

Budget process and strategy 2019/20 to 2023/24

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

Proposed 2019/20 Budget Strategy

- a. This proposed Budget Strategy explains the approach to setting a balanced budget for 2019/20 in accordance with the principles set out in the Medium Term Financial Plan. Through the MTFP updates, corporate issues have been addressed that will alter the future years position from the budget that was approved on 27 February 2018.
- b. To address future deficits, savings options have been approved for 2018/19 and for future years. Savings will also be sought to provide funding for budget pressures to ensure the Council Plan priorities are delivered. Members will be asked to consider the range of options for savings put forward and which are to be consulted on. These may include:
 - increasing income
 - reducing costs by improving service efficiency including the use of assets
 - reduction of costs through cutting overheads
 - alternative service delivery mechanisms
 - ceasing to deliver services
- c. The detailed service and capital budgets will be reviewed to ensure that these remain reasonable, with reference to the 2017/18 out-turn, monitoring during 2018/19 and the Service Managers' knowledge of any changes due to take effect over the budgeting time frame.

General Fund Services

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

- virements and minor (less than £10k gross) cost neutral changes can be made to base budgets without bid documents;
 - changes identified as part of the Customer Connect programme and savings identified as part of the Corporate Savings Exercise will be worked up into budget amendments as part of the budget process;
 - all other changes, including those that are statutory or demand led will need to be brought forward for consideration as part of a budget amendment process, signed-off by the AD and Portfolio Holder.
- e. More detail of the approach is given below:
- 1 Salary budgets are increased by known incremental advances. The 2018 pay award covered a two year period beginning April 2018 and included a 2% increase in April 2019 along with a new pay scale. From April 2020 2% will be included for inflationary pay awards. A 4% reduction will be allowed for vacancies and turnover on all salary cost centres; posts which are currently vacant will be budgeted at the scale mid-point; rates and thresholds for PAYE, NI and pension deductions will be updated.
 - 2 No allowance will be made for inflation in expenditure budgets unless contractually committed or unavoidable (e.g. energy, fuel and utility bills); the current inflation assumptions built in to the base will be reviewed and updated where necessary. Where a contract is due for re-tendering a review of the appropriate inflation rate and budget should be undertaken and a budget pressure bid prepared where necessary.
 - 3 Future year's income base budgets already have inflationary growth built into them. Where this cannot be met or managed through reductions in expenditure, this will be identified as a budget pressure.
 - 4 Fees and Charges need to be consistent with income budgets. This process must involve:
 - a. review of 2017/18 out-turn and any relevant multi-year trends;
 - b. review of current 2018/19 budget position;
 - c. review of future year income budget; and
 - d. assessment of the options for any changes to fees (structures as well as tariff) and the impact of this on the income budget.
 - e. For any service area where income budgets are £100k or more per annum, this process will be documented. All services will review the potential for new fees.

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

- 5 Existing base budgets will be challenged to identify savings that can be released to offset projected budget deficits.
- 6 Budget Pressures: the delivery of the Council Plan requires constant review of budgets to ensure funding is available to deliver the Council Plan priorities. Any increases to expenditure or decreases to income base budgets (excluding 1 and 2 above) will be either matched corporately by a compensating saving or will need to be submitted as budget pressures. The de-minimis is set at £10k.
- 7 If the budget deficit is balanced then resources may be made available for growth bids: where growth is to be funded from earmarked resources only then bids will be accepted as part of the budget process.
- 8 Reserves will be used in accordance with their agreed policies with the fundamental principle that they are not used to fund recurring expenditure.
- 9 Effective consultation will be carried out in accordance with the Corporate Consultation strategy.
- 10 Schemes which attract external funding need to be considered with reference to the Council Plan and capacity to deliver.
- 11 The Budget assumes a £5 Council tax increase annually from April 2018 onwards. The decision on the actual Council tax each year will be taken by Council in February and will be influenced by current Government policy and the influence of this on local government funding.
- 12 The working balance contributions be reviewed against the current long-term target minimum General Fund working balance of £1,500,000 by 31 March 2019; any surplus over this target should be transferred to the General Reserve.

