

**Barrow Borough Council  
Council  
14 September 2022  
Medium Term Financial Plan**

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**Report from:** Director of Resources

**Report Author:** Director of Resources

**Wards:** None

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**1.0 Summary and Conclusions**

- 1.1 This report updates the Medium Term Financial Plan for 2022-2025.
- 1.2 The revisions cover the energy market price pressures, the April 2022 pay award, the direct delivery of the waste service, and the impact on financial reserves.

**2.0 Recommendations**

- 2.1 **It is recommended that the Council:-**
- 1. Approve the revised Medium Term Financial Plan for 2022-2025.**
  - 2. Approve the movements in earmarked reserves as at 31 March 2022.**
  - 3. Approve the use of the General Fund balance as set out in the report.**
  - 4. Endorse the revised lease arrangements for the future depot as specified in the report.**

**3.0 Background and Proposals**

3.1 Energy

- 3.1.1 The energy market price pressures were reported to the Executive Committee on the 22 June 2022 and the shortfall in budget was estimated to be £513k for 2022-2023.
- 3.1.2 The Council purchases energy through Cumbria County Council and the pricing applies from 1 April 2022 for twelve months.
- 3.1.3 The energy advisors note that it is expected that energy prices will fall from April 2023, but there is no projection at present.

## 3.2 Waste Service

- 3.2.1 The projected budget for the direct delivery of the waste service for 2022-2023 is attached as **Appendix 1**; the budget for 2022-2023 is a part year plus the service transition, and the budget for future years is a full year plus the medium-term assumptions.
- 3.2.2 The additional budget required for 2022-2023 is £128k for transition that is added to the £250k previously approved for support; £120k for October to March service delivery; and around £0.6m for capital outlay in procuring the required assets.
- 3.2.3 The capital outlay is to be partly funded from reserves and partly funded from usable capital receipts and the Capital Programme revised.
- 3.2.4 There may be further costs that have not yet been identified and the position will be closely monitored and reported to the Executive Committee as part of quarterly finance reporting; the Council will gain knowledge in establishing and reviewing the service.
- 3.2.5 Apart from the IT capital which the Council is directly procuring, the precise sum for the other assets is to be determined by valuation prior to the transfer date and shall be confirmed with the quarterly finance monitoring.
- 3.2.6 With regard to the waste service there is a variation in the future depot lease to report from that originally agreed by Council. Heads of Terms were agreed by Chief Executive decision (in accordance with the constitution) for a 25 year lease rather than 10 as originally anticipated with break clauses at 5 and 10 years; either party can break at 15 and 20 years; and 5 year rent reviews.

## 3.3 Financial Reserves

- 3.3.1 The Council's financial reserves were assessed at 31 March 2022 as part of the closedown process; a large proportion of the financial reserves are held against existing commitments and specific uses.
- 3.3.2 The General Fund financial reserves at 31 March 2022 were made up of individual reserves £9.7m and the fund balance £2.3m; totalling £12m.
- 3.3.3 It is not expected that the General Fund balance will be called upon during 2022-2023 however Council is reminded that the balance is £0.4m above the minimum assessed; access to the fund balance is a matter for Full Council.
- 3.3.4 The individual reserves are attached as **Appendix 2** and show the amounts committed, those with specific uses, and identifies the unallocated reserves brought together to create a reserve for direct delivery of the waste service.

3.3.5 The outturn for 2021-2022 resulted in an unplanned contribution into reserves of £513k which has been set aside for the 2022-2023 energy market price pressures.

3.3.6 There is sufficient in reserves to fund the transition costs and additional costs of direct delivery of the waste services for 2022-2023 estimated at £1m (waste service items highlighted in **Appendix 2**); the future years with full costs fall into the General Fund deficit.

3.3.7 Where there are opportunities to use in-year underspent amounts within the General Fund revenue budget (such as staff turnover or higher income), then those will be used before the financial reserves are drawn.

### 3.4 Staff Pay

3.4.1 It is likely that the April 2022 pay award will be higher than the original assumptions used in the 2022-2023 revenue budget and therefore those assumptions have been revised to reflect the current position; the final position will appear in the relevant quarterly report.

