

Meeting: Cabinet

Date of Meeting: 16 December 2021

Title of Report: 2021/22 Revenue and Capital Budget Monitoring to 30 September 2021 (Q2)

Report from: Pam Duke, Director of Finance (s151 Officer)

Cabinet Member: Peter Thornton, Deputy Leader of the Council

What is the Report About? (Executive Summary)

1. This report sets out the Council's forecast year-end financial position as at 30th September 2021, Quarter 2 (Q2); covering the Revenue Budget, Capital Programme and Treasury Management. Cabinet receive a report quarterly and Directorate and Corporate Management Teams receive detailed reports monthly. This report links to the Q2 Corporate performance monitoring report which is contained elsewhere on today's agenda.
2. The financial context for the Council remains challenging. Since 2011/12, the Council has agreed a total of £289m of savings in setting annual revenue budgets. In setting the Budget, Council in February 2021 agreed £17.667m of new savings for 2021/22. This reflects the impact of one-off savings from previous years which required replacement in agreeing the balanced Budget for 2021/22. This report sets out the forecast delivery of these savings.
3. Since setting the Budget in February 2021, and as a result of the response to and recovery from the COVID-19 pandemic, there continues to be significant financial consequences for the Council. This is consistent with all other Local Authorities.
4. The impacts of COVID-19 upon the financial position for 2021/22 are set out in this report and include one-off and exceptional costs, changes and increases in demand for social care, pressures on available resources in some areas and delays to transformation activity and delivery of savings and lost income in sales, fees and charges. Information on COVID-19 costs incurred are reported monthly to MHCLG.
5. The demands upon Council services and the consequent financial impacts of the COVID-19 pandemic and related recovery continue to evolve and clearly will be ongoing throughout and beyond 2021/22. What is important is that the Council continues to provide vital local services in this period of sustained uncertainty.
6. Investment in capital schemes approved within the Council's capital programme continue with some overall additions to the 2021/22 – 2025/26 capital programme and some changes to the 2021/22 capital programme to reflect likely delivery in year. The capital programme for 2021/22 assuming recommendations are approved as per this report is £119.157m which

represents delivery of an extensive capital investment programme in year by the Council across many service areas.

7. As part of that response and to ensure that vital frontline care services are supported the Q2 financial monitoring position reflects the recent formal Leader's decision to provide adult social care market sustainability grants (including Cumbria Care) to help try and stabilise the social care market from a workforce perspective.
8. In addition this Q2 report starts to introduce some of the consequences and decisions that will be requested of the County Council in order to deliver the Government's Local Government Reorganisation requirements by April 2023.

Key messages for Cabinet

9. The key messages for Cabinet are set out below:
 - i. The financial challenge continues and the context of uncertainty in public finances remains alongside the ongoing impact of COVID-19.
 - ii. The forecast year end position for the Council as at the 30th September 2021 including the estimated impacts of COVID-19 to the year-end is of a breakeven position on the Revenue Budget i.e. balanced budget at year end. This is a positive position to report given the challenges of the year. However, it is still uncertain and the assumptions, estimates and variables impacting upon this forecast will continue to be kept under continuous review throughout the financial year.
 - iii. This forecast position includes significant COVID-19 related pressures of £41.501m which have been partly, but not fully, addressed through the receipt of specific grant funding and the continuation of the CCG hospital discharge fund of (£28.196m) and the COVID-19 emergency funding received from Government, applicable to the current financial year, of (£10.381m). This has resulted in a forecast unfunded COVID-19 related pressure of £2.924m for the current year which is a decrease in the pressure by £1.795m from the position reported at Q1. This is mainly as a result of the announcement by Government to extend a number of specific grants until the 31st March 2022.
 - iv. Within this Q2 monitoring position both the actual and forecast financial costs of COVID-19 for the remainder of the year have been funded where possible from the COVID-19 Earmarked Reserve. Therefore, the Q2 position assumes that the COVID-19 reserve (£10.381m) is fully utilised in year and Directorate forecast outturn positions include drawdown of income from the reserve for all eligible pressures.
 - v. There is underspending in some Directorates, mainly due to one-off delays to expenditure, which is forecast to be (£13.833m), an increase of (£2.117m) from the Q1 position. (£6.738m) of the total underspend is staffing related primarily due to the impact of the pandemic causing delays to reshaping, delays with recruiting permanent staff and specific grant funding offsetting permanent staffing costs.

- vi. Alongside that there are £9.319m of other pressures within directorates, which are not a direct consequence of the COVID-19 pandemic, an increase of £2.918m from the Q1 position. An element of this increase is as a result of the refinement of identifying direct COVID-19 related pressures and so some previously reported COVID-19 pressures have been reclassified as general in year pressures.
- vii. The underspend within directorates of (£13.833m) has been offset by the unfunded COVID-19 pressure of £2.924m referred to in (iii) above, the £9.319m of other pressures referred to in (vi) above resulting in an overall forecast underspend position of (£1.590m). Cabinet approved the transfer of (£0.596m) of this underspend to the Financial Volatility Reserve at Q1. At Q2, it is proposed that (£0.710m) of the underspend is transferred to the LGR Implementation Reserve and the remaining (£0.284m) is transferred to the Financial Volatility Reserve, resulting in a balanced budget position. This is included as a recommendation in this report.
- viii. New savings totalling (£17.667m) were introduced as part of setting a balanced budget for 2021/22. Total savings to be delivered in 2021/22 including previous year's undelivered savings and step-ups is £22.006m. This report indicates forecast delivery by 31st March 2022 of (£17.083m) or 78% of those savings. Of the £4.923m forecast undelivered savings, £4.338m relate to previously undelivered savings or step-ups to those savings and a proposal to remove savings that are not deliverable in 2022/23 is ongoing. 99% of new savings for 2021/22 are forecast to be delivered. Further detail is set out in paragraphs 35 to 41 of this report and in Appendix 2.
- ix. The opening balance on the General Fund as at 1st April 2021 was £25.056m. If the forecast position of breakeven after full utilisation of the COVID-19 Earmarked Reserve was the outturn position at the year end the General Fund Balance would remain at £25.056m.
- x. The Capital Programme sets out the Council's investment plans over the next five years to achieve the Council's priorities and vision. The Council approved a Capital Programme for 2021/22 to 2025/26 in February 2021. This consisted of capital investment over the next five years of £451.347m for Council delivered schemes and included a budget for 2021/22 of £122.396m for Council delivered schemes.
- xi. There have been approved changes to the Capital Programme since it was agreed in February 2021. These changes were in respect of expenditure (and associated funding) slipped into future years for those schemes part completed at 31st March 2021; re-profiling of schemes into future years, and increases to reflect new schemes and increases to existing schemes from additional contributions and grants. The revised position as at Q1 was reported to Cabinet on 23rd September 2021. The inclusion of these changes results in a revised Capital Programme for 2021/22 to 2025/26 of £491.311m, of which £128.441 relates to 2021/22.

- xii. This report seeks agreement to a further net increase to the overall Capital Programme, 2021/22 to 2025/26, of £2.505m. This gives a revised capital programme over this period of £493.816m. For 2021/22 a number of adjustments are proposed resulting in a lower revised budget of £119.157m for 2021/22. This reflects a number of changes to the capital programme as set out in paragraph 68 and summarised in Table 9.
- xiii. The forecast outturn expenditure for the 2021/22 Capital Programme is £119.157m. This means that there is no overall variance against the Council capital budget being reported for the year at Q2.
- xiv. Finally, in response to the LGR programme requirements all Councils across Cumbria have been requested to contribute to a joint LGR Implementation Reserve with an estimate of costs of £18.920m. The intention is that the joint 'LGR Implementation Reserve' will be held by Cumbria County Council, on behalf of all seven Councils and appropriate governance arrangements are being established to ensure appropriate accountabilities and reporting arrangements are established.
- xv. The proposal is that each Council will make a Contribution to the reserve on the basis of the County Council providing 50% and the six districts contributing the remaining 50% equally between them. On that basis the County Council's contribution is proposed to be £9.460m. A recommendation is included in this report for Cabinet to transfer the existing £3.000m LGR reserve and the £1.020m Elections Reserve to the LGR Implementation Reserve as the LGR Implementation Reserve will cover expenditure for which these reserves were established; transfer £0.710m of the Q2 surplus to the LGR Implementation Reserve and ask Council to approve the additional £4.730m as part of the 2022/23 budget setting process. Further information is provided in paragraph 77-87.

