Meeting:	**Cabinet**
Date of Meeting:	**16th March 2023**
Title of Report:	**2022/23 Revenue and Capital Budget Monitoring to 31st December 2022 (Q3)**
Report by:	**Jo Moore, Interim Director of Finance (s151 Officer)**
Cabinet Member:	**Peter Thornton, Cabinet Member for Finance**

What is the Report About? (Executive Summary)

1. The Council's vision continues to be an organisation, that "works with residents, businesses, communities and other organisations to deliver the best services possible within the available resources."

2. This report summarises the Council's latest forecast financial performance for 2022/23 demonstrating how the Council is making best use of its available resources in delivering its vision. It also demonstrates achievement against the strategic objective set out in the corporate plan to, "ensure the Council is financially sustainable for the future and able to maximise our contribution to improving the everyday experiences of people in Cumbria." (Council Plan 2017-2023).

3. The Council has an established track record of strong and robust financial management aligned to meeting the needs of the community which it has continued to deliver over the course of 2022/23 as set out in this report.

4. A quarterly financial monitoring report is presented to Cabinet which sets out the Council's forecast year-end financial position covering the Revenue Budget, Capital Programme and Treasury Management activities. This report presents the position for Quarter 3 (Q3) as at 31st December 2022 and should be read in conjunction with Q3 Corporate performance monitoring report which is a separate agenda item. The Q3 risk report also gives an update on the Council's strategic risks that it faces as presented to Audit and Assurance Committee on 9 March 2023.

5. Since Council set the 2022/23 Budget in February 2022 the economic uncertainly, both nationally and internationally, has continued. Like all public sector organisations, the Council continues to face significant financial pressures relating to unprecedented high levels of inflation, cost of living crisis, supply chain disruption and contractual delivery risks. This is coupled

with increased demand on services both as a result of the continued impact of the COVID-19 pandemic and wider health and social care system pressures. Collectively, this continues to bring a significant amount of financial challenge for 2022/23 and ongoing uncertainty for the two new Unitary Councils and Cumbria Fire and Rescue Service.

6. The Council, when setting the budget for 2022/23, had an adequate level of reserves in respect of both the 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 costs to be funded in-year to ensure that services can continue to be delivered as per the Council Plan priorities.

7. Despite being able to fund some of the exceptional pressures there has been a continued increase in costs and/or demand for some services in quarter 3 and a real risk that the upward trend will be continue in the final quarter of the financial year. Management will continue to closely monitor the financial position and focus on taking further appropriate mitigating actions to ensure that the financial outturn position is managed within the Council's approved budget.

8. The forecast outturn at 31st December 2022 (Q3) is a net **£1.358m overspend** position, which is a slight improvement of (£0.010m) from the £1.368m overspend position reported at Q2.

9. The key drivers for this worsening position have been increases in demand-led services such as SEND and Home-to-School Transport where not only is the number of exceptional routes and journeys increasing each month but the price being paid for these journeys is also increasing as a result of a lack of competition in the market.

10. Difficulties in recruiting and retaining staff remains a significant problem in some areas which means a much higher reliance on agency workers (EPWs) combined with the fact that the rates for those workers is also increasing due to the high demand to cope with staff shortages.

11. However, the net movement from Quarter 2 highlights some of the additional financial pressures that emerged during Q3 and the excellent work that has been done to manage and reduce some of these financial pressures. Without this work the forecast overspend would have been significantly higher.

12. For example, in the Children & Young People Service, the number of high cost and bespoke care packages had increased to five during Quarter 3 but with the intense work undertaken by the service this has now reduced to two cases from 1 January 2023.

13. A summary of the significant reasons for the reduced overspend position is set out in Table 2 and further details of movements within the Directorates are set out in this report.

14. Executive Directors and their management teams have worked closely with their finance partners to review spend at every level, prioritise activity and provide certainty about end of year forecasts. Work is continuing across all Directorates to identify additional financial mitigations to deliver a balanced budget position.

15. These pressures notwithstanding the Council has been able to allocate some £5m of additional funds to alleviating the financial pressures felt by those most in need in the community, especially the young. This includes:

- £1.500m provided to schools to support their most vulnerable young people and ensure that breakfast clubs are available to all.
- £0.500m earmarked for the provision of free school meals during the Easter holidays in 2023
- £1m public health money to support community based initiatives such as the development of warm hubs
- £0.500m to extend the school’s clothing grant scheme
- £0.500m to enhance the free school meals offer during school holidays
- £0.500m for direct community support delivered through Area Teams
- £0.500m for support direct to vulnerable households through the Council’s Ways to Welfare Service.

16. To support the fragile social care market, at a time of peak financial pressure and significant winter service demand, the Council has also provided additional financial support to independent providers across the sector. An in-year uplift of varying levels has been applied to all contracts from 1st October 2022 linked to the Real Living Wage increase and other inflationary factors.

17. This in effect brings forward an element of 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. The uplift was not restricted to only those services covered by the market sustainability grant.

18. There will be continued financial risks going into the final quarter of the financial year but 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. However, any use of

reserves will impact on the reserves available to transfer to the new unitary authorities and the fire service.

Key messages for Cabinet

19. 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 £482.928m at 31st December 2022. The net forecast outturn is £484.286m, an **overspend of £1.358m** (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 cannot 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**. The Q3 forecast of a £1.358m overspend position would reduce the General Fund balance to £23.698m. 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 the 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 Q3. These include:

- Continued upward inflation on key costs within the Council's budget such as staffing and third party costs;
- increased financial costs as care market conditions potentially improve and the unmet need for social care provision is met;
- a significant increase in Children Looked After placement costs due to the nature of demand for the service;
- 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 Q3 forecast outturn position are set out in paragraphs 17-22.

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 Q3 the forecast deficit at 31st March 2023 is **£21.214m**, an increase of £6.523m since the start of the year, and an increase from the forecast at Q2 of £0.126m.

vi. 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. The Council, along with other authorities, has been invited to take part in the Delivering Better Value in SEND initiative which aims to help authorities with large High Needs Block deficits to put in place initiatives that will enable provision of SEND services to become more sustainable over time. Applications for both Cumberland and Westmorland & Furness have recently been submitted and are awaiting the outcome. If successful a grant of £1m is expected to be awarded for each authority. Further information is provided in Paragraph 30.

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 arising from: expenditure slipping into future years for those schemes part completed at 31st March 2022; re-profiling of schemes into future years; increases in the budget to reflect new schemes being added and increases to existing schemes from additional contributions and grants. The revised position as at Q2 in the report presented on 15th December 2022 was £422.160m (excluding Accountable Bodies) which included a budget for 2022/23 of £148.745m for Council delivered schemes.

ix. This report seeks agreement to **increase** the Capital Programme 2022/23 to 2026/27, **by £4.158m**. These increases are to be financed from additional external grants and internal revenue contributions, with no impact on prudential borrowing. These additional funds will be added to existing schemes to support additional expenditure not previously included in the Capital programme, as opposed to financing any identified overspend(s). At Q3, this gives a **revised capital programme** over the period to 2026/27 of **£426.318m** (excluding Accountable Bodies) and a revised budget of **£152.629m for 2022/23**. The changes are summarised in Table 20.

x. The **forecast outturn** expenditure for the 2022/23 Capital Programme at Q3 is **£121.017m**, compared to the proposed revised capital budget of £152.629m, meaning there is a **net underspend of (£31.612m**) made up of an underspend of (£0.247m), slippage of (£32.590m) and accelerated spend of £1.225m.

xi. The variance of £31.612m represents **a change of £24.086m since Q2**. The majority of this this change has resulted in additional slippage being reported when compared to the Q2 forecast position. This is explained in more detail in the report. Whilst the outturn expenditure is lower than budget, a forecast outturn of £121.017m represents delivery of an extensive capital programme during a period of intense pressure on Council resources as well as economic, market supply, labour and cost inflation challenges seen across the construction sector and is a significant increase on the outturn delivered in 2021/22 (£88.645m), 2020/21 (£90.728m) and 2019/20 (£90.891m).

xii. It should be noted, that it is not expected that this slippage will have any detrimental impact on achievement of the Council's overall operation/ performance as a whole and any revenue impact has been included within the revenue budget forecast e.g. any additional repair/maintenance costs for delay in replacement of ageing equipment and/or any capital financing implications from a delay in the requirements to borrow to finance capital expenditure.

Recommendation of the Director of Finance (s151 Officer)

20. Cabinet is asked to:

a) Note the **revised Revenue Budget** at the provisional outturn for monitoring purposes of **£482.928m** 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 Quarter 3 is a projected **overspend of £1.358m** (see Table 1 below) which would result in a General Fund Balance position at year end of £23.698m if unmitigated in the final quarter.

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 maintenance of the General Fund Balance 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) Approve a **Revenue Contribution to Capital** (funded from an Earmarked Reserve) of £0.636m relating to:

- £0.484m to Prioritised Capital Maintenance Projects/schools Maintenance for works including asbestos removal works.
- £0.152m to Corporate Property Planned Maintenance and Improvement corporate asbestos removal works into the Corporate Capital Maintenance Fund.

f) Approve **amendments** to the Capital Programme, financed by external grant (Table 16) and internal revenue contributions (Table 17), which result in a total increase of £4.158m.

g) Approve **virements**, within the approved Capital Programme, as set out in Table 19.

h) Note the **forecast outturn for the Capital Programme 2022/23 of £121.017m** against a current capital budget of £152.629m (excluding Accountable Bodies) resulting in a **net underspend of (£31.612m**) being reported at Q3, as set out in Table 20.

Revenue Budget Monitoring at 31st December 2022

21. The starting point for the 22/23 Revenue Budget is the Medium Term Financial Plan (MTFP) agreed by Council in February 2022.

