



# Medium Term Financial Plan

2023-2028



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# Foreword

Westmorland and Furness is a brand new council and we have an ambitious vision for our area. We want it to be a great place to live, work and thrive. Sound finances are at the core of delivering our new vision. This Medium Term Financial Plan sets out how we will allocate our available budget over the next five years in order to deliver on the priorities we have committed to in our Council Plan.

The plan is intended to guide us through a unique period. Inflation is driving up the cost of delivering services, demand for our services is increasing due to demographic change and cost-of-living pressures on families, and there is a marked lack of certainty about future funding from Government. At the same time, we must manage the transition to the new council. We must ensure services continue to function well and invest in the work that is needed to stabilise, integrate, and eventually transform the services of the four predecessor councils.

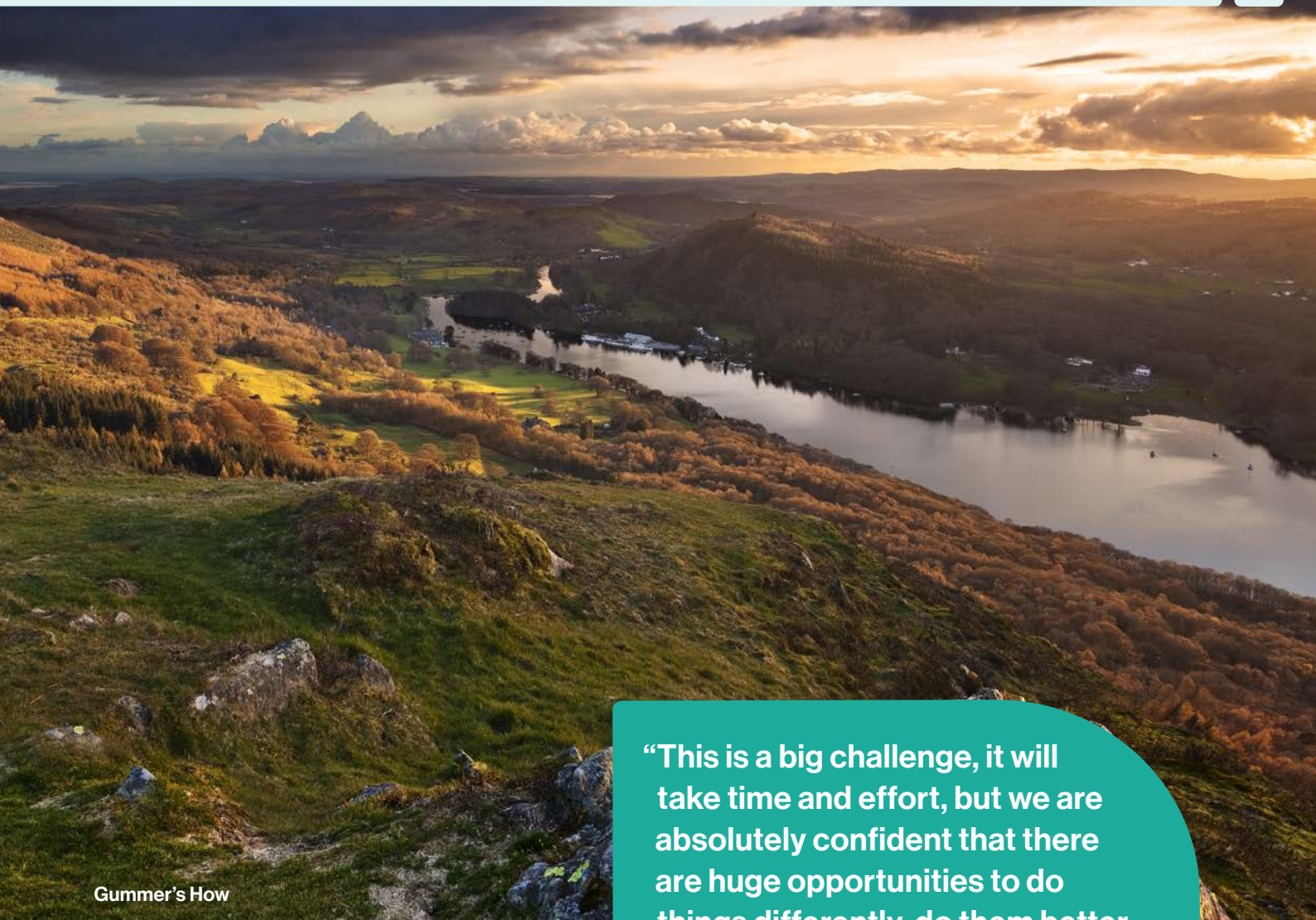
To help us through this period and manage the fact that the budgets we have inherited do not cover the cost of delivering services, Government is expected to make additional financial support available to us for one year should we need it. This will allow us to set a balanced budget in year one, without the need to immediately make significant savings which, as a Shadow Authority with no employees, we have been unable to plan for. This support will also give us the capacity to begin the process of service transformation and improvement that will make us more effective and more efficient. In turn, this will mean we can reduce our spending in subsequent years, deliver balanced budgets and fully realise the benefits that come from being a unitary council.

This is a big challenge, it will take time and effort, but we are absolutely confident that there are huge opportunities to do things differently, do them better, and at lower cost. This Medium Term Financial Plan provides the financial framework we need to get started on this exciting new journey as Westmorland and Furness Council.

**Councillor Andrew Jarvis**

Cabinet Member for Finance





Gummer's How

**“This is a big challenge, it will take time and effort, but we are absolutely confident that there are huge opportunities to do things differently, do them better, and at lower cost.”**

## Shaping Our Financial Future

Westmorland and Furness is a brand new council, and this provides a huge opportunity to create a fresh vision for our communities and residents and then working together to deliver on that vision.

On 19 December 2022 the Shadow Council adopted its Council Plan which set out the vision, values and priorities of the new Council. It will guide the council through the transition from the four sovereign councils which provided services in the Westmorland and Furness Council area and a period of transformation over the next five years.

The plan is about delivering the best for our residents, customers and communities in partnership with you.



# Our vision

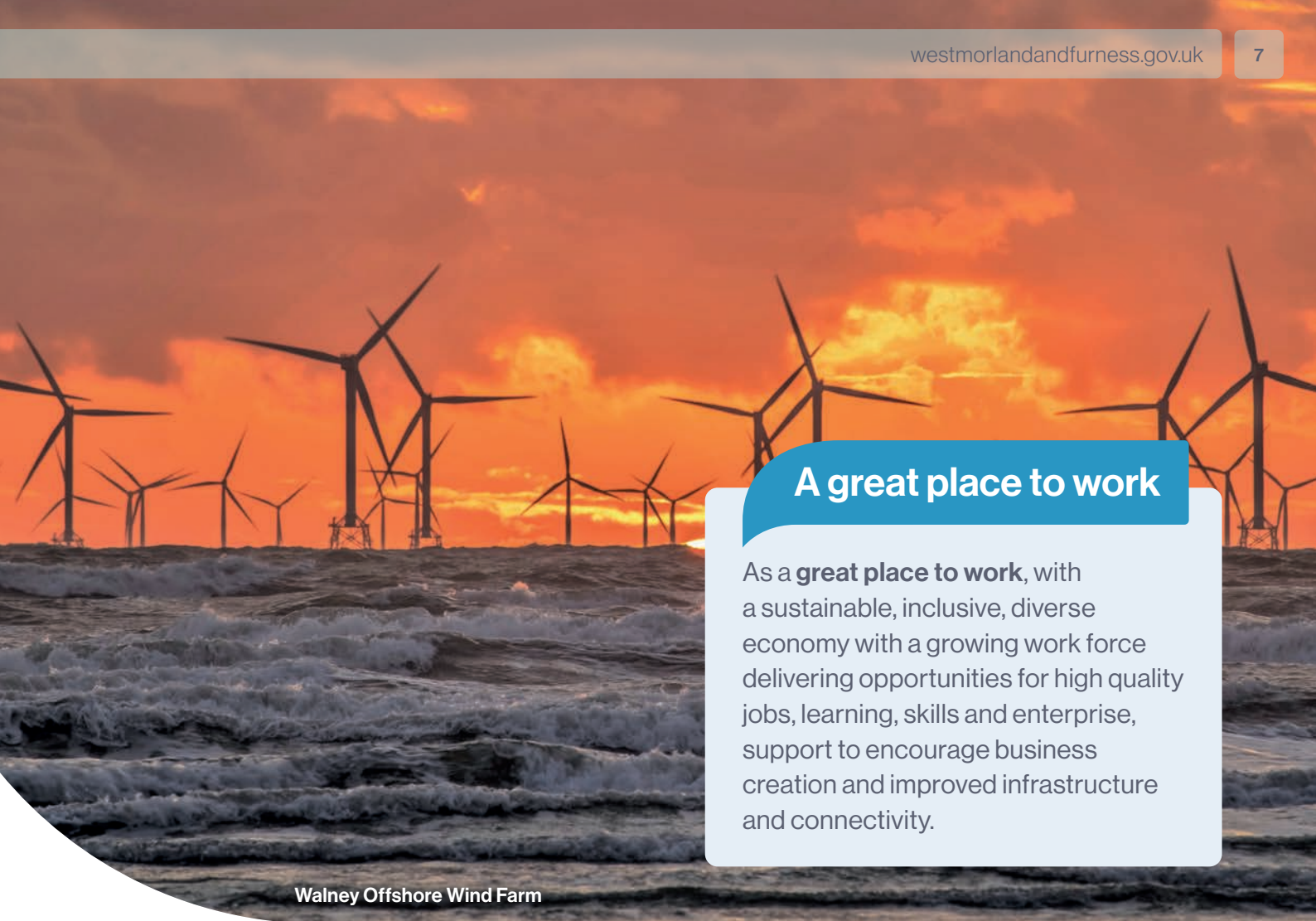
Our vision for Westmorland and Furness is to be:

“A great place to live,  
work and thrive.”

## A great place to live

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;





Walney Offshore Wind Farm

## A great place to work

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.

## A great place to thrive

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.