Capital

- f. The approach to setting the capital programme will be as follows:
 - 1 A longer-term view will be taken of spending needs to balance priorities and resources more evenly over the life of the capital programme. The Council's property advisors will be consulted as to the on-going maintenance programme with the aim being to develop a 10 year programme for recurring capital costs.
 - 2 Bids for new initiatives which recover the investment in a 5 year period will be prioritised. Capital Bid documents will be required prior to a scheme being accepted as part of the Capital Programme. These are to be signed-off by the relevant Portfolio Holder and will be prioritised by Members as part of developing the 2019/20 to 2023/24 Capital Programme. Bids will be considered alongside future expected spend on major projects, as indicated in the capital programme.

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

Budget Process

- g. The approach to the review of the current-year budget, based on budget monitoring, will continue. The Council's Efficiency and Value for Money Strategy will be applied. The 5 year position will be set out as part of the process.
- h. Regular budget reports will be provided to inform Members on the emerging issues. This will integrate information from review of base budgets, higher level factors (such as the grant settlement) represented in the MTFP and the corporate savings process.
- i. Following approval of these proposals, Assistant Directors, managers and finance staff will work together on the preparation of budgets based on the strategy set out (ensuring consultation with the relevant Portfolio Holders). Work will continue to be undertaken on refining the options for reducing the deficits currently projected and inclusion in the future Budget reports.
- j. The Draft Budget and Council Plan will be consulted on in accordance with the Consultation Plan. The Draft Budget will also be subject to the statutory four week period post the 18 December 2018 Council meeting.

First draft timetable

The purposed of this appendix is to set out the timing of key events in the 2019/20 budget setting process

High level 2019/20 Budget and Council Plan timetable

Task	Who	Due date
Update the Medium Term Financial Plan and Budget Strategy	SMT and Cabinet Members/ FS Manager	O&S 13 July (28/6 GK) Cabinet 18 July (2/7 GK) Council 24 July (5/7 GK)
Preparation of detailed base budgets	Budget Holders and Finance	August – 28 November Cabinet (5/11 GK)
Service Development Proposals & Review of Council Plan		Bid submission deadline of 30 August 2018
Complete Capital Bid Pro Forma Revenue Growth Bid Pro Forma Revenue Savings/Increased Income	Finance, Budget Holders and Assistant Directors in consultation with Portfolio Holders and appropriate Members	Summary of the Budget process to date to be included in the 31 Oct Cabinet Reports (8/10 GK)
Vehicle and Plant budget proposals	Jim Maguire, Chief Accountant	As above
SMT Bid consideration	Special SMT	6 Sept (4/9 GK) 9am - 1pm
Informal Cabinet/SMT Meeting to score the Revenue and Capital bids – Budget Prioritisation Meeting	Assistant Directors, Cabinet Members and Finance	14 Sept (12/9 GK) 10-2pm
Fees and Charges	Lake Admin.	5 October (20/9 GK)
Updated MTFP Fees and Charges options	SMT/Cabinet Members Assistant Directors and Chief Accountant in consultation with Portfolio Holders	Cabinet 31 October (8/10 GK)
Quarter 2 Monitoring	Chief Accountant/FSM/Finance PH and Cabinet Members	O&S 26 October (GK 11/10), Cabinet 28/11, and Council 18/12

Task	Who	Due date
Draft Budget Report including: 1) Update MTFP 2) Draft 5 year detailed Base Revenue and Capital Budgets 3) Draft 5 year Budget Options for Service Growth and Savings (including increases in income) 4) Draft Fees and Charges Options 5) Repairs and Maintenance Budget 1 st draft Council Plan	CFO and Assistant Directors Budget options aligned to corporate priorities and draft Council Plan Cabinet Members	Special SMT 8/11 for Budget Report (GK 6/11) 9 to 12 noon Cabinet 28 November (5/11 GK)
Fees and Charges	Licensing	06 Nov (22/10 GK)
1 st Draft Budget (as above)	Cabinet (if needed) All councilor Budget Briefing Council (with Draft Council Plan) 4 weeks statutory consultation period commences	12 December (19/11 GK) 3.30pm 18 December (19/11 GK) From 19 December
Draft Council Plan (including consultation with stakeholders)	O&S	11 January (24/12 GK)
1 st Draft Budget Draft Treasury Management Strategy Relevant Service Budget Report extracts including Fees and Charges	O&S Planning Committee Licensing Committee Lake Admin Committee	11 January (24/12 GK) 03 January (14/12 GK) 15 January (28/12 GK) 25 January (10/01 GK)
2 nd Draft Budget including consideration of O&S and other consultees comments on the 18/12 Draft Budget proposals 2 nd Draft Council plan (for approval including consultation feedback)	Cabinet if needed for the Budget	23 January (31/12 GK)

