



# **Money Matters**

## **The County Council's Revenue and Capital Financial Position 2021/22 Outturn**

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## Executive Summary

This report provides details for Cabinet on the County Council's 2021/22 revenue and capital outturn position.

### 2021/22 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 £851.490m, against an approved budget of £881.413m, which represents an in-year underspend of £29.923m or 3.39% of the net revenue budget

The most significant areas of over and underspend in 2021/22 are as follows:

- Adult Services - **£13.013m underspend** primarily as a result of lower than anticipated demand in some service areas due to the ongoing effects of the pandemic and additional income received from Health agreed contributions to complex packages of care and Covid-19 grants.
- Highways and Transport - **£7.890m overspend** due to income pressures from fixed penalty notices, a revenue contribution to Capital for structural defects and some delayed savings delivery.
- Strategy and Performance – **£7.515m overspend** due primarily to reduced income in the school catering service of £2.861m and the remaining £4.972m relates to early repayment of the Salix long-term loan for converting street lights to LED which will mitigate future pressures and result in revenue savings from 2023/24
- Treasury Management - **£13.500m underspend** principally due to the sale of gilts and bonds.
- Education and Children's services - **£4.384m underspend** due to a reduction in the numbers of children entering care.
- Corporate Budget (Funding and Grants) - **£1.873m overspend** largely due to an additional contribution to the insurance provision.

### 2021/22 Revenue Reserves

The budget report to Full Council in February 2022 indicated that there would be sufficient funds remaining in reserves to support the budget beyond the MTFS period ending 2024/25.

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 £215.777m being available in the transitional reserve at the end of 2021/22 for future years; a positive variance of £4.027m, although a proportion of the increase is supporting future year commitments. With commitments of £37.317m forecast

over the next 3 years, including the £18.840m agreed to support the 2022/23 budget, £178.460m is available to support the financial gap in 2022/23 and the full period of the current MTFS.

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 implementation of the Fair Funding Review and Business Rate retention changes, the adult social charging changes coming in from October 2023, and the ongoing pressure on social care provider fees including the fair cost of care exercise that needs to be completed by October 2022.

There are also additional uncertainties regarding the financial impact of rising inflation, the current cost of living pressures on energy costs, fuel and foodstuffs and the ongoing negotiations on the local government pay award for 2022.23 and beyond.

All of these areas will remain under detailed review and the financial impact reported to Cabinet during the year.

We also still await confirmation of when the long-awaited large-scale funding changes (fair funding/business rates retention/baseline reset) are going to be implemented from with the possibility of their further delay beyond 2023/24.

### 2021/22 Capital Programme

The capital delivery programme for 2021/22 totalled £170.563m with the programme delivering an outturn position of £164.124m, resulting in a variance against budget of £6.439m.

The variance is due to the following:

- |   |           |
|---|-----------|
| • Net underspends and potential underspends | -£2.242m  |
| • Net overspends and potential overspends   | £8.189m   |
| • Slipped Delivery                          | -£43.414m |
| • Additional Delivery                       | £31.028m  |

The slipped delivery is a mixture of financial delays e.g., for retention amounts where the project is complete; delays due to changes to the work programmed and resources deployed to additional delivery and delays due to adverse conditions for the delivery.

During the first 3 months of this financial year a comprehensive review of the delivery programme for 2022/23 is being undertaken in light of the outturn position. Any proposed changes to the 2022/23 delivery programme will be reported back to Cabinet as part of the regular money matters reports.

## **Section A - The 2021/22 Revenue Budget**

### **1. Executive Summary**

This section of the report provides an update for Cabinet on the County Council's 2021/22 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 £851.490m, against an approved budget of £881.413m, which represents an in-year underspend of £29.923m or 3.39% of the revenue budget. The largest contributing element to the overall underspend was the continued strong performance on Treasury Management with a surplus of £13.5m generated, but it is clear that thereafter the most significant single factor affecting both service and financial performance this year has again 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 remote working in line with Government guidance. We anticipate a drift back up in demand as a new normal settles post Covid-19 in 2022/23, particularly across adults and children's services.

