



Report to Cumberland Council

Meeting Date: 6th March 2024

Key Decision: Yes

Public/Private: Public

Portfolio: Councillor Barbara Cannon, Finance and Assets Portfolio Holder

Directorate: Resources

Report Author: Catherine Bell, Chief Finance Officer, S151 Officer

Title – Budget 2024-25 and Medium-Term Financial Plan

Summary:

This report sets out the draft budget 2024-25 and medium-term financial plan for Cumberland Council.

Recommendations:

It is recommended that Council:

- Approve the General Fund net revenue budget for 2024-25 of £319,014,005, as outlined in Appendices A to G.
- Note the position on Directorate budgets, and delegate any final amendments between Directorates to the Section 151 – Appendix J.
- Approve the calculation of the Authority's Council Tax Base for the financial year 2024-25, including determining the appropriate council tax discounts, of 89,966.79.
- Approve the determination to introduce a second home Council Tax premium of up to 100% with effect from 1st April 2025, in accordance with the requirements of The Levelling up and Regeneration Act.

- Approve that the Housing Benefit and Council Tax Reduction Scheme assessments are determined in accordance with the Modified Scheme provisions, under which a 100% voluntary disregard is applicable of War Disablement Pensions, War Widows Pensions and War Widowers' Pensions, under Section 134(8) and 139(6) of the Social Security Administration Act 1992.
- Approve Band D Council Tax in 2024-25 of £1,816.80 for Cumberland Council which represents an increase of 4.99% on Council Tax levied across the Cumberland area (2.99% increase in core council tax and 2% Adult Social Care precept).
- Delegate the approval of fees and charges to the S151, in consultation with the PH Finance and assets, to ensure they are set in line with the approved fees and charges policy.
- Approve the capital programme as set out in Appendix H
- Notes the consultation feedback on the budget as set out in Appendix I
- Notes the S25 statement of the Chief Finance Officer as set out in Section 12 and the risk-based assessment of the level of General Fund Balances

Tracking

Executive:	13 February 2024
Scrutiny:	
Council:	6 March 2024

1. Background

- 1.1. The purpose of this report is to recommend the Council's proposed Budget for 2024-25 and the transformation plans for 2024-25 to 2026-27 and asks Members to recommend to Council approval of the proposals.
- 1.2. These budget proposals are prepared using the detail of the provisional Local Government finance settlement announced in December 2023 and the Written Statement on 24th January 2024.
- 1.3. The council's proposed budget has been presented to Scrutiny for review and has also been used as a basis for wider public consultation.
- 1.4. The funding available to local authorities, and the way this is used, is influenced by factors at a regional and national level. This budget is produced during

Cumberland Council's first full year of operations and at a time when it is facing significant challenges. These include predominant influences from the global and national economy, including the cost of living, national policy, and government announcements.

- 1.5. The proposals present a balanced budget for 2024-25 with savings proposals totalling £37.610m, equivalent to circa 11% of the 2024-25 Net Service Expenditure budget.
- 1.6. The Council continues to face significant challenges to its financial sustainability and the scale of this financial challenge should not be underestimated. The level of savings and transformation required will require a clear focus on priorities, robust financial management and strong decision making.

2. About Cumberland – Local Context

- 2.1. Cumberland Council covers an area of stark contrast. It is home to some of the world's most stunning rural and coastal landscapes, but it also has areas in our city and towns that are in need of renewal.
- 2.2. The local economy contains strong agricultural and tourism sectors, and a manufacturing economy that boasts some of the most famous brands in the world. It also is an economy of small businesses, but also hosts the largest nuclear site in Europe.
- 2.3. Household earning in some areas are amongst the highest in the north west, but we have pockets of real deprivation and have more households living in fuel poverty than the national average.
- 2.4. The area is one of the best places to visit, boasting two world heritage sites, an area of outstanding natural beauty and world class attractions that draw in millions of visitors.
- 2.5. The area of Cumberland is one of the safest places to live, but our increasingly diverse population is aging and declining. The cost of housing in some areas is amongst the lowest cost in the country, but we have issues with affordability and the availability of houses for social rent.
- 2.6. The cost-of-living crisis and recovery from Covid has affected everyone but there are real opportunities created by our people, environment, and our businesses to make our area work for the benefit of all.
- 2.7. The Cumberland Plan 2023-2027 sets out the ambitions for the Council in five strategic themes:
 - Improving Health and Wellbeing
 - Addressing inequalities
 - Local economies that work for local people

- Environmental resilience and climate emergency
 - Delivering excellent public services
- 2.8. In the first months of the Council the focus has been on integrating four councils into one, and stabilising the organisation to ensure that our services continue to be delivered effectively for all of our communities.
- 2.9. The significant financial challenges facing Local Government are a national concern and we have felt the impact on our current year's budget position, as noted in the quarter 1 and quarter 2 monitoring position reported to Executive.
- 2.10. The demand on our services has continued to grow beyond the levels anticipated when our first budget was developed. The greatest pressure is in social care, where demographic changes are showing increased numbers of elderly residents requiring care, and an increase in the number of children with complex needs.
- 2.11. The increased demand, and increased cost of meeting this demand and providing services has resulted in some significant budget pressures in 2023-24 and subsequent years.
- 2.12. In producing the 2024-25 budget and Medium-Term Financial Plan, work has been undertaken to address these pressures.

3. National and Economic Context

2023 Autumn Statement

- 3.1. The Autumn Statement was announced by the Chancellor on 22nd November 2023, along with this, the Office for Budget Responsibility (OBR) published its economic and fiscal outlook which sets out their forecast to 2028-29. The statement sets out the Government's focus on its three key economic priorities of reducing inflation, economic growth and reducing debt for both 2024-25 and the medium term.
- 3.2. The Autumn Statement provides a high-level view on the overall position and expectation of the economy but also highlights national funding streams that will be utilised to seek to deliver again the Government's policy objectives.
- 3.3. Economic growth has been more resilient than previously anticipated with higher than forecast levels of growth in the current year at 0.6%, but with expected growth over the medium-term forecast at a slower rate than previously thought (OBR November 2023) due, in part, to the impact of higher interest rates.

- 3.4. Inflation rates have also been persistently higher than originally anticipated in the first part of the year, with CPI reducing from a high of 11.1% in October 2022 to 4.6% in October 2023, driven by reductions in energy rates but offset in part by more domestically fuelled service inflation rates including wages inflation. Higher domestically driven inflation improves the outlook for the national public finances driving increased tax revenues but offset by increased welfare costs and debt interest. Inflation rates are not expected to return to the 2% target over the medium term until the second quarter of 2025 (OBR November 2023).
- 3.5. Announced as part of the Autumn Statement was the extension of the business rates support package including the freezing of the SBBR for an additional year and the extension of the Retail Hospitality and Leisure discount. The standard multiplier will be inflated in line with September CPI (6.7%) with local authorities being fully compensated for loss of income including additional administrative costs.
- 3.6. The government also announced, as part of a number of housing and planning measures, planning system reform allowing local authorities to recover the full cost of major planning applications in return for ensuring target deadlines are met with the risk of refunding in full where not achieved.
- 3.7. As part of a number of work-related measures, national living wage will increase by 9.8% to £11.44 along with the lowering of the age threshold from 23 years to 21 years.
- 3.8. Whilst there were a number of announcements made in the Statement, there was no reference to major changes in departmental spending limits and therefore local government funding streams nor the national picture of Council's facing significant inflationary and demand increases. This created uncertainty for the Council in terms of the government funding that has been assumed within the draft budget position. Further details were announced when the provisional local government finance settlement was announced.

Local Government finance report and provisional settlement 2024-25

- 3.9. The provisional local government finance settlement for 2024-25 was issued on 18 December 2023 following a written ministerial statement to the House of Commons by the Secretary of State for Levelling Up, Housing and Communities (DLUHC). It sets out the distribution of centrally allocated resources for local authorities in England. The final 2024-2025 settlement is expected to be laid before the House of Commons in February 2024.
- 3.10. Publication of the 2024-25 settlement follows publication of a policy statement, covering the remaining year of the spending review report period, on 5th December, and the Autumn Statement on 22nd November.

Local government finance policy statement 2024 to 2025

- 3.11. The Policy statement issued on 5 December announced the key principles that ministers intended to use in the provisional settlement.
- 3.12. Key announcements included in the Policy Statement include:
- Revenue Support Grant will increase in line with the Consumer Price Index (CPI) of inflation.
 - Baseline funding levels (BFLs) will be indexed in line with the methodology set out in the technical consultation earlier this autumn. This method will differentiate between the tax base subject to the small business multiplier (which was frozen) and the main multiplier. For 2024 to 2025, BFLs will increase to reflect the uprating of the standard multiplier. This will be done by using proxy data from the Valuation Office Agency's compiled local rating list, published on 3 April 2023.
 - Councils will be compensated for the business rates multiplier freeze with the intention that the total of the Baseline funding level and the compensation grant will increase by 6.7%.
 - The government will continue to protect local taxpayers from excessive council tax increases with the proposed referendum principles for 2024-25 being:
 - a core council tax referendum limit for local authorities of up to 3%.
 - a council tax referendum principle of up to 3% or £5, whichever is higher, for shire district councils.
 - an adult social care precept of 2% for all authorities responsible for adult social care services.
 - a council tax referendum principle of £13 for police authorities.
 - the core council tax principle of up to 3% will apply to fire and rescue authorities; and
 - no council tax referendum principles for mayoral combined authorities or town and parish councils, but the government will review the decisions taken by these authorities when considering referendum principles in future years.
 - confirmation of the adult social care funding package announced in December 2022, as well as reflected the new Market Sustainability and Improvement Fund (MSIF) – workforce fund which was announced in July 2023 and continues into 2024/25. The table below sets out information about all the social care funds covered by core spending power.

Table 1: Adult social care funding in the 2024-25 local government finance settlement (national totals)

Element	2023-24 £m	2024-25 £m	Comment
Social Care Grant	3,852	4,544	Additional £692m will be distributed to local authorities through the Social Care Grant for adult and children's social care. This will bring the overall size of the Social Care Grant to £4,544m. The distribution mechanism will continue to equalise against the adult social care precept.
Discharge Fund	300	500	Additional £200 million will be distributed in 2024 to 2025 through the Discharge Fund to support timely and safe discharge from hospital into the community by reducing the number of people delayed in hospital awaiting social care. This will bring the overall size of the local authority component of the Discharge Fund to £500 million. This is 50% of the funding announced for this purpose at the 2022 Autumn Statement – NHS England will receive the other 50%. Funds will have to be pooled through the Better Care Fund process. The local authority share of the funding will be routed as an increase to the improved Better Care Fund, for which the current distribution will remain.
Ringfenced grant to support capacity & discharge	927	1,050	£1,050m in 2024 to 2025 will be distributed for adult social care through the Market Sustainability and Improvement Fund (MSIF), which continues to include £162m per year of Fair Cost of Care funding. It also includes £205 million MSIF - Workforce Funding, a 2-year fund announced in July 2023 which will be rolled into the existing MSIF. In total, the combined MSIF and MSIF Workforce Fund are worth £123m more than in 2023 to 2024.
Improved Better Care Fund	2,140	2,140	No change.
Total	7,219	8,234	

- 3.13. The policy statement confirmed that the Department of Health and Social Care will continue to monitor local authority budgeting and expenditure in 2024-25, with an expectation that the following will be allocated to adult social care:
- an appropriate share of the local authority's additional Social Care Grant allocation for 2024-25, in line with aggregate use of this funding in previous years
 - the local authority's share of the 2024-25 MSIF and Discharge Fund
 - the resources raised in 2024-25 from the adult social care precept.
 - an appropriate share of the increase in income from un-hypothecated sources.
- 3.14. The policy document also included the following announcements relating to grant funding:
- a continuation of the funding guarantee to ensure all authorities see an increase in core spending power of at least 3%, before additional council tax income as a result of council tax level decisions is factored in.
 - a new round of New Homes Bonus (NHB) payments will be made in 2024-25. As in 2023-24 these payments will not attract new legacy payments.
 - a reduction in Services Grant allocations.
 - a continuation of the rural services delivery grant as in 2023-24.
- 3.15. Other announcements regarding 2024-25 included the notification that:
- all current 'enhanced' business rates retention areas will continue for 2024-25 and, where requested, pooling of business rates will also proceed.
 - the Government will continue to make the adjustments to tariffs and top-ups to reflect the 2023 business rates revaluation, following its previous technical consultation. The methodology and adjustments will be confirmed alongside the provisional 2024-25 settlement. Adjustments will be made to account for compiled rating list data for the 2023 list as at 1 April 2023 and for Outturn Business Rates data for 2022-23 at the 2024-25 local government finance settlement.
 - the Government will not proceed with any fundamental reforms to the finance system in 2024-25.
 - the Statutory Override for the Dedicated Schools Grant will continue until 31 March 2026.

