

# South Lakeland District Council

Cabinet: 7 December 2021

Council: 14 December 2021

## Local Government Reorganisation - Implementation Costs

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**Portfolio:** Finance and Assets Portfolio Holder  
**Report from:** Section 151 Officer  
**Report Author:** Helen Smith – Finance Lead Specialist (Section 151 Officer)  
**Wards:** (All Wards)  
**Forward Plan:** Key Decision included in the Forward Plan as published on 3 August 2021

**Links to Council Plan Priorities:** The establishment of a new Westmorland and Furness Council will impact upon the Council and all its priorities.

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### 1.0 Expected Outcome and Measures of Success

1.1 This report requests resources to fund the implementation costs of Local Government Reorganisation (LGR) within Cumbria by creating 2 new unitary authorities from 1 April 2023.

### 2.0 Recommendation

2.1 It is recommended that Cabinet: -

- (1) note the proposal for a county wide LGR Implementation Reserve;
- (2) delegates approval for the use of the £250,000 budgeted for LGR in 2021/22 to the Chief Executive in consultation with the Leader in order to fund any costs which the Council may incur itself which are outwith the eligibility criteria for the Cumbria Wide Implementation Reserve;
- (3) approve, for recommendation to Council, the establishment of an implementation reserve/budget provision of up to £1.6million, as the Council's contribution to the LGR implementation costs, subject to contributions being approved by all the Cumbrian authorities and subject to the signing of the Memorandum of Understanding;
- (4) approve the use of the General Reserve to create the new LGR implementation reserve;
- (5) authorise the Finance Lead Specialist to pay the contribution (or the appropriate proportion thereof) in (3) to Cumbria County Council in January 2022;
- (6) note the governance arrangements and scheme of delegation regarding the use of the reserve as set out in the report (Paragraph 3.11 and associated appendices); and
- (7) delegate responsibility to the Finance Lead Specialist (Section 151 Officer) following consultation with the Leader, the Portfolio Holder for Finance and

**Assets and the Lead Legal, Governance and Democracy Specialist ( Monitoring Officer), to agree the terms contained within the Memorandum of Understanding, with all the other Cumbrian authorities, for the Implementation Reserve and sign the same.**

**2.2 It is recommended that Council:-**

- (1) approve the establishment of an implementation reserve/budget provision of up to £1.6million, as the Council’s contribution to the LGR implementation costs, subject to contributions being approved by all the Cumbrian authorities; and**
- (2) approve the use of the General Reserve to create the new LGR implementation reserve.**

### **3.0 Background and Proposals**

3.1 Following the Secretary of State’s invitation, of 9th October 2020, to submit proposals on Local Government Reorganisation (LGR) in Cumbria, a consultation on the said proposals was launched which ran for eight weeks and ended on 19th April 2021.

3.2 On 21st July 2021 the outcome of the consultation was announced. Each local authority within Cumbria was notified that, subject to Parliamentary approval, two new unitary authorities would replace the current local government structure in Cumbria, with the Barrow, Eden and South Lakeland areas being a footprint for a new unitary authority covering the east of the County and the Allerdale, Carlisle and Copeland areas being the footprint for a new unitary authority covering the west of the County, effective from 1st April 2023. All six districts and Cumbria County Council will cease to exist in their current format on 31st March 2023.

3.3 The successful East/West proposal which was submitted by Allerdale and Copeland Councils suggested that estimated annual savings of between £19.1m and £31.6m would be achieved and that the transition would require a total one-off investment of between £17.6m and £23.8m

3.4 Following the announcement, the Cumbria Chief Finance Officer’s Group, attended by all S151 Officers of the seven Cumbrian authorities, have undertaken a high-level assessment of the financial impact of LGR and provided some indicative figures for implementation which have also been sense checked against other authorities which have been through the LGR process.

3.5 This report, therefore, provides an update to the indicative cost of implementation. It also covers the establishment of a County Wide LGR Implementation Reserve including governance arrangements, funding proposals and the required scheme of delegation for relevant officers.

3.6 This report does not deal with the costs of transformation nor how these will be shared and funded, nor the level of savings these could generate, as these will be decisions for the new shadow authorities, once established, and will be dealt with at a later date. Some of these costs will be incurred prior to vesting date and so the timing, value and share of any of these costs relating to 2022/23 to be funded by this Council will need to be determined for provision to be included in 2022/23 spending plans.

#### **Costs of Implementation**

3.7 Table 1 sets out the indicative, and high level, budget for implementation of “safe and legal” authorities on 1st April 2023 of £18.920m:

Table 1: Indicative Implementation costs

<b>East/West Unitary Authorities</b>	<b>£</b>
<b>Indicative Implementation Costs</b>	
Implementation	2,266,667
External Support Costs	5,500,000
Internal Programme Management	4,000,000
ICT Costs	4,000,000
<b>Sub- total</b>	<b>15,766,667</b>
Contingency (20%)	3,153,333
<b>Total Estimated Implementation costs</b>	<b>18,920,000</b>

- 3.8 These costs and assumptions will continue to be updated as the financial modelling develops and the workstreams and themes, established by the LGR Programme Board, commence their work, and identify the level of resources required for delivery. It is likely that the spend will be incurred over three financial years (2021/22 – 2023/24) with some costs incurred after vesting day. Work is ongoing to fully understand the legacy position and how this will be supported. For each of the categories of spend above, detailed definitions are being developed in order to ensure consistency of approach for any expenditure incurred; Appendix 1 provides the detail to date.