Recommendation of the Director of Finance (s151 Officer)

- 10. Cabinet is asked to:
 - a) Note the revised Revenue Budget at the provisional outturn for monitoring purposes of £427.503m as a result of the transfers from the COVID-19 Emergency Grant Earmarked Reserve and agreed transfers to and from reserves (set out in Appendix 1).
 - b) Note the forecast Revenue Budget outturn is breakeven at the year-end, with the assumptions as set out in this report (see Table 2 below).
 - c) Note progress in delivering the savings for 2021/22 of £22.006m; a total of £17.083m (78%) of savings are forecast to be delivered by 31st March 2022.
 - d) Approve the transfer of £0.284m of the Q2 underspend to the Financial Volatility Reserve.

- e) Note the High Needs Dedicated Schools Grant forecast deficit as at 31 March 2022 of £20.521m, which is set out in table 6.
- f) Approve revenue contributions to capital expenditure (RCCO) totalling £0.755m. The RCCO's requested are in the table below.

Directorate	Description	£m
Economy and Infrastructure	Windermere Ferry	0.100
	Barrow Community Hub	0.075
	Applethwaite Green Car Park	0.350
	Port of Workington	0.040
Local Committees	Environment Fund – Barrow Tree Planting	0.190
Total		0.755

- g) Approve the following amendments to the Capital Programme:

	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	Total 2021-2026 £m
Changes to existing scheme – funded by external grant / contribution (set out in table 10)	1.715	0.000	0.000	0.000	0.000	1.715
Changes to new scheme – funded by external grant / contribution (set out in table 10)	0.189	0.000	0.000	0.000	0.000	0.189
Changes to existing scheme – funded by internal revenue contribution (set out in table 11)	0.061	0.000	0.000	0.000	0.000	0.061
Virements (set out in table 13)						
National Productivity Investment Fund	(0.019)	0.000	0.000	0.000	0.000	(0.019)
LEP - South Ulverston	0.019	0.000	0.000	0.000	0.000	0.019
Total of Q2 Changes – for Cabinet approval	1.965	0.000	0.000	0.000	0.000	1.965

- h) Recommend to Council the following amendments to the Capital Programme:

	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	Total 2021-2026 £m
Changes to new scheme – funded by internal revenue contribution (set out in table 11)	0.340	0.200	0.000	0.000	0.000	0.540
Re-profile (set out in table 12)	(11.589)	11.589	0.000	0.000	0.000	0.000
Sub Total of Q2 Changes– for Cabinet to recommend to Council	(11.249)	11.789	0.000	0.000	0.000	0.540

- i) Note the forecast outturn for the Capital Programme 2021/22 of £119.157m against a current capital budget of £119.157m (excluding Accountable Bodies) resulting in no variance being reported at Q2, as set out in Table 14 paragraph 73.
- j) Approve the creation of a LGR Implementation Reserve on behalf of the County and District councils.
- k) Subject to all parties providing their contribution to the reserve and all parties agreeing to the Memorandum of Understanding, approve the transfer of the CCC LGR reserve (£3.000m) and the Elections Reserve (£1.020m) to the LGR Implementation Reserve and the transfer of (£0.710m) as part of the (Q2 underspend position) to the LGR Implementation reserve.
- l) Approve the Council entering into the Memorandum of Understanding for the Implementation Reserve.
- m) Delegate responsibility to agree and approve the terms contained within the Memorandum of Understanding for the LGR Implementation Reserve to the Director of Finance (s151 Officer) and Monitoring Officer, in consultation with the Leader and Deputy Leader of the Council.
- n) Ask Council to consider the request for a further contribution of £4.730m as part of the budget setting process for 2022/23.

Revenue Budget Monitoring as at 30 September 2021

- 11. The starting point for the Revenue Budget is the Medium Term Financial Plan (MTFP) agreed by Council in February 2021.
- 12. The original Budget for 2021/22 was £418.171m. After taking account of adjustments to General Grants and transfers to and from reserves the revised total net expenditure budget 2021/22 for the Council is £427.503m as at 30th September 2021. Appendix 1 sets out the movement in the Council's Net Revenue Budget for 2021/22.
- 13. The net forecast outturn for 2021/22 is £427.503m; resulting in a forecast balanced outturn position. This is a combination of net Directorate underspends of (£1.602m) and a pressure of £1.602m in Other Corporate budgets. Table 1 shows that the Directorate underspend position of (£1.602m) is largely due to the overspend in People of £0.735m. This overspend is offset by underspends in Corporate, Customer and Community Services of (£1.700m) and Finance of (£0.588m). The primary reason for the net overspend in Directorates is the financial impact of COVID-19 with more detail being provided in the remainder of this report.

Table 1 – Revenue Budget Monitoring 2021/22 (as at 30th September 2021)

Original Budget	Net Expenditure	Revised Budget	Annual Forecast	Forecast Variance	Q1 Variance Reported	Change in Variance
£m	Directorate	£m	£m	£m	£m	£m
200.014	People	203.348	204.083	0.735	3.182	(2.447)
129.135	Economy & Infrastructure	129.792	129.749	(0.043)	1.495	(1.538)
20.479	Fire & Rescue Service	20.675	20.669	(0.006)	(0.035)	0.029
9.438	Local Committees	10.351	10.351	0.000	0.000	0.000
36.392	Corporate, Customer and Community	40.438	38.738	(1.700)	(0.061)	(1.639)
37.919	Finance	37.886	37.298	(0.588)	(0.279)	(0.309)
433.377	Total Service Expenditure	442.490	440.888	(1.602)	4.302	(5.904)
(15.206)	Other Corporate Items	(14.987)	(13.385)	1.602	1.852	(0.250)
418.171	Total Net Expenditure	427.503	427.503	0.000	6.154	(6.154)
	Remaining balance of the COVID-19 EMR			0.000	(6.154)	6.154
	Outturn after full utilisation of the EMR			0.000	0.000	0.000

14. The forecast outturn can also be represented to identify the COVID-19 impact on the financial outturn position. Given the material nature of this impact this report follows the same structure as the headings in Table 2 below and then updates the position on non-COVID pressures and underspends.
15. The report includes the financial impact of the formal Leader decision to support £7m of adult social care market sustainability payments.
16. The report provides the overall forecast financial position in respect of Covid and non-Covid overspends and underspends across directorates, the local committee financial position and the position for schools and DSG balances as well as earmarked and general reserves. It updates on the estimated outturn for Treasury management activities and insurance before finishing with updates on the Capital programme.
17. The report also goes on to explain further the financial impact and associated decisions required at Q2 to support delivery of the LGR process for Cumbria.

Table 2 – COVID-19 Financial Impact 2021/22 (as at 30th September 2021)

COVID-19 related financial impact 2021/22	Q2 (£m)	Q1 (£m)	Variance
COVID-19 additional expenditure (Paragraphs 30 – 34)	34.785	34.721	0.064
COVID-19 loss of income (Paragraphs 30 – 34)	1.793	1.535	0.258
MTFP savings and demand management (Paragraphs 35 – 41)	4.923	4.718	0.205
Sub-Total COVID-19 related gross pressure	41.501	40.974	0.527
Specific grants and funding (paragraphs 30, 31, 33, 34)	(28.196)	(25.874)	(2.322)
Q1 2021/22 transfer from COVID-19 EMR (Paragraph 47)	(4.227)	(4.227)	0.000
Q2 2021/22 transfer from COVID-19 EMR (Paragraph 47)	(6.154)	0.000	(6.154)

COVID-19 related pressure within net outturn	2.924	10.873	(7.949)
Remaining balance of the COVID-19 EMR (Paragraph 44 Table 4)	0.000	(6.154)	6.154
COVID-19 unfunded pressure	2.924	4.719	(1.795)
Other Pressures (Paragraph 48)	9.319	6.401	2.918
Directorate temporary underspends (Paragraph 49)	(13.833)	(11.716)	(2.117)
Q1 2021/22 Transfer to Financial Volatility reserve	0.596	0.596	0.000
Q2 2021/22 Transfer to Financial Volatility reserve (Paragraph 57)	0.284	0.000	0.284
Q2 2021/22 Transfer to LGR Implementation Reserve	0.710	0.000	0.710
Budget Monitoring outturn forecast	0.000	0.000	0.000