- the Exceptional Financial Support framework is available to provide support where a council has a specific and evidenced concern about its ability to set or maintain a balanced budget, including where there has been local financial failure. Where councils need additional support from government, they should take every possible step to minimise the need for that support to be funded by national taxpayers. As part of that process, the government will consider representations from councils, including on council tax provision.

Local Government Finance Settlement 2024-25

- 3.16. The 2024-25 local government finance settlement is for one year only and is based on the spending review 2021(SR21) funding levels. Following single year settlements in financial years 2020-21 to 2023-24, this represents the fifth consecutive one-year settlement.
- 3.17. Key announcements included in the provisional local government finance settlement for 2024-25 and relevant to the Authority include:
- **Revenue Support Grant** - for those authorities receiving Revenue Support Grant (RSG), this has been increased by 6.7% in line with CPI inflation for the 12 months to September 2023
 - **Business Rates Retention** - as announced in the Autumn Statement the small business rate multiplier will remain frozen for 2024-25 at 49.9p while the standard rate multiplier will increase by 6.7% (from 51.2p to 54.6p). Baseline Funding Levels will increase to reflect the increase of the standard multiplier, accounting for the fact that authorities have different shares of properties subject to the small and standard multipliers. Local authorities will be compensated for the freeze in the small business rates multiplier in 2024-25 via an increase to the calculation for under- indexation compensation (s31 Grant).
 - **Council Tax** - as previously announced in the Policy Statement, the core council tax referendum limit for 2024-25 will be 3%, with social care authorities being allowed to set a social care precept of up to 2% (in addition to the core referendum threshold of 2%). Fire and Rescue Authorities will have a principle of up to 3% while the limit for police authorities and police and crime commissioners is £13. Town and parish councils will continue to be excluded from the referendum principles.
 - **New Homes Bonus** - there are no changes to the scheme for 2024-25. New legacy commitments ceased to be made in allocations from 2020-21, and the government confirmed in February 2021 that it did not intend to reintroduce legacy payments. These 2024-25 payments will not attract new legacy commitments. The 2024-25 threshold over which the bonus is paid is unchanged at 0.4%. The national amount for 2024-25 £291m is virtually unchanged from that in 2023-24.

- **Rural Services Delivery Grant (RSDG)** - for 2024-25, the total funding of £95m and the individual allocations remain unchanged from 2023-24
- **Services Grant** – the Services Grant will decrease from its 2023-24 level of £483.3 million to £76.9 million for 2024-25. This will be distributed through the Settlement Funding Assessment, in the same way as in 2023-24
- **Social Care Grant** – As set out at the 2022 Autumn Statement the grant has increased in line with December 2023 Policy Statement by £692m to £4.544bn. This proposed quantum for 2024-25 includes £1.9bn of savings from delaying the rollout of adult social care charging reform from October 2023. £160m of the total increase is intended to be used to maintain the component of the Social Care Grant which is used to equalise the variation in yield from the adult social care precept, in recognition of the differing abilities to generate income from council tax increases. This will partly be funded from delays to adult social care charging reform announced at the 2022 Autumn Statement, together with an additional £80 million which is being added from elsewhere in the settlement, as with last year. The remaining Social Care Grant funding will be distributed using our adult social care relative needs formula. The government proposes that the Social Care Grant remains ringfenced for adult and children’s social care.
- **Improved Better Care Fund** - the improved Better Care Fund grant will retain the same quantum of £2,140m and the same distribution as in 2023-24. The grant will continue to be required to be pooled as part of the Better Care Fund.
- **ASC Market Sustainability and Improvement Fund (MSIF)** - as a previously announced the provisional settlement includes a total funding increase of £283m (from £562m to £845m). This includes £683 million which was announced at the 2022 Autumn Statement, and (as in 2023-24) £162 million of Fair Cost of Care funding. However, this has been partially offset by a reduction between years of a grant rolled in. The two-year MSIF Workforce Fund was worth £365m in 2023-24, but only £205m for 2024/25 (£160m reduction). This gives a net increase overall of £123m.
- **ASC Discharge Fund** - as announced at the 2022 Autumn Statement £1bn of new grant funding will be allocated in 2024-25 to support timely and safe discharge from hospital into the community by reducing the number of people delayed in hospital awaiting social care. Of this, £500 million will be allocated directly to local authorities and £500 million will be allocated to Integrated Care Boards. The £500 million allocated to local authorities from the Discharge Fund be distributed using the existing iBCF grant shares – this is consistent with the approach taken in 2023-24. The Discharge Fund will be required to be pooled as part of the Better Care Fund (BCF), with local authorities and Integrated Care Boards required to produce jointly agreed plans for its deployment.

- **Funding Guarantee** - Renewal of the Funding Guarantee for 2024-25. will ensure all councils will continue to see at least a 3% increase in their Core Spending Power before any decisions they make about organisational efficiencies, use of reserves, and council tax.
- 3.18. The settlement outlines the Settlement Funding Assessment (SFA) (comprising Revenue Support Grant and retained business rates income (baseline funding) for local authorities and the Government’s assessment of Core Spending Power of local authorities. Core Spending Power (CSP) is the Government’s measure of the core components of local government funding. It comprises the aggregate of the Settlement Funding Assessment, assumed income from Council Tax, New Homes Bonus, Rural Services Delivery Grant and a number of other grants. The Settlement Funding Assessment (and CSP estimate) does not include any locally retained growth in business rates.
- 3.19. Nationally, the government’s figures indicate that Core Spending Power will, in cash terms increase by an average of +6.5% in 2024-25, a real term increase of 4.7%. This increase is however based on the assumption that every council raises their council tax by the maximum permitted without a referendum and that the annual growth in the council tax base remains consistent with the average growth achieved by each local authority between 2019-20 and 2023-24. It also assumes all councils retain their baseline target level of business rates within Settlement Funding Assessment (i.e. no retained growth (or decline) is included). These assumptions mean Core Spending Power is unlikely to be an accurate reflection of the actual total resources available to local authorities.
- 3.20. For Cumberland the figures in table 2 highlight an increase in the Council’s core spending power by around 6.4% in cash terms from £291.203m in 2023-24 to £309.831m in 2024-25

Table 2: Settlement Funding Assessment (SFA) & Core Spending Power

	2023-24 £'m	2024-25 £'m	Change £'m	Change %
Revenue Support Grant	11.380	12.134	0.754	6.6
Baseline funding	62.938	65.627	2.689	4.3
Total – SFA	74.318	77.760	3.443	4.6
Compensation for under-indexing of business rates multiplier	10.721	12.775	2.054	19.2
Assumed Council tax – excl. parish precepts	152.84	162.00	9.157	6.0
New Homes Bonus	0.957	0.766	(0.192)	(20.0)
Rural Services Delivery Grant	2.793	2.793	0	0
Services Grant	2.420	0.381	(2.039)	(84.3)
Social Care Grant	25.101	29.241	4.141	16.5

	2023-24 £'m	2024-25 £'m	Change £'m	Change %
Improved Better Care Fund (including former Winter Pressures Grant)	14.616	14.616	0	0
ASC Market Sustainability and Improvement Fund (incl. former Market Sustainability & Fair Cost of Care Fund)	3.306	6.078	2.772	83.8
ASC Discharge Fund	2.049	3.415	1.366	66.7
Grants Rolled in ¹	2.073	0	(2.073)	(100)
Funding Guarantee	0	0	0	0
Core spending power	291.20	309.83	18.628	6.4%

1. Market Sustainability & Improvement Fund Workforce Fund (rolled into Market Sustainability & Improvement Fund)

- 3.21. Given the ongoing delays to a number of authorities prior years' NNDR3 returns, there was no announcement in the provisional local government finance settlement regarding the allocation of potential funds from the BRR levy/safety net account.
- 3.22. Following consultation on the Provisional Settlement the Government announced in January a number of additional funding measures. These included:
- an additional £500m for social care, to be distributed through the Social Care Grant.
 - an increase in the Funding Guarantee from 3% to 4%.
 - an increase in the Rural Services Delivery Grant (RSDG) by £15m, to £110m.
- 3.23. For Cumberland Council this additional funding results in a further increase in core spending power summarised in table 2 from £309.831m to an estimated £313.166m an increase of £3.335m.

4. Budget Consultation

- 4.1. Cumberland Council is committed to engaging with its communities. In the Council Plan it states that "Our communities are best placed to determine their needs and aspirations. For us engagement isn't just listening, it is doing things together. We value their views and ideas and so we will work alongside residents to jointly create and design services that impact on their lives. We want our residents to be involved and feel understood at every opportunity. We will work hard to remove as many barriers, differences and inequalities as possible to ensure that everyone in our community can engage with us. We also recognise that when we do ask people to engage with us, it has to be meaningful."

- 4.2. The Council therefore undertakes a number of consultation exercises during the year, including on our budget proposals for the year 2024/25.
- 4.3. The Consultation had three main areas:
- The first asked if respondents had any comments on our main priorities and where the council's focus should be as outlined in the Council Plan.
 - The second section asked for comments and suggestions on the council's transformation plans which sets out how the council will put itself on a more sustainable footing. This included a question on respondents' views on the continued provision of non-statutory services.
 - The third and final section looked at any proposed council tax increases. The proposal was for a rise of 2.99% in the core component of the council's council tax bill, and a 2% rise in the Adult Social Care levy element. There was also a proposal to increase council tax by 100% (effectively making it 200%) for second-home owners.
 - The budget consultation also asked some general questions on the location of the respondent and information on diversity.

Main consultation activity

- 4.4. The consultation began on 15 December 2023 and ended on 12 January 2024 and was considered at the Business and Resources Overview and Scrutiny Committee on the 19 December 2023.
- 4.5. The consultation was advertised and promoted in a number of ways:
- via the traditional press such as the print media, radio and television – a media briefing was arranged for those media able to make it to the Executive meeting on 15 December.
 - on the Cumberland Council social media accounts including Next-door as well as on the council's website.
 - the consultation was also shared with staff and councillors.
 - details were also sent to parish councils and partner organisations making use of key contacts and our community development teams.
 - via the council's email newsletters.
- 4.6. We received 536 responses to our consultation by the time the consultation ended. Full details on the responses to the consultation can be found in the Appendix. This includes an analysis of some of the key themes from the qualitative data.
- 4.7. The main quantitative data sets related to the proposals for council tax. The results were as follows.

- In response to the question whether to increase the core element of council tax by 2.99%, some 51.1% responded 'yes' and 44.8% responded 'no'. Just over 4% responded 'don't know'. There were 509 responses to this question.
 - In response to the question whether to increase the Adult Social Care Levy by 2% the results were, 52.3% responded 'yes' and 41.1% responded 'no'. Some 6.7% of responses were 'don't know'. There were 509 responses to this question.
 - In response to the question whether to increase council tax on second homes by 100%, the response was 70.7% 'yes' and 23.8% 'no'. Some 5.6% of those who responded said 'don't know'. There were 518 responses to this question.
- 4.8. The consultation is not designed to be a statistically representative sample of public opinion in Cumberland but a gauge of the opinions of those people and organisations that have chosen to participate in the process.
- 4.9. This report does not seek to make any recommendations: its purpose is to help inform decision makers of opinion expressed as part of this consultation.

