed.
- 3.11 In recognition of the exceptional circumstances that the Council is in due to the pace and complexity of the Local Government Reorganisation requirements a request has been made to the Department of Levelling Up Housing and Communities (DLUHC) for exceptional financial support of £26m to assist the Council in managing the transition and transformation.

- 3.12 This support would allow the Council to use capital financing to fund the revenue investment required in setting up and establishing the new Council and stabilise service delivery in the short term and plan effectively for delivering efficiencies from 2024/25 onwards.
- 3.13 The Council is required to approve a balanced Budget for 2023/4. The proposed revenue budget for 2023/24 is proposed on the basis that this request will be supported by Government.
- 3.14 The draft Net Revenue Budget for 2023/24 is £268.478m.
- 3.15 The Gross Budget of the Council is £557.3m, this includes the earmarked Dedicated Schools Grant to Westmorland and Furness of £125.216m.

Budget Planning – Financial Context

- 3.16 The Council's financial plans have been prepared at a time of significant global and national uncertainty both economically and fiscally. The war in the Ukraine has contributed to a surge in energy prices, driving high inflation across the world. Impacting on the cost not only of energy but also on the goods and services we all purchase. The Bank of England is increasing interest rates to as part of a wider fiscal policy to manage inflation however this has pushed up the cost of borrowing for families and businesses as well as government. Economic growth has slowed and a recession is still forecast for 2023
- 3.17 The cost of living crisis is continuing and this is affecting all of our residents in different ways and this is resulting in increased demand for support services including welfare support and advice and guidance, increased uptake of free school meals and increased request for hardship support. Partly this is provided through the Government Household Support grant and partly funded direct by the Council.
- 3.18 All Councils are also still recovering from the impact of the COVID 19 pandemic and the changes that has had on both demand for services and also workforce pressures and risks around recruitment and retention in many parts of the economy. This is particularly prevalent across social care services resulting in challenges in delivering the required care support capacity to meet the identified need. Work is ongoing with health partners to ensure that attracting staff is high profile and career opportunities are encouraged and working effectively together is maximised.
- 3.19 The Government's Autumn Statement in November 2022 provided a financial plan for the short term with guidelines for the medium term and beyond. Following this, on 19 December 2022, the Provisional Local Government Finance settlement was set for 2023/24 only with

the Final Local Government Finance settlement announced on the 6th February 2023.

- 3.20 The MTFP (2023-2028) assumes that beyond 2023/24 the Council continues to receive a share of Business Rate income no less than it currently receives and a continuation of grant funding (including Better Care Fund, Improved Better Care Fund, Adult Social Care Grants, Public Health grant etc.). This is set out more fully in Appendix A.

Council Tax Increase Consideration

- 3.21 Council Tax income provides a significant element of the income of Westmorland and Furness Council. From a net budget perspective, it is over 57% of the total income raised with an estimated Council Tax requirement of £152.7m. A 1% increase in Council Tax is equivalent to circa £1.5m in additional income.
- 3.22 In November 2022 the Council had assumed a 3% Council Tax referendum limit would be announced by Government as part of the Draft Local Government Finance Settlement for 2023/24 expected in December 2022.
- 3.23 When Government announced the 2023/24 Draft Local Government Finance Settlement it set out a 4.99% Council Tax referendum limit. This increased limit was in recognition of the extraordinary costs that Councils were facing and therefore the potential need for Councils to increase their own income through Council Tax to reflect those increased costs.
- 3.24 The Council consulted in January 2023 on a proposal for a 2.99% General increase in Council Tax in line with the Council Tax referendum limit.
- 3.25 In addition, it proposed a 2% increase on the Adult Social Care precept.
- 3.26 Back in 2016/17 Government allowed those councils with Adult Social Care (ASC) responsibilities to introduce a 2% precept on Council Tax for that financial year 2016/17. This recognised the increasing cost pressures upon councils in relation to provision of adult social care. Since 2016/17 Government have enabled Councils to increase the precept annually and for 2023/24 the increase proposed, that is within the referendum limit, is 2%.
- 3.27 The draft budget for 2023/24 is based on the 2.99% general increase for Council Tax and the 2% increase for the Adult Social Care precept.

Council Tax Harmonisation

- 3.28 The Local Government Finance Act 1992 requires local authorities to set a single basic (Band D) amount of Council Tax for their area. Where a unitary council is created as part of Local Government reorganisation they are required to harmonise the level of Council Tax which means setting a single level of council tax for the new area.
- 3.29 Currently the Council Tax paid is different across the District council areas. The process of 'harmonisation' means that residents whose properties are in the same valuation band will pay the same amount.
- 3.30 The Council consulted on the proposed harmonisation approach suggesting that harmonisation is achieved in the first year of the Council and it is achieved by using the weighted average Band D equivalent methodology.
- 3.31 This in summary uses the combined total income from Council Tax (including a 4.99% increase) and dividing that by the tax base, i.e. number of band D equivalent properties, to calculate the average equivalent Band D council tax bill. This was calculated at £1,740.89 for 2023/24.
- 3.32 The Council Tax base for 2023/24 will be presented to Council on the 7 March for approval and it will incorporate the impact of the relevant council tax discounts, exemptions and premiums as well as the impact of the Council Tax reduction scheme which was approved by full Council on the 23rd January 2022.
- 3.33 The Proposed charge for Council Tax in 2023/24 is shown in the table below both on an annual basis and a weekly basis. It is compared to the 2022/23 equivalent from each District area.

Table 1: Comparison between 2022/23 council tax charge and proposed charge for 2023/24

Council tax band	Council tax charge in 2022/23: District and Cumbria CC combined (excluding Fire & Rescue for comparison purposes) (£)			Proposed total charge in 2023/24 (£)	Proposed charge per week in 2023/24 (£)
	Eden	SLDC	Barrow	Westmorland and Furness	
A	£1,095.43	£1,100.00	£1,128.53	£1,160.59	£22.32
B	£1,278.00	£1,283.33	£1,316.62	£1,354.03	£26.04
C	£1,460.57	£1,466.67	£1,504.71	£1,547.46	£29.76
D	£1,643.14	£1,650.00	£1,692.80	£1,740.89	£33.48
E	£2,008.28	£2,016.67	£2,068.98	£2,127.76	£40.92
E	£2,373.42	£2,383.33	£2,445.16	£2,514.62	£48.36
G	£2,738.57	£2,750.00	£2,821.33	£2,901.49	£55.80
H	£3,286.28	£3,300.00	£3,385.60	£3,481.78	£66.96

- 3.34 Because the level of council tax charged currently differs between district council areas, the £1,740.89 average will mean a different increase on bills depending on the District area. This is allowable within the legislation as the overall average increase of 4.99% is within the Council Tax referendum limit set by Government.