3.4.2 It is anticipated that the in-year staff turnover shall be sufficient to fund the additional budget required for 2022-2023.

### 3.5 Forecasts

3.5.1 The revised Medium Term Financial Plan is attached as **Appendix 3** and the movement in forecasts comes from:

|                                      | <b>2022-2023</b> | <b>2023-2024</b> | <b>2024-2025</b> |
|--------------------------------------|------------------|------------------|------------------|
|                                      | <b>£m</b>        | <b>£m</b>        | <b>£m</b>        |
| MTFP published March 2022            | <b>Balanced</b>  | <b>0.4</b>       | <b>0.5</b>       |
| Staff pay pressures                  | 0.3              | 0.3              | 0.3              |
| Energy market pressures              | 0.5              | 0.5              | 0.5              |
| Waste service delivery               | 0.6              | 1.1              | 1.1              |
| Staff turnover                       | (0.3)            | -                | -                |
| Earmarked reserves                   | (0.6)            | -                | -                |
| One-off adjustments                  | (0.5)            | -                | -                |
| <b>MTFP published September 2022</b> | <b>Balanced</b>  | <b>2.3</b>       | <b>2.4</b>       |

3.5.2 Budget savings and additional income to close the budget gap will need to be brought forward as part of the 2023-2024 budget setting process with Westmorland and Furness Council.

3.5.3 The staff pay award is not yet finalised; the energy market price pressures may recover somewhat before 2024-2025; there are opportunities to review the waste service which may result in cost reductions and income generation.

3.5.4 The Council has managed significant budget reductions in previous years and has established a MTFP budget support reserve to enable transformation to be realistically paced and sustainable.

3.5.5 At 1 April 2023 the Council's financial reserves will be amalgamated into Westmorland and Furness; the identification of a MTFP budget support reserve will be considered as part of the budget setting process.

### 3.6 Summary

3.6.1 Council is recommended to approve the revised Medium Term Financial Plan for 2022-2025 which incorporates the significant changes in-year, and the financial reserves position reflecting the closedown of 2021-2022.

3.6.2 The financial position shall be shared with Westmorland and Furness Council.

## 4.0 **Consultation**

4.1 Consultation is not relevant to the recommendations.

## 5.0 **Alternative Options**

5.1 There are no alternative options to set out as the report reflects the financial implications of matters already reported.

## 6.0 **Contribution to Council Plan Priorities**

6.1 The recommendations primarily concern the Council's financial resilience which underpins the Council's operations, strategies and Council Plan.

## 7.0 **Implications**

### **Financial, Resources and Procurement**

7.1 The body of the report contains the financial implications including the use of financial reserves.

### **Legal**

7.2 It is a statutory requirement to set the Council's budgets, a balanced budget, and the Council Tax for the following financial year.

### **Local Government Reorganisation**

7.3 The Medium Term Financial Plan and in-year budget monitoring will be shared with the Shadow Westmorland and Furness Council in order to prepare the 2023-2024 budgets and financial plans.

### **Equality and Diversity**

7.4 Have you completed an Equality Impact Analysis? No, the recommendations have no direct Equality and Diversity implications.

## Risk

| <b>Risk</b>  | <b>Consequence</b>                | <b>Controls required</b>   |
|--|-----------------------------------|--|
| Budget assumptions are insufficient.   | Budget shortfall.                 | Best estimates are used and are supported by financial reserves. |
| <b>Risk</b>  | <b>Consequence</b>                | <b>Controls required</b>   |
| Core expenditure is beyond the budget proposed or income is lower than expected. | Budget shortfall.                 | Financial monitoring and budgetary control.                      |
| <b>Risk</b>  | <b>Consequence</b>                | <b>Controls required</b>   |
| Unplanned or unexpected expenditure pressures.                                   | Funding shortfall and moratorium. | Financial planning and accountability.                           |

## Contact Officers

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## Appendices Attached to this Report

| <b>Appendix No.</b> | <b>Name of Appendix</b>        |
|---------------------|--------------------------------|
| 1                   | Waste Service Budget 2022-2023 |
| 2                   | Financial Reserves             |
| 3                   | Medium Term Financial Plan     |