Task	Who	Due date
Quarter 3 Monitoring	Chief Accountant/FSM/Finance PH and Cabinet Members	O&S 1 Feb, Cabinet 6 Feb and Council 26 Feb (GK 14/01)
Formulation of Final Budget proposal Final Council Plan (if not approved in Jan) Final Treasury Management Strategy	Cabinet	6 February (14/01 GK)
Approval of Budget, Council Tax and Treasury Management Strategy Adoption of Council Plan	Council	26 February (28/01 GK)

The purpose of this appendix is to set out further detail of the MTFP financial model.

	2019/20 £000	2020/21 £000	2021/22 £000	2022/23 £000	2023/24 £000
Expenditure					
Employee Costs	14,560.3	14,872.2	15,242.7	15,603.4	15,921.9
Running Costs	9,689.2	9,745.5	9,788.0	9,918.6	10,102.5
Capital Charges	3,788.8	3,592.9	3,528.8	3,502.3	3,502.3
Customer Connect	2,031.0	0.0	0.0	0.0	0.0
Total Service Expenditure	30,069.3	28,210.6	28,559.5	29,024.3	29,526.6
Income					
Car Parking Income	(4,532.2)	(4,618.3)	(4,706.2)	(4,795.8)	(4,887.2)
Contributions from other Local Authorities and Public Bodies	(38.9)	(39.3)	(39.6)	(68.5)	(68.5)
General Income	(4,260.2)	(4,326.6)	(4,390.1)	(4,373.2)	(4,356.4)
Government Grants	(483.9)	(560.7)	(560.7)	(590.7)	(622.3)
New Homes Bonus	(658.1)	(28.6)	(28.6)	0.0	0.0
Lake Income	(1,459.5)	(1,492.6)	(1,518.6)	(1,544.2)	(1,570.2)
Recycling Credits	(1,425.3)	(1,468.1)	(1,512.1)	(1,557.5)	(1,604.3)
Total Service Income	(12,858.1)	(12,534.2)	(12,755.9)	(12,929.9)	(13,108.8)
Net Service Budget	17,211.2	15,676.4	15,803.6	16,094.4	16,417.8
Corporate items					
Interest Receivable	(199.0)	(214.7)	(215.1)	(223.7)	(232.6)
Interest Payable	747.8	765.6	780.6	801.3	822.5
Other Govt Grants	(347.9)	0.0	0.0	0.0	0.0
Income from Council Tax (net of Parish Precept)	(8,904.3)	(9,182.0)	(9,462.3)	(9,745.0)	(10,030.2)
Parish Grant	92.0	92.0	92.0	92.0	92.0
Retained Business Rates	(3,536.7)	(2,756.8)	(2,241.2)	(1,725.6)	(1,328.6)
Direct Revenue Financing	618.5	567.3	451.0	586.5	586.5
Minimum Revenue Provision	751.7	982.7	1,021.3	1,226.0	1,411.3
Reversal of Capital Charges	(3,788.8)	(3,592.9)	(3,528.8)	(3,502.3)	(3,502.3)
Transfers to/(from) Reserves	126.5	(198.0)	(12.9)	(127.1)	(127.1)
Transfers from Reserves: Customer Connect	(2,031.0)	0.0	0.0	0.0	0.0
Total Corporate Items	(16,471.2)	(13,536.8)	(13,115.4)	(12,617.9)	(12,308.5)
Projected Surplus/Deficit (-/+)	740.0	2,139.6	2,688.2	3,476.5	4,109.3
Customer Connect savings	(740.0)	(1,550.0)	(1,550.0)	(1,550.0)	(1,550.0)
Projected Surplus/Deficit (+/-) Nov '18	0.0	589.6	1,138.2	1,926.5	2,559.3

Appendix 3

The purpose of this appendix is to set out the revenue budget pressures from 2019/20 onwards
Revenue Pressures

