

Meeting: Cabinet

Date of Meeting: 15th December 2022

Title of Report: 2022/23 Revenue and Capital Budget Monitoring to 30th September 2022 (Q2)

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

Cabinet Member: Peter Thornton, Cabinet Member for Finance

What is the Report About? (Executive Summary)

1. This report sets out the Council's forecast year-end financial position at 30th September 2022, Quarter 2 (Q2); covering the Revenue Budget, Capital Programme and Treasury Management. Cabinet receives 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 and the Q2 risk report which is reported to Audit and Assurance Committee.
2. Since Council set the 2022/23 Budget in February 2022 the economic uncertainty both nationally and internationally has continued. Like all public sector organisations the Council continues to face significant financial pressures relating to unprecedented high levels and increasing rates of inflation; cost of living crisis; supply chain disruption and contractual delivery risks and increased demand on services both as a result of continued impact from the COVID-19 pandemic and wider Health and social care system pressures. Collectively this all brings a significant amount of financial uncertainty for 2022/23 and beyond for the two new Unitary Councils and Cumbria Fire and Rescue Service.
3. The Council when setting the budget for 2022/23 had an adequate level of reserves in respect of both General Fund Balance and earmarked reserves (excluding DSG reserves). Following the outturn position for 2021/22 the earmarked reserves position improved and this has enabled some of the exceptional financial inflation costs to be funded in year to ensure that services can continue to be delivered as per the Council Plan priorities.
4. Despite being able to fund some of the exceptional pressures significant financial risks for the remainder of the year remain and management focus will continue in respect of closely monitoring the financial position and take further appropriate mitigating actions to ensure that the financial outturn position is managed within the Council's approved budget. The Council has an

adequate level of reserves and is in a financially sustainable position to respond to the risks if they materialise and cannot be managed within the approved budget.

5. The forecast outturn position as at 30th September 2022 (Q2) is a net £1.368m overspend position, which is an improvement of (£3.345m) from the £4.713m overspend position reported at Q1. Work is continuing across all Directorates to identify additional financial mitigations to deliver a balanced budget position. In addition, national discussions around the need to fund Local Government for these exceptional increased costs continue.
6. In respect of the cost of living crisis the Council agreed, as part of its 2021/22 outturn position at Cabinet on 9th June 2022, to earmark and utilise £2m of financial support with £0.500m allocated to each of: Council's Ways to Welfare service, Schools clothing grants, enhanced free school meals offer and direct community support delivered through Area Teams.
7. Council in September 2022 requested Scrutiny Management Board to review the impact of the cost of living on children's access to food and all options to prevent any child going hungry during term time and holiday periods. A separate report from SMB on the review and the Cabinet response are on today's agenda. They recommend an additional £2.000m investment in a number of support packages for schools alongside support for free school meal provision for the Easter holidays in 2023. This is proposed to be funded by using £1.600m of COVID unringfenced earmarked reserves and £0.400m of available Contain Outbreak Management Funding.
8. Additional financial support to independent providers across the social care market has also been approved. An in year uplift of varying levels will be applied to all contracts from 1st October 2022 linked to the Real Living Wage increase and other inflationary factors. This in effect brings forward the April 2023 uplift and utilises the Market Sustainability and Fair Cost of Care Fund 2022/23 of £1.485m and £2.000m from the Financial Volatility Reserve and £0.360m from the in-year contingency budget. In order to support the fragile social care market it was agreed that the uplift would not be restricted to only those services covered by the market sustainability grant.

Key messages for Cabinet

9. The key messages for Cabinet are set out below:
 - i. The original approved net revenue budget for 2022/23 was £455.496m. After taking account of adjustments to General Grants and transfers to and from reserves, the revised net budget 2022/23 is £472.818m at 30th

September 2022. The net forecast outturn is £472.818m, an overspend of £1.368m (0.3%) as summarised in Table 1.

- ii. There is a requirement within the Constitution that Executive Directors, Assistant Directors and Budget Managers will manage overall expenditure within their approved Directorate budgets and will deliver all agreed savings or identify and implement alternative mitigating savings proposals to achieve this. Where this can't be achieved within a specific Directorate the Corporate Management Team work collectively to manage the overall position and take the necessary actions to mitigate financial pressures to ensure a balanced budget position is achieved at year end.
- iii. The General Fund Balance at 1st April 2022 was £25.056m. Q1 forecast a £1.368m overspend position, which would reduce the General Fund balance to £23.688m. When the General Fund Balance was set by Council at £25m it was stated as being adequate for the financial risks facing the Council. Therefore, focused work is continuing to deliver a balanced budget position to mitigate any impact on the General Fund Balance. A balanced budget position for 2022/23 would enable General Fund Balance to remain at the present position of £25.056m.
- iv. There continue to be significant financial risks that could impact on the forecast outturn position reported at Q2. These include:
 - the uncertainty around further increases to inflation levels throughout the year;
 - increased financial costs as care market conditions potentially improve and the unmet need for social care provision is met;
 - capacity concerns around delivering County Council priorities whilst also supporting the Local Government Reorganisation programme and responding to national policy changes resulting in the need to invest in additional resources in year; and
 - increased demand for individual support and financial assistance for individuals and households due to the ongoing cost of living crisis.

Further information on financial risks to the Q2 forecast outturn position are set out in paragraphs 19 – 24.

- v. At 31st March 2022 the Council had an accumulated net deficit on the Dedicated Schools Grant Balance of £14.692m excluding balances held in schools. At Q2 the forecast deficit at 31st March 2023 is £21.088m, an increase of £6.396m since the start of the year, but a reduction from the forecast at Q1 of (£0.608m). This is predominantly due to High Need costs continuing to increase linked to increasing number of children and young people requiring Independent specialist day placements and increased top

ups to support individual's through their EHCPs. Further information is provided in Paragraph 33.

- vi. The 2022/23 NJC Pay Award has been agreed, with the headline a £1,925 increase to all pay grades. The cost of the Pay Award is £11.147m (excluding Senior Officer and Fire pay awards which are still being negotiated and excluding zero hours posts where the impact of the pay award is still being assessed). The total inflation budget available to fund this Pay Award is £10.352m, therefore the unfunded balance of £0.795m is to be funded from the Inflation Risk Reserve.
- vii. 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 2022/23 to 2026/27 in February 2022. This consisted of capital investment over the next five years of £439.976m for Council delivered schemes. The capital programme included a budget for 2022/23 of £193.463m for Council delivered schemes.
- viii. There have been changes to the Capital Programme since February. These changes were in respect of expenditure (and associated funding) slipped into future years for those schemes part completed at 31st March 2022; 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 22nd September 2022. The inclusion of these changes results in a revised approved a Capital Programme for 2022/23 to 2026/27 of £418.721m, of which £145.306m relates to 2022/23.
- ix. This report seeks agreement to change the Capital Programme, 2022/23 to 2026/27, by £3.439m. This gives a revised capital programme over this period of £422.160m and a revised budget of £148.745m for 2022/23. This reflects a number of changes to the capital programme as summarised in Table 15.
- x. The forecast outturn expenditure for the 2022/23 Capital Programme is £141.357m against the £148.745m budget. This represents a significant forecast delivery of an extensive capital investment programme. There is forecast net variance of (£7.388m), made up of an underspend of (£0.009m), slippage of (£8.504m) and accelerated spend of £1.125m.