#### **Implementation Reserve**

- 3.9 It is proposed that a County Wide Implementation Reserve be established, hosted by Cumbria County Council, in order to effectively and efficiently record, manage and monitor spend on the implementation of the new authorities. This is the preferred choice of the LGR Programme Board supported by the Finance and Commercial Programme Board, especially given the level of contribution being made by the County Council.
- 3.10 It is further proposed that all seven Cumbrian authorities contribute to the reserve with the County Council contributing 50% and the remaining 50% split equally between the district authorities. Therefore this Council's contribution will be up to £1.6m. Following approval by the individual authorities, it is proposed that the reserve be established for January 2022 and be utilised in accordance with the governance arrangements set out below and in the associated appendices.

#### **Governance Arrangements of Reserve**

- 3.11 These governance arrangements are to be agreed by each Council through their own relevant arrangements and the following will form part of the delegated requirements:
- 3.11.1 Purpose of Reserve - To provide funds to resource the indicative implementation costs associated with LGR in Cumbria. Appendix 2 sets out more detail on the criteria to be used to determine whether the costs are eligible and are an appropriate charge to the Reserve.
- 3.11.2 Conditions of Use – Once paid over to Cumbria County Council, the management of the Reserve rests with the Senior Responsible Officer(s) (SRO(s)) for LGR. Approval to release funds from the reserve to individual themes and workstream programme boards (allocation being dependent upon their activity and responsibility) can only be given by the SRO(s) (or a suitably appointed alternate officer) via an Officer Decision notice, under delegated powers. A scheme of delegation will need to be established by Cumbria County Council for the use and monitoring of the reserve.

- a) Allocations will be agreed to individual themes and workstream programme boards prior to January 2022 so that they can progress with spend on essential support prior to that date;
- b) Any advance spend incurred by individual authorities prior to January 2022 will be funded by each authority and recorded as such until such time that the collective reserve is established and the costs be fully charged against the reserve through a net payment being made after appropriate deductions (hence the reference to proportions in the recommendations);
- c) Throughout the transition process, and the use of the reserve for the programme delivery, compliance with relevant procurement legislation will be required and adherence to the County Council's internal governance arrangements post January 2022; and
- d) Individual spending and virement limits will be detailed in the scheme of delegation.

3.11.3 Monitoring of the Reserve – Spending delegations will be made to the individual Workstream Sponsors as set out in the draft Scheme of delegation, with monthly reporting of spend to the LGR Programme Board via the Finance and Commercial Programme Board. From the January 2022 a regular report on a monthly basis will be taken to the Programme Board group of commitments and actual expenditure against the Implementation Reserve as a whole and against individual budgets. These will come from the individual Boards for the themes and workstreams. These reports will also be made available to each individual authority.

3.11.4 A Memorandum of Understanding (MOU) will need to be prepared, agreed and signed by all the Cumbrian Councils which will set out clear roles and responsibilities in relation to the Implementation Reserve and delegations in this respect are sought. This MOU will reflect the principles as set out in this report and associated appendices.

3.11.5 At the end of the programme any Implementation Reserve not utilised will be equally allocated to the two new Unitary authorities. This will be as part of the initial establishment of the Unitary authorities with one Unitary hosting the ring-fenced reserve initially until all commitments and expenditure have been fully accounted for. It is expected implementation costs will continue to be incurred after vesting day.

3.11.6 There will need to be formal secondment mechanisms for staff who will become part of the programme to enable appropriate costs to be covered so that host authorities' budgets can then fund any backfill arrangements.

3.11.7 The accounting treatment of the reserve for the 2021/22-year end accounts is being considered to ensure that all authorities comply with relevant accounting standards and generally accepted accounting practice. This will form part of the outturn reports and Statement of Accounts for 2021/22 and 2022/23 as presented to Members.

### **Funding Proposals**

3.12 Individual authorities will need to identify a funding source whether this be via a review of general and earmarked reserves, the submission of a capitalisation direction to DLUHC (utilising capital receipts and/or prudential borrowing) and/or alternative sources of funding.

3.13 For South Lakeland District Council it is proposed part of the Council's General Reserve is transferred to create the new LGR Implementation Reserve.

Appendix No.	Name of Appendix
1	Categories of Spend (draft)
2	Eligibility Criteria (draft)

## 5.0 Consultation

5.1 Proposals have been prepared collectively by the Chief Finance Officers of each of the seven local authorities in Cumbria. Each of the seven local authorities will be asked to consider and approve the proposals for the implementation reserve.