5. Revenue Budget Financing Assumptions

Overview

- 5.1. The Councils revenue budget is financed from three main sources, council tax, business rates and government grants.
- 5.2. The level of financing is subject to central government policy. Council Tax is subject to referendum limits, business rates are not only subject to the valuation offices assessment of the rateable value but also annual announcements regarding changes to the amount payable against that value, and whether a departure from an inflationary increase will result in compensation for local government. The majority of our general government grant funding are also subject to the annual local government finance settlement.
- 5.3. This means the Council must estimate its financing ahead of central government making formal announcements and allocations. To ensure those estimates are robust the Council works with the wider sector and engages specialist support where required.
- 5.4. In recent years central government funding has reduced and the ability to grow and maintain resources raised locally, such as council tax, has become even more important for financial sustainability.
- 5.5. This is particularly important when considered against the change in local government funding and the short term, one-year, financial settlements, which makes robust medium term financial planning difficult, due to the volatile nature of central government financing.

- 5.6. The provisional settlement for local government was issued on 18th December 2023 and is incorporated within the figures contained within this report, along with any subsequent statements and announcements but the final position for 2024/25 is subject to the final settlement expected in February 2024.
- 5.7. The table below shows how the draft net Revenue Budget is proposed to be financed:

Table 3: Summary of 2024-25 revenue budget

	2024-25 £'m
Net Service Expenditure budget	329.978
EFS Application	(10.000)
Planned use of earmarked balances / general fund	(0.964)
Net Budget Requirement	319.014
Financed By:	
General Grants	61.977
Council tax – Cumberland (excluding parish element)	163.452
Collection fund surplus/(deficit) - Council Tax	(0.353)
National Non-Domestic Rates (NNDR) aka. Business Rates Retention (BRR) funding	92.504
Collection fund surplus/(deficit) – NNDR	(3.566)
Less: Planned use of earmarked balances - NNDR	5.000
Total Financing	319.014

Developing the Financing Estimates

- 5.8. In arriving at the final financing figure included in the draft revenue budget, estimates are revised throughout the year as part of the budget setting process. A summary of how those estimates have developed through this process is set out below:

Table 4: Summary of 2024-25 revenue budget financing estimates

	2024-25 £'m
Financing – per MTFP in March 2023	302.864
updated inflation assumptions on grants	4.876
updated inflation assumptions on Council Tax referendum limits	5.073
updated inflation assumptions on NNDR	4.150
Financing – Autumn Statement	316.963
reduction in grant at Provisional Settlement	(2.086)
Financing – Provisional settlement	314.877
increase in Council Tax Base	1.439
confirmation of Council Tax deficit	(0.353)

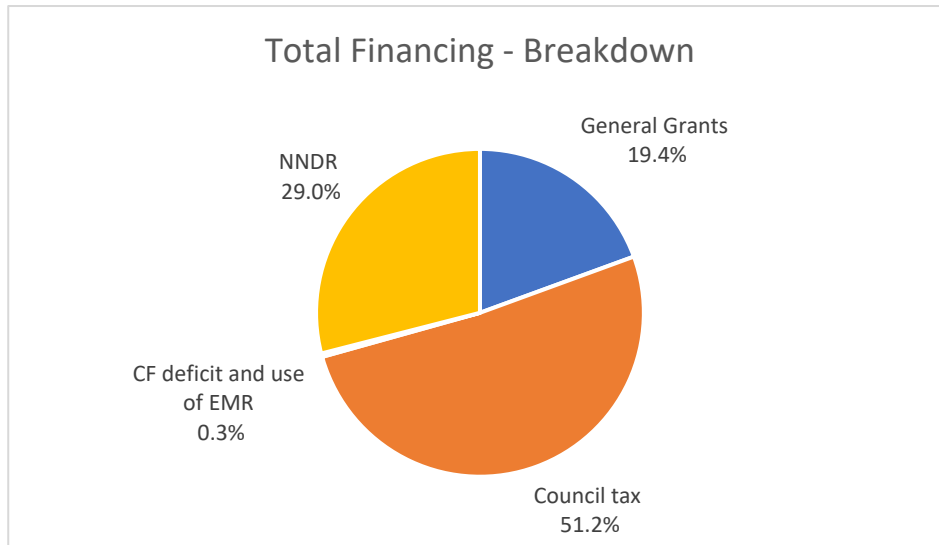
	2024-25 £'m
estimate of additional Social Care and Rural Service Grant announcement	3.335
Financing – mid-January Position	319.298
updated Business Rates	(1.718)
confirmation of NNDR deficit	(3.566)
use of business rates volatility reserves	5.000
Total Financing	319.014

5.9. The revisions noted above are due to:

- the initial estimate provided in the 2023/24 budget report were based on assumptions about inflation and how this would impact on the funding available for 2024/25
- work undertaken with the wider sector and advisors to update the 2023/24 assumptions, based on latest inflation projections and then for the Autumn Statement. No funding allocations were provided in the statement, creating uncertainty within the Councils estimates, but sufficient information was available to allow the updated estimates to be include within the budget setting process.
- The provisional local government finance settlement announced in December 2023 confirmed the majority of the Councils own assumptions based on the Autumn Statement, with one key exception which was the reduction in Service Grant. This was reduced nationally and as a result the Cumberland estimates included within the budget setting process were amended.
- In early January 2024 the Council Tax Base and Council Tax deficit position was calculated and resulted in an increase to the overall estimated Council Tax Yield. On 24th January government announced additional funding would be made available and whilst allocations are not expected to be provided until the final local government finance settlement, this will result in additional support for Cumberland from increased Social Care Grant and Rural Services Delivery Grant. Estimates of this additional funding are included in financing for the draft revenue budget proposals.

Breakdown of the Draft revenue budget financing

- 5.10. The breakdown of funding shows the importance of locally raised financing, with council tax financing 51.2% of Cumberland Councils Net Budget Requirement, as shown in the following chart.



- 5.11. Further detail supporting the funding assumptions included in the 2024-25 budget are detailed below.

Government Grants

- 5.12. The following Table summarises the General Grants used to finance the 2024-25 Cumberland budget and itemises a number of Specific Grants, included within Adult Services or Public Health 2024-25 Cumberland Budget.
- 5.13. Specific Grants can only be spent according to the terms and conditions of the grant, and therefore not be used to support general expenditure. This includes the Public Health Grant received specifically for the Councils Public Health responsibilities. This grant allocation has yet to be confirmed, it has been assumed that this will continue at the same level as 2023-24 as a specific grant.

Table 5: Government Revenue Grants

	Original 2024-25 £'m	Forecast 2025/26 £'m	Forecast 2026/27 £'m
General Government Grants Announced as Part of Financial Settlement			
Revenue Support Grant - Government Grant Distributed based on governments formulae-based assessment of relative need.	12.134	12.538	12.739
Rural Services Delivery Grant - Government Grant to support the increased costs of delivering services in rural areas.	2.793	2.793	2.793
New Homes Bonus - is an incentive-based grant to increase the number of new homes built and reduce the number of empty properties. This is currently being phased out, but forward projections assume Cumberland will be no better or worse off when the funding is re-purposed	0.766	0.612	0.490
Services Grant – initially a one-off grant to support Local Government Services in 2022-23, but has been continued at a reduced level for 2023-24, beyond which estimates are uncertain	0.381	0.000	0.000
Social Care Grant - A Government Grant to support the cost pressures in both Adult and Children’s social care.	29.241	29.241	29.241
General Government Grants to be announced as part of Final Financial Settlement (estimates based on announcement made on 24 January 2024)			
Rural Services Delivery Grant - support rural councils by increasing the Rural Service Delivery Grant	0.441	0.000	0.000
Social Care Pressure Grant - additional £500 million of funding for local government for adult and children’s social care	2.894	0.000	0.000
Other General Grants			
CNDR PFI	11.882	11.882	11.882
Other smaller grants	1.445	1.445	1.445
Total – General Grants	61.977	58.512	58.590
Specific Grants Included within net revenue budget			
Market Sustainability and Improvement Funding - Government grant toward improvement in Adult Social Care	6.078	-	-
Discharge Fund – Government Grant to support hospital discharges	3.415	-	-
Better Care Fund - Grant from the ICB’s for the integration of health and social care. The amount displayed here is the contribution to Adult Social Care	19.518	19.518	19.518
Improved Better Care Fund - Government Grant to support local authorities to meet adult social care costs, reduce pressures on the NHS and support the social care market	14.616	14.616	14.616
Public Health Grant - Ringfenced Government funding to improve health in the local population. (2023-24 values as final allocations are pending)	12.195	12.195	12.195

5.14. Additional one-off specific grants are sometimes received in year or for specific government focused activities. They are incorporated into the Councils Gross expenditure/income position and monitored as part of the budget monitoring processes.

Dedicated Schools Grant (DSG)

5.15. The most significant specific grant is the Dedicated Schools Grant (DSG)

5.16. The DSG is a ring-fenced grant allocated to local authorities to support a range of education related services. Much of the funding is passported through to schools and other education providers.

5.17. The Education and Skills Funding Agency (ESFA) published the Dedicated Schools Grant (DSG) allocations for 2024/25 on 20 December 2023

5.18. The grant is provided in 4 blocks: Schools Block, High Needs Block, Early Years Block, Central Schools Services Block and Early Years Block

5.19. The figure for DSG for Cumberland in 2024-25 is £280.725m. Of this £182.612m is estimated to be for Cumberland Council Maintained schools with £98.113m for Academies, Free Schools, and Further Education Colleges.

Table 6: Dedicated Schools Grant Table

	Schools Block	Central Schools Services Block	High Needs Block	Early Years Block	Total DSG 2024-25	Total DSG 2023-24
	£m	£m	£m	£m	£m	£m
Total DSG	211.546	1.792	39.803	27.584	280.725	256.260
Less Transfer to Academies / Other providers	(94.801)	-	(3.312)	-	(98.113)	(91.751)
Cumberland DSG Allocation	116.745	1.792	36.491	27.584	182.612	164.509

5.20. In addition to the DSG there are other school grants, which like DSG are largely passported through to schools and other education providers. The table below provides an estimate, as the formal allocations have not yet been published for 2024-25 and in some cases Department for Education (DfE) have not yet announced whether the funding will continue.

Table 7: Estimated School Grants

	2024-25 £'m
Dedicate School Grant	182.612
Sixth Form Grant (2024-25 still to be announced)	3.054
Pupil Premium Grant (2024-25 still to be announced)	7.991
Universal Infant Free School Meals (2024-25 still to be announced)	2.355
Primary PE and Sport Premium (2023-24 still to be announced)	2.000
Total – Estimated Schools Grants	198.012

5.21. Any changes to DSG and school grants, when compared to the baseline budget position currently included in this report, will be incorporated into the Councils Gross expenditure/income position. As they are largely passported through to schools and other education providers these changes will have no impact on the overall net budget for Cumberland., those changes will be monitored as part of the budget monitoring processes.

Council Tax

5.22. Council tax is the most stable, sustainable, and significant source of income for Cumberland Council. It is driven by both the tax base (number of Band D equivalent properties in the area) and the level of the Band D charge set by the Council.

5.23. The Local Government Finance Act 1992 and accompanying regulations requires the authority to calculate, each year, the Council Tax Base for its area as a whole and for each individual Parish or Town Council area. The rules for calculating the Council Tax Base are prescribed by the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012.

5.24. The Council Tax Base is a measure of the taxable capacity of an area or part of an area, expressed in terms of the number of Band D equivalent dwellings and adjusted to take account of any discounts, premiums and exemptions and the estimated Council Tax collection rate. The Council Tax Base is used in the calculation of the council tax by Billing Authorities and Major Precepting Authorities and in the calculation of the amount of a precept payable by a Billing Authority to a Major Precepting Authority.

