

## **Internal Scrutiny Committee**

Meeting to be held on Friday, 4 March 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**

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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 February 2022.

#### **Recommendation**

The Internal Scrutiny Committee is asked to note the update provided by the Budget Scrutiny Review Panel following its meeting on 2 February 2022.

#### **Detail**

##### **Update from the Meeting held on 2 February 2022**

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

The Budget Scrutiny Review Panel considered and noted its updated Terms of Reference, as agreed by the Internal Scrutiny Committee on 21 January 2022.

##### **Monday Matters 2021/22 Position – Quarter 3**

A copy of the report to be presented to Cabinet at its meeting on 3 February 2022 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 November 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 £881.413m, representing a projected underspend of £23.49 (2.66%) of the agreed budget;
- ii) The MTFS had been updated for the current expectations of levels of funding, savings delivery, demand, and inflation;
- iii) At Full Council in February 2021, the MTFS showed a deficit of £30.470m in 2022/23 and £50.048m in 2023/24. The forecast now indicated a financial deficit of £21.690m in 2022/23 and £42.820m by 2024/25;
- iv) The council was forecast to hold a General Reserve against unforeseen issues of £23.44m representing circa 3% of next budget, which was unchanged from the previously reported position; and
- v) The council was forecast to hold £204.450m 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 queries, the main points of which are summarised below:

- The forecast use of the council's reserves for future years was an estimate, based on funding expectations and current and anticipated demand for services. The plan to develop further savings proposals was expected to reduce the funding gap and the need to draw on reserves. Nonetheless, any additional spending agreed for 2022/23 would increase the funding gap.
- The delay in delivering savings was primarily related to increased expenditure on Adult Social Care. The council's progress to deliver deferred savings proposals would be included in future Money Matters reports to Cabinet.
- An additional £470,000 to spend on Public Realm Agreements was included in the budget for 2022/23. This information was not provided explicitly in the Money Matters report.
- The delivery variances provided for highways/transport projects resulted from projects being ahead of, or falling behind, schedule during the financial year. The budgets, timelines and targets for each programme were closely monitored.
- The circa 6% increase to the National Living Wage would increase the council's expenditure on social care, to ensure commissioned care providers could pay staff the minimum wage. Foundation Living Wage was not increasing to the same extent as National Living Wage.

Members requested that additional information on the following areas be provided after the meeting:

- The process to make and scrutinise decisions for large capital expenditure (in addition to the agreed budget) on highways projects, such as the further £5m expected for the Heysham-M6 link road.
- The individual budgets and timelines for the council's highways/transport schemes planned across multiple years, including the Safer Roads Scheme and the Lancashire Safer Travel Restart.
- The funding available for the Lancashire Safer Travel restart, including the funding already received, which would be carried into the new financial year, and the new funding to be provided in 2022/23.
- The South Lancaster Growth Catalyst, to clarify the county council's total contribution of £4.6m and information on how much had been spent to date.

Following a period of discussion about the reintroduction of the county council's Local Member Grant Scheme from January 2022, it was agreed to recommend to Cabinet that the grant allocated to members be increased to £4,000 per year. It was also noted that, when the scheme was reintroduced, the Deputy Leader of the Council had highlighted the Executive's willingness to review and consider increasing the grant in the future.

Members reflected that they were not able to make any other recommendations regarding the budget proposals for 2022/23 because the information provided in the Money Matters report to Cabinet was not detailed enough. The Panel welcomed the opportunity to scrutinise the council's budget and agreed that more information on savings proposals and growth items should be provided earlier, in order to allow the Panel to comment more effectively.

The following was agreed:

**Resolved:** That

- i) The Money Matters 2021/22 Position – Quarter 3 and recommendations to Cabinet be noted;
- ii) A breakdown of significant changes to the budget for 2022/23 be provided to members of the Budget Scrutiny Review Panel within the next week, and that more information on proposed budget changes be included in future reports to the Budget Scrutiny Review Panel;
- iii) Regarding the budget proposals for 2022/23, it be recommended to Cabinet that the local member grant be increased as follows:

"The Budget Scrutiny Review Panel welcomes the reintroduction of local member grants of £2,000 per year but feels, in line with the Marmot Principles,

that increasing the local member grant to £4,000 per year, with effect from 1 April 2022, would have significant impact and support voluntary and third-sector organisations on the ground, across all 84 divisions of Lancashire County Council."

### **Budget Savings Overview**

The Budget Scrutiny Review Panel considered an overview of budget savings, presented by Neil Kissock, Director of Finance.

The Panel was informed of the external Auditor's Annual Report on Lancashire County Council for 2020/21. The Panel agreed to consider the external auditor's recommendations on financial sustainability and suggest improvements to the council's arrangements, in advance of the budget process for 2023/24 and with the aim of reporting to Cabinet in September 2022. The final Auditor's Annual Report, including management's responses, would be circulated to members of the Panel ahead of Full Council on 17 February 2022.

The following was agreed:

**Resolved:** That

- i) The budget savings overview be noted; and
- ii) The Budget Scrutiny Review Panel would consider the improvement recommendations on financial sustainability included in the external Auditor's Annual Report for 2020/21 at future meeting dates (to be agreed), for the Panel to make recommendations to Cabinet in September 2022.

### **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