## 6.0 Alternative Options

6.1 Proposals reflect best and most practical option to deliver programme at this stage and will be refined as the programme moves forward.

## 7.0 Implications

### Financial, Resources and Procurement

7.1 It is necessary to identify £1.6million to ensure that funds are available to support the implementation work, as set out in this report. A review of earmarked reserves is being carried out by the S151 Officer as part of budget preparation but it is proposed that the General Reserve be used initially to fund the Council's contribution.

### Human Resources

7.2 This report has no direct human resources implications.

### Legal

7.3 It is necessary to have sufficient funding to deliver LGR. It is also appropriate that there are relevant checks and controls on the use of the Council's funds and these are to be put in place via the Memorandum of Understanding (MOU) and the Scheme of Delegation referred to in the report. Legal advice will be provided at the appropriate time and when decisions are required. The approval is subject to the MOU being in place. The relationship between this approval and the delegations and the role of the Joint Committee and Shadow Authority will require further advice and consideration by all Councils.

### Health and Sustainability Impact Assessment

7.4 Have you completed a Health and Sustainability Impact Assessment? No

7.5 If you have not completed an Impact Assessment, please explain your reasons: this is a request for funding and does not directly services or service provision.

7.6 Summary of Health and Sustainability Impacts

		Positive	Neutral	Negative	Unknown
<b>Environment and Health</b>	Greenhouse gases emissions				x
	Air Quality				x
	Biodiversity				x
	Impacts of Climate Change				x

	Reduced or zero requirement for energy, building space, materials or travel				X
	Active Travel				X
<b>Economy and Culture</b>	Inclusive and sustainable development				X
	Jobs and levels of pay				X
	Healthier high streets				X
	Culture, creativity and heritage				X
<b>Housing and Communities</b>	Standard of housing				X
	Access to housing				X
	Crime				X
	Social connectedness				X

### Equality and Diversity

7.7 Have you completed an Equality Impact Analysis? No

7.8 If you have not completed an Impact Analysis, please explain your reasons: this is a request for funding and does not directly services or service provision.

7.9 Summary of Equality and Diversity impacts

<b>Please indicate: P = Positive impact; 0 = Neutral; N = Negative; Enter "X"</b>					
<b>Age</b>	<b>P</b>		<b>0</b>	X	<b>N</b>
<b>Disability</b>	<b>P</b>		<b>0</b>	X	<b>N</b>
<b>Gender reassignment (transgender)</b>	<b>P</b>		<b>0</b>	X	<b>N</b>
<b>Marriage &amp; civil partnership</b>	<b>P</b>		<b>0</b>	X	<b>N</b>
<b>Pregnancy &amp; maternity</b>	<b>P</b>		<b>0</b>	X	<b>N</b>
<b>Race/ethnicity</b>	<b>P</b>		<b>0</b>	X	<b>N</b>
<b>Religion or belief</b>	<b>P</b>		<b>0</b>	X	<b>N</b>
<b>Sex/gender</b>	<b>P</b>		<b>0</b>	X	<b>N</b>
<b>Sexual orientation</b>	<b>P</b>		<b>0</b>	X	<b>N</b>
<b>Armed forces families</b>	<b>P</b>		<b>0</b>	X	<b>N</b>
<b>Rurality</b>	<b>P</b>		<b>0</b>	X	<b>N</b>
<b>Socio-economic disadvantage</b>	<b>P</b>		<b>0</b>	X	<b>N</b>

<b>Risk Management</b>	<b>Consequence</b>	<b>Controls required</b>
The estimated costs are only indicative at this stage and the position will continue to be updated as the financial modelling develops and the workstreams and themes, established by the LGR Programme Board, commence their work, and identify the level of resources required for delivery.	There is a risk that more resources may be required.	By having a collective reserve which is managed and monitored centrally in line with approved delegations and robust governance arrangements, this risk will be mitigated.
Spend is not managed effectively		By having a collective reserve which is managed and monitored centrally in line with approved delegations and robust governance arrangements, this risk will be mitigated.

### Contact Officers

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### Background Documents Available

<b>Name of Background document</b>	<b>Where it is available</b>
Proposal for two unitary councils from Allerdale and Copeland Borough Councils	<a href="https://tinyurl.com/7ntyamaw">https://tinyurl.com/7ntyamaw</a>

### Tracking Information

<b>Signed off by</b>	<b>Date sent</b>	<b>Date Signed off</b>
Section 151 Officer	26/11/2021	Report from the S151 Officer
Monitoring Officer	26/11/2021	29/11/2021
CMT	26/11/2021	26/11/2021

<b>Circulated to</b>	<b>Date sent</b>
Lead Specialist	N/A
Human Resources Lead Specialist	N/A
Communications Team	26/11/2021
Leader	N/A
Committee Chairman	N/A
Portfolio Holder	26/11/2021
Ward Councillor(s)	N/A
Committee	N/A
Executive (Cabinet)	07/12/2021
Council	14/12/2021