22. 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 £482.928m at 31st December 2022. Appendix 1 sets out the movement in the Council's Net Revenue Budget for 2022/23.

23. The net forecast outturn for 2022/23 is £484.286m, resulting in a forecast overspend of £1.358m. This is a combination of net Directorate overspends of £0.553m and an overspend of £0.805m 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 31st December 2022)

Original Budget	Net Expenditure	Revised Budget	Annual Forecast	Q3 Forecast Variance	*Q2 Variance Reported*	*Change in Variance (from Q2)**
£m	Directorate	£m	£m	£m	*£m*	*£m*
208.279	People	239.238	245.902	6.664	*7.580*	*(0.916)*
142.044	Economy & Infrastructure	153.958	154.133	0.175	*(0.758)*	*0.933*
21.023	Fire & Rescue Service	22.124	22.124	0.000	*0.000*	*0.000*
10.866	Local Committees	12.549	12.509	(0.040)	*0.082*	*(0.122)*
41.712	Corporate, Customer & Community	44.696	43.451	(1.245)	*(1.042)*	*(0.203)*
38.565	Finance	38.961	33.960	(5.001)	*(5.001)*	*0.000*
462.489	**Total Service Expenditure**	**511.526**	**512.079**	**0.553**	***0.863***	***(0.310)***
(6.993)	Other Corporate Items	(28.598)	(27.793)	0.805	*0.505*	*0.300*
455.496	**Total Net Expenditure**	**482.928**	**484.286**	**1.358**	***1.368***	***(0.010)***

**bracketed number indicates a positive movement and a positive number indicates a negative movement*

24. 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.

25. 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. Further information on savings delivery is provided at Paragraph 34.

26. Table 2 below details the significant movements between the £1.368m overspend forecast at Q2 and the Q3 forecast outturn position of a £1.358m overspend. The table shows the movement in the pressure or underspend between the two positions and focusses on movements over £0.250m.

Table 2 – Significant Movements between Q2 and Q3 forecast outturn

Directorate	Description of change	Value £m
	Q2 forecast outturn position	**1.368**
People – Children's	CLA Placement Costs pressure reduced to £8.963m; (£0.865m) of the decrease is due to two very high-cost bespoke packages of care ending. A further (£0.512m) relates to additional backdated contributions towards placement costs agreed with Health. The remaining £0.151m movement is the net impact of all other entrants, exits and placement moves in the quarter.	(1.226)
People – Children's	Children and Young People staffing costs relating to: - £0.155m Support and Protection staffing in Allerdale and Copeland. - £0.311m regrading of Team Manager posts across a number of teams, causing a permanent budget pressure. - £0.058m Support and Protection and CLA/Leaving Care teams which are experiencing social worker recruitment and retention issues.	0.524
People – Children's	Children and Young People pathway payments. The majority of this pressure relates to care leavers who have been delayed in moving on from their CLA placement on turning 18.	0.280
People – Adult's	Older Adults – cost of current packages of care	0.848
People – Adult's	Personal Contributions due largely to the increase to Full Fee Payers since the budget was originally set and a reduction in the bad debt provision of (£0.428m.)	(1.270)
People – Provider Services	Net staffing underspend from vacancies due to ongoing recruitment challenges are partly offset by agency costs to maintain service provision and staff regrades.	(0.466)
Economy & Infrastructure	SEND Transport is forecasting an overall £3.288m overspent, despite an additional £1.100m budget, increase in SEND demand and additional new routes after the new academic year in September 22 (Q2). Around 80% of the increase in demand was due to new requirements whereby pupils have reverted to single journey transport and/or a change in school.	0.712
Economy & Infrastructure	Road Lighting Energy movement to the forecast from an underspend position of £0.471m at Q2 to nil in Q3 is due to an increase in forecast spend following latest data received, which is now assumed in line with budget.	0.471
Economy & Infrastructure	Home to School Transport predominantly due to exceptional circumstances which include transport requirements due to hardship, illness or domestic violence amongst other reasons.	0.378
All	Other Smaller net variances across all services.	(0.261)
	Q3 Forecast Outturn Position	**1.358**

Financial Risks and uncertainties

27. In addition to the potential **further inflationary risks** there are a number of other financial risks that have not been included as part of the forecast outturn position at Q3. The most significant of these relates to the fragility of the care market and although the £3.845m investment (as explained in paragraph 8) has been approved there continues to be significant challenges for Independent providers around workforce recruitment.

28. 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 Council's corporate risk 'Health and Social Care Demand and System Failure' on the Q3 Corporate Risk Register.

29. At 31st December 2022 contracted packages of care being delivered in Adult Social Care are lower than last year. However, this is partly as a result of an increase of unmet need, which is due to individuals awaiting assessment as a result of 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.

30. The Q3 **CLA placement forecast cost pressure** decreased by (£1.226m) compared to Q2 primarily due to the cessation of two very high cost bespoke packages of care and additional backdated contributions agreed with the Health service towards a number of placements. The Q3 forecast is based on the current CLA placements continuing to the year end plus forecast new demand. As is always the case with this demand driven service, there is a risk if actual **new demand** far exceeds that forecast in terms of both entrants into care and the level of need which can have a significant impact on placement costs.

31. The pressure relating to **SEND transport** has **increased by £0.636m** from Q2 to a **£3.288m overspend**, this is after an additional £1.100m budget was allocated for 2022/23. There is a risk that this overspend continues to increase into the last quarter if demand and cost of delivering the service increases further.

32. As part of the 2022/23 MTFP approved by Council in February 2022, £0.452m was included in the inflation budget for the 2022/23 pay award for firefighters (assuming a 3% pay award). An improved pay award offer was made on 8th February of 7% backdated to July 2022. The estimated cost of this pay award is £0.791m, leaving an unfunded gap of £0.339m which could be funded from the inflation risk reserve remaining balance. These figures are not included in

the Q3 forecast outturn figures as the offer has not been accepted but it is hoped that any final agreement pay settlement can be contained from a transfer from the inflation risk reserve.

33. 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 Q3 corporate risk register and pressure is expected to continue across all service areas through the rest of the financial year.

34. 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.

35. Whilst these financial risks are significant in terms of their potential impact the Council has an adequate level of reserves and is in a reasonable 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

36. The **People Directorate** is forecasting an **overspend of £6.664m** (2.8%) against its approved budget of £239.238m, as summarised by division of service below.

Table 3	**Approved Budget**	**Forecast Outturn**	**Q3 Forecast Variance**	***Q2 Forecast Variance***	***Change in Variance***
	£m	**£m**	**£m**	***£m***	***£m***
People Directorate	**239.238**	**245.902**	**6.664**	***7.580***	***(0.917)***
Director	0.199	0.246	0.047	*0.037*	*0.010*
Education & Skills	14.155	15.628	1.473	*1.104*	*0.369*
Children & Young People	69.971	82.370	12.399	*12.811*	*(0.412)*
Adults	73.855	67.196	(6.658)	*(5.980)*	*(0.678)*
Integration	4.541	4.684	0.143	*0.121*	*0.022*
Commissioning	3.926	3.810	(0.115)	*(0.146)*	*0.031*
Provider Services	58.696	58.167	(0.529)	*(0.062)*	*(0.466)*
Public Health	4.382	4.286	(0.095)	*(0.304)*	*0.208*
Capital Charges	9.514	9.514	0.000	*0.000*	*0.000*

37. The (£0.917m) positive movement from Q2 for the People Directorate is predominantly as a result of increased underspend on staffing costs in Provider Services of (£0.466m). There has been an improvement of (£1.270m) as a result of Personal Contributions due largely to the increase to Full Fee Payers since the budget was originally set and a reduction in the bad debt provision of (£0.428m.) In Public Health the negative movement of £0.208m relates to a general increase in forecast expenditure.

38. There has been an overall positive movement of (£0.412m) in the Children & Young People service of which (£1.226m) is due to a decrease in CLA placement cost pressures. (£0.865m) of the decrease is due to the Service ending two very high-cost bespoke packages of care leaving just two of these bespoke packages remaining. A further (£0.512m) relates to additional backdated contributions towards placement costs agreed with Health. However, the reduced CLA placement cost pressure is partially offset by a £0.524m increase in staff cost pressures due to continued reliance on EPW social workers and £0.280m increase in Pathways pressures as care leavers, in particular unaccompanied asylum seeking children, are delayed in moving on from their CLA placement on turning 18.

39. The most significant variances in the People Directorate are in the following areas:

Education and Skills - £1.473m pressure

	Pressures		Underspends		Undelivered Savings		Total		Total
	Ongoing	One-Off	Ongoing	One-Off	Ongoing	One-Off	Ongoing	One-Off	
Schools & Learning									
Direct Payments	1.071						1.071	0.000	1.071
Inclusive Learning	0.285	0.195		(0.275)			0.285	(0.080)	0.205
Learning Improvement		0.485		(0.551)			0.000	(0.065)	(0.065)
Other Schools & Learning	0.014	0.177					0.014	0.177	0.191
	1.370	0.857	0.000	(0.826)	0.000	0.000	1.370	0.032	1.402
Traded Services									
Learning Support		0.247		(0.231)			0.000	0.016	0.016
Cumbria Outdoors		0.233		(0.145)			0.000	0.088	0.088
	0.000	0.480	0.000	(0.376)	0.000	0.000	0.000	0.104	0.104
Community Learning				(0.033)			0.000	(0.033)	(0.033)
TOTAL Education & Skills	1.370	1.337	0.000	(1.235)	0.000	0.000	1.370	0.103	1.473

Schools & Learning £1.402m comprising:

- Inclusive Learning £1.276m
  - £1.071m net pressure in relation to direct payments. The number of children in receipt of a Direct Payment at the end of December 2022 was 386 representing a net increase of 10 compared to Q2 and an increase of 82 over the same period in 2021. The forecast is net of date claw backs totalling £0.039m and NHS contributions of £0.116m.