Variances to the Q1 forecast outturn position – COVID impact

18. Despite the improvement in the overall forecast outturn position for the Council from Q1 the gross COVID-19 related pressures have increased by £0.527m from the position reported at Q1. This includes some adjustments to the reporting of COVID pressures built into the q2 position to ensure that direct pressures are accurately reflected but where pressures are not directly COVID related they are reported appropriately.
19. Additional COVID specific grants and funding of £2.322m has been assumed in the Q2 forecast compared to the Q1 position. The forecast also includes estimated COVID costs through to the year end and the full utilisation of the remainder of the COVID19 EMR of £6.154m. This results in a net reduction in unfunded COVID pressures of £1.795m. COVID-19 unfunded pressures are estimated at £2.924m.
20. The material changes from Q1 include:

£0.064m COVID-19 related additional expenditure

- a) (£1.294m) – reduction in reported COVID pressure as the cost of EPWs in adult social care have been reclassified as a non-Covid pressure in Q2. The EPW cost relates to not being able to recruit and fill vacancies and although affected by COVID it is not directly related to COVID and so the approved revenue budget will be utilised to cover the costs. The non-Covid pressure is now reported in para 48c) and the related underspend reported in para 49a).
- b) £0.415m CLA placement cost pressure increase, primarily as a result of specific new entrants and placement moves directly attributable to COVID-19. Further information is provided in paragraph 48(b).
- c) (£0.628m) reduction in the estimated older adults provision for demographic pressures in year. This is due to changes in anticipated demand from the Q1 position with the number of new residential placements expected to be lower at 3 per week rather than the Q1 position of 7 per week but with higher home care hours per week 250

hours compared to the Q1 estimated 100 hours per week. Further information is provided in paragraph 30(b).

- d) £1.513m increase in provider services staffing costs from the costs reported at Q1. The increase in cost due to use of agency staff now expected to last until the end of the year, the assumption at Q1 was that this would reduce before Q2. Further information is provided in paragraph 30(d). Overall provider services are forecasting a small underspend position of £0.162m.
- e) £0.058m Other smaller net pressures.

£0.205m MTFP savings and demand management COVID pressures

- 21. Forecast non-delivery of MTFP savings for 2020/21 has increased by £0.205m from the position reported at Q1, to £4.923m. The reason for this increase is:
 - a) £0.500m Promoting Independence Programme – this pressure is as a result of slippage in the delivery of the saving as staff focus has been on responding to the COVID-19 pandemic and addressing hospital discharge backlogs. This undelivered saving is expected to be delivered in 2022/23.
 - b) (£0.215m) Service Review Day Care – further savings delivery is forecast due to in year underspends against day care provisions. Ongoing permanent savings will be identified for savings delivery.
 - c) (£0.205m) Children's Quality and Development Plan – since Q1, savings relating to step downs of two CLAs from external residential care have been identified.
 - d) £0.125m General Domiciliary Care – savings are now assumed as a pressure this year due to recharges to the CCGs for 100% health task Generic Domiciliary Care packages not being progressed in year. The service has seen significant growth during the COVID pandemic as a key tool in the Discharge to Assess process. Proposals are in place support delivery and case reviews into 2022/23.

(£2.322m) Additional COVID grants and funding

- 22. (£1.247m) additional grant funding and related expenditure which is fully offset by specific funding streams including: £0.629m Community Testing Fund to deliver the Lateral Flow Testing Programme, £0.508m Practical Support for Self-Isolation Grant and £0.110m smaller net movements on other grants.
- 23. (£1.075m) additional funding from North Cumbria and Morecambe Bay CCGs relating to hospital discharges. At Q1, it was expected that this scheme would end on 30th September 2021 and therefore forecast pressures relating to hospital discharges in Q3 and Q4 were included in the People forecast outturn position. The funding has now been extended to 31st March 2022 therefore, the pressures which had been included in the forecast outturn position have been offset by this additional funding.

£2.918m - Other Pressures

24. Despite the improvement in the forecast outturn position, non-COVID-19 related pressures increased by £2.918m from the position reported at Q1. However, as noted in paragraph 18, an element of this increase is due to a refinement in how COVID-19 pressures are reported:
- a) (£0.700m) reduction in Younger Adults provision for new admissions due to slippage to the profile of new high cost admissions to service, the overall pressure is now forecast at £0.431m.
 - b) £2.096m for the cost of EPWs in Adult services. This is partly due to £1.294m (Q1 pressure position – see para 20 a) being now reported as a non-Covid pressure and an actual increase in forecast of £0.802m. The overall pressure at Q2 is £2.096m and is due to ongoing issues in permanently appointing to vacant posts within the service. This pressure is offset by a related underspend of (£1.950m).
 - c) £1.522m Other smaller net variances.

(£2.117m) Directorate temporary Underspends

25. The significant reason for the improvement in the forecast outturn position from that which was reported at Q1, is the increase in directorate underspends. The key changes from Q2 are highlighted below:
- a) (£0.431m) Increase in staff cost underspends in Children & Families, further information is provided in paragraph 49(a).
 - b) (£0.618m) increase in Provider Services Older Adults staffing underspend due to delays in reshaping continuing further into the year than was anticipated at Q1, further information is available in paragraph 49(a).
 - c) (£0.568m) net improvement in Business Rates and Council Tax Income, including improved performance on the Business Rates pool and COVID-19 grant funding offsetting losses, further information is provided in paragraph 49(j).
 - d) (£0.500m) other smaller net variances across all Directorates.

Adult Social Care Market Sustainability Payments

26. The Forecast outturn for the People Directorate includes the impact of a recent formal decision taken by the Leader to support the vulnerable care market with Market Sustainability payments of up to £7.000m (including Cumbria Care). Expenditure relating to the contribution funded by the £1.300m Better Care Fund uplift and £0.500m Adult Social Care budget funded from the Council COVID Funding Reserve is included within the Q2 forecast outturn position. The remaining £5.200m expenditure will be recognised as incurred and offset by income drawdowns from the sources shown below. It is expected that the sustainability payments will support retention and recruitment of care staff

through the critical winter period ensuring that statutory care services can continue to be delivered.

27. The £7.000m additional expenditure will be funded from the following areas subject to confirmation of grant conditions for the workforce funding:

Funding source	Value £m
COMF	1.200
Better Care Fund uplift 21/22	1.300
Adults Social Care budget – market support (Council COVID Funding Reserve)	0.500
Workforce Capacity Recruitment and Retention Fund	1.700
Financial Volatility Reserve	2.300
Total funding	7.000

Additional Adult Social Care Funding

28. Additional funding that has recently been confirmed during October, but are not yet reflected in forecasts at Q2 for Adult Social Care this financial year include:

- The Infection Control and Testing Fund (including Vaccine Allocations), £3.706m – extended from October to March 2022.
- £1.700m Workforce Capacity Recruitment and Retention Fund (see table above)

Once terms and conditions are finalised and grants received by the Council, this will be reflected in future monitoring reports.

COVID-19 Financial Impact

29. The following paragraphs detail the significant budget variances as a result of the impact of COVID-19, and as such focus on those greater than £0.500m.

COVID-19 related additional expenditure £34.785m and loss of income £1.793m

People

30. The forecast Q2 financial impact of COVID-19 included within People is £26.163m with (£19.764m) being in respect of specific funding which has been received as detailed in (e) below. The principal areas of pressure in People being:

- a) £3.563m CLA placement costs pressure, which is comprised of:
- £1.043m - Specific new entrants and placement moves directly attributable to COVID-19.
 - £2.520m - additional demand pressure due to delayed exits from care as a direct result of COVID-19. There were 739 CLAs at the start of the year, 31 more than the 708 assumed in the budget. The £2.520m gross pressure reflects the forecast impact of this additional demand.
- b) £0.500m Contribution to the Adult Social Care Market Sustainability Payments, as explained above.
- c) £0.558m provision for new admissions into adult social care. This is based on 3 additional residential placements and 250 additional support at home hours per week until year-end based on the trend in the year to date. This is part offset by continued reductions to Direct Payments of 2 per week.
- d) £2.297m Additional Provider Services staffing costs as a result of demand for EPW's remaining high as permanent vacancies in the service remain unfilled.
- e) (£1.075m) additional funding from North Cumbria and Morecambe Bay CCGs relating to hospital discharges. Further information is available in paragraph 23.
- f) £18.689m additional forecast expenditure is fully offset by additional income through specific grants or specific COVID funding, consisting of:
- £1.492m expenditure funded by North Cumbria and Morecambe Bay Clinical Commissioning Groups.
 - £3.259m Infection Control Fund.
 - £0.494m of expenditure funded from Test and Trace.
 - £10.325m Contain Outbreak Management Fund - resource to be targeted at supporting proactive containment and intervention measures, in relation to the spread of COVID-19.
 - £2.344m of expenditure funded from the Rapid Testing Fund.
 - £0.775m of expenditure funded by the Community Testing Programme fund.
- g) £1.637m of other COVID-19 related pressures across a range of services, which are below the £0.500m reporting threshold.

