

Report to Executive

Meeting Date – 3 October 2023

Key Decision – No

Public/Private – Public

Portfolio – Cllr Barbara Cannon, Executive Member - Financial Planning & Assets

Directorate – Resources

Lead Officer – Catherine Bell, Chief Finance Officer

Finance Report – Quarter 1 (April to June) 2023

Summary:

This report informs members of the Council's financial performance against budget for the period April to June 2023 along with the forecast position to 31 March 2024.

Recommendations:

Members are asked to note the contents of this report.

Reason for Recommendation:

The reason for this recommendation is to ensure that members are fully briefed on the Council's financial performance against budget for the period April to June 2023 along with the forecast position to 31 March 2024.

Tracking

Executive:	3 October 2023
Scrutiny:	N/A
Council:	N/A

1. Background and Introduction

- 1.1 The Council's Financial Regulations require the Section 151 Officer to report to Executive on a quarterly basis, the latest financial position against budget.
- 1.2 This report outlines for the Council's revenue budget:
- actual (net) expenditure during the period April to June 2023
 - the projected net expenditure (full year forecast/forecast outturn) against budget for the year to 31 March 2024
 - reasons for significant variances between the full year forecast and the approved estimates (budget) for 2023-24.
- 1.3 The report also provides an update on quarterly reporting arrangements relating the Council's Capital programme and treasury management activities.

2. Key Messages

- 2.1 The headline messages at the end of the first quarter of 2023-24 are:

Revenue Budget

- (i) Excluding the impact of planned budget mitigation activity and the application of exceptional financial support related to local government reorganisation (LGR), the revenue budget is currently forecast to be overspent by £28.914m. This is underpinned by adverse variances (overspends) against budget in respect of the following Directorates:
- Children and Family Wellbeing - £17.862m
 - Business Transformation & Change - £5.489m
 - Adult Social Care & Housing - £5.152m
- (ii) There are no projected variances in respect of income from business rates, council tax and non-specific (un-ringfenced) grants.
- (iii) The resulting overspend will require an additional contribution from General Fund/Earmarked Balances of £28.914m.
- (iv) Following completion of forecasting activity for Q1, a number of deep dive budget reviews took place with the objective of identifying mitigating actions to address budget pressures in a number of high spending areas. Through the review of care packages and staff cost interventions, it is estimated that cost reductions of £3.2m will be

delivered from Adults Social Care, Health & Wellbeing, and £1.2m from Children, Family & Wellbeing.

- (v) In addition to the budget mitigations outlined above, it is anticipated that £7m of service expenditure will be covered by exceptional financial support (capitalisation direction) expected to be awarded by Government in support of the LGR process
- (vi) At the end of Q1 the forecast full year overspend on services - after budget mitigations and application of exceptional financial support (Use of Capitalisation Direction) - is £17.514m.

Capital Budget

- (vii) Following completion of provisional capital outturn statements for 2022-23, work is now underway to update the capital programme to reflect budget carry forwards and reprofiling of the capital programme across financial years. Initial forecasts of capital expenditure for the year to March 2024 will be included in the Quarter 2 Finance Report.

Treasury Management

- (viii) Treasury management activities during the period were carried out in accordance with the Council's treasury management and investment strategies and within the limits established by the approved Treasury and Prudential Indicators for 2023-24.
- (ix) No new external borrowing was undertaken during the three month period ending 30 June 2023.

3. Summary of Projected Revenue Outturn Position

3.1 Table 1 shows, as at the end of June 2023, the Council's overall projected 2023-24 revenue outturn position at the end of quarter one (Q1). It shows:

- the approved budget of £303.279m
- current net budgeted expenditure on services of £305.848m
- projected outturn on services of £334.762m (including expenditure funded from earmarked reserves and planned contributions to balances)
- a projected overspend on services of £28.914m.
- a forecast net overspend - after budget mitigations and the application of exceptional financial support (Use of Capitalisation Direction) - of £17.514m.

Table 1 - Summary of Projected Outturn against Annual Budget

	Approved Budget	Current budget [30 June]	Projected Outturn	Projected Variance
	£m	£m	£m	£m
Net Expenditure on Services	303.279	305.848	334.762	28.914
Budget mitigations identified	0.000	0.000	(4.400)	(4.400)
Expenditure met from Capitalisation Direction	0.000	0.000	(7.000)	(7.000)
Net Expenditure on Services	303.279	305.848	323.362	17.514
Parish Precepts	0.000	4.954	4.954	0.000
Net Expenditure on Services & Parish Precepts	303.279	310.802	328.316	17.514
Less: Planned Use of Earmarked Reserves / GF	(11.723)	(11.723)	(11.723)	0.000
Less: Additional Use of Earmarked Reserves	-	(2.569)	(2.569)	0.000
Net Budget Requirement / Projected Outturn	291.556	296.510	314.024	17.514
Funding:				
Taxation & Government Grants	291.556	291.556	291.556	0.000
Council tax from parish precept	0.000	4.954	4.954	0.000
Contribution from/(to) General Fund	0.000	0.000	17.514	17.514
Total Funding	291.556	296.510	314.024	17.514

3.2 The projected overspend will require an additional contribution from the Council's General Fund balance of £17.514m.

4. Analysis of Net Expenditure on Services against Budget

4.1 A summary of the projected adverse outturn variance (overspend) of £28.914m by Directorate is shown in Table 2.

Table 2 - Summary of Variances by Directorate

Directorate	Approved Budget £m	Budget Adjust. £m	Current Budget [30 June] £m	Year to Date Actual £m	Full Year Forecast £m	Forecast Variance £m
Assistant Chief Executive	2.812	0.081	2.893	0.628	2.782	(0.111)
Business Transformation & Change	13.663	0.819	14.482	8.673	19.971	5.489
Resources	82.344	(14.910)	67.434	15.149	68.899	1.465
Place, Sustainable Growth & Transport	67.516	4.273	71.789	18.920	70.846	(0.943)
Public Health & Communities	5.024	2.780	7.804	6.165	7.804	0.000
Adult Social Care & Housing	68.095	7.400	75.495	30.541	80.647	5.152
Children & Family Wellbeing	63.594	2.124	65.718	147.428	83.580	17.862
Chief Executive	0.231	0.002	0.233	0.044	0.233	0.000
Net Expend. on Services	303.279	2.569	305.848	227.548	334.762	28.914

4.2 The revenue budget approved by the Shadow Authority on 1 March 2023 was £303.279m. Subsequent adjustments made to the approved budget (see table 3) total £2.569m and comprise:

- transfers from earmarked reserves totalling £2.569m (£2.476m to Public Health and £0.093m Adult Social Care & Housing)
- updates to the allocations of services/cost centres between directorates (no impact on total budget)
- reallocation of centrally held contingency budgets in respect of inflation and pension costs (no impact on total budget).