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 £471.450m as a result of the agreed transfers to and from reserves (set out in Appendix 1).
 - b) Note the forecast Revenue Budget outturn as at Q2 is a projected overspend of £1.368m (see Table 1 below) which would result in a General Fund Balance position at year end of £23.688m.
 - c) Note that Corporate Management Team is working collectively to identify and take further actions to mitigate the financial pressures to ensure a balanced budget position is achieved at year end resulting in a General Fund Balance position at year end of £25.056m.
 - d) Note the forecast delivery of approved savings for 2022/23 is £14.792m against a total target of £16.231m (91.1%).
 - e) Note the key decision that has been taken in respect of providing £3.845m of financial support for social care providers through an in year uplift to social care provider contract rates effective from 1 October 2022.
 - f) Approve £2.000m of funding to support Cabinet's response to Scrutiny Task Group Review – Cost of Living and Children's Food. This by utilising £1.600m of COVID unringfenced earmarked reserves and £0.400m of available COMF grant.
 - g) Approve the creation a £0.500m earmarked revenue reserve to fund Free School Meals in the Easter Holidays 2023.
 - h) Approve three Revenue Contribution to Capital totalling £0.358m:
 - £0.200m to the Schools Corporate Maintenance Fund.
 - £0.118m from the Allerdale Local Committee Budget to the Area Planning Budget.
 - £0.040m from Bus Operators Grant towards bus stops on Devonshire Street, Carlisle as part of the Carlisle Southern Gateway project.

i) Approve the following amendments to the Capital Programme:

	2022/23	2023/24	2024/25	2025/26	2026/27	Total 2022-2027
	£m	£m	£m	£m	£m	£m
Changes to existing scheme – funded by external Grant / Contribution (set out in table 17)	3.081	0.000	0.000	0.000	0.000	3.081
Changes to existing scheme – funded by internal Grant / Contribution (set out in table 18)	0.358	0.000	0.000	0.000	0.000	0.358
Virements (set out in table 19)						
Additional Pot Hole Action Funding	0.148	0.000	0.000	0.000	0.000	0.000
Highways Fleet Replacement	(0.148)	0.000	0.000	0.000	0.000	0.000
Prioritised Capital Maintenance Projects/Schools Maintenance	0.376	0.000	0.000	0.000	0.000	0.000
Additional Inflation Risk allowance	(0.376)	0.000	0.000	0.000	0.000	0.000
Corporate Property Planned Maintenance and improvement	0.297	0.000	0.000	0.000	0.000	0.000
Additional Inflation Risk allowance	(0.297)	0.000	0.000	0.000	0.000	0.000
Devolved to Local Committees - Principal Road Network (PRN)	0.199	0.000	0.000	0.000	0.000	0.000
Additional Inflation Risk allowance	(0.199)	0.000	0.000	0.000	0.000	0.000
Total of Q2 Changes – for Cabinet approval	3.439	0.000	0.000	0.000	0.000	3.439

j) Note the forecast outturn for the Capital Programme 2022/23 of £141.357m against a current capital budget of £148.745m (excluding Accountable Bodies) resulting in a variance of (£7.388m) being reported at Q2, as set out in Table 20.

Revenue Budget Monitoring at 30th September 2022

11. The starting point for the 22/23 Revenue Budget is the Medium Term Financial Plan (MTFP) agreed by Council in February 2022.
12. The original Budget for 2022/23 was £455.496m. After taking account of adjustments to General Grants and transfers to and from reserves the revised total net expenditure budget 2022/23 for the Council is £471.450m at 30th September 2022. Appendix 1 sets out the movement in the Council's Net Revenue Budget for 2022/23.
13. The net forecast outturn for 2022/23 is £472.818m; resulting in a forecast overspend of £1.368m. This is a combination of net Directorate overspends of £0.863m and an overspend of £0.505m in Other Corporate budgets. The

analysis of the forecast and movement in variances by Directorate is summarised in Table 1 below.

Table 1 - Revenue Budget Monitoring 2022/23 (at 30th September 2022)

Original Budget	Net Expenditure	Revised Budget	Annual Forecast	Forecast Variance	Q1 Variance Reported	Change in Variance
£m	Directorate	£m	£m	£m	£m	£m
208.279	People	224.704	232.285	7.581	9.862	(2.281)
142.044	Economy & Infrastructure	151.151	150.393	(0.758)	(1.947)	1.189
21.023	Fire & Rescue Service	21.691	21.691	0.000	0.177	(0.177)
10.866	Local Committees	12.549	12.631	0.082	0.000	0.082
41.712	Corporate, Customer & Community	40.772	39.730	(1.042)	(0.904)	(0.138)
38.565	Finance	38.679	33.679	(5.000)	(3.200)	(1.800)
462.489	Total Service Expenditure	489.546	490.409	0.863	3.988	(3.125)
(6.993)	Other Corporate Items	(18.096)	(17.591)	0.505	0.725	(0.220)
455.496	Total Net Expenditure	471.450	472.818	1.368	4.713	(3.345)

14. The forecast outturn position includes a number of pressures and underspends across the various directorates which result in a net overspend position. This includes additional in year mitigations to manage spend with further work ongoing by CMT to identify and deliver further mitigations to achieve a balanced budget position by year end.
15. Included in the position set out in Table 1 is the forecast delivery of savings. Total approved savings in 2022/23 is £16.231m which comprises of £4.263m of existing savings required to be delivered in 2022/23 and £11.968m of new savings/ one off use of earmarked reserves approved in February 2022 to be delivered in 2022/23. Total forecast savings to be delivered totals £14.792m (91.1%), therefore undelivered savings are forecast as £1.439m. This is an improvement in delivery compared to the non-delivery reported at Q1 of £1.833m, by (£0.394m). Further information on savings delivery is provided at Paragraph 34.
16. Table 2 below details the significant movements between the £4.713m overspend forecast at Q1 and the Q2 forecast outturn position of a £1.368m overspend. The table shows the movement in the pressure or underspend between the two positions and focusses on movements over £0.500m.

Table 2 – Significant Movements between Q1 and Q2 forecast outturn

Directorate	Description of change	Value £m
	Q1 forecast outturn position	4.713
People – Children’s	Children Looked After placement cost pressures.	0.960
People – Children’s	Children and Families staffing pressures.	0.611
People – Adult’s	Backdated Incomplete Review Cases that have now been resolved. Whilst these backdated charges total (£3.130m), the net impact after assumptions already made in forecasts including that in Promoting Independence savings.	(1.860)
People – Adult’s	Younger Adults – forecast future demographic pressures offset by underlying current underspends.	(0.631)
People – Adult’s	Personal contributions income surplus due largely to the increase to Full Fee Payers since the budget was originally set.	(1.006)
People – Adult’s	Older Adults – funding of hospital discharge cost pressures previously not forecast to be funded.	(1.000)
People – Adult’s	Increased underspends in Adults Care Management costs due to ongoing staff recruitment challenges.	(0.785)
People – Provider Services	Provider services additional cost of providing services due to COVID-19.	0.737
Economy & Infrastructure	SEND Transport despite an additional £1.100m budget, the forecast overspend continues due to ongoing increased demand and new routes following the commencement of the new academic year in September.	1.356
Finance	Treasury Management underspend for full year (assuming no additional borrowing required due to high cash balances and reduced capital programme as per Q2 reprofiling).	(1.726)
All	Other Smaller net variances across all services.	(0.001)
	Q2 Forecast Outturn Position	1.368

2022/23 Pay Award

17. The Local Government Green Book pay award for 2022/23 has been agreed and finalised. The final pay award, with effect from 1st April 2022 is:
 - an increase of £1,925 on all NJC pay points 1 and above;
 - an increase of 4.04% on all allowances;
 - an increase of one day to all employees’ annual leave entitlement starting in 2023/24; and
 - the deletion of pay point 1 from the NJC pay spine.

18. The cost of the Pay Award is £11.147m (excluding Senior Officer pay which has been settled and will be reflected in future monitoring reports, Fire pay award for which negotiations are ongoing and also excluding zero hours posts where the impact of the pay award is still being assessed). The total inflation budget available to fund this Pay Award is £10.352m, therefore the unfunded balance of £0.795m is to be funded from the Inflation Risk Reserve.

Financial Risks and uncertainties

19. In addition to the potential further inflationary risks and pay award risks there are a number of other financial risks that have not been included as part of the forecast outturn position at Q2. The most significant of these relates to the fragility of the care market and although the £3.845m investment has been approved there continues to be significant challenges for Independent providers around workforce recruitment.
20. There is a risk across the health and social care system of further Independent provider failure, existing packages of care no longer being able to be delivered by Independent providers and the level of unmet need increasing. The situation across the wider health and care system linked to flow of hospital discharges is deteriorating and a real risk that future demand will not be met. This financial risk is linked to the Councils corporate risk 'Health and Social Care Demand and System Failure' on the Q2 Corporate Risk Register.
21. At 30th September 2022 contracted packages of care being delivered are lower than last year but this has resulted in an increase of unmet need, whilst individuals awaiting assessment continue to increase due to continuing capacity issues and challenging provider market conditions. Forecasts show that if all unmet need was funded and provided for by the independent sector then the full year financial pressure would be circa £5m.
22. Capacity concerns around delivering County Council priorities whilst also supporting the Local Government Reorganisation programme and responding to national policy changes resulting in the need to invest in additional resources in year continues. This risk is also included within the Q2 corporate risk register and pressure is expected to continue across all service areas through the rest of the financial year.
23. The financial impact of the cost of living crisis on services over and above the direct inflation increases remains a risk. There is increased demand across many areas for exceptional financial support for households and individuals and although additional resources have been provided across a number of areas the risk that additional support may be required remains. This is a national issue across all Local authorities.
24. Whilst these financial risks are significant in terms of their potential impact the Council has an adequate level of reserves and is in a reasonably financially sustainable position to respond to the risks if they materialise. Corporate Management team are also continuing to review further mitigations to manage spend where it doesn't directly impact front line service delivery. Both of these provide some financial robustness to respond to these risks on a one-off basis.