# Our priorities

The plan 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
- 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

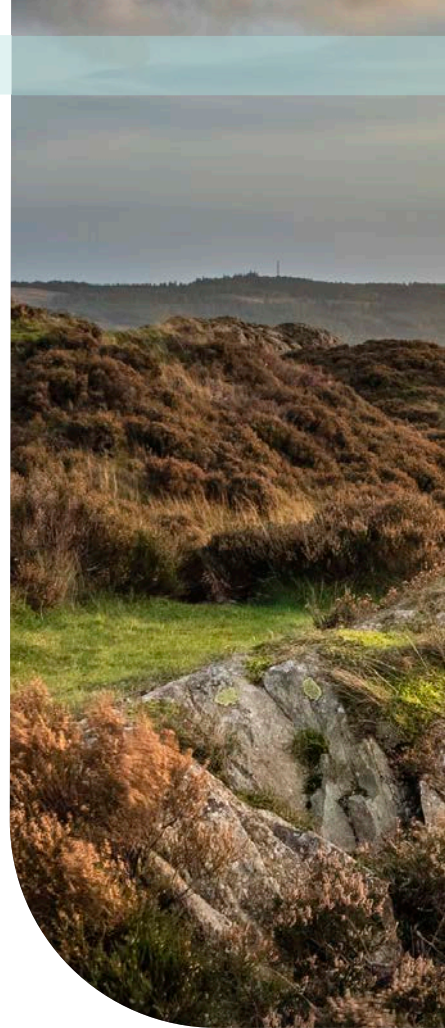
- Sustainable, inclusive economic growth

## For our customers

- At the heart of everything we do

## For our workforce

- Confident, empowered, and inclusive workforce






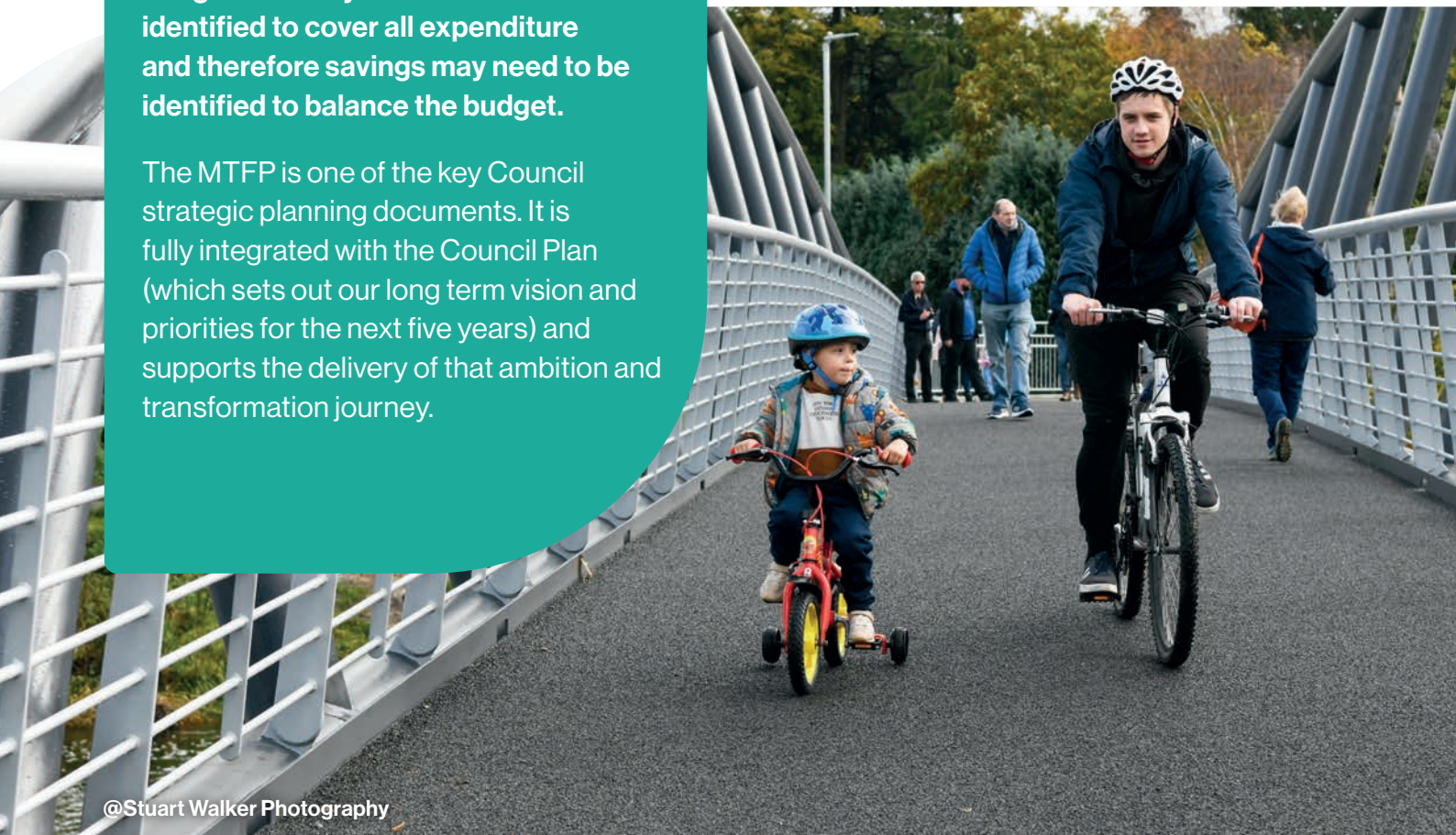
# What is the Medium Term Financial Plan?

This will be the first Medium Term Financial Plan (MTFP) for Westmorland and Furness Council. From the 1st April 2023, the brand new council will begin to deliver on its Council Plan. This MTFP sets out the framework for how the Council plans to use its financial resources to fund the activity to deliver on the Council's vision and priorities. The MTFP is a 'live' plan and is updated every year when the Council considers the annual budget for the following year. The MTFP covers a five year period 2023–2028. The MTFP is prepared by understanding our income and expenditure profiles and the investment required to deliver the priorities. The Council is required to set a 'balanced budget' annually with financial resources identified to cover all expenditure and therefore savings may need to be identified to balance the budget.

The MTFP is one of the key Council strategic planning documents. It is fully integrated with the Council Plan (which sets out our long term vision and priorities for the next five years) and supports the delivery of that ambition and transformation journey.



Holme Fell





## A Financially Sustainable Council

One of our Values is that we will be responsible socially, environmentally and financially. We will make the best and most efficient use of our resources, while making sustainable decisions and striving to deliver on our priorities and promises.

There is a great opportunity through transformation, integration and harmonisation to deliver more effective services to meet the needs of the residents of Westmorland and Furness. Our approach to Transformation and our approach to continuous improvement will support the Council to deliver on financial sustainability over the medium term. It is recognised that the Local Government

Reorganisation (LGR) process has resulted in significant change for all service areas and we will require a period of stabilisation and harmonisation whilst ensuring we effectively maximise the use of our resources and work collaboratively with communities, partners and residents to achieve the best outcomes for all.

We also face a challenging economic environment and with unprecedented levels of inflation and uncertainty. This MTFP sets out the best estimate of the Council's future financial position. Work will continue through the Integration work and the Transformation programme to identify future saving opportunities and maximise funding opportunities to ensure that balanced budgets can be delivered in future years.



Ullswater from Glenridding



## Value for Money

Improving value for money is at the heart of everything the Council does. The Council will work hard to ensure that value for money is achieved in all its services; challenging services to make sure its costs compare well with others by identifying and challenging areas of high spend and regularly benchmarking costs with other local authorities.

## Equality and Diversity

Equality will be embedded throughout all of the Council's services. It is not an extra piece of work, but part of everything the Council will do. Whenever a new service is created, reviewed or removed, an Equality Impact Assessment (EIA) must be undertaken to ensure individuals are not discriminated against. An EIA helps to identify any potential discrimination or unfair treatment and puts measures in place to mitigate these.





## Investing in Our Future

Westmorland and Furness is an ambitious Council. We have a huge opportunity to create a fresh vision for our communities and residents and we will place people at the centre of everything we do. We are ambitious for our communities too and we will work to enable all our villages and towns to thrive for our residents to lead healthy and happy lives.

Our natural environment provides opportunities for improving health and wellbeing and we will work hard to maximise those opportunities and to ensure that we protect our natural resources, striving to become net zero and addressing biodiversity loss.

We are committed to working to ensure that Westmorland and Furness is a great place to live, work and thrive.

This MTFP enables the Council to invest in our future to deliver on the Council Plan Vision, Priorities and Values.

Investment is required across the Council to deliver improvements but also to drive out efficiencies and duplication and transform service delivery ensuring we are financially sustainable for the future.

As the services from four sovereign councils merge together on 1 April 2023 to become the new Westmorland and Furness Council this will bring many challenges but it also provides huge opportunities.



There are a number of competing priorities and also it is recognised that there needs to be staged approach to reviewing and investing in improvements for the future.

There is a need to transition services safely and legally and to stabilise those services early in the first year. We will then need to build on that to deliver improvements and potential efficiencies in the first year with a focus on integration and understanding when and how services can be harmonised across the Westmorland and Furness footprint.

In addition, where services are now being integrated across the four existing sovereign services there will need to be a planned approach to delivering that change. Both from a staffing and a service provision to the customer perspective. This should involve all appropriate stakeholders and with the required consultation and engagement to successfully deliver change. Prioritising this significant change programme is a key task for the Council and work is already ongoing.

Driving the change programme will be a need a Strategic Framework covering areas such as Health and Wellbeing, Transport, Community wealth building, Waste, Housing, Planning, Education and Skills as well as for enabling services such as ICT, Customer and Digital and workforce planning. Strategic planning will require these new strategies to be in place and developed to ensure that the longer term ambition aligns with shorter term decision making.

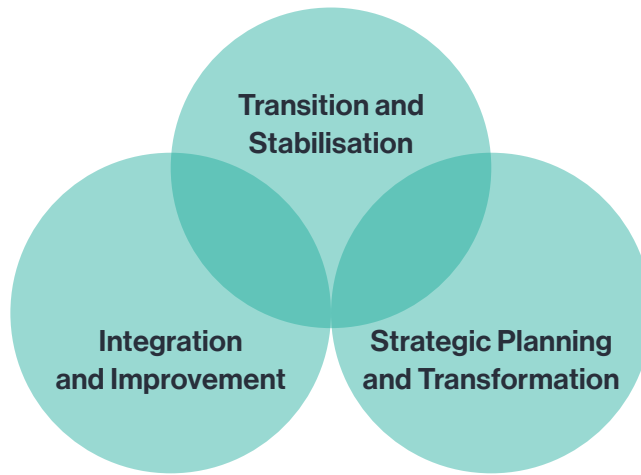
Finally the Transformation programme will be further developed to ensure that the potential and opportunity that moving to a single tier authority brings alongside the ambition for services to support the people of Westmorland and Furness can be achieved. Invest to save schemes will be required to ensure that financial sustainability in the medium to long term is achieved and planned.

To support this programme the 2023/24 Revenue Budget the Council includes additional investment of £16.5m.