- £0.205m - total staffing pressures of £0.193m and pressure against inclusion contracts of £0.112m (£0.045m being a one off pressure). A reduction in spend in the Carers and Short Breaks activities of (£0.099m), a write off debt of £0.150m relating to a prior year respite care contract, and other non-material variances of £0.025m within Inclusive Learning offset by increased grant income (£0.176m)

- Learning Improvement (£0.065m)
  - (£0.080) staff vacancies consisting of (£0.279m) within LIS and the Music Service offset by an overspend of £0.199m in the Virtual School
  - (£0.170m) other costs relating to (£0.260m) in the Virtual School offset by £0.090m in the Music Service and LSS Business Development
  - £0.185m pressure due to reduced income of £0.165m in the Music Service and expected grant claw back of £0.027m in the Virtual School offset by increased income of (£0.012m) in LSS Business Development and non-material variance of £0.005m.

- Other Schools & Learning £0.191m
  - £0.175m staff pressure due to SEND EPWs and non-material pressures of £0.002m
  - £0.014m reduction in income relating to academy conversions

Traded Services £0.104m comprising:
- (£0.231m) staff underspends in the Learning Support Service
- £0.235m reduced income and other non-material pressures of £0.012m
- (£0.134m) staff vacancies in Cumbria Outdoors and (£0.011m) non-material underspends
- £0.233m lost income in Cumbria Outdoors

Community Learning (£0.033m) relating to one-off underspends.

Children & Young People - £12.399m pressure

	Pressures		Underspends		Undelivered Savings		Total		Total
	Ongoing	One-Off	Ongoing	One-Off	Ongoing	One-Off	Ongoing	One-Off	
Early Help			0.116	(0.145)			0.116	(0.145)	(0.029)
Children and Families									
CLA placement costs	8.963						8.963	0.000	8.963
Staff costs	1.660						1.660	0.000	1.660
Pathways payments	0.488						0.488	0.000	0.488
Travel and transport	0.487						0.487	0.000	0.487
SGO allowances	0.266						0.266	0.000	0.266
Section 17 financial assistance	0.060						0.060	0.000	0.060
CLA other agency services	0.181						0.181	0.000	0.181
Other net pressures	(0.030)						(0.030)	0.000	(0.030)
	12.075	0.000	0.000	0.000	0.000	0.000	12.075	0.000	12.075
Other Directorate Budgets	0.353						0.353	0.000	0.353
Total Children and Young People	12.428	0.000	0.116	(0.145)	0.000	0.000	12.544	(0.145)	12.399

AD Children and Young People - Early Help (£0.029m) underspend

There is a £0.116m pressure relating to Translation Services which has seen a significant increase in demand. This pressure is offset by a (£0.110m) underspend on Youth Offending Services due to staffing vacancies and additional funding from the Youth Justice Board. The remaining (£0.035m) net underspend is due to vacancies across a number of other teams.

AD Children and Young People - Children and Families £12.075m pressure

There is a £12.075m pressure in Children and Families, a decrease of (£0.302m) compared to Q2. 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. The main elements of the £12.075m pressure are:

- CLA placement cost pressure £8.963m: **a decrease of (£1.226m)** compared to Q2. As noted above, (£0.865m) is due to step down of two very high-cost bespoke packages of care and (£0.512m) from additional backdated contributions towards placement costs agreed with Health. The remaining £0.151m movement is the net impact of all other entrants, exits and placement moves in the quarter.

  Despite the improved position at Q3, there is still a £8.963m CLA placement cost pressure which is being driven by the following key factors:

- **Five exceptional bespoke packages of care** (of which just two remain in place): required for CLAs with very complex needs for whom no suitable external placement can be found or maintained. The forecast cost for these five packages is £2.007m.

- **An increase in the number of high cost placements** excluding the five bespoke packages, at Q3 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 13 placements is £3.956m which equates to 12% of the CLA placement cost budget.

- **A high number of external residential placements:** at Q3 there were 109 external residential placements with a forecast cost of £22.997m. Although the 109 represent just **14% of the 766 CLAs** at Q3, the forecast cost equates to **69% of the £33.225m 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 £1.660m pressure:** an increase of £0.524m compared to Q2. £0.213m relates to the extension of EPW social workers as recruitment and retention to permanent posts remains extremely challenging locally regionally and nationally and this demand continues to drive up rates charged by agencies. A further £0.311m of the increase relates to a regrading of Team Manager posts across a number of teams.

- **Pathways pressure: £0.480m:** an increase of £0.280m since Q2 as care leavers are delayed in moving on from their CLA placement on turning 18. This is a particular issue for UASC care leavers who are unable to leave their CLA placements due to delays in processing their asylum claims.

- **Travel and transport pressure: £0.487m** of which £0.122m relates to a budget reduction. The biggest areas of travel cost pressures are contact visits £0.172m, EPWs travel £0.107m, home to school transport £0.086m and foster carer travel £0.036m.

- **Special Guardianship Order (SGO) allowances £0.266m** pressure.

- **Financial assistance provided to families under Section 17 of the Children's Act 1989 £0.060m.** 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) £0.181m.**

- **Other net underspends (£0.030m).**

AD Children and Young People - Other Directorate Budgets £0.353m pressure relating to Business Support staff costs as a result of unfunded post regrading.

Adults – (£6.658m) underspend

	Pressures Ongoing	Pressures One-Off	Underspends Ongoing	Underspends One-Off	Undelivered Savings Ongoing	Undelivered Savings One-Off	Total Ongoing	Total One-Off	Total
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	0.130						0.130	0.000	0.130
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
	0.130	0.000	0.000	(2.015)	0.125	0.000	0.255	(2.015)	(1.760)
Younger Adults									
Demand Growth	0.043						0.043	0.000	0.043
Current Services	0.014						0.014	0.000	0.014
Day Care Savings					(0.337)		(0.337)	0.000	(0.337)
Mitigation from Cumbria Care					0.337		0.337	0.000	0.337
Backdated ICR cases				(1.860)			0.000	(1.860)	(1.860)
	0.057	0.000	0.000	(1.860)	0.000	0.000	0.057	(1.860)	(1.803)
Care Management									
People in Post			(2.429)				(2.429)	0.000	(2.429)
Recruitment Provision	0.102						0.102	0.000	0.102
Current EPWs	2.575						2.575	0.000	2.575
Carers			(0.244)				(0.244)	0.000	(0.244)
	2.677	0.000	(2.673)	0.000	0.000	0.000	0.004	0.000	0.004
Personal Contributions									
Cumbria Care Full Fee Payers				(0.863)			0.000	(0.863)	(0.863)
Indy Sector Full Fee Payers				(1.484)			0.000	(1.484)	(1.484)
Other Charges				(1.334)			0.000	(1.334)	(1.334)
Additional Write-off Provision	0.442						0.442	0.000	0.442
Increase to Bad Debt Provision	0.140						0.140	0.000	0.140
	0.582	0.000	0.000	(3.681)	0.000	0.000	0.582	(3.681)	(3.099)
							0.000	0.000	0.000
	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Total	3.446	0.000	(2.673)	(7.556)	0.125	0.000	0.898	(7.556)	(6.658)

40. The forecast underspend of (£6.658m) at Q3 represents a movement of (£0.678m) since Q2. This is due to increased income and reduced provision for bad debt write offs associated with Personal Contributions, net of increasing demand in Older Adults. The forecast underspend comprises mainly:

- **(£1.760m) - Older Adults**

Current packages of care in service are forecast to underspend by (£1.855m). Current packages contribute a pressure of £0.130m, offset by (£2.015m) contributions from NHS and Better Care Fund towards the first 4 weeks of care costs on discharge from hospital. The net underspend is due to ongoing unmet need within the health and social car system.

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. This will slip to 2023/24. It is important to note that:

- 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.
- New funding of £2.089m has been allocated to the Council for Winter Pressures to support hospital discharges.

  - The forecast includes the key decision in December to uplift provider fees from October 2022, costing £3.845m. This is funded by a combination of the Market Sustainability and Fair Cost of Care fund, the Council Volatility Reserve, and in year contingency.

- **Younger Adults (£1.803m) underspend**
  - The key reason for the underspend is in relation to backdated Incomplete Review Cases that have now been resolved. While 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 £0.043m pressure relating to future demographic pressures for admissions to service through transition from Childrens Services and Transforming Care.
  - Current services contribute a further slight pressure of £0.014m.
  - Previous MTFP pressures of £0.337m 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.

- **£0.004m Care Management cost pressure.** Recruitment challenges result in a forecast net underspend of (£2.327m) due to vacancies, after a provision for recruitment during Q4. This is offset by an EPW pressure of £2.575m. There remains significant pressures in the service over vacancies, workloads and outstanding cases. Underspends in carers contracts make up the difference.

- **(£3.099m) Personal Contributions income** surplus due largely to the increase to Full Fee Payers since the budget was originally set of (£2.347m), with part fee payers and other balances of (£1.334m). This is offset by forecast in year pressures due to bad debt write offs of £0.140m and an increase to provisions of £0.442m.

- **Integration & Partnerships - £0.143m pressure** across a number of services, notably £0.119m in Quality Assurance, with the remaining balance across a number of services.