Directorate Forecast Outturn Summary

25. The **People Directorate** is forecasting an overspend of £9.862m (4.3%) against its approved budget of £227.012m, as summarised by division of service below.

Table 3	Approved Budget	Forecast Outturn	Forecast Variance	Q1 Forecast Variance	Change in Variance
	£m	£m	£m	£m	£m
People Directorate	224.704	234.276	7.580	9.862	(2.281)
Director	0.198	0.235	0.037	0.024	0.013
Education & Skills	11.322	12.426	1.104	1.099	0.005
Children & Young People	68.052	80.863	12.811	10.743	2.068
Adults	70.865	64.885	(5.980)	(1.087)	(4.893)
Integration	4.161	4.282	0.121	0.302	(0.181)
Commissioning	3.314	3.168	(0.146)	0.010	(0.156)
Provider Services	53.112	53.050	(0.062)	(0.935)	0.872
Public Health	4.166	3.862	(0.304)	(0.295)	(0.009)
Capital Charges	9.514	9.514	0.000	0.000	0.000

The most significant variances are in the following areas:

Education and Skills - £1.104m pressure:

	Pressures		Underspends		Undelivered Savings		Total		Total
	Ongoing	One-Off	Ongoing	One-Off	Ongoing	One-Off	Ongoing	One-Off	
Schools & Learning									
Direct Payments	0.982						0.982	0.000	0.982
Inclusive Learning	0.278	0.015		(0.264)			0.278	(0.249)	0.029
Learning Improvement		0.114		(0.143)			0.000	(0.029)	(0.029)
Other Schools & Learning	0.019	0.054					0.019	0.054	0.073
	1.279	0.183	0.000	(0.407)	0.000	0.000	1.279	(0.224)	1.055
Traded Services									
Learning Support		0.209		(0.197)			0.000	0.012	0.012
Cumbria Outdoors		0.125		(0.088)			0.000	0.037	0.037
	0.000	0.334	0.000	(0.285)	0.000	0.000	0.000	0.049	0.049
TOTAL Education & Skills	1.279	0.517	0.000	(0.692)	0.000	0.000	1.279	(0.175)	1.104

Schools & Learning £1.055m comprising:

- Inclusive Learning £1.011m
 - £0.982m net pressure in relation to direct payments. To date eight closed bank balances have been clawed back totalling £0.024m and NHS contributions of £0.099m have been received.
 - £0.029m - total staffing pressures of £0.146m and pressure against inclusion contracts of £0.091m (£0.015m being a one off pressure). A reduction in spend in the Carers and Short Breaks activities of (£0.106m) and other non-material variances of £0.056m within Inclusive Learning offset by increased grant income (£0.158m).
- Learning Improvement (£0.029m)
 - (£0.138) staff vacancies and other savings (£0.005m)
 - £0.114m reduced income

- Other Schools & Learning £0.073m
 - £0.047m staff pressure due to SEND EPWs and non-material pressures of £0.007m
 - £0.019m reduction in income relating to academy conversions

Traded Services £0.049m comprising:

- (£0.197m) staff underspends in the Learning Support Service
- £0.209m reduced income and other non-material pressures
- (£0.088m) staff vacancies in Cumbria Outdoors
- £0.125m lost income and other overspends in Cumbria Outdoors

Children & Young People - £12.811m pressure

	Pressures		Underspends		Undelivered Savings		Total		Total
	Ongoing	One-Off	Ongoing	One-Off	Ongoing	One-Off	Ongoing	One-Off	
Early Help			0.017				0.017	0.000	0.017
Children and Families									
CLA placement costs	10.189						10.189	0.000	10.189
Staff costs	1.136						1.136	0.000	1.136
Travel and transport	0.368						0.368	0.000	0.368
SGO allowances	0.250						0.250	0.000	0.250
Section 17 financial assistance	0.151						0.151	0.000	0.151
CLA other agency services	0.167						0.167	0.000	0.167
Other net pressures	0.117						0.117	0.000	0.117
	12.378	0.000	0.000	0.000	0.000	0.000	12.378	0.000	12.378
Other Directorate Budgets	0.417						0.417	0.000	0.417
Total Children and Young People	12.795	0.000	0.017	0.000	0.000	0.000	12.812	0.000	12.811

Early Help £0.017m pressure of which £0.109m relates to Translation Services which has seen a significant increase in demand. This pressure is partially offset by underspends across a number of teams due to staffing vacancies.

Children and Families £12.378m pressure

This pressure is net of a further £1.188m of budget transferred from reserves at Q1 to fund additional inflationary pressures in AD Children and Young People. £1.133m of this relates to the CLA placement cost budget: £1.074m on external residential placements and £0.059m for gas and electricity inflation at the four internal residential homes. The other £0.055m relates gas and electricity inflationary pressure at the two edge of care homes and three children's centres which are not included in the CLA placement cost budget.

The main elements of the £12.378m pressure are:

- CLA placement cost pressure £10.189m being driven by:
 - **Four exceptional bespoke packages of care:** required for CLAs with very complex needs for whom no suitable external placement can be found or maintained (an increase of one since Q1). The forecast cost for these three packages alone is **£3.316m** which is **10%** of the total CLA placement cost budget. Three of the four CLAs meet the criteria for secure accommodation.

However, there are currently 69 young people on the national secure bed list.

- **An increase in the number of high cost placements:** excluding the three bespoke packages, at Q2 there were 13 placements with a cost to social care of £7,000 or more per week compared to just one at March 2021. The forecast cost for these eight is **£5.192m** which is **16%** of the CLA placement cost budget.
- **A high number of external residential placements:** at Q2 there were 98 external residential placements with a forecast cost of £24.521m. Although the 97 represent just **13% of the 764 CLAs** at Q1, the forecast cost equates to **73% of the £33.434m CLA placement cost budget.**

Sufficiency of placements and the ability to place CLAs in the preferred setting has become very challenging and is a national issue. Unavailability of external foster placements in particular has seen CLAs placed in residential placements because there was no alternative.

- Staff costs: £1.136m pressure, an increase of £0.611m compared to Q1. £0.478m of this increase relates to Support and Protection staffing in Allerdale and Copeland. The contracts of EPW social workers have been extended as the recruitment to permanent posts remains extremely challenging both regionally and nationally. The remaining £0.133m increase in pressure is across a number of Support and Protection and CLA/Leaving Care teams which are also experiencing social worker recruitment and retention issues. In addition, this demand for agency workers across the region coupled with cost-of-living pressures is significantly driving up rates of pay being charged by agencies.
- Travel and transport pressure: £0.368m of which £0.122m relates to a budget reduction.
- Special Guardianship Order (SGO) allowances £0.250m.
- Financial assistance provided to families under Section 17 of the Children's Act 1989 £0.151m. There is a risk that demand on this budget will increase as cost-of-living pressures on families intensify.
- CLA other agency services (additional support provided to CLAs) £0.167m
- Other net pressures £0.117m.

Other Directorate Budgets £0.417m pressure relating to Business Support staff costs as a result of unfunded post regrading.