Table 3 - Summary of Budget Adjustments

Directorate	Approved budget £m	Release of E/M Reserves £m	Service Allocations £m	Reallocate Contingen- cies £m	Current budget [30 June] £m
Assistant Chief Executive	2.812	0.000	0.087	(0.006)	2.893
Business Transformation & Change	13.663	0.000	0.709	0.110	14.482
Resources	82.344	0.000	(1.167)	(13.743)	67.434
Place, Sustainable Growth & Transport	67.516	2.476	0.907	0.890	71.789
Public Health & Communities	5.024	0.000	0.286	2.494	7.804
Adult Social Care & Housing	68.095	0.093	(0.927)	8.234	75.495
Children and Family Wellbeing	63.594	0.000	0.110	2.014	65.718
Chief Executive	0.231	0.000	(0.005)	0.007	0.233
Net Expenditure on Services	303.279	2.569	0.000	0.000	305.848

- 4.3 A breakdown and analysis of significant variances between the current budget and full year forecast analysed by Directorate is set out in the following paragraphs.

Assistant Chief Executive – Strategy Policy and Performance Directorate

- 4.4 The forecast net variance against the Assistant Chief Executive – Strategy Policy and Performance budget is £.011m (favourable). During Q1 there have been no drawdowns from Earmarked Reserves and no requests for increases to, or creation of, new Earmarked Reserves have been made.
- 4.5 The composition of the current forecast outturn position and variance is summarised in the following table:

Table 4 - Assist. Chief Executive – Strategy Policy and Performance Directorate

Service/Function	Approved Budget £m	Budget Adjust. £m	Current Budget [30 June] £m	Year to Date Actual £m	Full Year Forecast £m	Forecast Variance £m
Assistant Chief Executive	0.143	0.000	0.143	0.025	0.143	0.000
Communications	1.036	(0.016)	1.020	0.252	0.995	(0.025)
Strategy and policy	1.152	0.013	1.165	0.179	1.092	(0.073)
Performance and Analysis	0.568	(0.003)	0.565	0.172	0.552	(0.013)
Total	2.899	(0.006)	2.893	0.628	2.782	(0.111)

Communications (£0.025m favourable variance)

- 4.6 Underspend on staffing due to vacancies, secondments and income from hosted staff.

Strategy and policy (£0.073m favourable variance)

- 4.7 Underspend on staffing due to vacancies, predominantly on the ex-county Policy and Scrutiny team

Performance and Analysis (£0.013m favourable variance)

- 4.8 Underspend on staffing due to vacancies, hosted staff and additional temporary funding.

Business Transformation & Change Directorate

- 4.9 The forecast net variance attributable to the Business Transformation and Change Directorate is £5.489m adverse (£4.838m after potential use of transformation / transitional LGR). During Q1 there have been no drawdowns from Earmarked Reserves and no requests for increases to, or creation of, new Earmarked Reserves have been made.
- 4.10 The composition of the current forecast outturn position and variance is summarised in the following table and consists of:
- £1.365m (£0.715m after Potential use of transformation / transitional LGR) adverse variance across the Business Transformation and Change service areas
 - £4.123m adverse variance on corporate savings; savings have not yet been identified and the budget has therefore not yet been allocated to individual service areas.

Table 5 - Business Transformation & Change Directorate service variances

Service/Function	Approved Budget £m	Budget Adjust. £m	Current Budget [30 June] £m	Year to Date Actual £m	Full Year Forecast £m	Forecast Variance £m
Director - Bus, Trans & Change	0.171	0.000	0.171	0.033	0.171	0.000
Commissioning & Procurement	2.168	0.002	2.170	0.537	2.422	0.252
ICT	10.341	0.213	10.554	5.735	10.780	0.226
PMO	1.432	(0.001)	1.431	1.378	2.081	0.650
HR & OD	4.383	(0.104)	4.279	0.990	4.517	0.238
Corporate Savings	(4.123)	0.000	(4.123)	0.000	0.000	4.123
Total	14.372	0.110	14.482	8.673	19.971	5.489

4.11 Further details of the key variances are set out below.

Commissioning & Procurement (£252k adverse variance)

4.12 The £252k adverse variance relating to Commissioning & Procurement is underpinned by:

- £0.325m shortfall in discounts from the Oxygen supplier discount scheme.
- £0.169m shortfall in commissioning income attributable for the most part to the dividend from YPO, which has never recovered to pre-pandemic levels and has resulted in a recurring budget pressure
- £(0.245)m staffing underspend across procurement, commissioning, brokerage and contract management.

ICT (£226k adverse variance)

4.13 The £226k adverse variance on IT services comprises:

- £0.204m adverse variance across ex-Copeland service area underpinned by the omission of commitments to on-board additional systems and on-going contractual commitments from budget (£216k), NDA income budget not removed from base budget following cessation of the agreement (£100k) and an underspend on salary costs (£112k) associated with current vacancies
- £0.118m adverse variance across ex-Allerdale area, as a result of unbudgeted contractual uplifts to licencing and other operational costs
- £(96)k net underspend attributable to former County and Carlisle services areas, including £(41)k underspend resulting from the delay in appointing to the post of Assistant Director- ICT.

Programme Management Office (PMO) (£650k adverse variance)

- 4.14 The adverse variance of £0.650m is made up of variances from the following service areas.

Table 5a - Programme Management Office – service variances

Service/Function	Current Budget [30 June] £m	Annual Forecast £m	Forecast Variance £m	Potential use of Capitalisation Direction £m	Adjusted Forecast Variance £m
AD - PMO	0.121	0.121	0.000	0.000	0.000
Capital Programme Team	0.239	0.239	0.000	0.000	0.000
PMO Team	0.944	1.594	0.650	(0.650)	0.000
Economic Programmes Team	0.127	0.127	0.000	0.000	0.000
Transformation and Transition	0.000	0.000	0.000	0.000	0.000
LGR implementation Reserve	0.000	0.000	0.000	0.000	0.000
Other	0.000	0.000	0.000	0.000	0.000
Total (net budget)	1.431	2.081	0.650	0.650	0.000

- 4.15 No variance is reported against the capital programme team budget. This is based on the assumption that circa £1m of the team's costs can continue to be capitalised against the capital programme on a recurring basis. This follows the approach taken by Cumbria County Council. A review will however be undertaken during 2023-24 to ensure arrangements for the capitalisation of internal staff costs remain compliant with the statutory requirements and establish a consistent approach to the treatment of these costs across the Authority.
- 4.16 The forecast variance for the Programme Management Office (PMO) of £0.650m (forecast costs of £1.6m against a budget of £0.944m) is based on current staffing levels. A recurring revenue budget is not currently available to meet the costs of the current establishment. Meeting these costs will require £0.6m of the exceptional finance support (EFS) / capitalisation directive flexibility to be utilised in order to allow those costs to be capitalised. Final costings and PID request for the use of the EFS is currently being developed.
- 4.17 No variance is reported against the Economic Programme Team budget. This service is hosted by Westmorland and Furness council (W&F) and the reported variance is predicated on the assumption that costs will not exceed what was included in the approved Inter Authority Agreement and budget.

HR/OD (£238k adverse variance)

4.18 The reported adverse variance of £0.238m comprises variances from the following service areas:

- Assistant Director (AD) – HR/OD £0.088M overspend due to the additional cost of agency staff covering the AD post
- Trade Union Facilities £0.133m overspend. This was approved by SRO's prior to vesting day, to support the organisation through this period of transition and transformation, but was agreed after the budget had been approved and not therefore included in the current budget.
- Other Minor variances associated with L&D and Apprenticeships (£0.013m favourable variance), other ex-county HR/OD (£0.035m adverse variance) and other ex-district HR/OD (£0.005m favourable variance).