5.25. The calculation of the Council Tax Base for 2024-25 incorporates:

- the impact of the Authority's Council Tax Reduction Scheme for 2024-25, taking into account the modified scheme provisions allowing for War Pension disregard in relation to both CTRS and Housing Benefit, and

- the relevant Council Tax Discounts and Exemptions and Premiums as set out in the following section.

5.26. A large part of the council tax legislation is mandatory on all billing authorities within England. Discounts (such as Single Person Discounts), disregards and exemptions are set by statute with very little discretion allowed. However, there are a small number of areas where each council may determine the type and level of charge to be applied. This report proposes two changes to existing Council Tax discounts.

Short term unoccupied and unfurnished properties

5.27. Currently the Council offers a 100% discount in respect of unoccupied and unfurnished properties for up to 3 months. These are primarily properties that are changing owner or tenant. It is proposed that this discount is amended to one month to ensure that properties are made available in a shorter time period.

Properties requiring or undergoing major works class D

5.28. The Council currently offers a 75% discount for a period of up to 12 months for uninhabitable properties which are unfurnished. Our proposal is to remove this discount entirely. The Council has no discretion regarding the period and any discount offered must be done so for 12 months or as long as it remains in that state (whichever is the lesser time).

5.29. The national picture shows that over the past 10 years most local authorities have reduced or removed this discount entirely. The council can still introduce local discounts under S13A of the Local Government Finance Act 1992 if properties were to be rendered uninhabitable by localised flooding.

5.30. Local discounts are provided in respect of Beach Huts and in relation to Care Leavers under the existing Cumbria wide policy. These arrangements, as they are local discounts are outside of the scope of the Council Tax Base calculations.

5.31. The main discretionary areas are those relating to prescribed classes A – D.

Discounts

Single Person Discount	-	25% Discount
Class A Second Homes with planning restriction	-	50% Discount
Class B Second Homes with no planning restriction	-	No Discount
Class C Unoccupied/Substantially Unfurnished	-	100% for 1 month
Class D Uninhabitable requiring Major Works	-	No discount

Premiums

Long Term Empty – 1 year to 5 years (see section 3.12 - 3.14)	-	100% Premium
Long Term Empty – 5 years to 10 years	-	200% Premium
Long Term Empty – 10 years or more	-	300% Premium

Second Homes Premiums

- 5.32. Section 80 of the Levelling Up and Regeneration Act, which received Royal Assent on 26 October 2023, enables Councils to introduce a council tax premium of up to an additional 100% in relation to Second Homes from April 2025.
- 5.33. To apply an increased charge for Second Homes a Council must make a first determination to do so at least one year before the beginning of the financial year to which the charge will relate. This report proposes to introduce the premium for Second Homes from 1st April 2025, to ensure notice of 12 months is given.
- 5.34. Once the determination is made, it can be altered or revoked, if it is done so before the beginning of the financial year to which it relates.
- 5.35. Section 79 of the Levelling Up and Regeneration Act, amends the definition of a long-term empty property for the purposes of applying a council tax premium.
- 5.36. Prior to 1 April 2024, the long-term empty premium is only applied to a property which has been empty for more than 2 years. From 1 April 2024, any property which has been empty for more than 12 months will be subject to the long-term empty premium.
- 5.37. Where premiums are to be applied, the council is mindful of the recent consultation by central government to consider recommendations for exceptions to the rule. Any guidance that is issued by the Secretary of State in relation to council tax premiums must be adhered to by law and any changes that are required will be brought back to Council.

Council Tax Referendum Limits

- 5.38. The governments provisional settlement confirmed that the referendum thresholds for 2024-25 are a 3% increase in core council tax plus a further 2% increase in the adult social care precept. Any increase above these thresholds would be subject to a local referendum. The draft budget is based on an increase in the Band D council tax for Cumberland of 4.99%, resulting in a Band D charge of £1,816.80.
- 5.39. The tax base for 2024-25, incorporating the impact of the relevant council tax discounts, exemptions, and premiums as well as the impact of the council tax reduction scheme is 89,966.79.
- 5.40. The table below sets out the 2024-25 Council Tax Income based on the Band D and Council Tax base for Cumberland Council:

Table 8: Council Tax Yield 2024-25

	2024-25
Council Tax Band D	£1,816.80
Council Tax Base	89,966.79
Cumberland Council Tax Yield (exc' parish element)	£163,451,664

National Non-Domestic - NNDR

- 5.41. Under the business rates retention scheme, 49% of business rates (NNDR) collected is retained by the Council. The remainder is paid to Central Government (50%) and Cumbria Police, Fire and Crime Commissioner (1%).
- 5.42. The scheme also provides that certain sums are to be treated as being outside the scheme and retained in their entirety by the Council. The Council is also able to retain the growth in the local share of business rates.
- 5.43. A system of top-up and tariffs ensures the Council's share of estimated business rates income (business rates baseline) does not exceed the level of funding to be provided through the business rates retention scheme (baseline funding). Tariffs, top-ups, and baseline funding levels are normally indexed each year in line with the small business rates multiplier. Top-up, tariffs, and baseline amounts have also been adjusted to ensure that the impact of the 2022 revaluation was revenue neutral for local authorities.
- 5.44. The amount of business rates income available to the Council's general fund and taken into account when setting the budget, is based on an estimate made in January preceding the start of the financial year and included in the government return NNDR 1 (i.e. January 2024 for the 2024-25 Financial Year). The estimate of business rate income, reported in the government return NNDR 1, also determines how much the Council must pay to central government and the Cumbria Police, Fire and Crime Commissioner during the course of the year.
- 5.45. The estimate of business rates income takes into consideration any projected changes in the NNDR tax base, estimated losses due to appeals and expected collection rates.
- 5.46. The amount included in the draft budget is based on a draft NNDR1. Any changes between this draft and final position will be reported as part of the 2024/25 budget monitoring process but these changes are not expected to be significant.
- 5.47. The amounts paid to central government and the Cumbria Police, Fire and Crime Commissioner, and the amount retained by the Council are fixed at the outset of each year (based on the estimates included in the Council's NNDR 1 return). As a consequence, any difference between estimated amounts and the actual amounts

receivable will result in a surplus, or deficit on the Council's Collection Fund. An estimate must therefore be made by the Council of the surplus or deficit on the Collection Fund at the end of the previous financial year. This estimated amount is then shared between the Council, Police, Fire and Crime Commissioner and central government and added (or subtracted) from each Authorities share of the following year's non-domestic rating income.

5.48. During 2023-24, there has been a reduction in income collectable when compared with 2023-24 NNDR1 estimates submitted to DLUHC in January 2023. This is largely due to changes made to rateable values following review by the Valuation office during 2023-24 through the Check, Challenge and Appeal process. This reduction in income has resulted in a reduction in the amount of business rates collected from ratepayers in 2023-24 and contributed to the collection fund deficit estimated at 31 March 2024. To offset the fall in business rates income, generated by the requirement for the Authority to repay its share of the Collection Fund deficit when setting its 2024-25 revenue budget, a release of earmarked reserve has been included as part of the 2024-25 financing. These are earmarked reserves held specifically to off-set the volatility of business rates, which would otherwise have been released to General Fund if not required for this purpose.

5.49. A summary of the business rate income included in the 2024-25 budget is shown in the table below:

Table 9: National Non -Domestic Rates (NNDR) Income

	2024-25 Budget £m
Fixed Elements:	
Cumberland share of NNDR Income	53.578
Amounts retained in respect of Designated Areas	0.484
Amounts retained in respect of renewable energy schemes	1.420
Qualifying relief in Designated areas	0.171
Net top-up (tariff) payable from/(to) Central Government	11.967
'Fixed' element of NNDR income	67.620
Variable Elements:	
Section 31 grant	24.884
Total Fixed & Variable Elements	92.504
Share of estimated collection fund surplus/(deficit) for PY	(3.566)
Total National Non-Domestic Rates (NNDR)	88.938

6. Developing The Revenue Budget

6.1. In order to achieve a balance budget, the Revenue Budget proposals must be able to be financed by the resources available to the council. This means the net revenue budget requirement must match the revenue financing.

- 6.2. In order to ensure the budget balances, that estimates are robust and that proposals align to the Cumberland Council Plan the budget setting process involves continued engagement with the Senior Leadership Team (SLT), Extended Leadership Team (ELT) and that budget review sessions are held with members of the Executive as well as Overview and Scrutiny.
- 6.3. The approach taken in setting the 2024-25 Budget and Medium-Term Financial Plan for Cumberland Council has been as follows:
- Establishing the baseline budget for 2023-24, that will roll-forward to 2024-25
 - Review of pressures and growth.
 - Identifying any potential budget gap this pressure and growth may cause.
 - Identify saving and efficiency opportunities, arising from the Councils existing service provision and from the Cumberland Transformation Plan.
 - Service Review and Budget Pressure Mitigation proposals.
 - EFS and Reserves – balancing the budget.
- 6.4. The following provides additional details on each of these steps and how this has impacted on the development of a balanced 2024-25 Budget for Cumberland Council and how this has further informed the Medium-Term Financial Plan
- a) Establishing the baseline budget for 2023-24, that will roll-forward to 2024-25**
- 6.5. This set provides the starting point for developing the draft 2024-25 revenue budget position and ensures this is in line with previous budget decisions made by Council. A summary of this position is shown below:

Table 10: baseline budget for 2023-24

	2024/25 £m	2024/25 £m
2023-24 Net Revenue Budget		303.279
Non-Recurring growth	(7.059)	
Non-Recurring savings	9.405	
Non-Recurring Transition and Transformation	(30.000)	
Non-recurring exceptional financial support	40.000	
Remove non-recurring items		19.405
2023-24 Baseline Budget		315.625

b) Review of Pressure and Growth

6.6. It is important that the Council identifies all Pressure and Growth that could impact of the budget position and that this is included with the budget process to ensure a robust and transparent position is identified. This includes review of:

- existing medium term financial plans,
- current in-year (2023-24) financial monitoring,
- review and assessment of economic outlook and inflationary pressures on contracts, pay awards, energy costs etc, and
- ensuring engagement with services and members to recognise the impact of service plans and deliver of Cumberland priorities over the coming year(s)

Table 11: Growth included in the 2024-25 revenue budget.

