

# **Money Matters**

## **The County Council's Revenue and Capital Financial Position 2019/20 Outturn**

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<b>Contents</b>	<b>Page</b>
Executive Summary	2
Section A - The 2019/20 Revenue Budget	4
Section B – The 2019/20 Schools Budget	23
Section C – The 2019/20 Capital Programme	27
Section D – County Fund Balance, Reserves, Provisions and Capital Receipts	37
Section E – Conclusion on the County Council's Financial Health	42

## Executive Summary

This report provides details for Cabinet on the County Council's 2019/20 revenue and capital outturn position.

### 2019/20 Revenue Budget

The report outlines the final revenue outturn position whilst also providing a comparison to the last reported position at Quarter 3. The final position at the end of the year is net expenditure of £800.534m, which represents an in year underspend of £1.741m which is 0.22% of the revenue budget.

The revenue position includes a level of support from reserves that had previously been agreed. **In 2019/20 agreed structural reserve funding totalled £10.245m, covering the funding gap, and if this support had not been available then expenditure would have exceeded income by £8.504m.**

The most significant areas of over and underspend in 2019/20 are as follows:

- Adults Social Care Services - **£24.930m overspend** primarily as a result of under delivery of savings and financial support being provided to two of the local Clinical Commissioning Groups.
- Highways and Transport – **£1.656m overspend** as a result of additional demand and price inflation and lower than budgeted income.
- Strategy and Performance – **£2.505m overspend** due to reduced income and higher costs predominantly in the school catering service.
- Treasury Management - **£22.888m underspend** principally due to the sale of gilts and bonds.
- Corporate Budget (Funding and Grants) - **£4.422m underspend** due to a saving as a result of prepaying pension contributions.

The remaining **underspend of £0.039m** was made across a number of services across the County Council.

### 2019/20 Revenue Reserves

In the budget report to Full Council in February 2020 details were provided of the reserves position and the ability to support the revenue budget in future years whilst working towards a sustainable financial position. This indicated that there would be sufficient funds remaining in reserves to support the budget beyond the MTFS period ending 2023/24. The impact of the Covid-19 pandemic on the costs and funding for the authority remain fluid at the time of writing and could have an impact on the sufficiency of reserves in the medium term.

At the end of the financial year, a combination of the revenue underspend, a reduced expenditure from reserves and also the transfer of funds that are no longer required from other reserves has led to an improved position with £151.199m being available in the transitional reserve at the end of 2019/20 for future years; a positive variance of £3.401m. Currently no support is forecast from reserves for the 2020/21 budget,

and following commitments of £2.895m this leaves a forecast of £149.662m available to support the financial gap in 2021/22 and beyond. However, this could vary dependent upon the impacts of the Coronavirus emergency on the council's current and ongoing income and expenditure and the level of additional funding provided by central government. Further uncertainty remains around the likely outcome of the Fair Funding Review and Business Baseline Reset which have been delayed for a further year until 2022/23.

### 2019/20 Capital Programme

The capital programme for 2019/20 totalled £124.886m with the programme delivering an outturn position of £121.382m, resulting in an underspend against budget of £3.504m.

The variance is due to the following:

- |   |         |
|---|---------|
| • Net underspends on completed projects               | £1.790m |
| • Net overspends on completed projects                | £2.881m |
| • Delivery delays and advance delivery (net position) | £4.595m |

The slipped delivery is a mixture of financial delays e.g. for retention amounts where the project is complete; delays due to changes to the work programmed, and delays due to adverse weather and the Coronavirus pandemic which affected the completion or commencement of some projects.

During the first 3 months of 2020/21 a comprehensive review of the delivery programme for 2020/21 is being undertaken in light of the outturn position and any proposed changes to the 2020/21 delivery programme reported back to cabinet as part of the regular money matters reports.

## Section A - The 2019/20 Revenue Budget

### 1. Executive Summary

This section of the report provides an update for Cabinet on the County Council's 2019/20 revenue financial position and contains a comparison to the previously reported financial position as at Quarter 3.

The final position for the end of the year is net expenditure of £800.534m, reflecting an in year underspend of £1.741m which represents 0.22% of the budget.

The revenue position includes a level of support from reserves that has previously been agreed. **In 2019/20 the agreed structural reserve funding totalled £10.245m covering the funding gap, and if this support had not been available then expenditure would have exceeded income by £8.504m.**

Delivery of the savings programme continues to be a key risk area and the savings plans have been subject to detailed and regular scrutiny throughout 2019/20 by the Programme Office and Finance and will continue to be in future financial years. As part of the 2019/20 outturn position £53.275m of budgeted savings were delivered, the most significant savings were in Adults Services £30.744m, Resources £10.178m and Education & Children's Services £7.409m.

The impact of Coronavirus poses a risk to the future financial sustainability of the authority. We will continue to monitor the impacts via our regular monitoring activity updating our forecast outturn and the MTFS as information and guidance changes. We will report this via CMT and in the regular Money Matters updates.

## 2. Revenue Budget Outturn 2019/20 Summary Table

Ref	Service Area	Approved Budget £m	Outturn £m	Outturn Variance £m	Outturn Variance %	Quarter 3 Forecast £m
3.1	Adult Services	340.705	365.635	24.930	7.32%	10.356
3.2	Public Health and Wellbeing	-0.485	-1.175	-0.690	-142.27%	-0.078
3.3	Adult Services and Public Health and Wellbeing	7.416	7.208	-0.208	-2.80%	-0.089
3.4	Education and Children's Services	190.535	191.128	0.593	0.31%	3.484
3.5	Growth, Environment and Planning	4.261	4.145	-0.116	-2.72%	-0.034
3.6	Highways and Transport	126.025	127.681	1.656	1.31%	1.218
3.7	Finance	39.077	38.362	-0.715	-1.83%	-0.550
3.8	Corporate	19.028	18.616	-0.412	-2.17%	0.011
3.9	Strategy and Performance	31.096	33.601	2.505	8.06%	0.967
4.0	Chief Executive Services	44.617	15.333	-29.284	-65.63%	-28.793
	<b>TOTAL</b>	<b>802.275</b>	<b>800.534</b>	<b>-1.741</b>	<b>-0.22%</b>	<b>-13.508</b>

The final outturn position for 2019/20 is net expenditure of £800.534m, reflecting an in year underspend of £1.741m being 0.22% of the budget. The underspend has reduced by £11.767m compared to the position reported to Cabinet as at the end of December 2019.

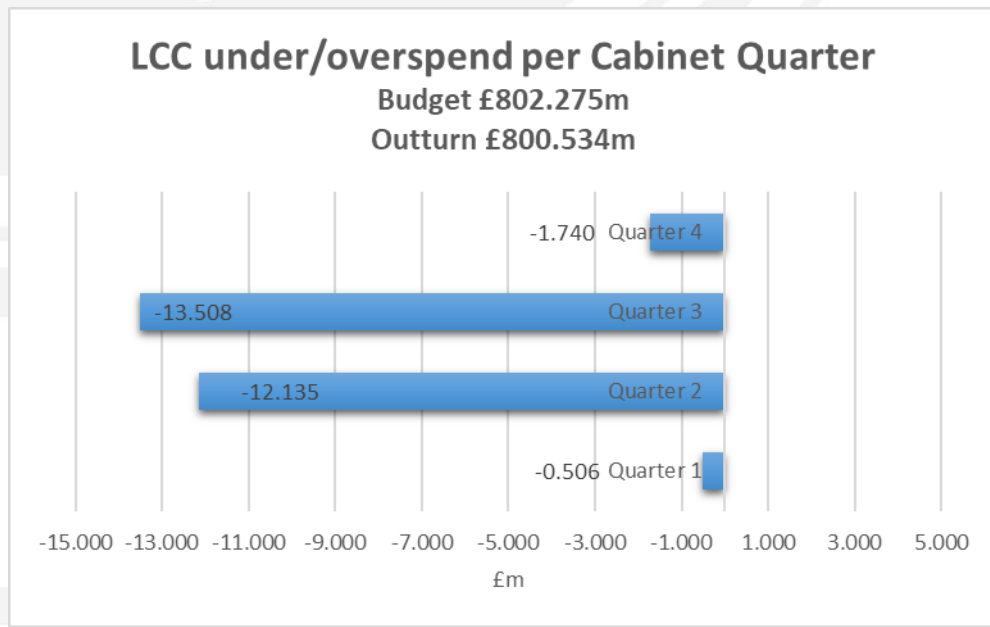
The most significant areas of change compared to the forecast presented to Cabinet at Quarter 3 are:

- The application of an agreed risk sharing agreement covering significant budget pressures for some Clinical Commissioning Groups (CCG's) in areas which have significant overlaps with services within the scope of the pooled Better Care Fund / Improved Better Care Fund (BCF/iBCF) arrangements. The risk share agreement arrangement was still being discussed at the time of the last Money Matters update to Cabinet on 6<sup>th</sup> February 2020. It was noted in that report that the forecast outturn position could change by up to £16m if the risk share agreement was agreed and applied in 2019/20
- An additional one-off contribution of £12.493m was subsequently agreed and made in 2019/20 to support the Central and East CCGs. The additional contribution was to mitigate pressures across the health and social care system in 2019/20 and whilst there is no obligation for this to be repaid by the CCG's in 2020/21, the risk share agreement will remain in place during 2020/21 with any future application being subject to discussion during the year regarding the

relative financial challenges for each of the organisations and the health and social care system as a whole.

- There is an increased overspend across Adult Services, due to additional costs which are partially mitigated by increased income, of £1.350m.
- A decreased overspend across Education and Children's Services of £2.891m due to increased income.
- An increased overspend within Strategy and Performance of £1.538m predominantly within schools catering as a result of a provision for the impacts of the loss of income as a result of school closures in relation to Covid-19 and due to the decision to acquire software from revenue funds rather than reserves.