Scheme	Portfolio	AD area	Description	2019/20	2020/21	2021/22	2022/23	2023/24
Microsoft Licenses	Housing, People and Innovation	Performance and Innovation	Enterprise Microsoft licence fee increase.	20,000	20,000	20,000	20,000	20,000
Supporting people grant	Housing, People and Innovation	Strategic Development	Change to block funding for supporting people from the county council - previously was spot funding, resulting in a reduction in income.	39,000	39,000	39,000	39,000	39,000
Telephony	Housing, People and Innovation	Performance and Innovation	Previous year's telephony budget reductions not achievable. Increase in expenditure budget required.	13,500	13,500	13,500	13,500	13,500
Grounds maintenance	Environment	Neighbourhood Services	External contractor Living Wage cost pressure.	30,000	30,900	31,827	32,781	33,765
New pay scales	N/A	Corporate item	Impact of 2017/18 2 year pay settlement. Second year changes to pay scales.	147,961	230,047	254,918	324,374	346,028
Planning applications	Housing, People and Innovation	Strategic Development	Due to the changing nature/volume of planning applications SLDC has received during 2018/19 it has become apparent that the current income budget for planning fee's is not consistent with the fee's being received to date. Future years income budgets already reduced.	75,000				
Rental income	Economy and Assets	Strategic Development	South Lakeland House rental income reduction due to surplus space not being let	14,000	14,000	14,000	14,000	14,000
Other base budget adjustments				-8,972	17,614	2,933	5,233	7,133
				330,489	365,061	376,178	448,888	473,426
				<u>1,994,042</u>				

The purpose of this appendix is to set out the revenue growth proposals for 2019/20 onwards

Name	Portfolio	AD area	Description	2019/20	2020/21	2021/22	2022/23	2023/24
Business Support Programme	Economy and Assets	Strategic Development	Provision of Business Support programme available to South Lakeland businesses of all sizes and sectors. Including specialist training, advice and mentoring for existing businesses and those looking to start up. This is a further phase of an ongoing successful initiative to aid business performance and growth, and its continuation will help create and sustain jobs in the district	50,000	50,000	50,000		
				50,000	50,000	50,000	0	0

The purpose of this appendix is to set out the revenue savings for 2019/20 onwards

Revenue Savings

Name	Portfolio	AD area	Description	2019/20	2020/21	2021/22	2022/23	2023/24
Corporate Budget Review	N/A	Corporate item	Review of corporate budgets including insurances, energy and business rates	-43,800	-43,800	-43,800	-43,800	-43,800
Community Toilet Scheme	Finance	Performance and Innovation	Changes to the Community Toilet Scheme as per Cabinet decision CEX/87	-19,500	-25,500	-30,500	-30,500	-30,500
Kendal Museum	Economy and Assets	Strategic Development	Revenue savings as a result of transfer of Kendal Museum to third party	-100,000	-100,000	-100,000	-100,000	-100,000
Car Parks	Economy and Assets	Neighbourhood Services	Increase in base budget for volume changes as identified in 2018/19 monitoring	-160,000	-160,000	-160,000	-160,000	-160,000
				-323,300	-329,300	-334,300	-334,300	-334,300
				-1,655,500				

Capital Programme 2018/19 - 2023/24

Programme Spending by Project	2018/19 Approved July 2018	Re-profiling and adj	2018/19 Revised	2019/20	2020/21	2021/22	2022/23	2023/24	Total 2018/19 to 2023/24
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Play Areas (including community funded schemes and schemes arising from the Play Space Audit)	341.0	144.2	485.2	20.0	20.0	20.0	20.0	20.0	585.2
Millerground Public Open Space, Access and Play Project	138.3	22.2	160.5	0.0	0.0	0.0	0.0	0.0	160.5
Grange Regeneration	0.0	0.0	0.0	157.3	0.0	0.0	0.0	0.0	157.3
Nobles Rest	193.4	-15.3	178.1	0.0	0.0	0.0	0.0	0.0	178.1
Ferry Nab Redevelopment Phase 1	42.6	0.0	42.6	0.0	0.0	0.0	0.0	0.0	42.6
Cockshott Point Entrance Improvements	0.0	1.8	1.8	0.0	0.0	0.0	0.0	0.0	1.8
Waterhead Public Jetty	27.0	4.4	31.4	0.0	0.0	0.0	0.0	0.0	31.4
Public Realm - The Glebe phase I and II	50.0	0.0	50.0	0.0	0.0	0.0	0.0	0.0	50.0
Kendal Town Centre Public Realm	19.5	3.1	22.6	0.0	0.0	0.0	0.0	0.0	22.6
New Road Common (approved Council 12 Oct 2017)	231.0	0.0	231.0	0.0	0.0	0.0	0.0	0.0	231.0
Kendal Leisure Centre (including changing rooms)	159.6	0.0	159.6	0.0	0.0	0.0	0.0	0.0	159.6
Wordsworth Trust contribution	42.0	0.0	42.0	0.0	0.0	0.0	0.0	0.0	42.0
Festival Infrastructure	64.8	0.0	64.8	0.0	0.0	0.0	0.0	0.0	64.8
Flood impact works Rothay Park	207.2	0.0	207.2	0.0	0.0	0.0	0.0	0.0	207.2
Footway Lighting	49.4	0.0	49.4	25.0	25.0	25.0	25.0	25.0	174.4
IT Replacements	80.0	0.0	80.0	80.0	80.0	80.0	80.0	80.0	480.0
Customer Connect	290.0	0.0	290.0	300.0	0.0	0.0	0.0	0.0	590.0
Mobile Working	120.0	0.0	120.0	0.0	0.0	0.0	0.0	0.0	120.0
Town and Car Park signing	16.2	0.0	16.2	0.0	0.0	0.0	0.0	0.0	16.2
South Lakeland House carpark works	377.5	0.0	377.5	0.0	0.0	0.0	0.0	0.0	377.5
Car park re-surfacing	339.7	0.0	339.7	25.0	0.0	0.0	0.0	0.0	364.7
Vehicle & Plant Programme (inc bins and boxes)	1,169.0	0.0	1,169.0	1,711.0	594.0	499.0	690.0	2,100.0	6,763.0