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 2021/22, however due to the ongoing pandemic there have been some delays in achievement of planned savings and this has been offset by Covid-19 grants. Updates will continue to 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 uncertainty increasing as to the likelihood of a longer-term financial settlement for local government during 2022/23. 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 2021/22 Summary Table

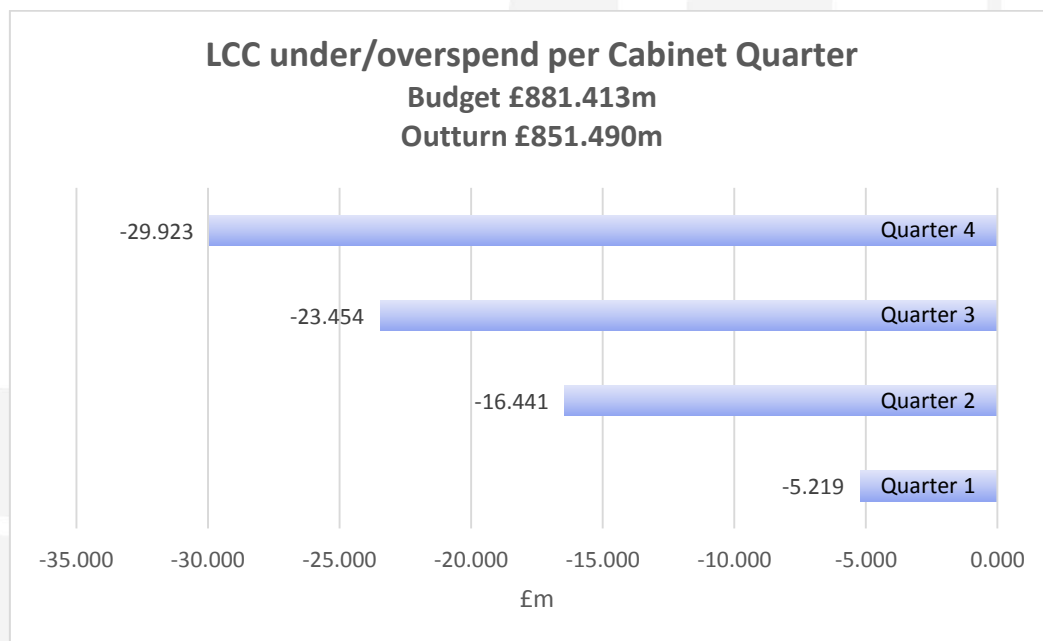
Service Area	Approved Net Budget	Net Outturn	Net Outturn Variance	Net Outturn Variance	Q3 Variance
	£m	£m	£m	%	£m
Adults	388.736	375.723	-13.013	-3.35%	-4.770
Policy, Information, Commissioning And Safeguarding	7.824	7.942	0.118	1.51%	0.028
Public Health & Wellbeing	-4.405	-5.039	-0.634	-14.39%	-0.447
Education and Children's Services	218.181	213.797	-4.384	-2.01%	-6.441
Growth, Environment & Planning	6.699	5.603	-1.096	-16.36%	-0.890
Highways and Transport	71.403	79.293	7.890	11.05%	6.726
Organisational Development	1.947	1.732	-0.215	-11.04%	-0.054
Waste Mgt	70.121	66.928	-3.193	-4.55%	-2.425
Finance	18.052	16.858	-1.194	-6.61%	-0.745
Corporate Services	21.890	20.866	-1.024	-4.68%	-0.164
Strategy and Performance	31.629	39.144	7.515	23.76%	1.305
Digital Services	31.969	27.100	-4.869	-15.23%	-2.075
Chief Executive Services	17.367	1.543	-15.824	-91.12%	-13.502
<b>TOTAL</b>	<b>881.413</b>	<b>851.490</b>	<b>-29.923</b>	<b>-3.39%</b>	<b>-23.454</b>

The above table details the breakdown across services of the final outturn position for 2021/22. The underspend has increased by £6.468m compared to the position reported to Cabinet as at quarter 3 but is in line with the forecast included within the 2022/23 budget report in February 2022.