The graph below shows how the variances have developed over quarterly cabinet reporting during the financial year:





### 3. Revenue Budget Outturn Detailed Analysis

#### 3.1 Adult Services

Ref	Head of Service	Approved Budget £m	Outturn £m	Outturn Variance £m	Outturn Variance %	Quarter 3 Forecast Variance £m
3.1.1	Disability (Adults)	-0.851	-1.383	-0.532	-62.51%	-0.440
3.1.2	Learning Disabilities, Autism & Mental Health	172.856	173.809	0.954	0.55%	-1.180
3.1.3	Older People	-0.387	0.896	1.283	-331.52%	0.686
3.1.4	Social Care Services (Adults)	169.088	192.313	23.225	13.74%	11.290
	<b>Total - Adult Services</b>	<b>340.705</b>	<b>365.635</b>	<b>24.930</b>	<b>7.32%</b>	<b>10.356</b>

The total net approved budget for Adult Services in 2019/20 is £340.705m with the service overspending by £24.930m in this financial year. It must however be noted, that this position includes the application of an agreed risk sharing agreement covering significant budget pressures for some Clinical Commissioning Groups (CCG's) in areas which have significant overlaps with services within the scope of the pooled Better Care Fund / Improved Better Care Fund (BCF/iBCF) arrangements. The risk share agreement arrangement was still being discussed at the time of the last Money Matters update to Cabinet on 6<sup>th</sup> February 2020. It was noted in that report that the forecast outturn position could change by up to £16m if the risk share agreement was agreed and applied in 2019/20

An additional one-off contribution of £12.493m was subsequently agreed and made in 2019/20 to support the Central and East CCGs. The additional contribution was to mitigate pressures across the health and social care system in 2019/20 and whilst there is no obligation for this to be repaid by the CCG's in 2020/21, the risk share agreement will remain in place during 2020/21 with any future application being subject to discussion during the year regarding the relative financial challenges for each of the organisations and the health and social care system as a whole.

Excluding the impact of the risk share agreement the overspend for 2019/20 was £12.437m and increased overspend of £2.081m compared with Quarter 3. The change is due to a number of different variances across this wide ranging budget, but is mainly as a result of increased expenditure on domiciliary and residential care as a result of backdated packages of care and an unforecast increase in catering and cleaning services provided by LCC in house services.

##### 3.1.1 Disability (Adults)

Our in-house disability service has outturned with an underspend of £532,000 predominantly due to staffing underspends. The overall cost of the Disability service for the year was £34.241m which was slightly underspent as noted above.



### **3.1.2 Learning Disabilities, Autism & Mental Health**

Although there is a small overspend (£954,000) in the context of the overall budget of £172.856m reported across our Learning Disability, Autism and Mental Health service, there are a number of variances within this position. The mental health service continue to experience staff turnover and delays in recruitment leading to an underspend of £1.172m with additional underspends in commissioning of £1.339m as a result of lower numbers of service user numbers and the saving liberated by the cessation of the Community Restart element of the LCFT block contract which ended on 31<sup>st</sup> August 2019.

Learning disability services have reported an outturn of £3.465m overspend as a result of additional price and demand of £4.003m, the delay to the sleep-ins saving of £4.903m with these pressures being somewhat mitigated by net additional income predominantly from jointly funded health claims of £4.667m

### **3.1.3 Older People**

Our in-house residential and day care services for older people have continued to face staff pressures during the year which is the predominant reason for the reported overspend of £1.283m. The overall cost of the older peoples service for the year was £24.089m which was £2.057m overspent this was as a result of the staff pressure as mentioned which was somewhat mitigated by some additional income.

### **3.1.4 Social Care Services (Adults)**

The outturn position for social care services for adults has been somewhat skewed by the aforementioned support provided to the wider health and social care sector. The risk sharing agreement in relation to activity covered by the better care fund accounts for £12.493m of the outturn position of £23.225m overspent. The remaining overspend of £10.732m is predominantly as a result of some delayed or undeliverable savings. The savings all relate to different aspects of the passport to independence initiatives which continue to be delivered across adult social care. This programme of work was predicated on enabling people to maintain their independence for as long as possible and reducing the number of residential admissions which are not necessarily a good outcome for individuals. It must be noted that residential and nursing placements are often more costly when compared to other care packages such as domiciliary care and in addition, alternative placements to residential care often provide better outcomes for the service user. The impacts of the delayed or undeliverable savings are as follows:

- A saving of £1.700m has been delayed until 2020/21 in relation to deploying the best practice displayed in localities across all of our community teams
- £6.067m (of which £5.700m has been declared unachievable and added back into the MTFS and £367,000 is delayed until 2020/21) in relation to working with NHS colleagues to reduce inappropriate referrals from hospital to residential care
- A delay until 2020/21 of £3.145m regarding our reablement teams with an overarching aim to maximise the number of existing and potential service users to become as independent as possible and so reduce reliance on formal support and improve quality of Life.

It should be noted that the passport to independence activity has to date been successful in diverting service users away from residential care when leaving acute settings, but less so from community support.

There has been significant progress in diverting service users away from residential placements so to that extent the activity has proved beneficial, the project has delivered savings to the end of 2019/20 of £15.861m with a forecast of savings of a further £2.332m in coming years out of a total planned saving of £23.893m.

The shortfall has occurred as while there has been great success in diverting service users from residential placements, the length of time that this diversion has remained in place has not been as high as originally forecast. Current indicators are that the avoided admission has lasted for 37 weeks against a target of 52 weeks.

As a result of this, the forecast saving has not been achieved in full. However work continues on the other areas of passport to independence programme with the expectation of delivering further savings, all be it delayed.

For example of ongoing activity, the approach to reablement has proved to be effective in ensuring that service users avoided or delayed the need for residential care but we have not been able to reach a challenging target to increase the number of service users supported in this way. Before the Covid emergency, work had begun on addressing this issue and this work will be recommenced when business returns to a more usual footing.

### 3.2 Public Health and Wellbeing

Ref	Head of Service	Approved Budget £m	Outturn £m	Outturn Variance £m	Outturn Variance %	Quarter 3 Forecast Variance £m
3.2.1	Public Health & Wellbeing	-66.103	-66.025	0.078	0.12%	0.037
3.2.2	Health Equity Welfare & Partnerships	61.769	60.875	-0.894	-1.45%	-0.067
3.2.3	Health, Safety & Resilience	0.632	0.367	-0.265	-41.93%	-0.263
3.2.4	Trading Standards and Scientific Services	3.217	3.609	0.392	12.19%	0.215
	<b>Total - Public Health &amp; Wellbeing</b>	<b>-0.485</b>	<b>-1.175</b>	<b>-0.690</b>	<b>-142.27%</b>	<b>-0.078</b>

Public Health and Wellbeing has underspent by £690,000 in 2019/20. The forecast underspend has increased by £612,000 compared to the quarter 3 reported position. This is mainly due to a lower than forecast overspend on the sexual health contract.

### **3.2.1 Public Health & Wellbeing**

This service area has reported an overspend predominantly as a result of agency cost overspends on consultants. This service area reports the ring-fenced public health grant, for which the costs are deployed predominantly in the Health Equity Welfare and Partnerships service. The underlying costs of the service were £539,000 which was a £228,000 underspend.

### **3.2.2 Health Equity Welfare & Partnerships**

The underspend of £894,000 is as a result of variances across a variety of service areas with overspends in Substance Misuse and Home Improvements, being more than offset by underspends in Oral Health, Tobacco and Health Checks and a staffing underspend of £315,000.

### **3.2.3 Health, Safety & Resilience**

An underspend of £265,000 has been delivered as a result of the over achievement of income for health & safety and emergency planning.

### **3.2.4 Trading Standards and Scientific Services**

Trading Standards and Scientific Services has overspent by £392,000 predominantly due to service cost pressures within the environmental testing service.

### 3.3 Policy, Information, Commissioning and Safeguarding

Ref	Head of Service	Approved Budget £m	Outturn £m	Outturn Variance £m	Outturn Variance %	Quarter 3 Forecast Variance £m
3.3.1	Policy, Information and Commissioning Age Well	0.730	0.722	-0.008	-1.10%	-0.002
3.3.2	Policy, Information and Commissioning Live Well	0.656	0.599	-0.057	-8.69%	-0.051
3.3.3	Patient Safety and Quality Improvement	6.030	5.887	-0.143	-2.37%	-0.036
	<b>Total - Policy, Information, Commissioning and Safeguarding</b>	<b>7.416</b>	<b>7.208</b>	<b>-0.208</b>	<b>-2.80%</b>	<b>-0.089</b>

Policy, Information, Commissioning and Safeguarding has underspent by £208,000 in 2019/20. The forecast has improved by £121,000 compared to Quarter 3 figures. The budgets shown in the table above relate to services working across both adult services and public health and wellbeing.

The underspend position is due predominantly to staffing underspends across the constituent service areas.

### 3.4 Education and Children's Services

Ref	Head of Service	Approved Budget £m	Outturn £m	Outturn Variance £m	Outturn Variance %	Quarter 3 Forecast Variance £m
3.4.1	Children's Social Care Localities	101.737	104.668	2.931	2.88%	3.271
3.4.2	Fostering, Adoption, Residential and YOT	30.688	31.395	0.707	2.30%	1.782
3.4.3	Safeguarding, Inspection and Audit	11.993	11.338	-0.655	-5.46%	-0.492
3.4.4	Children And Family Wellbeing Service	15.612	11.234	-4.378	-28.04%	-2.976
3.4.5	Education Improvement 0 - 11 Years	2.666	3.020	0.354	13.28%	0.700
3.4.6	Education Improvement 11+ - 25 Years	2.861	2.992	0.131	4.58%	-0.475
3.4.7	Inclusion	16.693	19.314	2.621	15.70%	2.180
3.4.8	Libraries Museums Culture & Archives	8.789	8.268	-0.521	-5.93%	-0.353
3.4.9	Policy Info & Commission Start Well	0.902	0.929	0.027	2.99%	0.030
3.4.10	Education & Children's Services Central Costs	-1.406	-2.030	-0.624	-44.38%	-0.183
	<b>Total – Education and Children's Services</b>	<b>190.535</b>	<b>191.128</b>	<b>0.593</b>	<b>0.31%</b>	<b>3.484</b>

Children's Services overspent by £593,000 in 2019/20 against a budget of £190.535m. This is a decrease in overspend of £2.891m from the forecast outturn reported to Cabinet at Quarter 3.