Capital Programme 2018/19 - 2023/24

Programme Spending by Project	2018/19 Approved July 2018	Re-profiling and adj	2018/19 Revised	2019/20	2020/21	2021/22	2022/23	2023/24	Total 2018/19 to 2023/24
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Disabled Facilities Grants	743.4	191.0	934.4	661.0	661.0	661.0	603.0	603.0	4,123.4
Right to buy replacement scheme	495.0	0.0	495.0	0.0	0.0	0.0	0.0	0.0	495.0
Affordable & Empty Homes, Town Centre Properties.	359.0	-191.0	168.0	260.0	260.0	260.0	260.0	0.0	1,208.0
S106 funded affordable homes purchase	146.0	0.0	146.0	0.0	0.0	0.0	0.0	0.0	146.0
Cross-a-Moor junction improvement	300.0	-300.0	0.0	300.0	0.0	0.0	0.0	0.0	300.0
Community Housing Fund	490.0	0.0	490.0	0.0	0.0	0.0	0.0	0.0	490.0
Kendal Museum contribution	85.0	0.0	85.0	0.0	0.0	0.0	0.0	0.0	85.0
Coronation Hall alterations	79.8	0.0	79.8	0.0	0.0	0.0	0.0	0.0	79.8
Energy-saving building enhancements	149.2	0.0	149.2	0.0	0.0	0.0	0.0	0.0	149.2
Former Knitware Factory (Ulverston) site clearance	89.1	0.0	89.1	0.0	0.0	0.0	0.0	0.0	89.1
Kendal Town Hall stone work	3.2	29.7	32.9	0.0	0.0	0.0	0.0	0.0	32.9
Castle Dairy flood damage reinstatement	19.9	0.0	19.9	0.0	0.0	0.0	0.0	0.0	19.9
Kendal to Lancaster towpath trail	140.0	0.0	140.0	0.0	0.0	0.0	0.0	0.0	140.0
LIPS (excluding contributions to SLDC property included under individual properties)	439.1	-143.7	295.4	165.8	0.0	0.0	0.0	0.0	461.2
Grange Promenade Structural works	100.0	0.0	100.0	300.0	300.0	225.0	250.0	0.0	1,175.0
Braithwaite Fold Caravan Park extention	214.3	0.0	214.3	0.0	0.0	0.0	0.0	0.0	214.3
Burton Hertiage Grant Scheme (funded from LIPS)	0.0	0.0	0.0	80.0	80.0	80.0	0.0	0.0	240.0
Kendal Castle (funded from LIPS)	42.0	0.0	42.0	0.0	0.0	0.0	0.0	0.0	42.0
Car Parking Machines	140.0	0.0	140.0	0.0	0.0	0.0	0.0	0.0	140.0
Parkside Road, Kendal car park	160.4	0.0	160.4	0.0	0.0	0.0	0.0	0.0	160.4
Disabled Toilet improvements	50.0	0.0	50.0	0.0	0.0	0.0	0.0	0.0	50.0
ERDF funded flood defence works	1,556.7	-1,556.7	0.0	1,556.7	1,556.7	1,556.7	0.0	0.0	4,670.1
New Bids									
Housing Investment Fund: Loans to Housing Associations	0.0	0.0	0.0	3,000.0	3,000.0	0.0	0.0	0.0	6,000.0
New Ulverston Leisure Centre	0.0	0.0	0.0	0.0	9,200.0	0.0	0.0	0.0	9,200.0