- £5m to develop the framework and delivery mechanism for Transformation and kick start the programme
- £6.5m to support integration and improvement activity across prioritised services areas and increased capacity to support the development of key strategies
- £5m of prioritised investment to deliver on the Council Plan priorities.

In addition to this, the Council is recognising it has known LGR pressures of £7.1m that Westmorland and Furness will need to manage and deliver as we transition from four sovereign councils to one Unitary council.

In 2024/25 a further £5m has been included to continue the Transformation Programme funded from reserves. This will be worked up during 2023/24 as the programme develops.



Three different phases to support delivery of the Council Plan priorities

	23/24	24/25	25/26
Transition and Stabilisation	<ul style="list-style-type: none"> <li>• Planning for Services for 2023/24.</li> <li>• Prioritisation of services for integration and improvement.</li> </ul>		
Integration and Improvement		<ul style="list-style-type: none"> <li>• Harmonisation of pay and conditions.</li> <li>• Integration and improvement across prioritised services.</li> <li>• Improvement in ICT and customer digital services to facilitate change.</li> <li>• Organisational development supporting staff.</li> </ul>	
Strategic Planning and Transformation		Development of strategic plan / framework for transformation.	<ul style="list-style-type: none"> <li>• Development of business cases against Council plan.</li> <li>• Programme governance through the Project Management Office to support delivery of strategic plan.</li> <li>• Alignment with financial planning and budget setting processes.</li> </ul>



## Planning for our future – Financial assumptions

### The National Picture

The Council's financial plans have been prepared at a time of significant global and national uncertainty both economically and fiscally. On top of this 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 forecast for 2023.

Without exception, all councils are facing difficult financial times, the increasing demand for services was present before the COVID-19 pandemic especially from those who need us most. This includes greater pressure for social care services from the growing elderly population and younger adults with complex needs and increasing costs to look after the number of children now in our care and children with Education, Health and Care Plans (EHCPs). The current level of inflation is also impacting on the cost of delivering our services either directly or via our external providers. The cost of living crisis is also impacting on our residents which is resulting in an increase in demand for some services including welfare support, in respect of homelessness, increased number of children accessing free school meals and hardship support for services such as clothing grants.

Some Government support is available for individuals through the Household Support Grant but this isn't sufficient to meet the demand that all Councils are facing.

There are also significant workforce pressures and risks around recruitment and retention exist 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.

The Government's Autumn Statement in November 2022 provided a financial plan for the short term and 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.

The Council therefore has made a number of assumptions for the future financial years not covered by the Autumn Statement. The fundamental assumption going forward being that whatever the new funding arrangements are for local government, the Council receives no less than currently in relation to grants received from central government departments (including Better Care Fund and Improved Better Care Fund).

## The Local Picture

This is the first budget that will be set for Westmorland and Furness Council. It brings together the aggregation of the sovereign three District Councils and the disaggregation of the County Councils budget.

The complexity of creating a new unitary Council budget is significant and the focus of the budget preparation has been to develop a set of assumptions which are reasonable and robust. It is expected that as further detailed work on the budget allocations is completed in year virements or transfers between services may be required. Regular budget monitoring of spend against the approved budget is critical for effective governance and also providing an indication of where budget amendments may be required.

Future years will also be updated as decisions on how to deliver on the Council Plan priorities are fully formed.

The Council is required to set a balanced budget and in order to support that it has identified savings of £7.301m to be delivered in 2023/24. The ability for the Council to identify and propose further savings has been impacted by the Shadow nature of the council this year – we have had only the three statutory officers in role as at 31 December 2022. Although some Directors were appointed in January 2023, they still have substantive roles within their own organisations and so have limited capacity to explore and present additional savings for 2023/24.

Some of the savings are one off for 2023/24 with permanent savings of £4.551m continuing into 2024/25.

Overall £15.086m of savings will need to be found on a permanent basis over the remaining four year period of the MTFP in order to ensure the Council remains financially sustainable.





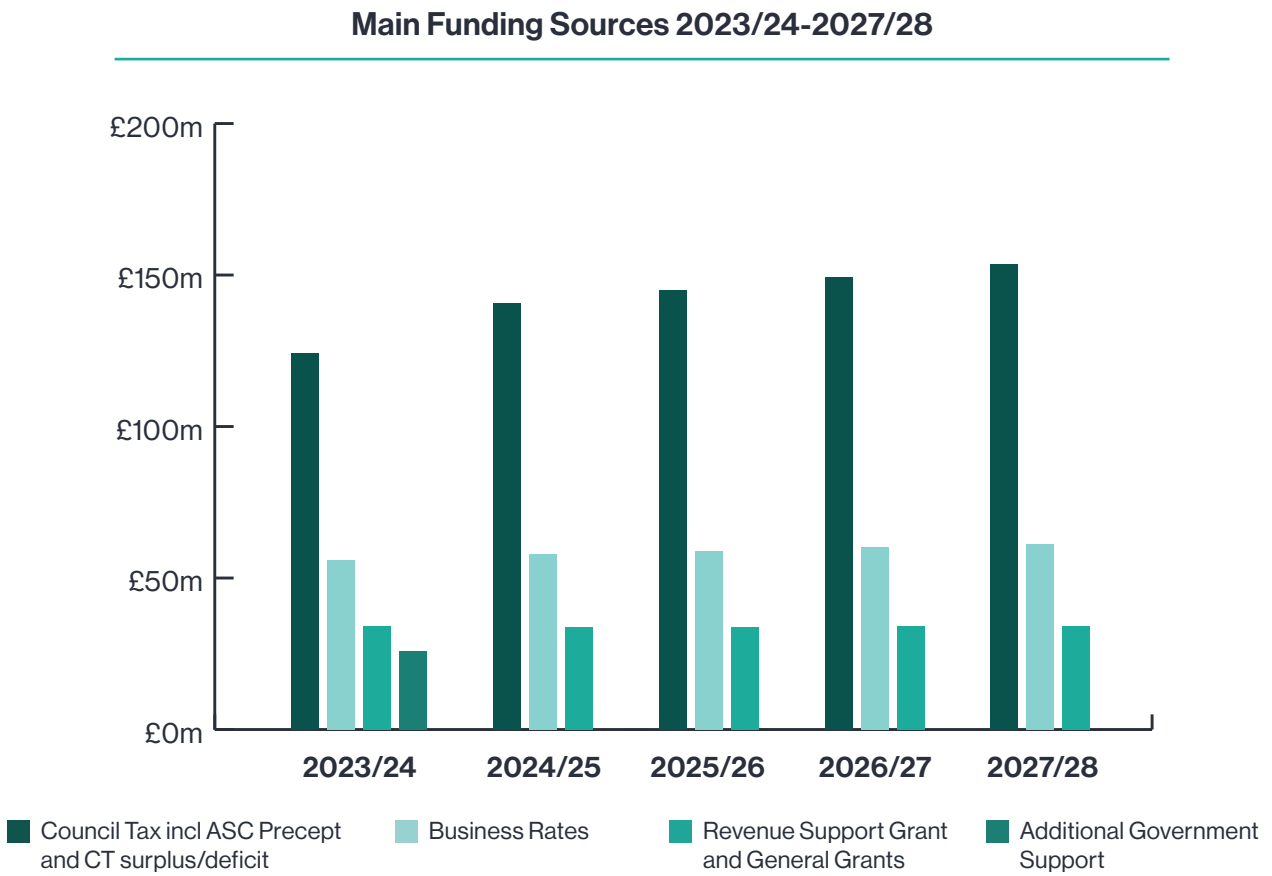
The key funding headlines from the December 2022 Provisional Local Government Finance Settlement and Grant Announcements are set out below as they affect Westmorland and Furness:

- The General Council Tax referendum threshold is 2.99% for 2023/24 and for 2024/25.
- Councils with social care responsibilities are allowed to levy an additional 2% as an Adult Social Care precept.
- 2022/23 Services Grant was reduced from £822m to £464m for 2023/24. The Westmorland and Furness allocation of the funding remaining being £1.5m.
- Additional social care grant funding of £1.245bn, the Westmorland and Furness allocation being £7.646m.
- Revenue Support Grant has been increased by 13.6%, 10.1% due to CPI the remainder due to existing grants worth £78m being rolled into the RSG total.
- Most other grants were rolled forward on a flat cash basis.
- Lower Tier Services Grant has been removed and replaced by the Minimum Funding Guarantee, of 3% of 2023/24. However, this is not applicable to the new unitary authorities including Westmorland and Furness.
- Adult Social Care Market Sustainability and Improvement Fund: Nationally this Fund comprises of £562m made up of £162m rolled in from the Market Sustainability and Fair Cost of Care Fund, and £400m intended to make tangible improvements to adult social care. It is a ring fenced grant and tangible improvements will have a particular focus on addressing discharge delays; social care waiting times; low fee rates; workforce pressures; and to promote technological innovation in the sector. The Westmorland and Furness allocation being £2.565m. Detailed grant conditions are yet to be released by Government.
- New Adult Social Care Discharge Fund: £300m, to form part of Better Care Fund plans aimed at reducing delayed transfers of care, allocated on the basis of the improved Better Care Fund shares in used in 2023/24. The Westmorland and Furness allocation being £1.304m. Working with NHS partners will be required to agree and deliver additional activities to support the objectives of this grant funding. Detailed grant conditions are yet to be released by Government but it has been assumed that this is a ringfenced grant.



The MTFP (2023-2028) assumes the following core sources of finance (excluding service specific grants and income) as follows:-

**Chart 1: Funding Sources 2023/24 – 2027/28**



## Council Tax including Adult Social Care Precept

Council Tax is the most stable, sustainable and significant source of funding for Westmorland and Furness Council. The Council expects to raise (£152.700m) from its taxbase of 87,714 Band D equivalent properties based on Council Tax Band D charge of £1,740.89, which is set by the Council and is made up of the core Council tax £1,520.66 and the Adult Care Precept £220.23. Additional funding is expected to be generated in future years as a result of forecast growth in our taxbase. As part of the budget estimates for future years additional increases of 4.99% for 2024/25 and 2% for 2025/26 onwards have been included.

## Retained Business Rates

Under the Business Rates retention scheme 49% of Business Rates (NNDR) raised by the Council is retained to fund services, the remainder is payable to central government (50%) and Cumbria Police, Fire and Crime Commissioner (1%). A system of top-ups and tariffs ensures that the Council's share of estimated business rates income does not exceed the level of funding to be provided through the business rates retention scheme (baseline funding).

For 2023/24, the Council expects to retain (£56.682m) of Business Rates. This is based on an estimate made in January 2023.