Resources Directorate

4.19 At the end of Q1, the full year forecast net variance for the Resources Directorate is £1.465m (adverse/overspend). During Q1 there have been no drawdowns from Earmarked Reserves and no requests for increases to, or creation of, new Earmarked Reserves have been made.

4.20 The composition of the current forecast outturn position and variance is summarised in the following table. This consists of:

- £0.012m adverse variance across the resources service area
- £1.453m adverse variance on corporate vacancy management savings, as the savings have not yet been identified and the budget has therefore not yet been allocated to services.

Table 6 - Resources Directorate – service variances

Service/Function	Approved Budget £m	Budget Adjust. £m	Current budget [30 June] £m	Year to Date Actual £m	Annual Forecast £m	Forecast Variance £m
Director - Resources	0.170	0.000	0.170	0.029	0.171	0.001
Chief Legal Officer	7.796	0.087	7.883	1.958	7.952	0.069
Chief Finance Officer	63.883	(14.541)	49.342	12.229	49.323	(0.019)
Assets & Fleet	4.564	0.256	4.820	(0.720)	4.792	(0.028)
Customer Solutions	6.764	(0.092)	6.672	1.653	6.661	(0.011)
Corporate Savings inc. in Resource Directorate	(2.000)	0.547	(1.453)	0.000	0.000	1.453
Total	81.177	(13.743)	67.434	15.149	68.899	1.465

Chief Legal Officer (£69k adverse variance)

4.21 The key variances underlying the forecast adverse variance (overspend) of £69k comprise:

- HM Coroner £0.231m adverse variance (see paragraph 4.22 below)
- Legal and information Governance £0.017m net adverse variance related to staff costs
- favourable variances in respect of:
 - Records Management (hosted) - £(0.012)m as a result of savings associated with staff vacancies offset by £0.038m shortfall in budgeted income from the fire service, following confirmation of the actual income expected from fire for the hosted service
 - Registration - £(0.026)m and Democratic, Members and Elections £(0.075)m as a result of vacancies
 - Internal Audit £(0.066)m - due to staff vacancies.

4.22 The reported adverse variance of £0.231m in respect of HM Coroners (hosted) at the end of Q1 reflects projected expenditure of £2.260m, compared to the budget of £1.841m - an overspend of £0.419m. This is in turn underpinned by overspends of:

- £0.274m on staffing costs based on the current staffing levels, and
- £0.145m on operational costs, such as laboratory test fees, body removal, body storage, mortuary fees, post mortem costs for pathologists, inter hospital transfers and inquiry costs.

4.23 The project overspend for the year to March 2023 is consistent with 2022-23 outturn position and historic pattern of overspends against budget. This pattern was not identified as a pressure within the Cumberland budget setting process and is therefore currently un-funded. It is assumed that W&F will contribute £1.017m, compared to the initial budgeted amount of £0.828m - an additional contribution of £0.189m, thereby reducing the forecast overspend to £0.231m.

Chief Finance Officer (£19k favourable variance)

4.24 The net favourable variance of £(19)k reflects:

- a favourable variance of £(0.118)m in respect of the Revenues and Benefits service as a result of underspends on employee costs associated with current short-term vacancies, offset by shortfalls in fee income (court fees) from recovery actions and HB subsidy income
- a net adverse variance of £0.099m attributable to the Finance function due to the short-term continuation of County agency arrangements, pending permanent recruitment to vacant posts.

4.25 At the end of Q1, pending confirmation of provisional capital outturn positions of the demised (sovereign) Councils for 2022-23 and determination of the Council's opening external borrowing position and capital financing requirement (underlying requirement to borrow for capital purposes) no variances are reported against the Treasury Management budgets for MRP or interest. Initial forecasts for 2023-24 will be reported in the Q2 Finance report. These are expected to be impacted by a number of considerations including:

- levels of underspend were recorded against capital budgets in 2022-23 including underspending on budgets funded from borrowing
- inherited levels of under-borrowing at 1 April 2023
- the upward trend in interest rates and associated changes to interest forecasts compared to those available at the time of budget setting
- expected liquidity requirements during 2023-24, including in particular, the timing and amounts of additional borrowing required to fund the Council's capital programme.

Assets & Fleet (£28k favourable variance)

4.26 The reported net favourable variance of (£0.028m) comprises:

- Property (£0.558m) net favourable variance across a number of property budgets (favourable variances of £1.063m less adverse variances of £0.505m). Key variances underlying the net variance include:
 - (£0.363m) additional un-budgeted net income predominantly from the Staples/Matalan site, pending disposal/demolition
 - (£0.133m) underspend on facility cleaning costs, which is in-line with previous years position

- (£0.283m) underspend on business rates and rental budgets associated with corporate properties
- £0.302m overspend on the corporate and school reactive maintenance contract as a result of a contractual inflation uplift in excess of that anticipated when preparing the 2023-24 budget
- £0.147m overspend on premises security, business-rates and other costs associated with empty facilities pending disposal or re-occupation.
- Car Parks £0.410m net adverse variance underpinned by:
 - shortfalls in income compared to budget in relation to the multi storey car park in Workington (£0.270m) and Carlisle off-street car parks (£0.237m), generated by the impact of changes in shopping habits and shift in working patterns towards home and hybrid working on demand for car parking spaces within the town centres
 - £(0.097)m net favourable variances across other income and expenditure budgets.

4.27 Other service variances contributing to the overall variance of £0.027m comprise:

- AD - Corporate Assets & Fleet - £0.085m overspend due to cost of agency staff covering substantive AD post
- Other minor variances
 - Fleet-£0.005m adverse
 - Health and Safety - £0.014m adverse
 - Port of Workington - £0.045m adverse.

Customer Solutions (£11k favourable variance)

4.28 The net favourable variance of (£0.011m) is made up of minor variances across the following service areas:

- Library Service - £(0.034)m - forecast underspend
- Customer services - £(0.008)m - forecast underspend
- Business support - £0.031m - forecast overspend.

Place, Sustainable Growth & Transport

- 4.29 At the end of Quarter 1, the Place, Sustainable Growth & Transport Directorate is forecast to underspend by £(0.943)m. During Q1 there have been no drawdowns from Earmarked Reserves and no requests for increases to, or creation of, new Earmarked Reserves have been made.
- 4.30 The composition of the current forecast outturn position and variance is summarised in the following table:

Table 7 - Place, Sustainable Growth & Transport Directorate - Service Variances

Service/Function	Approved Budget £m	Budget Adjust. £m	Current budget [30 June] £m	Year to Date Actual £m	Annual Forecast £m	Forecast Variance £m
Director	0.173	0.024	0.197	0.043	0.201	0.004
Highways & Transportation	27.894	0.234	28.128	7.087	28.128	0.000
Thriving Place & Investment	2.516	0.133	2.649	(0.756)	2.566	(0.083)
Climate & Waste	30.838	2.623	33.461	10.526	32.744	(0.717)
Neighbourhoods	7.002	0.352	7.354	2.020	7.207	(0.147)
Total	68.423	3.366	71.789	18.920	70.846	(0.943)

Thriving Place and Investment (£0.083m favourable variance)

- 4.31 The Q1 forecast outturn position for Thriving Place and Investment is an underspend of (£0.083)m. The key variances underpinning this are:
- £(0.367)m staffing underspends, due to vacancies across the service, less
 - £0.072m Land Charges income shortfall resulting from the transfer of data to Land Registry online.
 - £0.050m Carlisle Tourist Information Centre income shortfall.
 - £0.050m Dangerous Structures unbudgeted expenditure.
 - £0.040m projected reduction in income generated by the Civic Centre digital banner
 - £0.020m overspend on Planning legal costs
 - £0.052m net overspends on other service budgets.