**3.4.1 Children's Social Care Localities** is overspent by £2.931m for 2019/20. This is a small decreased overspend compared to Quarter 3. The overspend is due to

overspends on staffing (£3.829m), agency residential and fostering placement costs (£450,000) with offsetting underspends across Special Guardianship Orders and Assistance to Families (£951,000) in addition to other smaller underspends across the service.

Residential placements increased from 292 in March 2019 to 303 in March 2020. Average residential placement costs increased during 2019/20, over and above inflation. Fostering placements decreased from 524 in March 2019 to 501 in March 2020.

Numbers of agency fostering placements have not decreased as expected in line with increases in in-house fostering placements and increases in in-house fostering placements have largely related to connected carers. Work will continue as part of the Children's Services Finance Monitoring Board to review numbers of placements to estimate likely future demand, including the achievement of agreed savings to identify the impact of this on our budget. During the financial year the council was successful in bidding for funding from the DFE to implement the Hertfordshire family safeguarding model which if successful will help to control demand levels and deliver better outcomes for young people and efficiencies for the council.

**3.4.2 Fostering, Adoption, Residential and Youth Offending Team** has overspent by £707,000 in 2019/20 which has decreased from the forecast at Quarter 3 by £1.075m. This largely relates to additional income from the Adoption Support Fund and less in-house foster care allowances than previously forecast.

The service are experiencing underspends across the adoption service of £838,000, predominantly due to an underspend on interagency fees. This is offset by an overspend of £873,000 in the residential in-house provision services mainly due to staff costs resulting from an increase in complex placements and welfare checks. There is also an overspend of £811,000 in the fostering service due to increases in placements (mainly with connected carers) over and above the sum budgeted.

**3.4.3 Safeguarding, Inspection and Audit (SIA)** underspent by £655,000 in 2019/20 and has improved by £163,000 from Quarter 3. The underspend position is predominantly due to staffing underspends.

**3.4.4 Children and Family Wellbeing (CFW)** outturned with an underspend of £4.378m. The service reported underspends of £2.976m to Cabinet at the end of Quarter 3, an additional underspend of £1.402m. This is mainly due to receipt of additional income, and a reduction in both staff and non-staff costs across the service.

The full year variance is predominantly as a result of underspends relating to staff costs of £1.863m and the over recovery of payments by results income of £1.971m.

**3.4.5 & 3.4.6 Education Improvement** delivered an overspend of £485,000 in 2019/20. The full year position is due to the non-delivery of savings and a decrease in income as a result of a decline in course bookings and from the sale of data products. These overspends are somewhat mitigated by underspends of £434,000 mainly relate to CLA work placements which is as a result of the early delivery of savings which are due to be made from 2020/21.



The overspend has increased by £260,000 against that reported at the end of quarter 3 as a result of under achievement of traded income.

**3.4.7 Inclusion Service** overspent by £2.621m in 2019/20 an increased overspend of £441,000 against that reported at quarter 3. The full year overspend is predominantly as a result of children with disabilities (CwD) placements (which includes residential and fostering placements) and CwD family support which overspent by £2.425m due to increases in demand. The variance from quarter 3 is as a result of CwD family support and placement costs with additional costs materialising in latter part of the financial year, offset by a reduction in (CwD) Direct Payments.

The outturn includes contributions from the SEND Reform reserve of £917,000 in 2019/20.

**3.4.8 Libraries Museums Culture & Archives** service reported an underspend of £521,000 compared with £353,000 that was reported to Cabinet at the end of Quarter 3 an additional underspend of £168,000 across a number of areas within the service.

The library service underspent by £922,000, however, a significant portion of this is non-recurrent relating to supplies and services. Some of this underspend, has been transferred to reserves for restocking of a numbers of libraries. This underspend has been partially offset by overspends in outdoor education and the music service

As previously agreed by Cabinet reserves of £1.025m have been used (across both LMCA and Facilities Management) to cover budget pressures within the Museums Service including the Conservation and Collections Team and the cost of continuing to operate Queen Street Mill Museum and Helmshore Textile Museum. In February 2020 full council agreed that budget would be reinstated to cover the cost of continuing to run the mills and maintaining the Conservation and Collections Team at current levels for the next 4 years from 2020/21 to 2023/24.

**3.4.9 Policy, Information and Commissioning Start Well** The overspend of £27,000 is not a significant variance from budget and there has been no significant change from the forecast reported at Cabinet at the end of Quarter 3.

**3.4.10 Education and Children's Services Central Costs** underspent by £624,000 in 2019/20 which is an improved position by £441,000 compared to the quarter 3 forecast. The underspend is predominantly due to reduced premature retirement costs.



### 3.5 Growth, Environment and Planning

Ref	Head of Service	Approved Budget £m	Outturn £m	Outturn Variance £m	Outturn Variance %	Quarter 3 Forecast Variance £m
3.5.1	LEP Coordination	0.250	0.251	0.001	0.40%	0.000
3.5.2	Business Growth	1.573	1.340	-0.233	-14.81%	-0.280
3.5.3	Planning & Environment	1.498	1.935	0.437	29.17%	0.404
3.5.4	Estates	0.531	0.220	-0.311	-58.57%	-0.188
3.5.5	Strategic Development	0.409	0.399	-0.010	-2.44%	0.030
	<b>Total - Growth, Environment and Planning</b>	<b>4.261</b>	<b>4.145</b>	<b>-0.116</b>	<b>-2.72%</b>	<b>-0.034</b>

Growth, Environment and Planning Services have underspent by £116,000. The underspend at final outturn has increased by £82,000 compared to quarter 3.

**3.5.1 LEP Coordination** has outturned on budget

**3.5.2 Business Growth** has reported an underspend of £233,000, £161,000 in relation to staff vacancies and £250,000 relating to the Eden project which is being funded from reserves rather than revenue budget.

The underspends were partly offset by overspends of £60,000 which relate to planned reductions in the county councils contribution to Marketing Lancashire which was not implemented and £109,000 of additional spend on a Boost project supporting small businesses in Lancashire which used revenue budget rather than planned reserves.

There are a number projects for which unspent funding of £2.910m has been transferred to reserves at the end of the financial year (see table below).

Grant/Funding	£
BEIS Brexit Grant	19,170
Boost Match Funding	845,810
Skills Post Funding	8,781
Gatsby Grant	10,934
Other Skills Funding	4,000
Leader/RDPE Grant	98,427
ERDF Grant	33,536
Rural Energy Grant	1,177,570
Greater Lancashire Plan	312,190
Contribution to Marketing Lancashire	400,000
<b>Total</b>	<b>2,910,418</b>

**3.5.3 Planning and environment** has overspent by £437,000 largely as a result of a decision to reduce the overheads charged to the Preston Western Distributor scheme.

This has been reflected in the MTFS for 2020/21. The service also made an unbudgeted contribution to the Transforming Cities Bid. These pressures were partially offset by staffing underspends and additional income.

**3.5.4 Estates** service has underspent by £311,000 due to reduced costs on travellers' sites. In addition there is a staffing underspend and increased income across the service.

**3.5.5 Strategic Development** has outturned on budget.

### 3.6 Highways and Transport (including Waste Management)

Ref	Head of Service	Approved Budget £m	Outturn £m	Outturn Variance £m	Outturn Variance %	Q3 Forecast Variance £m
3.6.1	Waste Management	65.989	63.631	-2.358	-3.57%	-1.920
3.6.2	Highways	12.072	12.816	0.744	6.16%	0.545
3.6.3	Public and Integrated Transport	47.631	49.470	1.839	3.86%	1.555
3.6.4	Customer Access	3.319	2.966	-0.353	-10.64%	-0.325
3.6.5	Design and Construction	-2.986	-1.202	1.784	59.75%	1.363
	<b>Total – Highways and Transport</b>	<b>126.025</b>	<b>127.681</b>	<b>1.656</b>	<b>1.31%</b>	<b>1.218</b>

Highways and Transport overspent by £1.656m in 2019/20. The overspend has increased by £438,000 compared to the forecast reported to Cabinet at Quarter 3.

**3.6.1 Waste Management** has underspent by £2.358m due to a combination of factors, the most significant of which is a reduction in waste arisings during the year. A further significant underspend related to processing of waste at Thornton, which as a result of the diversion of a higher than assumed volume of waste away from landfill, has reduced costs. These underspends more than covered cost pressures relating to reduced income from recycled waste and the rising costs of insurance.

**3.6.2 Highways** has overspent on revenue by £744,000 in 2019/20. This is due to a combination of factors including lower than budgeted utilisation of plant on capital work, increased maintenance costs of gritting vehicles, an increase in the number of turnouts and increased spend on storm damage following the storms in February 2020. These overspends were somewhat mitigated by additional income recovery and staffing underspends.

**3.6.3 Public and Integrated Transport** has overspent by £1.839m which shows increased costs of £284,000 from the position reported at Quarter 3. The full year overspend is as a result of various factors.

There are overspends on transporting pupils with special educational needs and disabilities and excluded pupils (£1.606m). This is due to a combination of non-delivery of savings relating to independent travel training (£1.000m) and higher inflation and passenger numbers on taxi's than had been allowed for in the budget (£606,000).

