

Report to the Cabinet

Meeting to be held on Thursday, 5 October 2023

Report of the Director of Finance

Part I

Electoral Division affected:
(All Divisions);

Corporate Priorities:
Delivering better services;

Money Matters 2023/24 Position - Quarter 1

(Appendices 'A' - 'B' refer)

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Brief Summary

This report provides an update to Cabinet on the county council's 2023/24 revenue and capital financial position, as at the end of June 2023.

The Quarter 1 monitoring position contains assumptions relating to demand levels across a number of services such as social care and waste management, which at this stage in the financial year are difficult to predict.

Whilst an overspend is forecast across the revenue budget, activity is ongoing to find offsetting reductions to achieve a balanced final outturn position.

In February 2023 an indicative Capital Delivery Programme of £239.859m was agreed by Full Council. As normal the delivery programme figure has been revisited following confirmation of the final 2022/23 capital outturn position and subsequently approved additions and re-profiling of the programme have decreased the in-year programme to £151.796m. This figure will form the basis of the capital programme monitoring throughout the financial year. The report includes details of spend to date across the programme, with a forecast position for Quarter 2 to be reported to a future Cabinet meeting.

In summary:

- (i) The 2023/24 revenue forecast outturn is £1,046.675m, representing a projected overspend of £7.629m (0.73%) of the agreed budget.



- (ii) The 2023/24 amended programme is £153.796m with expenditure to date totalling £51.501m, which is c33% of the total delivery programme.

Recommendation

Cabinet is asked to:

- (i) **Note** the current forecast overspend of £7.629m on the revenue budget in 2023/24.
- (ii) **Note** the revised 2023/24 capital programme of £153.796m.

Detail

2023/24 Revenue Position as at 30th June 2023 (Appendix 'A')

The budget monitoring process for Quarter 1 was undertaken following the completion of the 2022/23 outturn position. A review of all budgets, including demand levels, costs to date, income levels and savings delivery are all reviewed as part of the process. The first draft position resulted in a forecast of a c£18m overspend for the 2023/24 financial year.

Service Area	Net Budget	Net Forecast Outturn	Net Forecast Variance
	£m	£m	£m
Adult Services and Health & Wellbeing	446.490	453.003	6.513
Education & Children's Services	250.549	258.677	8.128
Growth, Environment & Transport	171.297	174.665	3.368
Resources & Chief Executive Services	170.710	170.652	-0.058
Grand Total	1,039.046	1,056.997	17.951

The Executive Management Team with support from Finance identified a number of actions to improve the forecast position. The following amendments (mitigations) were agreed to be included within the Quarter 1 budget monitoring forecast:

- Use of Contain Outbreak Management Fund Grant to support expenditure across a number of services aimed at addressing the impact of Covid and the health inequalities arising from it (£2m).
- Identification of a number of management actions that can be taken to reduce costs, including a reduction of £1m in the contribution to the Insurance Provision (c£2.3m).
- Use of the transitional reserve to fund the additional cost of the pay award from the 2023/24 budget set in February 2023 (c£6m).



Following these adjustments an overspend of £7.6m is now being forecast for 2023/24 as shown in the table below:

Service Area	Net Budget	Net Forecast Outturn	Net Forecast Variance	Net Forecast Variance
	£m	£m	£m	%
Adult Services and Health & Wellbeing	446.490	450.126	3.636	0.81%
Education & Children's Services	250.549	255.576	5.027	2.01%
Growth, Environment & Transport	171.297	173.479	2.182	1.27%
Resources & Chief Executive Services	170.710	167.494	-3.216	-1.88%
Grand Total	1,039.046	1,046.675	7.629	0.73%

The forecast revenue overspend of £7.629m represents a variance of 0.73% against the overall revenue budget of £1,039.046m. The forecast outturn position is subject to a number of assumptions around the anticipated profile of expenditure for the rest of the year which, as always, is difficult to predict in some demand led budget areas. The detailed report (Appendix 'A') identifies those areas where forecast pressures exist and which are subject to detailed reviews designed to reduce costs. The focus will remain on continuing to tightly control and drive down costs wherever possible.

This forecast takes into consideration the latest pay offer from The National Employers for local government services of, an increase of £1,925 on all National Joint Council from scale points 1 – 43 and 3.88% on scale point 44 and above). As detailed above, this has been funded from the Transitional Reserve as part of the forecast position.