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

- Additional income received to contain the Covid-19 outbreak being utilised
- Reduction in the year end calculation on bad debt provision.
- Increased income regarding contributions from Health on complex care packages along with higher than anticipated clawbacks of Direct Payments linked to the pandemic.

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 £m	Outturn Net Expenditure £m	Outturn Overspend/ (Underspend) £m	Outturn Variance %	Quarter 3 Overspend/ (Underspend) £m	Movement Q3 to Outturn £m
Disability (Adults)	1.939	0.991	-0.948	-48.89%	-0.081	-0.867
Learning Disabilities, Autism & Mental Health	176.363	179.294	2.931	1.66%	4.282	-1.351
Residential and Day Care Services for Older People	0.255	4.057	3.802	1490.98%	4.102	-0.300
Social Care Services (Adults)	197.696	191.381	-6.315	-3.19%	-0.590	-5.725
<b>Total</b>	<b>376.253</b>	<b>375.723</b>	<b>-0.530</b>	<b>-0.14%</b>	<b>7.713</b>	<b>-8.243</b>
Share of unallocated Covid-19 emergency monies	12.483	-	-12.483	-	-12.483	0.000
<b>TOTAL ADULTS</b>	<b>388.736</b>	<b>375.723</b>	<b>-13.013</b>	<b>-3.35%</b>	<b>-4.770</b>	<b>-8.243</b>

The section below on Adult Social Care Services covers performance against the following key financial areas: -

1. Actual Outturn Net Expenditure position compared to the Approved Net Budget for 2021/22.
2. Comparison of the Outturn position to the Forecasted Outturn position reported at Quarter 3.
3. Budget Savings Update as at 31/03/2022.

The total budget for Adult Services is net expenditure of £376.253m. The outturn (actual net expenditure) as at 31/03/2022 is £375.723m resulting in a small underspend of £0.530m and equating to just 0.14% of the total budget. As at the 3<sup>rd</sup> Quarter the forecasted outturn for Adult Services was an overspend of £7.713m which means the forecasted outturn reduced by £8.243m. The underspend for the Directorate does mask underlying budget challenges already included within the budget. These includes some unachieved budget savings from previous years that have not been progressed due to the pandemic.

It is also important to highlight that the year-end financial position includes a significant one-off contribution from the Emergency Covid-19 Funding grant of £12.483m (below the line). This adjusts the underspend from £0.530m to £13.013m for 2021/22 only.



The most significant factors contributing to the movement of £8.243m since November (Q3) are as follows: -

- Reduced cost of providing Home Care Services £3.5m
- Reduced contribution to the year-end adjustment to the Provision for Bad Debts £1.5m
- Further reduced expenditure via Direct Payments due to service users' lower level of spend on non-critical services
- Impact of Omicron COVID variant occurring in the final quarter of the year

The big issues that will pose the greatest financial risk for the service in maintaining this balanced budget position are historic service demand volatility (now also exacerbated by the pandemic) and increased levels of price inflation. These are driven partly by the resourcing challenge in the care sector, partly general economic inflation over and above the Government's target of 2% and partly due to the potential impact of the Fair Cost of Care.

### **Adult Services – Summary of Budget Savings Targets Outturn 2021/22**

As previously reported, the focus on service delivery during 2020 and 2021 has significantly hindered the progress of service re-engineering projects required to meet the approved budget savings already factored into the Directorate's budget. That said, activity to improve the level of receipts from the NHS for Joint Funded packages of care has been able to continue exceeding its target by £2.8m and therefore it is helping to off-set the impact of delayed savings in 2021/22.

Uncommitted Direct Payments have increased this year as service users have not been able, or reluctant, to buy into some services that have been temporarily closed for periods or require social distancing. This has reduced expenditure by an additional £9.6m over the baseline during the year which also reduces the impact of delayed budget savings.