## Revenue Support Grant and General Grant

The Council also receives a number of general grants, these are not ringfenced grants and are used to support the delivery of services. It expects to receive (£8.451m) in Revenue Support Grant which is a grant based on the governments assessment of relative need formulae.

General Grants of (£25.788m) are included. Some of these grants have been confirmed, however others will be confirmed after 1 April 2023, these will be reported as part of quarterly monitoring to Cabinet.

	<b>2023/24</b>
	<b>£m</b>
Social Care Grant	(17.494)
Rural Services Delivery Grant	(5.565)
Services Grant	(1.562)
New Homes Bonus	(0.402)
Other smaller grants	(0.765)
<b>Total General Grants</b>	<b>(25.788)</b>



## Additional Government Support

Throughout the LGR process discussions with Government have raised the limitations about the pace and capacity within the senior leadership team for the new Unitary Councils to develop immediate financially sustainable plans from day one. The recruitment into the senior leadership team is not complete. Until 1 April 2023 only the 3 statutory officers are formally in place. The Head of Paid Services, the S151 Officer and the Monitoring Officer. A number of other Councils have requested additional financial support as part of previous LGR processes.

For 2023/24 given the extraordinary inflationary pressures and transitional pressures from the LGR programme Westmorland and Furness have discussed the potential of one off support from Government to enable a safe transition of services and sufficient time and capacity to develop transformation and integration activities to deliver efficiencies in the future.

£26m of additional financial support has been requested from the Department of Levelling Up, Housing and Communities (DLUHC) to fund the additional costs associated with the LGR Programme and in particular due to the disaggregation of the County Councils Services. Such costs are necessary to ensure that the Westmorland Furness Council maintains safe and legal services.

## Second Homes Premium

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.



# What are the Council's Revenue Spending Plans?

**The Net Revenue Budget for 2023/24 is £268m. The Council is required to balance its budget, ensuring that expenditure is matched by its sources of finance. After taking account of general grants and the Council's share of locally retained business rates, the Council Tax Requirement for 2023/24 is £153m.**

Financial forecasting of both Council Tax and Business Rates is increasingly important as they are the most significant source of funding. We have used our modelling to forecast the likely income from these two sources.

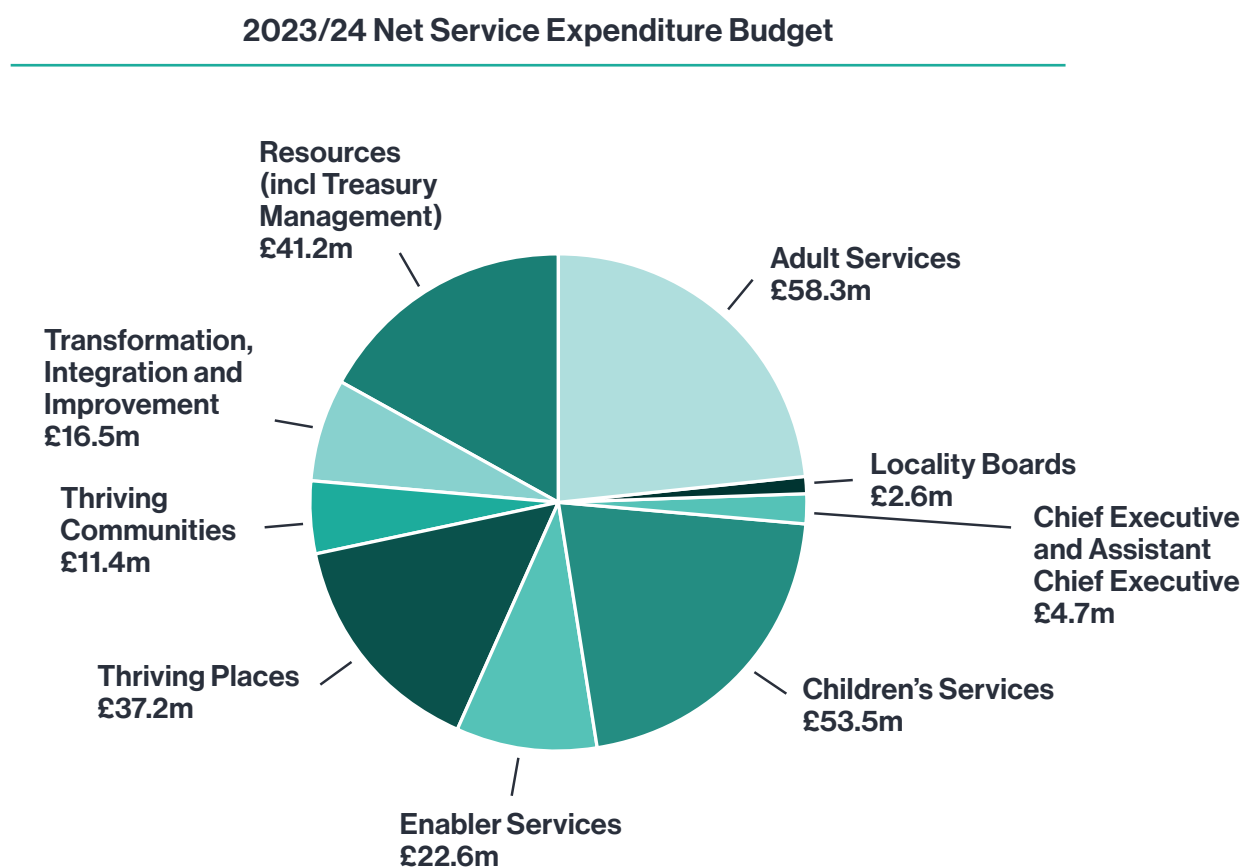
Table 1 summarises the Council's revenue spending plans for 2023/24 and provisional spending plans for 2024/25 – 2027/28. It shows how net budgets (excluding specific grants) have been initially allocated across the Council's Directorates, as well as the sources of funding available to match our expenditure.

Table 1: Budget Requirement &amp; Council Tax

<b>REVENUE BUDGET SUMMARY</b>						
2022/23		2023/24	2024/25	2025/26	2026/27	2026/27
Restated budget		Budget	Budget	Budget	Budget	Budget
£m		£m	£m	£m	£m	£m
	<b>Directorate Budgets:</b>					
4.615	Chief Executive and Assistant Chief Executive	4.715	4.615	4.615	4.615	4.615
60.454	Adult Services	58.324	58.546	58.546	58.546	58.546
47.362	Children's Services	52.925	52.925	52.925	52.925	52.925
19.751	Enabler Services	22.647	22.662	22.817	22.817	22.817
37.440	Thriving Places	37.238	42.419	42.550	42.870	42.870
11.359	Thriving Communities	11.374	11.374	11.374	11.374	11.374
2.568	Locality Boards	2.568	2.568	2.568	2.568	2.568
36.060	Resources (incl Treasury Management)	41.816	48.085	49.300	48.798	49.091
0.000	Transformation, Integration and Improvement	16.500	5.000	0.000	0.000	0.000
<b>219.609</b>	<b>Service Expenditure</b>	<b>248.107</b>	<b>248.194</b>	<b>244.695</b>	<b>244.513</b>	<b>244.806</b>
	<b>Corporate Budgets:</b>					
0.457	Precepts Paid	0.457	0.457	0.457	0.457	0.457
0.163	Pay and Inflation	19.642	27.432	35.004	41.313	49.877
<b>0.620</b>	<b>Total Corporate Budgets</b>	<b>20.099</b>	<b>27.889</b>	<b>35.461</b>	<b>41.770</b>	<b>50.334</b>
<b>3.158</b>	Savings to identify	<b>0.000</b>	<b>(9.911)</b>	<b>(13.585)</b>	<b>(13.778)</b>	<b>(15.086)</b>
0.643	Transfers to & (from) Earmarked Reserves	0.272	(3.352)	2.071	2.096	0.643
<b>224.030</b>	<b>Net Budget</b>	<b>268.478</b>	<b>262.820</b>	<b>268.642</b>	<b>274.601</b>	<b>280.697</b>
	<b>Sources of Finance:</b>					
(7.436)	Revenue Support Grant	(8.451)	(8.620)	(8.793)	(8.969)	(9.148)
(21.249)	General Grants	(25.788)	(25.141)	(25.141)	(25.141)	(25.141)
(51.224)	Retained Business Rates	(56.682)	(57.816)	(58.972)	(60.152)	(61.355)
0.000	(Surplus)/Deficit on Business Rates Collection Fund	0.617	0.000	0.000	0.000	0.000
0.000	(Surplus)/Deficit on Council Tax Collection Fund	0.526	0.000	0.000	0.000	0.000
0.000	Additional Government Support	(26.000)	0.000	0.000	0.000	0.000
0.000	Second Homes Premium	0.000	(10.103)	(10.305)	(10.511)	(10.721)
<b>(79.909)</b>	<b>Total Sources of Finance</b>	<b>(115.778)</b>	<b>(101.680)</b>	<b>(103.211)</b>	<b>(104.773)</b>	<b>(106.366)</b>
144.121	<b>Total Council Tax Requirement</b>	152.700	161.140	165.431	169.828	174.332
n/a	Divide by Council Taxbase (revised as per Local Council Tax Support Schemes)	87,714	88,163	88,736	89,307	89,878
<b>£1,658.15</b>	<b>Council Tax per Band D Property</b>	<b>£1,740.89</b>	<b>£1,827.76</b>	<b>£1,864.32</b>	<b>£1,901.61</b>	<b>£1,939.64</b>
	General Percentage Council Tax Increase	2.99%	2.99%	2.00%	2.00%	2.00%
n/a	Additional precept for Adult Social Care	2.00%	2.00%	0.00%	0.00%	0.00%
<b>n/a</b>	<b>Percentage Council Tax Increase</b>	<b>4.99%</b>	<b>4.99%</b>	<b>2.00%</b>	<b>2.00%</b>	<b>2.00%</b>

The Council's net service expenditure budget for 2023/24 is £248m. This is the direct expenditure allocated to the Directorates. It does not include the inflation allocation for 2023/24 as this will be allocated during the financial year. The chart below summarises how this is allocated to services but it is recognised that in this first year further due diligence and more detailed analysis of the spend will be required and potential amendments to directorate budgets will be reported through the usual budget monitoring process.

**Chart 2: Net Budget Expenditure for Westmorland and Furness Council's services**





The Council is required to set a 'balanced budget' annually with financial resources identified to cover all expenditure. The Council considers future years' projections for its sources of finance and expenditure throughout the year.

In February 2023 a budget gap of £15.1m exists over the next four year period of the MTFP (2023/24-2027/28). The delivery of savings through Integration and Improvement and Transformation will be a priority to ensure a balanced budget can be presented in these financial years.