Capital Programme 2018/19 - 2023/24

Programme Spending by Project	2018/19 Approved July 2018	Re-profiling and adj	2018/19 Revised	2019/20	2020/21	2021/22	2022/23	2023/24	Total 2018/19 to 2023/24
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Homeless Accommodation for Families	0.0	0.0	0.0	461.4	0.0	0.0	0.0	0.0	461.4
Abbot Hall redevelopment	0.0	0.0	0.0	100.0	0.0	0.0	0.0	0.0	100.0
Grange Lido	0.0	0.0	0.0	960.0	1,000.0	0.0	0.0	0.0	1,960.0
Bids subject to further assessment:									
Accommodation review									
Car park investments*									
Employment site land acquisition									
Rydal Road car park bridge									
Depot review									
Total	9,760.3	-1,810.4	7,950.0	10,163.2	16,776.7	3,406.7	1,928.0	2,828.0	43,052.6

*subject to detailed review of car parking strategy including potential new car parks at Oxenholme and Arnside, double decking options on existing car parks, provision in Kendal, Braithwaite fold surfacing and electric charging points

Capital Funding 2018/19 - 2023/24

	Balance April 2018 £000	Estimated Income £000	Use in capital programme £000	Potential Balance March 2024 £000
General				
Usable Capital Receipts	1,744	417	-1,953	209
VAT Shelter receipt	831	1,200	-2,031	0
New homes bonus (capital)****	1,271	1,138	-2,177	232
Earmarked or allocated				
Revenue (LIPS)	185	995	-995	185
IT replacement reserve	74	480	-480	74
Major Repairs Reserve	307	800	-868	239
General Revenue contributions	587	1,574	-1,940	221
Cap grants and contributions (inc S106)	593	7,924	-8,467	50
Disabled Facilities Grants	360	3,620	-3,980	0
Community Housing Fund*	2,309	0	-490	1,819
Right to Buy receipt**	3,788	4,200	-6,495	1,493
Borrowing				
Funding from borrowing***.	0	13,177	-13,177	0
Total	12,049	35,525	-43,053	4,522

*Ring fenced for Community Housing Schemes, £2.36m less £235k funding revenue budgets

**Ring fenced to support replacement of affordable housing.

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

****Subject to annual confirmation and settlement

RISK ASSESSEMENT OF LEVEL OF RESERVES: 31/3/19

Potential Risk	Risk Score	Weighting	Financial Exposure (£000)	Balance Required (£000)	Comment (Basis of Financial Exposure)
Base Budget Contingency for inflation or other unanticipated rise.	4	50%	301	151	Assumed at 1% of Gross Revenue Budget for 2019/20
Underachievement of Charges Income targets and spending exceeds budgets	4	50%	511	255	Estimate of 5% Customer Receipts Income forecasts for 2019/20
Underachievement of Investment Income	4	50%	130	65	1% of exposure of average balance of £13m
Insurance Excesses	5	50%	47	24	Based on 10% of insurance premia payments
Potential costs of legal challenges	2	25%	700	175	Based on estimated cost of a public enquiry or legal challenge
Savings not achieved	2	25%	3,927	982	Savings target at 31/3/23 including customer connect
Vacancy target not delivered	2	25%	556	139	Staff vacancy target topsliced from salary budgets
Pay increase	3	50%	146	73	2% allowance made in budget for pay increase from April 2020. Impact of additional 1% pay award
Increase in pension contributions	4	50%	360	180	Allowance for 1.5% increase in pension fund contributions at next triennial revaluation
Changes to existing government funding regimes	6	75%	1,942	1,457	50% of Total of RSG/transitional grant/Rural Services grant/NNDR retained funding, based on 2019/20 estimated settlement
Changes to existing external grants and contributions	4	50%	974	487	50% of total revenue grants and contributions received, excluding benefit subsidy and formula grant (based on 2019/20 excluding New Homes Bonus)
Impact of introduction of Universal Credit	2	25%	200	50	Increase in homelessness, changes in administration arrangements, reduction in collection rate etc
Changes to Homelessness requirements	2	25%	200	50	Changes in requirements for homelessness
Localisation of business rates	4	50%	227	114	Assume 5% reduction in rateable values based on 2017/18 estimate
Council tax reduction scheme	4	25%	64	16	SLDC share, based on 10% increase in claims based on 2018/19 estimate
Risk Management	9	100%	500	500	Monies set aside to meet the one-off costs of risk management
Emergency Contingency	9	100%	1,000	1,000	Emergency contingency fund - Council practice to allocate £1m for any unforeseen emergencies. Bellwin scheme cuts in at 0.2% of net budget and provides for up to 85% of eligible costs.
TOTALS			11,785	5,718	
Maximum Risk Based Reserve Balances				11,785	Total Financial Exposure
Recommended Risk Base Reserve Balances				5,718	from above
Minimum Risk Based Reserve Balances				2,946	25% of Total Financial Exposure
Projected Level of Reserves					
- General Fund Working Balance				1,500	Estimated balance 31/3/19
- General Reserve				4,304	Estimated balance 31/3/19
Projected Level of Reserves (General Fund)				5,804	
Projected (Shortfall)/Excess of Current Reserve Balance over Risk Based Reserves				86	assumes use the recommended risk based balance