Predecessor area	Effective % increase in annual council tax bill for 2023/24
Barrow	2.84%
Eden	5.95%
South Lakeland	5.51%

Table 2: Effect of proposed council tax increase in different parts of Westmorland and Furness

Council tax band	Westmorland and Furness		Eden		South Lakeland		Barrow	
	Proposed total charge in 2023/24 (£)	Proposed charge per week (£)	Increase on 2022/23 (£)	Per week increase (£)	Increase on 2022/23 (£)	Per week increase (£)	Increase on 2022/23 (£)	Per week increase (£)
A	£1,160.59	£22.32	£65.16	£1.25	£60.59	£1.17	£32.06	£0.62
B	£1,354.03	£26.04	£76.03	£1.46	£70.70	£1.36	£37.41	£0.72
C	£1,547.46	£29.76	£86.89	£1.67	£80.79	£1.55	£42.75	£0.82
D	£1,740.89	£33.48	£97.75	£1.88	£90.89	£1.75	£48.09	£0.92
E	£2,127.76	£40.92	£119.48	£2.30	£111.09	£2.14	£58.78	£1.13
F	£2,514.62	£48.36	£141.20	£2.72	£131.29	£2.52	£69.46	£1.34
G	£2,901.49	£55.80	£162.92	£3.13	£151.49	£2.91	£80.16	£1.54
H	£3,481.78	£66.96	£195.50	£3.76	£181.78	£3.50	£96.18	£1.85

Second Homes Premium

- 3.35 The Government's Levelling Up and Regeneration Bill which was announced in May 2022 and enables Councils the power to introduce a 100% Council Tax premium on second homes. Up to £10m of additional income could be generated from introducing a 100% Council Tax premium on second homes from 1 April 2024, provided the relevant legislation is passed through Parliament and receives Royal Assent by 1 April 2023. £5m of this has initially been ringfenced to support delivery of our priorities, including those communities most affected, and help tackle the affordable housing crisis.

Business Rates

- 3.36 The level of Business rates income available to the Council in each financial year is estimated in January preceding the start of the

financial year. Under the business rate retention scheme 49% of business rates collected is retained by the Council. The remainder is paid to Government (50%) and to Cumbria Police and Fire Commissioner (1%) for Cumbria Fire and Rescue service.

- 3.37 The scheme includes a complicated system of top up and tariffs to ensure the Council's share of estimated business rates income does not exceed the estimated baseline funding for the Council which is calculated nationally. The Council can retain the growth in the local share of business rates. The estimated income for retained business rates in 2023/24 is £56.682m. This is net of the proposed mandatory and discretionary reliefs available to businesses. The details of these will be proposed to Council on the 7th March as part of the Council Tax base report.

Government Grants

- 3.38 The MTFP provides an analysis of the general grants the Council expects to receive over the next three years. For 2023/24 the Council expects to receive £25.788m; at the time of writing this report not all grants have been confirmed despite the Final Local Government Settlement being announced. Where confirmation is not yet available estimates are provided.
- 3.39 The Final Local Government Finance settlement announced in February has resulted in net additional funding of (£3.968m) to that in our original November estimate.

This is made up of the following changes

• Adult Social Care Grant	(£7.646m)
• Revenue Support Grant	(£0.865m)
• Rural Services Delivery Grant	(£0.585m)
• Services Grant	£1.100m
• Independent Living Grant rolled into Adult Social Care Grant	£1.470m
• New Homes Bonus	£0.983m
• Lower Tier Services Grant	£0.318m
• Other grant adjustments	£1.257m

Specific Grants

- 3.40 The Council receives a number of specific grants each year and they are included in the gross budget position. At the time of writing this report not all of the specific grants have been confirmed so estimates have been used. The most significant specific grant is the Dedicated Schools Grant of £198.022m. £72.807m of this is transferred to Academies, free schools and other providers resulting in a net £125.216m being included in the Council's net budget.

- 3.41 As part of the Final Local Government Finance Settlement there was confirmation of the two new specific grants for Adult Social Care. £1.304m for the Adult Social Care Market Sustainability and Improvement Fund which is to make tangible improvements to adult social care with a particular focus on addressing discharge delays; social care waiting times; low fee rates; workforce pressures; and to promote technological innovation in the sector. £2.565m is to be received for Adult Social Care Discharge Funding which forms part of Better Care Fund plans which is again aimed at reducing delayed transfers of care. These grants have been assumed to be ring-fenced for Adult Social Care. Further detail of the conditions and requirements are awaited.

Medium Term Financial Plan 2023-2028 – Revenue Spending Plans

- 3.42 The MTFP sets out the Council's Revenue and Capital Spending Plans. The revenue plan is for the period 2023-2028. It is attached at Appendix A.
- 3.43 In November Cabinet Members were updated on the estimated Budget Gap position for 2023/24. This reflected the work that had been done to aggregate the District Council major funding streams and expenditure plans and include the disaggregated County Council position. The potential budget gap reported to Cabinet in November was £19m.
- 3.44 Since then further work has been done to finalise the funding and expenditure disaggregation figures. Based on the Q2 forecast outturn position for 22/23 all sovereign councils have identified any material recurring pressures for 23/24 and have also reviewed the planned savings built into their MTFP's to establish if they remain deliverable in the new Unitary Councils.

Pressures

- 3.45 Adjustments for the extraordinary inflation pressures were assumed in November and have been refined for 23/24 and future years following the Autumn Statement announcements and associated OBR forecasts. This is over and above the inflation assumptions that all sovereign councils had already assumed in their financial planning assumptions.
- 3.46 The Capital Programme is subject to Council approval of the new schemes to be included in the Capital Programme and additional prudential borrowing required. The cost of borrowing for new schemes is included as a revenue pressure each year.

3.47 The table below summarises those additional pressures:

Table 3: Additional Pressures

	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Increased demand - Inclusive Learning - Direct Payments and Staffing	0.621	0.621	0.621	0.621	0.621
Children Looked After -increased demand and increased costs due to lack of sufficiency of placements	1.920	1.920	1.920	1.920	1.920
Children's and Families staffing pressures	0.150	0.150	0.150	0.150	0.150
SEND Transport – Increased demand linked to increased Education, Health Care Plans.	1.372	1.372	1.372	1.372	1.372
Sovereign Council savings not deliverable	1.258	1.258	1.258	1.258	1.258
Additional 22/23 inflation	2.195	2.195	2.195	2.195	2.195
22/23 insourcing Waste	1.300	1.300	1.300	1.300	1.300
Building Maintenance	0.328	0.328	0.328	0.328	0.328
Inflation adjustment 2023/4 onwards	0.257	1.092	1.869	1.181	9.745
Capital programme – increased revenue costs	0.355	1.565	2.359	2.452	2.715
Additional capacity - Revenue and benefits team (Second homes and legislative changes)	0.000	0.500	0.500	0.500	0.500
Total	10.508	14.854	16.425	15.830	24.657

3.48 There are inevitable LGR implementation pressures both permanent and temporary that will be incurred in 2023/24. Some of this is due to the disaggregation of County Council services and the need for duplication of staff across a number of services and another factor is the complexity of the ICT systems resulting in a number of legacy systems needing to be maintained in the short term and the system architecture needing to be developed to enable and facilitate transition to new systems.