Adults – (£5.980m) underspend:

	Pressures		Underspends		Undelivered Savings		Total		Total
	Ongoing	One-Off	Ongoing	One-Off	Ongoing	One-Off	Ongoing	One-Off	
Older Adults									
Demand Growth	0.000						0.000	0.000	0.000
Hospital Discharge Fund				(2.015)			0.000	(2.015)	(2.015)
Current Services Underspend			(0.718)				(0.718)	0.000	(0.718)
COVID Pressure Funding							0.000	0.000	0.000
Extra Care Housing Savings							0.000	0.000	0.000
GDC Savings					0.125		0.125	0.000	0.125
	0.000	0.000	(0.718)	(2.015)	0.125	0.000	(0.593)	(2.015)	(2.608)
Younger Adults									
Demand Growth	0.360						0.360	0.000	0.360
Current Services Underspend			(0.121)				(0.121)	0.000	(0.121)
Day Care Savings					(0.337)		(0.337)	0.000	(0.337)
TUPE Contribution to Cumbria Care							0.000	0.000	0.000
Mitigation from Cumbria Care					0.337		0.337	0.000	0.337
Backdated ICR cases				(1.860)			0.000	(1.860)	(1.860)
	0.360	0.000	(0.121)	(1.860)	0.000	0.000	0.239	(1.860)	(1.621)
Care Management									
People in Post			(2.644)				(2.644)	0.000	(2.644)
Recruitment Provision	0.421						0.421	0.000	0.421
Current EPWs	1.965						1.965	0.000	1.965
EPW Provision	0.100						0.100	0.000	0.100
	2.486	0.000	(2.644)	0.000	0.000	0.000	(0.158)	0.000	(0.158)
Personal Contributions									
Cumbria Care Full Fee Payers			(0.901)				(0.901)	0.000	(0.901)
Indy Sector Full Fee Payers			(1.209)				(1.209)	0.000	(1.209)
Other Charges	(0.029)						(0.029)	0.000	(0.029)
Additional Write-off Provision	0.500						0.500	0.000	0.500
Increase to Bad Debt Provision			0.046				0.046	0.000	0.046
	0.471	0.000	(2.064)	0.000	0.000	0.000	(1.593)	0.000	(1.593)
Total	3.317	0.000	(5.547)	(3.875)	0.125	0.000	(2.105)	(3.875)	(5.980)

(£5.980m) forecast underspend comprise mainly:

- (£2.608m) - Older Adults.
 - Current packages of care in service are forecast to underspend by (£0.718m)
 - Temporary Hospital Discharge Funding of (£2.015m) from the NHS and Better Care Fund funds the first 4 weeks of packages of care.
 - MTFP pressures relating to forecast undelivered savings of £0.125m in relation to the slippage on the residual savings requirement for the Generic Domiciliary Care scheme. While mitigations are under development, none are identified at this stage.
 - Mitigations taken in Older Adults to support Directorate pressures are as follows:
 - Future demand pressures have been removed from forecasts as mitigations for pressures elsewhere in the directorate. This includes assumptions around future demand and the current unmet need within the service.
 - Funding for winter pressures is currently held in reserve. It is anticipated that this will be required as pressures increase over the coming months. Forecasts do, however, include ongoing support through remaining COVID funding brought forward from last year, and use of the fair cost of care fund.

- Younger Adults (£1.621m) underspend
 - The key movement from Q1 relates to backdated Incomplete Review Cases that have now been resolved. Whilst these backdated charges total (£3.130m), the net impact after assumptions already made in forecasts including that in Promoting Independence savings, total (£1.860m).
 - Forecast £0.360m pressure relating to future demographic pressures for admissions to service through transition from Children’s Services and Transforming Care
 - This is in part offset by an underlying underspend on current services of (£0.121m).
 - Previous MTFP pressures of £0.354m relating to the slippage of savings linked to the Day Care Service Review have had mitigating actions taken in Cumbria Care as permanent savings proposals have been finalised.
- (£0.158m) Care Management costs – underspend largely due to EPW costs net of vacancies. This is as a result of delays in the ability to recruit to vacant posts. There remains significant pressures in the service over vacancies, workloads and outstanding cases.
- (£1.593m) Personal contributions income surplus due largely to the increase to Full Fee Payers since the budget was originally set of (£2.139m), offset by forecast in year bad debt write offs of £0.500m. Net balances make up the difference.

Integration & Partnerships - £0.121m pressure, across a number of services, notably £0.093m in Quality Assurance, with the remaining balance across a number of services.

Provider Services (£0.062m) underspend

	Pressures		Underspends		Undelivered Savings		Total		Total
	Ongoing	One-Off	Ongoing	One-Off	Ongoing	One-Off	Ongoing	One-Off	
Provider Services									
Unfunded COVID expenditure		1.345					0.000	1.345	1.345
Net Staff Underspends due to Recruitment issues		0.644		(1.208)			0.000	(0.564)	(0.564)
Day Services				(0.737)			0.000	(0.737)	(0.737)
Other				(0.106)			0.000	(0.106)	(0.106)
TOTAL Provider Services	0.000	1.989	0.000	(2.051)	0.000	0.000	0.000	(0.062)	(0.062)

Provider Services is forecasting an underspend of (£0.062m) across the following areas:

- £1.345m ongoing COVID related expenditure with the impact of COVID causing ongoing recruitment challenges and greater required capacity across services
- £0.644m agency costs relating to cover for long term illness and vacancies
- (£1.208m) due to ongoing recruitment issues
- (£0.737m) for reshaping of day services in Older Adults and DMH – this is after additional savings delivery of £0.337m
- (£0.106m) other net variances.

The forecast outturn in Provider Services is after Market Supplement payments for support workers in some Cumbria Care settings to aid recruitment and retention of staff. These are being funded from the Council's Volatility Reserve.

Public Health (£0.304m) underspend

The underspend has arisen as a result of vacant posts, redeployment of staff to COVID specific work streams and a forecast underspend in demand led services.

26. The **Economy and Infrastructure Directorate** is forecasting an underspend of (£0.758m) (0.5%) on its approved budget of £151.151m. There are a number of variances within the divisions of service as summarised below. This position is after an additional £3.853m of exceptional inflation increases has been funded from the inflation budgets during Q1.

Table 4	Approved Budget	Forecast Outturn	Forecast Variance	Q1 Forecast Variance	Change in Variance
	£m	£m	£m	£m	£m
Economy & Infrastructure	151.151	150.393	(0.758)	(1.947)	1.189
Director	(0.006)	(0.008)	(0.001)	(0.004)	0.002
Directorate Support	1.846	1.668	(0.178)	(0.224)	0.046
Highways & Transportation	57.118	57.013	(0.105)	(1.227)	1.122
Economy & Environment	46.155	45.862	(0.293)	(0.094)	(0.199)
Capital Programme & Property	17.839	17.666	(0.172)	(0.317)	0.145
Capital Charges and Insurance	28.311	28.311	0.000	0.000	0.000
Port of Workington	(0.111)	(0.119)	(0.008)	(0.081)	0.073
Cross cutting	0.000	0.000	0.000	0.000	0.000

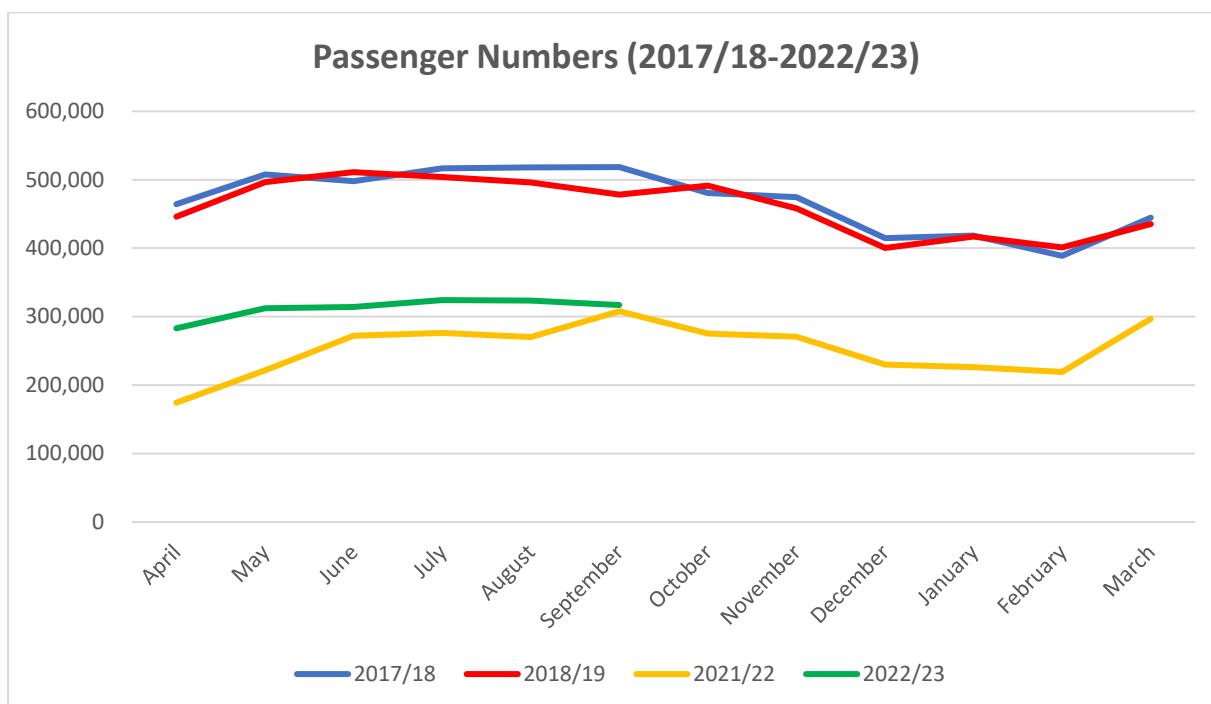
The most significant variances are as follows:

Directorate Support – forecast underspend (£0.178m) primarily one-off due to staff vacancies.

