

Report to the Cabinet

Meeting to be held on Thursday, 8 February 2024

Report of the Director of Finance

Part I

Electoral Division affected:
(All Divisions);

Corporate Priorities:
Delivering better services;

Money Matters 2023/24 Position - Quarter 3

(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 November 2023.

The forecast outturn position is based on activity and expenditure and income levels up to the end of November 2023, with assumptions made as to the levels expected in the final quarter of the financial year. This is particularly difficult to predict with accuracy across adult social care as demand can fluctuate significantly over the winter period.

Whilst a small overspend of £5.8m (0.56% of the budget) is still forecast on the revenue budget, the overspend position is within £0.1m of the forecast reported for Quarter 2. Whilst there is not a significant change in the forecast overall, there are some significant movements across services, with details outlined in Appendix 'A'.

In February 2023 an indicative Capital Delivery Programme of £239.859m was agreed with Cabinet. This delivery programme figure has been revisited and, following confirmation of the final 2022/23 slipped delivery figures, subsequently approved additions and re-profiling of the programme have decreased the in-year programme to £159.123m. The forecast outturn position at Quarter 3 is spend of £153.148m, a variance of £5.975m (-3.75%). The variance is primarily the product of delayed delivery on some agreed schemes which has been offset where possible through earlier than originally planned delivery on some agreed schemes within the multi-year programme.



In summary:

- (i) The 2023/24 revenue forecast outturn is £1,044.874m, representing a projected overspend of £5.828m (0.56%) of the agreed budget.
- (ii) The 2023/24 amended programme is £159.123m with expenditure to date totalling £117.119m, which is c74% of the total delivery programme.

Recommendation

Cabinet is asked to:

- (i) **Review and agree** the current forecast overspend of £5.828m on the revenue budget in 2023/24.
- (ii) **Review and agree** the current forecast spend on the capital programme of £153.148m.

Detail

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

The budget monitoring process for Quarter 3 was undertaken building upon the position that was reported at Quarter 2. 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 work undertaken on budget monitoring has a very close link to the medium-term financial strategy and the monitoring position is included in considerations when forecasting future year's budgets.

An overspend of £5.8m is forecast for 2023/24 as shown in the table below:

Service Area	Net Budget	Net Forecast Outturn	Net Forecast Variance	Net Forecast Variance	Q2 Forecast Variance	Movement from Q2
	£m	£m	£m	%	£m	£m
Adult Services	449.477	450.223	0.746	0.17%	2.055	-1.310
Education & Children's Services	250.414	255.348	4.934	1.97%	5.807	-0.873
Growth, Environment, Transport & Health	167.947	174.068	6.121	3.64%	2.763	3.358
Resources & Chief Executive Services	171.208	165.236	-5.972	-3.49%	-4.722	-1.250
Grand Total	1,039.046	1,044.874	5.828	0.56%	5.903	-0.075

The forecast revenue overspend of £5.828m represents a variance of 0.56% against the overall revenue budget of £1,039.046m. The forecast outturn position is based on activity and expenditure and income levels up to the end of November 2023, with assumptions made as to the levels expected in the final quarter of the financial year.



This is particularly difficult across adult social care as demand can fluctuate significantly over the winter period.

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 third report for this financial year and the projected overspend has reduced from £7.6m to £5.8m. The position whilst challenging has remained consistent with that reported at second review. 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.
- The estimates include assumptions on receiving income and contributions from partners and other stakeholders.
- All officers will continue to review spending plans and commitments in view of the current year financial position.

It is encouraging to note that earlier in the year a number of areas of overspend and savings delivery pressures were noted and action and mitigation plans have been produced and implemented (e.g. 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

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.

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.

Encouragingly, the impact of our Family Safeguarding approach continues to be successful in reducing the numbers of children in care, and in contributing to reduced pressures on placement budgets. However, we continue to see increases in average weekly costs of agency residential homes and in securing appropriate homes for some children and young people with more complex needs. The first of our recently developed in-house homes has already demonstrated a positive impact in helping to better support children in our care and we are excited to be commencing the registration with Ofsted for the second.