Economy and Infrastructure

31. The forecast Q2 financial impact of COVID-19 included within Economy and Infrastructure is £1.989m with (£0.584m) being in respect of specific funding which has been received as detailed in (c) below. The principal areas being:

- a) £0.746m additional COVID-19 related expenditure including £0.448m increase waste recycling credits.
- b) £0.659m lost income as a result of COVID-19 including: £0.224m lost car parking income and £0.115m Development Control and Regulation lost income.
- c) £0.584m of additional forecast expenditure included in the outturn fully offset by additional specific grant income, consisting of:
 - £0.212m additional school transport routes funded by DfE.
 - £0.050m Emergency Active Travel funding.
 - £0.282m Contain Outbreak Management Funding.

Fire & Rescue Service

32. The Fire & Rescue Service are forecasting a COVID-19 related pressure of £0.137m staffing costs relating to supporting the mass vaccination programme.

Corporate, Customer and Community Services

33. The forecast impact of COVID-19 included within Corporate, Customer and Community Services (CC&CS) at Q2 is £6.093m, (£5.730m) of which is offset by specific grant funding, items (c) and (d) below the principal areas being:
 - a) £0.222m additional COVID-19 related expenditure including £0.063m legal staffing costs.
 - b) £0.141m lost income due to the COVID-19 pandemic due to reduced library services being available during Q1, and forecast lower demand during the rest of the year.
 - c) With regards to externally funded expenditure there is £5.730m of additional forecast expenditure included in the outturn fully offset by additional income, consisting of:
 - £2.359m DWP Winter Grant scheme funding spend which is fully offset by specific grant funding.
 - £1.546m Support for Shielding Clinically Extremely Vulnerable individuals during the national restrictions in place.
 - £0.957m expenditure funded by the Contain Outbreak Management Fund.
 - £0.838m expenditure funded by the self-isolation grant.

Local Committees

34. The forecast impact of COVID-19 included within Local Committees at Q1 is £2.190m, which is fully offset by the Contain Outbreak Management Fund.

COVID-19 - MTFP savings non-delivery and mitigations £4.923m

35. MTFP savings to be delivered within the current financial year consist of 4 elements.
- a) The cumulative impact, over a number of years, of previous MTFP savings (including Transformation and New Ways of Working) where full delivery was not achieved by the end of the 2020/21 financial year, £19.575m.
 - b) Pressure included in the MTFP 2021-2026 relating to undelivered savings, primarily as a result of the COVID-19 pandemic's impact on transformation work streams, (£17.667m).
 - c) Increase "step up" in savings agreed in previous years by Council and included within the MTFP 2021-2026, £2.431m.
 - d) New MTFP Savings as agreed by Council on 18th February 2021 as part of the Councils MTFP 2021-2026, £17.667m.
36. Table 3 summarises the above position and forecast delivery against these targets. The key reason for slippage against delivery of these actions being due to critical operational staff focussing on responding to the COVID-19 pandemic.

Table 3 – Summary of savings delivery

Category	£m
a) Previous Years part-undelivered MTFP savings	19.575
b) Pressure included in MTFP	(17.667)
c) 2021/22 MTFP Saving Step Up's	2.431
d) 2021/22 New MTFP Savings	17.667
Total MTFP savings to be delivered in 2021/22	22.006
Forecast MTFP savings delivery	(17.083)
Forecast undelivered MTFP Savings	4.923

37. Appendix 2 provides additional information which shows that there are a number of continuing MTFP savings where the final balance to be delivered is proving increasingly challenging to achieve.
38. The Council is committed to delivering a break even outturn and achieving the level of savings identified. This is one of the key areas of focus for the Financial Challenge Group, co-chaired by the Deputy Chief Executive and Director of Finance (s151 officer), and with membership including all Executive Directors, Deputy s151 Officer, the Monitoring Officer and Assistant Directors as key service representatives.
39. The forecast net pressure from non-delivery of savings is £4.923m and is primarily due to the impact of COVID-19 on staff availability to achieve savings. Forecast non-delivery is comprised of the following:

- £1.500m Enabling Services Mitigation.
 - £0.175m Ernst Young automation work.
 - £0.931m Children’s Quality and Development Plan.
 - £0.623m Digital Transformation.
 - £0.500m Promoting Independence Programme.
 - £0.125m General Domiciliary Care
 - £0.273m Customer Service Transformation.
 - £0.226m Extra Care Housing.
 - £0.070m Children’s Residential Homes.
 - £0.500m Integrated Transport Planning function.
40. During Q1, a drawdown from the COVID-19 emergency grant Earmarked Reserve was made to offset a quarter of the undelivered savings which totals (£1.138m). A further drawdown has been made during Q2 of (£2.233m) which offsets the undelivered savings for the remainder of the financial year.
41. Due to the COVID-19 EMR being overcommitted, £0.880m of transformational cross-cutting savings have not been funded from the COVID-19 EMR. Instead, these have been offset by temporary Directorate underspends.

COVID-19 Emergency Funding

42. As reported to Cabinet during 2020/21 the Council has received one tranche of COVID-19 general grant funding in relation to 2021/22 pressures of £10.381m. It is expected that this will be the last tranche of general COVID-19 grant funding to be received by Local Authorities.
43. Specific compensatory funding for lost income from sales, fees and charges (SFC) continued for Quarter 1 of 2021/22. This has not been included in the forecast position in this report as confirmation of the value of the grant has not been received however, the level of income receivable is expected to be minimal. There continues to be no support being provided for 'commercial' income losses.
44. Funding received to date, has been transferred to the “COVID-19 Emergency Funding” Earmarked Reserve, as approved in a Leader Decision Record dated 7th April 2020 and 23rd December 2020.

Table 4 – Reconciliation of COVID-19 Earmarked Reserve Balance

<u>General grant funding</u>	£m
2021/22 COVID-19 grant funding	(10.381)
Total general grant funding received	(10.381)
<u>Transfers from the Earmarked Reserve</u>	
2021/22 Q1 Transfer from reserves	4.227
2021/22 Q2 Transfer from reserves	6.154
Total transfers from the COVID-19 EMR	10.381
Current COVID-19 EMR Balance	0.000

45. Transfers from the COVID-19 Emergency Funding Reserve are approved by the Council's Director of Finance (s151 Officer) in consultation with the Leader of the Council and the Deputy Leader and portfolio holder for Finance as set out in the aforementioned Leader Decision record.
46. At Q2 a drawdown of COVID-19 funding from the Earmarked Reserve for the remainder of the financial year has been included in the forecast. This is based on the actual impact to Q2 and the forecast impact for the remainder of the financial year.
47. As can be seen from Table 4, at Q2 there has been a transfer from the COVID-19 Emergency Grant Earmarked Reserve into Directorates to offset actual and forecast COVID-19 additional expenditure, actual loss of income and forecast undelivered MTFP savings. The total transfer in respect of the Q2 budget monitoring report is £6.154m.

Other pressures £9.319m

48. In addition to the aforementioned pressures directly attributable to COVID-19 there are additional pressures which are not solely related to COVID-19. The total £9.319m is as follows:

People

- a) £0.503m Children Direct Payments and homecare. The number of children in receipt of a Direct Payment at the end of September 2021 was 301 and this represents a net increase of 8 compared to the position at the end of Q1.
- b) £0.500m Children Looked After placement changes. Whilst there has been a net reduction of 41 CLAs since the start of the year, the greatest reduction has been in nil cost Placed with Parents placements with a net decrease of 24 CLAs followed by relatively low cost Foster – Family & Friends placements with a net reduction of 13. New entrants into the service have been into more costly forms of care.
- c) £2.096m costs associated with EPWs in adult social care teams. It was originally intended that these posts would be filled on a permanent basis, but this has not been possible during the pandemic but a recruitment campaign to attract people into permanent posts is ongoing. This is offset by staffing underspends in that budget of (£1.950m) described in paragraph 49 (a).
- d) £3.120m relating to a number of smaller pressures across the People directorate which are below the reporting threshold of £0.500m.