The total of savings targets incorporated across all Adult Services budgets and outstanding as at 2021/22 was £26.806m. The full year effect of savings achieved in 2021/22 totalled (£4.685m) equating to 17.5%. This leaves a balance of £17.974m currently factored into the base budget for 2022/23 that is outstanding. The outstanding amount will be either achieved in 2022/23 or re-profiled into future years. This also includes step-up savings for future years of £4.147m.

In 2022/23 an adjustment of £8.5m has been included in the budget for one year only to reflect a later profile of delivery whilst the directorate returns to business as usual.

### **Actual Outturn Net Expenditure Comparison to Budget and Forecasted at Quarter 3**

The most significant variances within the directorate are as follows: -

#### **Disability Care Service (Adults) – Underspend £0.948m**

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 outturn position for the Disability Service has improved by £0.867m since Q3. The improvement has been concentrated in Day Services (£0.190m improvement), the Short Breaks Service (£0.233m improvement) and Home Care Service (£0.336m improvement). The year-end position also includes a net improvement across the rest of the service of £0.108m. In the main, the movement from Q3 is the result of the continuing impact of Covid-19 on the volume of attendances in the Day and Short Break Services and the impact of the Omicron variant in the final quarter of the year. This has also led to reduced staffing and travel costs.

The primary pressure on the Service continues to be the Home Care Service with a £0.735m overspend, although it should be noted that previously agreed savings of £1.906m (Remodelling In-House services £1.566m and the shortfall on the LCFT savings target £0.340m) have been delivered via a range of service developments and modernisation, albeit not necessarily as initially planned.

### **Learning Disability, Autism & Mental Health – Overspend £2.931m**

#### *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 the council's in-house service, voluntary organisations and private companies

The learning disability and autism service has overspent by £4.418m offset by staffing underspends of £226,810 resulting in a net outturn position of an overspend of £4.282m.

Commissioned services have reported an overspend of £5.069m due to price and demand fluctuations. Home Care pressures of £3.245 relate to previous years recurrent growth. There is an overspend on Direct Payments of £1.393m and an underspend position of £882,353 on Day Care services. Residential services have declared an overspend position of £1.559m which relates to a provision for an Ordinary Residency case. For Nursing Care an underspend of £246,624 is declared due to declining service user numbers. It should be noted there are increasing price pressures for all care services.

#### *Mental Health Service*

The Mental Health Service has underspent by £1.260m, predominantly due to staffing underspends of £1.271mm. Commissioned services (e.g., Residential Care, Home Care etc) have a net overspend of £11,000 which is due to demand pressures offset by community-based service underspends.

### **Residential and Day Care Services for Older People – overspend £3.801m**

The service operates with a gross expenditure budget of £23.918m and has an income target of £23.663m resulting in a net budget of £0.255m.

With regard to employee costs, the service has experienced staffing and agency pressures as a result of the Covid-19 pandemic. Despite the use of the auxiliary workforce which also included the use of redirected Day Centre staff and volunteers, the service has had to call on a high level of agency workers to cover for sickness absence. This has resulted in an overspend of £1.062m. There has also been an overspend on internal charges such as cleaning and catering of £477,000. This budget pressure has been corrected for 2022/23.

The other main area of overspend relates to the loss of income, from both LCC funded and self-funding clients. There was an under-recovery on income for Residential Service Users of £2.272m. £1.269m of this relates to LCC service users which means there is a corresponding underspend against the Social Care Services (Adults) residential budget.

The service is still experiencing a Covid-19 related pressure due to a reduction in residential occupancy which has been reduced from a maximum occupancy level of circa. 604 to an average of circa. 458 residents.

As already stated, the in-house services, in particular services for Older People, but also services for those with a Disability have been significantly impacted upon by covid affecting staff teams and a requirement for additional staffing. It is anticipated that this will continue until the autumn as the impact upon staffing remains a significant challenge in terms of "recovery" and ensuring capacity as the vacancy rates are double that pre pandemic resulting in increased use of agency staffing and associated costs. The plan is to move the services onto a "block" contract and maximise the use of capacity, including piloting an expanded approach to intermediate tier provision for those mental health related needs.