Climate & Waste (£0.717m favourable variance)

4.32 The forecast position for Climate & Waste is an underspend of (£0.717m) underpinned by the following key variances:

- £(0.748)m underspend in respect of the Renewi (PFI) unitary charge, of which (£0.373)m, relates to inflation awarded in prior years, with expenditure forecast at a level lower than originally anticipated
- £(0.475)m Recycling Credits surplus
- £0.433m overspend on staff costs including £0.195m relating to Refuse and Green Waste staffing within the Copeland area
- Other smaller over/underspends across the service netting off to a £0.073m overspend.

Neighbourhoods (£0.147m favourable variance)

4.33 At the end of Q1, the Neighbourhoods service is forecast to be underspent by £0.147m. This net position comprises:

- £(0.129)m underspend relating to the Beacon Museum business rates revaluation.
- £(0.063)m underspend on staff due to maternity leave and vacancies
- £0.028m forecast overspend on the Carlisle GLL contract due to unbudgeted inflationary uplift
- £0.025m overspend as a result of additional agency staff costs following cessation of the current cleaning contract
- Other smaller over/underspends across the service netting to a (£0.008)m underspend.

Public Health & Communities

4.34 At the end of Quarter 1, there were no significant variances to report within the Public Health & Communities Directorate.

Table 8 - Public Health & Communities Directorate – Service Variances

	Approved Budget £m	Budget Adjust. £m	Current budget [30 June] £m	Year to Date Actual £m	Annual Forecast £m	Forecast Variance £m
Director - Public Health & Communities	0.171	2.476	2.647	0.028	2.647	0.000
Communities & Localities	2.407	(0.014)	2.393	1.044	2.393	0.000
Public Health and Protection	2.732	0.032	2.764	5.093	2.764	0.000
Total	5.310	2.494	7.804	6.165	7.804	0.000

Adult Social Care & Housing Directorate

- 4.35 The outturn forecast at the end of Quarter 1 for the Adult Social Care and Housing Directorate shows a projected overspend of £5.152m for the year to March 2024. During Q1, £0.093m was drawn down from Earmarked Reserves. No requests for increases to, or creation of, new Earmarked Reserves have been made.
- 4.36 The composition of the current forecast outturn position and variance is summarised in the following table:

Table 9 - Adult Social Care & Housing Directorate

	Approved Budget £m	Budget Adjust. £m	Current budget [30 June] £m	Year to Date Actual £m	Annual Forecast £m	Forecast Variance £m
Director - Adult Social Care & Housing	0.171	0.000	0.171	0.011	0.171	0.000
Adult Wellbeing & Housing Savings	(1.500)	0.000	(1.500)	0.000	(0.500)	1.000
Adult Operations	37.840	7.806	45.646	21.432	46.632	0.986
Service Provision	29.515	0.129	29.644	8.653	32.801	3.157
Quality & Resources - Adult	1.142	0.392	1.534	0.445	1.543	0.009
Total	67.168	8.327	75.495	30.541	80.647	5.152

Recurring Savings (£1.000m – adverse variance)

- 4.37 Non recurring savings of (£0.500m) are forecast to be delivered against the Adult Social Care & Housing target of (£1.500m) through a review and recoupment of direct payment balances that have not been used for care delivery. This leaves a forecast full year overspend of £1.000m (underachievement of savings) at the end of Q1. Whilst the service continues to explore options for service transformation and savings to enable delivery of the recurring savings included in the 2023-24 budget, these are not expected to be fully achievable in the current financial year.

Adults Operations (£0.986m adverse variance)

- 4.38 At the end of quarter 1, the Adults Operations budget of £45.646m is forecasted to be overspent by £0.986m. Material variances underpinning the forecast overspend are set out in the table below:

Table 9a - Adult Operations - key variances

Service/Function	Current budget [30 June] £m	Actual YTD £m	Forecast Outturn £m	Forecast Variance £m
AD	0.126	0.020	0.126	0.000
Older Adults	51.086	15.725	51.732	0.646
Younger	33.979	9.539	35.128	1.149
Personal Contributions	(22.016)	(3.428)	(22.930)	(0.914)
Care Management and Carers	10.959	2.718	11.064	0.105
Better Care Fund	(30.367)	(4.097)	(30.367)	0.000
Housing	1.824	0.876	1.824	0.000
Domestic Abuse Support	0.055	0.079	0.055	0.000
	45.646	21.432	46.632	0.986

Older Adults (£0.646m overspend)

- 4.39 The Older Adults budget totals £51.086m and is currently forecast to overspend by £0.646m as a result of demand pressures on the cost of Residential / Nursing Care and Support at Home provisions. A summary of the forecast overspend is set out in the following table.

Table 9b - AD Operations - Older Adults

	Measure	Budget £m	Forecast £m	Variance £m	Budget No	Activity Forecast No	Variance No
Day Care	Number	0.221	0.223	0.002	134	130	(4)
DP/ISF	Number	1.917	1.960	0.043	106	110	4
Resid./Nursing	fte Beds	32.446	32.771	0.325	745	768	23
Support at Home	Hours/wk	13.657	13.917	0.260	12,233	12,508	275
Total		48.241	48.871	0.630			
Other Budgets		2.845	2.861	0.016			
Total Budget		51.086	51.732	0.646			

AD Operations – Younger Adults (£1.149m overspend)

- 4.40 The Younger Adults budget of £33.979m and is currently forecast to overspend by £1.149m. A breakdown by service area is shown in the following table:

Table 9c - AD Operations – Younger Adults

Activity	Measure	Budget £m	Forecast £m	Variance £m	Budget No	Forecast No	Variance No
Day Care	Number	2.934	2.971	0.037	1,337	1,370	33
DP/ISF	Number	6.033	6.093	0.060	309	299	(10)
Resid./Nursing	fte Beds	10.313	10.536	0.223	125	125	0
Support at Home	Hours/wk	16.381	17.219	0.838	12,552	13,528	976
Total		35.661	36.819	1.158			
Other Budgets		(1.682)	(1.691)	(0.009)			
Total Budget		33.979	35.128	1.149			

- 4.41 The projected overspend is underpinned by demand pressure and associated growth in the number of hours and associated cost of support at home provision (£0.838) and Residential / Nursing Care (£0.223m) which is also impacted by price changes.

AD Operations – Personal Contributions (£0.914m favourable variance)

- 4.42 The personal contributions net income budget of £22.016m is forecast to exceed budget by £(0.914)m. The £(0.914)m projected additional net income in 2023-24 relates to the full year impact of the budget surplus in 2022-23, plus the impact of growth to residential and support at home provision in 2023-24.