	2024/25 £m
2023-24 Updated Baseline Budget (table 10)	315.625
Recurring Growth	51.615
Non-Recurring Growth	0.347
2024-25 Budget, before savings and transformation	367.587

Recurring Growth

6.7. The recurring Growth are those changes and additions to the current baseline budget (2023-24) that are needed to meet the anticipated cost of service provision and increased demand for services in 2024-25. These total £51.615m for 2024/25 and are summarise below:

Table 12: Recurring Growth included in the MTFP

		2024/25 £m	2025/26 £m	2026/27 £m
i	Inflation and pay award	19.787	18.373	15.283
ii	Capital Financing (MRP and Interest)	2.121	4.446	1.733
iii	Savings Proposals not being fully realising	7.123	0.000	0.000
iv	Adults pressure	3.250	0.000	0.000
v	Childrens pressure	12.500	0.000	0.000
vi	Contingency	1.000	0.000	0.000
vii	Other pressures	5.834	0.000	0.000
Recurring Growth		51.615	22.819	17.016

- i. £19.787m 2024/25 Inflation and pay award includes:
 - Circa £5.131m assumed Pay Award (3%) and allowance for pay increments. Although no decision has been taken on pay awards at this point, pending the outcome of the national public sector discussions. This will be held as a corporate contingency until agreement is reached.
 - Circa £14.654m Contractual Inflation. This provides for in-built contractual and other inflationary cost related pressures, across various contracted/externally provided services, including Children Looked After, Care Leaver and Adults service(s)/care provision, leisure facility managements, grounds maintenance, waste collection services, utilities, waste disposal and transport contract(s). Not all arrangements specify the annual uplift, and, in some cases, this may be subject to negotiation. This means the final amount is not yet certain and the uplift allowance reflects the best estimates at the time of setting the budget. Pending these uplifts being finalised this will be held as a corporate contingency until agreement is reached.
- ii. £2.121m Capital Financing (MRP and Interest) in relation to the borrowing used to finance the Capital Programme. This is a result of financing the existing capital programme, rather than new schemes being approved and allows for the financing of the Exceptional Financial Support (EFS).
- iii. £7.123m Pressure as a result of savings proposals not being fully realising during 2023/24. This consists of £1.500m Adults, £1.500m Childrens and £4.123m corporate wide cross cutting savings. Although these particular savings were not delivered and are being 'removed' through this budget growth, these are being replaced by savings identified as part of the 2024/25 budget setting process including the transformation plan and service reviews.
- iv. £3.250m Adults pressure, relating to increased demand and re-baselining budgets to meet the current cost of delivering adults services within Cumberland.
- v. £12.500m Childrens pressure, relating to increased demand
- vi. £1.000m Corporate Contingency Budget
- vii. £5.834m relates to smaller other pressures, including re-base lining budgets to reflect the cost of delivering service such as street lighting, waste disposal coroners and to reflect current income levels across services such as ceremonies, car parking and the asset portfolio

Non-Recurring Growth and Pressures – Total £0.347m

- 6.8. These are the changes and additions that are needed to meet the anticipated cost of service provision in 2024-25, but which are not expected to be a long-term recurring pressure that needs to be built into the Councils base budget on a permanent basis as they are time-limited pressures. The total for 2024-25 is £0.347m.

c) Comparing the budget position to available financing

6.9. In comparing this to the financing, the Council is able to identify any gap between the revenue budget and revenue financing – this is an important step in ensuring the Council identifies the pressure for the coming year and identifies a plan to balance the Gap.

Table 13: Initial revenue budget Gap

	2024/25 £m
2024-25 Budget, before savings & transformation (table 11)	367.587
Total financing (table 4)	(319.014)
Gap – if no savings identified	48.573

d) Identify saving and efficiency opportunities arising from the Councils existing service provision and from the Cumberland Transformation Plan

6.10. A number of savings had already been identified for 2024-25 as part of in-year planning and development of the Cumberland Transformation Plan. Including these items reduced the budget Gap that needed to be found through additional work to be undertaken as part of the budget setting process.

Table 14: Transformation Plan and BAU savings

	2024/25 £m	2024/25 £m
Gap – if no savings identified (table 13)		48.573
Transformation Plan Investment	31.230	
Transformation Plan EFS	(31.230)	
Recurring Savings - BAU and Transformation	(20.250)	
Non-Recurring Savings BAU and Transformation	(0.345)	
		(20.595)
Remaining Gap after BAU and Transformation		27.978

Development of the Cumberland Transformation Plan

6.11. The ambition of Cumberland Council is to maximise the opportunities of becoming a unitary council and to develop a modern organisation and culture that is more effective and efficient.

- 6.12. The Transformation Plan sets out the additional investment, above the Councils existing baseline capacity and resources, required over the medium term to achieve this ambition.
- 6.13. The financial output from this programme is both the delivery of the savings required to ensure a balanced budget for 2024-25 and a medium / long term financially sustainable Council and secondly to deliver pressure mitigations that will ensure Cumberland delivers on its balanced budget across historic pressure areas such as the use of un-budgeted agency and interim capacity arrangements.
- 6.14. This additional investment underpins the Councils capability and capacity is available to support and deliver the Cumberland transformation plan.

The Proposed portfolio of transformation programmes

- 6.15. The Transformation Plan will be delivered through a portfolio of programmes and the proposed plan is set out below:

<p>Adults Services Transformation</p> <p>Re-shaping care services; developing assistive technology to manage demand; reviewing fees and charges; service right-sizing</p> <p>SRO Director of Adult Social and Housing Technical Lead AD-Quality and Resources</p>	<p>Childrens Services Transformation</p> <p>Reviewing high cost and complex placements; develop alternative care models; new approach to SEND transport; review and develop options for cared-for population</p> <p>SRO Director of Children and Family Wellbeing Technical Lead TBC</p>	<p>People, resources and reducing agency/EPW</p> <p>Pay and reward review and implementation; overseas recruitment; social work academy; reduction in sickness absence in priority areas</p> <p>SRO Director of Business Transformation and Change Technical Lead AD for HR/OD</p>
<p>Assets and fleet management</p> <p>Review fleet utilisation; asset rationalisation; highways transformation</p> <p>SRO Director of Resources Technical Lead AD-Assets and Fleet & AD-Highways and Transport</p>	<p>Customer and pre front door</p> <p>Define and implement 'pre-front door' model; demand management through proactive early engagement and prevention; re-modelling 0-19; reshape Customer Solutions; implement new approach to Early Help targeted at reducing demand</p> <p>SRO Director of Public Health and Communities Technical Lead AD-Customer Solutions & Public Health Consultant</p>	<p>Commissioning and commercialisation</p> <p>Review major contracts – waste options; leisure services; full costs recovery from services delivered and income maximisation</p> <p>SRO Director of Place Sustainable Growth and Transport Technical Lead AD-Commissioning and Procurement & AD-Climate and Waste</p>
<p>ICT foundation systems</p> <p>Enabling enterprise architecture; ERP, CRM; innovation driving performance</p> <p>SRO Director of Business Transformation and Change Technical Lead AD-Digital Innovation and ICT</p>	<p>Transition</p> <p>Resolving post-LGR legacy issues; ICT systems and processes; reinforcing Cumberland Council culture</p> <p>SRO Assistant Chief Executive – Strategy, Policy and Performance Technical Lead AD-Digital Innovation and ICT</p>	<p>Improvement and efficiency</p> <p>Defining and implementing New Ways of Working; Service Reviews across priority areas including Car Parking, Fleet, Planning, Building Control, Housing, Revs & Bens</p> <p>SRO Director of Resources Technical Lead AD-Programme Management Office</p>

Investment in the proposed portfolio of transformation programmes

- 6.16. The additional investment currently identified across this portfolio of programmes is set out below:

Table 15: Transformation Plan Investment

	2023/24 £'m	2024/25 £'m	2025/26 £'m	Total £'m
Adults Transformation	0.250	2.500	2.350	5.100
Childrens Transformation	0.800	3.500	1.200	5.500
People and Resources	1.100	4.000	4.000	9.100
Assets and fleet management	0.000	0.500	0.000	0.500
Customer and pre-front door	0.250	2.750	0.000	3.000
Commissioning and Commercialisation	0.450	0.200	0.000	0.650
ICT systems	0.000	5.850	3.000	8.850
Improvement and efficiency	0.000	0.000	0.000	0.000
Transformation Plan Delivery	2.850	19.300	10.550	32.700
Contingency and Inflation	0.000	1.930	1.583	3.513
People and Resources Implementation Costs	0.000	10.000	0.000	10.000
Transformation Plan Delivery	2.850	31.230	12.133	46.213

Exceptional Financial Support (EFS)

- 6.17. Ahead of the 2023/24 budget the Council agreed, in principle, with Department of Levelling Up Housing and Communities (DLUHC) that exceptional financial support would be made available to assist the council in managing this additional investment cost.
- 6.18. A submission has been made to DLUHC identifying the medium-term investment, as set out above, and a request made for the EFS to be provided across 2023/24 and 2024/25. This support will allow the authority to use capital resources to fund the revenue investment during both years.
- 6.19. This budget has been proposed on the basis that this request will be supported by Government, meaning the Council do not need to set aside revenue resources to finance this in-year but will instead finance the investment as though it were Capital Expenditure. The budget proposals are on the basis this will require the Council to borrow and allowance has been made for this within the capital financing estimates included in the MTFP.

e) Service Review and Budget Pressure Mitigation proposals

- 6.20. In addition to the Medium-Term transformation plan and business as usual savings and efficiencies. Services have undertaken a process of reviewing their budget and service plans for 2024/25 and identified a series of Service Review and Budget Pressure Mitigation proposals. The impact of which is summarised below:

Table 16: Service Review and Budget Mitigations

	2024/25 £'m	2024/25 £'m
Remaining Gap after BAU and Transformation (table 14)		27.978
Recurring Savings - Service Review and Budget Mitigation	(15.598)	
Non-Recurring Savings - Service Review and Budget Mitigation	(1.414)	
		(17.012)
Remaining Gap after Service Review & Budget Mitigation		10.966

f) EFS and Reserves – balancing the budget

- 6.21. In arriving at a balanced budget position for 2024/25 it is expected that short term support from reserves and EFS is required.
- 6.22. This is a short-term measure while the savings and efficiencies identified by Cumberland Transformation Plan can be fully realised over the life of the MTFP.
- 6.23. By requesting EFS support, this allows this budget gap to be spread over a number of years, rather than reducing the Councils reserves, which must remain above the minimum level identified by the s151 office in order for the Council to remain financially sustainable.

Table 17: EFS and Reserves

	2024/25 £'m	2024/25 £'m
Gap – after savings (table 16)		10.966
EFS Application		(10.000)
Planned use of earmarked balances / general fund		(0.966)
Balanced Budget		0.000

Savings, Efficiencies and Income Generation

- 6.24. The saving included in the 2024/25 budget total £37.607m and consist of:
- £35.850m recurring savings: which reduce the current baseline budget (2023-24) on a permanent basis, and which are required to not only reduce the pressure on the 2024-25 Cumberland Budget, but also over the Medium Term
 - £1.759m non-recurring savings: which reduce the budget for 2024-25. These ensure a balanced budget is achieved but are not expected to be permanent.

Table 18: Savings included in 2024/25 Revenue Budget

	2024/25 £'m	2024/25 £'m
Recurring Savings - BAU and Transformation	(20.250)	
Recurring Savings - Service Review & Budget Mitigation	(15.598)	
Recurring Savings		(35,848)
Non-Recurring Savings - Service Review & Budget Mitigation	(1.414)	
Non-Recurring Savings BAU and Transformation	(0.345)	
		(1.759)
Total Savings 2024/25		(37.607)

6.25. The 2024/25 savings are part of a wider savings programme identified over the MTFP, this is set out below:

Table 19: Savings included in 2024/25 Revenue Budget and MTFP

	2024/25 £'m	2025/26 £'m	2026/27 £'m	Total Recurring Savings
Recurring Savings				
Adults Transformation	(6.125)	(2.000)	(0.400)	(8.525)
Childrens Transformation	(9.900)	(8.050)	(2.750)	(20.700)
People and Resources	(1.000)	(4.000)	(5.000)	(10.000)
Assets and fleet management	(0.475)	(3.750)	(3.500)	(7.725)
Customer and pre-front door	(1.000)	(2.000)	(2.000)	(5.000)
Commissioning and Commercialisation	(1.242)	(1.150)	0.000	(2.392)
ICT systems	0.000	(0.500)	(2.500)	(3.000)
Improvement and efficiency	(0.510)	0.000	0.000	(0.510)
Recurring Savings - BAU and Transformation	(20.252)	(21.450)	(16.150)	(57.852)
Service Review and Budget Mitigation	(15.598)	0.000	0.000	(15.598)
Recurring Savings	(35.850)	(21.450)	(16.150)	(73.450)
Non-Recurring Savings				
Commissioning and Commercialisation	(0.345)	0.000	0.000	-
Service Review and Budget Mitigation	(1.414)	0.000	0.000	-
Non-recurring savings	(1.759)	0.000	0.000	-
Total Savings	(37.609)	(21.450)	(16.150)	-

Revenue Budget Overview

- 6.26. The changes to the 2023-24 budget, needed to arrive at the proposed 2024-25 Cumberland net revenue budget, are summarised below:

Table 20: 2024/25 Revenue Budget Overview

All Services/ Directorates	2024/25	2024/25
2023-24 Net Revenue Budget		303.279
Non-Recurring growth	(7.059)	
Non-Recurring savings	9.405	
Non-Recurring Transition and Transformation	(30.000)	
Non-recurring exceptional financial support	40.000	
Remove non-recurring items from budget		12.346
2023-24 Updated Baseline Budget		315.625
Recurring Growth		51.615
Recurring Savings - BAU and Transformation	(20.252)	
Recurring Savings - Service Review and Mitigations	(15.598)	
Recurring Savings		(35.850)
2024-25 Baseline Budget		331.390
Non-Recurring Growth	0.347	
Non-Recurring Savings	(1.759)	
Transformation Plan	31.230	
Non-Recurring Capitalisation	(31.230)	
Non-Recurring net total		(1.412)
2024/25 Net Service Expenditure budget		329.978
EFS Application	(10.000)	
Planned use of earmarked balances / general fund	(0.964)	
Total EFS and reserves / balances		(10.964)
2024/25 Net Budget Requirement		319.014

7. Directorate Revenue Budgets

- 7.1. The proposed budget for each Directorate is shown in the table below. This is an indicative position whilst work is finalised on the allocations between the different Directorates, and Members are requested to delegate any final amendments to the Section 151 Officer, so long as the Net Revenue Budget remains the same.