### **Social Care Services (Adults) – Underspend £6.315m**

	<b>Approved Net Budget</b>	<b>Outturn Net Expenditure</b>	<b>Outturn Overspend/ (Underspend)</b>	<b>Outturn Variance</b>	<b>Quarter 3 Overspend/ (Underspend)</b>	<b>Movement Q3 to Outturn</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>%</b>	<b>£m</b>	<b>£m</b>
<b>Physical Support</b>	182.798	178.463	<b>-4.335</b>	-2.37%	0.118	-4.453
<b>Staffing</b>	19.229	19.045	<b>-0.184</b>	-0.96%	-0.187	0.003
<b>Prevention</b>	4.352	3.313	<b>-1.038</b>	-23.85%	-0.413	-0.625
<b>Central Services</b>	-8.683	-9.441	<b>-0.758</b>	8.73%	-0.108	-0.650
<b>Total</b>	<b>197.696</b>	<b>191.381</b>	<b>-6.315</b>	<b>-3.19%</b>	<b>-0.590</b>	<b>-5.725</b>

### **Physical support – underspend of £4.335m**

Residential and Nursing long term packages have increased this year after a reducing during 2020/21 but still remain below pre-pandemic levels. This does not tell the full picture as spend on Discharge to Assess packages to facilitate hospital discharge has continued with expenditure reaching almost £10m in total. Home Care costs increased during the first part of the year before decreasing towards the end of the year.

Service user income includes movements in the Provision for Bad Debts and Bad Debt write-offs. The outturn for 2021/22 has reduced by £5.441m compared with 2020/21 mainly due to a change in our Bad Debt Policy, the provision no longer includes certain categories of debt such as those with an agreed repayment arrangement or a Property Charge. There was an initial benefit in Q1 as these repayment categories were removed from the provision. The level of provision has continued to decrease during the year as more debt has been transferred to repayment plans, and particularly in Q4 leading to a favourable variance against Q3 forecast of around £1.2m across all services.

Covid-19 grants received by the council have been distributed to providers including LCC in house services:

- Infection Control and Testing Fund - £26.250m
- Workforce Recruitment and Retention Fund - £10.634m
- Omicron Support Fund – £1.379m

### **Residential and Nursing Care - Underspend £5.332m**

<b>Residential Care</b>	<b>£1.203m</b>
<b>Nursing Care</b>	<b>£4.129m</b>
<b>TOTAL</b>	<b>£5.332m</b>

The outturn for Residential Care is an underspend of £1.203m (Q3 forecast underspend £1.292m). The main variances are as below:

- There are budget pressures brought forward from previous years due to delayed savings delivery. These pressures have been relieved to some extent by the reduced number of long-term placements which has continued from 2020/21. Expenditure is higher than budgeted overall however, as the outturn includes expenditure of £6.777m in relation to Discharge to Assess (D2A) packages with corresponding income of £1.956m.
- The outturn for service user income is significantly higher than budgeted and includes a one-off benefit of c£1.8m due to a change in bad debt policy in Q1. There have been further reductions during the year, and particularly in Q4, as a result of repayment plans being agreed.

The outturn for Nursing Care is an underspend of £4.129m (Q3 forecast underspend £4.578m).

- Nursing Care was significantly below budget in 2020/21 due to lower than budgeted demand pressures. Numbers have increased during 2021/22 but are still at a lower level than before the pandemic.
- As with Residential Care, the forecast includes expenditure on Discharge to Assess packages and associated enhanced discharge funding.
- The outturn for service user income has increased this quarter due to bills raised in respect of previous periods.
- The service user income forecast for Q1 included a one-off benefit of c£700,000 due to a change in our Bad Debt Policy, with further reductions during the year and particularly in Q4.

## **Non-Residential Care – Overspend £2.660m**

The outturn for Home Care is an overspend of £5.094m as per the information below (Q3 forecast overspend £8.535m):

- There are budget pressures brought forward from previous years due to delayed savings delivery.
- There was a significant growth in service user numbers during the last quarter of 2020/21 and this continued into the earlier part of the current year, however, spend has reduced again over the winter months. The outturn is significantly lower than the Q3 forecast, which included an element of growth which did not materialise.
- Service User income had a one-off benefit from the change in our Bad Debt Policy by around £420,000 in Q1. In addition, bad debt provision and write-offs have reduced during the year with a substantial drop in Q4.
- There are additional cost pressures due to the current difficulties in sourcing Home Care from Framework providers, which has resulted in an increase in off-framework packages at higher rates.

