Money Matters
The County Council's Revenue and Capital Financial Position
2020/21 Outturn

Lancashire County Council

www.lancashire.gov.uk

Executive Summary

This report provides details for Cabinet on the County Council's 2020/21 revenue and capital outturn position.

2020/21 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 £825.619m, against and approved budget of £844.851m, which represents an in-year underspend of £19.232m or 2.28% of the revenue budget.

The revenue position includes a contribution to reserves of £1.358m as agreed in the 2020/21 budget setting process

The most significant areas of over and underspend in 2020/21 are as follows:

- Adult Services - **£15.870m underspend** primarily as a result of reduced demand in some service areas and increased income.

- Highways and Transport - **£10.457m overspend** due to income pressures, lower than budgeted works (resulting in reduced income from capital works whilst still incurring some fixed costs) and delayed savings - as a result of the ongoing pandemic.

- Strategy and Performance – **£2.756m overspend** due to reduced income in the school catering service.

- Treasury Management - **£24.602m underspend** principally due to the sale of gilts and bonds.

- Corporate Budget (Funding and Grants) - **£9.202m overspend** representing an additional contribution to the insurance provision and a contribution to the business rates volatility reserve.

2020/21 Revenue Reserves

The budget report to Full Council in February 2021 indicated that there would be sufficient funds remaining in reserves to support the budget beyond the MTFS period ending 2023/24.

At the end of the financial year, a combination of the revenue underspend and reduced expenditure from reserves has led to an improved position with £201.755m being available in the transitional reserve at the end of 2020/21 for future years; a positive variance of £42.355m, although a significant proportion of the increase is supporting future year commitments. With commitments of £33.130m forecast over the next 3 years, £168.625m is available to support the financial gap in 2021/22 and beyond.

While the council's reserve position remains healthy there is clearly significant uncertainty around the ongoing impact and legacy of the pandemic including the anticipated increased future demand for a number of services such as social care. Further uncertainty remains around the likely outcome of the Fair Funding Review and Business Baseline Reset which have been further delayed until at least 2022/23, and the current absence of a financial settlement for local government past 2021/22.

2020/21 Capital Programme

The capital programme for 2020/21 totalled £160.420m with the programme delivering an outturn position of £127.810m, resulting in an underspend against budget of £32.610m.

The variance is due to the following:

- Net underspends and potential underspends £1.659m
- Net overspends and potential overspends £2.088m
- Slipped Delivery £48.888m
- Additional Delivery £15.849m

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, delays due to adverse weather, and the Coronavirus pandemic which affected the completion or commencement of some projects.

During the first 3 months of 2021/22 a comprehensive review of the delivery programme for 2021/22 is being undertaken in light of the outturn position. Any proposed changes to the 2021/22 delivery programme will be reported back to Cabinet as part of the regular money matters reports.

Section A - The 2020/21 Revenue Budget

1. Executive Summary

This section of the report provides an update for Cabinet on the County Council's 2020/21 revenue financial position and contains a comparison to the previously reported financial position as at Quarter 3.

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 £825.619m, against and approved budget of £844.851m, which represents an in-year underspend of £19.232m or 2.28% of the revenue budget. The largest contributing element to the overall underspend was the continued strong performance on Treasury Management with a surplus of £24m generated, but it is clear that thereafter the most significant single factor affecting both service and financial performance this year has been the pandemic. Whilst there have been a number of service areas experiencing financial pressures due to the impact of Covid-19, there are also offsetting short-term cost reductions resulting from factors including lower than anticipated demand for some services and the move to remote working in line with Government guidance. We anticipate a drift back up in demand as a new normal settles post Covid-19, particularly across adults and children's services.

The revenue position includes a planned contribution to reserves of £1.358m as agreed in the 2020/21 budget setting process

Delivery of the savings programme continues to be a key risk area and the savings plans have been subject to review as part of the budget monitoring process throughout 2020/21, however due to the pandemic there have been significant delays in the delivery of savings. As part of the emergency Covid-19 grant that was awarded to local authorities c£30m has been attributed to delayed savings. However, this presents a further financial risk in 2021/22 in addition to a further £12.634m of savings that have been agreed to be delivered. Updates will be provided to Cabinet through the money matters reports on a quarterly basis.

The impact of the pandemic has introduced greater uncertainty on both our future costs, given anticipated increasing demand, and funding levels with a longer-term financial settlement expected during 2021/22. 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 2020/21 Summary Table

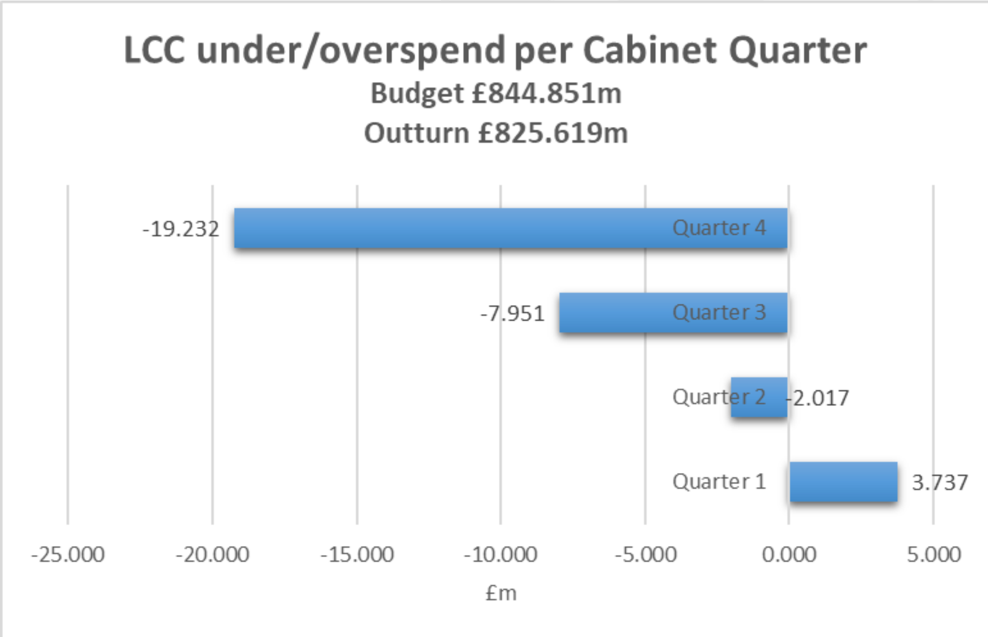
Service Area	Approved Net Budget	Net Outturn	Net Outturn Variance	Net Outturn Variance	Q3 Forecast Variance
	£m	£m	£m	%	£m
Adults	364.609	348.739	-15.870	-4.35%	-1.170
Policy, Information, Commissioning and Safeguarding	7.609	7.744	0.135	1.77%	0.078
Public Health & Wellbeing	-5.255	-5.081	0.174	3.30%	0.776
Education and Children's Services	200.377	201.679	1.302	0.65%	-0.251
Growth, Environment & Planning	4.868	7.284	2.416	49.62%	-0.153
Highways and Transport	65.595	76.052	10.457	15.94%	6.616
Organisational Development	2.232	1.953	-0.279	-12.51%	-0.084
Waste Mgt	65.957	63.917	-2.040	-3.09%	-2.309
Finance	44.591	44.118	-0.473	-1.06%	-0.186
Corporate Services	18.805	19.980	1.175	6.25%	1.362
Strategy and Performance	32.903	35.659	2.756	8.38%	3.559
Chief Executive Services	42.560	23.575	-18.985	-44.61%	-16.189
TOTAL	**844.851**	**825.619**	**-19.232**	**-2.28%**	**-7.951**

The above table details the breakdown across services of the final outturn position for 2020/21. The underspend has increased by £11.281m compared to the position reported to Cabinet as at quarter 3.

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

- Additional income received to support additional costs of hospital discharges that has been received from the NHS totalling £12.8m.
- Additional income from the final claim in relation to Sales, Fees and Charges income compensation scheme of c£4m.
- Increased costs due to funding being placed in reserves across a number of services to support specific covid-19 recovery activities in 2021/22.

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

	Approved Net Budget	Net Outturn	Net Outturn Variance	Net Outturn Variance	Q3 Forecast Variance
	£m	£m	£m	%	£m
Disability (Adults)	0.329	0.522	0.193	58.66%	0.912
Learning Disabilities, Autism & Mental Health	175.763	186.812	11.049	6.29%	4.958
Residential & Day Care Services for Older People	-0.344	3.462	3.806	-1106.40%	4.732
Social Care Services (Adults)	188.861	189.586	0.725	0.38%	14.610
Total	**364.609**	**380.382**	**15.773**	**4.33%**	**25.212**
Share of unallocated COVID-19 emergency monies	0.000	-31.643	-31.643		-26.382
Total Adults	**364.609**	**348.739**	**-15.870**	**-4.35%**	**-1.170**

Adult Services – underspend £15.870m
The Adult Services budget accounts for c43% of the county council's total net budget.

It is positive to report an outturn significantly within budget but it must be noted that the service has been supported by significant levels of Covid-19 funding (£31.643m - emergency support grant, infection control grant, hospital discharge funding and sales, fees and charges grant) which has been apportioned based on the pressures experienced across services but is non-recurrent.

There are still uncertainties surrounding the short and long-term impact of the pandemic factored into the 2021/22 budget. Any underlying and long-term pressures as a result of the pandemic will need to be reviewed and included within the MTFS if required. Some additional Covid-19 funding has already been provided by Government for the year ahead to support social care, but the scale and duration of such support may be more limited compared to last year. A detailed review is taking place to closely review the demand and cost of placements to understand further the impact on the budget position, the variances and support the forecast.

The service had been due in 2020/21, as part of the previously agreed savings programme, to deliver a significant level of savings £35.452m to stay within their financial envelope. Due to the pandemic a significant proportion has been unavoidably delayed (c£23m). However additional income during this period has been recovered partly helping along with government grants to offset the increased pressures.

The significant variances across a number of services in the directorate are also mainly attributable to the pandemic with an increased demand higher than forecast in non-residential services, for example home care, as families have sought to find alternatives to residential and nursing care. This has also impacted on care home occupancy and thereby income levels across our in-house residential services and day services at a time when increased staffing requirements and funding has been necessary to ensure safe care is provided.

The most significant variances within the directorate are as follows:

In House Disability Care Service (Adults) – overspend £193,000
These services are predominantly delivered to adults aged 18 to 65 yrs. The great majority of people using these services have learning disabilities, often in combination with physical disability or complex health conditions. The services delivered include Short Break services, Supported living, Day Services, Enablement, Employment Support and Shared Lives.