3.49 The Council is also investing in its senior management team for a three-year period recognising the need to have capacity at a senior level to support the huge change programme and transformation programme required to deliver on the Council Plan priorities whilst ensuring that services are not disrupted and support for the most vulnerable continues. Supporting the workforce and embedding the values that will support the caring culture of the organisation is critical

Table 4: Local Government Reorganisation – Implementation and transitional pressures

	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
LGR Transitional costs					
Staffing Senior Structure	1.000	1.000	1.000	0.000	0.000
Staffing Resources and Enabling	0.250	0.250	0.000	0.000	0.000
Other one off costs including resilience and response training	0.100	0.000	0.000	0.000	0.000
Transitional Sub Total	1.350	1.250	1.000	0.000	0.000
LGR Permanent costs					
ICT	2.446	2.461	2.866	2.866	2.866
Staffing Adults/Children	2.500	2.500	2.500	2.500	2.500
Staffing Resources and Enabling	0.500	0.500	0.500	0.500	0.500
Insurance premium	0.250	0.250	0.250	0.250	0.250
Permanent Sub Total	5.696	5.711	6.116	6.116	6.116
New Priorities	7.046	6.961	7.116	6.116	6.116

3.50 In the report to Cabinet in November the £19m budget gap included a net £5m Investment in 2023/24 to start immediate activities to deliver on the Council Plan priorities. This work is being finalised and the details of the investments will be approved by Cabinet early in the new financial year.

3.51 In addition, the proposed net revenue budget for 2023/24 includes a £5m investment to facilitate the development and start the implementation of transformation. Transformation is essential in order that the Council can deliver on its Council priorities and ambition. It is also a key driver for delivering a financially sustainable organisation. It is recognised that strong business cases will be required to deliver improved services and this funding is available to support that initial development and investment needed to start the transformation journey.

3.52 This will be just the start of the transformation journey and in future years further investment to deliver further change and savings will be necessary. For 2024/25 a further £5m net investment is assumed through one off use of earmarked reserves to drive efficiencies and improvements in the longer term.

3.53 £6.5m has been proposed to be included within the budget for 23/24 to support Integration and Improvement. The focus of the LGR programme has been to ensure that services are safe and legal when they transfer to the Unitary Councils on 1 April 2023. There is still a significant amount of work required to harmonise, integrate and stabilise many of the council's services during 2023/24 and beyond. In a number of key areas such as housing, waste and planning services there is a need to develop the strategic vision for these services and this will require additional capacity to support those

change programmes. It is expected that this will drive out improvements and efficiencies and also improve services through integration and harmonisation.

- 3.54 Decisions about continuity of the priority schemes included in 2023/24 will form part of the strategic planning and budgeting process for 2024/25 and the medium term.

Table 5: Investment Priorities

	2023/24 £m
Integration and Improvement	6.500
Transformation	5.000
Priority Investment to deliver on the Council Plan 23/24	5.000
Total	16.500

Saving Proposals

- 3.55 In order to achieve a balanced budget for 2023/24 a number of saving proposals have been identified and included as part of the budget proposals. The savings. Further detail on the savings can be found in the Medium Term Financial Plan. Where required an Equality Impact Assessment has been developed and no specific actions are required as part of the implementation of these saving proposals.

Table 6: New Savings

	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
a) Members allowances due to lower numbers of overall members for Westmorland and Furness	(0.300)	(0.300)	(0.300)	(0.300)	(0.300)
b) Capitalisation of Community Equipment	(1.551)	(1.551)	(1.551)	(1.551)	(1.551)
c) Treasury Management -cash flow management and internal borrowing	(2.100)	0.000	0.000	0.000	0.000
d) English National Concessionary Transport Scheme (ENCTS) -estimated continued reduced passenger numbers compared to 2018/19 (pre COVID) demand.	(0.200)	(0.200)	(0.200)	(0.200)	(0.200)
e) Fees and charges income (Adults Social Care)	(1.800)	(1.800)	(1.800)	(1.800)	(1.800)
f) Fees and charges income (Non-Care services and net	(0.350)	(0.350)	(0.350)	(0.350)	(0.350)

	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
of pressures on reduction of use of some car parks)					
g) Reduction in Employers pension contribution rates	(0.350)	(0.350)	(0.350)	(0.350)	(0.350)
h) Vacancy management	(0.650)	0.000	0.000	0.000	0.000
Total	(7.301)	(4.551)	(4.551)	(4.551)	(4.551)

Fees and Charges

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

3.57 The recommended increases in fees and charges for 2023/24 are set out in the Fees and Charges policy. (Appendix C). Where appropriate the Fees and Charges have been rounded to reasonable values. Where Fees and Charges are set by statutory bodies the relevant inflation factors have been applied or will be when they are confirmed.

3.58 Provider Uplift – The social care market is facing significant challenges due to the ongoing impact of the pandemic on the availability and resilience of their workforce. All providers have seen increasing cost pressures relating to staff and operational costs. The Council recognises this and seeks to continue to support the market in the delivery of care.

3.59 During 2022/23 Cumbria County Council increased the in year rates payable to providers in recognition of the increasing costs pressures they faced and from the 3rd October 2022 the following changes to the rates payable per week to independent residential care and nursing providers were implemented.

Table 7: Independent Sector Residential Care Fee rates

NEW CARE BANDINGS	2022/23 Fee Rates (excluding nursing costs)	2023/24 Proposed new banding rate (Oct 22)	Increase	
			£	%
Residential	£625	£656.25	31.25	5
Physically Frail –Residential and nursing	£706	£741.30	35.30	5
Residential dementia	£746	£783.30	37.30	5
Nursing dementia	£773	£811.65	38.65	5

3.60 Where the Council does not contribute to the cost of care for the people we place in the independent sector (i.e. full fee payers) they will be charged the cost as referred to in Table 7 from the 3 April

2023. Where a different need determines a separate individual cost then the full cost will be charged.

3.61 Work is ongoing to review potential additional provider uplifts for 2023/24. The market sustainability and improvement fund for 2023/24 has been announced but the detail of its requirements and conditions have yet to be confirmed. This will help inform the future decisions that the Council may want to take. Any decision taken to increase provider uplifts for 2023/24 will also lead to an increase in care bandings that is chargeable to fee payers (in both Independent and Care Services - Westmorland and Furness settings).

3.62 For Care Services - Westmorland and Furness residential costs, it is proposed that an inflationary uplift consistent with the uplift for Independent Providers (5.0%) is included for 2023/24. This would result in the cost for the different bandings of care within Care Services - Westmorland and Furness as shown in Table 8. Unlike the Independent Sector, Care Services - Westmorland and Furness, do not provide nursing dementia care.