Further overspends of £1.090m relate to the tendered public bus network with fare income being lower than anticipated and additional services being met from county council budgets.

There are further small overspends relating to bus station departure charges and additional external costs of fleet repair.

The overspends are partly offset by underspends of £1.568m on concessionary travel due to lower passenger numbers. Payments for March were based on previous passenger numbers rather than actual numbers so as not to unfairly penalise bus operators during the COVID-19 pandemic.

**3.6.4 Customer Access** has underspent by £353,000 predominantly due to additional income.

**3.6.5 Design and Construction** has overspent by £1.784m in 2019/20.

Design and Construction property overspent by £1.388m with lower than budgeted recovery of income totalling £2.137m being partly offset by underspends of £749,000 on staffing and agency costs. The service flexes staffing, but the mix of projects delivered in 2019/20 means the staffing underspend was significantly lower than the reduction in income.

Design and Construction highways overspent by £396,000. This is an income generating service and so whilst there have been several vacancies resulting in a significant staffing underspend, this was offset by larger under recovery of income.

The service reported overspends of £1.363m to Cabinet as at the end of quarter 3, compared to £1.784m at the end of the financial year, an increased overspend of £421,000. This is predominantly due to being unable to claim fees on a building project at Shuttleworth College.

### 3.7 Finance

Ref	Head of Service	Approved Budget £m	Outturn £m	Outturn Variance £m	Outturn Variance %	Q3 Forecast Variance £m
3.7.1	BTLS	23.656	23.482	-0.174	-0.74%	-0.142
3.7.2	Lancashire Pension Fund	0.000	0.000	0.000	0.00%	0.000
3.7.3	Exchequer Services	3.597	3.162	-0.435	-12.09%	-0.457
3.7.4	Financial Management (Development & Schools)	-0.014	-0.012	0.002	14.29%	0.082
3.7.5	Financial Management (Operational)	1.669	1.660	-0.009	-0.54%	-0.039
3.7.6	Corporate Finance	7.636	7.570	-0.066	-0.86%	-0.066
3.7.7	Internal Audit	0.719	0.768	0.049	6.82%	0.023
3.7.8	Procurement	1.814	1.732	-0.082	-4.52%	0.049
	<b>Total – Finance</b>	<b>39.077</b>	<b>38.362</b>	<b>-0.715</b>	<b>-1.83%</b>	<b>-0.550</b>

Finance Services have underspent by £715,000 in 2019/20. The final outturn position has improved by £165,000 compared to the Quarter 3 position reported to Cabinet.

**3.7.1 BTLS** has a returned underspend of £174,000 for the year. This is as a result of the over delivery of savings, an income pressure, predominantly relating to payroll services to schools and an underspend in ongoing support costs.

**3.7.3 Exchequer Services** There is a further underspend of £435,000 in exchequer services relating to staff vacancies partially offset by an overspend on supplies and services and an under achievement of income.

Across the remainder of finance there have been smaller variances which predominantly relate to variances on staffing, operational costs, and income.

### 3.8 Corporate Services

Ref	Head of Service	Approved Budget £m	Outturn £m	Outturn Variance £m	Outturn Variance %	Quarter 3 Forecast Variance £m
3.8.1	Coroner's Service	2.421	2.310	-0.111	-4.58%	-0.210
3.8.2	Human Resources	0.935	0.688	-0.247	-26.42%	-0.141
3.8.3	Legal and Democratic	12.910	13.196	0.286	2.22%	0.565
3.8.4	Skills Learning & Development	2.762	2.422	-0.340	-12.31%	-0.203
	<b>Total – Corporate Services</b>	<b>19.028</b>	<b>18.616</b>	<b>-0.412</b>	<b>2.17%</b>	<b>0.011</b>

Corporate Services have underspent by £412,000 in 2019/20. The final outturn position has improved by £423,000 compared to the Quarter 3 position reported to Cabinet.

**3.8.1 Coroner's Service** has underspent by £111,000 in 2019/20. The main reason is due to an underspend on mortuary storage costs of £208,000 offset small overspends for funeral directors hire of transport, toxicology and unachieved income.

**3.8.2 Human Resources** has underspent by £247,000 in 2019/20. There are underspends relating to Trade Union expenditure, the overachievement of Schools HR income, an underspend on employee costs due to vacancies and an underspend on supplies and services. These have been partially offset by a small overspend on records management.

**3.8.3 Legal Governance and Registrars** has overspent by £286,000 in 2019/20 due to an overspend in legal of £559,000 offset by overachievement of income in registrars £274,000.

**3.8.4 Skills, Learning and Development** has underspent by £340,000 in 2019/20 mainly due to reduced costs within training and supplies and service budgets.

### 3.9 Strategy and Performance

Ref	Head of Service	Approved Budget £m	Outturn £m	Outturn Variance £m	Outturn Variance %	Quarter 3 Forecast Variance £m
3.9.1	Asset Management	6.884	6.705	-0.179	-2.6%	-0.331
3.9.2	Facilities Management	17.375	20.039	2.664	15.33%	1.281
3.9.3	Core Systems and Business Support	3.894	4.046	0.152	3.90%	0.099
3.9.4	Programme Office	1.628	1.562	-0.066	-4.05%	-0.029
3.9.5	Business Intelligence	1.315	1.249	-0.066	-5.02%	-0.053
	<b>Total – Strategy and Performance</b>	<b>31.096</b>	<b>33.601</b>	<b>2.505</b>	<b>8.06%</b>	<b>0.967</b>

Strategy and Performance Services have overspent by £2.505m in 2019/20. The final outturn position has worsened by £1.538m compared to the Quarter 3 position reported to Cabinet.

**3.9.1 Asset Management** has underspent by £179,000 in 2019/20 primarily due to a non-recurrent underspend relating to the sale of excess carbon reduction credits (£417,000), this being partly offset by an overspend of £107,000 on street lighting energy due to delays in replacing the remaining street lights with energy efficient fittings and a staffing overspend of £148,000.

The outturn position has worsened by £153,000 compared to quarter 3 due to the street lighting overspend and increased staffing costs.

**3.9.2 Facilities Management** has overspent by £2.664m in 2019/20. The most significant variance relates to school catering which is a £2.179m overspend. In quarter 3 we reported a £555,000 pressure which factored in, school closures due to sickness (not coronavirus) and increases in food costs.

The movement since quarter 3 relates to a decision to purchase CYPAD catering management software licenses using revenue budget as opposed to reserves and increased staffing costs in the last quarter.

In addition to these factors we have reviewed the accounting processes around year end for income charges to schools, and the process for recognising closing stock on the balance sheet. A provision has also been made on the balance sheet to recognise that income levels for March will be much reduced due to coronavirus related school closures.



Within property there is a non-recurrent overspend of £634,000 due to the partial delivery on a saving against the repairs and maintenance budget, and underspend of £235,000 on property running costs and a non-recurrent underspend of £224,000 regarding to a historic provision for property sale fees, which is no longer required.

The forecast position has worsened by £1.383m compared to quarter 3 predominantly relating to the movement in the school catering service.

### 3.9.3 Core Systems and Business Support

The outturn position, an overspend of £152,000 predominantly relates to delays in delivering budgeted savings on staffing and reducing external printing costs.

**3.9.4 and 3.9.5 Programme Office and Business Intelligence** have reported insignificant variances against budget.

## 4.0 Chief Executive

Ref	Head of Service	Approved Budget £m	Outturn £m	Outturn Variance £m	Outturn Variance %	Quarter 3 Forecast Variance £m
4.0.1	Chief Executive Services	3.419	3.630	0.211	6.17%	0.029
4.0.2	Communications	0.937	1.018	0.081	8.64%	0.082
4.0.3	Corporate Budgets (Funding and Grants)	-7.169	-9.435	-2.266	-31.61%	-2.214
4.0.4	Corporate Budgets (Treasury Management)	26.046	3.158	-22.888	-87.88%	-22.805
4.0.5	Corporate Budgets (Pensions and Apprenticeship Levy)	21.384	16.962	-4.422	-20.68%	-3.885
	<b>Total - Chief Executive</b>	<b>44.617</b>	<b>15.333</b>	<b>-29.284</b>	<b>-65.63%</b>	<b>-28.793</b>

Chief Executive Services have underspent by £29.284m. The underspend has increased by £491,000 compared to Quarter 3 Cabinet monitoring mainly as a result of increased underspends on pension liabilities.

### 4.0.1 Chief Executive

The overspend of £211,000 is largely as a result of consultancy and employee costs relating to the culture change project.

### 4.0.2 Communications

There is no significant budget variance in this area.



#### **4.0.3 Corporate Budgets (Funding and Grants)**

The underspend of £2.266m comprises of underspends of £2.096m on supplies and services and £0.170m additional income.

#### **4.0.4 Corporate Budgets (Treasury Management)**

The underspend of £22.888m is due to the gains on sales of gilts and bonds resulting from the significant volatility of the market.

**4.0.4 Corporate Budgets (Pensions & Apprenticeship Levy)** The reported underspend of £4.422m has arisen largely due to a benefit derived from prepaying our pension contributions of £4.568m.

## Section B - Schools Spending 2019/20

The final outturn position against schools delegated budgets at 31 March 2020 is an underspend of £1.752m. This means that school balances have increased to a total of £47.319m.

The tables below show analysis of school balances by phase at the end of the financial year 2019/20.

### 2019/20 School Balances - In-Year Movement of Balances by Phase

Phase	Balance Brought Forward as at 1 April 2019	Net Expenditure 2019/20	Balance Carried Forward as at 31 March 20
	£m	£m	£m
Nursery	0.417	-0.034	0.383
Primary	34.935	1.018	35.953
Secondary	6.283	1.376	7.659
Special	2.813	-0.237	2.576
PRU	1.119	-0.371	0.748
<b>Total</b>	<b>45.567</b>	<b>1.752</b>	<b>47.319</b>

The outturn position shows an increase in the aggregate level of school balances at 31 March 2020 to £47.319.