The provider service operates with a gross budget of £34.196m and has an income target of £33.867m resulting in a net budget of £0.329m. Much of this income is linked to the support commissioned by the council's own Learning Disability and Autism Social Work service with smaller contributions from the NHS for specific individuals, and contributions from charges to individuals.

The overspend position is predominantly due to the delays in delivery of budgeted savings on remodelling the supported living service, due to the Covid-19 pandemic and a decrease in day service attendance and therefore service user income. However, these pressures have been offset by underspends across day and short breaks services and staffing budgets.

The service has received support from various Government Covid-19 related grants i.e., infection control grant, workforce development grant and the rapid testing grant totalling £343,000 however this will have been spent on direct Covid-19 related activity. The pandemic has placed significant pressures on all provider services and this is reflected in the overspend position.

Learning Disability, Autism & Mental Health – overspend £11.049m

Learning Disability and Autism Social Work Service

This service comprises teams of social workers and other staff working to assess individual needs, and then plan and commission appropriate support from a wide range of organisations including councils itself, voluntary organisations and private companies

The learning disability and autism service has overspent by £14.124m. This includes the budget impact from providing funding to address the significant waiting list in the Deprivation of Liberty Safeguards Service (DOLS) which affects service users in all services. The service has also not drawn down a previously agreed £1.238m from reserves to support the staffing budget as this was not required given the overall position of the Adult Services budget. Aside from the adjustments above the staffing budget has underspent by £975,000 as a result of staffing vacancies throughout the year.

Commissioned services have reported an overspend of £6.794m due to the impact of Covid-19, with the most significant being a forecast overspend of £4.337m in domiciliary care offset by underspends in residential and nursing care. In this area the levels of demand increases are significant and reflect a change of support required during the pandemic. The budget contains funding for an increase of 3%, but levels of demand for 2020/21 are at 11%. An in-depth review is currently taking place to assess the impact of increased demand on the medium term financial strategy and an update will be provided to Cabinet as part of the quarter 1 money matters reports.

In addition, there are pressures due to underachievement of savings of £2.907m, again due to the pandemic. There is a further overspend of £3.900m due to current and historic void claims which is a long-standing issue and is being looked at through the modernisation of supported living savings programme.

These pressures are partially mitigated by overachievement of the saving relating to residential reviews (£341,000) and net additional income of £4.230m predominantly from the NHS.

Mental Health Service

The mental health service has underspent by £3.075m, predominantly due to staffing underspends of £1.714m. Commissioned services (eg residential care, domiciliary care etc) have overspent by £404,000, which is mainly due to additional demand that the service has experienced resulting from the Covid-19 pandemic. Community based services have underspent by £1.765m mainly due to the overachievement of savings, and some delays in commissioning new services.

The demand and need levels experienced by this service in the early stages of 2021/22 will be closely monitored as the pandemic goes through its recovery stage and restrictions are lifted. There may be additional investment required in this service in future years that would need to be reflected in the medium term financial strategy.

Residential and day care services for older people – overspend £3.806m
The service operates with a gross budget of £22.763m and has an income target of £23.107m resulting in a net budget of -£0.344m. Income comes from budgets held by the Social Care Social work teams who commission services on behalf of many individuals, but there is also a significant share which comes from older people who are 'self-funding' their care.

The service has experienced staffing and agency pressures and this situation has been exacerbated as a result of Covid-19 pandemic. Despite the use of the auxiliary workforce which also included the use of day centre staff and volunteers, the service has had to call on a high level of agency workers to cover for sickness absence, staff shielding and isolating. The overspend on staffing has totalled c£1.736m this financial year.

The service is also experiencing a Covid-19 reduction in income from residents, and this is because occupancy has reduced from c.600 to c.470 resulting in an income shortfall from residents of £1.925m. Similar patterns of under occupancy and lost income are present in the equivalent independent sector services

The shortfall in service user contributions in day services due to services needing to be closed has resulted in a shortfall in income of c£540,000.

The service has received support from various Government grants such as sales fees and charges income loss scheme, infection control grant, workforce development grant and the rapid testing grant totalling c£2.8m, but due to the significant pressures faced by the pandemic the final position is an overspend on this budget area.

Social care services (adults) – overspend £725,000
Social care services (adults) covers the expenditure incurred in supporting older people and adults (aged 18-65) with physical disabilities. There are three main areas of spending, Residential and Nursing Care Homes, Care at Home and Staffing.

Residential and Nursing Care Homes

As part of the savings programme for 2020/21 the intention was to establish effective arrangements making fewer admissions into care homes and supporting greater numbers to stay at home. However, from the start of the pandemic implementation of the plan was postponed in the face of other urgent priorities for supporting individuals and the care home sector to stay safe.

However, the care home sector has experienced higher mortality rates particularly of older people during the year, and there has been reduced demand from individuals for residential care. This is typically because families have been concerned about the risk of infection to their relative and the further impact of visiting and other restrictions. Many of those individuals who were placed in care homes during the year, as part of discharge from hospital, have had their initial stays paid for by the NHS out of a national fund rather than the council in line with England wide arrangements. In cases where those placements were made by the council, we have received reimbursement from the national discharge fund and this amounts to £4.488m.

The overall impact of the delayed saving programme, the reduced demand for care home placements due to Covid-19, and the NHS funding arrangements is a net underspend in the year of £2.449m on residential and nursing home placements.

There is a significant risk going forward into 2021/22 that a significant proportion of placements which are currently transferring from the NHS to the council will need to be reassessed and these could involve increased costs compared to our standard rates, but at this stage we are unable to quantify the level of additional cost.

Care at Home

This includes a variety of services including reablement, home care, and day services. The majority of these services are commissioned by our own staff but a significant number of people receive a direct payment so they can make their own care arrangements.

This area has an overspend of £2.043m predominantly due to the under-delivery of savings on care provided to people in their own homes either through home care or via direct payment. These savings were very challenging in any event, and the onset of the pandemic meant they quickly became unrealistic to deliver. This was due to the greater priority on supporting people at home and the higher levels of support therefore commissioned, both in terms of numbers of people supported and also the intensity of the support needed by many individuals when it was required as an alternative to residential care. For some people this also involved a greater use of Direct Payments to have their needs met in different and sometimes more expensive ways.

The national hospital discharge arrangements also meant that many individuals had short term services commissioned to keep them safe at home as part of a greater emphasis on 'Home First' and Discharge to Assess during the pandemic. The service has received funding from the NHS to support these hospital discharges totalling £8.051m and is included in the net overspend position reported above.

This is an area where significant income to meet the costs of social care at home comes from pooled budgets held with the NHS. The size of the NHS contributions into these pooled budgets is most set at a national level but with a degree of local discretion and negotiation also occurring. Additional funding has also been drawn down form the Covid-19 Emergency funding to provide extra capacity over the winter.

There were further underspends in day services (£1.790m) due to both in house and external day care centres being largely closed due to Covid-19 and the lockdown measures, with some limited services opening in recent months. There were also smaller underspends totalling £492,000 across other smaller service elements.

Staffing

The service has recruited agency staff to a number of additional temporary management and frontline social work and occupational therapy posts during the year. These posts have been needed to cover vacancies, longer term absence or address spikes in demand, particularly in the periods after lockdowns have ended. Pay-rates for agency staff also had to be increased during the year in order to become more competitive in the labour market in the face of much higher rates on offer from neighbouring NW councils.

In combination this resulted in an overspend of £290,000 against a gross spend of £23.967m.

Central Services

This section of the budget contains budgets that support the directorate, such as grant income, insurance recharges and a small amount of support contracts.

These budgets have overspent by £3.086m in 2020/21. This mainly relates to contributions to reserves that have been made to support the service in transformational activity in 2021/22 and also set aside funds to support the service with additional costs that could be experienced relating to the pandemic.

3.2 Public Health and Wellbeing

	Approved Net Budget	Net Outturn	Net Outturn Variance	Net Outturn Variance	Q3 Forecast Variance
	£m	£m	£m	%	£m
Public Health & Wellbeing	-66.883	-66.646	0.237	0.35%	0.195
Health Equity Welfare & Partnerships	57.355	57.941	0.586	1.02%	0.529
Health, Safety & Resilience	0.917	0.754	-0.163	-17.78%	-0.176
Trading Standards & Scientific Services	3.356	3.711	0.355	10.58%	0.722
Total	**-5.255**	**-4.240**	**1.015**	**19.31%**	**1.270**
Share of unallocated COVID-19 emergency monies	0.000	-0.841	-0.841		-0.494
Total Public Health & Wellbeing	**-5.255**	**-5.081**	**0.174**	**3.30%**	**0.776**

Public Health and Wellbeing – overspend £174,000

The Public Health grant has underspent by £5.499m. This is not presented in the figures above, as the grant is ringfenced and has been transferred to reserves to be re-invested in public health eligible services in future years. Elements of the service that are underspent are those which are on a tariff-based arrangement, operating on a demand basis such as sexual health, oral health, health checks and substance misuse budgets. These areas are underspent in large part due to supressed demand as a result of the severe restrictions that Lancashire has been placed under during the pandemic. In future years we expect to see demand increase and health inequalities across different areas in Lancashire will need to be addressed.

The service has incurred additional costs due to Covid-19 in areas such as establishing outbreak management arrangements and increasing staffing to support the response to the pandemic. As a result Public Health & Wellbeing has been apportioned £841,000 of the emergency funding provided by Government in respect of the Coronavirus financial pressures. This sum has been apportioned based on the pressures experienced across the authority.

Trading Standards and Scientific Services has an under-recovery of income, with some of this due to the Covid-19 pandemic. There are also some income and cost pressures which are currently being reviewed to establish the reasoning behind the pressures, ascertain if they are recurrent, and determine if they can be recovered by the service or if they will need to be built into the MTFS.

3.3 Policy, Information, Commissioning and Safeguarding

	Approved Net Budget	Net Outturn	Net Outturn Variance	Net Outturn Variance	Q3 Forecast Variance
	£m	£m	£m	%	£m
Policy Info & Commission Age Well	0.832	0.845	0.013	1.56%	0.017
Policy Info & Commission Live Well	0.892	0.916	0.024	2.69%	0.021
Safeguarding & Quality Improvement Services	5.885	5.983	0.098	1.67%	0.040
Total Policy, Information, Commissioning and Safeguarding	**7.609**	**7.744**	**0.135**	**1.77%**	**0.078**

Policy, Information and Commissioning, Quality, Contracts and Safeguarding Adults Services – forecast overspend £135,000
There are various minor overspends across policy, information, commissioning and safeguarding.