This budget area also includes Crisis Support with spend totalling £5.934m for the year. Spend is largely funded from Better Care Fund (BCF) and iBCF Winter Pressures funding, as well as Enhanced Discharge funding as part of the Winter Plan.

## **Direct Payments – Underspend £2.434m**

The outturn for Direct Payments is an underspend of £2.434m (Q3 forecast underspend £1.098m). The Direct Payments budget is also experiencing pressures brought forward from the previous year.

These pressures have been offset by an extremely large increase in uncommitted Direct Payments which are returned to the council due to self-isolation and/or suspension of services during the Pandemic. Returned Direct Payments for Older people and Service Users with a Physical Disability totalled £8.626m. This is an increase of £939,000 compared with Q3 forecast and an increase of £4.268m compared with 2020/21.

As above, Service User income benefited from the change in our Bad Debt Policy by circa. £260,000 in Q1.

## **Day Care – Underspend £1.621m**

Services at both In-House and external Day Care Centres have been restricted due to Covid-19, with those centres remaining open having a significantly reduced capacity. The underspend mainly relates to In-House services with a corresponding overspend in the Residential and Day Care Services for Older People service.

## **Staffing Costs - Underspend of £0.184m**

Gross spend on staff and agency costs amounts to around £27m with some of the spend funded from the Better Care Fund (BCF) and iBCF (including winter

pressures funding) as well as Health funding for specific posts. This budget area also includes spend on other related staff costs such as car allowances and travel costs. There has been a substantial increase in agency costs this year, in terms of staff numbers and hourly rates. Funding from the Contain Outbreak Management Fund (COMF) and COVID Workforce grants has been applied to cover additional pandemic related pressures experienced by the service.

### **Prevention – Underspend £1.038m**

The total net budget for preventative services including reablement and for equipment and carer's services, is £4.352m and mainly funded by the Better Care Fund (BCF) and iBCF.

The major area of underspend was the Carer's Service, with an underspend of £0.596m across both Carer's Direct Payments (£0.308m underspent) and the Carer's Core Contract (£0.283m underspent).

### **Central Services - Underspend of £0.758m**

This section of the budget contains budgets that support the directorate such as grant income, insurance recharges and a small amount of support contracts. The underspend largely relates to unapplied grant balances which off-set expenditure across the whole of Adult Social care services.

## **3.2 Public Health and Wellbeing – Underspend £0.634m**

<b>Public Health &amp; Wellbeing</b>	<b>Approved Net Budget</b>	<b>Outturn Net Expenditure</b>	<b>Outturn Overspend/ (Underspend)</b>	<b>Outturn Variance</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>%</b>
<b>Public Health &amp; Wellbeing</b>	-67.320	-67.564	-0.244	-0.36%
<b>Health Equity Welfare &amp; Partnerships</b>	58.296	58.641	0.345	0.59%
<b>Health, Safety &amp; Resilience</b>	0.985	0.173	-0.812	-82.44%
<b>Trading Standards &amp; Scientific Services</b>	3.494	3.711	0.217	6.21%
<b>Total</b>	<b>-4.546</b>	<b>-5.039</b>	<b>-0.494</b>	<b>-10.87%</b>
<b>Share of unallocated Covid-19 emergency monies</b>	0.140	0.000	-0.140	-100.00%
<b>Total Public Health &amp; Wellbeing</b>	<b>-4.405</b>	<b>-5.039</b>	<b>-0.634</b>	<b>-14.39%</b>

### **Overall Public Health Summary**

The total budget for Public Health & Wellbeing Services in 2021/22 is a net Income Budget of (£4.545m) as it includes the ring-fenced Public Health Grant of £70.243m. The overall Directorate forecasted outturn position to 31<sup>st</sup> March 2022 is an underspend of £0.494m. The allocation of £0.140m from the Covid-19

Emergency Grant monies below the line and shown in the table above (highlighted in yellow) increases this underspend to £0.634m.