Economy and Infrastructure

- e) £0.635m SEND transport overspend due to ongoing increased demand, the forecast currently assumes a 3.6% annual increase in the cost per day, based on prior year increase. This pressure represents an increase in demand compared to budget of 7.3%. This is after the part year effect

of cost reductions (£0.124m) achieved from the retender exercise for Allerdale/Copeland and James Rennie school transport routes.

- f) £2.039m relating to a number of smaller pressures across the Economy and Infrastructure directorate which are below the reporting threshold of £0.500m.

Other areas

- g) £0.426m pressure relating to Fire and Rescue Service, and Corporate, Customer and Community Services which are below the reporting threshold.

Underspends (£13.833m)

49. The Q2 forecast includes a number of service underspends, many as a result of interruptions to services, diversion of resources to COVID-19 support and planned programmes of work. Material underspends are as follows:

People (£7.137m) of underspends

- a) (£5.398m) staffing underspends in relation to:
- (£1.950m) Care Management and Carers due to delays in the recruitment of staff during the COVID-19 pandemic outbreak. This underspend is offset by the pressure from employing EPW's explained in paragraph 48(c);
 - (£0.597m) Children and Families forecast underspend on non-COVID related staffing;
 - (£1.252m) staff cost underspends in Older Adults due to a delay in reshaping;
 - (£0.780m) Provider Services support at home costs; and
 - (£0.819m) on other staff costs.
- b) (£0.734m) other net adult social care underspends. This includes the full year effect of prior year placements and net new placements made in this year. This includes the full year effect of prior year placements and net new placements made in this year, outside of those supported through hospital discharge activity. The provision for demographic pressures described in paragraph 20(b), offsets some of this forecast net underspend.
- c) (£1.005m) relating to a number of smaller underspends across the People directorate which are below the reporting threshold.

Economy and Infrastructure (£2.838m) of underspends

- d) (£0.703m) Renewi landfill contract fees and PFI unitary charges based on reduced tonnage levels.
- e) (£0.517m) staffing underspends across the directorate.

- f) (£1.618m) relating to a number of smaller underspends across the Economy and Infrastructure directorate which are below the reporting threshold.

Corporate, Customer and Community Services (£2.154m) of underspends

- g) (£1.329m) staffing underspends across the directorate including (£0.311m) Library Services staff underspend due to ongoing recruitment to a new structure and (£0.306m) Community Team staffing underspend primarily due to staffing costs being offset by specific grant funding.
- h) (£0.825m) relating to a number of smaller underspends across the Corporate, Customer and Community directorate which are below the reporting threshold.

Finance (£0.588m) of underspends

- i) (£0.588m) relating to a number of smaller underspends across the Finance directorate which are below the reporting threshold.

Other Corporate Items (£0.868m) of underspends

- j) (£0.568m) net additional income from reduction in general grants and business rates income, offset by COVID-19 grant relief and increased income from Business Rates Pool.
- k) (£0.300m) relating to a number of smaller underspends across the Other Corporate Items directorate which are below the reporting threshold.

Fire and Rescue Service (£0.248m) of underspends

- l) (£0.248m) relating to a number of smaller underspends across the Fire and Rescue Service directorate which are below the reporting threshold.

Local Committees

50. The forecast net outturn is a balanced position.
51. The key elements of the forecast balanced position at Q2 are set out below:
- a) Non – Highways (£0.458m) due to underspends on Local Committee Discretionary Budgets, predominantly in Copeland (£0.381m), South Lakeland (£0.304m) and Barrow (£0.104m). These underspends are offset by overspends in Carlisle £0.091m and Eden £0.239m.
- b) Highways £0.341m primarily due to overspends in Copeland £0.131m and Eden £0.166m.
- c) It is forecast that these balances will be transferred to an earmarked reserve for drawdown in 2022/23.

Schools and DSG Balances

Maintained Schools Balances

52. Individual maintained schools can carry forward their balance, either surplus or deficit, each financial year. As at 31st March 2021 the net surplus balances on maintained schools was (£8.476m) which is an increase of £8.621m from the position as at 31 March 2020.
53. Based on school submitted May budget plans for 2021/22 the net surplus balance for maintained schools is projected to be (£5.776m) as at 31st March 2022. The table below shows a breakdown of these figures separately by surpluses and deficits:

Table 5 – Maintained School Balances

	2020-21 Actual		2021-22 Forecast		Change in value (£)
	Number of Schools	Total Value (£)	Number of Schools	Total Value (£)	
Schools with Surpluses	214	(£14.808m)	217	(£11.221m)	£3.587m
Schools with Deficits	42	£6.332m	31	£5.445m	(£0.887m)
Total	256	(£8.476m)	248	(£5.776m)	£2.700m

Dedicated Schools Grant (DSG) Balance

54. As at 1st April 2021 the Dedicated Schools Grant (DSG) had an accumulated deficit of £9.641m excluding balances held within individual schools. As at Q2 the forecast deficit is £16.043m which represents an increase of £6.402m since the start of the year and an increase of £1.377m from the position reported at Q1. The annual forecast deficit comprises of a forecast pressure on the High Needs Block of £5.971m and a forecast overspend against other central DSG budgets of £0.431m.
55. An updated High Needs Recovery plan, which was discussed with the DfE on 23 September 2020, sets out the Authority's plans to reduce the deficit on the High Needs Block through a number of savings and Invest to Save initiatives. Progress on delivery is monitored and reported to School Forum. As at Q2, the forecast High Needs Block deficit of £20.521m is £3.577m higher than forecast in the High Needs Recovery Plan.

Table 6 – DSG Forecast Deficit

	Central DSG	High Needs Block	Total
DSG Balance as at 31 March 2021	(£4.909m)	£14.550m	£9.641m
Forecast over/ (under) spends on DSG in 2021-22	£0.431m	£5.971m	£6.402m
Forecast DSG Balance as at 31 March 2022	(£4.478m)	£20.521m	£16.043m
Q1 Forecast DSG Balance as at March 2022	(£5.150m)	£19.816m	£14.666m
Movement	£0.672m	£0.705m	£1.377m

Earmarked Reserve Balances

56. The forecast earmarked reserve balance (excluding DSG funded reserves) at the 31st March 2022 is £112.512m. Movements on Earmarked Reserves to Q2 are summarised in Table 7.

Table 7 – Movements in Earmarked Reserves (excluding DSG funded reserves)

	2021/22
	£m
Balance at 1 st April 2021	(107.951)
Budgeted appropriations to reserves	(17.681)
Budgeted appropriations from reserves	0.000
Subtotal	(125.632)
Transfers to Reserves	(13.533)
Transfers from Reserves	26.653
Balance at 31st March 2022 (Forecast at 30th June 2021)	(112.512)

Note: The bulk of Earmarked Reserves relate to the Modernisation (Cost of Change) Reserve (£4.740m), Volatility (£3.733m), Financial volatility reserve (£17.034m), Transformation and Innovation fund (£6.676m), Local Government Reorganisations (£3.605m), Insurance (£9.851m), Business Rates S31 COVID Relief grant (£5.879m) and PFI schemes (£23.725m), Directorate Revenue Grants in advance (£30.650m).

During Q2 the forecast outturn position includes significant underspends of (£13.833m), this is primarily due to specific grant funding received offsetting staffing pressures, and an increase in directorate underspends. This has offset the unfunded impact of COVID-19 of £7.271m and non-COVID-19 pressures of £6.700m. There is a recommendation included within this report to transfer (£0.710m) of the Q2 underspend position of to the LGR Implementation Reserve and the remaining (£0.284m) to the Financial Volatility Reserve.