3.4 Education and Children's Services

	Approved Net Budget	Net Outturn	Net Outturn Variance	Net Outturn Variance	Q3 Forecast Variance
	£m	£m	£m	%	£m
Children Social Care Localities	105.236	107.832	2.596	2.47%	7.151
Fostering Adoption Residential and YOT	33.089	33.138	0.049	0.15%	0.850
Total CSC	**138.325**	**140.970**	**2.645**	**1.91%**	**8.001**
Children and Family Wellbeing Service	15.258	14.623	-0.635	-4.16%	-1.849
Education Improvement 0 - 11 Years And 11+ To 25 Combined	3.837	4.509	0.672	17.51%	2.396
Inclusion	19.276	18.891	-0.385	-2.00%	-0.169
Libraries Museums Culture & Archives	10.120	10.444	0.324	3.20%	1.004
Total Education and Skills	**48.491**	**48.467**	**-0.024**	**-0.05%**	**1.382**
Quality Assurance, Inspection And Safeguarding	13.441	12.355	-1.086	-8.08%	-0.882
Policy Info & Commission Start Well	1.550	1.984	0.434	28.00%	-0.032
Education & Children's Services Central Costs	-1.430	2.969	4.399	-307.62%	-0.598
Total	**200.377**	**206.745**	**6.368**	**3.18%**	**7.871**
Share of unallocated COVID-19 emergency monies	0.000	-5.066	-5.066		-8.122
Total Education and Children's Services	**200.377**	**201.679**	**1.302**	**0.65%**	**-0.251**

Education and Children's Services – overspend £1.302m

Education and children's services has been apportioned £5.066m of the emergency funding provided by government in respect of the Coronavirus financial pressures. This sum has been apportioned based on the pressures experienced across the authority.

Children's Social Care – overspend £2.645m

Children's Social Care Localities – overspend £2.596m
The main pressures within Children's Social Care Localities relate to agency residential and fostering placements and staff costs, both of which are the largest areas of spend within the service.

The variance includes an overspend of £2.481m related to staffing. The service continues to experience issues with recruitment and retention which results in posts being temporarily filled with agency staff (at extra cost) including the cost of work undertaken by external providers. The service is reviewing the use of agency staff, has implemented a restructure and is working towards the implementation of the family safeguarding model. The Head of Transformation has a clear plan to oversee spend and support the recruitment of social workers across the directorate. There are several virtual recruitment drives organised. The communications team have worked with the teams to highlight the low caseloads in Lancashire and the ability to work in a Multi-agency team. The more permanent social workers we can appoint will mean the use of agency workers will decrease. Work is taking place to work with agencies to create a block contract to stop the use of single workers at a higher cost.

Agency residential (including leaving care) and fostering placements overspent by £481,000, which is offset by underspends on in-house fostering allowances in Fostering, Adoption, Residential and YOT.

It had been anticipated that as lockdown restrictions are lifted that this could impact on demand for services and additional costs were reflected in the previous forecasts for agency placements, however these have not materialised. Additional demand is anticipated by the service in 2021/22, with some additional funding built into the budget, however at this stage it is very difficult to quantify the financial impact in the next financial year and beyond.

Family support, which covers Special Guardianship Orders (SGO's), assistance to families and other payments, underspent by £31,000. This contains an overspend of £457,000 on SGOs due to higher than expected growth and delayed delivery of savings. This is offset by underspends on assistance to families and regular payments. Evidence is clear that children achieve better outcomes when they are able to remain in their family safely. The new Family Safeguarding Model's priority to support families to care for their grandchildren/nephews/cousins. This supports the reduction in cost in the Independent Fostering arena.

There are other minor underspends and overspends across the service.

Fostering, Adoption Residential and Youth Offending Team – overspend £49,000

This position reflects an overspend within the residential in-house provision (including overnight short breaks) of £857,000 which related to staff costs, £365,000 of which is due to Covid-19 emergency provision and the remainder relates to additional staff costs to support outreach/edge of care services and welfare checks. In addition, the Outreach Service overspent by £329,000 due to staffing costs, some of which are expected to be offset by a reduction in agency placements.

The overspends noted above are offset by underspends within the Fostering Service (£519,000) and Adoption Service (£453,000). There are also further smaller underspends and overspends across other elements of the service.

Education and Skills – Underspend £24,000

Children Family and Wellbeing Service (CFW) – Underspend £635,000

The position reflects staffing underspends of £1.383m due to continuing levels of staff vacancies. However, the current staffing levels mean the service is having to adapt their level of service delivery accordingly and they will need to increase staff activity to support family safeguarding. A robust action plan is in place to address a number of key areas for development and improvement with a clear area of focus on maximising capacity within the workforce. Significant traction has already been made to reduce the staff vacancies from 16% in January 2021 to 9% in May 2021, with further recruitment ongoing. Part of the action plan also addresses staff wellbeing support. A review is underway on operating personnel agreements for staff identified with reduced hours/capacity, to establish the continued fitness for purpose of these arrangements. This process has already unlocked an additional 18% caseload capacity, with further review work to complete on more complex personnel cases.

Further underspends are reported due to over-recovery of budgeted income for the troubled families unit and other minor underspends across the service.

The underspend is offset by a contribution to reserves to support development and investment within the service to support the launch of the Early Help assessment tool and also further investment in the Youth Service.

Education Improvement – Overspend £672,000
Traded services have overspent by £260,000 which relates to the under recovery of income partly offset by a reduction in expenditure due to the impact of Covid-19.

The schools advisory service overspent by £118,000. This is as a result of under recovery of income partly offset by a reduction in expenditure both in relation to the impact of Covid-19 with the closure of schools/settings during lockdown and the continuing pressure of not delivering face to face training/services. The service has claimed 75% of the budget pressure from the sales, fees and charges scheme offered to local authorities due to the impact of Covid-19.

Further overspends across the service are mainly due to under recovery of income again this is as a result of education settings being closed.

Inclusion – underspend £385,000
Underspends of £990,000 are reported across a number of teams which mainly relates to staff costs. However, there are offsetting pressures due to an increase in demand for agency residential and fostering placements and family support for children with disabilities and direct payments.

Libraries, Museums, Culture and Archives (LMCA) – overspend £324,000
Overspends of £384,000 and £505,000 are reported for outdoor education and Lancashire music service respectively. These overspends relate to the under recovery of income partly offset by a reduction in expenditure due to the impact of Covid-19 and the consequent lockdown and social distancing measures. The service has claimed 75% of the budget pressure from the sales, fees and charges scheme offered to local authorities due to the impact of Covid-19, with the position reported net of the claims. The above overspend is offset by the Libraries, Museums, Cultural and Archives service which is underspent by £565,000 this is largely due to staff and non-staff costs. A phased reopening of sites is under way but with restrictions in line with government guidance. Outdoor Education Centres are currently being used to provide emergency accommodation for some looked after children during the current pandemic. Services have been mitigating losses wherever possible by offering their services online.

Education and Children's Services – Overspend £3.747m

Quality Assurance, Inspection and Safeguarding – underspend £1.086m
This position predominantly relates to staff costs across the service although the majority of this does relate to the newly restructured Business Support function which is still undertaking recruitment to fill vacancies. This underspend is offset by smaller overspends on non-staff costs (supplies, services and travel) across the service and will be absorbed during future months as the demand for the service will grow in line with other predicted social care demands.

Policy, Information and Commissioning Start Well – Overspend £434,000

Overspends within PIC Start Well mainly relate a reserve contribution (£460,000) to provide commissioning and clientside resources for the Inclusion Service in the recovery phase of the pandemic from 2021/22 onwards.

Education and Children's Services Central Costs – overspend £4.399m
A revenue contribution to assist with the deficit due to the closure of Thomas Whittam Sixth Form School of £5.015m is offset by underspends predominantly relating to Premature Retirement Costs (PRC).

3.5 Growth, Environment and Planning

	Approved Net Budget	Net Outturn	Net Outturn Variance	Net Outturn Variance	Q3 Forecast Variance
	£m	£m	£m	%	£m
LEP Coordination	0.250	0.250	0.000	0.00%	0.000
Business Growth	1.587	4.354	2.767	174.35%	0.043
Planning and Environment	2.190	2.264	0.074	3.38%	0.110
Estates	0.431	0.207	-0.224	-51.97%	-0.060
Strategic Development	0.410	0.446	0.036	8.78%	0.001
Total	**4.868**	**7.521**	**2.653**	**54.50%**	**0.094**
Share of unallocated COVID-19 emergency monies	0.000	-0.237	-0.237		-0.247
Total Growth, Environment & Planning	**4.868**	**7.284**	**2.416**	**49.64%**	**-0.153**

Growth, Environment and Planning Services – overspend £2.416m
The main reason for the overspend within the service is due to a contribution to reserves to support future spend on low carbon projects. The Estates service has underspent due to staffing underspends and increased income. There were smaller under and overspends reported across other services.

Growth, environment and planning services has been apportioned £237,000 of the emergency funding provided by government in respect of the Coronavirus financial pressures. This sum has been apportioned based on the pressures experienced across the authority.

3.6 Highways and Transport

	Approved Net Budget	Net Outturn	Net Outturn Variance	Net Outturn Variance	Q3 Forecast Variance
	£m	£m	£m	%	£m
Highways	12.587	21.310	8.723	69.30%	6.378
Public & Integrated Transport	53.390	54.249	0.859	1.61%	0.291
Customer Access	2.621	3.327	0.706	26.94%	0.754
Design and Construction	-3.003	-1.268	1.735	57.78%	1.609
Total	**65.595**	**77.618**	**12.023**	**18.33%**	**9.032**
Share of unallocated COVID-19 emergency monies	0.000	-1.566	-1.566		-2.416
Total Highways and Transport	**65.595**	**76.052**	**10.457**	**15.94%**	**6.616**

Highways and Transport – overspend £10.457m

The largest impact on the position in 2020/21 was the impact of Covid-19. The main impacts were threefold, additional costs, loss of income (net of any reduction in costs incurred earning income) and delayed delivery of savings.

In broad terms the most significant impact of Covid-19 are shown below.

- £6.400m relating to lower income in highways, fleet services and design and construction.
- £2.900m relating to lower than budgeted highway works and overhead charges to capital predominantly due to less activity in April and May 2020.
- £800,000 relating to delayed savings across services.

Highways and transport has been apportioned £1.566m of the emergency funding provided by government in respect of the Coronavirus financial pressures. This sum has been apportioned based on the pressures experienced across the authority.

Highways – overspend £8.723m

Firstly, Covid-19 has impacted the amount of capital works delivered in 2020/21. This means that some labour and plant that would ordinarily be working on capital work and charged accordingly to capital projects has remained a revenue cost. In addition to these direct costs, lower overheads have been charged to capital as these are based on value of work delivered. These have resulted in an overspend of £2.915m.

Secondly, Covid-19 has impacted the level of income expected to be received across the service. These income streams have been impacted to varying degrees by the pandemic and whilst future income levels are uncertain a pressure of £2.869m is reported as part of the 2020/21 outturn.