Reserves Summary

Appendix 8

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

Reserve	Balance 31/3/2018 £000	Balance 31/3/2019 £000	Balance 31/3/2020 £000	Balance 31/3/2021 £000	Balance 31/3/2022 £000	Balance 31/3/2023 £000	Summary, Purpose and Commentary
General Reserve	(6,024)	(4,304)	(4,504)	(4,704)	(4,904)	(5,104)	The main use of this reserve in recent years has been to fund the one-off costs of flooding, staff redundancy and early retirements to enable organisational reorganisation and the discontinuation of direct provision of services. Unless allocated for a particular purpose, revenue budget under-spending and windfalls are added to the General Reserve. (For more details of the risk and an assessment of the potential financial exposure please see the Risk Assessment of Level of Reserves). The Medium Term Financial Plan provisionally assumes a £200,000 annual contribution to the Reserve, depending on quantification of the potential impact of these factors. Any balance on the General Fund working balance above £1.5m is transferred to this reserve as part of the closure of accounts.
Statutory Duties Reserve	(150)	(138)	(138)	(138)	(138)	(138)	Part of General Reserve earmarked for certain purposes: use delegated to SMT & reported as part of Corporate Financial Monitoring. Includes £50k legal costs/by-election contingency, £40k planning legal costs contingency, £60k enforcement legal costs contingency
Flooding Costs Reserve	(14)	0	0	0	0	0	Part of General Reserve earmarked for the costs of remediation of December 2015 floods, use delegated to Chief Finance Officer by Council February 2016
Carry-forward Reserve	(438)	(10)	0	0	0	0	Part of General Reserve earmarked for revenue budgets carried forward from 2017/18 to future years.
Building Control Fee Income Reserve	0	0	0	0	0	0	Statutory ring fenced reserve to record surpluses and losses on building control.
Local Land Charges Reserve	(95)	0	0	0	0	0	Statutory ring fenced reserve to record surpluses and losses on local land charges.
Hackney Carriage Licensing Reserve	12	12	12	12	12	12	Statutory ring fenced reserve to record surpluses and losses on licensing.
Licensing Act Reserve	(76)	(76)	(76)	(76)	(76)	(76)	Statutory ring fenced reserve to record surpluses and losses on licensing.
Misc Licensing Reserve	32	32	32	32	32	32	Statutory ring fenced reserve to record surpluses and losses on licensing.
Gambling Licensing Reserve	13	13	13	13	13	13	Statutory ring fenced reserve to record surpluses and losses on licensing.
Community Housing Fund	(2,309)	(1,819)	(1,819)	(1,819)	(1,819)	(1,819)	income received from Government for Community Housing Fund not spent in year.
Commutated Sums Reserve	(153)	(3)	(3)	(3)	(3)	(3)	Income received under various s106 agreements not spent in year