We have continued our focus on reducing managed service and agency staffing teams and are pleased that all managed teams have now ceased and the number of agency staff covering vacant posts has reduced significantly since the end of Quarter 1.

There are continued challenges in reducing payments relating to assistance to families and other support for children in our care. However, we have introduced new procedures which highlight the range of universal services that should be used to support children and families, instead of these funds. We have also established Task and finish groups to identify how costs could be reduced further.

Where traded service income has fallen, an element of consequent overspend continues to be 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 Health

Quarter 3 saw the transfer of Public Health into the Directorate. Public Health is currently performing within budget as are the majority of departments, including some forecast managed underspends. Nevertheless, financial pressures in home to school transport and waste management are such that overall Growth, Environment, Transport and Health continues to forecast a net overspend. Leadership and management continue to focus on mitigation however the significant pressures continue to include some factors outside of the control of budget holders.

Alongside the impact of inflation, actual demand volumes placed on home to school transport (including both numbers of children and total distances travelled) have increased above forecasts, adding a further £2m of cost (c3% of the service's budget). As reported previously, 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. Figures from the County Council Network (CCN) highlight the potential for members to overspend by £650m in 2023/24 of which 20% is attributable to rising demand in transport for SEN pupils. The cross-directorate project teams established in Quarter 1 continue to focus on implementing any mitigation actions that can reverse the budget direction. Mitigation action includes the use of direct funding to parents to reduce third party transport costs which is helping reduce the forecast overspend by up to £1m based on Quarter 3 performance data.

The risk of under-recovery of income from recycled materials, highlighted in Quarter 2, is now considered more likely to materialise and its inclusion contributes to a revised projected c£1m overspend in waste management. Prices for recycled waste on which our income is based are broadly set nationally however they reflect highly volatile market conditions and have continued to see a downturn. Economic risk factors include the ups and downs of international exports linked to demands in the global shipping industry and delays to trade routes carrying recycled materials in containers. Potential service options to mitigate the potential overspend are in development.

Elsewhere across the Directorate, sound budget management and income levels are closer to expected performance at this stage in the year with underspends helping to improve (reduce) the overall forecast overspend by c£1.1m.

Executive Director of Resources

The Resources directorate shows a similar position to Quarter 2 with an increased underspend arising from continued challenges in filling vacancies and holding back one-off expenditure given the Councils overall financial position.

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

- 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. A fundamental review of the ICT applications the council holds, and the licencing arrangements is underway to review costs in this area.



- 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, delivery of a review of property usage.

There a number of additional areas the directorate will wish to move forward to support the council's aspirations going forward and directors are looking at ways of addressing current capacity challenges in supporting these developments – these include enhancing the 'customer experience', and better use if data and intelligence.

Overall, the directorate has a number of one off underspends in the current year which assist the councils overall financial position but also inevitably has an impact on the ability of the directorate to deliver on some key areas – this is an area that is currently being addressed.

2023/24 Capital Programme (Appendix 'B')

In February 2023 an indicative Capital Delivery Programme of £239.859m was agreed with Cabinet. This delivery programme figure has been revisited and, following confirmation of the final 2022/23 slipped delivery figures, subsequently approved additions and re-profiling of the programme have decreased the in-year programme to £159.123m. The forecast outturn position at Quarter 3 is spend of £153.148m, a variance of £5.975m (-3.75%). The variance is primarily the product of delayed delivery on some agreed schemes which has been offset where possible through earlier than originally planned delivery on some agreed schemes within the multi-year programme.

The project and programme managers are 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 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.

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 3 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 3 position. These pressures are being reported by many councils at a national level, with the forecasts included as part of the Quarter 3 position being in line with national trends. Any increase in demand compared to the profile included in the Quarter 3 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