An overspend of £1.286m is reported for severe weather. This factors in increased spend on storm damage and for winter gritting. Further costs have been incurred due to due to social distancing requirements whereby only one person is allowed per vehicle.

A further overspend of £2.000m relates to an agreed revenue contribution to capital outlay (RCCO) to fund additional expenditure on structural defects.

Other smaller under and overspends are reported across other elements of the service.

Public and Integrated Transport – overspend £859,000
Most parts of the public and integrated transport budget are affected by Covid-19 and the most significant forecast variances are detailed below.

School transport costs have underspent by £492,000 due to a number of reasons, adhering to social distancing has meant providing adding additional bus services although specific government grant funding has been received throughout the year to pay these costs. The other main reasons are detailed below.

Payments made to taxi operators are being made based on contract values in line with government guidance. The impacts financially of this have been both positive and negative. During periods of lockdown and school closures, contract variation payments were all but eliminated. Ordinarily, pupils attending respite care or new pupils for example, would create a contract variation resulting in additional mileage-based payments. These were neither claimed nor required whilst schools were closed. Conversely, some journeys that would normally not have been paid, for example due to pupils not attending through illness, were still paid in line with the central government directive. Overall, financially the costs savings have outweighed the additional costs.

Delivery of budgeted savings of £400,000 relating to providing excluded pupils a bus pass rather than taxi transport was delayed due to the impact of Covid-19. This saving however this has been more than fully negated due to reduced passenger numbers and as stated above payments have been made based on contract value and these contracts are typically for one year only so the service was able to not renew a number of these contracts when schools reopened following the first lockdown in September.

Overspends of £583,000 relate to fleet services, adherence to social distancing rules and additional hygiene measures to ensure staff are working safely is impacting on efficiency levels resulting in a reduction in income. Bus stations have overspent by £299,000. In part this relates to the closure of bus stations in the early part of lockdown impacting on departure fee income. However, there is a recurrent pressure on departure fee income which should reduce over time as fees increase in line with a previous Cabinet decision. Public bus services have underspent by £717,000. As part of the budget amendment an additional £1.500m was added into the budget from 2020/21. In addition, the county council has received further government funding to support bus services as a result of the Covid-19 pandemic. Whilst additional services were added during 2020/21 not all of the additional funding was spent in 2020/21.

Concessionary travel has reported an underspend of £1.657m. Payments to bus operators continue to be made based of historic passenger data which may continue for a significant period of time as there is no likelihood of concessionary passenger numbers increasing to the level they were before the pandemic. Despite this the concessionary travel budget underspent in 2019/20 so this has recurred in 2020/21.

In addition, a contribution to reserves has been made totalling £2.985m to fund future expenditure at council buildings to fund infrastructure for electric vehicles and the purchase of the vehicles.

Customer Access – overspend £706,000
The overspend predominantly relates to staffing costs partly due to delays in delivering budgeted savings but also due to additional staffing costs incurred as a result of the county councils Covid-19 response, which has included supporting the NHS.

Design and Construction – overspend £1.735m
Design and Construction property overspent by £2.286m. Lower than budgeted income recovery of £2.935m was partly due to the much-reduced number of projects delivered as a result of Covid-19. However, a recurrent budget pressure exists which has been addressed in the MTFS for 21/22. The income reduction was partly offset by underspends of £649,000 on staffing and agency costs.

Design and Construction highways overspent by £75,000. There are currently several vacancies so whilst there was a significant staffing underspend there was a greater under recovery of income since this is an income generating service. As with D&C property income levels for D&C highways were affected by Covid-19 although the impact was less severe.

Partly offsetting these pressures was £626,000 of income claimed as part of government scheme to refund authorities for a proportion of their income losses due to Covid-19.

3.7 Organisational Development and Change

	Approved Net Budget	Net Outturn	Net Outturn Variance	Net Outturn Variance	Q3 Forecast Variance
	£m	£m	£m	%	£m
Programme Office	1.431	1.325	-0.106	-7.41%	-0.084
Organisational Development	0.801	1.094	0.293	36.58%	0.000
Total	**2.232**	**2.419**	**0.187**	**8.38%**	**-0.084**
Share of unallocated COVID-19 emergency monies	0.000	-0.466	-0.466		0.000
Total Organsational Development and Change	**2.232**	**1.953**	**-0.279**	**-12.51%**	**-0.084**

Organisational Development and Change – underspend £279,000
The small underspend across the service is due additional income and underspends on staffing and running costs.

3.8 Waste Management

	Approved Net Budget	Net Outturn	Net Outturn Variance	Net Outturn Variance	Q3 Forecast Variance
	£m	£m	£m	%	£m
Waste Management	65.957	66.219	0.262	0.40%	-0.819
Total	**65.957**	**66.219**	**0.262**	**0.40%**	**-0.819**
Share of unallocated COVID-19 emergency monies	0.000	-2.302	-2.302		-1.490
Total Waste Management	**65.957**	**63.917**	**-2.040**	**-3.09%**	**-2.309**

Waste Management – underspend £2.040m
Throughout 2020/21 we have seen a different composition of residual waste being collected. Tonnage collected at households were significantly higher than would normally be expected. However, there has been a reduction in trade waste collected due to businesses being closed, and a much reduced tonnage collected at household waste recycling centres which were also closed for most of April and May in line with government guidance and when reopened operated with reduced capacity to ensure social distancing was maintained. Overall residual waste is 6% higher this year compared to last year.

Underspends of £2.224m relate to HWRCs which were closed for the first part of the year and since reopened tonnages have remained lower that ordinarily expected which has had a significant impact on costs predominantly reduced transport costs.

Reductions in trade waste resulted in lower than budgeted income of £398,000.

Overspends of £2.831m relate to waste disposal costs due to the increased volume of waste, these were offset by underspends within the waste company, insurance costs and other minor underspends.

Waste management has been apportioned £2.302m of the emergency funding provided by government in respect of the Coronavirus financial pressures. This sum has been apportioned based on the pressures experienced across the authority.

3.9 Finance

	Approved Net Budget	Net Outturn	Net Outturn Variance	Net Outturn Variance	Q3 Forecast Variance
	£m	£m	£m	%	£m
BTLS	28.505	28.959	0.454	1.59%	-0.001
Lancashire Pension Fund	-0.001	0.000	0.001	-100.00%	0.000
Exchequer Services	3.925	3.408	-0.517	-13.17%	-0.243
Financial Mgt (Development and Schools)	0.000	-0.118	-0.118	0.00%	-0.079
Financial Mgt (Operational)	1.698	1.621	-0.077	-4.53%	0.042
Corporate Finance	7.753	7.719	-0.034	-0.44%	-0.099
Internal Audit	0.752	0.722	-0.030	-3.99%	0.029
Procurement	1.959	1.828	-0.131	-6.69%	0.182
Total	**44.591**	**44.139**	**-0.452**	**-1.01%**	**-0.169**
Share of unallocated COVID-19 emergency monies	0.000	-0.021	-0.021		-0.017
Total Finance	**44.591**	**44.118**	**-0.473**	**-1.06%**	**-0.186**

Finance - underspend £473,000
The outturn position is predominantly due to underspends reported within Exchequer Services with an underspend of £517,000 on employees which is mainly due to delays in recruitment because of Covid-19. There is also an overspend within the BTLS budget due to funds being placed in reserves to support possible future costs following the transition of the service back to the County Council.

There are minor net overspends totalling £410,000 across the remainder of finance.

Finance has been apportioned £21,000 of the emergency funding provided by government in respect of the Coronavirus financial pressures. This sum has been apportioned based on the pressures experienced across the authority.

3.10 Corporate Services

	Approved Net Budget	Net Outturn	Net Outturn Variance	Net Outturn Variance	Q3 Forecast Variance
	£m	£m	£m	%	£m
Coroner's Service	2.466	2.250	-0.216	-8.76%	-0.093
Human Resources	1.006	0.967	-0.039	-3.88%	0.086
Legal, Governance and Registrars	12.495	14.297	1.802	14.42%	2.365
Skills Learning & Development	2.838	3.275	0.437	15.40%	-0.178
Total	**18.805**	**20.789**	**1.984**	**10.55%**	**2.180**
Share of unallocated COVID-19 emergency monies	0.000	-0.809	-0.809		-0.818
Total Corporate Services	**18.805**	**19.980**	**1.175**	**6.25%**	**1.362**

Corporate Services - overspend £1.175m
The overspend is primarily on Children's pre proceedings and an increase in volume generally due to, “virtual” court hearings. Whilst there are pressures in supporting social care, across other areas of legal services and corporate services that are some compensating variances to offset the overspend.

Litigation income was also adversely affected as staff were diverted to other covid related work resulting in an under recovery of c£440,000

Corporate Services have been apportioned £809,000 of the emergency funding provided by government in respect of the Coronavirus financial pressures. This sum has been apportioned based on the pressures experienced across the authority.

3.11 Strategy and Performance

	Approved Net Budget	Net Outturn	Net Outturn Variance	Net Outturn Variance	Q3 Forecast Variance
	£m	£m	£m	%	£m
Asset Management	7.244	7.043	-0.201	-2.77%	-0.150
Facilities Management	19.773	22.668	2.895	14.64%	3.816
Core Systems and Business Support	4.544	4.460	-0.084	-1.85%	-0.007
Business Intelligence	1.342	1.606	0.264	19.67%	0.025
Total	**32.903**	**35.777**	**2.874**	**8.73%**	**3.684**
Share of unallocated COVID-19 emergency monies	0.000	-0.118	-0.118		-0.125
Total Strategy and Performance	**32.903**	**35.659**	**2.756**	**8.38%**	**3.559**

Strategy and Performance - overspend £2.756m
Strategy and performance services has been apportioned £0.118m of the emergency funding provided by government in respect of the Coronavirus financial pressures.

Asset Management – underspend £201,000
The outturn position predominantly relates to street lighting energy. There have been underspends brought about by energy supply contract changes. However, Government funded works to replace streetlights with LEDs were delayed due to Covid-19. Whilst the programme has resumed, consumption was higher than otherwise would have been the case.

Facilities Management - overspend £2.895m
Most parts of the facilities management budget were affected financially by Covid-19. School catering has overspent by £4.238m which mainly relates to lower income charge to schools. A further income pressure has been incurred of £246,000 relating to staff and civic catering as these facilities have been closed for the whole of 2020/21. Partly offsetting these are underspends on premises running costs and repairs and maintenance due to a number of sites having been closed and the remainder being significantly less occupied which has resulted in underspends of £2.858m.

The outturn position also includes a transfer of £1.350m to reserves for accommodation costs in 2021/22.

Business Intelligence – overspend £264,000
The outturn predominantly relates to a transfer of £300,000 to reserves to be spent in 2021/22 on business intelligence analysis software which will benefit many services across the county council. Aside from this investment the service was underspent across a number of areas.