Table 8: Care Services - Westmorland and Furness Fee Rates

CARE SERVICES – WESTMORLAND AND FURNESS BANDINGS	2022/23 Fee Rates	2023/24 Proposed Fee Rates	Increase	
			£	%
Residential Standard	£719	£754.95	35.95	5
Physically Frail	£763	£801.15	38.15	5
Residential Dementia	£835	£876.75	41.75	5

Highways and Transport Strategic Board

3.63 Westmorland and Furness Council have established a Highways and Transport Strategic Board as a committee of Cabinet. The terms of reference make clear the responsibilities of the Board and that includes agreeing and keeping under review the implementation of the rolling three-year strategic programme for highways and transport (revenue and capital) and the one-year delivery plan.

3.64 It will have an annual capital budget of circa £20m and a revenue budget of £1.377m. In addition, £2m of highways revenue funding will be allocated to Locality Boards. The detail of this is described below.

Locality Board Budgets

3.65 For Westmorland and Furness there will be three Locality Boards; Eden, South Lakeland and Barrow.

- 3.66 The allocations are approved by Cabinet and presented to Full Council as part of the overall budget setting process for 2023/24. The total revenue allocation is £2.568m. The proposed split of the allocations and guidance on their use is set out below and in more detail in Appendix E.
- 3.67 The General budget can be used for community grants whilst the 0-19 budget is available to be allocated to support positive activities, both targeted and mainstream, within the locality Board area which are designed to improve outcomes for children and young people and reduce inequalities.
- 3.68 The £2m highways revenue budget exists to deliver Locality highways schemes. It has been allocated across the three Locality Boards on the basis of 80% population and 20% road length.
- 3.69 These schemes could include street lighting, drainage clearing, traffic calming, sign cleaning and white line painting. Locality Boards may set their own programme of maintenance provided it provides a safe and reliable highway network including lighting infrastructure. It is recommended that a programme of work is set at the start of the financial year. The budget must be spent on highways activities and not vired to other Locality Board budgets but can be supplemented by other budgets.

Schools' Expenditure

- 3.70 Schools' expenditure is funded from the Dedicated Schools Grant (DSG). The 2023/24 provisional Schools' Funding Settlement was announced on 19th December 2022, which gave a provisional figure for DSG of £198.022m for Westmorland and Furness for 2023/24. Of this £84.398m is estimated to be for Council Maintained schools with £72.807m for Academies, Free Schools and Further Education Colleges (based on school pupil numbers at October 2022).

Employer Contribution Rates – Local Government Pension Scheme (LGPS)

- 3.71 The revised service employer contribution rate, in respect of staff who are members of the Cumbria LGPS, for 2023/24 is 18.4%.
- 3.72 The recent triennial actuarial valuation of the Cumbria Local Government Pension Scheme ("the Cumbria Pension Fund" or "the Fund") calculated that the funding position (i.e. the percentage of the liabilities of the Fund that are covered by Fund's assets) of the Cumbria Pension Fund increased from 98.9% (at March 2019) to 110% as at 31 March 2022. The improved funding position is primarily due to the investment performance of the Fund's assets over this period.

3.73 Each employer within the Fund has its own individual valuation position and therefore its own specific employer contribution rate. This ensures every employer within the Fund is accountable for any decisions it takes in relation to its pension liabilities such as redundancy programmes. In setting employer contribution rates in the LGPS the Actuary and the Fund must have regard to two fundamental principles;

- The requirement for contributions rates to be sufficient to secure the Fund's solvency within an appropriate deficit recovery period, and
- The desirability of employer contribution rates remaining as stable as possible.

3.74 The Actuary has calculated that the valuation position for Westmorland & Furness Council was 111% as at 31 March 2022. As such, the Council's contribution rate payable for the period between 1 April 2023 and 31st March 2026 includes a prudent surplus refund amount which will be offset against (i.e. it will reduce) the Council's contributions payable towards future pensions benefits.

Housing Revenue Account

3.75 The Housing Revenue Account is a separate ring-fenced account that holds the income and expenditure needed to manage the Council-owned social housing stock of some 2,500 properties. The Council has a duty to prevent a debit balance on the Housing Revenue Account; to determine the income for the year; and to determine the expenditure for the year in respect of repair, maintenance, management, and meeting the interest cost of monies borrowed to pay for investment in the housing stock.

3.76 The budget proposed for 2023-2024 is balanced, and consists of £12,061,360 income and £12,831,660 expenditure, with a contribution from the Housing Revenue Account earmarked reserve of £770,300.

3.77 The income is primarily drawn from dwelling rents which reflect the stock being social housing. A formula rent is used and for 2023-2024 government have set a ceiling of 7% for social housing rent increases. It is proposed that the dwelling rent is increased by 3.5% for 2023-2024; this is lower than the formula ceiling in recognition of the cost-of-living crisis but balanced against the need to drawdown from the earmarked reserve and ongoing cost pressures. The average rent charged (over 48 weeks) would increase by £3.00, from £85.65 to £88.65 per chargeable week.

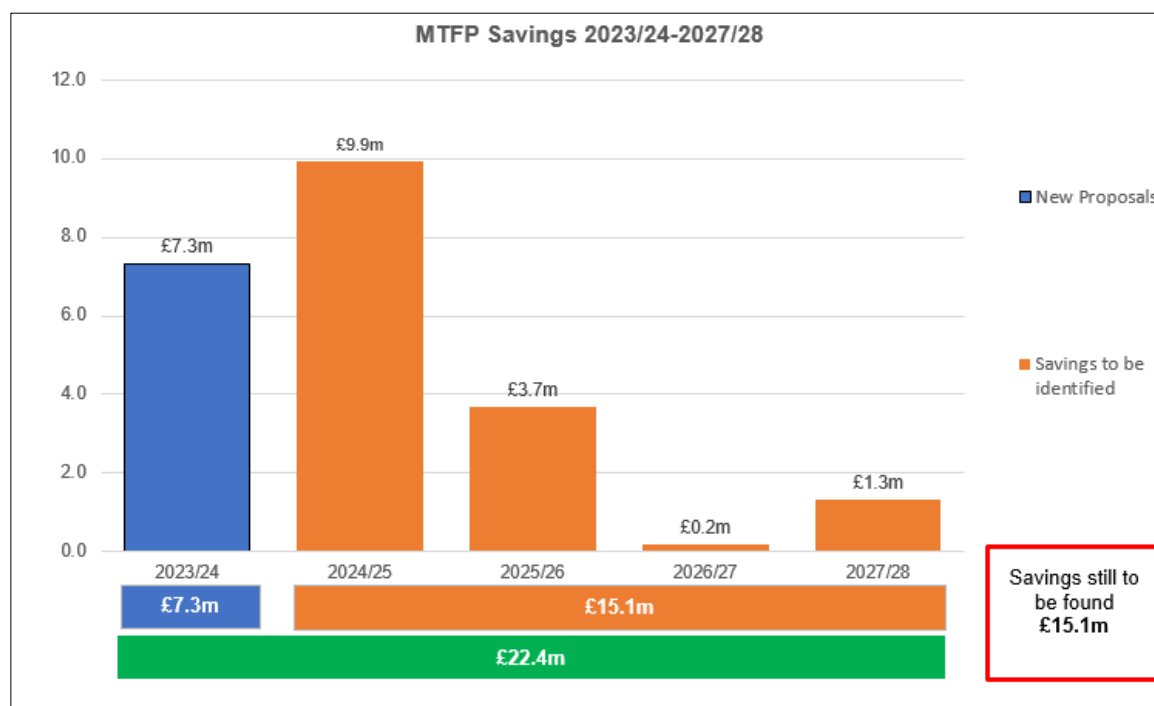
3.78 It is also proposed that the Housing Revenue Account garage rents increase by the same 3.5% for 2023-2024 with the highest charge increased by £0.38, from £10.94 to £11.32 per chargeable week.

