

## Report to the Cabinet

Meeting to be held on Thursday, 4 November 2021

### Report of the Chief Executive and Director of Resources

#### Part I

Electoral Division affected:  
(All Divisions);

#### Corporate Priorities:

Delivering better services;  
Protecting our environment;  
Supporting economic growth;  
Caring for the vulnerable;

### Money Matters 2021/22 Position - Quarter 2

(Appendices 'A' - 'C' refer)

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#### Brief Summary

This report provides an update to Cabinet on the county council's 2021/22 revenue and capital financial position, as at the end of September 2021 and an updated medium-term financial strategy covering the period 2022/23 to 2024/25.

It has been announced that the Chancellor of the Exchequer will detail a 3-year spending review on 27 October 2021. The date was set following the prime minister's announcement that the government would be introducing a new levy of 1.25% to fund social care.

Accordingly, as no information is yet available significant assumptions are required to underpin our forecasts. While these can be made with a level of confidence in the current year, over the medium term, with limited information, we rely heavily on advice from national bodies, benchmarking, and discussion with peers.

Whilst a multi-year Spending Review was originally expected at the end of 2020, the Chancellor and the Prime Minister decided to conduct a one-year Spending Review, setting department's resource and capital budgets for 2021/22 only to prioritise the response to COVID-19 and focus on supporting jobs. This means that the medium-term financial strategy included in Appendix 'B' contains several assumptions due to there being no additional information available at this time. Further information will now be available following the spending review for the Quarter 3 report.

Whilst the quarter 2 forecast presents an underspend of £16.441m for the current financial year, there remains a level of uncertainty about the longer-term impacts of the ongoing pandemic. The extent and profiling of any latent impact on price or demand for our services also remains unclear.

The current medium-term financial strategy indicates an aggregated funding gap of £58.583m by 2024/25, a £5.395m decrease from the previously reported position at Quarter 1 of this financial year. The forecast funding gap for 2022/23 is now £30.470m which is an improved position of £4.356m from Period 1 resulting from further analysis on demand resulting in a reduction in the level of funding built into the previous medium-term financial strategy position.

In summary:

- (i) The 2021/22 revenue forecast outturn is £864.972m, representing a projected underspend of £16.441m (1.87%) of the agreed budget.
- (ii) The medium-term financial strategy has been updated for our current expectations of levels of funding, savings delivery, demand, and inflation.
- (iii) At Full Council in February 2021 the medium-term financial strategy showed a deficit of £50.048m in 2023/24. The forecast now indicates a financial deficit of £58.563m by 2024/25.
- (iv) The council is forecast to hold a General Reserve against unforeseen issues of £23.437m representing circa 3% of net budget, which is unchanged from the previously reported position.
- (v) The council is forecast to hold £183.275m of uncommitted transitional reserve at the end of the financial year. This is sufficient to meet the forecast gap for all of the years covered by the medium-term financial strategy, 2022/23 to 2024/25.

## **Recommendation**

Cabinet is asked to:

- (i) **Note** the current forecast underspend of £16.441m on the revenue budget in 2021/22.
- (ii) **Note** the revised funding gap of £58.563m covering the period 2022/23 to 2024/25 as set out in the revised financial outlook forecast for the council.
- (iii) **Approve** the budget adjustments for 2021/22, and following years' changes, included in the revised medium-term financial strategy.
- (iv) **Note** the contents of the county council's reserves position.
- (v) **Note** the revised 2021/22 capital delivery programme of £164.751m and the forecast outturn of £165.407m.

## Detail

The detailed reports present the quarter 2 position and are appended as follows:

- Appendix 'A' - the 2021/22 forecast revenue position.
- Appendix 'B' - revised medium-term financial strategy for the period 2022/23 to 2024/25, including reserves position.
- Appendix 'C' - the 2021/22 re-profiled capital delivery programme and forecast outturn

### 2021/22 Revenue Position as of 30 September 2021 (Appendix 'A')

A revenue underspend is currently forecast at £16.441m and represents a variance of 1.87% against the overall revenue budget of £881.413m. The forecast outturn position is subject to a number of assumptions around the anticipated profile of expenditure for the rest of the year which, as always, is difficult to predict in some demand led budget areas. The report identifies those areas where forecast pressures exist and will be subject to ongoing detailed review. The focus will remain on continuing to tightly control and drive down costs wherever possible.

The savings that have been agreed to date are also closely monitored, with a total of £42.727m to be delivered in 2021/22. This is a combination of savings that were planned to be delivered in 2020/21 and were delayed due to the pandemic, and the budgeted savings agreed to be removed from the budget in 2021/22. As restrictions have largely been lifted and services return to providing services closer to the levels provided pre-pandemic there is renewed focus and activity in monitoring and delivering the savings that are built into the budget. Further updates will be available on a quarterly basis.

### The medium-term financial strategy and reserves position (Appendix 'B')

The previous updated medium-term financial strategy reported to Full Council in Quarter 1 forecast a funding gap of £63.958m by 2024/25. The updated funding gap contained within this report is £58.563m which is a reduction of £5.395m from the previously reported position. The reduction is primarily due to a revision of the demand position.

The value of the uncommitted transitional reserve is currently forecast to be £183.275m by the end of March 2022. This does not include the impact of the forecast underspend within the 2021/22 outturn position. The value of the uncommitted transitional reserve is currently forecast to be sufficient to meet the identified funding gaps for financial years 2022/23 - 2024/25, but the intention is to identify further savings, thereby securing a sustainable financial position for the council going forward.

### Capital delivery programme for 2020/21 (Appendix 'C')

In February 2021, an indicative Capital Delivery Programme of £152.439m was agreed with Cabinet. This delivery programme figure has been revisited following confirmation of the final 2020/21 slipped delivery figures, additions to the capital

programme agreed post February 2021 and re-profiling of the programme deliverables in year which have increased the in-year programme to £164.751m. A forecast outturn as at September 2021 has been set at £165.407m, a variance of £0.656m or c0.4%.

## **Consultations**

Proposals will be subject to appropriate consultation where required.

## **Implications:**

## **Risk management**

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

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

## **Level of Future Resources from Central Government**

Risks remain in relation to the level of resources the council receives from the government in terms of support for the additional pressures as a result of the COVID-19 pandemic, revenue support grant, social care grant, business rates and the fairer funding settlement which has been delayed for a further year. At this point in time there is insufficient detailed information regarding the changes to be certain of the funding assumptions within the medium-term financial strategy. As a result of these uncertainties, we have modelled various scenarios on the most likely funding scenario. Future funding levels could therefore be higher or lower than currently forecast. More information should be available for Quarter 3 following the spending review announcements in October 2021.

## **Demand**

There is continued pressure on the council's budget, particularly around adult and children's social care, and the most up to date demand forecasts have been included, based on our knowledge to date. The demand forecast has been reduced slightly in this report but the situation regarding COVID-19 remain volatile and will be kept under review.

## **Inflation**

A significant level of additional resource has been included in the medium-term financial strategy, primarily on contractual price increases and particularly on social care where there are nationally recognised funding issues in the residential and domiciliary care markets. In addition, the medium-term financial strategy includes

estimates of the cost of increases that would enable independent sector providers to meet the additional costs of the national living wage.

### **Delivery**

The medium-term financial strategy assumes that agreed savings including those delayed as a result of COVID-19 will be delivered in the period 2021/22 to 2023/24. There are also a significant number of other factors, both internal and external, which may impact upon delivery, and these will need to be clearly identified and either minimised or optimised as appropriate.

### **Legal**

Please note that matters referred to in this financial forecast will be subject to council consideration where appropriate.

### **List of Background Papers**

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