3.12 Chief Executive Services

	Approved Net Budget	Net Outturn	Net Outturn Variance	Net Outturn Variance	Q3 Forecast Variance
	£m	£m	£m	%	£m
Chief Executive	2.563	1.907	-0.656	-25.60%	0.113
Communications	1.043	1.012	-0.031	-2.97%	0.065
Corporate Budgets (Funding and Grants)	1.546	10.748	9.202	595.21%	5.764
Corporate Budgets (Treasury Management)	27.641	3.039	-24.602	-89.01%	-17.599
Corporate Budgets (Pensions & Apprenticeship Levy)	9.767	9.281	-0.486	-4.98%	-0.204
Total	**42.560**	**25.987**	**-16.573**	**-38.94%**	**-11.861**
Share of unallocated COVID-19 emergency monies	0.000	-2.411	-2.411		-4.328
Total Chief Executive Services	**42.560**	**23.575**	**-18.985**	**-44.61%**	**-16.189**

Chief Executive Services - underspend £18.985m
This relates to gains across the treasury management budget of £24.602m primarily as a result of extra income received through the sale of gilts and bonds taking advantage of the current economic environment and ongoing significant volatility in their pricing. This position is offset by a contribution to the treasury management reserve to reflect the anticipated ongoing economic uncertainties, including the interest rate environment, arising from both the pandemic and Brexit and the resulting potential future market risks and impact on future returns.

In addition, a contribution of £4m has been made to the insurance provision to reflect the required level of funding based on recent claims. There was also a contribution of £5m to the business rates volatility reserve to reflect the level of risk associated with the collection fund position. This is pending further information from district councils on final collection fund positions and confirmation of amounts receivable from the 75% compensation scheme for losses from the government, in addition to risks around collection levels in 2021/22. There are also costs relating to voluntary redundancy which can be met from within the directorate budget without recourse to reserves.

There are other smaller underspends on areas such as apprenticeship levy, chief executive services and the communications service.

Chief executive services have been apportioned £2.411m of the emergency funding provided by government in respect of the coronavirus financial pressures.

Section B - Schools Spending 2020/21

The final outturn position against schools delegated budgets at 31 March 2021 is an underspend of £42.832m. This means that school balances have increased by £42.832m in 2020/21, to a total of £90.151m.

The tables below show analysis of school balances by phase at the end of the financial year 2020/21.

2020/21 School Balances - In-Year Movement of Balances by Phase

Phase	Balance Brought Forward as at 1 April 2020	In-year Increase / (Decrease) 20/21	Balance Carried Forward as at 31 March 21
	£m	£m	£m
Nursery	0.383	0.362	0.745
Primary	35.953	22.476	58.429
Secondary	7.659	15.945	23.604
Special	2.576	3.093	5.669
Short Stay	0.748	0.956	1.704
Total	**47.319**	**42.832**	**90.151**

The 2020/21 financial year has clearly been an exceptional one in terms of the covid pandemic. Increased levels of core funding were provided by the Government in 2020/21, with Lancashire's gross Dedicated Schools Grant (DSG) allocation some £55m higher than that received in 2019/20. Core school budget allocations were largely safeguarded during the pandemic, and the Lancashire Schools Forum and county council responded to Government guidance to offer additional protection to sectors where termly redetermination calculations were reducing income in year from expected levels due to the pandemic.

Whilst some costs were increasing during 2020/21, as schools responded to relevant covid protocols and safety requirements throughout the year, there were also some extended periods when many schools were closed to the majority of pupils, which will have provided some savings against some planned expenditures.

In addition to the core Dedicated Schools Grant (DSG) funding allocations to schools, considerable additional funding was allocated during 2020/21 in the form of Government grants. For Lancashire maintained schools, grant allocations in the year totalled over £105m. Some of these grants could be utilised in year, regardless of the pandemic, for example those covering teachers pay and pensions contributions. Other grants were specifically to assist schools with the exceptional costs related to covid, like increased premises related costs or additional cleaning expenditure, which schools applied for to reimburse actual spending.

However, spending relating to other grants would have been curtailed by the pandemic, and the associated conditions of grant may require the funding to be utilised during the financial year 2021/22, especially as schools continue to respond to the challenges of supporting pupils catch up on learning. Such grants could include Pupil Premium, PE Sports premium and the Coronavirus (COVID-19) catch-up premium. Recently updated DfE guidance on the catch-up premium confirmed that 'Schools can use catch-up premium funding to support any summer catch-up provision that they are offering and can carry funding forward to future academic years.'

2020/21 School Balances –In-Year Movement Count of Schools by Phase

Phase	Count of deficit in year	Count of surplus in year
Nursery	7	17
Primary	56	408
Secondary	5	43
Special	2	27
Short Stay	0	9
Total	**70**	**504**

The majority of individual schools operated an in-year surplus in the year to 31 March 2021. This equated to 504 schools (88%) operating an in-year surplus, with 70 schools (12%) operating an in-year deficit. For comparison, 44% of schools reported an in-year deficit in 2019/20.

The percentages of schools with an in-year surplus in 2020/21 was similar to the overall figure, or higher, in all phases, except for the nursery school sector, where 71% of schools reported an in-year surplus, with 29% operating an in-year deficit.

2020/21 School Balances – Number of Schools in Surplus/Deficit by Phase

Phase	Count of deficit close balance	Count of surplus close balance
Nursery	7	17
Primary	12	452
Secondary	5	43
Special	5	24
Short Stay	1	8
Total	**30**	**544**

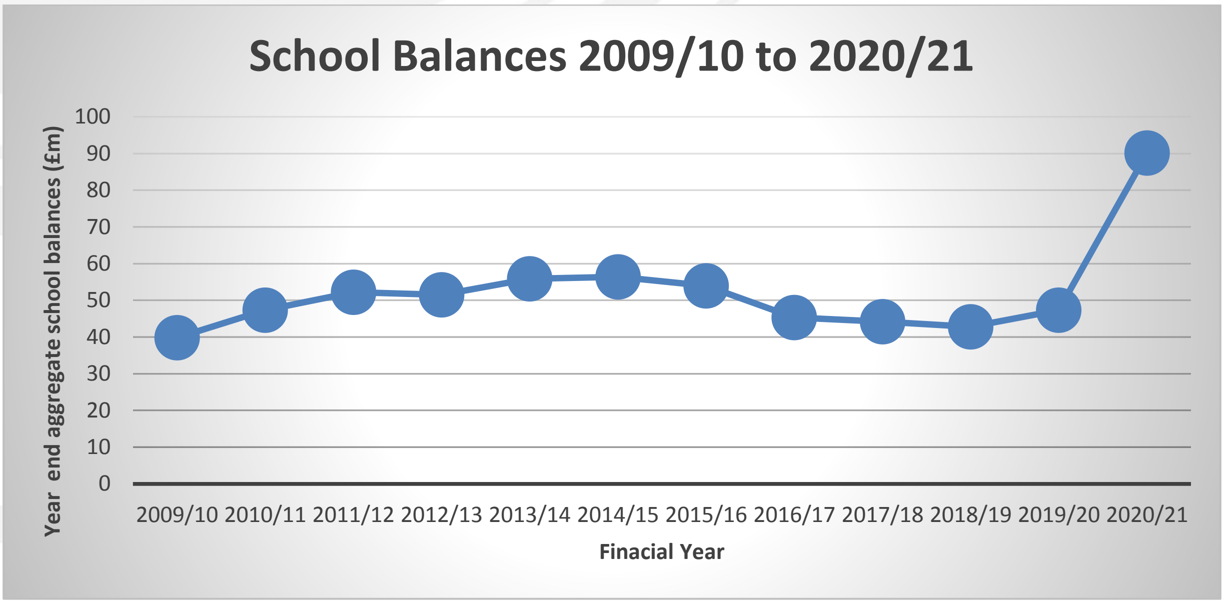
30 schools ended the 2020/21 financial year in deficit. The number of schools in deficit at 31 March 2021 has decreased from 41 schools in deficit a year earlier. The nursery sector has the most concerning analysis, with 41% percent of the schools ending the year in deficit.

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

Year End	Number of schools in deficit
31 March 2021	30
31 March 2020	41
31 March 2019	39
31 March 2018	47
31 March 2017	40
31 March 2016	25
31 March 2015	18

The number of schools in deficit at year end is at its lowest level since March 2016. However, the 2021 figure may be artificially low, as many schools will have increased year end balances as the result of funding that could not be fully spent in 2020/21 due to the pandemic and in particular grant allocations that will need to be utilised in 2021/22 focussed on the covid educational recovery.

Aggregate School Balances by Year



The graph demonstrates the trend in aggregate school balances over recent years and shows the significant rise in the balances held by schools at March 2021, to their highest level ever, having previously peaked in 2014/15. As mentioned earlier, there are covid related reasons for this shift in the year end position.

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 £100m, compared to the actual balances held of circa £90m.

Support for Schools in Deficit
Despite the changing requirements brought about by Covid-19, the county council has continued to provide significant targeted support and enhanced monitoring and early

warning around Schools in Financial Difficulty, with differing delivery methods being utilised during the pandemic.

Schools Reserves**

Schools Reserves	Opening Balance as at 1 April 20	In Year Changes	Closing Balance as at 31 March 21
	£m	£m	£m
Individual Schools Reserves	47.319	42.832	90.151
Other Schools Reserves	12.947	7.820	20.767

** 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 2020/21 Capital Delivery Programme

1. Introduction

In February 2020 an indicative Capital Delivery Programme of £133.842m was agreed with Cabinet. Subsequently approved additions and re-profiling of the programme have increased the in-year programme to £160.420m

The Delivery Programme is shown in section 2 split by block. This was agreed by service heads as being deliverable with the caveat of the overarching risk coming from Covid related delays. The project and programme managers were held accountable using the following actions:

- Detailed monitoring of the delivery programme through 2020/21 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
- Performance reports developed to enable the Capital Board members to undertake this monitoring and challenge.

2. Delivery Programme

The delivery programme is made up of the Full Council agreed 2020/21 budget updated for subsequent Cabinet approved decisions, reprofiling and an expected delivery amount for prior year schemes. This formed the basis of the monitoring report throughout the year.

With additional funding being received in year specifically to help the Council deliver projects to aid the restrictions or the recovery from the Covid-19 pandemic, the delivery programme noticeably increased. These additional projects took priority over some schemes listed in the original delivery programme, causing large some slippage variances which are detailed in the report. These risks have been reported to Cabinet in money matters reports during the year.