General Fund Balance

57. The General Fund Balance at the 1st April 2021 was £25.056m. Q2 forecasts a breakeven position, if the COVID-19 Emergency Grant Earmarked Reserve is applied in full, which would retain the General Fund Balance at its current level.
58. Given the continuing levels of uncertainty regarding the 2021/22 outturn position and the ongoing financial impact of the COVID-19 pandemic, General Fund Reserves need to be robust. It is prudent and appropriate to build up General Reserves where possible, to be able to effectively respond to unanticipated pressures and this period of sustained uncertainty.

Treasury Management

59. As at the end of September, the 2021/22 Treasury Management budget is forecast to underspend by (£0.150m).
60. The Council did not enter into any new long term borrowing arrangements in the first half of the financial year as capital expenditure is currently being financed by the Council's temporary high levels of cash. Similarly, it is not expected that any new long term loans will be taken in the third quarter of the year. Not entering into new loan arrangements for the first nine months of the year has released (£0.654m) of revenue expenditure in 2021/22.
61. The Council is currently holding high levels of cash (£192.1m at 30th September 2021 compared to £148.5m at 30th September 2020). However, the Bank Rate is currently at an all-time low of 0.1% which impacts upon the interest that the Council receives for its cash balances. It is currently forecast that the Council will receive £0.504m less interest than budgeted during 2021/22.
62. The Treasury Management budget will be affected during the remainder year by:
 - a) Any decisions to undertake any long term borrowing as previously agreed by Council through the Capital programme;
 - b) Variations in cash balances held by the Council primarily through spending against government grants and on the capital programme; and
 - c) Interest rates at which cash balances are invested.
63. Currently the budget is forecast to underspend by (£0.150m) but, as the year progresses, greater clarity on the factors above will enable more certainty as to the projected outturn of the Treasury Management budget.

Insurance

64. As at 30th September 2021, the Insurance budget is forecast to break even. This position is influenced throughout the year by the number of claims received and the potential cost of these claims.
65. These costs, and consequently the projected 2021/22 outturn for the Insurance budget will become clearer during the year. Insurance premiums paid in 2021/22 are broadly comparable to those paid in 2020/21.

Capital Programme

Revisions to the Programme

66. The Capital Programme sets out the Council's investment plans over the next five years to achieve the Council's priorities and vision. The Council approved a Capital Programme for 2021/22 to 2025/26 in February 2021. This consisted of capital investment over the next five years of £451.347m for Council delivered schemes. The capital programme included a budget for 2021/22 of £122.396m for Council delivered schemes.
67. Since February 2021, as a result of subsequent changes reported to Council and Cabinet, the proposed revised Capital Programme for 2021-2026, as at the 23rd September 2021, was £491.311m (excluding Accountable Bodies) as set out in the table below.

Table 8 – Revised Capital Programme 2021 to 2022 30th September 2021

	2021/22	2022/23	2023/24	2024/25	2025/26	Total 2021- 2026
	£m	£m	£m	£m	£m	£m
Approved Capital Programme February 2021	122.396	126.178	108.215	58.908	35.650	451.347
Approvals by Cabinet in March 2021:						
Grant / Contribution – External	0.177	0.000	0.000	0.000	0.000	0.177
Approved Capital Programme March 2021	122.573	126.178	108.215	58.908	35.650	451.524
Approvals by Leader Decision Record 11th June 2021						
Change to External Grant approved by Cabinet for existing schemes	(0.050)	0.000	0.000	0.000	0.000	(0.050)
Change to External Grant approved by Cabinet for new schemes	0.246	0.000	0.000	0.000	0.000	0.246
Change to internal Contribution approved by Cabinet for new schemes	0.075	0.000	0.000	0.000	0.000	0.075
Approved Capital Programme 11th June 2021	122.844	126.178	108.215	58.908	35.65	451.795
Approvals by Council 24 June 2021						
Add Slippage from 2020/21	27.917	0.000	0.000	0.000	0.000	27.917
Less Accelerated spend to 2020/21	(0.920)	0.000	0.000	0.000	0.000	(0.920)
Change to External Grant approved by Council for new schemes	2.231	3.729	1.303	0.000	0.000	7.263
Approved Capital Programme 24 June 2021	152.072	129.907	109.518	58.908	35.65	486.055
Approvals by Cabinet 23rd September 2021						

Changes to existing scheme – funded by external Grant / Contribution	2.527	0.431	1.036	0.000	0.000	3.994
New Schemes – funded by external Grant / Contribution	0.209	0.200	0.000	0.000	0.000	0.409
Approved Capital Programme 23rd September 2021	154.808	130.538	110.554	58.908	35.650	490.458
Approvals by Cabinet to recommend to Council 23rd September 2021						
New Schemes – funded by external Grant / Contribution	0.253	0.500	0.000	0.000	0.000	0.753
New Schemes – funded by internal revenue contribution	0.100	0.000	0.000	0.000	0.000	0.100
Re-profile	(26.720)	26.720	0.000	0.000	0.000	0.000
Proposed revised Capital Programme 23rd September 2021	128.441	157.758	110.554	58.908	35.650	491.311

68. This Q2 monitoring report shows a net increase of £0.721m in the County Council Capital Budget for the period 2021/22 to 2025/26 giving a revised total of **£493.816m** over the life of the current capital programme, and a revised budget of **£119.157m** for 2021/22. This reflects a number of changes to the capital programme as outlined in the Table below.

Table 9: Summary of Proposed Capital Budget Changes

	2021/22	2022/23	2023/24	2024/25	2025/26	Total 2021-2026
	£m	£m	£m	£m	£m	£m
Proposed revised Capital Programme 23rd September 2021	128.441	157.758	110.554	58.908	35.650	491.311
Proposed Q2 Changes						
Grant / Contribution Changes – External (Para 69)	1.904	0.000	0.000	0.000	0.000	1.904
Grant / Contribution Changes – Internal (Para 70)	0.401	0.200	0.000	0.000	0.000	0.601
Reprofile to future years (Para 71)	(11.589)	11.589	0.000	0.000	0.000	0.000
Sub Total of Q2 Changes	(9.284)	11.789	0.000	0.000	0.000	2.505
Total Proposed Revised Capital Programme	119.157	169.547	110.554	58.908	35.650	493.816

Grant / Contribution Changes - External

69. This report seeks Cabinet approval / the recommendation to Council for changes in the following schemes, which are fully funded by external contributions, as detailed below:

Table 10: Changes to schemes funded by external contributions

	2021/22	2022/23	2023/24	2024/25	2025/26	Total 2021- 2026
	£m	£m	£m	£m	£m	£m
Changes to existing scheme – requiring approval by Cabinet						
Lead Local Flood Authority: Additional contributions towards various flood schemes. This will result in a budget for 2021/22 of £2.203m	0.448	0.000	0.000	0.000	0.000	0.448
Lead Local Flood Authority: grant approved for additional project within the Lead local Flood Authority Scheme “Cumbria Community Flood Resilience Innovation Programme”	0.560	0.000	0.000	0.000	0.000	0.560
Street Lighting: Safer Streets contributions from The Police and Crime Commissioner for street lighting works in Workington and Whitehaven. This will result in a budget for 2021/22 of £0.201m	0.122	0.000	0.000	0.000	0.000	0.122
Infrastructure Deficit Support: CIF contribution to Barrow Cycling and Walking. The budget after all Q2 changes for 2021/22 will be £0.411m.	0.081	0.000	0.000	0.000	0.000	0.081
Devolved to Local Committees - Non-Principal Road Network (NPRN): additional contribution received for specific on-going NPRN works. This will result in a budget for 2021/22 of £15.300m	0.015	0.000	0.000	0.000	0.000	0.015
Countryside Access Improvements: Contribution from Cumbria Community Foundation for the construction of a new footbridge at Dovenby. The budget after all Q2 changes for 2021/22 will be £0.170m.	0.008	0.000	0.000	0.000	0.000	0.008
Rural Gigabit Connectivity Programme: additional grants received for Hayton and Richmond schools. This will result in a budget for 2021/22 of £0.197m	0.026	0.000	0.000	0.000	0.000	0.026