Table 21: Directorate 2024/25 Revenue Budget

Directorate	Base Budget	Recurring		Base Budget	Non-Recurring		Net Service Expend' budget
		Growth	Savings		Growth	Savings	
	£'M	£'M	£'M	£'M	£'M	£'M	£'M
Chief Executive	0.233	0.000	0.000	0.233	0.000	0.000	0.233
Assistant Chief Executive	3.115	0.098	(0.146)	3.067	0.000	0.000	3.067
Business Transformation & Change	21.180	4.728	(2.454)	23.454	0.140	0.000	23.594
Resources	66.314	27.139	(7.773)	85.680	0.207	(1.345)	84.542
Place, Sustainable Growth & Transport	71.575	0.900	(3.776)	68.699	0.000	(0.414)	68.285
Public Health & Communities	4.760	0.000	(0.257)	4.503	0.000	0.000	4.503
Adult, Social Care & Housing	80.389	4.750	(11.532)	73.607	0.000	0.000	73.607
Children & Family Wellbeing	68.059	14.000	(9.912)	72.147	0.000	0.000	72.147
2024/25 Net Service Expenditure Budget	315.625	51.615	(35.850)	331.390	0.347	(1.759)	329.978

*Resources includes pay award, Inflation, Contingencies, and vacancy management savings

8. Fees And Charges

Background and General Principles

- 8.1. The Council must 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.
- 8.2. For some services, criteria may be set to apply concessions and other discretionary reductions in fees.

Policy Framework

- 8.3. Fees and charges play a key role in furthering service and strategic objectives, and they should be considered and reviewed regularly. This should include the appropriateness and adequacy of the level of charges in force or being proposed.
- 8.4. This should be done within a general policy framework, which in turn should be carried out within the framework of the Council's service and budget planning process.
- 8.5. The policy allows the Council to have a properly considered, consistent and informed approach to all the charges it sets. This will support the delivery of the Council Plan and annual budget decision.

- 8.6. The policy applies to the setting and review of all fees and charges for Council services where the Council has discretion to apply a charge and discretion over the level of charge applied.

Charging purpose

- 8.7. Generally, services fall into six main categories for charging purposes. These categories are set out in the table below:

Table 22: Categories For Charging Purposes

Category	Objective
Full cost recovery	To maximise revenue with an overall objective of recovering the full cost of provision, including overheads and capital charges.
Full cost recovery with concessionary discounts	As above, but with discounted concessions being given to enable disadvantaged groups to access the service.
Subsidised	Widely accessible but users should make some contribution to the service.
Nominal	The council wishes the service to be fully available but sets a charge to discourage frivolous usage.
Free	To make the service fully available at no charge
Statutory	Charges are set in line with legal obligation

Fees and Charges 2024/25

- 8.8. In general terms, it is the Council's policy that a charge should be levied for all discretionary services in accordance with this policy, unless there is a good reason why an exception should be made.
- 8.9. Primarily, responsibility rests with Service Managers to take appropriate action in relation to fees and charges levied for services.
- 8.10. For existing charges, there is to be a general policy presumption that the levels of fees and charges should rise, each year, in line with the rate of inflation, as determined as part of the budget planning process. For 2024-25, this has been determined to be 6.7%.
- 8.11. Service Managers must consider charging policies and current levels of fees/charges each year as part of the service and budget planning process. In line with the fees and charges policy framework for Cumberland, the assumption is that they will be maintained in real terms over time and increased in line with inflation annually.
- 8.12. General changes to fees and charges in line with inflation, would be approved as part of the budget setting process. On an exception basis where, following review, changes are proposed other than in line with inflation, as determined above, then a separate report would be presented to Executive.

- 8.13. Services provide a schedule of fees and charges for the forthcoming year as part of the annual budget process; following the approval of the budget these schedules are incorporated into a fees and charges booklet which is published on the Council's website.
- 8.14. For 2024/25 it is proposed that the approval of the fees and charges be delegated to the s151 officer, to ensure fees and charges are set in line with the approved charging categories.

9. Medium Term Financial Plan Forecasts

- 9.1. In line with the one-year finance settlement, this report sets out a balanced one-year only budget for 2024-25 along with an anticipated position for 2025-26 and 2026-27.
- 9.2. In determining the projections for 2025-26 and 2026-27, significant areas of uncertainty remain as to the Council's financial position in respect of both funding and spending assumptions. Whilst the Autumn Statement gave some information around the Government's spending plans, the detailed implications for local government remain unclear.

Table 23: Medium Term Financial Plan

Net Budget Requirement	2023/24 £'m	2024/25 £'m	2025/26 £'m
Base Budget	315.625	331.390	332.759
Recurring Growth	51.615	22.819	17.016
Recurring Savings - BAU and Transformation	(20.252)	(21.450)	(16.150)
Recurring Savings - Service Review and Mitigations	(15.598)	0.000	0.000
Recurring (base) budget	331.390	332.759	333.625
Non-Recurring Growth	0.347	0.411	0.151
Non-Recurring Savings	(1.759)	0.000	0.000
Transformation Plan	31.230	12.133	0.000
Non-Recurring Capitalisation	(31.230)	0.000	0.000
Net Service Expenditure budget	329.978	345.303	333.776
EFS Application	(10.000)	0.000	0.000
Planned use of earmarked balances / general fund	(0.964)	0.000	0.000
Net Budget Requirement	319.014	345.303	333.776

Revenue Budget Financing	2023/24 £'m	2024/25 £'m	2025/26 £'m
General Grants	61.977	58.512	58.590
Council tax – Cumberland	163.452	173.576	177.991
Collection fund surplus/(deficit) - Council Tax	(0.353)	0.000	0.000
NNDR funding	92.504	95.557	97.086
Collection fund surplus/(deficit) - NNDR	(3.566)	0.000	0.000
Less: Planned use of earmarked balances - NNDR	5.000	0.000	0.000
Total funding	319.014	327.645	333.667
Budget Gap / (Surplus)	0.000	17.658	0.109

10. Capital Budget

- 10.1. Capital expenditure includes the acquisition and construction of non-current assets, such as land and buildings, vehicles and plant which have a useful life in excess of 12 months, as well as expenditure on additions to, or enhancement of, existing non-current assets. It also includes items such as grants towards capital expenditure incurred by third parties (for example Disabled Facilities Grants). Legislation prescribes what constitutes capital expenditure.
- 10.2. The following paragraphs set out the Council's proposed capital programme for 2024-25 and the following two financial years (2025-26 and 2026-27) together with a summary of how this expenditure will be financed. The proposals also incorporate an update to the capital budget for 2023-24.
- 10.3. It should be noted that capital expenditure set out in the Authority's capital budget and the methods by which that expenditure is funded may also impact on the Authority's revenue budget. Where this is the case, the revenue implications of capital expenditure are dealt with as part of the Revenue Budget process. Examples of the revenue implications of capital expenditure include:
- increases/decreases in operating costs, e.g. utilities, maintenance, staff costs or increased income from new or enhanced assets.
 - the requirement to set aside from the General Fund an annual amount (the Minimum Revenue Provision), to meet the capital cost of expenditure funded from borrowing or other credit arrangements.
 - increased finance costs, either by way of interest on borrowing or the loss of income on investment balances, used to fund capital expenditure.

Financing the capital programme

- 10.4. The framework for local authority capital finance is laid out in a series of legislations, statutory guidance, and codes of practice, and referred to collectively as the Prudential Framework. Under the Prudential Framework local authorities have the freedom to determine and self-regulate levels of capital expenditure and the amount of borrowing undertaken to fund that investment. In exercising those freedoms, authorities must however follow due process and be able to demonstrate the affordability, prudence and sustainability of their capital expenditure and borrowing plans.
- 10.5. As with any system of control over capital expenditure a key part of the Prudential Framework is the matching of expenditure to resources. Resources available to finance capital expenditure include:
- capital receipts (usable proceeds from asset sales)
 - capital grants and contributions from third parties
 - use of reserves i.e. General Fund and earmarked balances
 - direct financing from revenue.
- 10.6. An underpinning principle of the local authority financial system is that all capital expenditure must be financed either from capital receipts, capital grants (or other contributions) or eventually from revenue income.
- 10.7. Capital expenditure not financed up-front from the application of capital grants, contributions, capital receipts or from revenue (including the use of reserves) remains unfinanced and result in an increase the Council's underlying need to borrow for capital purposes. This underlying need to borrow is measured by the capital financing requirement (CFR), further details on which are set out in the Authority's Treasury Management Strategy. The Council's underlying borrowing is not necessarily the same as its actual borrowing position. The level of external debt will be determined in accordance with the Council's Treasury Management Strategy and Practices. Consequently, whilst the CFR represent a key consideration in determining the level of borrowing required to fund capital expenditure, an increase in the Authority's underlying borrowing position will not necessarily mean a corresponding increase in the amount of external borrowing.
- 10.8. Statutory provisions set out the purposes to which the Authority can apply its available capital receipts. The uses specified in regulations include:
- to meet capital expenditure in the current year
 - to reduce the underlying borrowing requirement associated with capital expenditure not financed from capital receipts, grants or revenue
 - to pay a premium charged in relation to any amount borrowed
 - to meet the administrative costs of, or incidental to, a disposal of an asset.

10.9. In accordance with the Codes of Practice published by the Chartered Institute of Public Finance and Accountancy and good professional practice, capital receipts expected to be received in 2023-24 and subsequent years will only applied to fund new (capital) priorities where, after carrying out option appraisals and whole life costings, it can be demonstrated that this offers better value for money to the Authority when compared with alternative uses. Alternative uses include their application to reduce the underlying borrowing requirement associated with past expenditure.

Proposed Capital Programme

10.10. The proposed capital programme covering 2024-25 and the following two financial years is set out in table 24 alongside an update to the 2023-24 capital budget. A summary of individual schemes included in the proposed capital programme analysed by Directorate is included in Appendix H.