During the year the Council updates its assumptions regarding its sources of finance when new information becomes available, particularly following the Chancellor's Budget and Finance Settlement announcements. The Council's budget gap reflects spending commitments from the financial settlement. The following paragraphs outline the spending pressures and the savings required to balance the budget for 2023/24.

## Existing Sovereign MTFP Pressures

There are existing pressures that were built into the sovereign councils MTFPs and that are included in the new MTFP. These are shown in Table 2. General inflation pressures have been included in the overall inflation budget and so are not shown below.

**Table 2: Existing MTFP Pressures**

	Directorate	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Demographic pressures	Adult Services	0.221	0.443	0.443	0.443	0.443
Cost and sufficiency pressure	Children Services	0.820	0.820	0.820	0.820	0.820
<b>Total</b>		<b>1.041</b>	<b>1.263</b>	<b>1.263</b>	<b>1.263</b>	<b>1.263</b>

## New Pressures and Priorities

A key cornerstone of our financial strategy is ensuring that spending is allocated to our priorities as identified in the Council Plan. Our future spending plans therefore need to reflect our Council Priorities, but also need to reflect changes in demand levels, up to date performance information, demographic trends, changes in legislation and policy and/or political changes.

## Local Government Reorganisation – Implementation and transitional pressures

Due to the Local Government Reorganisation in Cumbria and the pace in which it has been required to be delivered, in there are inevitable LGR cost pressures. Some of these will be permanent as services are disaggregated and delivered across two new Unitary Council areas whilst others are temporary for a number of years because of the complexity remaining to completely separate and integrate services. Some of this is due to the disaggregation of County Council services and the need for duplication of staff across a number of services alongside the complexity of the ICT systems resulting in a number of legacy systems needing to be maintained in the short term.

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. These are shown in Table 3

**Table 3: LGR Pressures**

	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
<b>LGR Transitional costs</b>					
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	0.100	0.000	0.000	0.000	0.000
<b>Transitional Sub Total</b>	<b>1.350</b>	<b>1.250</b>	<b>1.000</b>	<b>0.000</b>	<b>0.000</b>
<b>LGR Permanent costs</b>					
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
<b>Permanent Sub Total</b>	<b>5.696</b>	<b>5.711</b>	<b>6.116</b>	<b>6.116</b>	<b>6.116</b>
<b>New Priorities</b>	<b>7.046</b>	<b>6.961</b>	<b>7.116</b>	<b>6.116</b>	<b>6.116</b>



## Additional Pressures following review of 2022/23 budget monitoring

A number of service pressures have also been identified for 2023/24-2027/28 following a review of 2022/23 budget monitoring positions across all sovereign councils and material recurring pressures are identified in Table 4.

**Table 4: Additional Recurring 2022/23 Pressures**

	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Inclusive Learning Direct Payments and Staffing - Increased demand	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 2022/23 inflation included on a permanent basis	2.195	2.195	2.195	2.195	2.195
Barrow Waste services	1.300	1.300	1.300	1.300	1.300
Building Maintenance Compliance	0.328	0.328	0.328	0.328	0.328
Inflation/Contingency adjustment	0.382	1.092	1.869	1.181	9.745
Revenue costs for additional Government support	0.627	2.553	2.553	2.553	2.553
Revenue costs for Capital Programme additions	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
<b>Pressures continuing from 2022/23 Sovereign budgets</b>	<b>10.508</b>	<b>14.854</b>	<b>16.425</b>	<b>15.830</b>	<b>24.657</b>

## Investing in our future

Significantly the Council are including Investment funding for 2023/24 and 2024/25 to enable it to deliver Integration and Improvement following vesting day from 1 April 2023, it also sees the need for Transformation and Investment and is looking to invest £16.5m in these areas in 2023/24 and a net £5m in 2024/25 shown in Table 5.

**Table 5: Investment Priorities**

	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m
Integration and Improvement	6.500	0.000	0.000	0.000	0.000
Transformation	5.000	5.000	0.000	0.000	0.000
Priority Investment schemes to deliver on the Council Plan	5.000	0.000	0.000	0.000	0.000
Investment in priorities and support for Communities (Second homes premium)	0.000	5.000	5.000	5.000	5.000
<b>Total</b>	<b>16.500</b>	<b>10.000</b>	<b>5.000</b>	<b>5.000</b>	<b>5.000</b>

## Inflation

Over the last 12 months the UK has seen inflation rise to its highest level for 40 years. Using the Office of Budget Responsibility forecasts for inflation, the five year budgets include an increase for inflation to ensure that the future cost of existing service delivery is built into the budget. Further impact of volatility in these assumptions is considered as part of the budget risk assessment and assessment of the adequacy of reserves considered later in this report. Table 6 shows the assumptions for inflation that have been used in developing the 2023/24-2027/28 budgets.

**Table 6: Inflation Assumptions 2023/24-2027/28**

	2023/24 %	2024/25 %	2025/26 %	2026/27 %	2027/28 %
Pay Award (estimated)	5.0	2.0	2.0	2.0	2.0
CPI forecast (Office for Budget Responsibility Autumn 2022)	10.1	5.5	0.00	(1.0)	0.8
RPI forecast (Office for Budget Responsibility Autumn 2022)	13.0	8.3	0.5	(0.5)	1.6
Foster Carer Fees and Allowances – linked to CPI	10.1	5.5	0.00	(1.0)	0.8

Before the pandemic, general measures of inflation such as RPI and CPI have been increasing but were broadly consistent with meeting the target of 2% in the medium term. Towards the end of 2021 and during 2022 as nationally and internationally economies reopened after the Pandemic inflation has risen substantially. This has been compounded by the impact of the war in Ukraine and the surge in energy prices, Alongside the Autumn Statement 2022, the Office for Budget Responsibility issued its economic and inflation forecasts. At the time of publication, the September 2022 CPI was 10.1%, the OBR forecast the CPI 2023/24 is 5.5%, before reducing to 0.0% in 2024/25, and (1.0%) in 2025/26 and 0.8% in 2026/27. The September 2022 RPI was 12.4%. It forecasts that RPI would be 8.3% for 2023/24, then fall to 0.5% in 2024/25, and (0.5%) in 2025/26 and 1.6% in 2026/27.

## Residential Care Independent Sector Rates

In 2018/19 commissioners at Cumbria County Council implemented a new set of contracting arrangements to reflect changes in the law and best practice and to support the provider market to develop the increasingly complex residential and nursing care services required to meet the changing needs of the Cumbrian population. The contracting arrangements operate as an Approved Provider list.

The social care market continues to face significant challenges due to the ongoing availability and resilience of their workforce. All providers have seen the cost of staffing increase as well as the impact of high energy prices and as well as inflationary increases to other operational costs. The Sovereign County Council recognised the need to support the market in the delivery of care awarding the 2023/24 provider uplift during 2022/23.

The following changes to the rates payable per week to independent residential care and nursing providers were implemented from the 3 October 2022.

**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



The following rates apply to placements delivered under the Open Framework Agreement for the provision of Older Adults Residential and Nursing Care Services. Only providers who are on the Framework will be eligible for the increased rates.

Where the Council does not contribute to the cost of care for people placed in the Independent Sector (i.e. full fee payers) they will be charged the cost as referred to in Table 7 or where a different need determines a separate individual cost then the full cost will be charged.

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 (excluding nursing costs)	2023/24 Proposed new banding rate (Oct 22)	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

## Contingency

The budget includes an annual revenue contingency to deal with (one off) in-year pressures if/when they arise. It is £1.1m for 2023/24 and £1m each year for 2024/25-2027/28.

## Existing Sovereign Savings

All existing savings that were built into the sovereign councils MTFPs have been reviewed and either removed or included as part of the totals for the new savings proposed below.

## New Savings

(£7.301m) of new savings have been identified for 2023/24 and are detailed in Table 9. (£2.750m) of the savings are one off for 2023/24 with permanent savings of (£4.551m) carrying into 2024/25 onwards.

Table 9: New Saving proposals

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	(2.100)	0.000	0.000	0.000	0.000
d) English National Concessionary Transport Scheme (ENCTS)	(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)	(0.350)	(0.350)	(0.350)	(0.350)	(0.350)
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
<b>Total</b>	<b>(7.301)</b>	<b>(4.551)</b>	<b>(4.551)</b>	<b>(4.551)</b>	<b>(4.551)</b>

- a) **Members Allowances** – Following LGR, the number of elected members has reduced from 158 to 65. As a result, the overall cost of basic member allowances will reduce.
- b) **Capitalisation of Community Equipment** – provides equipment and adaptations to support people to remain independent within their own homes. Expenditure of a capital nature totals (£1.551m). The capital expenditure will be funded through prudential borrowing releasing the associated revenue budget.
- c) **Treasury Management** – The sovereign Councils where possible use Cash balances to fund approved borrowing for capital borrowing. This temporary arrangement is subject to annual review. In conjunction to this interest rates on balances are higher (4% as at February 2023) and it is anticipated that this continues into 2023/24 and a one-off saving of (£2.100m) is included in 2023/24.
- d) **The English National Concessionary Travel Scheme (ENCTS)** is approved annually by Cabinet. In return for operating the scheme transport operators are reimbursed for ENCTS passengers. The number of passengers travelling on buses has not fully returned to pre COVID-19 levels and consequently the number of ENCTS passengers continues to remain lower. The number of ENCTS passengers during 2022/23 are forecast to be 1/3 lower than they were in 2018/19. The budget proposal assumes that whilst the number of passengers will increase above the current forecast they will not fully return during the MTFP period.

- e) Fees and charges income (Care)** – Due to the increase in the number of full fee payers and the inflationary increase in cost of care, additional income of (£1.800m) is budgeted to be received.
- f) Fees and charges (Non Care)** – Due to the increase in the cost of delivering some services, an inflationary uplift on a number of fees and charges has been applied, additional income is budgeted to be received to meet the increased cost. This net position also reflects a reduction in income from car parking of £0.250m due to reduced footfall.
- g) Reduced Employers Pension Contribution** – Following the triennial actuarial review the Councils pension employer contribution has reduced from 18.9% to 18.4%.
- h) Vacancies** – At any given time services will have vacancies that are being recruited to but this can take a period of months. This may be more likely due to the disaggregation of services and the level of vacancies. A 3% vacancy rate has been applied to the disaggregated County budget, excluding frontline services such as Adults and Children’s social care and Highways. This proposal is therefore for 2023/24 only.

## Precepts and Levies

The Council pays a number of precepts or levies to organisations. The estimated precepts for 2023/24 are set out in Table 10. These relate to flood defence levies and a levy towards the Inshore Fisheries Conservation Authority.