Reserve	Balance 31/3/2018 £000	Balance 31/3/2019 £000	Balance 31/3/2020 £000	Balance 31/3/2021 £000	Balance 31/3/2022 £000	Balance 31/3/2023 £000	Summary, Purpose and Commentary
Cumbria NDR Pool Income Reserve	(1,302)	(1,150)	(1,150)	(1,150)	(1,150)	(1,150)	Income from Cumbria NNDR pool, earmarked for economic development
Cumbria NDR Pool volatility Reserve	(166)	(166)	(166)	(166)	(166)	(166)	Share of NNDR pool income retained by pool to offset potential future deficits
Customer Connect Reserve	(1,301)	(1,981)	(0)	(0)	(0)	(0)	To fund the implementation of the Customer Connect Project, initially using the Customer Connect budgets from 2016/17 revenue budgets not spent during 2016/17.
Debt Redemption Reserve	(455)	0	0	0	0	0	Underspend on budget for interest payment and MRP due to changes in capital programme, originally set aside for future costs of debt repayment, proposed transfer to Customer Connect Reserve
Economic Development Fund	(167)	(220)	(220)	(220)	(220)	(220)	To encourage economic development in the District and to ensure that unused funds in a particular year can be carried forward.
General Fund Major Repairs Reserve	(307)	(177)	(207)	(237)	(267)	(297)	To fund major repairs and maintenance to General Fund properties that are not capitalisable and would be difficult to accommodate in the annual planned maintenance programme. The Reserve: <ul style="list-style-type: none"> • acts as a backstop for emergency major repairs • accumulates funds as necessary to meet an abnormal year in maintenance terms, • is able to assist in meeting regular maintenance costs.
IT Replacement Reserve	(74)	(74)	(74)	(74)	(74)	(74)	To fund the replacement of hardware and software with a preference for the updating of the corporate and networking infrastructure.
Kendal Employment Dev. Fund	(0)	(0)	(0)	(0)	(0)	(0)	Assistance to eligible developing firms in the Kendal area
LABGI	(5)	(5)	(5)	(5)	(5)	(5)	To fund non-recurring initiatives that contribute directly to one or more of the Council's priority initiatives, with a preference for economic development. This fund is now practically fully committed and should be closed once the committed spend is achieved.
Local Arts Strategic Partnership	(30)	(30)	(30)	(30)	(30)	(30)	Monies provided towards Arts Strategy and related activities carried forward for use in subsequent years.
LSVT Environmental Warranties	(282)	(282)	(282)	(282)	(282)	(282)	To pay for environmental insurance until 2032 relating to warranties given as part of the housing transfer.
Marshall Hooper Reserve	(37)	(37)	(37)	(37)	(37)	(37)	Monies left to the Council as a bequest to be used for housing for the elderly in Grange
New Homes Bonus Reserve	(1,457)	(1,085)	(903)	(690)	(482)	(331)	New reserve to enable forward funding of eligible schemes through the Council's New Homes Bonus protocol

Reserve	Balance 31/3/2018 £000	Balance 31/3/2019 £000	Balance 31/3/2020 £000	Balance 31/3/2021 £000	Balance 31/3/2022 £000	Balance 31/3/2023 £000	Summary, Purpose and Commentary
NDR Surplus Reserve	(1)	(1)	(1)	(1)	(1)	(1)	Timing gap between recognising s31 grant and recognising offsetting NDR collection fund deficits.
Planning Delivery Grant Fund	(18)	0	0	0	0	0	Monies provided by Planning Delivery Grant in 2009/10 carried forward for use in a subsequent years. This source of grant funding has now been discontinued and the fund will be closed when the current balance is spent.
Revs and Bens Replacement Reserve	(10)	0	0	0	0	0	Transferred to Customer Connect Reserve following replacement of Revs & Bens system in 2017/18
Revenue Funds for Capital	(587)	(7)	440	340	240	140	Monies provided from revenue to support the Capital Programme & fund expenditure that may not be capitalisable: annual contribution £100k
Second Homes Income Reserve	(46)	(46)	(46)	(46)	(46)	(46)	Initiatives to enable the provision of affordable housing: transfer of unspent balance at end of year
Social Lettings Reserve	0	0	0	0	0	0	income from the social lettings scheme set aside for potential losses or repair bills
Total Reserves excluding working balance	(15,447)	(11,555)	(9,165)	(9,282)	(9,404)	(9,583)	Buffer against unforeseen & emergency expenditure in-year, inflationary demands, adverse cash flow, inability to use capital resources.
GF Working balance	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)	
Total Usable Reserves	(16,947)	(13,055)	(10,665)	(10,782)	(10,904)	(11,083)	