The key variances relate to demand led areas such as home to school transport, and commissioned services across adult and children's social care. These overspends are offset partially by additional income from both grants and other income streams (such as direct payment clawback). Some aspects of particularly overspending areas were evident as part of the 2022/23 outturn position and will be reviewed to determine whether an adjustment needs to be made to the medium-term financial strategy.

Chief Finance Officer Commentary

This report sets out the Council's current year position which like most other Councils across the country is a challenging position. Members will have seen news stories of Councils in very difficult circumstances and a number issuing S114 notices. Whilst Lancashire has a projected overspend it is not in this territory and has plans to mitigate current overspends.

That said, the Council is not in a position to be complacent about finances, and as the report sets out the Council continues to focus on financial management alongside delivering quality services to residents.

In this year we continue to see pressures on inflation and pay awards (that were above what was expected when the budget was set) and significant increases in some of the demand led services (e.g. home to school transport).



A number of mitigations have been put in place that bring the possible overspend down from £18m to the estimated £7.6m. Action plans are being developed for the areas projecting significant overspends and the aspiration, whilst challenging, is to deliver a balanced budget by year end.

The management of the Council's finances in the current climate requires continued focus from all budget holders.

Each Executive Director has provided a summary of financial performance for their areas of responsibility in the following sections.

Executive Director of Adult Services and Health and Wellbeing

Adult Services has been applying a number of measures to ensure there is robust and effective budget management. This includes oversight via the Directorate Finance Board, identifying accountable Directors and Heads of Services for savings proposals, and exploring all opportunities with the NHS for cost sharing.

The trend and risk in managing the Adult Services budget continues to be around balancing overspends in care packages and underspends in staffing. The latter, poses the service with challenges in terms of recruitment and retention, quality and consistency and for residents longer waiting times for support, which is an ongoing priority to address.

We know our service has a high comparator cost to other county authorities and as a result, a lot of our action is focused on implementing a strength-based practice model, a new procurement system to reduce the cost for homecare, introducing a new financial scheme of delegation to ensure tighter financial controls and identifying where support offered by the voluntary, community and faith sector can replace more costly, specialist social care support.

We continue discussions with the District Council Chief Executives and our Public Health teams within the council and NHS to agree where preventative approaches can be effective to supporting improved health and wellbeing.

Our public health grant team is also undertaking a best value assessment of all our public health programmes with an aim to address the inflation of our contractual spend and the increasing staff costs in some of our providers due to the changes agreed for those under the NHS agenda for change contracts nationally.

Executive Director of Education and Children's Services

The Directorate's Leadership Team continues to focus on strengthening financial management and ensuring the robust decision making is in place before committing to significant spend. For example, all high cost and same day placements are subject to an approval process that brings Heads of Service together with the Director of Children's Social Care to discuss alternative options for these children. Strengthened oversight and challenge has also been applied to payments for support and assistance to families, helping to ensure that universal service offers have been fully considered before incurring additional spend. Where traded service income has fallen, an element of consequent overspend is being offset by holding vacancies and options to expand to markets beyond Lancashire are being considered.



Moving forward, we will continue to focus on addressing the challenges around sufficiency of homes, both fostering and residential, for children in our care, and in our focus on sustaining reductions of new entrants in to care through approaches such as Family Safeguarding and strengthening our multi-agency support for children and young people at risk of/being exploited. These, together with offset from underspends across the Directorate and bringing forward future savings options, will help to reduce financial pressures within the Education and Children's Services budget.

Executive Director of Growth, Environment, Transport and Community Services

At Quarter 1 the forecast budget performance for 2023/24 in Growth, Environment and Transport is currently a net overspend of 1.27% and the leadership and management teams are focused on its reduction. The 2022/23 outturn saw a new in-year pressure of circa £5m primarily from increases in the costs of home to school transport, including demand-led pressures felt nationally. With no change to the base budget in a challenging financial context, this increasing pressure continues into the 23/24 forecast. A 50% reduction in that pressure for example would potentially balance the directorate's overall budget and a special cross directorate project team working closely with Education and Children's Services has been put in place to focus on options for an action plan to reduce spend in that key area.

Elsewhere across the three core departments, budget is closer to expected performance at this stage in the year with underspends, other than home to school transport, outperforming overspends. In Highways and Transport (and Waste) sound budget management together with improved income projections from recycled materials, developers, utility companies total c£5m. In year costs and under recovery of charges reduces the net position. The national focus on increasing bus patronage, including associated funding, offsets some charges that would otherwise be increased and also means there is some planned investment of savings into bus services.