Highways & Transportation – forecast underspend (£1.227m), due to:

Ongoing:

- (£2.977m) ENCTS. Although passenger numbers are increasing following the ending of COVID regulations, they are not anticipated to reach pre-COVID levels by the end of this financial year. Nevertheless, actual journeys to Q2 of 2022/23 show an increase of 23% over Q2 in 2021/22 (as depicted in the graph below). The underspend equates to approximately 1.52m fewer journeys than allowed for within the budget based on the current average reimbursement rate of £1.96 per journey. Passenger numbers will continue to be monitored monthly.



- £2.576m SEND transport despite an additional £1.100m budget, the forecast overspend continues due to ongoing increased demand and new routes following the commencement of the new academic year in September. The reported overspend is after cost reductions of (£0.181m), the full year effect achieved from the retender exercise for Allerdale/Copeland and James Rennie school transport routes during 2021/22, have been vired to permanently part meet the Transport Integration cross cutting saving.
- £0.375m Home to School transport due to demand returning to pre- COVID levels. The impact of exceptional transport requests during 2021/22 (linked to hardship, sickness etc) is forecast to continue throughout 2022/23. The reported overspend is after (£0.170m), the full year effect of cost reductions achieved from the retender exercise for Allerdale/Copeland and James Rennie school transport routes during 2021/22, which have been vired to permanently part meet the Transport Integration cross cutting saving.
- £0.100m Rechargeable works ongoing lower income levels.

One-off:

- £0.144m Winter Maintenance overspend, partly as a result of the higher cost of external delivery due to vacancies within the team.
- £0.109m LGR related capacity costs.
- £0.108m Fuel card increased costs, again due to the substantial increase in fuel prices, with forecast costs estimated to be 30.3% higher than in the previous year.
- £0.093m Windermere ferry lower income along with additional maintenance costs.
- (£0.471m) Road Lighting energy underspend is forecast by the lighting team against the updated budget.
- (£0.102m) Additional Streetworks licence and permit income.

- (£0.138m) Highways Delivery team revised vacancy assumptions.
- (£0.124m) Highways Asset team revised vacancy assumptions.

There are several smaller over/underspends across the service netting off to a £0.202m overspend.

The movement of £1.122m from the (£1.227m) underspend reported at Q1 is mainly the result of:

- £1.356m SEND demand and new routes following the commencement of the new academic year in September. This is above the anticipated annual increase already included in Q1 forecast.
- £0.384m ENCTS continued increasing passenger numbers.
- £0.102m Cost of two posts to provide additional LGR capacity.
- (£0.275m) Additional Streetworks licence and permit income.
- £0.166m Road Closure Income shortfall.
- (£0.100m) Roundabout advertising income saving previously assumed as not met, is now forecast to be met on a permanent basis from other underspends within the directorate.
- (£0.651m) Road lighting energy. Inflationary increases to electricity charges were budgeted at 38% and subsequently estimated to be 129% higher than 2021/22. The latest forecast is after additional inflationary pressures of £0.180m have been met from the Inflation reserve and revised assumptions provided by the Road Lighting team. Further monitoring will continue.

Economy & Environment – forecast underspend (£0.094m) due mainly to:

One-off:

- (£0.353m) Waste Management. Largely due (£0.287m) to an underspend on the Renewi Unitary charge. (£0.140m) additional Commercial Waste income, offset in part by a £0.188m overspend on Recycling credits.
- £0.052m Regulatory services, which is due to a £0.131m Development Management overspend mainly the result of ongoing lower searches income, offset in part by (£0.087m) additional Trading Standards income.

This is offset by a number of smaller over/underspends, across the service netting off to a £0.008m overspend.

The movement of (£0.199m) from the (£0.094m) underspend reported at Q1 is mainly due to the revised assumptions within Waste.

Capital Programme & Property – forecast underspend (£0.317m) due mainly to:

Ongoing:

- £0.097m Car Parking income is expected to continue at lower than budgeted levels at both County Hall and Cecil Street. In addition, the Citadels car park is closed due to demolition work ongoing in adjoining buildings.

One-off:

- £0.160m Business Rates relating to Staples & Matalan sites.
- £0.130m Asset valuation costs.
- £0.069m Installation of touchdown screens to corporate offices.
- £0.050m Corporate Maintenance Fund overspend.
- (£0.137m) Lettings income and service charges. This is after (£0.345m) income from the Matalan Unit is temporarily in year, supporting the Enterprise saving.
- (£0.127m) Property Staffing the result of vacancies in year.
- (£0.055m) Cleaning services. This is after £0.185m has been transferred to CMF to part meet the cost of additional asset maintenance in year.

These are offset by a number of smaller over/underspends across the service netting off to a (£0.015m) underspend.

The movement of £0.145m from the (£0.317m) underspend reported at Q1 is mainly due to

- £0.130m Asset valuation costs.
- £0.069m Installation of touchdown screens to corporate offices.

With the remaining (£0.054m), due to a number of smaller movements across the service.

27. **The Cumbria Fire & Rescue Service** is forecasting a balanced budget position at P2, which is an improvement of (£0.177m) from Q1. The reported breakeven position is as a result of a number of small non-material over and underspends which net to the balanced position.

Table 5	Approved Budget	Forecast Outturn	Forecast Variance	Q1 Forecast Variance	Change in Variance
	£m	£m	£m	£m	£m
Cumbria Fire & Rescue	21.691	21.691	0.000	0.177	(0.177)
Fire & Rescue Service	19.832	19.832	0.000	0.177	(0.177)
Capital Charges & Insurance	1.859	1.859	0.000	0.000	0.000

28. **The Corporate, Customer and Community Services Directorate** is forecasting an underspend of (£1.042m) (2.6%) on its approved budget of £40.772m, this is an increased underspend of (£0.138m) from Q1.

Table 6	Approved Budget	Forecast Outturn	Forecast Variance	Q1 Forecast Variance	Change in Variance
	£m	£m	£m	£m	£m
Corporate, Customer & Community	40.772	39.730	(1.042)	(0.904)	(0.138)
Director and Chief Executive	1.042	1.016	(0.026)	(0.068)	0.043
Chief Legal Officer	8.441	8.552	0.111	0.035	0.075
Organisational Change	14.276	13.685	(0.591)	(0.199)	(0.392)
Workforce and OD	5.498	5.259	(0.239)	(0.161)	(0.078)
Customer and Community Services	10.708	10.238	(0.470)	(0.683)	0.213
Capital (Depreciation)	0.980	0.980	0.000	0.000	0.000
Cross Cutting Savings	(0.173)	0.000	0.173	0.173	0.000

The most significant variances are due to:

Director and Chief Executive underspend (£0.026m) – relating mainly to the one-off forecast underspend as a result of the Executive Director Corporate, Customer and Community services role being vacant, offset by the additional cost of the distributed leadership model.

Chief Legal Officer overspend £0.111m

Ongoing:

- £0.197m forecast overspend for the Coroners Service for inquest costs, mortuary fees, lab costs and body removal costs. This is due to a number of reasons including: number of ongoing complex inquest cases and lack of pathologist capacity across the County (meaning out of area services have to be accessed or more expensive methods of obtaining post-mortem reports are required).

One-off:

- £0.086m forecast overspend for AD Chief Legal Officer agency fees due to required hours being worked being higher than forecast and agency fees being in excess of base budget.
- (£0.170m) Staff underspends for Legal Practice due to vacancies not recruited to.
- (£0.002m) Other smaller net underspends.

The £0.075m increase of overspend from Q1 is due to increased Children and Families Legal/Expert fees and Coroners Mortuary fees.

Organisational Change underspend (£0.591m)

Ongoing:

- £0.081m systems team pressure which is being offset by transformation team underspend in 2022/23.