The overall financial environment facing schools remained challenging in 2019/20 and the aggregate net expenditure position only returned to a positive figure due to various adjustments including, the closure or academisation of schools with large deficit balances which as a result no longer contribute the school balances year end position. The net position relating to maintained schools that remain open at 31 March 2020 was an overspend of some £0.217m. Further information on this issue is provided later in this report.

A reduction in the level of balances held at March 2020 has been seen across nursery schools, special schools and PRUs and the secondary figure is only in surplus for the reasons stated above. This position reflects the ongoing pressure on school funding, where Dedicated Schools Grant (DSG) income has, for a number of years, been cash flat, or has not kept pace with inflation.

Increased levels of funding have been made available in the DSG for 2020/21 and the impact this may have on school balances will be kept under review.

## 2019/20 School Balances –In-Year Movement Count of Schools by Phase

Phase	Count of deficit in year	Count of surplus in year
Nursery	11	13
Primary	209	255
Secondary	12	36
Special	16	13
PRU	7	2
<b>Total</b>	<b>255</b>	<b>319</b>

255 schools (44%) operated an in year deficit in 2019/20. The significant numbers of schools, across all phases, using reserves in order to balance their budgets, is a further demonstration of the persistent financial pressures in the school sector. Within the PRU and special school sectors, more than half the schools within each phase spent more than their income in year.

The number of schools operating in year deficits has reduced slightly from figures in recent years, with 271 in 2018/19, 282 in 2017/18 and 368 in 2016/17.

## 2019/20 School Balances – No of Schools in Surplus/Deficit by Phase

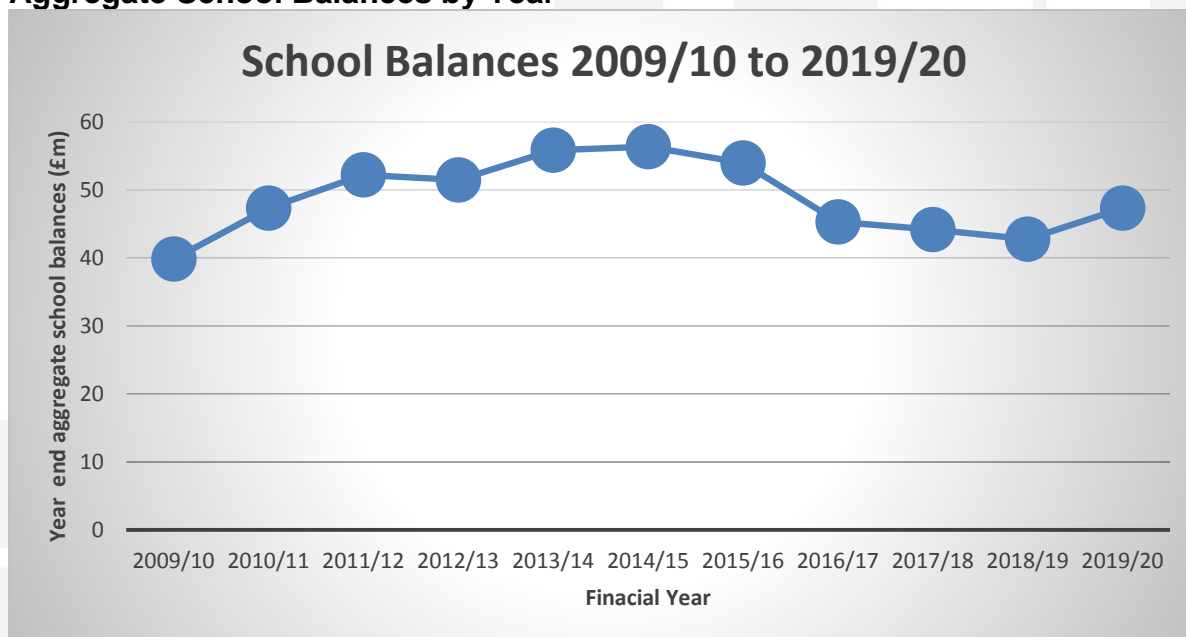
Phase	Count of deficit close balance	Count of surplus close balance
Nursery	6	18
Primary	23	441
Secondary	5	43
Special	6	23
PRU	1	8
<b>Total</b>	<b>41</b>	<b>533</b>

41 schools ended the 2019/20 financial year in deficit, including schools from all sectors. The number of schools in deficit at 31 March 2020 has increased slightly from 39 schools a year earlier, providing further evidence of the continuing financial pressures on schools.

A comparison showing the number of schools in deficit in recent years is provided below:

Year End	Number of schools in deficit
31 March 2020	41
31 March 2019	39
31 March 2018	47
31 March 2017	40
31 March 2016	25
31 March 2015	18

## Aggregate School Balances by Year



The graph demonstrates the trend in aggregate school balances over recent years. Aggregate balances at 31 March 2020 have rebounded from their recent low point in 2018/19. School balances peaked in 2014/15.

To provide context for the total school balances, the current authority guideline for schools is to have reserves equating to 12% of their total Combined Financial Reporting (CFR) income or a minimum of £60,000. This is to ensure that individual schools can withstand potential financial risks and financial stresses. If all Lancashire schools held the guideline balance, the total balance would have been circa £102m, compared to the actual balances held of circa £47m.

### Support for Schools in Deficit

Throughout the year, the County Council continued to provide significant targeted support and enhanced monitoring and early warning around Schools in Financial Difficulty. However, the financial environment for schools remains extremely difficult, with a number of key challenges continuing across all school sectors.

A specific review of the financial stability of the nursery school sector was commenced during the year, but has been paused due to the COVID-19 pandemic.

Financial support will continue throughout 2020/21 with differing delivery methods being utilised during the current coronavirus outbreak. Budget monitoring will also assess the financial impact on individual schools associated with the operational changes necessitated by COVID-19 and the increased level of DSG funding that was allocated in Lancashire from April 2020.

## Schools Reserves\*\*

<b>Schools Reserves</b>	<b>Opening Balance as at 1 April 19</b>	<b>In Year Changes</b>	<b>Closing Balance as at 31 March 20</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Individual Schools Reserves	45.567	1.752	47.319
Other Schools Reserves	19.920	-6.973	12.947

\*\* The School Reserves are ring-fenced to schools and are used at schools' discretion.

Under the Education Reform Act, schools are given most of their budgets to directly control. If a school does not spend its entire budget, it is held as a reserve for them to use in the future. These reserves cannot be used for any other purpose.

## Section C – The 2019/20 Capital Delivery Programme

### Capital Programme Outturn 2019/20 Summary Table

The capital delivery programme agreed in February 2019 by Council was a programme of £124.886m. In addition to this, Cabinet have since approved budget changes and reprofiling of £29.310m during the year leading to a final capital delivery programme for 2019/20 of £154.196m.

Table 1 shows that of this delivery programme, spend of £121.382m was achieved being 78.7% of the programme and a variance of £32.814m. This was as a result of a challenging year for Capital delivery where work was delayed due to unforeseeable circumstances including two major storms and the national Covid-19 emergency. Works that were not fully delivered during the year have now been re-profiled to be completed in future years.

Through the year delivery has been achieved on projects which have increased and enhanced the county's assets as well as maintain the fabric and condition of our buildings. Along with this, capital has been invested in projects that will deliver economic growth to Lancashire and its residents.

The outturn position for capital by block is shown below

Table 1

Service Area	Revised Delivery Plan	Actual Spend	Variance
	£m	£m	£m
Schools (excluding DFC)	23.553	20.120	-3.433
Schools (DFC)	2.500	4.114	1.614
Children and Young People	0.011	0.414	0.403
Highways	54.992	45.505	-9.487
Transport	21.038	12.481	-8.557
Externally Funded Schemes	12.851	5.673	-7.178
Waste and Other	0.871	0.281	-0.590
Adult Social Care	16.644	17.126	0.482
Corporate	17.726	11.692	-6.034
Vehicles	3.360	2.964	-0.396
Transforming Cities Fund	0.650	1.012	0.362
<b>Grand Total</b>	<b>154.196</b>	<b>121.382</b>	<b>-32.814</b>

The spend on this year's Capital programme has been funded by grants (£68.911m), contributions (£11.146m) and borrowing (£41.325m)

The variance to budget is summarised in Table 2, this analyses the variance between

- Underspends on the delivery of completed projects.
- Overspends on completed projects.
- Slipped delivery budgets where delivery has been delayed in part or full to future years.
- Additional Delivery where expenditure on an approved project has been incurred this year where the budget was not included in the 2019/20 Delivery Programme.

**Table 2**

Service Area	Variance	Underspends and potential underspends	Overspends and potential overspends	Slipped Delivery	Additional delivery
	£m	£m	£m	£m	£m
Schools (exc. DFC)	-3.433	-0.189	0.012	-5.362	2.106
Schools DFC	1.614	0.000	0.000	0.000	1.614
Children and Young People	0.403	-0.004	0.000	0.000	0.407
Highways	-9.487	-0.698	2.836	-14.202	2.577
Transport	-8.557	-0.039	0.000	-10.973	2.455
Externally Funded	-7.178	-0.039	0.006	-7.221	0.076
Waste and Other	-0.590	0.000	0.000	-0.584	-0.006
Adults Social Care	0.482	0.000	0.000	-0.627	1.109
Corporate	-6.034	-0.821	0.027	-7.762	2.522
Vehicles	-0.396	0.000	0.000	-0.396	0.000
Transforming Cities Fund	0.362	0.000	0.000	0.000	0.362
<b>Totals</b>	<b>-32.814</b>	<b>-1.790</b>	<b>2.881</b>	<b>-47.127</b>	<b>13.222</b>

**Capital Programme 2020/21 next steps:**

During the first 3 months of 2020/21 a comprehensive review of the delivery programme for 2020/21 will be undertaken by Finance for approval by Capital Board. The work undertaken will be as follows:

- a) A comprehensive review will be carried out to define what can be delivered and what needs to be delivered in 2020/21 across all blocks following unforeseen delays in 2019/20.
- b) An achievable 2020/21 Delivery Programme will be drawn up allowing for accurate financial and performance monitoring.
- c) Detailed monitoring of the delivery programme will be carried out throughout 2020/21 to ensure slippage is reported in a timely manner and to provide a robust level of challenge to both programme and portfolio managers by Capital Board to ensure delivery remains on track through the year.
- d) The implementation programme to deliver an upgraded Project Management system and appropriate work to ensure business as usual during the crossover.