The total delivery programme is £160.420m as set out in table 1 below:

Table 1 – 2020/21 Capital delivery programme by block

Service Area	Delivery Programme agreed Feb 20	Cabinet Decisions	Changes to planned delivery	Total Delivery Plan for Monitoring
	£m	£m	£m	£m
Schools (including DFC)	27.089	12.119	-12.326	26.882
Children and Young People	4.382	2.895	-5.728	1.549
Highways	40.121	38.107	-34.365	43.863
Transport	15.302	6.480	0.561	22.343
Externally Funded Schemes	6.574	2.107	1.314	9.995
Waste and Other	0.300	0.000	-0.300	0.000
Adult Social Care	16.231	1.984	0.757	18.972
Corporate	19.243	20.361	-20.851	18.753
Economic Development	0.000	0.000	9.203	9.203
Vehicles	4.600	0.000	0.324	4.924
Transforming Cities Fund	0.000	4.600	-0.664	3.936
Grand Total	**133.842**	**88.653**	**-62.075**	**160.420**

3. Variance Analysis

The final outturn variance for the financial year 2020/21 is -£32.610m. A breakdown of the variance to block level is shown in table 2 below.

Table 2 – Summary Capital Delivery programme outturn position 2020/21

Service Area	Total delivery programme for 2020/21	Year end outturn	Variance
	£m	£m	£m
Schools (exc DFC)	24.456	20.675	-3.781
Schools DFC	2.426	2.998	0.572
Children and Young People	1.549	1.586	0.037
Highways	43.863	47.342	3.479
Transport	22.343	11.653	-10.690
Externally Funded	9.995	6.739	-3.256
Waste and Other	0.000	0.000	0.000
Adults Social Care	18.972	18.146	-0.826
Corporate	18.753	9.512	-9.241
Economic Development	9.203	4.779	-4.424
Vehicles	4.924	3.002	-1.922
Transforming Cities	3.936	1.378	-2.558
Totals	**160.420**	**127.810**	**-32.610**

The outturn spend for 2020/21 is £127.810m and funded from a combination of Borrowing (£42.536m), Grants (£73.698m) and Contributions (£11.576m).

A more detailed narrative on the key items making up the variances by block can be found in the section 5 of the report.

Table 3 – Analysis of outturn variance

Service Area	Outturn Variance	Underspends and potential underspends	Overspends and potential overspends	Slipped Delivery	Additional delivery
	£m	£m	£m	£m	£m
Schools (exc DFC)	-3.781	-0.303	0.006	-5.610	2.126
Schools DFC	0.572	0.000	0.000	0.000	0.572
Children and Young People	0.037	0.000	0.000	-0.016	0.053
Highways	3.479	-0.212	1.797	-6.223	8.117
Transport	-10.690	-0.306	0.000	-12.522	2.138
Externally Funded	-3.256	-0.286	0.013	-3.005	0.022
Waste and Other	0.000	0.000	0.000	0.000	0.000
Adults Social Care	-0.826	-0.001	0.000	-0.950	0.125
Corporate	-9.241	-0.466	0.272	-10.006	0.959
Economic Development	-4.424	-0.085	0.000	-6.076	1.737
Vehicles	-1.922	0.000	0.000	-1.922	0.000
Transforming Cities	-2.558	0.000	0.000	-2.558	0.000
Totals	**-32.610**	**-1.659**	**2.088**	**-48.888**	**15.849**

Underspends and potential underspends cover schemes that are forecast to be completed under budget. As per the capital financial regulations, these underspends can be repurposed within the same programme to allow for additional spend on other projects.

Overspends and potential overspends cover schemes that are forecast to be completed over budget. As per the capital financial regulations, these underspends can be covered through repurposed monies within the same programme.

Slipped delivery covers expenditure that was originally forecast to be incurred in 2020/21 but is now forecast to be slipped into later years.

Earlier than profiled delivery covers expenditure on schemes within the approved multi-year programme but not originally scheduled in the current year delivery programme.

4. Capital Programme 2021/22 next steps:

During the first 3 months of 2021/22 a comprehensive review of the delivery programme for 2021/22 will be undertaken by Finance for approval by Capital Board. The work undertaken will be as follows:

a) A comprehensive review of what can be and what needs to be delivered in 2021/22 across all blocks following the change in the focus of project delivery in 2020/21 due to Covid related and other emerging priorities.
b) An achievable 2021/22 Delivery Programme considering resources available, drawn up allowing for accurate financial and performance monitoring.

c) Detailed monitoring of the delivery programme through 2021/22 to ensure slippage is reported in a timely manner and a robust level of challenge to both programme and portfolio managers by Capital Board to ensure delivery remains on track through the year.
d) A review of the current reporting blocks to ensure they remain relevant and fit for purpose.
e) The implementation of the upgraded project management system, links to oracle fusion and the work to ensure business as usual is maintained during the crossover.

A detailed position by block will be presented for Quarter 1 and reported to Cabinet in September 2021 which will set the agreed delivery plan for the year against which performance will be measured monthly and reported to Cabinet each quarter.

5. Capital Programme Outturn Detailed Analysis

The outturn variances by block from the budget for delivery in 2020/21, with comments by programme or significant project are as follows:

Schools

The schools capital programme (including devolved formula capital (DFC)) has a 2020/21 delivery plan of £26.882m. The delivery plan (excluding DFC) had over 150 schemes that were worked on in the year. The final outturn position is £23.673m, a variance of -£3.209m.

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

Basic Need Programme
The purpose of the Basic Need programme is to increase school pupil places in targeted areas via grant funded school expansions or new school build projects. The 2020/21 delivery plan for this programme was £13.530m. The main variances on the 2020/21 basic need programme are as follows:

Slipped delivery was incurred on a number of the major school expansion schemes starting in 2020/21, largely due to work not progressing as planned due to Covid associated delays. Non-covid related complications arose during the year on some projects such as planning approval and agreed maximum price agreements.

- The Unity College Expansion project encountered a number of problems early in the year which resulted in delays to the planned delivery. These issues were resolved in late 2020 and Cabinet granted permission for enabling works to commence on site. The main build project is currently on site and has remained on programme over winter despite challenging weather conditions. The issues on site have caused slipped delivery of -£0.748m but the project is now progressing well and to the revised plan after the uncertainty over winter, exceeding the expected delivery forecast at quarter 3 by £0.515m.

- The Tom Finney high school expansion project stalled due to Covid and is behind the original intended timescales. No significant delivery progress was made this financial year, but options are now being priced and it is hoped that enabling works might commence over the summer. A slipped delivery variance of -£0.389m is reported.

- The Haven School refurbishment works project was temporarily placed on hold but has now been designed and will be taken up to tendering processes but at present no programme is currently proposed. A slipped delivery variance is reported of -£0.450m.
- Preston Ashton Science College project encountered early delays due to problems encountered finalising the hall design, site access impediments and supply chain issues causing a final slipped delivery figure of -£0.113m.

- An additional project was added during the final quarter at Shuttleworth College to further support the expansion work at Unity College. This has resulted in additional delivery of £0.251m on the delivery plan and an increase in spend of £0.235m on the quarter 3 forecast.

- The Lea Community Primary School expansion project was originally tentative to progress due to Covid which had made the site inaccessible. However, it has advanced quickly and is now in defects, with £0.155m of advanced delivery in year.

- Additional delivery of £0.176m is reported on the Ribblesdale High School Expansion. This large project was on site when the pandemic began and subsequently work was temporarily suspended adding to delays that had already hampered the project early on. The quarter 3 forecast was reduced for risk of non-delivery, however the resulting outturn is £0.211m higher as delays have since been mitigated with contractors to get the works back on programme.

- The Briercliffe Primary Expansion project was previously reporting slipped delivery at quarter 3 due to planning issues and Covid related complications which necessitated variations to be instructed with the contractor. These delays have since been recovered and the build is back on programme. Additional delivery on the original delivery plan is reported of £0.035m and has surpassed delivery expectations at quarter 3 by £0.161m.

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 over the summer and half terms breaks to minimise disruption and includes works to replace boilers, flat roofs, windows, electrical wiring, plus legionella and asbestos remedials.
Net underspends of -£0.264m are reported. However, these variances are against what was planned to be spent in year and the true overall savings made on the programme in the year are -£1.203m, which has been returned for reallocation to future schemes.

Slipped delivery totalling -£3.597m is reported where work was not able to progress this year as planned. The 2020/21 new starts programme of work is subsequently reporting slipped delivery of -£1.688m on projects that are now rescheduled to the new financial year.

Most of the slipped delivery variance reported refers to the Rhyddings High school rebuilding work. Delays to this major project were previously reported, caused by revised building regulations necessitating additional works, plus further structural and electrical issues. Although these issues have resulted in slipped delivery of -£1.185m, this is more favourable than anticipated at quarter 3 by £0.616m as work has begun to progress well since the winter break. A revised programme has been issued with a planned completion date of August 2021.

Smaller delivery delays totalling -£0.724m across several condition projects from prior year programmes are reported. The majority of these relate to the defects and liabilities period not being satisfied.

Additional delivery of £1.112m is reported across a number of projects, £0.583m of this being on projects in the new 2020/21 programme that have progressed in advance of programme by taking advantage of school closures to perform works not usually possible over autumn and winter. The remaining additional delivery variance is comprised mainly of small adjustments to settle final project costs on a large number of projects, totalling £0.402m and a few larger increases to project budgets across 4 projects resulting in £0.127m additional delivery in year.

Devolved Formula Capital (DFC)

The DFC programme is a grant funded programme for small to medium capital projects. It is allocated to schools individually on a formula basis by the DfE in order for schools to spend on capital projects, which they have freedom to commission themselves within expenditure guidelines. An outturn of £2.998m is reported giving an additional delivery variance of £0.572m. The Covid pandemic has not affected the uptake of DFC projects this year despite school closures with outturn expenditure being more than was originally estimated for the year. Some schools have been utilising DFC funding to implement Covid specific health and safety adjustments in preparation for re-opening.

Children and Young People (CYP)

The CYP capital programme has a 2020/21 delivery plan of £1.549m. The delivery plan has 3 schemes that were worked on this year. The final outturn position is £1.586m, a variance of £0.037m.

In February 2020 a proposal was approved by Cabinet to develop a purpose-built short break unit for adults with disabilities and complex needs alongside the previously approved children's unit on the former North Cliffe special school site in Great Harwood. The demolition of the old school was successfully completed over the summer after some initial delays. An overall budget saving was achieved and has been transferred to the building project to fund the enabling works. A slipped delivery variance of -£0.016m refers to the final payment to the contractor which will now fall into the next financial year.

The construction of the children's and adult's units is being delivered together as one large separate project. The agreed maximum price was agreed with contractor within the approved budget and initial works began on site as planned in October 2020. However, an outstanding planning consent (which was eventually discharged) meant that forecast outturn was reported as significantly reduced in quarter 3 due to the risk of delivery delays. A detailed programme of works was since provided by the contractor and with the build progressing well there was additional delivery of £0.052m in year.