In Growth and Regeneration changes such as the integration of the Local Enterprise Partnership following a national decision to transfer responsibilities to upper tier local authorities, together with structural and company changes relative to previous budget years have created interim in year budget pressures. Nevertheless, these are forecast to resolve over the medium term. The net position is balanced by budget management in other areas such as Strategic Development.

Finally as a relatively new department with a comparably smaller but growing budget, Environment and Planning is forecast to manage spend and balance its budget based on the Quarter 1 position and forecast. As a new department Environment and Planning is receiving new funding (both capital and revenue) including from Government funds to deliver an increased focus on active and sustainable travel, electric vehicle infrastructure, nature recovery, tree planting and levelling up. The challenge is to grow the department sustainably, including recruiting new posts, within the available spending envelope.



Executive Director of Resources

The Resources directorate shows an underspend of £3m, however this is after making a number of adjustments to spending plans in recognition of the spending challenges facing the council in the current year.

The directorate continues to have staffing underspends as a consequence of recruitment issues to a number of vacancies across the services.

Some of the key areas of focus for officers in the current year include:

- Digital Services where the increased costs of oracle licences post go live are reflected for one year only before they are included in the council's wider budget planning process for 2024/25.
- Catering services are predicting an overspend as a consequence of pay and food inflation. A recovery plan has been developed for this service area and will bring the service into a surplus position in the 2024/25 financial year given some changes can only be made on an academic year basis as the customers are schools.
- The Coroners service is still continuing to see an increase in its costs which to a large extent are outside of the control of the Council.

Within the directorate we are reviewing all budgets and income sources during the coming months in light of the financial challenges facing the Council.

Despite the capacity challenges facing the Directorate we continue to develop initiatives that will drive forward the Council's agenda. Developments include a redesigned Change Programme, People Strategy including Recruitment and Retention, Business Planning and improved Performance Management.

2023/24 Capital Programme (Appendix 'B')

In February 2023 an indicative Capital Delivery Programme of £239.859m was agreed by Full Council. As normal the delivery programme figure has been revisited following confirmation of the final 2022/23 capital outturn position and subsequently approved additions and re-profiling of the programme have decreased the in-year programme to £151.796m. This figure will form the basis of the capital programme monitoring throughout the financial year.

The project and programme managers will be held accountable using the following actions:

- Detailed monitoring of the delivery programme throughout 2023/24 to ensure variances are reported in a timely manner and a robust level of challenge is provided to programme and project managers to ensure delivery remains on track.
- Monitoring of projects to measure the ongoing effect of price increases between project design and project delivery.



- Performance reports developed to enable the capital board to undertake this monitoring and challenge.

The Quarter 2 monitoring position will be reported to Cabinet at a future meeting.

Appendices

Appendices 'A' - 'B' are attached to this report. For clarification they are summarised below and referenced at relevant points within this report.

Appendix	Title
Appendix 'A'	2023/24 Quarter 1 Revenue Monitoring
Appendix 'B'	2023/24 Capital Programme

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Risk management

The county council's overall approach to managing financial risks continues to be to identify and acknowledge risks early and build their impact into financial plans while continuing to develop strategies which will minimise their impact. This approach operates in parallel with the identification and setting aside of sufficient resources to manage the financial impact of the change risks facing the organisation.

The financial risks and opportunities that could affect the position outlined in the report primarily cover the following areas. Many of these risks equally present opportunities:

Demand

There is continued pressure on the council's budget, particularly around adult and children's social care and also home to school transport, and the most up to date demand forecasts have been included within the Quarter 1 position. Any increase in demand above the current forecast will add additional pressure to the reported overspend. Services and finance are closely monitoring levels of demand and the costs of placements, with services working hard to reduce demand pressures whilst also meeting the needs to service users.

Inflation

Whilst inflation has been built into the 2023/24 budget, in some cases this is presenting a pressure as the level of inflation in the final quarter of 2022/23 remained higher than anticipated. Inflation continues to be closely monitored across all services in addition to cost of living related issues that could impact on costs of delivering some services.



Savings Delivery

The 2023/24 budget that agreed savings including those delayed from previous financial years will be delivered in 2023/24. There are also a significant number of other factors, both internal and external, which may impact upon delivery, and these will need to be clearly identified and either minimised or optimised as appropriate. In instances where savings are delayed, it is expected that mitigations are identified and delivered by services to nullify the impact on the in-year monitoring position.

Legal

Matters referred to in this financial forecast will be subject to council consideration where appropriate.

List of Background Papers

Paper	Date	Contact/Tel
None		
Reason for inclusion in Part II, if appropriate		
N/A		