Provider Services (£0.529m) underspend

	Pressures		Underspends		Undelivered Savings		Total		Total
	Ongoing	One-Off	Ongoing	One-Off	Ongoing	One-Off	Ongoing	One-Off	
Provider Services									
Net Staff Pressure		0.329					0.000	0.329	0.329
Day Services				(1.028)			0.000	(1.028)	(1.028)
Community Equipment Service		0.179					0.000	0.179	0.179
Other				(0.009)			0.000	(0.009)	(0.009)
TOTAL Provider Services	0.000	0.508	0.000	(1.037)	0.000	0.000	0.000	(0.529)	(0.529)

41. Provider Services is forecasting a net underspend of (£0.529m) at Q3 which represents a movement of (£0.466m) since Q2. The main reason for the movement is ongoing recruitment and retention of staff challenges, net of increases in Agency EPW costs as contracts are extended to manage some of this shortfall in staff. The key variances are:

- **£0.329m net staff pressure:** Underspends from vacancies due to ongoing recruitment challenges are offset by agency costs to maintain service provision and staff regrades.
- **(£1.028m) for reshaping of day services in Older Adults and DMH –** this is after additional savings delivery of £0.337m
- **£0.179 pressure on the Community Equipment Service** associared with price pressures on the service, and demand.
- **(£0.009m) 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, with an estimated cost of £1.374m. These are being funded from the Council's Volatility Reserve.

Public Health (£0.095m) underspend: The underspend has arisen as a result of vacant posts, redeployment of staff to COVID specific workstreams and a forecast underspend in demand led services.

42. The **Economy and Infrastructure Directorate** is forecasting an **overspend of £0.175m** (0.11%) on its approved budget of £153.958m. There are a number of variances within the divisions of service as summarised below. This position is after an additional £3.232m of exceptional inflation budget has been added in Q1, funded from the inflation reserve.

Table 4	Approved Budget	Forecast Outturn	Q3 Forecast Variance	*Q2 Forecast Variance*	*Change in Variance*
	£m	£m	£m	*£m*	*£m*
Economy & Infrastructure	**153.958**	**154.133**	**0.175**	**(0.758)**	**0.933**
Director	0.199	0.197	(0.001)	(0.001)	0.000
Directorate Support	1.985	1.695	(0.290)	(0.178)	(0.112)
Highways & Transportation	58.924	60.069	1.145	(0.105)	1.250
Economy & Environment	46.442	46.206	(0.235)	(0.293)	0.058
Capital Programme & Property	18.160	17.692	(0.468)	(0.172)	(0.296)
Capital Charges and Insurance	28.311	28.311	0.000	0.000	0.000
Port of Workington	(0.063)	(0.037)	0.025	(0.008)	0.033
Cross cutting	0.000	0.000	0.000	0.000	0.000

43. The main drivers for the E&I **£0.933m** adverse movement have been a significant increase in demand for Home-to-School and SEND transport which has led to an **additional £1.090m** of forecast expenditure. The demand arises from a higher number of new and additional routes and exceptional circumstances for single taxi journeys which also appears to be a continuing trend. This increase is coupled with the much higher journey costs which are now payable under retendered contracts as a result of a lack of competition amongst operators.

44. The other key driver is the **£0.471m adverse movement** in road lighting energy costs which is predominantly due to a forced change in energy procurement. Previously, energy could be procured up to 6 months in advance which meant that the Council could be locked into certainty over energy unit costs but energy is now purchased in smaller lots on a monthly basis. The position is being constantly monitored to ensure that the Council achieves value-for-money in its procurement of energy.

45. There has, however, been some positive action and movement in respect of other E&I budget areas. Additional street works licensing and permit income is forecast to be **£0.148m** higher than budgeted income.

46. A review of a property provision for dilapidation works has also been carried out and this has resulted in the release of **£0.204m** from the previous provision, offsetting some of the other overspends.

47. ENCTS, the concessionary travel scheme, is showing a further positive movement of £0.068m leading to an overall forecast underspend against this budget of £3.045m.

48. Staffing budgets and miscellaneous expenditure budgets have also have shown an increased underspend of **£0.091m** arising from vacancies and efficiencies from new ways of working.

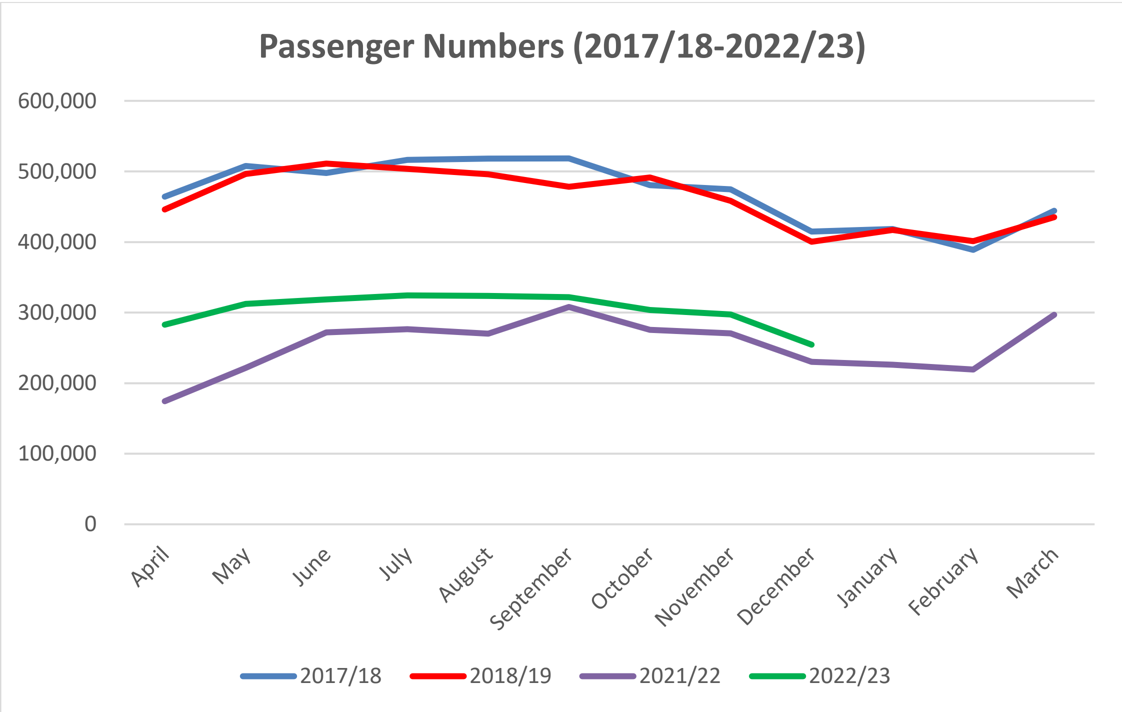
49. Further details and explanations for the overall key variances and movements from Q2 are set out below.

- **Directorate Support – forecast underspend (£0.290m)** primarily one-off due to staff vacancies.

- **Highways & Transportation – forecast overspend £1.145m** due to:

  Ongoing:

  - (£3.045m) 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 19% over Q2 in 2021/22.The underspend equates to approximately 1.57m fewer journeys than allowed for within the budget based on the current average reimbursement rate of £1.93 per journey. Passenger numbers will continue to be monitored monthly.



  - £3.288m 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.
  - £0.753m 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.
  - In both HTS and SEND transport, lack of competition amongst fewer operators in the market have pushed prices up coupled with inflationary increases added to existing routes from September 22. The council has a

statutory requirement to honour the entitlement to transport for groups such as refugees, children referred to Pupil Referral Units (PRU) who have to travel further distances to receive special needs provision or transport requirements due to special circumstances outlined above. Whilst the requests for exceptional circumstances are for a short period of time, it is increasingly becoming longer.

One-off:

- (£0.257m) Additional Streetworks licence and permit income.
- £0.306m Other smaller netting overspends.

The movement of £1.250m from the (£0.105m) underspend reported at Q2 is mainly the result of:

- Increase in the overspend of £0.712m in SEND demand and additional new routes after the new academic year in September '22 (Q2). Around 80% of the increase in demand was due to new requirements whereby pupils have reverted to single journey transport and/or a change in school.
- Increase in the overspend of £0.378m in Home to School Transport predominantly due to exceptional circumstances which include transport requirements due to hardship, illness or domestic violence amongst other reasons.
- The budget at Q3 for Road Lighting Energy remains the same as at Q2, which is 129% higher than 21/22 outturn. The movement to the forecast from an underspend position of £0.471m at Q2 to nil in Q3 is due to an increase in forecast spend following latest data received, which is now assumed in line with budget.

- **Economy & Environment** – forecast underspend (£0.235m) due mainly to:

  One-off:

  - (£0.203m) Waste Management. Largely due (£0.154m) to additional Commercial Waste income, (£0.097m) underspend within Closed landfill with leachate management costs lower due to a dry Summer, (£0.045m) underspend within the Waste team along with other smaller underspends, offset in part by a £0.088m overspend on Recycling credits.

  This is offset by a number of smaller over/underspends, across the service netting off to a (£0.032m) underspend.

- **Capital Programme & Property** – forecast underspend (£0.468m) due mainly to:

One-off:

- (£0.243m) Corporate Maintenance Fund underspend mainly the release of two provisions relating to dilapidations not required.
- (£0.203m) Property Staffing the result of vacancies in year.

There are offset by a number of smaller over/underspends across the service netting off to a (£0.022m) underspend.

The movement of (£0.296m) from the (£0.172m) underspend reported at Q2 is mainly due to

- (£0.076m) revised staffing assumptions.
- (£0.204m) Provision for dilapidations within Corporate Maintenance Fund released as no longer required.