**Table 10: Precepts Paid**

Precepting Body	2023/24 £m
Environment Agency	0.161
North West Inshore Fisheries Conservation Authority	0.296
<b>Total Precepts Paid</b>	<b>0.457</b>



## Gross Budget

The difference between the Council's Net Budget and its Gross Budget is that the Gross Budget includes spend financed from specific grants such as the Dedicated Schools Grant (DSG), spend financed from fees and charges and spend financed from other sources of external income including NHS contributions for the health support element of care packages.

The estimated Gross Budget position for Westmorland and Furness Council is £557m. This includes £125.216m for Dedicated Schools Grant (DSG).

## Specific Grants

In respect of specific grants, they are often finalised by Government after the 1 April each year and budgets will be updated to reflect the specific grants received as part of the in year budget monitoring process.

The most significant specific grant is the Dedicated Schools Grant (DSG); this is used to fund Schools expenditure. The 2023/24 provisional Schools' Funding Settlement was announced on 19 December 2022, which gave a provisional figure for DSG of £198.022m for Westmorland and Furness for 2023/24. Of this £125.216m 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). Shown in Table 11.

**Table 11: Dedicated Schools Grant Settlement**

	<b>Schools Block</b>	<b>High Needs Block</b>	<b>Central Schools Services Block</b>	<b>Early Years Block</b>	<b>Total DSG 2023/24</b>	<b>Total DSG 2022/23</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Total DSG	155.509	1.698	27.640	13.176	<b>198.022</b>	187.108
Less Transfer to Academies/Other providers	71.111		1.696		<b>72.807</b>	66.098
<b>DSG Allocation to Westmorland &amp; Furness</b>	<b>84.398</b>	<b>1.698</b>	<b>25.944</b>	<b>13.176</b>	<b>125.216</b>	<b>121.010</b>

As part of the Finance Settlement Government announced two new specific grants of note. £1.304m from the Adult Social Care Market Sustainability and Improvement Fund is to make tangible improvements to adult social care. These improvements will have 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 from Adult Social Care Discharge Funding which forms part of Better Care Fund plans, which is aimed at reducing delayed transfers of care.

## Fees and Charges

An important element of the overall funding of the Council's services is the ability to raise revenue from fees and charges.

The overall aim is to ensure that the proportion of income raised from users of discretionary services meets the full cost of these services, rather than the costs falling on Council Taxpayers in general.

Council agrees the fees and charges that will be levied for the next financial year. This is in the form of a Fees and Charges Policy.

In respect of fees and charges there is a presumption that the levels of fees and charges should rise in line with the rate of inflation where deemed necessary. The expected income has been calculated as a net increase of £2.150m and will be utilised to cover increased costs of service provision.

The Fees and Charges Schedule will be available on the Council's website on 1 April 2023. All statutory notices to implement these will be published.

Where fees and charges are set by statutory bodies the fee for 2023/24, where these have been confirmed, will be included in the schedule. In some cases, the statutory increases have yet to be confirmed, when they are, the published Fees and Charges schedule will be updated.

## Other External Income

The Council receives additional external income to fund services it delivers.

The Better Care Fund (BCF) is the most significant external income that it receives, It is a programme spanning both the NHS and local government which seeks to join-up health and care services, so that people can manage their own health and wellbeing and live independently in their communities for as long as possible.

The BCF represents a unique collaboration between NHS England and NHS Improvement, the Department for Levelling Up, Housing and Communities (DLUHC), Department of Health and Social Care (DHSC) providing a mechanism for joint health and social care planning and commissioning, bringing together ring-fenced budgets from Integrated Care System (ICS) allocations, the Disabled Facilities Grant (DFG) and funding paid directly to local government for adult social care services and the Improved Better Care Fund (iBCF). £13.208m is received from the BCF and £9.304m from iBCF.

Other external income sources include £4.7m expected to be received in NHS contributions to commission social care packages of care for both Adults and Children.

## Housing Revenue Account

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.

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



# What are the Council's Capital Spending Plans?

## The Capital Programme

As with revenue this is the first 5 year Capital Programme for the new Westmorland and Furness Council and reflects the aggregation of the existing three sovereign District Councils capital programmes and disaggregation of the County Council programme. It also includes some additional investment to support delivery of the Council's priorities in the short and medium term resulting in an overall capital investment over the five year period of £252.786m

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 programme. During 2023/24 the five-year capital programme will continue to be reviewed and future investment plans will be developed to enable the Council to achieve its vision and priorities.

Any scheme slippage from the sovereign councils Capital Programmes from 2022/23 will be included in the 2023/24 capital programme as part of Q1 monitoring and outturn reporting from the sovereign councils.

As is usual in the Medium Term Financial Plan the capital programme is extended to include the 2027/28 financial year and where three year capital plans were in place it has been extended to include 2026/27 as well. For planning purposes the assumption is that the existing grants will be continued for those later years and where schemes are funded from prudential borrowing the same level of investment has been assumed. The detail is presented in Table 12.

Table 12: Extensions to Capital Programme

Scheme	Scheme 2026/27 £m	Scheme 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 Council 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		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
<b>Total for additions to existing schemes</b>	<b>4.269</b>	<b>22.247</b>	

## New investment and amendments to the capital programme

There is a limited number of new schemes being proposed for the capital programme for 2023-2028 due to the need to focus on consolidating and integrating the existing capital programmes.

There are four new schemes that have been included and they are presented in the table below. 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.

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.

Cumbria has been successful in its recent bid for the Levelling Up Fund 2. For Westmorland and Furness the total funding available is £3.494m.

Finally 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. The detail is presented in Tables 13 and 14.

**Table 13: 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
Additional Inflation Risk Allowance 2023/24	3.823	0	0	0	0	3.823
<b>Total for New Schemes</b>	<b>9.641</b>	<b>6.798</b>	<b>1.551</b>	<b>1.551</b>	<b>1.551</b>	<b>21.092</b>



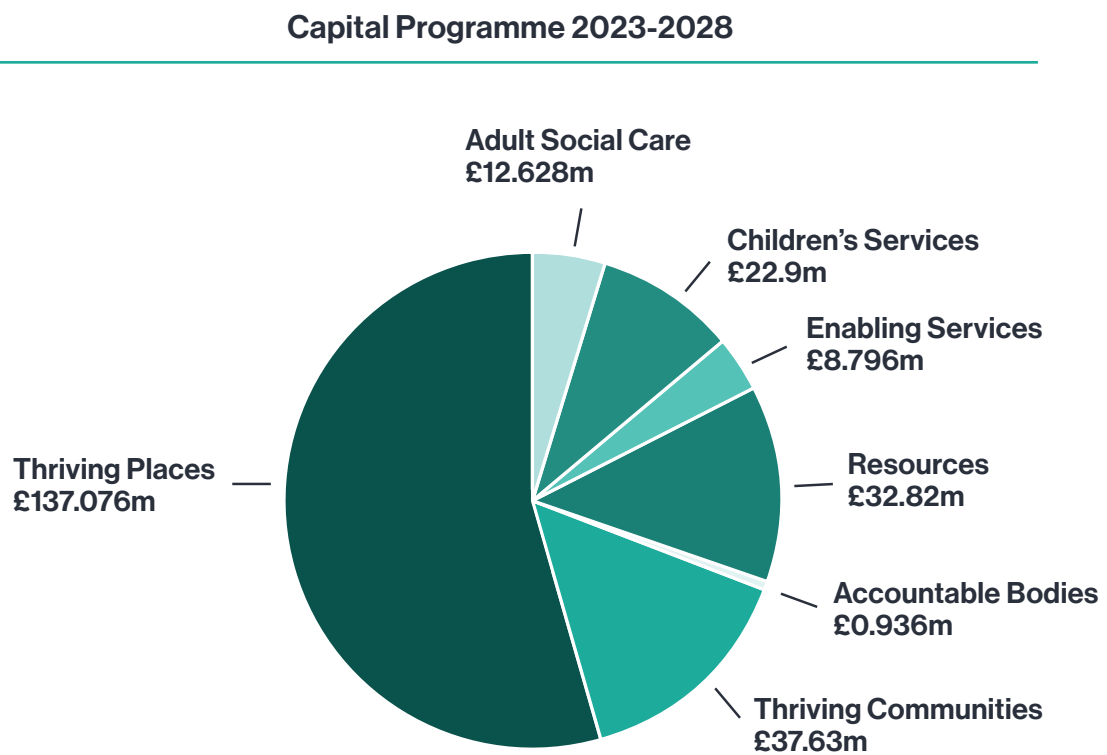
Table 14: Amendments to existing Schemes 2023-2028

Scheme	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 2022/23 for a replacement electric Windermere Car Ferry.  Therefore the existing ferry, The Mallard, will need to remain in service for longer than originally planned.
Windermere Ferry and slipway -essential works	0.894	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 2023/24 the planned spend of £4.5m is to be removed.
New Ulverston Leisure Centre – Phase 2 and 3	(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 ringfenced in revenue reserves.
<b>Total for amendments to existing schemes</b>	<b>(14.981)</b>	

Appendix 1 details the £252.786m Capital Programme for the Council from 2023/24-2027/28

Chart 3 provides a summary view of investment by Directorate.

**Chart 3: Overview of the Capital Programme 2023-2028**



## Future Capital Programme Projects

The development of the Capital Programme is an incremental process throughout the year and changes (including additional schemes) can be approved by Cabinet and Council throughout the year – ensuring the programme remains current and able to meet emerging needs. This provides greater certainty for financial and resource planning and this allows for a constant flow of completed and new projects entering the programme.

Below are some of the 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

A Capital Strategy is being developed for 2023/24.



## Capital Funding

The Capital Programme 2023-2028 is fully funded and is financed from external funding, Government grants, borrowing and capital receipts from sales of our assets. Target levels of borrowing are affordable and consistent with our revenue budget forecasts.

The Capital Programme can be funded, in part, on the funding generated from capital receipts. These receipts are realised from the disposal of Council land and buildings that are surplus to the Council's requirements. Whilst £3.7m of receipts have already been received, future receipts are dependent on Property Rationalisation that will form part of the overall Transformation Programme after which an estimate for Capital receipts will be calculated.

In many areas, particularly schools' capital grant funding and Strategic Highways and Transport, the future years' funding is provisional and subject to further potential changes before confirmation.

Table 15 provides a summary of the funding to support the Capital Programme 2023 - 2028.