One-off:

- (£0.202m) Transformation underspend due to staff seconded into the LGR Programme and funded from the LGR Implementation reserve.
- (£0.230m) Improvement Fund underspend due to reduced forecast spend for support at home provision, as the equipment was no longer required by the service.
- (£0.111m) ICT Operational costs primarily due to an accounting adjustment relating to the prepayment of a contract.
- (£0.129m) other smaller underspends.

The (£0.391m) increased underspend from Q1 is due to ICT Services improvement fund at home support provision reduced spend and ICT operational costs reduced expenditure

People Management underspend (£0.239m)

One-off:

- (£0.239m) staffing underspends across Learning and Development, People Management and Occupational Health primarily due to vacancies in the team and additional funding offsetting staffing costs.

Customer and Community Services underspend (£0.470m)

One-off:

- (£0.209m) Service Centre due to (£0.459m) surplus for Registration ceremony income offset with additional costs for ceremony officers time, consultancy costs for computer equipment and software and licences.
- (£0.108m) Libraries underspend due to vacancies and an underspend for the Culture and Arts Fund.
- (£0.096m) Registration Services underspend due to increased statutory certificate income due to increased marriage ceremonies taking place.
- (£0.057m) Other Smaller net underspends.

The £0.213m reduction to forecast underspend from Q1 is primarily due to staff recruitment to vacancies within Libraries and staff appointments within the Service Centre.

Cross-Cutting Savings overspend £0.173m

- £0.173m Digital automation saving. Of the £0.350m to be delivered £0.177m was delivered permanently in 2021/22. The remaining £0.173m will not be delivered on a permanent basis in 2022/23 due to the impact LGR has had on staff time and the ability to automate systems which will change through the process.

29. The **Finance Directorate** is forecasting an underspend of (£5.000m) as summarised below.

Table 7	Approved Budget	Forecast Outturn	Forecast Variance	Q1 Forecast Variance	Change in Variance
	£m	£m	£m	£m	£m
Finance	38.679	33.679	(5.000)	(3.200)	(1.800)
Director of Finance	0.151	0.151	0.000	0.000	0.000
Finance	4.080	4.112	0.032	0.106	(0.074)
Performance and Risk	0.823	0.823	0.000	0.000	0.000
Treasury Management	30.669	25.637	(5.032)	(3.306)	(1.726)
Insurance	2.956	2.956	0.000	0.000	0.000

The main variances are due to:

Treasury Management underspend (£5.032m)

As at the end of September, the 2022/23 Treasury Management budget is forecast to underspend by (£5.032m).

The Council continues to hold high levels of cash (£171.5m at 30 September 2022 compared to £192.1m at 30 September 2021). This is due primarily to a combination of grants received from the government that have not yet been spent and slippage against the capital programme. These high temporary cash balances are being used to offset the need for taking new long-term loans to finance capital spend for projects previously approved by Council.

Offsetting the need for new loans with temporary cash balances has released (£2.779m) of revenue underspend from the budget in 2022/23 as the Council does not have to pay debt interest. This assumes that no new long term loans will be entered into during 2022/23. Should the cash balances fall and there be a need to borrow later in the year, or if the Council was to take a tactical decision to take new loans the forecast underspend on this service will decrease.

The Bank Rate has increased throughout 2022/23 from 0.75% at 1 April 2022 to 2.25% at 30 September 2022. Given the high cash balances currently held, significant investment returns are forecast for the year. It is currently forecast that the Council will receive (£2.253m) more interest than budgeted during 2022/23. This figure may well increase if the Bank Rate increases further throughout the year, or if the Treasury Team are able to increase the return on these cash balances, whilst ensuring that investments continue to be made in

accordance with the Council's Treasury Management Strategy Statement (approved by Council in February 2022).

The Treasury Management budget will be affected during the remainder of the year by:

- Any decisions to undertake any long term borrowing as previously agreed by Council through the Capital programme – it is currently assumed that no new borrowing will be undertaken throughout 2022/23;
- Variations in cash balances held by the Council primarily through spending against government grants and on the capital programme; and
- Interest rates at which cash balances are invested.

Currently the budget is forecast to underspend by (£5.032m) 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.

Finance overspend £0.032m due to the cost of interim staff which is partially offset by increased income from staffing recharges for the insurance and treasury management functions.

30. **Other Corporate Items** is forecast to overspend by £0.505m as summarised below.

Table 8	Approved Budget	Forecast Outturn	Forecast Variance	Q1 Forecast Variance	Change in Variance
	£m	£m	£m	£m	£m
Other Corporate Items	(18.096)	(17.591)	0.505	0.725	(0.220)
Depreciation charge-services	(40.787)	(40.787)	0.000	0.000	0.000
Precepts paid	0.914	0.914	0.000	0.000	0.000
Inflation & Contingency	11.393	11.393	0.000	0.000	0.000
Residual Pension Costs	4.557	4.457	(0.100)	(0.100)	0.000
Past Service Contributions	1.328	1.128	(0.200)	(0.200)	0.000
Cross Cutting Savings	(1.029)	0.006	1.035	1.025	0.010
Cumbria Holdings dividend	(0.500)	(0.500)	0.000	0.000	0.000
Other	6.028	5.798	(0.230)	0.000	(0.230)

The main variances are due to:

Residual Pension and past service pension costs underspend (£0.300m) as a result of a reducing number of pensioners.

Cross cutting saving – non delivery £1.035m due to the Ernst Young Automation saving of £0.025m, the £1.000m of the Direct Payments/Debt Management saving not being met and £0.010m of the Enterprise saving not being met. Work is ongoing to review the Direct Payment process and outstanding balances.

Inflation and Contingency £0.000m – The inflation budget has been allocated in full. There is £0.640m of the Contingency budget remaining uncommitted however, the forecast outturn position assumes this is used in full.

31. The **Local Committees** forecast is a £0.082m overspend. The key elements of the overspend position at Q2 are set out below:

- a) Highways £0.048m the current forecast Highways overspends and underspends at Q1 are summarised below by key area of spend and local committee.

Table 9 – Local Committee’s Highways forecast outturn

Local Committee	Annual Budget £m	Annual Forecast £m	Forecast Variance £m
Allerdale	1.513	1.518	0.005
Barrow	1.032	1.054	0.022
Carlisle	1.834	1.834	0.000
Copeland	0.882	0.882	0.000
Eden	0.922	0.922	0.000
South Lakeland	1.482	1.503	0.021
Grand Total	7.666	7.714	0.048

- b) Non- Highways (£0.034m) the current forecast non-highways under and overspends at Q2 are summarised below by key area of spend and local committee.

The overspend in the South Lakeland Local Committee budget is due to reduced income being received compared to budget for the Sandgate Hydrotherapy pool which has seen demand for services reduce post-Covid.

Table 10 – Local Committee’s Non-Highways forecast outturn

Local Committee	Annual Budget £m	Annual Forecast £m	Forecast Variance £m
Allerdale	0.875	0.875	0.000
Barrow	0.607	0.607	0.000
Carlisle	0.948	0.948	0.000
Copeland	0.643	0.643	0.000
Eden	0.634	0.634	0.000
South Lakeland	1.175	1.210	0.034
Grand Total	4.883	4.917	0.034

Schools and DSG balances

Maintained Schools Balances

32. At 31st March 2022 the net surplus balances on maintained schools was (£12.028m) which consisted of 209 schools with surplus balances of (£16.555m) and 38 schools with deficit balances of £4.527m. Based on school submitted May budget plans for 2022/23 the net surplus balance for maintained schools is projected to be (£9.016m) as at 31 March 2023. The table below shows a breakdown of these figures separately by surpluses and deficits:

Table 11 – Maintained School Balances

	2021/22 Actual		2022/23 Forecast		Change in value (£m)
	Number of Schools	Total Value (£m)	Number of Schools	Total Value (£m)	
Schools with Surpluses	209	(16.555)	218	(12.756)	3.799
Schools with Deficits	38	4.527	24	3.740	(0.787)
Total	247	(12.028)	246	(9.016)	3.012

Dedicated Schools Grant (DSG) Balance

33. At 31st March 2022 had an accumulated net deficit of £14.692m excluding balances held in schools. At Q1 the forecast deficit at 31st March 2023 is £21.696m, an increase of £7.004m since the start of the year. CMT supported the establishment of a High Needs Board to monitor the High Needs budget and review actions to address the deficit.

