

## **Report to the Cabinet**

Meeting to be held on Thursday, 7 December 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 2**

(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 September 2023.

The Quarter 2 monitoring position contains assumptions relating to demand levels across a number of services such as social care and waste management, which continue to be volatile, however as we are at the halfway point in the financial year we are able to forecast with a greater level of confidence compared to Quarter 1.

Whilst a small overspend of £5.9m (0.57% of the budget) is still forecast on the revenue budget, the overspend has reduced by £1.7m from the position reported at Quarter 1 and activity is ongoing to find offsetting reductions to achieve a more balanced final outturn position.

In February 2023 an indicative Capital Delivery Programme of £239.859m was agreed at the Full Council budget meeting. This delivery programme figure was revisited following confirmation of the final 2022/23 programme and along with subsequently approved additions and re-profiling of the programme now stands at £156.713m. This figure will form the basis of the capital programme monitoring throughout the rest of the financial year. The forecast position at Quarter 2 is an overspend of £0.953m primarily the result of a small amount of earlier than planned delivery on agreed schemes and not overspends on projects.

In summary:

- (i) The 2023/24 revenue forecast outturn is £1044.949m, representing a projected overspend of £5.903m (0.57%) of the agreed budget.
- (ii) The 2023/24 amended programme is £156.713m with expenditure to date totalling £94.940m, which is c61% of the total delivery programme.

### Recommendation

Cabinet is asked to:

- (i) **Review and agree** the current forecast overspend of £5.903m on the revenue budget in 2023/24.
- (ii) **Review and agree** the current forecast spend on the capital programme of £157.666m.

### Detail

#### **2023/24 Revenue Position as at 30<sup>th</sup> September 2023 (Appendix 'A')**

The budget monitoring process for Quarter 2 was undertaken building upon the detailed work completed as part of the Quarter 1 position which included a review of the 2022/23 outturn variances. A review of all budgets, including demand levels, costs to date, income levels and savings delivery are all reviewed as part of the process.

An overspend of £5.9m is forecast for 2023/24 as shown in the table below:

Service Area	Net Budget	Net Forecast Outturn	Net Forecast Variance	Net Forecast Variance	Q1 Forecast Variance
	£m	£m	£m	%	£m
Adult Services and Health & Wellbeing	446.426	448.587	2.161	0.48%	3.636
Education & Children's Services	250.539	256.346	5.807	2.32%	5.027
Growth, Environment & Transport	171.297	173.955	2.657	1.55%	2.182
Resources & Chief Executive Services	170.783	166.061	-4.722	-2.76%	-3.216
<b>Grand Total</b>	<b>1,039.046</b>	<b>1,044.949</b>	<b>5.903</b>	<b>0.57%</b>	<b>7.629</b>

The forecast revenue overspend of £5.903m represents a variance of 0.57% 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 including the identification of offsetting cost reductions.



The key overspending areas remain in relation to demand led areas such as home to school transport, and children's social care. These overspends are offset partially by additional income from both grants and other income streams. 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.

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).

This is the second report for this financial year and the projected overspend has reduced from £7.6m to £5.9m. Within this estimate it is important to note:

- This projection contains a number of estimates and mitigating actions put in place by officers and could of course alter prior to the year end.
- The current year's budget also requires the delivery of £80m of approved saving plans and it is important officers continue to focus on the delivery of these.
- All officers will continue to review spending plans and commitments in view of the current year financial position.

It is encouraging to note that as part of the first financial report a number of areas of overspend and savings delivery pressures were noted and action and mitigation plans have been produced (eg School Catering and Adult Services) to avoid this becoming a continuing financial problem in future years.

Senior officers in the Council continue to make this a priority area of activity and 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. The approach is having a positive impact on the average weekly cost of new placements in residential homes but is in the context of an increasing number of young people with more complex needs needing homes. 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 and Transport**

At Quarter 2 the forecast budget performance for 2023/24 in Growth, Environment and Transport is currently a net overspend of 1.55%. Leadership and management teams have made improvements in budget performance in a number of areas, however this net overspend represents a 0.28% increase on Quarter 1 primarily due to the scale of increasing costs associated with home to school transport where the forecast in year pressure has increased to £6.4m.

Studies have shown how the scale and pace of rising costs and demand for home to school transport are now an area of very significant concern for local government nationally. In particular, large counties and rural areas like Lancashire account for the majority of home to school spend, despite holding comparatively less school-age population, meaning the per capita burden of expenditure in counties is disproportionately high compared to other local authorities. The key factors driving these budget pressures are a 'perfect storm' of increasing demand and costs



including rising numbers of children and vulnerable young people requiring transport; increased journey length linked to capacity in (special) schools; and the impact of inflation, market conditions and higher cost forms of transport.

With no change to the base budget for 2023/24 (as this pressure emerged during the later part of the 2022/23 financial year), in a challenging financial context, this increasing pressure continues into the 23/24 forecast. Efforts elsewhere to manage the budget in Growth, Environment and Transport mean a 34% reduction in the home to school transport pressure would be required to potentially balance the directorate's overall budget. A special cross directorate project team established in Quarter 1 continues to focus on options for an action plan to manage demand and spend to inform overall budget direction.

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, continuing to outperform overspends. In Highways and Transport, sound budget management together with income projections from developers, utility companies continue to result in a significant forecast underspend. Waste Management continues to forecast a positive outturn figure but income from recycled materials remains under close review due to the risk of volatile prices driven by market conditions.

In Growth and Regeneration, integration of the Local Enterprise Partnership continues with structural and company changes relative to previous budget years continuing to generate some interim in-year budget pressures. Nevertheless, these continue to forecast to resolve over the medium term. The net position is balanced by budget management in other areas such as Strategic Development.

Environment and Planning is forecast to manage spend and broadly balance its budget whilst growing the new department sustainably within the available spending envelope.

### **Executive Director of Resources**

The Resources directorate shows an underspend of £3m which is similar to the previously reported position.

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 are outside of the control of the Council.

The Directorate is seeing some areas of underspend which are in part due to the inflationary increases in costs borne by the Council being not as high as estimated earlier.

Within the directorate we continue to review budgets and income 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 at the Full Council budget meeting. This delivery programme figure was revisited following confirmation of the final 2022/23 slipped delivery figures and along with subsequently approved additions and re-profiling of the programme have decreased the in-year programme to £156.713m. This figure will form the basis of the capital programme monitoring throughout the rest of the financial year. The forecast position at Quarter 2 is an overspend of £0.953m primarily the result of a small amount of earlier than planned delivery on agreed schemes and not overspends on projects.

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.
- Use of the budgetary control facilities in the new Oracle Fusion system.
- Monitoring of projects to measure the on-going 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 3 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 2 Revenue Monitoring
Appendix 'B'	2023/24 Capital Financial Position

### 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 2 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
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None

Reason for inclusion in Part II, if appropriate

N/A