**Table 15: Capital Financing Summary**

	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	Total 2023-2028 £m
Grants	65.417	46.296	19.637	16.497	15.994	<b>163.842</b>
Contributions	2.756	0.500	0.000	0.000	0.000	<b>3.256</b>
Revenue Contributions to Capital	8.545	3.357	2.426	2.226	2.226	<b>18.780</b>
Capital Receipts	2.357	0.750	0.600	0.000	0.000	<b>3.707</b>
Prudential Borrowing	25.089	16.466	9.668	6.400	5.578	<b>63.201</b>
<b>Total for Capital Programme</b>	<b>104.164</b>	<b>67.370</b>	<b>32.331</b>	<b>25.123</b>	<b>23.798</b>	<b>252.786</b>

# What are the Council's Prudential Indicators?

## Prudential Code

The Local Government Act 2003 includes the requirement that Local Authorities have regard to the Prudential Code (the Code). The Code (as revised in 2021) requires the Council to assess its capital investment plans and ensure they are affordable, prudent and sustainable. This must be substantiated by the production of a range of prudential indicators, which cover capital investment and treasury management plans for the forthcoming five years.

The key objective of the Prudential Code is to provide a framework for local authority capital finance to ensure that:

- capital expenditure plans and investment plans are affordable and proportionate;
- all external borrowing and other long term liabilities are within prudent and sustainable levels;
- the risks associated with investments for commercial purposes are proportionate to their financial capability and;
- treasury management decisions are taken in accordance with professional good practice.

The Prudential Code specifies a range of indicators that must be used, and other factors that must be taken into account. They should be evaluated as a coherent entity, because changes in any one indicator often impact on others. They must also be considered in conjunction with other annual strategic financial plans, such as the annual revenue and capital budgets. The effects that any alternative options in these budgets might have on the indicators must also be considered before approval is given to the final financial strategic plan.

This system of capital finance allows the Council to have much greater flexibility and freedom over its borrowing. However, it does not provide additional central Government support for the cost of borrowing. Consequently, the cost of additional capital expenditure has to be met from revenue and has to be affordable and sustainable in the long term.

The Prudential Code indicators are set out in the Treasury Management Strategy and agreed by full Council. Full Council must also agree any future changes to these indicators.

Likewise the MRP policy is approved as part of the Treasury Management Strategy by full Council annually.

## Reserves

The Council aims to establish reserves based on financial risk and limit the use of reserves to support on-going spending. General Fund reserves effectively exist to ensure that the risks do not destabilise the services that are being provided during the year. Reserves form an important part of the financial strategy, allowing the authority to manage uncertainty, change and risk without undue impact on the Council Tax.

Without adequate General Fund reserves Councils remain vulnerable to unpredictable costs such as those arising from natural disasters (flooding) or extra-ordinary variation in service demands. Reserves are a key element in strong financial standing.

The 2003 Local Government Act also provides potential intervention powers if the Government believes balances are at too low a level. In times of austerity such as these, there may be a temptation to “raid” current balances and reserves rather than reduce services through a programme of savings. However, this action must be seen in the light of the prevailing risks. When there is significant change there is a greater risk that financial difficulties may occur and thereby require recourse to balances.

An important factor to consider is that balances can only be spent once. There is a significant risk of financial instability if significant levels of balances are used to fund ongoing spending or reductions in Council Tax. The introduction of referendum thresholds through the Localism Act limits the ability of Councils to replenish reserves from Council Tax increases. The level of reserves held overall is a balance between the risks facing the County and the need to protect the County and Council Tax payer from the short and longer term potential impact of these risks and the opportunity costs of holding those balances.

## General Fund Balance

The General Fund Balance is estimated at 1st April 2023 to be £19.8m.

This is a combination of the position estimated by the sovereign councils as at their Q3 (31 Dec 2022) budget monitoring outturn position. The final reserve balances will only be available once the annual accounts for 2022/23 for all relevant sovereign councils have been audited.

The Director of Finance considers that the General Fund Balance should be in the range £15m to £25m. This level recognises the uncertainty the Council faces in the first early years of the Council.

Table 16 sets out the main risks associated with the 2023/24 budget, and how the risk will be managed.



Table 16: Budget Risks

Risk	Management and Mitigations
<b>Overspend on budget</b>	The current year's budget has been impacted by high levels of inflation, the longer-term impacts of COVID-19 and ongoing demand pressures for many service areas. The 2023/24 has been adjusted for these based on latest estimates. A balanced budget has been set for 2023/24 which includes circa £7m of savings to be delivered. There does however remain a high risk of potential overspend given the impact of bringing 4 councils together and the current economic climate. Monitoring of the budget during year will be a key mitigation.
<b>Social Care - Market Sustainability and sufficiency</b>	<p>Sufficiency of Social Care provision is a significant risk nationally resulting in additional financial and non-financial support being required to sustain the provider market.</p> <p>Close working is continuing with our health partners to mitigate the risk as a health and social system. Agreement on the use of the ring fenced additional discharge funding and use of the market sustainability grant will partly mitigate the risk. National lobbying through Association of Directors of Adult Social Care (ADASS) Local Government Association (LGA) and the Care Provider Association is ongoing.</p>
<b>Level of Reserves reduces to low levels</b>	The level of General Reserves are estimated to be circa £20m. The level of earmarked reserves (excluding DSG) is estimated at £38m. Any overspend or non-delivery of savings will impact upon the level of general reserves. There will be a full review of reserves once the 2022/23 statement of accounts have been produced.
<b>Unitary preparations and Transitional Costs</b>	More detailed budget monitoring will be required in 2023/24 to manage costs as the stabilisation and harmonisation of services are delivered. Additional pressures resulting from the Local Government Reorganisation process have been included within the budget in the short and medium term.
<b>Economic downturn impacts on income</b>	This will continue to be reviewed as part of budget monitoring
<b>Volatility of Business Rate Income and Council Tax</b>	This will continue to be reviewed as part of budget monitoring
<b>Capital projects – inflation pressure</b>	<p>Capital spending is monitored on a monthly basis as part of the Council's corporate performance monitoring framework and reported to Cabinet quarterly. Contingency budgets are now incorporated into cost estimates allowing general management of cost increases to be managed within the scheme.</p> <p>Due to extraordinary inflation increases and uncertainty on when supply issues may return to normal a £10.7m inflationary risk allowance has been included in the Capital Programme.</p>

<b>Accountable Bodies</b>	Ensure when the Council takes on Accountable Body responsibilities it is fully aware of the conditions of funding received.  Continual monitoring of all Accountable Body arrangements including Assurance Frameworks are ongoing to ensure that funding conditions are being met.
<b>Unforeseen events / Emergency response</b>	By their nature these events are unplanned but can be addressed by having adequate business continuity and emergency plans in place to cover these situations. Adequate general reserves are assumed to be available to meet any additional costs that may arise, not all costs are met by Belwin arrangements.
<b>Changes to Government Policy that affects future funding (Social Care)</b>	Further funding for social care was made available in the Settlement but funding still remains lower than demand and inflationary pressures within the service. Fair Cost of funding has now been delayed until 2025 and with the funding being given to local authorities for current pressures it remains to be seen how this will be funded in the longer term
<b>Govt approval for additional financial support is not approved</b>	Revenue spend for 2023/24 will need to be reprioritised to ensure a balanced budget position is maintained.

## Earmarked Reserves

As at 1st April 2023 the estimated earmarked reserves is £37.974m.

Planned use of reserves is limited in recognition of the risks that the Council faces.

DSG funded reserves includes delegated school fund balances and centrally held DSG reserve and are explained in more detail below.

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”.

## School Balances

The individual school balances net surplus position is expected to stand at £3.587m as at 31 March 2023. This compares to a net surplus of £4.739m as at 31 March 2022.

## Dedicated School Grant Reserve

The Central DSG Reserve is expected to have a net surplus of (£3.544m) at 31 March 2023. This compares to a net surplus of (£2.458m) as at 31 March 2022. The High Needs Block Reserve is expected to have a net deficit of £12.234m as at 31 March 2023. This compares to a net deficit of £8.585m at 31 March 2022. The deficit on the High Needs Block and the associated actions to manage this are being monitored by the Schools Forum and Cabinet through the High Needs Recovery Plan.

Like many other authorities, Westmorland and Furness continues to experience pressure on the High Needs Block of the DSG. The Westmorland and Furness deficit is largely as a result of increasing numbers of children and young people with Education Health Care Plans (EHCPs) following the changes in LAs' management of children and young people with SEND since the implementation of the Children and Families Act 2014. The rate of increase, which is in line with the national picture, does not appear to be slowing down. There is also pressure on independent day and residential placements. A number of invest to save initiatives have been developed in conjunction with Cumbria Schools Forum with the aim of developing more in-County provision.

The Council, along with other authorities, has been invited to take part in the Delivering Better Value in SEND programme which aims to help authorities with large High Needs Block deficits to put in place initiatives that will enable provision of SEND services to become more sustainable over time. Applications for both Cumberland and Westmorland & Furness have recently been submitted and are awaiting the outcome. If successful a grant of £1m is expected to be awarded for each authority.

## Revenue Grants Reserves

The estimated balance of revenue grants reserves at 31 March 2023 is £3.360m. These balances relate to revenue grants that have been received but the expenditure that they relate to has not yet been incurred.



## Other Earmarked Revenue Reserves

There are a number of other earmarked reserves, such as the Insurance reserve. An assessment of these reserves has been undertaken and they are assessed as adequate.

A summary of the Council's reserves is set out in table 17.

## Summary of Reserves

Table 17: Summary of Reserves

Reserves Balances forecast at 31 March 2023	Barrow £m	Eden £m	South Lakeland £m	Disaggregated Cumbria £m	Total £m
Capital Reserves			(1,638)		(1,638)
Ringfenced Revenue Grants EMR				(3,360)	(3,360)
Earmarked Reserves including HRA	(3,414)	(3,499)	(6,102)	(19,963)	(32,977)
<b>Total Earmarked Reserves</b>	<b>(3,414)</b>	<b>(3,499)</b>	<b>(7,739)</b>	<b>(23,322)</b>	<b>(37,974)</b>
DSG - School Reserves				(3,587)	(3,587)
DSG - Central and High Needs				8,690	8,690
<b>Total DSG Reserves</b>				<b>5,103</b>	<b>5,103</b>
<b>General Fund Balance</b>	<b>(2,300)</b>	<b>(2,087)</b>	<b>(4,976)</b>	<b>(10,483)</b>	<b>(19,846)</b>
<b>Overall Total</b>	<b>(5,714)</b>	<b>(5,586)</b>	<b>(12,715)</b>	<b>(33,802)</b>	<b>(57,817)</b>

## Glossary of Terms

**Capital Expenditure** - Spending on the acquisition of Property, Plant and Equipment or intangible assets, or which enhances the value of an existing asset. Other types of expenditure can be capitalised but only with the express permission of the Secretary of State.