AD Operations – Care Management and Carers (£0.105m overspend)

- 4.43 The budget for Care Management and Carers is £10.959m and is forecast to overspend by £0.105m. This comprises:
- a net overspend of £0.373m on staff costs due to Externally Provided Workforce (agency staff) forecast costs of £1.273m offset by forecast staff vacancies of (£0.900m)
 - Carers/Advocacy/Other £(0.268)m underspend.
- 4.44 Current staff vacancies are forecast to contribute to an underspend of £1.480m during the current financial year. This includes savings from recruitment to SCP9 posts where recruitment of qualified staff has not been possible. The anticipated underspend relating to unfilled vacancies is offset by an adjustment of £580m to reflect the phased recruitment to vacancies during the remainder of the financial year (30% by September, 30% by October, 30% by November, 10% unfilled), leaving a net establishment variance of £0.900m.
- 4.45 Externally Provided Workforce (EPW) costs are forecast at £0.373m up to contract end dates with an additional provision of £0.900m for contract extensions.

4.46 Forecast underspends against other care management and carers budgets total £(0.268)m.

AD - Adults Service Provision (£3.157m adverse variance)

4.47 The AD Adults Service Provision budget is £29.644m and at Q1 is forecast to overspend by £3.157m. A summary of the key variances underpinning the forecast net overspend is shown in the table below:

Table 9d - Adults Service Provision Analysis of Key Variances

Activity	Current budget [30 June] £m	Actual YTD £m	Forecast Outturn £m	Forecast Variance £m
AD	0.121	0.020	0.125	0.004
General Manager / Premises / Q&A	0.403	0.060	0.370	(0.033)
Older Adults	13.132	3.777	14.241	1.109
DMH	6.222	1.710	6.682	0.460
Support at Home	9.234	2.613	10.098	0.864
Equipment	0.494	0.442	1.247	0.753
CA Home Improvement Agency	0.038	0.031	0.038	0.000
	29.644	8.653	32.801	3.157

4.48 The key reasons for the forecast overspend at Q1 are:

- £2.656m overspend on staff costs comprising:
 - £1.063m relating to unfunded posts, ongoing difficulties with staff recruitment and retention, and the impact of higher staff sickness levels on cover costs
 - £1.593m in agency expenditure covering vacant support worker hours and staff sickness hours.
- £0.432m overspend relating to operational costs within the Community Equipment Service. This includes the impact of increased cleaning services £0.036m, increased vehicle costs driven by demand on the service £0.066m, and £0.330m relating to purchase of small equipment items due to rising costs and higher demand levels.
- other variances totalling £0.069m (overspend).

4.49 Specific pressures, by service, are as follows:

Older Adults (£1.109m forecast adverse variance)

- £1.164m Older Adult Residential overspend on staff costs as a consequence of ongoing recruitment and retention issues, staff sickness and agency staff expenditure
- (£0.055m) Day Services underspend.

Disability & Mental Health (DMH) (£0.460m forecast adverse variance)

- £0.649m Supported Living overspend attributable to:
 - increased demand associated with a shift from service users declining to attend Day Care services during the pandemic, leading to increased hours required in Supported Living
 - Supporting Living teams covering care hours previously met by external providers who have not re-entered the market since 2020
 - increased pension contributions associated with TUPE due to provider failure.
- (£0.239m) DMH Day Services saving linked to the temporary closure of Hensingham Day Services for refurbishment
- £0.050m net overspend relating to other service variances.

Support at Home (£0.864m forecast adverse variance)

- £0.869m Reablement Service overspend of which approximately £0.410m relates to an LGR budget setting issue whereby Millom services were accounted for in W&F rather than Cumberland. The remaining £0.459m relates to overspends on staff costs, including the impact of unfunded posts within the current establishment.
- £0.477m overspend on Extra Care staff. This includes expenditure related to the Greta Gardens Service which is not currently included in the budget for 2023-24, due to an LGR budget disaggregation issue, as well as the cost implications of TUPE regulations of returning outsourced services to in-house provision.
- (£0.490m) underspend relating to Domiciliary Care including the Night Service, due to the ongoing service redesign.

Community Equipment Service (£0.753m forecast overspend)

- The forecast overspend of £0.753m comprises:
 - £0.321m in respect of staff costs
 - £0.232m relating to smaller items of non-capital equipment, repairs and maintenance
 - £0.098m NHS CSDP and prescription equipment which includes higher demand and increased price pressures
 - £0.066m supplies and services (attributable mainly to lease vehicle costs)
 - £0.036m premises costs including cleaning and utilities.

AD Adults Quality and Resources (£0.009m – adverse variance)

4.50 The AD Adults Quality and Resources budget totals £1.535m and is forecast to overspend by £0.009m.

Children and Family Wellbeing Directorate

4.51 At the end of Quarter 1, the Children and Family Wellbeing Directorate is forecast to overspend by £17.862m. During Q1 there have been no drawdowns from Earmarked Reserves and no requests for increases to, or creation of, new Earmarked Reserves have been made.

4.52 The composition of the current forecast outturn position and variance is summarised in the following table:

Table 10 - Children and Family Wellbeing Directorate

	Approved Budget £m	Budget Adjust. £m	Current budget [30 June] £m	Year to Date Actual £m	Annual Forecast £m	Forecast Variance £m
Director - Children & Family Wellbeing	0.171	0.104	0.275	0.089	0.350	0.075
Children & Family Wellbeing Savings	(1.500)	0.000	(1.500)	0.000	0.000	1.500
SEND, Education & Inclusion	6.298	(0.056)	6.242	129.643	6.757	0.515
Children & Families	45.593	1.967	47.560	14.056	59.948	12.388
Quality & Resources - Children	13.142	(0.001)	13.141	3.640	16.525	3.384
Total	63.704	2.014	65.718	147.428	83.580	17.862

Director – Children & Family Wellbeing (£0.075m adverse variance)

4.53 At the end of Q1 the Director - Children & Family Wellbeing budget of £0.275m is forecast to be overspent by £0.075m. The projected overspend comprises £0.055m in respect of consultancy costs, with the remaining balance due to subscription costs.

Children & Family Wellbeing Savings (£1.500m adverse variance)

4.54 Children’s and Family Wellbeing Directorate budget included recurring savings of £1.5m to reflect transformation of processes and capacity building. No savings against the 2023-24 saving target are anticipated to be delivered this year.

SEND, Education & Inclusion (£0.516m adverse variance)

4.55 The projected variance for SEND, Education & Inclusion comprises:

- Inclusive Learning - £ 0.484m
- Learning Improvement - £(0.077)
- Schools & Learning - £0.086m
- Other - £0.022m.

4.56 The variance for Inclusive Learning is underpinned by a forecast overspend of £0.436m relating to Area Inclusion due to the impact of demand pressures on Direct Payments. The remaining balance of £0.080m comprises variances across a number of services associated with staff cost pressures.