	2021/22	2022/23	2023/24	2024/25	2025/26	Total 2021- 2026
	£m	£m	£m	£m	£m	£m
Land/Port/Waste Statutory Standards: a project is underway to ensure the port has the required facilities capable of handling EU Border Control cargo. The capital cost of this facility is £0.690, of which £0.455m has been secured from external grant, £0.040 from available revenue budget and the remaining balance of £0.195 will be financed from the Councils existing Land/Port/Waste Statutory Standards budgets	0.455	0.000	0.000	0.000	0.000	0.455
Changes to new schemes – requiring approval by Cabinet (<£0.500m)						
Environment Fund: a grant has been allocated from the Forestry Commission 'Local Authority Treescape Fund' for tree planting and associated environmental works in Barrow. £0.189m relates to capital works and will support other schemes being delivered through the Councils Environment Fund budget.	0.189	0.000	0.000	0.000	0.000	0.189
Total Changes to contributions - external	1.904	0.000	0.000	0.000	0.000	1.904

Grant / Contribution Changes - Internal

70. This report seeks Cabinet approval / the recommendation to Council for changes in the following schemes, which are fully funded by internal revenue contributions, as detailed below:

Table 11: Changes to schemes funded by internal contributions

	2021/22	2022/23	2023/24	2024/25	2025/26	Total 2021- 2026
	£m	£m	£m	£m	£m	£m
Changes to existing scheme – requiring approval by Cabinet						
Countryside Access Improvements: £0.021m of the local committee environment fund revenue budget has been allocated for countryside access improvement works. The budget after all Q2 changes for 2021/22 will be £0.170m.	0.021	0.000	0.000	0.000	0.000	0.021
Land/Port/Waste Statutory Standards: a project is underway to ensure the port has the required facilities capable of handling EU Border Control cargo. The capital cost of this facility is £0.690, of which £0.455m has been secured from external grant, £0.040 from available revenue budget and the remaining balance of £0.195 will be financed from the Councils existing Land/Port/Waste Statutory Standards budgets	0.040	0.000	0.000	0.000	0.000	0.040
Changes to new schemes – requiring approval by Council						
Applethwaite Green Car Park, Windermere: the project represents an opportunity to develop an income generating car parking to meet the widely acknowledged need for additional public car parking capacity within Windermere, delivering new pay and display (including disabled) spaces and electric vehicle charge points ('EVCP's'). financing consists of £0.043m from revenue Capital Development Fund budget and £307k from available revenue Earmarked Reserve.	0.150	0.200	0.000	0.000	0.000	0.350
Environment Fund: £0.190m of the local committee environment fund revenue budget has been allocated towards capital tree planting and associated environmental works in Barrow	0.190	0.000	0.000	0.000	0.000	0.190
Total Changes to contributions - internal	0.401	0.200	0.000	0.000	0.000	0.601

Re-profiling

71. This report seeks the recommendation to Council for the re-profiling of budget from 2021/22 to future years as detailed below:

Table 12: Re-profiling of budgets

	2021/22	2022/23	2023/24	2024/25	2025/26	Total 2021- 2026
	£m	£m	£m	£m	£m	£m
Re-profiling – requiring approval by Council						
Carlisle Southern Link Road (CSLR): the majority of this change relates to an advanced payment that will be made towards statutory works, although the payment will be made in 21/22 as planned, some of this will form a pre-payment accrual. This is because it relates to work that is expected to be complete during 22/23 rather than 21/22. This had not been reflected in the previous budget profile.	(6.466)	6.466	0.000	0.000	0.000	0.000
A595 Bothel: Submission of the required planning application has been delayed due to several factors that had not been anticipated when the original programme and budget profile were agreed. This has caused delays to the progress of the scheme and the budget is to be re-profiled to reflect this. Mitigating action is being taken to reduce the risk of further programme delay and approval is being sought from the external grant funding provider for these changes to the programme.	(1.800)	1.800	0.000	0.000	0.000	0.000
Marina Village: Request to reprofile £1 million following procurement, which has provided an updated programme and greater cost certainty. Prior to procurement the budget profile had been based on consultant estimates.	(1.000)	1.000	0.000	0.000	0.000	0.000

	2021/22	2022/23	2023/24	2024/25	2025/26	Total 2021- 2026
	£m	£m	£m	£m	£m	£m
<p>Cumbria Care Residential: The re-profiling reflects a delay in works at Eskdale House and Parkside care homes. Work has commenced on Parkside Care Home and Eskdale House is expected to start in early 2022. This is later than had been anticipated due to the impact of restricted access which prolonged the design phase as it prevented survey and other work started.</p>	(1.000)	1.000	0.000	0.000	0.000	0.000
<p>Carlisle Station Gateway: reprofile of £506K to reflect delay to works in 2021/22. There have been a number of factors leading to this change, including works led by third parties taking longer than had been anticipated which has delayed the Councils work progressing and some design elements of the scheme being paused to allow these to reflect other schemes that will potentially impact/overlap with this project</p>	(0.506)	0.506	0.000	0.000	0.000	0.000
<p>A592/A684 Road Safety Foundation Schemes: the scheme delivers physical interventions to improve road safety. A number of factors have resulted in the need to change the planned timing for the delivery of some of the work packages. As a result, £464k of the budget will be reprofiled to next financial year to allow works to be undertaken in 2022/23.</p>	(0.464)	0.464	0.000	0.000	0.000	0.000
<p>Land/Port/Waste Statutory Standards: There are a number projects being delivered through this budget line. Consultancy support work is required to inform the waste and leachate management projects. Timescales for the work remain uncertain, but as the support work has taken longer than anticipated some of the budget now needs to be reprofiling to more accurately reflect the expected programme delivery of the works</p>	(0.170)	0.170	0.000	0.000	0.000	0.000

	2021/22	2022/23	2023/24	2024/25	2025/26	Total 2021-2026
	£m	£m	£m	£m	£m	£m
Live Labs Project: Works are expected to be complete by the end of November, as expected. This will be delivered slightly underbudget and the external grant funding provider has approved the use of the remaining budget for future years testing/monitoring of the trial sites, to strengthen the final outcomes of this trial.	(0.100)	0.100	0.000	0.000	0.000	0.000
Infrastructure Deficit Support: Request to reprofile £83K. allocated to develop funding bids, which cannot progress until government have announced the criteria and this has taken longer than expected.	(0.083)	0.083	0.000	0.000	0.000	0.000
Total Re-profiling	(11.589)	11.589	0.000	0.000	0.000	0.000

Virements

72. This report seeks Cabinet approval for virements totalling of £0.100m between the following schemes as detailed below:

Table 13: Capital Programme Virements

	2021/22	Description
	£m	
Virements (relating to existing schemes) - requiring approval by Cabinet		
National Productivity Investment Fund	(0.019)	Available budget from the National Productivity Investment Fund line of the capital programme is being re-allocated to finance spend incurred on the LEP - South Ulverston line
LEP - South Ulverston	0.019	
Total Virements impact on Capital Programme	0.000	

Forecast Outturn Position

73. Appendix 4 details the original Capital Budget 2021/22 as approved in February 2021, together with a breakdown of the movement from the original approved programme, expenditure to date, forecast outturn and variances from the revised budget. This is summarised by the main elements of the Capital Programme in the table below. The forecast outturn expenditure for the 2021/22 Capital Programme is £119.157m, compared to the proposed revised capital budget of £119.157m, meaning there is no variance to report at Q2.

Table 14 – Capital Programme Provisional Outturn 2021/22 (at 30th September 2021)

Capital Programme 2020/21										
Totals for Services	2021/22 Capital Programme Per Approved Budget February 2021	2021/22 Summary of changes Feb'2021 to 23rd September 2021	2021/22 changes - Quarter 2	Revised 2021/22 Budget	Total Spend as at September 2021	Forecast Outturn as at 31st March 2022	Variance (Outturn to Budget)	Over / (Under) Spends estimated at outturn	(Slippage) at outturn	Accelerated Expenditure at outturn
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
People Children	17.061	(0.002)	0.026	17.085	6.224	17.085	0.000	0.000	0.000	0.000
People - Adults	5.450	(2.122)	(1.000)	2.328	0.506	2.328	0.000	0.000	0.000	0.000
Economy and Infrastructure	96.400	6.056	(8.310)	94.146	36.876	94.146	0.000	0.000	0.000	0.000
Corporate, Customer and Community	1.775	(0.032)	0.000	1.743	0.029	1.743	0.000	0.000	0.000	0.000
Fire and Rescue Services	1.710	2.145	0.000	3.855	0.530	3.855	0.000	0.000	0.000	0.000
TOTAL for Cumbria County Council	122.396	6.045	(9.284)	119.157	44.165	119.157	0.000	0.000	0.000	0.000
Accountable Bodies	0.000	0.904	0.000	0.904	0.050	0.904	0.000	0.000	0.000	0.000
Grand Total	122.396	6.949	(9.284)	120.061	44.215	120.061	0.000	0.000	0.000	0.000

Note: Accountable body expenditure is separate from the Council's own capital programme

Capital Receipts

74. It was estimated that £1.012m of capital receipts would be received during the year. There have been no sales completed to the end of Q2. This position will continue to be monitored and any impact on the ability to achieve the estimated receipts for 2021/22 will be reported in future budget monitoring reports.