Table 24: Proposed Capital Programme & methods of financing

	Proposed Budget			
	2023/24 £'m	2024/25 £'m	2025/26 £'m	2026/27 £'m
Capital Expenditure:				
Adult Wellbeing and Housing	15.876	7.112	6.363	3.849
Business Transformation & Change	1.382	0.596	0.621	0.621
Children & Family Wellbeing	17.436	3.472	1.512	1.512
Place, Sustainable Growth & Transport	122.612	218.394	110.379	12.673
Resources	13.270	5.822	4.301	4.348
Exceptional Financial Support	12.850	41.230	12.133	0.000
Proposed Capital Programme	183.426	276.626	135.309	23.003
Financed by:				
Capital receipts	1.278	1.433	0.088	0.000
Capital grants & contributions	135.071	208.715	93.103	12.270
Revenue (GF & Earmarked Reserves)	1.951	1.373	0.000	0.000
Total Expenditure Financed	138.300	211.521	93.191	12.270
Unfinanced capital expenditure:				
Supported borrowing ¹	0.000	0.000	0.000	0.000
Unsupported borrowing	45.126	65.105	42.118	10.733
Leasing (credit arrangements)	0.000	0.000	0.000	0.000
Total Financed & Unfinanced	183.426	276.626	135.309	23.003

10.11. The proposed capital programme includes the following changes to the existing four- year capital programme:

Table 25: Summary of changes to existing capital programme

	Proposed Budget			
	2023/24 £'m	2024/25 £'m	2025/26 £'m	2026/27 £'m
Capital Programme - approved 1 Mar. 2023	174.107	77.855	44.636	23.003
Capitalisation Direction (EFS)	40.000	0	0	0
Approved capital expenditure (1 Mar. 2023)	214.107	77.855	44.636	23.003
Budgets carried forward from 2022-23	73.674	0	0	0
In year adjustments approved at Q2 2023-24	1.562	0	0	
Capital Programme - current (Q2 2023-24)	289.343	77.855	44.636	23.003
Proposed Revisions to Current budget:				
Proposed Programme revisions Q3	41.810	0	0	0
Reprofiling adjustments to capital expend.	(119.487)	71.282	48.205	0
Other Growth/savings	(1.090)	86.259	30.335	0
Reprofile use of Capitalisation Direction	(27.150)	27.150	0	0
Uplift to Capitalisation Direction ask	0	14.080	12.133	0
Total revisions to capital expenditure	(105.917)	198.771	90.673	0
Proposed Capital Programme	183.426	276.626	135.309	23.003

10.12. The table above provides for each of the four years covered by the current four-year capital budget, a reconciliation between the capital budget approved by the Cumberland Shadow Authority in March 2023 and the capital budget now being proposed. The reconciling items presented above consist of:

- (i). £75.236m of in-year changes to the 2023-24 capital budget and previously approved by Executive. These comprise:
- £73.674m in respect of budgets carried forward from 2022-23 (as reported in the 2022-23 outturn report)
 - £1.562m of in -year adjustments made in Q2 of 2023-24 (approved by Executive in December 2023), to reflect changes to grant funding during the course of the year.

- (ii). £183.527m proposed revisions to the current four- year capital budget. This includes:
- £41.810m of additional in year budget adjustments to the 2023-24 capital budget to reflect changes to available grant funding (as at quarter 3 of 2023-24)
 - £115.504m of other growth/savings adjustments.
 - £26.213m increase in the capital budget to reflect the increased Exceptional Financial Support ask (request for Capitalisation Direction) submitted to Government
- (iii). re-profiling adjustments of:
- £119.487m of capital expenditure reprofiled across financial years to better reflect the current delivery programmes and associated expenditure profiles related to several key capital projects. Whilst this reprofiling impacts on total planned expenditure in financial years 2023-24, 2024-25 and 2025-26 it does not alter the total capital expenditure across the programme as a whole.
 - £27.150m reprofiling adjustment to reflect anticipated use of the Exceptional Financial Support (Capitalisation Direction) included in the current budget

10.13. Details of additional in year budget adjustments to the 2023-24 capital budget and related financing adjustment are summarised in the table below:

Table 26: In year adjustments to the current 2023-24 capital budget

	2023/24 £m
Repayment of Sustainable Warmth Grant	(1.808)
LTA grant towards Bitts Park Improvements	0.080
Carlisle Southern Link Road Grant	40.855
Family Hubs Grant	0.167
Additional Roads Funding	1.949
National Highways Contribution	0.100
s106 contribution to William Howard School Improvements	0.467
Virement from Major Projects Match funding	(0.362)
Virement to Carlisle Station Gateway	0.362
Total Capital Expenditure Adjustment	41.810
Financing Adjustment - Grants	41.810

10.14. Table 27 provides further analysis of the reprofiling adjustments included in table 26 above:

Table 27: Reprofiling adjustments to the capital programme

	2023/24 £'m	2024/25 £'m	2025/26 £'m
Carlisle Southern Link Road (CSLR)	(5.000)	(0.556)	5.556
Crematorium Infrastructure	(3.000)	3.000	0.000
Energy Coast Resilient Routes (Levelling Up)	(13.567)	13.567	0.000
Future High Street Fund - Carlisle	(6.179)	6.179	0.000
Future High Street Fund - Maryport	(6.125)	6.125	0.000
Industrial Solutions Hub (iSH) Enterprise Campus (Levelling Up) / Leconfield Development	(27.085)	7.367	19.718
Town Deal - Cleator Moor	(18.864)	7.403	11.461
Town Deal - Millom	(8.401)	4.784	3.617
Town Deal - Carlisle	(4.636)	2.429	2.207
Town Deal - Workington	(17.073)	11.427	5.646
Tullie House	(0.500)	0.500	0.000
Workington Gateway (Levelling Up)	(9.057)	9.057	0.000
	(119.487)	71.282	48.205
Capitalisation Direction (EFS)	(27.150)	27.150	0.000
	(146.637)	98.432	48.205
Financed by:			
Grants	(97.423)	64.487	32.936
Capital Receipts	(0.162)	0.162	0.000
Revenue Earmarked Reserves	(1.400)	1.400	0.000
General Fund Balances	0.000	0.000	0.000
Prudential Borrowing (unfinanced expenditure)	(47.652)	32.383	15.269
	(146.637)	98.432	48.205

Other Capital Growth and Savings Adjustments

- 10.15. Details of Other Capital Growth and Savings adjustments, submitted as part of the 2024-25 budget process, are summarised in table 28.

Table 28: Other Capital Growth and Savings adjustments

	2023/24 £'m	2024/25 £'m	2025/26 £'m
Carlisle Southern Link Road (recognition of grant funded expenditure)	0.000	86.684	30.335
Mandatory Disabled Facilities & Housing Grants ¹	(1.090)	0.000	0.000
Cumbria Coastal Community Forest - Non-LEP	0.000	(0.425)	0.000
	(1.090)	86.259	30.335
Financed by			
Grant	0.000	86.259	30.335
Borrowing (unfinanced expenditure)	(1.090)	0.000	0.000
	(1.090)	86.259	30.335

¹ removal of budget funded from borrowing following budget uplift of £1.190m - funded from grant, approved by Executive in December

- 10.16. From 1 April 2024 changes to the rules governing the accounting treatment of leases, mean that, except for short-term leases and leases of low-value assets, all leased assets and the related lease liabilities will be recognised on the Authority's balance sheet. Under these new requirements the acquisition of an asset under a lease (excluding short-term leases and leases of low-value assets) will be treated as capital expenditure. Pending completion of an impact assessment of the new accounting requirements the proposed budget excludes any specific provision for the (capital) cost of assets acquired under lease. Adjustments to the capital budget may therefore be required to meet the initial capital cost of assets acquired under leasing arrangements during 2024-25 and the remeasurement of existing lease liabilities and associated right-of-use assets. However, any such adjustment will be made only where the revenue financing costs associated with leased assets (Minimum Revenue Provision and interest on the lease liability) can be met from existing revenue budgets.

Financing of capital expenditure

- 10.17. Total capital expenditure across the proposed four-year programme (including the proposed revised 2023-24 capital budget) is £618.364m (including £183.426m relating to 2023-24). This represents a net increase of £258.763m when compared to the budget of £359.601m approved by the Shadow Authority in March 2023. Compared to the current capital budget the net increase in the capital budget resulting from the proposals set out in this report is £183.527m. Of this £158.404m is funded from grants, £28.322 borrowing less (£3.199m) from a combination of capital receipts and revenue contributions.

10.18. Across the four-year programme as a whole, £455.282m will be financed from:

- capital grants and contributions of £449.159m (£135.071m in 2023-24, £208.715m in 2024-25 and £93.103m in 2025-26 and £12.270m in 2026-27)
- capital receipts of £2.799m (including £1.278m in 2024-25, £1.433m in 2025-26 and £0.088m in 2026-27).
- revenue contributions (including use of reserves of £3.324m (£1.951m in 2023-24 and £1.373m in 2024-25

10.19. The remaining capital expenditure within the four-year programme, £163.082m across the four years, is unfinanced and will be met from borrowing. Borrowing will be undertaken in accordance with the Council's Treasury Management Strategy, either through additional PWLB loans or by using cash and investment balances (internal borrowing).

10.20. The £163.082m of unfinanced expenditure included in the capital budget proposals reflects a net increase in the total expenditure funded from borrowing of £29.930m when compared to the total of £133.152m included in the current capital programme. This increase comprises:

- £1.594m - removal of unrealised capital receipts from financing and replaced with borrowing
- £26.212m - increase in Exceptional Financial Support ask (Capitalisation Direction) funded from borrowing
- £3.214m - Removal of revenue contributions to finance capital expenditure (replaced with borrowing), less
- £1.090m - removal of DFG budget funded from borrowing

10.21. The revenue implications of this unfinanced capital expenditure, including amounts chargeable to the general fund in respect of the associated minimum revenue provision and interest costs on additional borrowing, is included in the revenue budgets for 2023-24 and subsequent years.

10.22. Further details of all schemes included in the proposed three-year capital programme 2023-24 to 2026-27 are set out in Appendix H

11. Reserves

11.1. The current projected position on General Fund and Earmarked Reserves is set out in the table below.

Table 29: Reserves

	General Fund (GF) £'m	EMR £'m	School £'m	DSG £'m	TOTAL £'m
Opening Balance	(26.969)	(81.807)	(4.806)	12.290	(101.292)
Use for capital programme	0.357				0.357
Planned use to support Revenue Budget	20.568				20.568
Contributions	(7.000)				(7.000)
Grants to be released	(2.626)	2.626			0.000
Misc' to be released	(13.188)	13.188			0.000
NNDR volatility release	5.000				5.000
Support 2024-25 Revenue Budget	11.000				11.000
Estimated Balance	(12.858)	(65.993)	(4.806)	12.290	(71.367)

- 11.2. The Earmarked Reserve (EMR) and School 'estimate balance' shown in this table reflects the amount expected to be available to finance expenditure during 2023/24, 2024/25 and subsequent financial years. The actual balance of those reserves that will be available at the end of 2023/24 and be carried forward to 2024/25 is subject to change as reserves are released to finance expenditure during 2023/24. This position is monitored and reported as part of the in-year budget monitoring and quarterly reporting process.
- 11.3. 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 ringfenced 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. The opening balance of these reserves is shown in the table above, with the in-year changes being included as part of the in-year budget monitoring and quarterly reporting process.

12. Chief Finance Officer (CFO) Report and Advice on The Robustness of The Budget and Adequacy of Reserves and Balances

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

- the robustness of the estimates included in the budget.
- the adequacy of the reserves for which the budget provides.

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

12.3. This report has been prepared by the CFO (Section 151 officer) to fulfil this duty and the Council has a statutory duty to have regard to this consideration when making its decision about the proposed budget, medium-term financial plan, and council tax requirement.

Robustness of Estimates

12.4. The preparation of a budget relies on estimates, which are made at a point in time. During the financial year there are a number of factors that can influence both expenditure and income, but processes are in place to give assurance that this budget has been constructed using the best available information and assumptions at the time of preparation. This assurance includes:

- Ensuring the identification of budget pressures through the in-year monitoring are reflected,
- Involvement of the Directors and their management teams in the development of these proposals, and reliance on budget managers having arrangements in place to identify issues early and project the likely demand for services,
- Regular oversight of the proposals by Executive members.

Budget 23-24 key risks

12.5. It was noted last year that the first cut of a new council budget would inevitably be imperfect, risk-based and that better information would be ascertained once the new council comes into existence. Estimates used in the Budget for 2023-24 were therefore based on pragmatic assumptions.

