

## **Internal Scrutiny Committee**

Meeting to be held on Friday, 21 January 2022

Electoral Division affected: (All Divisions);
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<b>Corporate Priorities:</b> N/A
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### **Report of the Budget Scrutiny Review Panel** (Appendix 'A' refers)

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#### **Brief Summary**

This report presents a brief overview of matters presented and considered by the Budget Scrutiny Review Panel at its meeting held on 2 November 2021.

The Panel's Terms of Reference are included at Appendix 'A', for reference.

#### **Recommendation**

The Internal Scrutiny Committee is asked to:

- i) Note the update provided by the Budget Scrutiny Review Panel following its meeting on 2 November 2021; and
- ii) Further to the request of the Budget Scrutiny Review Panel, consider updating the Panel's Terms of Reference to include monitoring growth items under 'Role of the Review Panel'.

#### **Detail**

##### **Update from the Meeting held on 2 November 2021**

##### **Updated Terms of Reference for Budget Scrutiny Review Panel**

The Budget Scrutiny Review Panel considered its updated Terms of Reference, as agreed by the Internal Scrutiny Committee.

It was felt that the 'Role of the Review Panel' should include looking at approved budget growth items, to ensure they were being carried through and implemented. Neil Kissock, Director of Finance, would provide a full update on savings and growth at the meeting of the Budget Scrutiny Review Panel on 19 January 2022 and it was

agreed to ask the Internal Scrutiny Committee to consider amending the third bullet point under 'Role of the Review Panel' to include growth items.

The following was agreed:

**Resolved:** That the Budget Scrutiny Review Panel ask the Internal Scrutiny Committee to look at the Terms of Reference regarding the role of the panel to include monitoring growth items.

### **Monday Matters 2021/22 Position – Quarter 2**

A copy of the report to be presented to Cabinet at its meeting on 4 November 2021 was presented to the Budget Scrutiny Review Panel by Neil Kissock, Director of Finance.

The report provided 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 (MTFS) covering the period 2022/23 to 2024/25.

In summary, the report noted the following:

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

Members raised several questions, the main points of which are summarised below:

- The forecast overspend for Highways had almost doubled since the Panel's last meeting. There were unbudgeted costs relating to a claim against the authority, regarding hand arm vibration machinery affecting highway operatives, which was forecast to result in an overspend of £550,000.
- Another forecast overspend was related to an expected revenue contribution to capital outlay to fund expenditure on structural defects. This was a piece of work by the county council on potholes, which might not meet the criteria for capital work because of the length of time the repairs lasted. That is, some repairs were

completed urgently and only lasted a few months, so did not meet the definition of capital costs. There was a revised policy for structural repairs.

- Some services had received more Covid-19 monies than others. The county council had received circa £25m as a ring-fenced Covid grant, and it referred to MHCLG's forecast costs for Covid on a monthly basis in order to allocate the £25m proportionately.
- Following the Spending Review in late October, the MTFs set out in the report was out of date. The review had indicated some improvement, as the funding gap was forecast to be £58.5m by 2024/25, rather than £64m, and just under £30m by 2022/23, rather than £34.8m. The council hoped to receive a settlement from the Spending Review before Christmas and the review had been better than expected for Local Government, with the Chancellor allocating £4.8m for Local Government over the next three years. A revised MTFs for Quarter 3 would be presented to Cabinet for approval in January 2022. The funding gap in relation to the Capital Financial Position and the Reserves position remained unchanged.
- The county council was broadly on track to deliver the size of the Capital Programme identified when shaping the budget in February 2021.

The following was agreed:

**Resolved:** That

- i) The Budget Scrutiny Review Panel note the update provided in the report to Cabinet and note the recommendations Cabinet would be asked to approve;
- ii) Information be provided on the potential legal costs for Highways; and
- iii) An update be provided on unallocated Covid-19 monies spread across the county council's services.

**Verbal Update on Budget Savings**

The Budget Scrutiny Review Panel was provided with a verbal update on the council's budget savings by Neil Kisson, Director of Finance. The following points were highlighted:

- One of the most significant impacts of Covid-19 on Lancashire County Council had been the focus on the response to the pandemic, resulting in a delay to the delivery of some agreed savings plans. The delays had been reported monthly and the Covid funding awarded in the previous year had been used to cover such pressures resulting from the pandemic.
- Last year, the county council had not delivered £29m of agreed savings. This was within the 2021/22 budget and had been carried forward to this year, in addition to the circa £12m of previously agreed savings for the 2022/23 budget. Most of the delays to the delivery of savings related to Adult Social Care, which continued to deal with the impact of the pandemic.

- Tracking savings in Adult Social Care during the pandemic had been difficult, so the council was seeking new ways to monitor the delivery of savings. This piece of work would be completed by the end of November 2021 and an updated position would be provided to the Panel at its next meeting.

**Resolved:** That the Budget Scrutiny Review Panel note the update on Budget Savings.

### **Consultations**

N/A

### **Implications:**

This item has the following implications, as indicated:

### **Risk management**

This report has no significant risk implications.

### **Local Government (Access to Information) Act 1985 List of Background Papers**

Paper	Date	Contact/Tel
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None

Reason for inclusion in Part II, if appropriate

N/A