Summary – Net Revenue Budget for 2023/24

3.79 Overall a balanced budget position is presented for 2023/24 with a budget gap rising to £15.1m by 2027/28. Overall this would result in £22.4m of savings over the five-year period of the MTFP. Due to the level of one off savings in 2023/24 the Council will need to identify £9.9m of permanent savings for 2024/25 to enable a balanced budget to be presented for that year. Work on the strategic planning process to identify these potential savings will start in early summer. In future years a further £3.7m in 25/26 and £0.2m in 2026/27 and £1.3m in 2027/28 of permanent savings will need to be identified based on the estimates and assumptions of the MTFP. Chart 1 summarises that position.

3.80 Following all the amendments presented in this report the Net Revenue Budget for 2023/24 is £268.478m. After taking account of general grants and the Council's share of locally Retained Business Rates, the Council Tax Requirement for 2023/24 is £152.700m.

Chart 1: MTFP Savings 2023/24-2027/28



Senior Leadership Pay Policy Statement

3.81 Under section 112 of the Local Government Act 1972, local authorities have the power to appoint officers on such reasonable terms and conditions as the authority thinks fit. The Senior Leadership Pay

Policy Statement (the “statement”) sets out Westmorland & Furness Council pay policy in accordance with the requirements of the Localism Act 2011.

- 3.82 This is an interim Pay Policy Statement that includes details relating to senior leadership posts. This statement will be updated following agreement of the pay and grading structure for new appointments to other grades in the Council.
- 3.83 The purpose of the statement is to provide transparency with regard to the Council’s approach to setting the pay of Senior Leaders (as listed in Tables 1 and 2) in the statement by identifying:
- The methods by which salaries are determined
 - The detail and level of remuneration for Senior Leadership roles
 - The responsibility of the Shadow Authority Council to ensure that the provisions set out in this statement are applied consistently throughout the Council
- 3.84 Appendix F sets out the updated Senior Leadership Pay Policy Statement 2023/24.
- 3.85 A full Pay policy statement for 2023/24 is not required due to the Local Government Reorganisation and the fact that the employee metrics and ratios and full workforce data has not yet been confirmed. DLUHC guidance states that Westmorland and Furness Council will be required to publish a full Pay policy statement in March 2024.

4. Medium Term Financial Plan 2023-28 – Capital Spending Plans

- 4.1 This report asks Council to approve the draft 2023/24 Capital Budget of £104.164m, set within the overall Capital Programme 2023-2028 of £252.786m. This includes c£16m of investment for prioritised maintenance of our schools and buildings and c£75m maintenance of our Highway, c£14m for Barrow Market and Public Realm and c£5.8m for Grange Lido, plus many smaller schemes.
- 4.2 As with the revenue budget this is the first 5-year Capital Programme for the new Westmorland and Furness Council and reflects the aggregation of the 3 sovereign District and Borough Councils capital programmes and disaggregation of the County’s programme.
- 4.3 The development of the Capital Programme is an incremental process throughout the year. This allows schemes to be approved on a quarterly basis as individual business cases are approved by Cabinet for recommendation to Council for inclusion in the Capital Programme.

- 4.4 Capital investment shapes the future, it can act as a catalyst and enabler for change. It can also act as an important driver for economic growth - stimulating regeneration and construction and improving the quality of life for our residents.
- 4.5 With a challenging financial environment for the foreseeable future, it will be important to focus the Council's limited capital resources on strategic priorities and those projects which generate a return on investment. The returns will allow the Council to reinvest in services for the future.
- 4.6 The Council is committed to meeting the challenges of the Climate Emergency by reducing its carbon footprint and to supporting the development and implementation of projects that promote climate change mitigation and sustainability. The Capital Programme will be updated as projects come forward. It is expected that these projects will be self-financing or financed from external sources.
- 4.7 There are a number of additional significant pending capital programme schemes that will require further review and business cases to be developed prior to being approved by Cabinet and recommended to Council for inclusion in the Capital Programme. Such schemes include but are not limited to:
- Decarbonisation of the estate
 - Solar farms
 - Fleet Replacement including Waste
 - Windermere Ferry Replacement
 - Affordable Housing Investment Fund
 - Ulverston Leisure Centre Phase 2 and 3
 - Tarn House redevelopment
 - SEND – Pupil Referral Unit's replacement programme
- 4.8 £21m of new schemes are proposed to Council for inclusion in the capital programme 2023-2028 as shown in Table 9.

Table 9: New Capital Schemes 2023-2028

New Scheme	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	Scheme Total £m
Community Equipment	1.551	1.551	1.551	1.551	1.551	7.755
Additional ICT Investment	2.520	3.500	0	0	0	6.020
Levelling Up – Fund 2	1.747	1.747	0	0	0	3.494

New Scheme	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	Scheme Total £m
Additional Inflation Risk Allowance 2023/24	3.823	0	0	0	0	3.823
Total for New Schemes	9.641	6.798	1.551	1.551	1.551	21.092

4.9 The Community Equipment scheme is linked to the proposed annual revenue saving of £1.551m in recognition that the equipment is capital and can be funded through capital funding.

4.10 The second scheme relates to additional investment of £1.020m in 2023/24 to support LGR transition of ICT services including the delivery of an essential new data centre. In addition, a further £5m of investment has been included for 2023/24 and 2024/25 in recognition of the need to invest in legacy ICT and Customer and Digital systems and support investment for Integration and Improvement as well as Transformation in the future.

4.11 Cumbria has been successful in its recent bid for the Levelling Up Fund 2. Cumbria has been awarded £17.8m for the Energy Coast Resilient Routes bid. The scheme is to deliver Highway Structural Maintenance on three key routes in the County

- A595 Calder Bridge to A590 Dalton in Furness
- A5086 Cockermouth to A595 Egremont
- A590 Dalton in Furness to Barrow

In the Westmorland and Furness area total funding of £3.494m is available for the structural highways maintenance within its geographical boundaries.