AD Children and Families (£12.388m adverse variance)

4.57 The AD Children and Families budget totals £47.560m and has a forecast overspend £12.388m. Around two thirds of this variance (£8.488m) relates to Cared For Children (CFC) placement costs. Further analysis of the forecasted overspend is set out in the following table:

Table 10a - AD Children and Families- Analysis of Forecast Outturn Variance

Service Area	Staff Costs £m	Placement Costs £m	Other £m	Total Q1 £m
AD - C&F Management & General	(0.171)	0.000	0.111	(0.060)
Early Help	0.032	0.000	(0.032)	0.000
Youth Offending and Prevention	0.016	0.000	(0.013)	0.003
Cared For service	0.534	8.488	1.174	10.196
Support and Protect Services	1.690	0.000	(0.001)	1.689
Other Directorate Services	0.560	0.000	0.000	0.560
Total	2.661	8.488	1.239	12.388

Management & General (£0.060m favourable variance)

4.58 Management and General has a budget of £1.021m and a forecast underspend of (£0.060m). This reflects a projected overspend of £0.127m on Translation Services, as a result of a significant increase in demand, coupled with underspends of:

- £0.171 in relation to staff costs as a result of some management staff costs being recharged to Westmorland and Furness Council for hosted arrangements
- £0.016 on external support costs.

AD Children & Families – Youth Offending Service (£0.003m adverse variance)

4.59 The Youth Offending Service has a budget of £0.551m and a forecast overspend of £0.003m at Q1. This is due mostly to a pressure on staffing costs in the Youth Offending Team of £0.016m offset by other underspends of (£0.013m).

AD Children and Families – Cared For Service (£10.196m adverse variance)

4.60 The Cared For Service has a budget of £33.435m and a forecast outturn overspend of £10.196m. Key variances underpinning the forecast overspend include:

- Cared for Children (CFC) placement costs - £8.488m - overspend
- Other Cared For Children costs - £1.708m overspend, comprising:
 - staff costs- £0.534m - overspend
 - Pathways Pressure - £1.386m - overspend
 - SGO allowances - £0.583m - overspend
 - Adoption inter agency fee underspend £(0.328)m - underspend
 - other net underspends: £(0.467)m - underspend across a range of services

Cared For Children Placement Costs

4.61 The budget for 2023-24 included £5.000m to fund ongoing pressures within the service. It also included £1.916m of budget growth for price inflation. Despite this additional funding, at Q1 there is a forecast (full year) overspend on CFC costs of £8.488m. A large proportion of this is the result of increased Cared for Children numbers since LGR budget disaggregation work took place in July 2022. Between July 2022 and June 2023, the Authority recorded an increase of 20 placements in external residential care. Meanwhile, during Q1 of 2023-24, cared for children numbers increased from 486 in April 2023 to 504 in June.

- 4.62 In addition to the changes in the number of cared for children, the last 11 months has also seen a shift in the composition of placement settings. In particular there has been a notable increase in the number and proportion of cared for children looked after through external residential placements. External residential care typically represents the most expensive care setting costing on average £4.7k per week (£245k per year), and upwards of £17.5k per week for specific high cost placements. The change in the composition of placement settings has thus added to the pressure on Children Health & Wellbeing budgets.
- 4.63 Consistent with national trends, the availability of placements and capacity to place CFCs in the preferred setting has become very challenging. Unavailability of external foster placements in particular has been a key contributory factor underlying the numbers of CFCs placed in residential placements.
- 4.64 As well as increasing demand, there are a number of other key issues contributing to the CFC placement cost pressure. These include:
- two exceptional bespoke packages of care required for CFCs with very complex needs for whom no suitable external placement could be found or maintained. The forecast cost for these two packages alone is £1.130m, accounting for around 4% of the total CFC placement cost budget.
 - an increase in the number of high-cost placements; excluding the two bespoke packages, at Q1 there were 12 placements with a cost to social care of £7,000 or more per week. The forecast cost for these 12 placements is £5.182m which is 19% of the total CFC placement cost budget.
 - a high number of external residential placements; at Q1 there were 75 external residential placements with a forecast cost of £19.806m. This is an increase of two placements since 1 April due to new entrants and placement changes. Although the 75 placements represent just 15% of the 500 CFCs, the forecast cost equates to 74% of the £26.659m CFC placement cost budget.

Other Cared for Children Costs

4.65 In addition to the CFC placement cost pressures, the forecast Cared for Children Service overspend of £10.196m also includes a projected full year overspend at the end of Q1 of £1.708m in respect of Other Children & Families. Key items underpinning this overspend include:

- staff cost pressures of £0.534m comprising agency cost overspends of £0.977m offset by staffing underspends of £0.443m. At Q1 the Cared for Children Service had 14.8 fte agency staff and 15.5fte permanent staff vacancies.
- Pathways Payments overspend of £1.386m, including £0.957m in relation to 43 unaccompanied asylum-seeking children (UASC) care leavers who are unable to leave their Children Looked After (CLA) placements due to delays in processing their asylum claims. Once a UASC turns 18, the Home Office funding received by the Council falls from between £798 - £1,001 to £270 per week. This leaves a shortfall compared to the £1,207 average weekly cost of the CLA placements in which they remain.
- Special Guardianship Order (SGO) payments overspend of £0.583m; In 2021-22 SGO payment pressures were funded by the realignment of funding from other Children and Families budgets. Despite this, the continued growth in SGOs qualifying for means tested financial support has resulted in a £0.583m cost pressure at Q1. At June 2023 the Service was funding SGO allowances for 263 children. However, SGO payments are still seen as a more cost-effective alternative to children and young people being looked after.
- Adoption Inter Agency Fee underspend of £0.328m due to an expected contribution towards costs by Westmorland and Furness Council
- Other net underspend of £(0.467)m including a forecast underspend of £(0.152)m on Children's Homes Repairs and Maintenance.

AD Children & Families – Support & Protect Services (£1.689m adverse variance)

4.66 The budget for Support and Protect Services of £6.683m is forecast to be overspent by £1.689m. This reflects projected overspend on agency costs of £3.023m, offset by staffing underspends of £1.334m in respect of permanent staff vacancies. At Q1 Support and Protect had 32.6 fte agency staff with 44.7 fte permanent staffing vacancies.

AD Children and Families – Other Directorate Budgets £0.560m adverse variance)

- 4.67 The budget for Other Directorate Budgets is £1.371m and has a forecast overspend of £0.560m at Q1. The reported overspend relates to Business Support staff costs as a result of unfunded post regrading.

Quality & Resources – Children (£3.384m adverse variance)

- 4.68 The forecast adverse outturn variance is underpinned by a forecast overspend of £3.470m on Home to School and SEND transport based on underlying commitments in this service. Work is ongoing to refine these forecasts, which is challenging due to the cross-boundary nature of the services following LGR and disaggregation.

Chief Executive

- 4.69 At the end of quarter 1, there were no significant variances to report within the Chief Executive Directorate

Table 11 - Chief Executive Directorate

	Approved Budget £m	Budget Adjust. £m	Current budget [30 June] £m	Year to Date Actual £m	Annual Forecast £m	Forecast Variance £m
Chief Executive	0.226	0.007	0.233	0.044	0.233	0.000
Total	0.226	0.007	0.233	0.044	0.233	0.000

5. Taxation and Non-specific grant income

- 5.1 Details of the Council's taxation and non-specific grant income and expenditure for the year compared with budget, are shown in the following table. This includes income received from:

- Non-ringfenced government grants, such as Revenue Support Grant and New Homes Bonus
- Council tax and Non Domestic Rates (NNDR).