Highways

The Highways capital programme has a 2020/21 delivery plan of £43.863m. The delivery plan has over 500 schemes that were worked on this year. The final outturn position is £47.342m, a variance of £3.479m.

The outturn variance is mainly due to the impact of Covid on the delivery of the programme. When the delivery plan was set in June 2020 it was uncertain whether there would be further lockdowns and what effect social distancing, sickness levels and self-isolating would have on the delivery of the programme, for that reason the delivery plan set was a cautious estimate of what could be delivered.

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

The projected overspend on Structural Defects of £1m at quarter 3 was forecast due to the continued Health & Safety Inspection policy on intervention levels and response times, coupled with our method to improve quality and increase size of the repair where necessary. The actual overspend increased to £1.601m due to winter weather conditions from January onwards which meant a higher than anticipated number of highway defects were identified in quarter four.

As a result of an additional investment of £5m being added to the programme in February 2020, the ABC and urban roads programmes were expanded with a prudent view of what could be delivered on top of the original agreed programme. Delivery progressed better than anticipated causing an additional delivery variance of £1.382m on the programmes.

There is an additional delivery variance on the street lighting defect programme of £0.191m due to updating some of the school crossing flashing lights, increase in traffic management costs and approval to do some repairs that involved Highways England closures plus replacing some lanterns which were not part of SALIX or under warranty. More progress has been made on the Skid Resistance Programme resulting in advanced delivery of £231k.

In the planned additional maintenance programme additional delivery of £0.246m is mainly due to the completion of works on the Hodder Land slip which wasn't included in the delivery programme.

The completion of works at Lafford Lane and Parsonage Lane has contributed to the additional delivery of £0.222m on the Rural Unclassified Programme.

Additional delivery of £0.532m due to work commencing earlier than anticipated on 3 schemes in the Moss Roads programme.

Additional delivery of £1.566m in the ABC programme is mainly due to some prior year surface dressing and pre-patching schemes being delivered.

The bridges structural maintenance programme has delivered an additional £0.605m of projects. The programme was developed when the first lockdown was in force across the country. Since the lockdown restrictions were eased, the bridges structural maintenance team and highways have been able to deliver more work than initially anticipated.

Several schemes in the patched carriageways and footways programme were deemed as being at risk due to needing high pressure water retexturing prior to dressing. It was thought these schemes would not be available for the surface dressing season, however some were able to be delivered totalling £0.264m.

Salix slippage of -£0.901m is primarily due to the two Covid lockdowns. This has resulted in a number of staff being off due to shielding or sickness and also access has been restricted due to parked cars. There have also been some supplier issues whilst they have had to adopt new ways of working.

The traffic signal programme reports slippage of -£0.376m. This is due to a review of the programme of works initially planned as deliverable which consequently led to changes to the schemes that will be delivered.

Repairs at Walmsley Bridge Lane and West Bradford bridge have been delayed due to legal and design delays contributing to the -£0.373m slippage in the storm damage programme.

Delays caused by Covid lockdowns caused delays to the award of the contract for vehicle replacement barriers has led to slippage of -£0.532m as well as delays to storm damage schemes causing slippage of -£0.564m.

Within the ABC schemes funded from the Transport Infrastructure Investment Fund some of the schemes have required supply chain involvement who have just recently been appointed as part of the Safer Roads programme. This has resulted in delays to the delivery programme causing a slippage variance of -£0.557m.

Slippage on the Bridge maintenance programme of -£0.641m is due mainly to a reduced design cost in this year on A601M and the impact of COVID on delivery of some schemes.

Transport

The Transport capital programme has a 2020/21 delivery plan of £22.343m. The delivery plan has over 132 schemes that were worked on this year. The final outturn position is £11.653m, a variance of -£10.690m.

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

Lancashire Safer Travel Restart - Lancashire was awarded £3.501m of a £250m emergency fund for Covid recovery. This is to be utilised for schemes reallocating road space for pop-up bike lanes, wider pavements, cycle and bus-only streets alongside interventions to support schools, signing and messaging and communication. Of this award £0.782m has been received and £0.592m was spent in 2020/21. The remaining Grant receipts are expected to be received and forecast to be spent in 2021/22.

Safer Roads Scheme - the process was held up by the lockdowns and subsequent delays meaning that tenders were only assessed from quarter 3 onwards. The final outturn resulted in in -£0.760m slipping into 2021/22 which will be completed with the rest of the operational work.

Road safety - A number of schemes included in the original delivery plan were reviewed during the year due to the new circumstances, and adjustments to their design and scope resulted in underspends of -£0.065m. The service was affected by staffing resources being reassigned to other Covid related transport projects causing -£0.727m of work to slip into future periods.

Skelmersdale Rail Link - this scheme is primarily to assess the technical feasibility of constructing a rail link between the Wigan to Kirkby line and Skelmersdale. Initial studies have been completed and Network Rail have completed higher level design, costing and impact assessments. The final costs of these investigations have been completed causing additional delivery of £0.866m from previous slippage. The work on the demolition of the Newcastle Colleges Group buildings is now due to finish in June 2021 causing a 2020/21 slippage variance of -£1.380m.

East Lancs Strategic Cycleway - The scheme was affected immediately by Covid as staff resources were redirected for the entirety of quarter 1. Delays that affected larger sections of the programme have been overcome and work was undertaken on Hud Hey Road and Hill End Lane. By quarter 3 it had been agreed to lower the forecast and the eventual outturn of £0.602m means that exactly -£1.000m of delivery will slip into future years.

Public Rights of Way - The outturn of £0.243m included works to expand footpaths in Wisewell and improve the bridleway through Huncoat Valley as well a new project to improve signage for public rights of way. Projects at the Capitol Centre and FP31 Lancaster have run into problems with a landowner and Natural England over an S.S.S.I but are forecast to be resolved and completed in 2021/22 causing a net slipped variance of -£0.064m.

National Productivity Investment Fund (NPIF) - The six outstanding projects in the NPIF scheme were affected by the Covid lockdown and related supply delays resulting in slipped delivery of -£0.766m.

Cycling schemes - The Cycling schemes programme overall reports a slippage variance of -£0.718m into future years due to Covid related delays. These included the two larger projects at Golden Hill Way and Ribbleton Avenue Quiet Way bypass. Work was possible on the Walton-le-Dale Cycling Improvements project resulting in £0.100m of additional delivery.

Burnley Pendle Growth Corridor - Within the programme there was an underspend of -£0.224m and a slippage variance of -£0.605m. The slipped delivery is forecast to be fully utilised in 2021/22. As forecasted, the majority of the expenditure was related to Rose Grove junction project. The Manchester Road Station car park is now forecast to be completed in quarter 2 of 2021/22. The agreements with partner Councils have been signed and invoices for appropriate funding have now been issued.

Burnley Town Centre Improvements - Work on the Lower St James Street project has slipped into 2021/22 causing a slippage variance of -£0.240m. As work on Pioneer Place will only be undertaken on the completion of the Lower St James Street work, the full -£1.000m from the delivery plan has slipped into 2021/22. Both projects are expected to complete in 2021/22.

Heysham - A delivery budget of £1.670m was originally set to cover mopping up work and settling Injurious affection disputes, this forecast had been revised to £1.000m in quarter 3 due to the length of time tribunals are taking to agree. The final outturn was £0.910m, causing a slipped delivery variance of -£0.759m.

Externally Funded

The Externally Funded capital programme has a 2020/21 delivery plan of £9.995m. The delivery plan has 24 schemes that were worked on this year. The final outturn position is £6.739m, a variance of -£3.256m.

Details of the main variances are as follows:

S278 UCLan Masterplan has slipped delivery of -£0.619m. Works on this project are tied in with the UCLan Student Centre scheme, which has critical activities to complete before LCC can progress with highway works. As some of these critical Student Centre activities have been delayed, most notably due to Covid, there has been a knock-on effect for the highway works delivery.

S278 A584 Lytham Rd/Church Rd Highway Works has slippage of -£0.928m. Some funding has been returned to the developer so further funding will require approval. There is budget on this project in 2021/22, where the project will continue.

S278 Padiham THI has slippage of -£0.798m due to low temperatures and snow causing delays. The resurfacing works require a full road closure however following consultation with bus services, this work must be scheduled for the school summer holidays to reduce impact on the services in the area.

Eastway Phase 2 S278 Works has slippage of -£0.098m following an unsatisfactory correction of a defect, meaning funds to the developer were not released., as anticipated in quarter 3. The contractor has since rectified this however checks still need to be made, which if still incorrect would delay completion by at least 2-3 months. There is slippage on Whalley King Street zebra crossing and footways (-£0.118m) and Whalley town centre footway and bus stop improvement (-£0.104m). These projects are due to be amalgamated and delivered in 2021/22.

Further slippage across a number of projects of -£0.211m are mainly due to Covid related delays, as well as projects agreed late in 2020/21 now slipping into 2021/22. There is an underspend on the Heyhouses scheme of -£0.287m as the works involved in the scheme have now changed, and the project has moved across to the Transport block.

Offsetting this is additional delivery totalling £0.022m and a potential overspend of £0.014m. Further funding is being sought to finance the potential overspend on the FP2 Kirkham scheme.

Waste and Others

Due to the minimal number of projects within the block it was agreed in year that the block was disbanded and the ongoing projects reported in other blocks within the Capital programme.

Adults Social Care (Adults)

The Adults capital programme has a 2020/21 delivery plan of £18.972m. The delivery plan has 8 schemes that were worked on this year. The final outturn position is £18.146m, a variance of -£0.826m.

The initial Disabled Facilities Grant funding of £14.731m was fully passported to district councils by August. This financial year a further top up award of £1.983m was approved by the MHCLG and passported in the same manner in January creating a large variance to the quarter 3 forecast.

The Extra Care grant was separated out into 3 projects covering Preston, Chorley and Fleetwood. It was forecast that the Preston project would be completed in 2020/21 and previously a forecast of £0.540m had been entered. Delays in the legal agreement have pushed back completion with this spend now forecast to slip into 2021/22 causing a slipped delivery variance of -£0.540m.

The Libraries ICT project previously forecast that the entire remainder of this budget will be used in 2020/21 but some access and supply delays have resulted in -£0.156m slipping into 2021/22. The on-going Liquid Logic improvements for Lancashire Person Record Exchange Service has a reported slippage figure of -£0.019m. The work done to date by BTLS has been billed for leaving the remaining work scheduled for 2021/22.

The project to improve the capacity of the Burnley adults short breaks unit to meet the increasing demand for the service has report slippage of -£0.174m due to Covid related issues delaying the commencement of the building work. This has now begun and is forecast to be completed in 2021/22.