12.6. Throughout the current year, the council has recognised a material change in the risk profile of the 2023-24 Budget. The significant factors associated with this position can be summarised as:-

- High levels of financial planning uncertainty due to the impacts of local government reorganisation and the effects of disaggregation of the County Council.
- Non delivery of in-year corporate savings and delays to the Transformation Programme.
- The increasing cost of social care, particularly Children’s Services, due to increased demand and complexity of need together with the increased cost of providing care.
- The impact of pay and price pressures which are in excess of the level of resources provided for by Government in the annual settlement.
- Projected adverse variance of £9m at end of Quarter 2 and the impact of the “minded to” capitalisation directive.
- Nationally, council finances are in a critical state and there is growing concern with regard to an increasing number of councils reporting both overspends and significant estimated budget gaps in future financial years, which provides a challenge to financial sustainability.

Identification of pressures

- 12.7. Provision for pay awards and savings from the delay in replacing staff (vacancy management) have been estimated and included based on information from HR and included at 3%. The council would need to set aside approximately £1.5m for every additional 1% pay award.
- 12.8. Consideration of several proposals designed to reduce the cost of the staffing establishment is fundamental to the delivery of the medium-term financial plan. This includes increasing the target saving through vacancy management – ie delays in replacing staff - by £1m.
- 12.9. The reversal of the non-delivery of previous savings not achieved has been included in the 2024-25 budget position. Some service pressures have not been included, and reliance is placed on budget managers to mitigate the pressures.

Transformation Programme and Savings

- 12.10. To deliver the efficiencies required following LGR there is a need to undergo service transformation to bring together and integrate all our service areas. This will require significant investment and a further request has been made to the Department for Levelling Up Housing and Communities (DLUHC) for exceptional financial support to assist the council in managing the transformation.

- 12.11. This budget has been proposed predicated on the “minded to” position for 2023-24 being approved as a capitalisation directive and a further approval being granted for 2024-25.
- 12.12. The ambition of Cumberland Council is to maximise the opportunities of becoming a unitary council and to develop a modern organisation and culture that is more effective and efficient. During this first year (2023-24) a significant amount of work has been undertaken to lay the groundwork for Transformation.
- 12.13. A critical issue in the MTFP and the request for EFS is that the council will generate capital receipts to finance its Transformation Programme from 2025-26. The extent to which these receipts can be realised will be conditional on the identification and disposal of such assets in the asset management plan and capital disposal strategy. Current monitoring indicates that this will be challenging to deliver, and decision making will need to be prompt to ensure sales can be completed and receipts banked in time to fund the transformation expenditure.
- 12.14. The transformation and savings that have to be delivered in this budget year are £37.609m rising to £73.450m by 2026-27. This will be a significant challenge to deliver – but it has been made expressly clear to SLT and Executive that it is essential that these savings are achieved in year to support the robustness of the MTFP.
- 12.15. It is important to emphasise that to achieve the required reduction in the base budget the savings have to be:
- Revenue and not Capital related.
 - Budgeted and not unbudgeted expenditure.

Adequacy of Reserves

- 12.16. Reserves provide the cushion to deal with uncertainty, risks and unforeseen events in the year, and the opportunity to respond to service changes outside existing plans. They provide flexibility and are key to a financially sustainable Council.
- 12.17. There is no set formula for deciding what level of reserves is adequate. Councils are free to determine the reserves they hold and for ensuring that they are appropriate to address local circumstance. As these needs will vary over time and between authorities, there is no “correct” level of reserves.
- 12.18. In light of the financial situation the Council faces, the assessment of the level of reserves required and the use of them is critical to maintaining our financial resilience. The level of risk appetite around the level of reserves held should be considered in the context of the potential demand and cost pressures being faced, as well as the service delivery aspirations and the need to deliver significant levels of savings and efficiencies in balancing the 2024-25 budget.

- 12.19. The Council needs to show a commitment to maintain reserves at a level which provides adequate cover for the high levels of uncertainty around the deliverability of the Transformation Programme. This shows a clear commitment to prudent contingency planning.
- 12.20. Analysis on the council's earmarked reserves is currently being reviewed to identify if the requirement for setting aside the reserve is still relevant for Cumberland and for opportunities to release sums back into the general unearmarked balances where possible.
- 12.21. Whilst the reserves may be adequate to support the revenue budget for 2024-25, they would drop to a level below what would be recommended as the minimum level of reserves. The requirement to deliver significant transformation and savings in-year exposes the council to significant financial risk. There is therefore a need to maintain reserves at a sufficient level to mitigate should these savings not materialise as expected. It is recommended that the minimum level of reserves required to address risk is £25m.
- 12.22. For these reasons, the request to DLUHC for EFS for 2024-25 includes a request to be able to use capital flexibilities to address the budget gap and maintaining a legally balanced budget.
- 12.23. The Councils policy on reserves is that wherever possible reserves should not be used to fund recurring expenditure, but that where it is, this should be made explicit, and steps taken to address the situation in the following years.
- 12.24. 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 ringfenced 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.

Opinion of the Chief Finance Officer (S151 Officer)

- 12.25. The future financial sustainability of the council continues to be vested in the success of its transformation programme and securing the capitalisation direction to enable the investment in the transformation.
- 12.26. Significant transformation efficiencies and savings have now been identified and priority projects, such as Pay and Grading and Demand Prevention and Management, scoped and initiated. It is vital that the critical path for the programme is developed and managed.
- 12.27. Experience from other local authorities is that such programmes are often overly optimistic around the timescales and amounts of savings that can be delivered.

- 12.28. Whilst the transformation programme will ensure that the council is as efficient and productive as possible, it needs to be recognised that there is a real need to deliver services within the financial envelope available.
- 12.29. The council now has a well-developed Transformation Plan driven by the three themes of People & Culture, Technology and Operating Model with a portfolio of programmes approach to ensure inter-connectivity between the themes.
- 12.30. The framework is in place with allocated Senior Responsible Officers for each programme with clear monitoring and reporting boards. It does have to be noted though that current budget pressures together with recruitment and retention of staffing issues, will make it challenging to identify sufficient resources to support service transformation.
- 12.31. The need for strong governance and transparency of progress and reporting will be critical and will require Members to make difficult decisions about service modernisation, use of automation and reduction of head count, assets utilisation and rationalisation in order to ensure finance sustainability.
- 12.32. Given all the above, I consider the budget estimates for 2024-25 to be sufficiently robust and recommend for approval by Council.

13. Conclusion and reasons for recommendations

- 13.1. The Council's current and future financial sustainability will require the successful delivery of its transformation programme and will require strong financial governance and leadership.
- 13.2. In conclusion, the recommendations are for Executive to:

Approve the 2024-25 Budget for recommendation to Council for approval and adoption including: -

- The General Fund net revenue budget for 2024-25 of £319,014,005, as outlined in Appendices A to G
- Note the position on Directorate budgets, and delegate any final amendments between Directorates to the Section 151.
- Approve the calculation of the Authority's Council Tax Base for the financial year 2024-25, including determining the appropriate council tax discounts, of 89,966.79.
- Approve the determination to introduce a second home Council Tax premium of up to 100% with effect from 1st April 2025, in accordance with the requirements of The Levelling up and Regeneration Act.

- Band D Council Tax in 2024-25 of £1,816.80 for Cumberland Council which represents an increase of 4.99% on Council Tax levied across the Cumberland area (2.99% increase in core council tax and 2% Adult Social Care precept)
- Delegate the approval of fees and charges to the S151, in consultation with the PH Finance and assets, to ensure they are set in line with the approved fees and charges policy.
- The capital programme as set out in Appendix H
- Notes the consultation feedback on the budget as set out in Appendix I
- Notes the S25 statement of the Chief Finance Officer as set out in Section 12 and the risk-based assessment of the level of General Fund Balances

Implications:

Contribution to the Cumberland Plan Priorities -

The Budget is set to support the Council in achieving its priorities as set out in the Council Plan and to facilitate control of expenditure on its activities. Sound financial management is essential to successful delivery of the Council's financial plans, achievement of value for money and the stewardship and safeguarding of public money.

Relevant Risks and explain how risks can be mitigated -

As set out within the body of the report and S25 report.

Consultation / Engagement -

A public consultation was held between 15th December 2023 and 12th January 2024. A summary of the responses is included within the body of the report and the Appendix I.

Legal –

It is the role of the Executive to formulate a budget (calculations as to the council tax requirement) and to recommend those calculations to the Council for its consideration. It will then be the role of the budget meeting of Council to adopt that budget or, at that stage, to object to the budget proposals giving reasons why.

The Authority must set the budget in accordance with the provisions of the Local Government Finance Act 1992 and approval of a balanced budget each year is a statutory responsibility of the Council. Sections 25 to 29 of the Local Government Act 2003 impose duties on the Council in relation to how it sets and monitors its budget. These provisions require the Council to make prudent allowance for the risk and uncertainties in its budget and regularly monitor its finances during the year. The legislation leaves discretion to the Council about the allowances to be made and action to be taken.

Section 30(6) of the Local Government Finance Act 1992 provides that the Council has to set its budget before 11th March in the financial year preceding the one in respect of which the budget is set.

Members must bear in mind their fiduciary duty to the council taxpayers. Members must have adequate evidence on which to base their decisions on the level of quality at which services should be provided.

Members must have adequate evidence on which to base their decisions on the level of quality at which services should be provided. Where a service is provided pursuant to a statutory duty, it would not be lawful to fail to discharge it properly or abandon it, and where there is discretion as to how it is to be discharged, that discretion should be exercised reasonably. Where a service is derived from a statutory power and is in itself discretionary that discretion should be exercised reasonably.

The report sets out the relevant considerations for Members to consider during their deliberations and Members are reminded of the need to ignore irrelevant considerations. Members have a duty to seek to ensure that the Council acts lawfully. Members must not come to a decision which no reasonable authority could come to; balancing the nature, quality and level of functions and services which they consider should be provided, against the costs of providing such services.

The public sector equality duty is that a public authority must, in the exercise of its functions, have due regard to the need to: (1) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010; (2) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and (3) foster good relations between persons who share a relevant protected characteristic and persons who do not share it

Any decision made in the exercise of any function is potentially open to challenge if the duty has been disregarded. The duty applies both to the Council when setting the budget and to the Executive when considering particular decisions.

Once a budget is in place, the Executive holds the responsibility to implement it in accordance with its responsibility for functions. In doing so, the Executive may not act contrary to the Budget without consent of Council other than in accordance with the Procedure Rules set out at Part 4(3) of the Constitution.

It is essential, as a matter of prudence that the financial position continues to be closely monitored. In particular, Members must satisfy themselves that sufficient mechanisms are in place to ensure both that proposals (spending and savings) are delivered and that new expenditure is contained within the available resources. Accordingly, any proposals put forward must identify the realistic measures and mechanisms, including risks, associated with those proposals.

Members are also individually reminded that Section 106 of the Local Government Finance Act 1992 applies to this meeting. Members who are two months or more in arrears with their Council Tax must declare this to the meeting and must not vote on budget recommendations, as to do otherwise can be a criminal offence.

Finance –

The financial implications are all contained within the body of the report.

Information Governance –

There are no specific information governance issues arising from this report

Impact Assessments –

To be considered as part of the Transformation Programme

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Background papers:

Finance working papers and Transformation Programme

Appendices attached to report:

- Appendix A: Summary 2024-25 Budget Position
- Appendix B: Recurring Growth
- Appendix C: Non-Recurring Growth
- Appendix D: Recurring Savings – Transformation and BAU
- Appendix E: Recurring Savings – Service review and budget mitigations
- Appendix F: Non-Recurring Savings – Transformation and BAU
- Appendix G: Non-Recurring Savings – Service review and budget mitigations
- Appendix H: Capital Budget 2023-24 to 2026-247
- Appendix I: Public Consultation
- Appendix J: Budget Book