50. **The Cumbria Fire & Rescue Service** is forecasting a balanced budget position at Q3, which is the same position as reported at Q2. 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**	**Q3 Forecast Variance**	***Q2 Forecast Variance***	***Change in Variance***
	£m	**£m**	**£m**	***£m***	***£m***
Cumbria Fire & Rescue	**22.124**	**22.124**	**0.000**	***0.000***	***0.000***
Fire & Rescue Service	20.265	20.265	0.000	*0.000*	*0.000*
Capital Charges & Insurance	1.859	1.859	0.000	*0.000*	*0.000*

51. **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**	**Q3 Forecast Variance**	***Q2 Forecast Variance***	***Change in Variance***
	£m	**£m**	**£m**	***£m***	***£m***
Corporate, Customer & Community	**44.696**	**43.451**	**(1.245)**	***(1.042)***	***(0.203)***
Director and Chief Executive	1.086	1.050	(0.036)	*(0.026)*	*(0.010)*
Chief Legal Officer	8.750	8.949	0.199	*0.111*	*0.088*
Organisational Change	15.084	14.538	(0.546)	*(0.591)*	*0.045*
Workforce and OD	6.808	6.525	(0.283)	*(0.239)*	*(0.044)*
Customer and Community Services	12.161	11.409	(0.752)	*(0.470)*	*(0.282)*
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 (£0.036m) –** 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 £0.199m**

  <u>Ongoing:</u>

  - £0.296m 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; 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) and inflationary increases to longstanding SLA's.

  There are offset by a number of smaller over/underspends across the service netting off to a (£0.097m) underspend.

  The £0.088m increase of overspend from Q2 is primarily due to Legal Practice increased agency fees and reduced income and Coroners Body Removals and Lab fees.

- **Organisational Change underspend (£0.546m)**

  <u>One-off:</u>
  - (£0.275m) Transformation underspend due to staff seconded into the LGR Programme and funded from the LGR Implementation reserve.

  There are offset by a number of smaller over/underspends across the service netting off to a (£0.271m) underspend.

  The £0.045m decreased underspend from Q2 is due to purchase of additional ICT hardware and software within the Improvement Fund.

- **Workforce and Organisational Development underspend (£0.283m)**
  <u>One-off:</u>
  - (£0.283m) 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 (£0.752m)**
  <u>One-off:</u>
  - (£0.249m) Libraries underspend due to vacancies and an underspend for the Book Fund and Culture and Arts Fund.
  - (£0.340m) staffing related underspends across the service.

There are offset by a number of smaller over/underspends across the service netting off to a (£0.163m) underspend.

The (£0.282m) increased underspend from Q2 is primarily due to Libraries reduced staff costs and increased underspends within the Book Fund and Culture and Arts Fund. Community Teams underspend also increased due to staff vacancies.

- **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.

52. The **Finance Directorate** is forecasting an underspend of (£5.001m) as summarised below.

Table 7	**Approved Budget**	**Forecast Outturn**	**Q3 Forecast Variance**	***Q2 Forecast Variance***	***Change in Variance***
	£m	**£m**	**£m**	***£m***	***£m***
Finance	**38.961**	**33.355**	**(5.001)**	***(5.001)***	***0.000***
Director of Finance	0.154	0.175	0.021	0.000	0.021
Finance	4.315	4.320	0.005	0.031	(0.026)
Performance and Risk	0.867	0.867	0.000	0.000	0.000
Treasury Management	30.669	25.637	(5.032)	(5.032)	0.000
Insurance	2.956	2.956	0.000	0.000	0.000

- **Treasury Management underspend (£5.032m)**

As at the end of November, the 2022/23 Treasury Management budget is forecast to underspend by £5.032m, there’s no change from the position forecast as at 30 September 2022.

The Council continues to hold high levels of cash (£157.3m at 31 December 2022 compared to £191.0m at 31 December 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 3.50% at 31 December 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 £2.853m more interest than budgeted during 2022/23. This figure may well increase further if the Bank Rate continues to raise 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 (£0.005m)** due to the cost of interim staff which is offset by increased income from staffing recharges for the insurance and treasury management functions.

53. **Other Corporate Items** is forecast to overspend by £0.805m as summarised below.

Table 8	**Approved Budget**	**Forecast Outturn**	**Q3 Forecast Variance**	***Q2 Forecast Variance***	***Change in Variance***
	£m	**£m**	**£m**	***£m***	***£m***
Other Corporate Items	**(28.598)**	**(27.793)**	**0.805**	***0.505***	***0.300***
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	0.891	0.891	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	1.035	0.000
Cumbria Holdings dividend	(0.500)	(0.500)	0.000	0.000	0.000
Other	6.028	6.098	0.070	(0.230)	0.300

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. (£0.100m) relates to residual pension payment which is a budget due to legacy of decisions made prior to 2008 to pay enhanced pensions, although the payments increase each year this is offset by ceasing to make payments to pensioners and their spouses when numbers reduce. (£0.200m) as a result of past service pension contributions, at the start of the financial year a payment is made for the estimated full year cost of LGPS employer contributions and the Council receives a discount for doing so, the saving is (£0.200m).

- **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.
- **Other Items £0.070m** due to the drawdown of reserves related to Elections and income from Business Rates re-valuations of Council properties relating to previous financial years offset by other small pressures.

54. The **Local Committees** forecast is a **(£0.040m) underspend**. The key elements of the underspend position at Q3 are set out below:

a) Highways (£0.040m) 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	1.485	**(0.028)**
Barrow	1.032	1.028	**(0.004)**
Carlisle	1.834	1.811	**(0.023)**
Copeland	0.882	0.859	**0.023**
Eden	0.922	1.040	**0.118**
South Lakeland	1.482	1.403	**(0.079)**
Grand Total	**7.666**	**7.626**	**(0.040)**

b) Non- Highways £0.000m forecast breakeven position on non-highways budgets.

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	1.175	**0.000**
Grand Total	**4.883**	**4.883**	**0.000**

Schools and DSG balances

Maintained Schools Balances

55. 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 October budget plans for 2022/23 the net surplus balance for maintained schools is projected to be (£5.415m) 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		
	Number of Schools	**Total Value (£m)**	**Number of Schools**	**Total Value (£m)**	**Change in value (£m)**
Schools with Surpluses	209	(16.555)	199	(10.958)	5.597
Schools with Deficits	38	4.527	38	5.543	1.016
Total	**247**	**(12.028)**	**237**	**(5.415)**	**6.613**

Dedicated Schools Grant (DSG) Balance

56. At 31st March 2022 had an accumulated net deficit of £14.692m excluding balances held in schools. At Q3 the forecast deficit at 31st March 2023 is £21.214m, an increase of £6.523m 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	(2.153)	8.676	6.523
Forecast DSG Balance as at 31st March 2023	**(7.903)**	**29.117**	**21.124**
Q1 Forecast DSG Balance as at March 2023	(8.049)	29.138	21.088
Movement	0.146	(0.020)	0.126

57. The key elements of the forecast are:

Central DSG – an in year surplus of (£2.153m) relating to:

- The underspend mainly comprises of Nursery Grants of (£1.755m), an increase of £0.016m compared to Q2. The forecast is net of additional funding of (£0.119m) relating to the final adjustment to the 2021/22 Early Years Block allocation and additional funding of (£0.501m) for 2022/23 following the January 2022 census data update for actual take-up of provision. The forecast underspend relates to 3 and 4 year old free entitlement provision estimated at (£1.713m), 2 year old free entitlement (£0.041m), Early Years Pupil Premium of (£0.022m) and the Disability Access Fund of (£0.080m). This is offset by a forecast overspend against maintained nursery schools supplementary funding of £0.101m. The Schools Contingency Fund is forecast to underspend by (£0.323m) which includes all known contingences to date including the temporary site costs for St Bridget's Primary School following landslip investigations of £0.299m.

High Needs – an in year deficit of £8.676m relating to:

a. Special Schools £2.342m. This represents movement of £0.013m compared to Q2. The forecast includes an estimated 1.745m 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, £0.554m relating to the associated start-up and diseconomy costs including temporary accommodation for the newly created provision on external sites, £0.066m 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.

b. Independent specialist day placements (ISPs) £3.173m. The forecast is based on current and known new placements and represents a reduced forecast pressure of (£0.208m) compared to Q2. The overall number of children and young people in day placements at Q3 is 142, a reduction of 10 placements since Q2. There have been 12 new placements and 22 ended placements (including 7 placements which ended in August 2022 that were previously forecast to continue in Q2) representing a reduced pressure of (£0.445m) since Q2. The average cost of an ISP placement has increased by 1% from £60,047 as at March 2022 to £60,706 as at Q2. Education Otherwise numbers have increased from 49 to 56 since Q2, there have been 10 new and 3 ended placements representing movement of £0.203m. The overall number Extra District placements is 24, there has been 2 new and 2 ended placements since Q2 representing and increased pressure of £0.034m.

c. Residential placements (£0.808m). The forecast is based on current and known new placements. The overall number of placements as at Q3 is 40. Since Q2 there have been 2 new and 7 ended placements, one removed from the forecast and amendments to forecasts across a number of placements representing an overall decrease in forecast expenditure of (£0.079m). Compared to 2021/22 there has been a 13% increase in the average cost of a residential placement partly explained by one new expensive placement with very complex needs, the average placement cost increase without this placement is 7%.

d. Post-16 High Needs top-ups £0.023m. This is split between an underspend against ISPs of (£0.105m) and a pressure against EHCP top-ups in sixth form and FE colleges of £0.128m. The overall number of ISPs at Q3 is 59, there has been one new and one ended placement since Q2 and there have been amendments to forecast expenditure across placements representing total movement of £0.035m since Q2.

e. EHCP top-ups for pupils in mainstream schools and Early Years Providers £3.641m. This represents an increase in forecast pressure of £0.167m compared to Q2. 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 £0.222m, payments to PVIs of £0.448m, and new and forecasted new EHCPs based on known children coming through the system totalling £1.990m. 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.

f. High Needs Invest to Save Initiatives £0.370m. The forecast expenditure here, which has increased by £0.012m compared to Q2, 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 of £0.121m.

g. The remaining balance relates to individually non-material variances totalling a net underspend of (£0.065m), representing an increase in forecast expenditure of £0.040m compared to Q2.