Table 12 - Taxation and Non-specific grant income

	Original Budget	Projected Outturn	Variance
	£m	£m	£m
Revenue support grant	11.380	11.380	0.000
Rural Services Delivery Grant	2.499	2.499	0.000
New Homes Bonus	0.957	0.957	0.000
Other Gov. grants (Lower Tier Services Grant)	0.000	0.000	0.000
Other Gov. grants (Services Grant)	2.324	2.324	0.000
Social Care Grant	25.101	25.101	0.000
CNFR - PFI grant	11.882	11.882	0.000
Focused Families	0.825	0.825	0.000
Other smaller Grants	0.620	0.620	0.000
NNDR funding	90.822	90.822	0.000
Collection fund surplus/(deficit) - NNDR	(6.807)	(6.807)	0.000
Council tax – excluding parish element	152.883	152.883	0.000
Collection fund surplus/(deficit) - Council Tax	(0.930)	(0.930)	0.000
Use of /(contribution to) General Fund Balances	0.000	0.000	0.000
	291.556	291.556	0.000

NNDR Funding (Business Rates)

- 5.2 The amount of NNDR income available to the Council's general fund and taken into account when setting the budget, is based on an estimate made in January preceding the start of the financial year and included in the government return NNDR 1 (i.e. January 2023 for the 2023-24 Financial Year). The estimate of business rate income, reported in the government return NNDR 1, also determines how much the Council must pay to central government and the Cumbria Police, Fire and Crime Commissioner during the course of the year.
- 5.3 Although the NNDR1 return fixes a significant portion of NNDR income available to the Council's General Fund for the financial year, it does not fix:
- the grant it receives from central government to compensate for certain business rate reliefs (section 31 grant)
 - the balance of amount payable or receivable in respect of the preceding years disregarded income (renewable energy and designated areas disregarded income reconciliation adjustments).
- 5.4 The composition of funding available from business rates in 2022-23, including related s31 grants is summarised in table 13:

Table 13 - Composition of NNDR (Business Rates) Funding

Funding element	Original Budget £m	Projected Outturn £m	Variance £m
Fixed Elements:			
Cumberland share of NNDR Income	51.956	51.956	0.000
Amounts retained in respect of Designated Areas	0.289	0.289	0.000
Amounts retained in respect of renewable energy schemes	1.238	1.238	0.000
Qualifying relief in Designated Areas	0.182	0.182	0.000
Net top-up (tariff) payable to Central Government	12.208	12.208	0.000
Share of estimated collection fund surplus/(deficit)	(6.807)	(6.807)	0.000
Total 'Fixed' element of NNDR income	59.066	59.066	0.000
Variable Elements:			
Recon adj. re PY disregarded income - Designated areas	(0.007)	(0.007)	0.000
Recon adj. re PY disregarded income - Renewable Energy	0.021	0.021	0.000
Section 31 grant	22.420	22.420	0.000
Total Variable element of NNDR income	22.434	22.434	0.000
Total Fixed & Variable Elements	81.500	81.500	0.000
Transfer from Earmarked Reserves (2022-23 s31 Grant)	1.915	1.915	0.000
Transfer From Other Earmarked Reserves	0.600	0.600	0.000
NNDR income	84.015	84.015	0.000

5.5 A review of the variable components of NNDR income will be completed during quarter 2.

6. Impact on General Fund and Earmarked Reserve Balances

6.1 The impact of current budget forecasts on the Council's General Fund and Earmarked Reserve balances is summarised in the following table:

Table 14 - Forecast movement on General and Earmarked Reserve Balances

	General Fund (GF) ³ £m	Earmarked Reserves £m	Schools Reserves £m	DSG Adj. Unusable £m
Opening Balances April 2023	28.350	80.426	4.806	(12.290)
Transfers to/(from) Reserves:				
Release of Earmarked Reserves to GF	-	-	-	
Use for capital programme ¹	(0.129)	(1.400)	-	-
Planned use to support Revenue Budget	(11.723)	-	-	-
Unplanned use to support Revenue Budget ²	(17.514)	-	-	-
Planned contributions to Earmarked Reserves	-	1.649	-	-
Additional Use of Earmarked Reserves	-	(2.569)	-	-
Requested (unplanned) contributions to Earmarked Reserves	-	-	-	-
Transfer to General Fund Reserve - 2023-24 surplus	-	-	-	-
Transfer from Earmarked Reserve - 2022-23 s31 grant	-	(2.515)	-	-
Addition to DSG unusable reserve 2023-24	-	-	-	(1.331)
Movement in maintained school balances	-	--	(4.085)	
Increase/(Decrease) in Balance	(29.366)	(4.835)	(4.085)	(1.331)
Forecast Balance at 31 March 2024	(1.016)	75.591	0.721	(13.621)

¹ excluding amounts included in revenue budget

² Due to time constraints it was not possible to identify, at the time of setting the 2023-24 budget, the precise split in the use of balances between General Fund and Earmarked General Fund Balances. This work will be carried out in 2023-24 as part of the ongoing monitoring and review of earmarked balances

³ Balance includes General Fund Carry-Forward Reserve balance transferred from Carlisle City Council of £1.903m

Schools and Dedicated School Grant (DSG) balances

Dedicated Schools Grant (DSG) Balance

- 6.2 The Council's expenditure on schools is funded primarily by grant monies provided by the Education Funding Agency, the Dedicated Schools Grant (DSG). DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Finance Regulations 2020. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

- 6.3 Regulations effective from 1 April 2020 require that a Schools Budget deficit must be carried forward to be funded from future Dedicated Schools Grant (DSG) income, unless permission is sought from the Secretary of State for Education to fund the deficit from the General Fund. They also require that where a local authority has a deficit on its Schools Budget (i.e. any deficit between the DSG grant and sixth form grant received in year and the schools budget expenditure) relating to its accounts for the financial years 2020-21, 2021-22 and 2022-23, it must not charge that deficit to the general fund, but instead record that deficit in a separate (unusable) reserve account - The Dedicated Schools Grant Adjustment Account. The account also includes any cumulative deficit carried at the end of financial year 2019-20.
- 6.4 The new accounting practice has the effect of separating schools budget deficits from the local authorities' general fund for a period of three financial years. In 2023, the period covered by regulations was extended for a further three years through to 31 March 2026. If in any of the years 2021-22 to 2025-26 there is a surplus on the schools budget i.e. the DSG grant and sixth form grant received exceeds schools budget expenditure, this is not taken to the unusable reserve noted above but should be held from a budgetary perspective as a ring-fenced reserve.
- 6.5 The Dedicated Schools Grant (DSG) budget has a forecast in year overspend of £1.331m at Q1, comprising of a £1.380m overspend on the High Needs Block offset by a forecast underspend of (£0.049m) on Central DSG. The forecast cumulative deficit at 31 March 2024 is therefore £13.621m, comprising of a £17.975m deficit on the High Needs Block offset by a (£4.354m) surplus on the Central DSG.
- 6.6 The table below shows the position on both the Central DSG and High Needs Block (this excludes individual school balances):

Table 15 - DSG Central DSG and High Needs Block forecast outturn

	Central DSG £m	High Needs Block £m	Total
DSG Balance at 31 March 2023	4.305	(16.595)	(12.290)
Forecast (over)/under spends on DSG in 2023-24	0.049	(1.380)	(1.331)
Forecast DSG balance at 31 March 2024	4.354	17.975	13.621

Central DSG

- 6.7 Central DSG reserve is forecast to increase by (£0.049m). There are no key variances. The underspend relates to uncommitted growth funding