Table 12 – DSG Forecast Deficit

	Central DSG (£m)	High Needs Block (£m)	Total (£m)
DSG Balance as at 31st March 2022	(5.750)	20.442	14.692
Forecast over/ (under) spends on DSG in 2022/23	(2.299)	8.696	6.396
Forecast DSG Balance as at 31st March 2023	(8.049)	29.138	21.088
Q1 Forecast DSG Balance as at March 2023	(7.096)	28.792	21.696
Movement	(0.954)	0.346	(0.608)

34. The key elements of the forecast are:

Central DSG – an in year surplus of (£2.299m) relating to:

- (£1.771m) Nursery grants which is net of additional funding of (£0.119m) relating to the final adjustment to the 2021/22 Early Years Block allocation to reflect the Spring 2022 actual take-up of provision.

- (£0.378m) School contingency which includes all known contingences to date including the temporary site costs for St Bridget's Primary School following landslip investigations of £0.260m
- (£0.150m) Other non-material variances across Central DSG.

High Needs – an in year deficit of £8.696m relating to:

- £3.474m EHCP top ups. This represents a reduction in forecast pressure of (£0.270m) compared to Q1. The forecast is based on current EHCP costs and predicted number of new and amended ECHPs in-year. Since the start of the year there have been amendments to existing EHCPs of £0.247m, payments to PVIs of £0.378m, and new and forecasted new EHCPs based on known children coming through the system totalling £1.868m. The forecast also includes the additional net cost of restoring the notional SEN to £6,000 after removing the Targeted SEN funding with effect from September 2021 of £0.777m and pre-existing budget pressures of £0.204m.
- £3.381m Independent specialist day placements. This represents an increased forecast pressure of £0.876m compared to Q1. The forecast is based on current and known new placements. The overall number of children and young people in day placements has increased from 127 to 152 since Q1. There have been 23 new placements, 16 ended placements, one transfer from a residential placement and 17 transfers from Education Otherwise following a review of placement type representing an increased pressure of £1.330m since Q1. The average cost of an ISP placement has increased by 0.7% from £60,047 as at March 2022 to £60,473 as at Q2 however this includes the transfer in of lower cost placements from Education Otherwise.
- (£0.729m) Residential Placements. The overall number of placements has reduced from 53 to 46 compared to the 2021/22 Outturn position.
- (£0.012m) Post 16 top ups in sixth forms and FE colleges. This is split between an underspend against ISPs of (£0.061m) representing an increased pressure of £0.548m compared to Q1 and a pressure against EHCP top-ups in sixth form and FE colleges of £0.050m representing an increase in forecast expenditure of £0.247m compared to Q1. The overall number of ISPs has reduced from 73 to 59 compared to the Q1. The Q1 forecast included 28 placements that were forecasted to end in July 2022 however 4 of these placements have been extended and there have been 10 new placements representing an increase in forecast expenditure of £0.326m. There has also been a reduction in High Needs Block funding of £0.222m relating to a negative inter-authority adjustment for Cumbrian students placed in out of county ISPs.
- £0.358m High Needs Invest to Save Initiatives. The forecast expenditure here, which represents a reduction of (£0.001m) compared to Q1, relates to the Sandgate Early Intervention Programme including the roll out to two hub schools of £0.248m and the Greengate Junior School Alternative Provision in Schools Programme provisionally estimated at £0.110m.

- £2.328m Special Schools. The forecast includes an estimated 1.693m pressure relating to new and amended EHCP top-ups following the revised positioning of children on the new banding system, £0.309m for 20 new places at James Rennie and 33 new places at Mayfield special schools effective from September 2022, £0.593m relating to the associated start-up and diseconomy costs including temporary accommodation for the newly created provision on external sites, £0.065m relating to pre-existing budget pressures offset by an increase in High Needs Block funding of (£0.332m) relating to additional funding for special free school places. The forecast represents a reduction in pressure of (£0.858m) compared to Q1.
- (£0.104m) Other individually non-material variances.

MTFP Savings delivery

35. Total approved savings in 2022/23 is £16.231m which comprises of £4.263m of existing savings required to be delivered in 2022/23 and £11.968m of new savings/ one off use of earmarked reserves approved in February 2022 to be delivered in 2022/23. Total forecast savings to be delivered totals £14.792m (91.1%), therefore undelivered savings are forecast as £1.439m. This is an improvement in delivery compared to the non-delivery reported at Q1 of £1.833m, by (£0.394m).

Table 13 – Forecast Savings Delivery by Directorate

Directorate	Existing savings	Forecast delivery	Variance	New savings	Forecast delivery	Variance
	£m	£m	£m	£m	£m	£m
People	1.987	1.756	0.231	7.721	7.721	-
Economy and Infrastructure	1.100	1.100	-	-	-	-
Fire & Rescue Service	-	-	-	-	-	-
Corporate, Customer and Community	0.350	0.177	0.173	-	-	-
Finance (Treasury Management)	-	-	-	1.569	1.569	-
Other Corporate Items	0.826	0.791	0.035	2.678	1.678	1.000
Total	4.263	3.824	0.439	11.968	10.968	1.000

36. The undelivered savings comprising the £1.439m pressure are:

People

- £0.106m Extra Care Housing – No savings have been identified to date however, work is ongoing to achieve the saving.
- £0.125m Recharges to the CCGs for 100% health task Generic Domiciliary Care packages, will not be progressed in this 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 to end new admissions to service with cases to be reviewed into 2022/23.

Corporate Customer and Community Services

- £0.173m Digital Transformation – this saving has been identified as undeliverable due to the impact of the LGR programme on transformation opportunities available and staff capacity to deliver.

Other Corporate Items

- £0.025m Ernst Young Automation work - Automation work is not progressing due to the uncertainties LGR has caused around the systems and processes which will be in place in the new organisations which will need automation.
- £1.000m Direct payments / debt management - This saving is forecast as being undelivered as work continues to review Direct payments processes and balances.
- £0.010m Enterprise saving underachievement.

Earmarked Reserve Balances

37. The forecast earmarked reserve balance (excluding DSG funded reserves) at the 31st March 2023 is £94.786m. Movements on Earmarked Reserves to Q2 are summarised in Table 14.

Table 14 – Movements in Earmarked Reserves (excluding DSG funded reserves)

	2022/23
	£m
Balance at 1 st April 2022	(138.234)
Budgeted appropriations to reserves	(3.259)
Budgeted appropriations from reserves	16.294
Subtotal	(125.199)
Transfers to Reserves during Q1 & Q2	(6.007)
Transfers from Reserves during Q1 & Q2	36.420
Forecast Balance at 31st March 2023	(94.786)

Note: The current balance at Q2 of significant Earmarked Reserves relate to the Modernisation (Cost of Change) Reserve (£3.797m), Volatility (£5.593m), Financial volatility reserve (£12.476m), Insurance (£14.885m), PFI schemes (£24.487m) and Directorate Revenue Grants in advance (£12.993m).

Capital Programme

Revisions to the Programme

38. 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 2022/23 to 2026/27 in February 2022. This consisted of capital investment over the next five years of £439.976m for Council delivered schemes. The capital programme included a budget for 2022/23 of £193.463m for Council delivered schemes.
39. Since February 2022, as a result of subsequent changes reported to Council and Cabinet, the revised Capital Programme for 2022-2027, as at the 22nd September 2022, was £418.721m (excluding Accountable Bodies) as set out in the table below.

Table 15: Revised Capital Programme 2022 to 2027 22nd September 2022

	2022/23	2023/24	2024/25	2025/26	2026/27	Total 2022-2027
	£m	£m	£m	£m	£m	£m
Capital Programme (Approved by Council 23rd June 2022)	238.305	117.601	60.608	39.350	33.301	489.165
Budget Changes Approved by Cabinet on 22nd September 2022:						
Grant / Contribution Changes for existing schemes – external	(39.648)	(43.200)	3.276	1.210	0.000	(78.362)
Internal Contribution Changes for existing schemes	0.248	0.000	0.000	0.000	0.000	0.248
Capital Programme (Approved by Cabinet 22nd September 2022)	198.905	74.401	63.884	40.560	33.301	411.051
Budget Changes Recommended to Council by Cabinet on 22nd September 2022:						
Grant / Contribution Changes for new schemes – external	0.520	2.838	4.262	0.050	0.000	7.670
Re-profiling	(56.119)	32.781	16.814	5.078	1.446	0.000
Accelerated Expenditure	2.000	(1.000)	(1.000)	0.000	0.000	0.000
Total Proposed Revised Capital Programme 2022 to 2027	145.306	109.020	83.960	45.688	34.747	418.721

40. This Q2 monitoring report shows a net increase of £3.439m in the County Council Capital Budget for the period 2022/23 to 2026/27 giving a revised total of £422.160m over the life of the current capital programme, and a revised budget of £148.745m for 2022/23. This reflects a number of changes to the capital programme as outlined in the Table below.