A detailed position for 2020/21, by block, will be presented for Quarter 1 in July 2020 which will set the agreed delivery plan for the year against which performance will be measured monthly and reported to cabinet quarterly.



#### 4. 2019/20 Capital Programme Outturn Detailed Analysis

The outturn variances by block from the budget for delivery in 2019/20, with comments by programme or significant project are as follows:

##### **Schools**

**The Schools capital programme had a 2019/20 delivery plan of £26.053m. Spend against this budget is £24.234m giving an underspend of £1.819m**  
**Basic Need Programme**

The Basic Need programme is to increase school pupil places in targeted areas via grant funded school expansions or new school build projects.

The 2019/20 delivery plan for this programme was £11.641m. At the 31<sup>st</sup> March 2020 there were 10 active schemes, including a number of new projects added in the final quarter, some incurring initial expenditure. Over the course of the year 4 projects have achieved on site completion and moved into the defects period, 6 are under construction and a few recently approved projects undergoing detailed design and tender processes. A number of the construction sites closed at the end of March owing to Covid19. Whilst this has not overly impacted on 2019/20 delivery, delays to current and pending projects is expected.

Basic Need outturn expenditure was £9.354m. This represents an underspend of £2.287m on the delivery plan and is mainly due to £2.549m in slipped delivery.

Lytham St Annes High School expansion carries forward slipped delivery of £1.805m, the largest reported variance in the programme. This project commenced on site during the summer of 2019. While the project was running 3 weeks behind schedule due pilling and drainage redesigns necessitated by a high water table, works were progressing well on site. A fire report and survey tracking reports in Q4 identified areas which may cause the project to increase in scope and budget next year. Delivery variances are likely due in part to the difficulty in accurately setting a delivery estimate in advance of the project delivery timetable being agreed.

Ribblesdale High expansion carries forward slipped delivery of £0.432m. The project was reporting a 4 week delay due to inclement winter weather and some quality issues which has seen areas of brickwork taken down and replaced. Plans were in place to recover the delays by replacing the masonry subcontractors and carefully coordination works during the summer holidays, but this is now subject to review under the current circumstances.

A further £0.312m of slipped delivery is reported across 9 other projects, 2 of which are active projects Barrow Primary (£0.167m) and Briercliffe Primary school (£0.003). The remaining £0.142m slipped delivery is due to final retention payments on completed projects falling into the next financial year.

Additional delivery of £0.315m was observed. This largely occurred at the Langho St Mary's extension project at £0.143m which was due to increased costs on uncovering and removing asbestos. Initial expenditure of £0.118m has been incurred on the Fernandes centre, which is being remodelled to accommodate staff displaced from Easden Clough which is to be utilised to extend Unity College. The remaining

additional delivery of £0.054m was made up of smaller variances on a number of projects.

Savings of £0.053m were made on the delivery programme, but overall savings of £1.067m on finally closing projects with no 2019/20 budgeted spending. This includes £0.808m on Holy Cross.

### **Condition Programme**

The Condition Programme delivers a variety of grant funded works to address priority condition issues at school buildings. The works are usually undertaken during school holidays to minimise disruption and include works to replace boilers, flat roofs, windows, electrical wiring, plus legionella and asbestos remedials.

Condition outturn expenditure was £10.715m, an underspend of £1.196m on the delivery plan.

Overall slipped delivery of £2.813m is reported. The Rhyddings High school rebuild has slipped as forecast by £0.617m. Due to a protracted design process with the client, works on site originally planned for January commenced at the end of March. The project was estimated to complete in February 2021, however a notice of delay has been received due to current difficulties in procuring materials.

The 2019/20 and 2019/20 start programmes have incurred slipped delivery of £1.252m and £0.944m respectively. This is due to a number of the more complex schemes not advancing as planned due to more lengthy design processes or difficulty securing a tender within the approved budget. Some of the disruptive works have been postponed until the summer when they can be delivered during school closure. It should be noted that £0.525m of the reported slipped delivery refers to retentions held on operationally completed projects and will be paid to contractors in early 2020/21 or realised as savings once final accounts are agreed.

Additional delivery of £1.741m was achieved on many other projects in the programme which have been quick to progress ahead of schedule. Particularly many of the new 2019/20 starts, of which £0.913m of this refers operationally completed within the year.

At 31<sup>st</sup> March, overspends of £0.012m were to be approved and £0.136m of underspends were achieved against the delivery plan. Further overall savings of £1.022m were realised in addition to the delivery plan. This refers to closing projects for which remaining budgets were not included in the delivery plan. These savings have been approved for reallocation to further condition works.

### **Devolved Formula Capital (DFC)**

The DFC programme is a grant funded programme for small to medium capital projects. It is allocated to schools to commission within capital expenditure guidelines. The DFC 2019/20 delivery plan is £2.500m, although it is difficult to estimate likely expenditure as it is not commissioned centrally.

Observed spending by schools has increase since the autumn, with schools likely now utilising the additional £4.200m boost to funding awarded late in 2018/19 as part of the chancellor's 2018 autumn statement in addition to their annual allocation of £2.456m. DFC outturn expenditure was £4.115m, an additional delivery variance of £1.615m.

### **Full Fibre Broadband**

£0.050m was spend in advance of planned delivery on a new grant funded programme to deliver full fibre broadband infrastructure to a number of rural Lancashire schools. The remaining grant is planned to be spent in 2020/21.

### **Children & Young People (CYP)**

**The CYP capital programme had a 2019/20 delivery plan of £0.011m. Spend against this budget is £0.414m giving a variance of £0.403m**

Savings of £0.004 were made in year. The delivery plan included planned expenditure at a crisis home in Morecambe. This project has now been cancelled resulting in a £0.013m saving on the delivery plan.

Additional delivery of £0.407m was achieved in year. Of this, £0.021m refers to some additional final costs paid in respect of Tower Wood replacement jetties on additional safety features. Additional Delivery of £0.027m was incurred on Skelmersdale Youth Zone. A defect on Lumaglass wall panel which was outstanding since 2017 since the specialist contractor went into administration has managed to finally be resolved by an alternative contractor.

The largest additional delivery variance of £0.359m refers to a new children's overnight short break unit at the former North Cliffe school site in Great Harwood, approved by cabinet in May. The project is part of the strategy to increase the quality of accommodation and reduce capacity and associated costs, in response to the introduction of individualised budgets for parents/carers of children with disabilities. A further cabinet approval in February 2020 means the children's unit will now be delivered in conjunction with an adult's unit at the same site.

Demolition of the current site was planned in the spring but was met with serious delays due to difficulties encountered disconnecting the gas supply to the building and has slipped to June 2020/21. However, the additional delivery refers to progress made on developing the design and planning costs for the new buildings.

### **Highways**

**The Highways capital programme had a 2019/20 delivery plan of £54.992m. Spend against this budget is £45.505m giving an underspend of £9.487m**

The variance is largely due to slippage of £14.202m, offset by an overspend of £2.792m on structural defects.

A summary of the main variances within the block are given below-

### **Street lighting SALIX lantern replacement**

The works expenditure has been below estimate in 2019/20 causing slippage of £1.214m. This is due to a higher than expected number of gear trays being replaced in existing lanterns rather than needing the whole lantern to be replaced. In addition the Salix installations are behind programme due to later than anticipated lantern deliveries. There has been a further small delay in 2019/20 due to the Covid-19 pandemic which will cause additional delays into 2020/21. It is projected that there will be an under spend on the programme once all works are complete. There is also slippage of £0.255m on the street lighting defect programme.

### **Traffic Signals**

Slippage of £0.433m mainly due to delays programming work due to problems with the supplier. Also the complex nature of the design at Garstang Road has resulted in it only having been programmed recently.

### **Footways**

Slippage of £1.491m, of which £1.200m is due to delays in the tendering process which has resulted in works only commencing in the last quarter of the financial year.

### **Structural defects**

The overspend of £2.792m within the programme is a result of the launch of the revised HSI policy on intervention levels and response times, coupled with our method to improve quality and increase size of the repair where necessary. This was further compounded by a very rainy winter period with periods of icy weather which led to the deterioration of the network and an increase in investigatory level defects.

Delivery of schemes within the Highways block have been hit the most from the unforeseen circumstances in 2019/20, causing additional slippage of £7.636m across the block. An ambitious delivery programme suffered from delays due to the winter flooding and then the COVID-19 pandemic. Work is ongoing on the 2020/21 delivery plan to ensure that the slipped 2019/20 priorities are delivered alongside the priorities in 2020/21.

There was additional slippage across a number of programmes, specifically Moss Roads and Rural Roads programmes, amounting to £1.800m due to complexities with a tender to enable significant cost and environmental savings to be achieved due to an innovative method of recycling failed roads.

Advanced delivery occurred during the year for several schemes across the Highways block totalling £2.576m; one of which was the A59 Liverpool Road which was brought forward whilst a road closure was in place.