**Capital Receipts** – These receipts are generated by the disposal of non-current assets.

**Council Tax** – The Local Government Finance Act 1992 introduced Council Tax with effect from 1st April 1993 which is based upon property values. There are eight valuation bands for chargeable dwellings ranging from band “A” (the lowest valued properties) to band “H” (the highest valued properties). The Council levies the tax based upon Band D properties; the actual charge will depend upon the banding of the individual dwelling – i.e. those properties in Bands A to C will pay less Council Tax whilst those in bands E to H will pay more.

**Earmarked Reserves** – Amounts set aside by the Council to meet future financial liabilities.

**Medium Term Financial Plan (MTFP)** – The process of identifying and aligning service pressure, corporate priorities and objectives as well as available resources over the medium term (5 years) and budgeting accordingly.

**Minimum Revenue Provision (MRP)** – The amount of money the Council must statutorily set aside in line with the MRP policy adopted by the Council as part of its Medium Term Financial Plan to support the repayment of debt.

**Precept** – In the calculation of the Council Tax for a particular year, precepts levied by appropriate bodies must be taken into account.

**Reserves** – Amounts set aside for purposes falling outside the definition of Provisions are considered as Reserves – expenditure is not charged direct to any Reserve.

**Revenue Expenditure** – Money spent on the day to day running costs of providing the various services. It is usually of a constantly recurring nature and produces no permanent asset.

# Appendix 1

## Council Capital Programme 2023/24 to 2027/28

Capital Scheme	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	Total 2023-2028 £000
<b>Adult Social Care</b>						
Chronically Sick and Disabled Persons Adaptations	323	108	108	108	108	<b>755</b>
Community Equipment	1,551	1,551	1,551	1,551	1,551	<b>7,755</b>
Cumbria Care Residential	865	865	865	0	0	<b>2,595</b>
Extra Care Housing / Accommodation with Care & Support- available for new schemes	773	750	0	0	0	<b>1,523</b>
<b>Adult Social Care Total</b>	<b>3,512</b>	<b>3,274</b>	<b>2,524</b>	<b>1,659</b>	<b>1,659</b>	<b>12,628</b>
<b>Children's Services</b>						
High Needs Provision	1,613	792	0	0	0	<b>2,405</b>
Inclusion Strategy	3,750	0	0	0	0	<b>3,750</b>
Prioritised Capital Maintenance Projects/ Schools Maintenance	3,146	3,146	3,146	3,146	3,146	<b>15,730</b>
Residential Provision for Children & Young People	150	0	0	0	0	<b>150</b>
Basic Need Schemes	865	0	0	0	0	865
<b>Children's Services Total</b>	<b>9,524</b>	<b>3,938</b>	<b>3,146</b>	<b>3,146</b>	<b>3,146</b>	<b>22,900</b>
<b>Enabling Services</b>						
ICT Investment/Additional ICT Investment	3,000	3,980	480	480	480	<b>8,420</b>
Mobile Working	0	0	120	0	0	<b>120</b>
IT Replacements	96	80	80	0	0	<b>256</b>

<b>Enabling Services Total</b>	<b>3,096</b>	<b>4,060</b>	<b>680</b>	<b>480</b>	<b>480</b>	<b>8,796</b>
<b>Capital Scheme</b>	<b>2023/24 £000</b>	<b>2024/25 £000</b>	<b>2025/26 £000</b>	<b>2026/27 £000</b>	<b>2027/28 £000</b>	<b>Total 2023-2028 £000</b>
<b>Resources</b>						
Highways Fleet Replacement	438	0	0	0	0	<b>438</b>
SEND Fleet Vehicles	220	0	0	0	0	<b>220</b>
Major Projects Match Funding	968	1,215	1,104	1,013	0	<b>4,300</b>
Corporate Property Planned Maintenance and improvement	1,440	1,440	1,440	1,440	1,440	<b>7,200</b>
Modernising the Estate	909	960	960	960	960	<b>4,749</b>
Additional Inflation Risk allowance	6,545	2,372	1,837	0	0	<b>10,754</b>
Carbon Reduction Scheme	125	0	0	0	0	<b>125</b>
Vehicle & Plant Programme (inc bins and boxes)	2,324	2,235	475	0	0	<b>5,034</b>
<b>Resources Total</b>	<b>12,969</b>	<b>8,222</b>	<b>5,816</b>	<b>3,413</b>	<b>2,400</b>	<b>32,820</b>
<b>Thriving Communities</b>						
Barrow Community Hubs	1,512	2,271	0	0	0	<b>3,783</b>
Funding - Heart of Cumbria Properties	700	290	0	0	0	<b>990</b>
Green Business Support Fund	100	100	0	0	0	<b>200</b>
Green Home Exemplar	450	0	0	0	0	<b>450</b>
Capital Grant - Frenchfield Stadium Improvements	100	0	0	0	0	<b>100</b>
Town Hall Redevelopment (Penrith)	125	0	600	0	0	<b>725</b>
Affordable & Empty Homes, Town Centre Properties.	341	0	0	0	0	<b>341</b>
S106 funded affordable homes purchase	56	0	0	0	0	<b>56</b>
Community Housing Fund	34	0	0	0	0	<b>34</b>
Extension and refurbishment to Rothay Park toilets (incl Changing Places toilet)	72	0	0	0	0	<b>72</b>
Disabled Facility Grants	2,150	2,043	2,043	2,043	2,043	<b>10,322</b>



Capital Scheme	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	Total 2023-2028 £000
<b>Thriving Communities (continued)</b>						
Ulverston Bank Clock Repairs	45	0	0	0	0	<b>45</b>
Play Areas (including community funded schemes and schemes arising from the Play Space Audit)	71	65	65	65	65	<b>331</b>
Grange Lido and Promenade	5,794	0	0	0	0	<b>5,794</b>
Rothay Park Retaining Wall Repairs	40	0	0	0	0	<b>40</b>
Repairs to Ferry Nab Jetty	25	0	0	0	0	<b>25</b>
Parkside Road Cemetery Roof Replacement	45	0	0	0	0	<b>45</b>
Design works, Stramongate, Kendal	221	0	0	0	0	<b>221</b>
HRA planned maintenance	2,161	2,161	2,161	2,161	2,161	<b>10,805</b>
North Central Renewal - Greengate Street	130	0	0	0	0	<b>130</b>
Private Sector Housing	0	94	0	0	0	<b>94</b>
Changing Spaces	95	0	0	0	0	<b>95</b>
Leisure Centre	225	567	0	0	0	<b>792</b>
Piel Island Facility Improvements	140	0	0	0	0	<b>140</b>
New Ulverston Leisure Centre - Phase 1	1,500	500	0	0	0	<b>2,000</b>
<b>Thriving Communities Total</b>	<b>16,132</b>	<b>8,091</b>	<b>4,869</b>	<b>4,269</b>	<b>4,269</b>	<b>37,630</b>
<b>Thriving Places</b>						
Strategic Highways and Transport	19,941	19,941	11,607	11,607	11,607	<b>74,703</b>
Penrith Junction Improvements	47	0	0	0	0	<b>47</b>
Active Travel Fund Barrow	4,752	0	0	0	0	<b>4,752</b>
Barrow Town Deal - Cycling and Walking	216	303	2,713	312	0	<b>3,544</b>
Barrow Levelling Up Fund (LUF)	20	0	0	0	0	<b>20</b>

Capital Scheme	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	Total 2023-2028 £000
<b>Thriving Places (continued)</b>						
DfT funded Flood Recovery Scheme	1,097	0	0	0	0	<b>1,097</b>
Live Labs Project	100	0	0	0	0	<b>100</b>
A592/A684 Road Safety Foundation Schemes	4,329	0	0	0	0	<b>4,329</b>
Storm Damage	275	0	0	0	0	<b>275</b>
Land/Waste Statutory Standards	936	936	237	237	237	<b>2,583</b>
Applethwaite Green Car Park, Windermere	250	0	0	0	0	<b>250</b>
EV Charging Points - Appleby	113	0	0	0	0	<b>113</b>
ERDF funded flood defence works	381	0	0	0	0	<b>381</b>
Coastal Communities Fund (includes £1.1 million for Grange Promenade)	683	0	0	0	0	<b>683</b>
Environment Agency lead Flood Relief Scheme Improvements	300	0	0	0	0	<b>300</b>
Kendal Car Parking improvements including potential purchase of site, machine upgrades and signage	400	0	0	0	0	<b>400</b>
Town Deal - Housing Market Renewal	2,717	1,500	76	0	0	<b>4,293</b>
Town Deal - Marina Village	710	187	0	0	0	<b>897</b>
Brownfield Land Release - Marina Village	1,469	0	0	0	0	<b>1,469</b>
Heritage Action Zone	108	0	0	0	0	<b>108</b>
Levelling Up Fund - Barrow Market & Public Realm	7,315	6,639	0	0	0	<b>13,954</b>
Levelling Up Fund - Accessibility	2,185	0	0	0	0	<b>2,185</b>
Town Deal - Learning Quarter	5,580	3,318	117	0	0	<b>9,015</b>

Capital Scheme	2023/24 £000	2024/25 £000	2025/26 £000	2026/27 £000	2027/28 £000	Total 2023-2028 £000
<b>Thriving Places (continued)</b>						
Town Deal - Hubs & Earnse Bay	1,365	1,902	0	0	0	<b>3,267</b>
Town Deal - Place Development	207	356	9	0	0	<b>572</b>
Town Deal - Cycling & Walking	283	2,531	537	0	0	<b>3,351</b>
Windermere Ferry - upgrade and slipway	894	0	0	0	0	<b>894</b>
LUF Energy Coast highways routes - upgrade	1,747	1,747	0	0	0	<b>3,494</b>
<b>Thriving Places Total</b>	<b>58,420</b>	<b>39,360</b>	<b>15,296</b>	<b>12,156</b>	<b>11,844</b>	<b>137,076</b>
<b>Grand Total excluding Accountable Body Schemes</b>	<b>103,653</b>	<b>66,945</b>	<b>32,331</b>	<b>25,123</b>	<b>23,798</b>	<b>251,849</b>
<b>Accountable Body Schemes</b>						
Cumbria Coastal Community Forest	511	425	0	0	0	<b>936</b>
<b>Accountable Bodies Total</b>	<b>511</b>	<b>425</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>936</b>
<b>Grand Total including Accountable Body Schemes</b>	<b>104,164</b>	<b>67,370</b>	<b>32,331</b>	<b>25,123</b>	<b>23,798</b>	<b>252,786</b>



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