4.12 It is prudent to recognise the inflationary risks within the existing schemes in the capital programme. £3.823m of Additional Inflation Risk Allowance has been included within the capital programme for 2023/24 and will be allocated to schemes as required and approved by Cabinet. This is in addition to the existing Inflation risk allowance within the County Council capital programme that has been disaggregated between both new Unitary Councils. For grant funded schemes it is assumed that where there are cost pressures then additional funding would be requested for those schemes from Government or the scope of the scheme would be reviewed whilst still delivering the required outcomes.

4.13 Any scheme slippage or accelerated spend from the sovereign councils Capital Programmes from 2022/23 is proposed to be carried forward into 2023/24 and will be reviewed as part of the Q1 monitoring.

4.14 Table 10 shows the continuation of existing schemes into year 5 for County Council schemes and years 4 and 5 for District and Borough Schemes. These are funded by grants and/or additional Prudential Borrowing.

Table 10: Continuation of existing schemes within the Capital Programme

Scheme	2026/27 £m	2027/28 £m	Summary of Scheme
Prioritise Capital Maintenance Projects/ Schools Maintenance	-	3.146	This reflects the estimated additional grants from Government that is used to deliver the priority 1 maintenance (safe, wind and watertight) work that is required.
Chronically Sick and Disabled Persons Adaptations	-	0.108	This budget enables individuals to live more independently and safely in their own homes and also facilitates discharge from acute and community hospitals.
Strategic Highways and Transport	-	11.607	This funding from DfT is expected to continue for 2026/27.
Land/Waste Statutory Standards	-	0.237	This funding is to cover projects on CCC owned land at waste disposal sites to ensure statutory standards are being met.
Corporate Property Planned Maintenance and Improvement	-	1.440	This funding is required to address the increasing maintenance requirements on the corporate estate, which includes cares homes, highways depots, libraries and office buildings. The funding will cover priority 1 maintenance which is safe, wind and watertight work only for the whole estate and will ensure the continued delivery of vital services to the people of Cumbria.
Modernising the Estate	-	0.960	This funding is to support emerging and new schemes within the corporate estate that support the priorities of the Council including its financial sustainability.
ICT Investment/Additional ICT Investment	-	0.480	£0.480m for 2027/28 will continue to support some of the planned ongoing investment for existing ICT. This will be reviewed as the transformation programme develops.
Disability Facilities Grant	2.043	2.043	This funding is to pay for essential housing adaptations to help disabled people stay in their own homes.
Play areas	0.065	0.065	This funding is to pay for essential maintenance to play areas
Housing Authority Maintenance	2.161	2.161	This funding is to pay for essential maintenance on housing stock owned by Barrow Housing Authority
Total for Additional Contributions to existing schemes	4.269	22.247	

4.15 Table 11 show the proposed amendments to the existing capital programmes of sovereign councils.

Table 11: Amendments to existing Schemes 2023-2028

Scheme	Total 2023-2028 £m	Summary of Scheme
Replacement Windermere Ferry	(4.500)	Following an extensive procurement process, Cumbria County Council made a decision not to progress to award the contract in 22/23 for a replacement electric Windermere Car Ferry. Therefore, the existing ferry, The Mallard, will need to remain in service for longer than originally planned. To ensure the Ferry can remain in service £0.894m has been included to undertake essential works to the ferry and slipway and to invest in the infrastructure required for the new electric ferry. There is still a commitment to replace the Mallard with a new, faster electric car ferry but for 23/24 the planned spend of £4.5m is to be removed.
Windermere Ferry and Upgrade	0.894	
New Ulverston Leisure Centre – Phase 2	(5.370)	Phase 2 and 3 of this scheme will be removed from the capital programme whilst it is continuing to be developed and will be referred for approval by Cabinet once completed. This reflects the requirement that schemes should be included in the capital programme when business cases are approved.
Affordable Housing Investment Fund	(6.005)	This scheme will be removed from the capital programme whilst individual business cases are further developed and brought forward for approval by Cabinet. Funding will remain ring-fenced in revenue reserves.
Total for amendments to existing schemes	(14.981)	

4.16 The capital programme 20213-2028 is fully funded and it is financed from external funding in the form of Government grants and grants from other agencies and prudential borrowing and capital receipts. Target levels of borrowing are affordable and included within the revenue budget.

Table 12: Capital Financing Summary

	2023/24	2024/25	2025/26	2026/27	2027/28	Total 2023- 2028
	£m	£m	£m	£m	£m	£m
Grants	65.417	46.296	19.637	16.497	15.994	163.842
Contributions	2.756	0.500	0.000	0.000	0.000	3.256

Revenue Contributions to Capital	8.545	3.357	2.426	2.226	2.226	18.780
Capital Receipts	2.357	0.750	0.600	0.000	0.000	3.707
Prudential Borrowing	25.089	16.466	9.668	6.400	5.578	63.201
Total for Capital Programme	104.164	67.370	32.331	25.123	23.798	252.786

5. Statement of Robustness, Adequacy of Reserves and Budget Risk (s25 Local Government Act 2003)

5.1 Under the terms of section 25 of the Local Government Act 2003 the Section 151 Officer is required to report to Council on two specific matters:

5.1 the robustness of the estimates included in the budget

5.2 the adequacy of the reserves for which the budget provides

5.2 Section 26 of the same Act places an onus on the Chief Finance Officer to ensure the Council has established a minimum level of reserves to be retained to cover any unforeseen demands that could be reasonably defined within finalising the proposed budget.

5.3 The Council has a statutory duty to have regard to this consideration from the Director of Resources (Section 151 Officer) when making its decision about the proposed budget, Medium Term Financial Plan and council tax requirement.

5.4 This is the first budget for Westmorland and Furness Council and brings together the budgets for the three District Councils (Eden, South Lakeland and Barrow in Furness) and the disaggregated budget of Cumbria County Council. In making my assessment of robustness I have relied heavily upon the information provided by the Section 151's in each of the predecessor Councils.

5.5 The underlying pressures upon public services, in particular in the area of children and adults social care services and the continued growth in need and demand for these services (and related support services such as transport, legal support etc.) continues. All local authorities are facing sufficiency risks and price inflation and the need for these to be addressed nationally in a sustainable way is critical. All services have faced exceptional inflationary pressures in 22/23 and it is expected that these will continue into 23/24.

5.6 The focus of the budget preparation has been to develop a set of assumptions which are reasonable and robust given the uncertainty of Local Government Reorganisation and the inevitable complexity that brings in aggregating and disaggregating sovereign council budgets whilst also reflecting known service pressures, LGR

transitional pressures and financial risks that Westmorland and Furness Council will face in 2023/24 and future years.