MTFP Savings delivery

58. 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.

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**

59. 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 an 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

60. The forecast earmarked reserve balance (excluding DSG funded reserves) at the 31st March 2023 is £94.786m. Movements on Earmarked Reserves to Q3 are summarised in Table 14.

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

	2022/23
	£m
Balance at 1st 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 & Q3	(6.007)
Transfers from Reserves during Q1, Q2 & Q3	48.033
Forecast Balance at 31st March 2023	**(83.173)**

Note: The current balance at Q3 of significant Earmarked Reserves relate to the Modernisation (Cost of Change) Reserve (£3.429m), Volatility (£5.437m), Financial volatility reserve (£10.476m), Insurance (£14.885m), PFI schemes (£24.487m) and Directorate Revenue Grants in advance (£10.477m).

Business Rates

Reduced Pool Gains

61. Local Authorities retain a share of the business rates that are collect within their area. Some Authorities pay a levy on business rates 'growth' to government, if the amount they retain is above a certain baseline set by Government. The levy can range from 0% up to a maximum of 50% of that growth, whilst some authorities pay no levy at all. Within Cumbria Districts pay the full 50% levy whilst the County Council pay no levy at all.

62. By creating a business rates pool with the District and County Council combined, the 50% levy is retained in Cumbria, paid to the Cumbria Business Rates Pool and distributed back to the District and County Council – meaning all the growth is retained locally, rather than being paid over to Government .

63. The actual pool benefits (share of the retained levy) for each authority is determined by the actual income collected by each District Council and the actual levy paid for the year. During the year this position is monitored and

projections for the year are produced. The current budget is based on the projections as at Quarter 2, but the latest forecast has shown a potential reduction when compared to that Quarter 2 position.

64. This is a highly volatile income stream and can be subject to large swings such as this. Change can occur for a number of reasons, which are outside the control of the local authority. This is because the amount of business rates payable by a rate-payer is largely determined by the Rateable Value (RV) for a property/properties, which is determined by the Valuation Office (VO) and not by the local authority.

65. Since Quarter 2 there has been a reduction to the amount of business rates payable for the year, as a result of changes made by the Valuation Office (VO), and this has in-turn reduced the business rates pool income previously included in the Quarter 2 budget for Cumbria County Council.

66. There will be no loss to the ‘share business rates income’ itself felt by Cumbria County Council in its 2022/23 budget, only a reduction to the business rates pool income – as the loss of business rates income itself is a ‘collection fund’ item and is to be dealt with as part of 2023/24 budget setting by the new Unitary Councils.

67. The overall position across all of the business rates income items receivable by Cumbria County Council remains favourable when compared to the original budget – but is reduced when compared to quarter 2.

68. The latest quarter 3 forecast will have no overall impact on the net budget position, but does impact on reserves.

69. At Quarter 2, the Council had identified additional business rates income of £1.355m, when compared to the original budget – this was identified as being transferred to reserves. This is in-line with the approach taken in previous years for any in-year increases in business rates income. This is to recognise the volatility of that business rates income and ensures the Council does not recognise that income as being ‘usable’ within its budget, until it is secure and no longer subject to such high volatility.

70. The estimate of Business Rates Pool gains for 2022/23 is £1.764m, when compared with the Quarter 2 budget of £2.828m, a reduction of £1.064m – meaning the contribution to reserves will reduce form £1.355m to £0.291m.

71. The Business Rates Pool remains subject to volatility and may change again before the final outturn, this position will continue to be monitored through the Business Rates Pool process and any further fluctuations will be reported as part of future budget monitoring reports.

Business rates levy surplus account income

72. At the same time as announcing the Final Local Government Finance Settlement, the Department for Levelling Up, Housing and Communities (DLUHC) announced that it is releasing £100 million on a one-off basis from its business rates levy account. The distribution is based on each local authority's share of the 2013/14 settlement funding assessment and is expected to be paid in 2022/23. For Cumbria County Council this is additional income of £0.745m, which was not previously included in the 2022/23 budget.

73. As a result of this announcement we are now in a position to transfer an additional £0.745m to reserves. This means a total transfer to the reserve at Quarter 3 of £1.036m (the revised contribution of £0.291m as noted above, plus, this additional £0.745m).

74. When compared to the expected transfer to this reserves at quarter 2 of £1.355m, the quarter 3 position of £1.036m represents a relatively minor overall reduction of £0.319m.

Additional s31 Business Rates COVID Grant

75. Similar to previous years, additional COVID business rate relief has been awarded during 2022/23 than was not anticipated at the start of the year. This additional relief reduced the actual income receivable from business rates. There will be no loss of business rates income itself felt by Cumbria County Council – as the loss of business rates income is a 'collection fund' item and is to be dealt with as part of 2023/24 budget setting by the new unitary Councils as a collection fund deficit.

76. To compensate local authorities for this 'loss' of income, the Council receives an additional s31 business rates covid grant, that was not previously included in the Councils budget. In line with previous years, this additional grant will be put to a specific ringfenced earmarked reserve, to be made available for the new Unitary Councils to off-set the collection fund deficit in 2023/24. As a result the overall impact of the latest Quarter 3 forecast will have no overall impact on the net budget position, but does impact on reserves with extra s31 grant of £0.574m being transferred to reserves. This will be added to the s31 reserve, which is a ringfenced reserve held specifically for s31 grant income and is held separately from the reserve noted above.

Capital Programme

Revisions to the Programme

77. The Capital Programme sets out the Council's investment plans over the current and following five years to achieve the Council's priorities and vision. The Council approves a Capital Programme in February each year and subsequent changes are then made throughout the year. The revised approved Capital Programme for 2022-2027, including changes approved by Cabinet as part of the Q2 report presented on 15th December 2022 is £422.160m (excluding Accountable Bodies) which included a budget for 2022/23 of £148.745m for Council delivered schemes.

78. This quarter 3 position shows a net increase of £4.158m in the County Council Capital Budget for the period 2022/23 to 2026/27 giving a revised total of £426.318m (excluding Accountable Bodies) over the life of the approved capital programme, and a revised budget of £152.629m for 2022/23. This reflects a number of changes to the capital programme as outlined in the Table below.

Table 15: Summary of Proposed Capital Programme Changes

	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Total 2022-2027 £m
Revised Capital Programme 25th December 2022 (Q2)	**148.745**	**109.020**	**83.960**	**45.688**	**34.747**	**422.160**
Proposed Q2 Changes						
Grant / Contribution Changes – External (Table 16)	3.106	0.000	0.000	0.000	0.000	**3.106**
Grant / Contribution Changes – Internal (Table 17)	0.778	0.274	0.000	0.000	0.000	**1.052**
Sub Total of Q2 Changes	**3.884**	**0.274**	**0.000**	**0.000**	**0.000**	**4.158**
Total Proposed Revised Capital Programme	**152.629**	**109.294**	**83.960**	**45.688**	**34.747**	**426.318**

Grant / Contribution Changes - External

79. 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 16: Changes to existing schemes from external contributions

	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Total 2022-2027 £m
Changes to existing scheme – requiring approval by Cabinet						
Devolved Formula Capital 22/23 – in December 2022, government provided an additional Devolved Formulae Capital (DFC) grant for capital improvements to buildings and facilities. The grant was to prioritise energy efficiency improvements, but schools can decide how best to invest the capital funding based on their local circumstance and have the discretion to spend this on other capital projects. Given the lateness of the announcement, it is unlikely this will be fully utilised with 2022/23, but given expenditure is the responsibiloity of individual schools, it is difficult to accurately profile the budget and a detailed plan of the likely profiling is not yet available. Any slippage will be reported as part of the outturn and be carried forward for schools to continue to progress works and claim the funding via the two Unitary Councils	2.493	0.000	0.000	0.000	0.000	**2.493**
DfT funded Flood Recovery Scheme – This programme if fully financed by external grant, an additional **c**ontribution of £0.075m has been secured from South Lakeland District Council (SLDC) and an additional **c**ontribution of £0.200m has been secured from Sustrans towards works on Gooseholme Footbridge	0.275	0.000	0.000	0.000	0.000	**0.275**
Street Lighting - Safer Streets Fund contribution from Police and Crime Commissioner for additional Street Lighting works in Barrow	0.125	0.000	0.000	0.000	0.000	**0.125**
Lead Local Flood Authority - This programme if fully financed by external grant, further contributions have been secured from the Environment Agency towards additional works being delivered as Lead Local Flood Authority	0.213	0.000	0.000	0.000	0.000	**0.213**
Total Changes to contributions - external	**3.106**	**0.000**	**0.000**	**0.000**	**0.000**	**3.106**

Grant / Contribution Changes - Internal

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

Table 17: Changes to existing schemes from internal contributions

	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Total 2022-2027 £m
Changes to existing schemes – requiring approval by Cabinet						
Devolved to Local Committees - Non-Principal Road Network (NPRN) – local Committee Environment Fund revenue budget contribution to the capital programme for footpath schemes in South Lakeland	0.044	0.000	0.000	0.000	0.000	**0.044**
Devolved to Local Committees - Non-Principal Road Network (NPRN) - Contain Outbreak Management Fund (COMF) contribution towards footpath schemes in South Lakeland. This is from the Local Committee allocation of COMF funding to improve local Outdoor Spaces and Events.	0.050	0.000	0.000	0.000	0.000	**0.050**
Devolved to Local Committees - Non-Principal Road Network (NPRN) - local Committee revenue budget contributions to the capital programme for Sparrowmore /Horncop Lane (£0.013m and Staveley Footpath (£0.002m)	0.015	0.000	0.000	0.000	0.000	**0.015**
Prioritised Capital Maintenance Projects/schools Maintenance: Contribution towards School maintenance, including asbestos remediation identified as part of the latest asbestos surveys. This is financed from a ringfenced EMR set aside for this purpose	0.484	0.000	0.000	0.000	0.000	0.484
Corporate Property Planned Maintenance and improvement: Contribution towards asbestos remediation to corporate facilities, identified as part of the latest asbestos surveys. This is financed from a ringfenced EMR set aside for this purpose	0.152	0.000	0.000	0.000	0.000	0.152