### **Transport**

**The Transport capital programme had a 2019/20 delivery plan of £21.038m. Spend against this budget is £12.481m giving an underspend of £8.557m**

A summary of the main variations within the block is given below

#### **Skelmersdale Rail Link**

An original Delivery Budget of £3.114m was created, the majority of which related to assessing the technical feasibility of constructing a rail link between the Wigan to Kirkby line and Skelmersdale. Initial studies have been completed and Network Rail are now tasked with higher level design, costing and impact assessments. Although monthly costs are incurred to Network Rail the project manager understands that the final expenditure will not now be required until 2020/21 resulting in slippage of £1.483m.



### **Safer Roads Scheme**

Originally forecast that the programme would be out to tender by December the final terms and conditions of the contract have just been agreed and it is unlikely construction will begin before quarter 2 of 2020/21. This delay will cause slippage of £2.242m

### **Road safety**

Advanced Delivery totalling £0.132m with Cockerham Road and Bellflower Junction both £0.028m, Lynhurst Road £0.019m and work on the A59 Chatburn £0.057m ahead of their original plan. Offsetting this are design delays in the projects at Runshaw lane £0.073m and Railway Street £0.061m, with Quernmore Road £0.064m slipping to 2020/21.

### **East Lancs Strategic Cycleway**

A delivery budget of £2.577m was originally set for 2019/20 but the addition of Highways England funding (£1.700m) increased this to £4.277m. The funding is to complete schemes Highways England had planned and there was a requirement for these schemes to take priority.

£0.110m slipped into 2020/21 due to Bridleway challenges at Stubby Lee and the Helmshore Viaduct project being delayed due to Listed Building Protection and further drainage issues. Delays were on major sections creating a knock on effect with linked projects and combined with further disruption caused by the weather caused slippage against the delivery budget of £2.801m.

### **Public Rights of Way**

Consent issues with Natural England and the Environment Agency in addition to some new drainage issues have pushed the forecasted delivery of a number of projects into 2020/21. The Capitol Centre Project is currently in dispute with the landowner with the scheme now likely to be delivered in 2020/21 causing slippage of £0.164m. This, combined with the delays already reported, led to total slipped delivery of £0.292m.

### **National Productivity Investment Fund (NPIF)**

Overall slipped delivery of £0.808m on the NPIF programme, the majority of this variance is due to the unallocated grant £0.499m being used to pay for the Transforming Cities Bid which is now not forecast to be required until 2020/21 in addition to delays in commencing the Riversway corridor project added a further £0.129m of slippage.

### **Burnley Pendle Growth Corridor**

There was additional delivery of £0.173m including Halifax Road and Rose Grove (£0.049m & £0.048m). There is slipped delivery of £0.167m on the Manchester Road Car Par Park as further planning permission will now be required, delaying the construction until 2020/21. The variance also includes underspends of £0.039m from the cancelled schemes at Junction 8 M65. The variance for the programme overall was slippage of £0.330m

### **Keeping Traffic Moving**

The Refurbishment of Ormskirk bus station, has seen delays and may need redesigning spending only £0.009m in 2019/20. The programme itself saw an outturn of only £0.033m including work undertaken by Jacobs for the Urban Traffic Management & Control System, slipped delivery of £0.068m

### **Cycling schemes**

The underspend of £0.255m relates to Projects at Ribbleson Avenue (£0.123m), the Fleetwood to Thornton Connection (£0.029m) and Exchange Island (£0.044m) slipping into 2020/21 along with a number of smaller variances caused by resource issues during the work on the Transforming Cities work.

### **Externally Funded Schemes**

**The Externally Funded Capital programme had a 2019/20 delivery plan of £12.851m. Spend against this budget is £5.673m giving an underspend of £7.178m**

The variance predominantly comprises of slipped delivery across 25 schemes.

There are 3 main schemes causing the variance. S106 M55 Heyhouses Link Road Design has slipped delivery of £3.075m due to the tender process stopping for a number of months whilst there was uncertainty over funding. A new delivery strategy has now been created.

S278 UCLan Masterplan has slippage of £2.145m caused by the ordering of materials from abroad with long lead in times and contractor delays due to unforeseen circumstances and disruption from 3<sup>rd</sup> parties.

S278 A584 Lytham Rd/Church Rd Highway Works has slippage of £0.939m as although income was received for statutory undertaker diversions, the estimates lapsed and needed to be updated meaning we didn't pay the utility companies this financial year. Due to the current climate, the income received is to be paid back to the developer and invoiced for again at a later date.

Reasons for further slipped delivery include COVID-19, delayed design work (approx. £0.155m), alterations required to planned proposals (approx. £0.255m) and projects agreed late in the financial year now slipping into 2020/21 (approx. £0.340m).

Additional delivery totals £0.076m. Notably the A59 Pendle Rd scheme (£0.060m) is currently in the defect correction period with spend in year on contract payments. The Developer has been informed that completion is certified. Work at Euxton Lane / Strawberry Fields is also in the defects period, with additional delivery of £0.006m resulting from traffic signals work.

### **Waste and Other**

**The Waste and Other Capital programme had a 2019/20 delivery plan of £0.871m. Spend against this budget is £0.281m giving an underspend of £0.590m**

The variance is largely due to slippage on the ISSIS replacement/Resolution (Adult ICT) project which was delayed due to other projects taking priority both within ICT and Core Systems. There is also slippage of £0.080m due to a delay in paying part of the contribution to the Lancashire Environment Fund £0.080m.

### **Adult Social Care**

**The Adult Social Care capital programme had a 2019/20 delivery plan of £16.644m. Spend against this budget is £17.126m giving an overspend of £0.482m**

The Disabled Facilities Grant money (£14.731m), which makes up the majority of the delivery plan, was successfully passported to district councils.

The Extra Care Grant was separated out into 3 projects covering Preston, Chorley and Fleetwood. The Chorley scheme has now been paid and is to be completed July 2020, causing an additional delivery variance of £0.981m. The schemes at both Preston and Fleetwood are expected to be completed in 2020/21.

The Libraries ICT project has spent £0.686m of its £0.926m budget in 2019-20. A dispute between BTLS and a supplier was resolved which saw the purchase of further Self Service Machines but the majority of this expenditure occur in 2020/21 which created £0.240m of slipped delivery. The delays in Management Team sign off for Liquid Logic improvements has created £0.382m of slipped delivery on the Lancashire patient record exchange service (LpRes) Project.

A payment has been made to Preston City Council as part of the Re-Imagining the Harris project a partnership between Lancashire County Council and Preston City Council which was established in 2015 with the aim of transforming the Harris Museum, Art Gallery and Library, causing additional delivery of £0.125m.

The PHE Alcohol & Drug Recovery Capital Grant was received in year and fully spent on prioritising alcohol treatment, investing in equipment and facilities to ensure that treatment expertise was enhanced to better meet the needs of people with alcohol problems.

### **Corporate**

**The Corporate capital programme had a 2019/20 delivery plan of £17.726m. Spend against this budget is £11.692m giving an underspend of £6.034m**

There was slipped delivery of £1.168m in the Economic Development programme due to the delay in allocating the Carbon Friendly Energy Grant to specific schemes. Spend on this is now likely to commence in 2020/21.

Work at White Cross Mill 14 has continued and nears completion, showing additional delivery of £0.067m has been incurred.

Slipped delivery of £2.682m occurred on the Works to Operational Premises programme due to delays in commencing some of the most recent projects. Underspends on 16 completed projects has seen a combined £0.692m returned to the Property Portfolio Rationalisation contingency.

The Information Technology Upgrade for Children's Social Care project had a been forecast to require additional funds however this is now being funded from revenue causing an underspend of £0.077m.

Spend on the two year programme of Building Condition has been lower than the previous forecast. More of the projects have had to be put on hold due to staffing resource issues. Slippage of £1.749m is now forecast to be completed in 2020/21.

### **Vehicles**

**The Vehicles capital programme had a 2019/20 delivery plan of £3.360m. Spend against this budget is £2.964m giving an underspend of £0.396m**

This variance is due to the delayed delivery of several vehicles. The orders were made in 2019/20 but will now be delivered in 2020/21



### **Transforming Cities Fund (TCF)**

**The TCF capital programme had a 2019/20 delivery plan of £0.650m. Spend against this budget is £1.012m giving a variance of £0.362m**

The TCF was added to the capital programme this year. A business case was presented to Government and approved in 2019/20 and further design work has since been done to ensure the final scheme designs fit within the funding budget.