- 5.7 The proposals presented assume that additional government support will allow the Council to use capital resources to fund revenue investment required to set up and establish the new Council. This is a potential risk and mitigating actions within the 2023/24 financial year would need to be addressed if the support is not approved.
- 5.8 There is a high-level assessment of the Council's anticipated potential financial risks and proposed mitigations for 2023/24 presented in the Medium Term Financial Plan.
- 5.9 This includes the realism of the assumptions within the Revenue Budget 2023/24 for: -
- price increases and general levels of inflation
 - fees / charges income
 - changes to specific grants and / or changes to their eligibility requirements
 - provision for demand and supply chain pressures within services
 - funding for LGR implementation costs
 - transitional costs – likely impacts of aggregation/disaggregation of services from 4 sovereign Councils
 - the financing costs arising from the Capital Programme
 - the impact of current and forecast interest rates on the expected returns from investment of cash balances
 - the probability of achieving the savings targets in 2023/24 and identifying future savings to deliver balanced budgets throughout the MTFP period
 - the likelihood of being able to deliver further necessary savings without significantly reducing the level of Reserves /Balances

The realism of the Capital Programme estimates in light of:

- the potential for slippage and underspending of the Capital Programme
 - the risks of overspends due to inflation and / or contractor distress
- 5.10 It is inevitable that the first cut of a new Council Budget will be imperfect and risk based and that better information will be ascertained once the new Council is in existence. Estimates used in the Budget for 2023/24 are therefore based on pragmatic assumptions.

- 5.11 Budget monitoring will be carried out on a regular basis and reported, alongside other key performance information to Cabinet during the year. Given this will be the first year for the Council it is to be expected that there may be more significant variations in the budget position and therefore regular budget monitoring will be of immense importance.
- 5.12 In this context, the Director of Resources (Section 151 Officer) confirms that the spending plans identified within the MTFP and the Council Tax calculation for 2023/24 are robust estimates that:
- a) Direct resources towards priorities in a way that is achievable.
 - b) Reflect the best estimates of inflation and demand factors available at this time.
 - c) Consider and recognise the major financial risks facing the Council over the medium term.
 - d) Considers and recognises the uncertainty of funding and demand in the medium term

Adequacy of Reserves

- 5.13 Reserves provide the cushion to deal with uncertainty, risks and unforeseen events in year and the opportunity to respond to service changes out with existing plans. They provide flexibility and are key to a financially sustainable Council.
- 5.14 The projected level of reserves and balances based upon the aggregation of the three District Council's commitments and forecast outturn and the disaggregated forecast outturn position for the County Council results in a total level of reserves (General and Earmarked) of (£57.817m) at the 1 April 2023. This includes the DSG reserves position of (£3.587m) for schools and a deficit of £8.690m for High Needs.
- 5.15 The General Fund Balance (GFB) for 2023/24 is estimated to be £19.8m as at 1 April 2023.
- 5.16 The estimated level of Earmarked Reserves as at 1 April 2023 is £37.974m (excluding DSG reserves).
- 5.17 The level of reserves is adequate but should be at least maintained if not increased over the coming financial years in recognition of the potential for further financial risks to emerge as the new Council is established and services harmonised and integrated.
- 5.18 The final reserves position will be known once the 2022/23 statement of accounts for the four sovereign councils have been finalised and a full review of reserves will be undertaken at that stage.

5.19 The Government have confirmed that they have extended the DSG statutory override for a further 3 years up to March 2026. DFE guidance states that "DSG is a ring-fenced specific grant separate from general funding of local authorities and that any deficit an authority may have on its DSG account is expected to be carried forward to the next years' schools budget and does not require to be covered by the authority's general reserves. For the purposes of this section 25 report the DSG deficit has not been reflected. The Council is involved in the Delivering Better Value in SEND intervention programme by DFE and plans and actions are being developed to support a process to remove the historic deficit position.

Section 25 Opinion

5.20 Taking all of this into account the Section 151 officer is satisfied that:

- Estimates used in the Revenue Budget 2023/4 are as realistic and robust as possible given the extremely challenging circumstances.
- The proposed Council Tax levels can support a balanced budget position for 2023/24.
- Associated levels of balances/ reserves for 2023/24 and the MTFP period are adequate but given the ongoing uncertainty efforts must continue to build up reserves where possible.
- The 2023/24 Budget includes a contingency of £1.1m to reflect the considerable risks that the Council facing
- The high level estimates used in the projections for the MTFP beyond 2023/24 are as realistic as can be assessed at this stage given the large scale of uncertainty across a range of factors.
- Enhanced financial monitoring during 2023/24 will ensure that the Council maintains focus on delivering its saving proposals and achieving its outcomes within the financial position.

5.21 Looking forward Westmorland and Furness Council will have to prioritise its resources to deliver on its ambitious Council Plan. It will deliver new ways of working, support communities and individuals to thrive and work closely with key partners, particularly health, to deliver essential services. Exploring opportunities to increase capacity and strengthen resilience of social care services and support early intervention is also a critical element of future planning.

6 Budget Consultation

6.1 In considering the Revenue Budget for 2023/24 the formal consultation document was launched on the 13 January 2023 and closed on the 13 February 2023.

- 6.2 The consultation sought feedback on three key proposals:
- A 4.99% increase in the council tax precept charged by the council (compared to predecessor authorities).
 - Harmonising council tax rates across the Westmorland and Furness area.
 - Introducing a 100% council tax premium on second homes in the area from April 2024.
- 6.3 A public consultation document was produced which explained the three proposals and their background context. This was made available in council locations like libraries and offices and via the council's website.
- 6.4 The document included a short questionnaire which people were encouraged to complete and return, either online or in hard copy. There was also the opportunity to email feedback to a dedicated inbox.
- 6.5 The consultation was promoted publicly via the local media, on social media (both the council's own and predecessor council's) and subscribers to council email updates. It was also promoted to staff in all seven predecessor councils and to the following stakeholder groups:
- Sovereign Council and Shadow Authority Members
 - Trade Unions
 - Parish and Town Councils
 - Third Sector organisations
 - Businesses via Cumbria LEP
- 6.6 Scrutiny Members have engaged with the 2023/24 Council Tax consultation through a session held on 6th February 2023, which 16 non-executive members participated in and a second planned session on the 23 February 2023. All non-executive Members have had the opportunity to contribute to and review this response. The key themes and points that Members raised have been set out as part of the overall response report attached as Appendix B.
- 6.7 A further meeting with Overview and Scrutiny Committee was held on 23 February to consult with them on the proposed 2023/24 Budget and MTFP 2023-2028 in more detail ahead of the Shadow Authority Cabinet meeting on the 24 February.
- 6.8 The recommendations from Overview and Scrutiny committee were reported to Cabinet on the 24 February and considered and accepted. They are:

- That the funds allocated to the Highways and Transport Strategic Board which previously within Cumbria County Council had been delegated to the Local Committees would be distributed fairly across the authority area.
- That as part of the Overview and Scrutiny process, Quarterly Budget Monitoring Reports would be built into the Forward Plan and discussed at the Corporate Scrutiny Committee.
- That post vesting day, Cabinet look at which further elements of the budget and decision-making would be appropriate to devolve to the Locality Boards.
- That paragraph 4.11 of the Cabinet report be amended as "A590 Dalton in Furness to Barrow Town Centre" is inaccurate.
- That the 4.99% increase was not Government Policy but a Government assumption.