	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	Total 2022-2027 £m
Area Planning/Whitehaven Library/Barrow Library - Contribution from Libraries revenue budget towards Aspatria Community Hub, this contribution was included as part of the financing in the Strategic Investment Fund (SIG) gateway proposal	0.033	0.000	0.000	0.000	0.000	**0.033**
Corporate Property Planned Maintenance and improvement - Revenue contribution from Open Spaces fund for Children's Centre improvements in Carlisle, Copeland, Allerdale,Eden and South Lakeland (Barrow is dealt with separately below). This will support plans to develop additional covered/sheltered, well-ventilated space to support the delivery of group activities and 1 to 1 support throughout the year	0.000	0.228	0.000	0.000	0.000	**0.228**
Barrow Community Hubs Revenue contribution from Open Spaces fund for Children's Centre improvements in Barrow, to support plans to develop an additional covered and sheltered, well-ventilated space to support the delivery of group activities and 1 to 1 support throughout the year	0.000	0.046	0.000	0.000	0.000	**0.046**
Total Changes to contributions - internal	**0.778**	**0.274**	**0.000**	**0.000**	**0.000**	**1.052**

Virements

81. This report seeks Cabinet approval of virements between the following schemes:

Table 18: Virements

	2022/23 £m	2023/24 £m	2024/25 £m	2025/2 £m	Description
Virements (relating to existing schemes) - requiring approval by Council (do not exceed £0.500m)					
National Productivity Investment Fund	(0.019)	0.000	0.000	0.000	Budget from National Productivity Investment Fund (grant financed) being moved to Land/Port/Waste Statutory Standards budget for expenditure at the Port of Workington
Land/Port/Waste Statutory Standards	0.019	0.000	0.000	0.000	
Major Projects Match Funding	(0.007)	0.000	0.000	0.000	Allocation from Major Projects Match Funding to Kendal Northern Access Route (KNAR) – to fund an additional Local Cycling and Walking Infrastructure Plan (LCWIP) route to be designed as part of the current commission
Kendal Northern Access Route (KNAR)	0.007	0.000	0.000	0.000	

Inflation / Risk Allowance: latest position

82. The Capital Programme includes an inflation/risk allowance budget. This has been fully committed, but the budget has not been vired to those individual lines. The virements are not required in 2022/23 and so is not being requested as part of this Quarter 3 report – but details of the commitments are highlighted below:

Table 19: Inflation / Risk Allowance (Commitments)

	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	TOTAL £m
Inclusion Strategy - Sandgate School	1.080	0.000	0.000	0.000	**1.080**
Major Projects Match Funding – Grizebeck	1.896	2.313	0.000	0.000	**4.209**
Major Projects Match Funding – Bothel Phase 2	0.000	0.000	4.139	0.000	**4.139**
Windermere Ferry Replacement	0.791	0.000	0.000	0.000	**0.791**

	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	TOTAL £m
A595 Grizebeck	0.000	0.851	0.000	0.000	**0.851**
Inflation Risk allowance	**3.767**	**3.164**	**4.139**	**0.000**	**11.070**

Slippage of inflation/risk budget

83. As a result of the above commitments, the profiling of the inflation / risk budget would need to be amended to reflect the latest estimated timing of expenditure. In previous years Cabinet would request this change be approved by Council, but for 2022/23 this will form part of the consideration of the new Unitary Councils as part of their 2023/24 and medium term capital programme budget setting. Where this relates to 2022/23, this is covered as part of the Slippage section in the following paragraphs

Major Projects Match Funding: latest position

84. The overall budget across the life of the capital programme for Major Projects is £13.322m, against which the following commitments have been made:

    - Grizebeck strategic highways scheme : £2.052m (with an additional budget commitment also made from inflation / risk budget)
    - Bothel phase 2 : £4.969m (with an additional budget commitment also made from inflation / risk budget)
    - Carlisle Station £0.800m
    - Workington Connectivity (associated with Workington Levelling Up Fund (LUF) proposed schemes at the Port of Workington) £0.665m

85. With the remaining balance of £4.826m being subject to further proposals and development, which will now be part of the new Unitary Councils capital investment processes.

86. The budget will not be vired to individual scheme lines. The virements are not required in 2022/23 and so is not being requested as part of this Quarter 3 report

87. The profiling of the Major Projects budget would need to be amended to reflect the latest profiling of expenditure. In previous years Cabinet would request this change be approved by Council, but for 2022/23 this will form part of the consideration of the new Unitary Councils as part of their 2023/24 and medium term capital programme budget setting.

Capital Forecast Outturn Position

88. Appendix 3 details the Proposed Revised Capital Programme Budget, together with a breakdown of the movement from the quarter 2, the 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.

89. The forecast outturn expenditure for the 2022/23 Capital Programme is £121.017m, compared to the proposed revised capital budget of £152.619m, meaning there is a variance to report at Q3 of (£31.612m) made up of an underspend of (£0.247m), slippage of (£32.590m) and accelerated spend of £1.225m.

Table 20: Forecast Outturn

Totals for Services	Revised 2021/22 Budget	2021/22 Forecast Outturn	Variance (Outturn to Budget)	Over / (Under) Spends	Slippage	Accelerated Expenditure	Q2 Variance	Change in Variance
	£m	£m	£m	£m	£m	£m	£m	£m
People Children	25.152	18.953	(6.199)	(0.149)	(6.050)	0.000	0.000	(6.199)
People - Adults	8.555	6.055	(2.500)	0.000	(2.500)	0.000	0.000	(2.500)
Economy and Infrastructure	111.896	90.427	(21.469)	(0.098)	(22.596)	1.225	(6.069)	(15.400)
Corporate, Customer and Community	3.607	3.482	(0.125)	0.000	(0.125)	0.000	0.000	(0.125)
Fire and Rescue Services	3.419	2.100	(1.319)	0.000	(1.319)	0.000	(1.319)	0.000
Council TOTAL	152.629	121.017	(31.612)	(0.247)	(32.590)	1.225	(7.388)	(24.224)

90. The variance of £31.612m (21% of the revised budget) comprises:
- (£0.247m) underspend at outturn
- (£32.590m) slippage at outturn
- £1.225m Accelerated Expenditure at outturn

Whilst the outturn expenditure is lower than budget, a forecast outturn of £121.017m represents delivery of an extensive capital programme during a period of intense pressure on Council resources as well as economic, market supply, labour and cost inflation challenges seen across the construction sector and is a significant increase on the outturn delivered in 2021/22 (£88.645m) 2020/21 (£90.728m) and 2019/20 (£90.891m).

<u>Change since Q3</u>

91. The variance of £31.612m represents a change of £24.224m since Q2. The majority of this this change has resulted in additional slippage being reported when compared to the Q2 forecast position. This is explained in more detailed below.

<u>Outturn underspend</u>

92. The underspend for the year is (£0.247m). This represents a relatively minor changes across a number of schemes. The majority of the understand relates to schemes where the Council had anticipated borrowing to finance the expenditure, so it is expected that the Councils need to borrow to finance the

Capital Programme will reduce, but this position will be confirmed as part of the final outturn.

Outturn slippage

93. The slippage for the year is (£32.590m). In previous years, this slippage would have been re-profiled/carried forward to future years, but for 2022/23 it will need to be disaggregated and considered by the new Unitary Councils as part of their 2023/24 and medium term capital programme budget setting.

94. The slippage reported at Q2 was of (£8.504m). A change of (£24.086m) when compared to the forecast outturn position of (£32.590m). The majority of this slippage (£26.270m or 81%) is explained below, with the remaining 19% being due to relatively smaller slippage across the rest of the capital programme, the detail of which can be found in Appendix 3.

95. It should be noted, that it is not expected that this slippage will have any detrimental impact on achievement of the Councils overall operation/ performance as a whole and any revenue impact has been included within the revenue budget forecast e.g. any additional repair / maintenance costs for delay in replacement of ageing equipment and/or any capital financing implications from a delay in the requirements to borrow to finance capital expenditure

- **Inflation / Risk Allowance** The 2022/23 revised budget is £3.767m of which no further expenditure or virements are expected to be required during 2022/23, in addition to those already approved up to, and including, quarter 2. The reported 'slippage' is to allow the full budget committed to the following schemes to be moved forward to future years to meet the latest profiling / expenditure estimates for those scheme:

    - £1.080m Inclusion Strategy – Sandgate School - as reported at Q2 the Sandgate School scheme has been delayed and is now expected to start on-site in April 2023
    - £0.791m Windermere Ferry Replacement
    - £1.889m Major Projects Match Funding – Grizebeck

- **Devolved Formula Capital.** The 2022/23 revised budget is £5.887m, of which £4.164m is forecast to be spent by the end of the year with slippage of £1.723m being reported at Q3. The forecast for 2022/23 assumes the full additional Energy Efficiency Grant of £2.493m will be spent during the year. It has been noted in this report that the additional grant was only announced in December 2022 and that schools can largely decide how best to invest the capital funding but, given the lateness of the announcement, a detailed plan of likely timing/profiling is not yet available.