Corporate

The Corporate capital programme has a 2020/21 delivery plan of £18.753m. The delivery plan has 158 schemes that were worked on this year. The final outturn position is £9.512m, a variance of -£9.241m.

The budget for the programme of building condition was set at £4.518m with 64 projects worked on in the year. The largest project to replace the Christ Church chiller units is now awaiting handover and created additional delivery of £0.077m against its 2020/21 delivery budget. Similarly work to the building fabric of Lancaster castle was completed in late March, creating a small additional delivery of £0.008m. A large number of the other planned projects have been hampered by access and lockdown restrictions causing an overall slipped delivery variance for the programme of -£2.565m and underspends of £0.050m against the original delivery plan.

The migration to the Oracle cloud project within the Central systems and ICT programme, has incurred slippage of -£4.618m. The full budget was initially agreed as part of the 2020/21 delivery programme but soon after it was agreed that the installation work for the project was expected to be delivered in 2021/22. The project to install Microsoft 365 has now successfully rolled out with additional delivery of £0.029m. Within the year a further £0.246m was approved for a new fleet management system and it has been agreed to pay BTLS £0.075m for their work to date with -£0.171m slipping into 2021/22.

The large project to repair the Burnley Queen Street mill chimney is now completed with an underspend of -£0.208m. Works on reroofing and lighting at Chorley interchange is ready for handover early than anticipated and has an additional delivery variance of £0.045m. Mechanical works at Burnley library were handed over ahead of schedule with £0.027m of additional delivery. Underspends of -£0.182m have been recorded in 2020/21 including -£0.069m on Accrington New Era and -£0.047m on work at travellers sites. Similarly to the Building Condition programme, access, supply and lockdown issues have disrupted the work and -£1.312m of work will now slip to 2021/22 for completion.

Work at White Cross Mill 14 is now completed with a final underspend of -£0.034m.

Economic Development

The Economic Development capital programme has a 2020/21 delivery plan of £9.203m. The delivery plan has 15 schemes that were worked on this year. The final outturn position is £4.779m, a variance of -£4.424m.

The City Deal contribution of £1.295m was completed in August, however the majority of the contribution amounts to Brierfield Mill (-£0.783m) and Lomeshaye industrial estate (-£1.500m) previously forecasted to be finalised in quarter 3 have now slipped to 2021/22 when more work on the projects will have been completed.

Of the £4.100m budget for Groundworks at Samlesbury the forecast had previously been lowered to £3.000m, although further lockdown measures reduced the actual outturn to £1.324m. The project is now progressing well with utility and ground preparation work, it is expected that this slipped delivery of -£2.776 will now be delivered in 2021/22.

Work on the submission of the Business Case for The Eden North project in Morecambe has created £0.357m of additional delivery, and it is forecast that remaining work will be completed next financial year.

A payment to BT for the Superfast Broadband programme has seen additional delivery on the project of £0.412m for 2020/21 and further work on the Gigabit connectivity programme is anticipated for 2021/22.

Vehicles

The Vehicles capital programme has a 2020/21 delivery plan of £4.924m. The delivery plan has over 25 vehicles to be delivered this year. The final outturn position is £3.002m, a variance of -£1.922m.

The most significant items procured this year include 9 salt spreading vehicles, 3 mobile libraries, 15 travelcare minibuses, 3 excavators and ancillary equipment for waste along with 2 tailored vehicles and a trailer for trading standards. This is in addition to a number of vans and other specialised vehicles for highways and other services. The majority of these vehicles were in service during 2020/21.

Due to delays in delivery of vehicles caused by Covid lockdowns the spend in year was £3.002m as forecasted in quarter 3. There were delays in the delivery of the mobile library vehicles due to the body manufacturer diverting all their resources to mobile Covid testing vehicles for the NHS

Transforming Cities Fund (TCF)

The TCF capital programme has a 2020/21 delivery plan of £3.936m. The delivery plan has 3 schemes that were worked on this year. The final outturn position is £1.378m, a variance of -£2.558m.

Lancashire County Council had their revised proposal for TCF investment in the Preston city region approved late on in June 2020. Work is progressing as per the agreed TCF timeline. Despite early delays due to Covid lockdowns work has started on the Transforming Ringway project, and design work is well underway for the Cottam Parkway station project. Significant progress on both these projects is expected in 2021/22.

Section D – County Fund Balance, Reserves and Provisions

Revenue Reserves as at 31st March 2021

Table 4 below shows the summary position for revenue reserves as at 31st March 2021:

Table 4

Reserve Name	Opening balance 2020/21	2020/21 Expenditure	2020/21 transfers to/from other reserves	2020/21 Closing Balance	2021-22 Forecast Exp	2022-23 Forecast Exp	Forecast closing balance 31 March 2023
	£m	£m	£m	£m	£m	£m	£m
County Fund	-23.437	0.000	0.000	-23.437	0.000	0.000	-23.437
SUB TOTAL - COUNTY FUND	**-23.437**	**0.000**	**0.000**	**-23.437**	**0.000**	**0.000**	**-23.437**
Strategic Investment Reserve	-5.819	-0.970	1.979	-4.810	3.810	0.000	-1.000
COVID-19 Reserve	-33.961	22.047	0.000	-11.914	11.446	0.347	-0.121
Downsizing Reserve	-5.642	0.000	0.000	-5.642	2.821	2.821	0.000
Risk Management Reserve	-1.935	-4.355	0.000	-6.290	5.231	1.059	0.000
Transitional Reserve	-151.199	-50.197	-0.359	-201.755	21.069	6.125	-174.561
Business Rates Volatility Reserve	0.000	-5.000	0.000	-5.000	5.000	0.000	0.000
Service Reserves	-18.201	-51.987	-1.966	-72.154	58.864	9.175	-4.115
Treasury Management Valuation Reserve	0.000	0.000	-13.778	-13.778	0.000	0.000	-13.778
Treasury Management Reserve	-11.597	-17.584	13.778	-15.403	0.000	0.000	-15.403
SUB TOTAL - LCC RESERVES	**-228.354**	**-108.046**	**-0.346**	**-336.746**	**108.241**	**19.527**	**-208.978**
Non-LCC Service Reserves	-16.305	-0.237	0.346	-16.196	2.633	0.316	-13.247
SUB TOTAL - NON LCC RESERVES	**-16.305**	**-0.237**	**0.346**	**-16.196**	**2.633**	**0.316**	**-13.247**
GRAND TOTAL	**-268.096**	**-108.283**	**0.000**	**-376.379**	**110.874**	**19.843**	**-245.662**

The County Fund shown at the top of Table 4 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 2020/21.

The table above shows that the forecast value at the end of 2022/23 of the uncommitted Transitional Reserve following the 2020/21 outturn is £174.561m. This is an improved position of £15.834m compared to that reported to Cabinet at Quarter 3, due to an increased underspend within the revenue budget and a commitment that goes into 2023/24.

The closing balance of the Transitional Reserve at 31st March 2021 has improved by £42.335m when compared to the forecast at quarter 3. The main reasons for this are as follows:

- £11.283m improvement in the underspend position that has been subsequently transferred to the transitional reserve.
- £18.732m of increased funding set aside for future year collection fund costs due to the impact of covid-19 and the schemes offered by the government to manage the cash flow of collection fund deficits.
- £11.298m funding to support future pressures following the pandemic.

It should be noted that there are significant increases to commitments in later years that will offset some of the improved position.

There has been no need to call on the Transitional Reserve to support the 2020/21 budget, with an agreed contribution to reserves made as part of the 2020/21 budget of £1.358m. The table below shows the available balances for each future financial year and most importantly the forecast available funds 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 5

	2021/22	2022/23	2023/24
Opening Balance	201.755	176.826	133.207
Gap funding	3.860	37.495	50.048
Commitments	21.069	6.125	5.936
Closing balance	**176.826**	**133.207**	**77.223**

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 2020/21 there has been a decrease in the provision of £0.785m (4.25%).

	Opening Balance as at 1 April 2020 £m	In Year Changes £m	Closing Balance as at 31st March 2021 £m
Corporate Bad Debt Provision	-18.453	0.785	-17.668

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 2020 £m	In Year Changes £m	Closing Balance as at 31st March 2021 £m
Adult Services - Safeguarding	-1.000	0.032	-0.968
Adult Services – General	-1.852	0.000	-1.852
Financial Resources	-0.128	0.084	-0.044
Schools Catering	-0.659	0.659	0.000
Business Rates Appeals	-9.275	-0.474	-9.749
Municipal Mutual Insurance (MMI) Provision	-2.749	0.000	-2.749
Insurance Provision	-20.913	-2.002	-22.915
Highways Provision	0.000	-0.200	-0.200
Facilities Management Provision	0.000	-0.499	-0.499
PFI Payments	-1.100	0.005	-1.095
Grand Total	**-37.676**	**-2.395**	**-40.071**

The table above contains both long and short term provisions held at the end of the 2020/21 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 Facilities Management and Highways) or increases were needed to existing provisions then the required action has been taken.

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

Whilst the revenue outturn position for 2020/21 presented within the report is positive in headline terms, as an underspend has been achieved and a contribution to reserves in-year rather than the need to support a structural funding gap it must be recognised that 2020/21 has been a highly unusual year due to the pandemic. There have been multiple grants provided by the government to support costs incurred by local authorities, which includes delayed delivery of savings, but many of these are currently expected to cease at the end of June 2021. This means that as the County Council returns services to more normal levels of activity (incorporating the impact of the pandemic) that the underlying budget pressures and delivery of savings pressures still remain. The County Council is forecast to have a financial gap of £50.048m by 2023/24.

When the budget was set for 2020/21 there was a small surplus of £1.358m rather than a funding gap as per each of the most recent years. However, in 2021/22 and over the period of the medium term financial strategy there is a structural funding gap that will need to be addressed. Currently there are sufficient reserves to support the forecast gap through to 2023/24 and beyond but the intention is that further savings will be identified to reduce the requirement from reserves.

The forecast funding gap is predicated on the achievement of all agreed savings, and any undelivered or delayed savings will further increase the gap. In 2021/22 services will need to deliver c£43m of savings to stay within their budget envelope which is a significant ask, as this includes those savings that have been delayed due to the pandemic. These savings are a combination of efficiencies, demand management, income generation and a reduction in some services. Whilst the support available from reserves presents a positive position, there is a continued financial risk relating to the impact of the Covid-19 pandemic.

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 2020/21 with the revenue underspend resulting in a much lower net reduction in reserves than was originally budgeted for. As part of the Money Matters report for quarter 1, detailed work will be undertaken to determine the extent to which any of the underspending areas represent structural underspends not yet fully 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 2021/22 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 spending review and longer-term (potentially 3-year) financial settlement in the autumn.