## Section D – County Fund Balance, Reserves, Provisions and Capital Receipts

### 5. Revenue Reserves as at 31<sup>st</sup> March 2020

Table 1 below shows the summary position for revenue reserves as at 31<sup>st</sup> March 2020:

Table 1

Reserve Name	Opening balance 2019/20	2019/20 Expenditure	2019/20 transfers to/from other reserves	2019/20 Closing Balance	2020-21 Forecast Spend	2021-22 Forecast Spend	Forecast closing balance 31 March 2022
	£m	£m	£m	£m	£m	£m	£m
County Fund	-23.437	0.000	0.000	-23.437	0.000	0.000	-23.437
<b>SUB TOTAL - COUNTY FUND</b>	<b>-23.437</b>	<b>0.000</b>	<b>0.000</b>	<b>-23.437</b>	<b>0.000</b>	<b>0.000</b>	<b>-23.437</b>
Strategic Investment Reserve	-2.096	-3.723	0.000	-5.819	1.172	3.257	-1.390
COVID-19 Reserve	0.000	-33.961	0.000	-33.961	33.961	0.000	0.000
Downsizing Reserve	-7.445	1.802	0.000	-5.642	5.642	0.000	0.000
Risk Management Reserve	-2.804	0.869	0.000	-1.935	0.910	0.921	-0.104
Transitional Reserve	-164.254	10.751	2.304	-151.199	2.895	0.494	-147.810
Service Reserves	-13.251	-1.432	-2.242	-16.925	13.233	2.762	-0.931
Treasury Management Reserve	-10.000	-1.597	0.000	-11.597	0.000	0.000	-11.597
<b>SUB TOTAL - LCC RESERVES</b>	<b>-199.849</b>	<b>-27.290</b>	<b>0.062</b>	<b>-227.077</b>	<b>57.812</b>	<b>7.433</b>	<b>-161.833</b>
Schools/Non-LCC Service Reserves	-17.528	0.009	-0.062	-17.580	2.663	1.914	-13.003
<b>SUB TOTAL SCHOOLS/NON LCC RESERVES</b>	<b>-17.528</b>	<b>0.009</b>	<b>-0.062</b>	<b>-17.580</b>	<b>2.663</b>	<b>1.914</b>	<b>-13.003</b>
<b>GRAND TOTAL</b>	<b>-240.814</b>	<b>-27.281</b>	<b>0.000</b>	<b>-268.095</b>	<b>60.475</b>	<b>9.347</b>	<b>-198.273</b>

The County Fund shown at the top of Table 1 is the balance set aside to cover the authority against a serious emergency situation (e.g. widespread flooding); a critical and unexpected loss of income to the authority and for general cash flow purposes. In considering these various factors the county council has a County Fund balance of which remains unchanged at £23.437m at the end of 2019/20.

The table above shows that the forecast value at the end of 2021/22 of the uncommitted Transitional Reserve following the 2019/20 outturn is £147.810m. This is an improved position of £3.151m compared to that reported to Cabinet at Quarter 3, due to the underspend within the revenue budget, funding being built back into the

budget for museums, the additional requirement to fund Lancashire Break Time from reserves for 2020/21 only and the transfer of funds that are no longer required from other reserves.

The closing balance of the Transitional Reserve at 31<sup>st</sup> March 2020 has improved by £2.960m when compared to the forecast at quarter 3. The main reasons for this are as follows:

- £1.740m underspend position that is subsequently transferred to the transitional reserve
- £2.165m increased income from year end funding transactions the most significant of which relates to the council tax and business rates collection fund surplus

There has been no need to call on the Transitional Reserve to support the 2020/21 budget but other commitments would leave £149.662m available for use in 2021/22 and beyond based on current forecasts. Table 2 within the report demonstrates the funds that are forecast to be available to support the budget gap in future years. However, the uncertainty surrounding the impact of the current pandemic and the continued uncertainty around the future of local government funding may lead to further savings having to be made.

Table 2

	2020/21	2021/22	2022/23	2023/24
<b>Opening Balance</b>	151.199	149.662	142.406	122.080
<b>Gap funding</b>	-1.358	6.763	20.325	38.401
<b>Commitments</b>	2.895	0.494	0.000	0.000
<b>Closing balance</b>	<b>149.662</b>	<b>142.406</b>	<b>122.080</b>	<b>83.679</b>

## 7. Provision for Bad and Doubtful Debts

In addition to general provisions against known liabilities the Council maintains a provision against bad and doubtful debts. For 2019/20 there has been a slight increase in the provision of £0.292m (1.6%).

	Opening Balance as at 1 April 2019 £m	In Year Changes £m	Closing Balance as at 31st March 2020 £m
Corporate Bad Debt Provision	-18.161	-0.292	-18.453

## 8. General Provisions

General Provisions which are set aside for specifically quantified liabilities such as insurance claims. Movements in general provisions are summarised in the table below:

	Opening Balance as at 1 April 2019  £m	In Year Changes  £m	Closing Balance as at 31st March 2020  £m
Adult Services - Safeguarding	-1.000	0.000	-1.000
Adult Services – General	-2.778	0.926	-1.852
Financial Resources	-0.086	-0.043	-0.129
Schools Catering	0.000	-0.659	-0.659
Business Rates Appeals	-5.451	0.000	-5.451
Municipal Mutual Insurance (MMI) Provision	-2.749	0.000	-2.749
Insurance Provision	-14.665	-6.248	-20.913
SEND Provision	-0.603	0.603	0.000
PFI Payments	-0.600	-0.500	-1.100
<b>Grand Total</b>	<b>-27.932</b>	<b>-5.921</b>	<b>-33.853</b>

The table above contains both long and short term provisions held at the end of the 2019/20 financial year. A review of all provisions has been undertaken with several removed as they are no longer required. In addition, where new provisions are required (such as the Adult Services – General) or increases were needed to existing provisions then the required action has been taken.

## 9. Capital Receipts

From 1<sup>st</sup> April 2016 the Government introduced the flexibility for capital receipts to be used to fund revenue expenditure which meets certain criteria. To meet the qualifying criteria the revenue expenditure needs to relate to activity which is designed to generate ongoing revenue savings or to transform a service which results in revenue savings or improvements in the quality of provision.

As part of the Provisional Settlement in December 2017 it was announced that flexibility to use capital receipts to help meet the revenue costs of transformation programmes will continue for a further three years.

Local authorities are only able to use capital receipts from the sale of property, plant and equipment received in the years in which this flexibility is offered. They may not use their existing stock of capital receipts to finance the revenue costs of service reform.

As part of the 2019/20 revenue budget agreed by Full Council a total of £8.000m was built into the budget.

The table below shows the amount that was expected to be spent in each service area and how much was spent as part of the 2019/20 outturn:

Service Area	2019/20 Budget (£m)	2019/20 Expenditure (£m)	2019/20 Variance (£m)
Business Intelligence	0.353	0.353	0.000
Core Business System Transformation	0.981	0.789	-0.192
Customer Access	0.120	0.120	0.000
Disability Services (Adults)	0.110	0.110	0.000
Exchequer Services	0.349	0.349	0.000
Financial Management (Development and Schools)	0.082	0.082	0.000
Financial Management (Operational)	0.425	0.342	-0.083
Fostering, Adoption, Residential and YOT	0.124	0.124	0.000
Health, Equity and Welfare Partnerships	0.500	0.500	0.000
Highways	0.114	0.114	0.000
Learning Disabilities, Autism & Mental Health	1.148	1.148	0.000
Patient Safety and Quality Improvement	0.090	0.090	0.000
Programme Office	1.402	1.402	0.000
Social Care Services (Adults)	2.202	2.202	0.000
Grand Total	8.000	£7.725	-0.275

In 2019/20 actual receipts totalled £7.725m, a shortfall of £0.275m against a budget of £8.000m. A contribution from reserves offset the shortfall.

The funding shown above has been used to support

- Transformation activity to support the delivery of service challenge savings of £53.275m.

At Full Council in February each year the county council's prudential indicators are reviewed and approved as part of the Treasury Management Strategy. The level of indicators incorporate the budgeted level of capital receipts that are used to support the revenue budget rather than the capital programme. The indicators are reviewed on a regular basis and reported to Members on a quarterly basis.

## **Section E – Conclusion on the County Council's Financial Health**

Whilst the revenue outturn position for 2019/20 presented within the report is positive in headline terms, the revenue budget was supported by reserves to meet the structural funding gap. The underlying outturn position, excluding the structural application of reserves, was an overspend of c£8.5m and a forecast funding gap of £38.4m by 2023/24 remains.

The agreed use of reserves in 2019/20 revenue budget to meet the structural funding gap represents a continuation of recent year's reserves commitments to support the delivery of a significant number of agreed savings plans and the funding gap, whilst savings proposals to reduce the funding gap have been developed. These have been a combination of efficiencies, demand management, income generation, reduction in some services and reducing the level of revenue funding of the capital programme. It is pleasing to note that currently it is forecast that there will be no requirement to support the 2020/21 budget with reserve funding, although we will continue to monitor the financial impact of the Coronavirus emergency.

The availability of reserves to support recent revenue budgets has been enabled by good financial stewardship. The council has a track record of delivering positive outturn positions in most years through strong financial management, including delivering the majority of savings that have been agreed in budget cycles.

Positively this has continued in 2019/20 with the revenue underspend resulting in a much lower net reduction in reserves than was originally budgeted for. Some elements of the underspend reflect early delivery of savings now agreed as part of the 2019/20 budget, but detailed work is being undertaken to determine the extent to which any of the underspending areas represent structural underspends not yet adjusted for within the MTFS for future years, e.g. continuing strong treasury management performance. Similarly, overspending areas are also being reviewed to determine the extent that it is recurrent and not reflected in the MTFS, with an updated position to be reported to cabinet in September.

The proportion of the council's revenue budget spent on key demand led areas continues to increase and remains a challenge as a result of the ageing population and increasing demand, despite the application of the adult social care precept. The other significant area of demand is children's social care.

On the assumption that sufficient funding is provided by central government to address the financial impacts of Covid-19 the remaining reserves are forecast to be sufficient to enable a balanced budget to be set until 2023/24, however it is critical that further proposals are developed to address the funding gap. Following the successful identification of savings as part of phase 1 of service challenge, phase 2 which has currently paused due to the current emergency will build on the good work to date and identify further savings proposals. This phase will focus on more cross cutting themes throughout the council. This initiative will also incorporate the agreed corporate strategy and use the priorities identified as a framework for prioritisation across the council.

As with any such plan, the medium term financial strategy contains a number of assumptions within future year forecasts reflecting a number of unknown elements in relation to the future funding of local government. In particular for this year the uncertainty around the full financial impact of the activity needed to support and



protect residents and colleagues as a result of Coronavirus and the extent to which government will make good the financial pressures in both 2020/21 and beyond creates additional uncertainty.

The government's aim to introduce a new fair funding formula and 75% business rates retention have been further delayed by at least a year. As a result of these factors the impact on the council's funding envelope is unknown but will become clearer over the coming months and at this stage we anticipate a one-year settlement in the autumn.