- Any additional slippage against that grant will be confirmed as part of the final outturn and be carried forward for schools to continue to progress works and claim the funding from the two Unitary Councils. In line with previous years, this variance was not reported at Q2, but has been highlighted now to ensure the likely carry forward of grant funding is visible for the new Unitary Councils budget planning processes. This programme of work is demand-led by individual schools, with schools only drawing down the funds when work has taken place. This is fully financed by external grant, meaning any slippage will result in that grant being carried forward for the new Unitary Councils to provide the funds to schools as required.

- **Inclusion Strategy**: Budget of £5.941m. The forecast outturn is £2.941m with slippage of £3.000m being reported at Q3. This forecast represents the delivery of the Alternative Provision (AP) education unit at Carlisle and a delay in the completion of the AP unit at Barrow (which is now scheduled for completion by December 2023, the delay was a result of the planning process taking longer than had initially been anticipated) and as reported at Q2 the Sandgate School scheme has been delayed and is now expected to start on-site in April 2023. This is partially financed by external grant and partially by borrowing, meaning the slippage will result in a reduction to the amount of borrowing that will be incurred by the Council during 2022/23, when compared to the budget.

- **Cumbria Care Residential** Budget of £5.974m, with a forecast outturn of £3.474m has resulted in slippage of £2.500m being reported at Q3. This forecast represents the expected completion of Parkside and Eskdale House schemes, the £0.500 cross-estate investment and partial roll-out of the nurse call-bell scheme (which will be completed during 2023/24). The Parkside scheme is nearing completion, but there is potential for delays that could still occur. The £0.500m cross estate investment is now fully committed, but the final outturn is reliant on the delay and lead-in times for equipment, which may result in some slippage into 2023/24 and this will be confirmed as part of the final outturn.

  As reported at Q2, the slippage is largely a result of £2.500m of this 2022/23 budget being subject to further scheme development, four potential schemes have been considered by the Strategic Investment Group during the year and gateway proposals were approved to allow these schemes to be taken forward, which would see the allocation of this remaining 2022/23 budget and a significant portion of the future years development budget. These schemes are in the early development stage and will not result in expenditure during 2022/23. This is fully financed by borrowing, meaning the slippage will result in a reduction to the amount of borrowing that will be incurred by the Council during 2022/23, when compared to the budget.

- **DfT funded Flood Recovery** Scheme Budget of £1.942m against a forecast outturn of £0.740m, has resulted in slippage of £1.202m at Q3. As reported in previous years, the timing of expenditure across this scheme is difficult to accurately forecast due to outside factors. The ‘slippage’ being reported at Q3 is largely the result of prolonged difficulties in securing landowner permissions and subsequent difficulties in then being able to align those permissions to to the available working window for these scheme. This is fully financed by external grant, meaning any slippage will result in that grant being carried forward for the new Unitary Councils.

- **Carlisle Southern Link Road (CSLR)** Budget of £20.527m against forecast spend of £17.162m has resulted in slippage of £3.365m which is in-line with the Q2 position. As per Q2, following the receipt of the stage 2 tender the Executive Director was unable to recommend that members award the contract. At its meeting in March, Cabinet deferred the decision to award the contract. At its meeting in July, Cabinet agreed not to award the stage 2 contract, it also agreed to continue to progress the project, with approval and ongoing funding from Homes England. The forecast outturn reflects this staged approach to the scheme delivery. The current approved budget is mainly financed by grant, meaning any slippage will result in that grant being carried forward for the new Unitary Councils.

- **Windermere Ferry replacement** Budget of £1.534m, forecast outturn of £0.140m, reported slippage of £1.394m. This slippage is due to economic and market influences resulting in significant uncertainty in relation to the final cost of the scheme, meaning the procurement process has not progressed to award of contract stage for a replacement electric ferry at this time.

- The budget for this scheme, over the remaining life of the Capital Programme, is £6m and this scheme therefore represents a significant investment. A final decision on how to proceed will be taken by Westmorland and Furness Council in 2023/24. This is fully financed by borrowing, meaning the slippage will result in a reduction to the amount of borrowing that will be incurred by the Council during 2022/23, when compared to the budget. This will have no impact on the Councils revenue budget, as it was anticipated that any borrowing costs that would be incurred when the Council financed this scheme would be fully off-set by savings from additional income and/or expenditure reductions due to improved efficiency of the new vessel.

- **Lead Local Flood Authority (LLFA) -** Budget of £6.211m against forecast spend of £3.711m has resulted in slippage of £2.500m**.** The LLFA Programme delivers flood alleviation projects which aim to reduce surface water, ground water and ordinary watercourse flood risk to communities in Cumbria, in accordance with the Flood and Coastal Erosion Risk Management Lifecycle. Full spend was anticipated at Q2, but delayed start on some programmes is now reported following a delay in design sign-off, securing landowner permissions and the need to align work to a working window means this loss of time is not easily caught-up. Largely an Environment Agency funded programme, meaning any slippage will result in that grant being carried forward for the new Unitary Councils.

- **Marina Village** - Budget of £5.265m, forecast outturn of £3.266m resulting in slippage of £2.000m being reported at Q3. The scheme is financed through CLEP Getting Building Fund Funding to remediate a brownfield site, owned by Barrow BC. The programme was delayed due to it taking longer than anticipated to discharge several complex planning conditions and specifically the time taken to reach agreement with the EA for the remediation strategy. Work has started on-site in November 2022, but these delays have resulted in slippage against the approved profiled budget for 2022/23. Adverse weather conditions have also impacted on site progress, so the final outturn position has the potential for additional slippage. This scheme is fully financed by external grant, meaning any slippage will result in that grant being carried forward for the new Unitary Councils.

- **Corporate Property Planned Maintenance and improvement -** Budget of £6.553m, forecast spend of £5.553m, resulting in slippage of £1.000m. Although there have been a number of factors impacting the works delivered through this budget line, the main reason for the slippage is due to market place saturation making it difficult to secure tender returns within the usual time-frame, meaning extension have been provided in some cases which has pushed some delivery forward to 2023/24. The budget is largely financed by borrowing, with some minor ad-hoc revenue contributions for certain schemes/works, meaning the slippage will result in a reduction to the amount of borrowing that will be incurred by the Council during 2022/23, when compared to the budget.

- **Modernising the Estate** - Budget of £2.808m in 2022/23, with forecast spend of £0.308m, has resulted in slippage of £2.500m being reported at Q3. This largely reflects delays in the Coroners reprovision. Tenders for the work have been higher than anticipated, meaning value engineering has been required to try and bring this within the current budget allocation of £2.300m. The budget is financed by borrowing, meaning the slippage will result in a reduction to the amount of borrowing that will be incurred by the Council during 2022/23, when compared to the budget.

- **Fire Vehicles** - Budget of £3.419m against forecast spend of £2.100m has resulted in anticipated slippage of £1.319m. This is in-line with Q2 and represents the expected delivery of 15 vehicles, but whilst orders have been placed, some of the associated equipment for those vehicles will not be received until 2023/24. This delay has had no operational impact as existing appliances and equipment are currently serviceable and are expected to remain usable until the new replacements are received. The budget is financed by borrowing, meaning the slippage will result in a reduction to the amount of borrowing that will be incurred by the Council during 2022/23, when compared to the budget.

<u>Accelerated expenditure</u>

96. The accelerated expenditure forecast for the year is £1.225m. The accelerated expenditure has resulted from schemes incurring expenditure earlier than had been anticipated when the budget was profiled between financial years. There are five schemes that make up the total forecast accelerated spend of £1.225m, all of which are relatively minor (less than £0.500m) and can be identified in

Appendix 3. In previous years, this accelerated spend would have been re-profiled/brought forward from future years, this will still be required as part of the final outturn and will need to be disaggregated and considered by the new Unitary Councils as part of their 2023/24 and medium term capital programme budget setting.

Capital Financing

97. Capital financing for the Capital Programme comes primarily from Government grants and prudential borrowing. In addition, the Council can utilise capital receipts, accrued through the sale of assets (such as surplus land and buildings), revenue contributions and the use of reserves. The main grants received relate to Highways and Transport and Schools.

98. The detailed scheme by scheme financing will not be undertaken until the final outturn, but based on the forecast Q3 position and the anticipated slippage, it is expected that the final outturn variance will result in:

- a reduction in in the use of external grant funding, this will be carried forward to 2023/24 and be used to finance capital expenditure on those schemes by the new Unitary Councils;

- a reduction in the amount of external borrowing during 2022/23, when compared to the approved budget. This delay in borrowing will impact on the revenue cost of borrowing (MRP and interest). This has already been reflected in the County Council 2022/23 revenue budget forecast. This is largely a delay rather than a reduction to the amount of borrowing required over the life of the capital programme, so will still be incurred by the new Unitary Councils in future years and will need to be considered by those Councils as part of the 2023/24 budget setting and 2023/24 in-year monitoring after 1st April 2023.

Capital Receipts/Disposals

99. It was estimated that £2.200m of capital receipts will be received during the year. There have been £1.793m of sales completed to the end of Q3. 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. The balance of capital receipts has already been committed in full as part of the proposed Capital Programme.

Accountable Bodies

100. 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).

101. Slippage of £0.981m is reported against the approved Accountable Body capital programme for 2022/23. This is due to the Lillyhall North LEP scheme potentially not being complete until 2023/24 and slippage to the Cumbria Coastal Community Forest. This is the first year of the Coastal Community Forest scheme and deliver has been challenging, partly due to the time taken to finalise the grant terms and conditions with Defra before the scheme could move to the delivery phase. The forecast does reflect some delivery during 2022/23, but the majority of the budget is now expected to be spend over the remaining life of the scheme.

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

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

Legal Aspects – What needs to be considered?

103. 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.

With particular relevance to this report:

(1) 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.

(2) 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. [LM23.2.23]

Health and Safety Aspects – What needs to be considered?

104. 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.

105. 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?

106. 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

107. 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?

108. 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 02/03/23

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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22/02/2023