Table 16: Summary of Proposed Capital Budget Changes

	2022/23	2023/24	2024/25	2025/26	2026/27	Total 2022- 2027
	£m	£m	£m	£m	£m	£m
Proposed revised Capital Programme 22nd September 2022	145.306	109.020	83.960	45.688	34.747	418.721
Proposed Q2 Changes						
Grant / Contribution Changes – External (Table 17)	3.081	0.000	0.000	0.000	0.000	3.081
Grant / Contribution Changes – Internal (Table 18)	0.358	0.000	0.000	0.000	0.000	0.358
Sub Total of Q2 Changes	3.439	0.000	0.000	0.000	0.000	3.439
Total Proposed Revised Capital Programme	148.745	109.020	83.960	45.688	34.747	422.160

Grant / Contribution Changes - External

41. 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 17: Changes to existing schemes from external contributions

	2022/23	2023/24	2024/25	2025/26	2026/27	Total 2022- 2027
	£m	£m	£m	£m	£m	£m
Changes to existing scheme – requiring approval by Cabinet						
Highways & Transport – Principal Road Network (PRN) Schemes – Additional Contribution from Eden District Council towards the installation of a crossing at Princes Street in Penrith.	0.040	0.000	0.000	0.000	0.000	0.040
Healthy Pupil Capital Fund - Increase to the budget for minor expenditure on four schools in 2022/23 to use the remaining allocation of grant.	0.003	0.000	0.000	0.000	0.000	0.003
Street Lighting - Contribution from the Police and Crime Commissioner for street lighting works in Carlisle.	0.080	0.000	0.000	0.000	0.000	0.080
Lead Local Flood Authority - Additional confirmed funding contributions of £3.058m have been added to the 2022/23 Programme.	3.058	0.000	0.000	0.000	0.000	3.058
Maryport Future High Street Fund – Reduction in funding provided by Allerdale Borough Council from original expectation.	(0.100)	0.000	0.000	0.000	0.000	(0.100)
Total Changes to contributions - external	3.081	0.000	0.000	0.000	0.000	3.081

Grant / Contribution Changes - Internal

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

Table 18: Changes to existing schemes from internal contributions

	2022/23	2023/24	2024/25	2025/26	2026/27	Total 2022- 2027
	£m	£m	£m	£m	£m	£m
Changes to existing schemes – requiring approval by Cabinet						
Prioritised Capital Maintenance Projects/Schools Maintenance – Revenue contribution towards asbestos removal in schools.	0.200	0.000	0.000	0.000	0.000	0.200
Carlisle Southern Gateway – Revenue contribution from bus operators grant towards bus stops on Devonshire Street in Carlisle.	0.040	0.000	0.000	0.000	0.000	0.040
Area Planning/Whitehaven Library/Barrow Library – Revenue contribution from Allerdale Local Committee towards Aspatia Community Hub	0.118	0.000	0.000	0.000	0.000	0.118
Total Changes to contributions - internal	0.358	0.000	0.000	0.000	0.000	0.358

Virements

43. This report approval for virements totalling of £1.020m between the following schemes as detailed below:

Table 19: Virements

	2022/23	2023/24	Description
	£m	£m	
Virements (relating to existing schemes) - requiring approval by Cabinet			
Additional Pot Hole Action Funding	0.148	(0.000)	Contribution from the Pothole budget towards the purchase of two Pothole Pro Vehicles.
Highways Fleet Replacement	(0.148)	0.000	
Prioritised Capital Maintenance Projects/Schools Maintenance	0.376	0.000	Allocation from Additional Inflation Risk Allowance to Corporate Capital Projects
Additional Inflation Risk allowance	(0.376)	0.000	

	2022/23	2023/24	Description
	£m	£m	
Corporate Property Planned Maintenance and improvement	0.297	0.000	Allocation from Additional Inflation Risk Allowance to Corporate Capital Projects
Additional Inflation Risk allowance	(0.297)	0.000	
Devolved to Local Committees - Principal Road Network (PRN)	0.199	0.000	Additional Inflation Risk Allowance to PRN
Additional Inflation Allowance	(0.199)	0.000	
Total Virements impact on Capital Programme	0.000	0.000	

Forecast Outturn Position

44. Appendix 3 details the original Capital Budget 2022/23 as approved in February 2022, 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 2022/23 Capital Programme is £141.357m, compared to the proposed revised capital budget of £148.745m, meaning there is a variance to report at Q2 of (£7.388m) made up of an underspend of (£0.009m), slippage of (£8.504m) and accelerated spend of £1.125m.

Table 20 – Capital Programme Provisional Outturn 2022/23 (at 30th September 2022)

Capital Programme 2022/23										
Totals for Services	2022/23 Capital Programme Per Approved Budget February 2022	2022/23 Summary of changes Feb'2022 to 22 September 2022	2022/23 changes - Quarter 2	Revised 2022/23 Budget	Total Spend as at September 2022	Forecast Outturn as at 31st March 2023	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	18.982	2.614	0.579	22.175	5.941	22.175	0.000	0.000	0.000	0.000
People - Adults	11.395	(2.840)	0.000	8.555	0.916	8.555	0.000	0.000	0.000	0.000
Economy and Infrastructure	159.980	(51.851)	2.860	110.989	55.634	104.920	(6.069)	(0.009)	(7.185)	1.125
Corporate, Customer and Community	1.941	1.666	0.000	3.607	0.450	3.607	0.000	0.000	0.000	0.000
Fire and Rescue Services	1.165	2.254	0.000	3.419	0.170	2.100	(1.319)	0.000	(1.319)	0.000
TOTAL for Cumbria County Council	193.463	(48.157)	3.439	148.745	63.112	141.357	(7.388)	(0.009)	(8.504)	1.125
Accountable Bodies	0.000	1.577	0.000	1.577	0.000	1.577	0.000	0.000	(0.000)	0.000
Grand Total	193.463	(46.580)	3.439	150.322	63.112	142.934	(7.388)	(0.009)	(8.504)	1.125

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

Capital Receipts

45. It was estimated that £2.200m of capital receipts will be received during the year. There have been £1.760m of 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 2022/23 will be reported in future budget monitoring reports.

Accountable Bodies

46. 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).
47. Slippage of £0.854m from the approved Accountable Body capital programme for 2021/22 has been brought forward to 2022/23 along with an adjustment of £0.895m from the 2021/22 Capital Programme Outturn report and reprofiling of (£0.172m) into 2023/24 in Q1 resulting in a budget of £1.577m. The forecast outturn is £1.577m and there are no changes reported to this budget at Q2.

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

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

Legal Aspects – What needs to be considered?

49. 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 reserved to Cabinet and recommending changes to the capital programme that are reserved to Council.

With particular relevance to this report:

- (1) Under 3.2 of FR2 Cabinet can approve transfers to or from contingencies and to an earmarked reserve;
- (2) Under 3.7 of FR2 of the Financial Standing Orders Cabinet may approve new schemes in the capital programme of up to £500,000 provided they will be funded from additional grants and/or contributions from external bodies. Cabinet must refer other new schemes to full Council.
- (3) Under 6.7 of FR2 Cabinet may transfer any budget between schemes within the capital programme within its control for any lawful purpose for which it is responsible providing that the reason for the budget transfer is within the Budget and Policy Framework, they can be satisfied that any revenue budget consequences of the budget transfer can be offset by additional income, earmarked or general reserves of savings elsewhere within the capital programme and the amount in question does not exceed £500,000 at any one occasion.

- (4) Under 6.2 of FR2 Cabinet may transfer any revenue budget within its control for any lawful purpose for which they are responsible providing that the transfer is within the estimate approved by Council for the relevant Directorate, the reason for the transfer is within the Budget and Policy Framework, no commitment to a higher overall level of expenditure in future financial years is entered into and the amount in question does not exceed £500,000. [LM 8.12.22]

Health and Safety Aspects – What needs to be considered?

50. 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.
51. 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?

52. 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
53. 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?

54. Not Applicable

Further Information & Background Documents

Appendix 1 – Net Revenue Budget 2022/23 – Movements in Year
Appendix 2 – Summary of Earmarked Reserves 2022/23
Appendix 3 – Capital Programme 2022/23

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 01/12/22

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

Report Author:

Pam Duke. Director of Finance (s151 Officer).

Jamie Wright. Group Finance Manager.

08/12/2022