Accountable Bodies

75. Accountable Body expenditure does not result in an increase in the value of assets owned by the Council, but is included in this report for completeness and to support the Council's monitoring responsibilities as Accountable Body. All projects within the current programme are being delivered by 3rd parties on behalf of the Cumbria Local Enterprise Partnership (CLEP).
76. There are no changes reported to this budget at Q2.

Local Government Reorganisation

77. On 21st July 2021 the outcome of the LGR consultation process was announced. Each local authority within Cumbria was notified that, subject to Parliamentary approval, two new unitary authorities would replace the current local government structure in Cumbria, with the Allerdale, Carlisle and Copeland areas forming a new unitary authority covering the west of the County, and Barrow, Eden and South Lakeland, forming a new unitary authority covering the east of the County, effective from 1st April 2023. All six districts and Cumbria County Council would cease to exist in their current format on 31st March 2023.
78. Following the announcement, the Cumbria Chief Finance Officer's Group, attended by all S151 Officers of the seven Cumbrian authorities, have undertaken a high-level assessment of the financial impact of LGR and provided some indicative figures for implementation cost which have also been reviewed against other authorities which have been through the LGR process.
79. The estimated cost of delivering the LGR transition programme is £18.920m. This incorporates the costs of the forthcoming elections in May 22, the costs of implementing two new safe and legal Councils, the costs of the new Shadow Member and Executive costs in 2022/23 and the costs of the programme team and additional support required to ensure options appraisals are robust. The LGR Programme Board have recommended that a single 'LGR Implementation Reserve' is created with a request that Cumbria County Council act as the host authority. The purpose of the reserve is to support the effective implementation of the two new unitary authorities from 1 April 2023.
80. It is proposed that each Council will make a financial contribution to the reserve, with Cumbria County Council's contribution being proposed as £9.460m; the remainder being funded equally by the six District Councils. A Memorandum of Understanding (MoU) on the financial governance

arrangement relating to the LGR Implementation Reserve is being prepared with all Councils requiring to approve the MoU.

81. Section 9.2 of the Council's Financial Standing Orders, part of the Council's Constitution, states that: "Cabinet has the authority to agree transfers to/from contingency and transfers to earmarked reserves. Transfers from earmarked reserves are agreed by the S151 officer providing the transfer is for the purpose which earmarking was agreed by Cabinet".
82. It is recommended in this report that Cabinet approve the transfer of the existing Local Government Reorganisation Reserve (£3.000m) and the Elections Reserve (£1.020m) into the LGR Implementation Reserve as the LGR Implementation Reserve will be set up to cover expenditure which would have been met from these reserves.
83. It is also recommended in this report that Cabinet approve the transfer of (£0.710m) of the Q2 surplus to the LGR Implementation Reserve.
84. A further recommendation is included in this report for Cabinet to ask Council to consider an additional transfer of £4.730m as part of the 22/23 budget setting process to provide an overall contribution of £9.460m to the LGR Implementation Reserve. Whilst Cabinet can agree the transfer to earmarked reserves it is not authorised to release amounts from earmarked reserves for another purpose.
85. The indicative estimated budget for the Implementation Reserve has been identified from original business cases and experience from other authorities that have been through the LGR process. More detail of the budget allocations to specific costs and activities is being developed and will form part of the MOU. Any balances remaining in the LGR Implementation Reserve after vesting day and implementation activities are complete will be shared 50/50 with both Unitary Councils.
86. In addition there is a recommendation for Cabinet to agree to enter into the MoU and delegate responsibility to sign the MoU to the Director of Finance and Monitoring Officer, in consultation with the Leader and Deputy Leader of the Council.
87. The contingency budget is an annual budget included in the Medium Term Financial Plan to deal with one off in-year expenses when they arise. The budget is £1.500m. £0.395m has been committed to date with eligible spend of £1.105m remaining. Costs associated with the LGR Judicial Review will be funded from the contingency budget as detailed in the "Response from Chief Legal Officer to Scrutiny Management Board Referral from Call-In – Judicial Review against decision of the Secretary of State in respect of Local Government Reorganisation in Cumbria" report presented to Cabinet on 14 October 2021. This report stated that "even if the costs increased significantly, such as by 50% to a total of £0.120m, this could be met from this budget".

Financial - What Resources will be required and how will it be funded?

86. The resource and value for money implications are covered within this report.

Legal Aspects – What needs to be considered?

87. Cabinet is responsible for considering and reviewing reports on the implementation of the budget and approving in year changes to the budget and capital programme that are reserve to Cabinet.

With particular relevance to this report:

- (1) Under 6.2 of FR2 of the Financial Standing Orders Cabinet may transfer revenue budget up to £500,000 provided it remains within the overall budget and Policy Framework approved by Council and no commitment is made to a higher overall level of expenditure in future years.
- (2) Under 9.2 of FR2 of the Financial Standing Orders Cabinet may approve transfers to an earmarked reserve.
- (3) Under 6.7 of FR2 of the Financial Standing Orders Cabinet may approve transfers between schemes in the capital programme provided the reason for the transfer is within the budget and policy framework, any revenue budget consequences can be met and the amount does not exceed £500,000. Cabinet must refer transfers within the capital programme exceeding £500,000 to full Council.
- (4) Under 3.7 of FR2 of the Financial Standing Orders Cabinet may approve new schemes in the capital programme of up to £500,000 provides they will be funded from additional grants and/or contributions from external bodies. Cabinet must refer other new schemes to full Council.
- (5) Cabinet must refer re-profiling of Capital Schemes across financial years to full Council for approval.
- (6) Full Council is responsible for agreeing any in-year changes to the Budget which Cabinet is not authorised to agree under the Financial Standing Orders.

Health and Safety Aspects – What needs to be considered?

88. The County Council has a responsibility under the Health & Safety at Work Act 1974 and associated Management of Health & Safety at Work Regulations to ensure as far as is reasonably practicable that there are arrangements in place to ensure a healthy and safe working environment.

89. Whilst there are no direct health and safety implications from the budget monitoring report itself, both capital and revenue expenditure schemes require strong health and safety management risk assessments, controls and monitoring in line with the commitments included in the Corporate Health and Safety Policy Statement last approved by Cabinet in September 2020.

Council Plan Priority – How do the Proposals Contribute to the Delivery of the Council’s Stated Objectives?

90. The report links to the strategic planning framework for Cumbria including supporting the delivery of the Council Plan 2018-2022 outcomes we want to achieve agreed by Council in February 2019, which are:

- people in Cumbria are healthy and safe
- places in Cumbria are well-connected and thriving
- the economy in Cumbria is growing and benefitting everyone

91. The effective management of financial resources is a requirement for making informed decisions when planning and delivering Council services.

What is the Impact of the Decision on Health Inequalities and Equality and Diversity Issues?

92. Not Applicable

Further Information & Background Documents

Appendix 1 – Net Revenue Budget 2021/22 – Movements in Year

Appendix 2 – Summary of Progress on 2021/22 Savings Propositions

Appendix 3 – Summary of Earmarked Reserves 2021/22

Appendix 4 – Capital Programme 2021/22

Appendix 5 – COVID-19 Grant Schedule

Key Facts

Electoral Division(s): All

Executive Decision	Key Decision Included in Forward Plan	Exempt from call-in	Exemption agreed by scrutiny chair	Considered by scrutiny, if so detail below	Environmental or sustainability assessment undertaken?	Equality impact assessment undertaken?
Yes	Yes	No	N/A	No	N/A	N/A

Reviewed and Approved by Cabinet Member(s) on 08/12/21

Previous relevant Council or Executive decisions

No previous relevant decisions

Consideration by Overview & Scrutiny

Not considered by Overview and Scrutiny

Background Papers

No background papers

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08/12/21