6.9 Appendix B sets out the feedback from the consultation. Shadow Member's consideration of this feedback is required before agreeing the budget. Shadow Members should, therefore, ensure that they have appraised themselves of the outcome of consultation.

6.10 The consultation findings are based on feedback from 1140 respondents. The consultation is not designed to be a statistically representative sample of public opinion in Westmorland and Furness but a gauge of the opinions of those people and organisations that have chosen to participate in the process.

6.11 In summary,

- 41% of respondents agreed with the proposal to increase council tax by 4.99%, 52% disagreed and 7% said they did not know.
- 59% of respondents agreed with the proposal to harmonise council tax rates, 32% disagreed and 9% said they did not know.
- 77% agreed with the proposals to introduce a 100% council tax premium for second homes, 23% disagreed.

6.12 A significant number of the responses provided additional written comments. A brief summary is provided below. A longer summary is available in the report in Appendix B.

- The 4.99% increase is too high given cost of living pressures facing households.
- Reorganisation was meant to save money, not cost households more.
- The quality of services needs to improve to justify the increase.
- Harmonisation unfairly penalises some areas.

- If all areas are to pay the same council tax, then the level of service provided in all areas should be the same.
- Support for the second homes premium, citing negative impacts of high second home ownership on communities.
- Opposition to second homes premium, citing benefits second home owners bring to local areas, their low demand on council services, and wide variation in how second homes are used meaning that a 'one-size-fits-all' approach to increasing council tax is unreasonable.

7 Alternative Options

7.1 The Council has a legal duty to set a balanced budget each year and these proposals fulfil that requirement.

7.2 The options for Council are to:

- Agree the recommendations set out in this report or:
- Consider any amendments proposed in accordance with the constitution.(seeking advice of the Section 151 officer and monitoring officer)

8 Implications

Financial, Resources and Procurement

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

9 Human Resources

9.1 Whilst there are no direct saving proposals within the proposed budget that have direct HR implications, any HR impacts that may result from the ongoing Organisational Development programme for the Council will be subject to relevant consultation, engagement and communication with due process being followed.

10 Legal

10.1 The Cumbria (Structural Changes) Order 2022 provides that the shadow authority must take all such practicable steps as are necessary or expedient to prepare any budgets or plans required by Westmorland and Furness Council when those functions are assumed. The responsibilities for doing this are set out in the Shadow Authority constitution. Paragraph 1.2 of Article 7 of the Constitution provides that the Shadow Executive (Shadow Authority Cabinet) shall be responsible for "making recommendations to the Shadow Authority" on the setting of the 2023/2024 budgets. Paragraph 4.1(a) of Part 3 (Responsibility for Functions) of the Constitution includes among the

functions of the shadow authority for "Adopting the budget and policy framework for the Westmorland and Furness Council and setting of the council tax for its area".

- 10.2 The Council is required under Part 1, Chapter III of the Local Government and Finance Act 1992 ("the 1992") to set a council tax for the forthcoming year and its budget estimates. The decision must be made before 11 March of the preceding year. Sections 31A and 31B of the 1992 Act require the Council to calculate its "council tax requirement". This is reflected and set out in the recommendations and this report.
- 10.3 The Council is required by law to agree a lawfully balanced budget. The Council's prospective expenditure must not be likely to exceed its resources available to meet that expenditure. The proposals set out in this report meet this obligation.
- 10.4 The approval of the budget and calculating the Council's element of the council tax is a decision reserved to Council under section 67(2)(b) of the 1992 Act. In accordance with the Local Authorities (Functions and Responsibilities) (England) Regulations 2000, the Cabinet (Shadow Authority Cabinet) makes recommendations as to the setting of the council tax and budget to Council for final decision.
- 10.5 Section 151 of the Local Government Act 1972 places a general duty on local authorities to make arrangements for 'the proper administration of their financial affairs'. Section 25 of the Local Government Act 2003 requires Chief Financial Officers to report to their authorities about the robustness of estimates and the adequacy of reserves when determining their precepts, and authorities are required to take the Chief Financial Officer's report into account when setting the Council Tax.
- 10.6 The Equality Act 2010 includes a public sector equality duty which requires Councils when exercising functions to have due regard to the need to eliminate discrimination, harassment and victimisation and other conduct prohibited under the Act and to advance equality of opportunity and foster good relations between those who share a "protected characteristic and those who do not share that protected characteristic". When a Budget proposal has implications for people covered by the Equality Act 2010, the Council must take into account of the Equality Duty and any particular impact on the protected group and an Equality Impact Assessment (EIA) is attached to this report.
- 10.7 Once the budget is agreed by Council, the Cabinet will implement the decisions within the budget, provided it remains within the budget framework.

- 10.8 Members are subject to the Council's duty to set a balanced budget, and at common law owe a fiduciary duty to taxpayers to do so. Members must receive and take into account the advice of officers, particularly the section151 officer, when considering and deciding the Council's budget. As the decision makers, members must have due regard to the equalities duties when setting the budget.

11 Health and Sustainability Impact Assessment

- 11.1 The Council has a legal responsibility under the Health and Safety Act 1974 and associated regulations to ensure that, as far as reasonably practicable, adequate health and safety is considered in everything it does.
- 11.2 The majority of the budget proposals are technical financial adjustments and do not require a health and sustainability impact assessment.

12 Equality and Diversity

- 12.1 Have you completed an Equality Impact Analysis? Yes - Equality Impact screening assessments have been undertaken for fees and charges, council tax increases and the HRA. They are attached at Appendix G.
- 12.2 The recommendations of this report are for the Shadow Authority Council to agree this proposed budget for Westmorland & Furness Council. There are no associated equality and diversity implications arising from this recommendation.

Contact Officers

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Appendices Attached to this Report

Appendix No.	Name of Appendix
A	Medium Term Financial Plan 2023-2028
B	Consultation feedback report
C	Fees and Charges Policy
D	Annual Treasury Management Strategy 2023/24

Appendix No.	Name of Appendix
E	Locality Board Budgets and guidance
F	Senior Leadership Pay Policy Statement
G	Equality Impact screening assessments

Background Documents Available

Draft Budget 2023/24 Process and Medium Term Financial Plan – Shadow Authority Cabinet - Nov 2022

Council Tax Reduction Scheme and War Pension Disregard (Housing Benefit Local Scheme) - Shadow Authority Council – 23 January 2023

Previous relevant Shadow Authority Council or Shadow Authority Cabinet decisions

Draft Revenue Budget 2023/24 and Medium Term Financial Plan (2023-2028) and Draft Capital Programme (2023-2028) – Cabinet 24 February 2023