High Needs Block

- 6.8 The budget deficit on the High Needs Block is forecast to increase by £1.380m during the financial year 2023-24. Despite increase in the high needs funding element of the DSG grant in 2023-24, the growth in demand for Education Health Care Plans (EHCPs) for children and young people with SEN – both nationally and locally - continues to put pressure on available funding. Provisional data from the disaggregation of Cumbria wide cases show the growth in the proportion of pupils with EHCPs in Cumberland mirrors the national trend. However, with an estimated 2,567 EHPS at the end of Q1, the overall percentage of pupils with EHCPs is higher than both the national rate and the rate for the Authority's nearest statistical neighbours.
- 6.9 The key variances underlying the forecasted High Needs Block deficit (overspend) include:
- **Education, Health and Care plan (EHCP) top-ups for pupils in mainstream schools and Early Years Providers £2.374m overspend;** The forecast overspend is based on current EHCP costs and forecast number of new and amended ECHPs in-year. Since the start of the year there have been amendments to existing EHCPs of £0.148m, payments to PVIs of £0.273m, and new and forecasted new EHCPs based on known children coming through the system totalling £1.797m. 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 £0.199m and pre-existing budget pressures of £0.043m.
 - **Special Schools £0.357m overspend;** The pressure mainly relates to new and amendments to EHCP top-ups since the start of the year of £0.308m. The remaining balance relates to pre-existing budget pressures of £0.049m.
 - **High Needs Invest to Save Initiatives £0.209m overspend;** The forecast overspend relates to the Early Intervention Programme rolled out to Mayfield and James Rennie schools in academic year 2022-23.
 - **Independent Specialist Placements (ISPs) & Other Placements (£0.459m underspend);** The forecast underspend is based on current and known new day ISPs coming through the system. The overall

number of ISPs has reduced by 2 from 52 to 50 as at Q1 and the average full year cost of a day ISP stands at £54,767 (2022-23:£55,758). During Q1 there have been three new placements, four terminated placements and one transfer to a residential placement. The full year forecast for expenditure on day ISPs is £2.792m. Also included within this budget line is forecast EHCP top-ups for children placed in Westmorland & Furness schools of £0.590m, children placed in other local authorities of £0.255m and forecast costs associated with children being educated other than at a school (EOTAS) of £0.544m.

- **Residential placements (£0.472m underspend);** The current forecast underspend is based on existing and known new placements. During Q1 there have been three new placements and one transfer to an independent day placement. At the end of Q1, the overall number of residential placements stood at 19, with an average full year cost of £80,414 (2022-23: £81,345).
- **Post-16 ISPs (£0.265m underspend);** The forecast underspend is based on current and known new placements. At the end of Q1, the overall number of Post-16 ISPs stood at 21 with one new and one ended placement during the first quarter. The average cost of a post-16 ISP at Q1 is £34,314 (2022-23: £34,673).
- **Post-16 Further Education (FE) Colleges (£0.368m);** The forecast includes estimated top-up payments to FE Colleges of £0.546m, other FE education providers of £0.012m and top-ups in mainstream post-16 schools of £0.012m.
- individually non-material variances totalling to a net overspend of £0.004m.

Maintained Schools Balances

- 6.10 Maintained Schools Balances comprise unspent balances of budgets delegated to individual schools. At 1 April 2023 the net surplus balances on maintained schools was (£4.806m). The net surplus balance position represented a decrease of £2.484m from the position as at 31 March 2022. The composition of this balance is summarised in the following table:

Table 16 - Composition of Maintained Schools Balances 1 April 2023

	31.3.22 No.	31.3.22 Value £m	1.4.23 No.	1.4.23 Value £m	2022-23 Change in value £m
Maintained Schools with Surpluses	115	(9.717)	108	(8.010)	1.707
Maintained Schools with Deficits	16	2.427	19	3.204	0.777
Total	131	(7.290)	127	(4.806)	2.484
Other School-Related Balances		0.008		(0.019)	(0.011)
Grand Total	131	(7.282)	127	(4.825)	2.457

- 6.11 During 2022-23, three maintained schools joined academy trusts and one school closed. Based on school budget plans for 2023-24 submitted in May, the net surplus balance for maintained schools is projected to be £(0.721)m as at 31 March 2024. The table below shows a breakdown of these figures separately by surpluses and deficits:

Table 17 - Projected Maintained Schools Balances 31 March 2024

	1.4.23 No.	31.3.23 Value £m	31.3.24 No.	31.3.24 Value £m	2023-24 Change in value £m
Maintained Schools with Surpluses	108	(8.010)	106	(5.208)	2.802
Maintained Schools with Deficits	19	3.204	21	4.487	1.283
Total	127	(4.806)	127	(0.721)	4.085

- 6.12 One school has applied for academy status with a provisional conversion date of 1 November 2023. The net surplus for this school at the end of 31 March 2023 was (£0.256). If the conversion goes ahead this will have a negative impact on the maintained schools' net surplus balance in 2023-24.
- 6.13 Schools that have proposed deficit budget plans are required to submit a deficit recovery plan and regular budget monitoring reports to the finance team for review.
- 6.14 Subsequent to the submission of budget plans by schools, the government have accepted the School Teachers' Review Body recommendations for the 2023-24 teacher pay awards in full, meaning teachers and leaders will receive

a pay award of at least 6.5%. A new Teachers Pay Additional Grant for schools will support them in meeting the costs of the awards and this should have a positive impact on school budgets when they re-submit their updated budget plans in October.

7. Capital budget

- 7.1 Following completion of provisional capital outturn statements for 2022-23, work is now underway to update the capital programme to reflect budget carry forwards and reprofiling of capital expenditure across financial years. Initial forecasts of capital expenditure for the year to March 2024 will be included in the Quarter 2 Finance Report.

8. Treasury Management

- 8.1 Treasury management activities during the period were carried out in accordance with the Council's treasury management and investment strategies and within the limits established by the approved Treasury and Prudential Indicators for 2023-24.
- 8.2 No new external borrowing was undertaken during the three month period ending 30 June 2023.
- 8.3 A more detailed review of treasury management activity during the six months to 30 September 2023, including details of investment and borrowing transactions the Council's investment and loans portfolios, and treasury and prudential indicators (including performance against all forward looking prudential indicators) will be included in the quarter 2 Finance Report.

9. Alternative options considered

- 9.1 Not applicable to this decision/report.

10. Conclusion and reasons for recommendations

- 10.1 The reason for this recommendation is to ensure that members are fully briefed on the Council's financial performance against budget for the period April to June 2023 along with the forecast position to 31 March 2024.
- 10.2 Members are asked to note the contents of this report.

11. Implications

Contribution to the Cumberland Plan Priorities - Sound financial management is essential to successful delivery of the Council's financial plans, achievement of value for money, financial sustainability and the stewardship and safeguarding of public money.

Relevant Risks - Not applicable to this decision/report

Consultation / Engagement - Not applicable to this decision/report.

Legal - There are no legal or governance issues arising from this decision/report.

Finance - Financial issues and implications are included within the main body of this report.

Information Governance - There are no information governance issues arising from this decision/report.

Impact Assessments - Not applicable to this decision/report.

12. Contact details:

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13. Appendices attached to this report - None.

14. Background papers - None.