The equivalent position at Quarter 3 was an underspend of £0.447m (after the allocation of the Covid-19 grant monies) meaning the overall financial performance of the Directorate has moved by the non-material amount of £0.187m. The movement of £0.187m has been brought about by an underspend of £0.245m in Public Health and Wellbeing offset by an increase in overspend in Trading Standards and Scientific Support of £0.104m.

### **Public Health and Wellbeing**

The year-end Public Health and Wellbeing budget shows a net income position greater than the budget and is therefore underspent. The Contained Outbreak Management Fund (COMF) has been used to pay for all employee costs. The Cost Centre usually ends the year with a breakeven balance as all unspent Public Health Grant is transferred into the reserve, however SMART Community Testing Grant has been received in 2021/22 which has resulted in an underspend for this year. The balances on the PH Grant Reserve are detailed later in this report.

### **Health Equity, Welfare & Partnerships**

Although an overall overspend is reported for the service, it should be noted that this includes a contribution to the Public Health Grant Reserve for areas within the Directorate that are underspending by £4.696m including £1.432m of costs funded by COMF grant. As above, unspent Public Health Grant is transferred to the specific earmarked reserve to be reinvested in Public Health services in future years.

The costs that have not been transferred to reserves and are presented as an overspend (£0.345m) are service areas not funded from the Public Health (PH) Grant and Covid-19 costs funded by the Emergency Covid-19 grant allocated to the Directorate below the line in the table above. The Welfare Rights Service budget has overspent by £0.185m due to a historic budget pressure; this has been corrected for 2022/23.

Despite the level of underspend in 2021/22, the current high rates of inflation will have a material impact on the cost of commissioned services and also internal costs from 2022/23. This could put significant pressure on the budget when inflation is circa. 9% and the increase in Public Health Grant is less than 1%.

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

The outturn position for 2021/22 is an underspend of £0.812m. A decision has been made to attribute £0.482m staffing costs to the Contain Outbreak Management Fund (COMF) which has increased the underspend.

### **Trading Standards & Scientific Services**

Trading Standards & Scientific Services year end position is an overspend of £0.217m (Trading Standards Underspend of £0.027m offset by Scientific Support Overspend of £0.244m). The Standards & Scientific Services budget contains

historic budget pressures that have evolved over time which have caused the variations above in Environmental Testing and Closed Landfill Sites.

A base budget review is being undertaken and will make recommendations on what budget adjustments are required to resolve the matter.

### **Public Health Reserve**

As Public Health Grant is a ring-fenced grant, any underspend of budget funded via the grant is paid into the Public Health Grant Reserves to be rolled forward into future years for one-off investments. The amount transferred into the reserve in 2021/22 has increased in comparison to previous years due to the charging of core Public Health expenditure to the COMF grant and the impact of Covid-19.

The balance on the reserve provides the service with an opportunity to fund implementation and investment costs of service development and transformation and risk manage potential budgetary pressures, albeit on a temporary basis, providing extended time to balance out service demand and affordability.

### **Public Health Grant Reserve (Earmarked) as at 31/03/2022**

	£m	Note
<b>Opening Balance as at 01/04/2021</b>	<b>-8.693</b>	
Contributions in during 2021/22	-7.597	Underspent and uncommitted grant paid into Reserve
Transfer Out of PH Grant Reserve	0.100	Transfer of £100k to fund Best Start in Life Scheme in 2022/23
Transfer Out of PH Grant Reserve	0.100	Transfer of £100k to fund Social Isolation Initiative in 2022/23
<b>Closing Balance as at 31/03/2022</b>	<b>-16.090</b>	

Please note that the level of reserves available for drawdown (uncommitted) in 2022/23 is less than the balance as at 31/03/2022 as there are already several significant anticipated commitments such as previous contract variations during the interim period to re-tendering.

### **Contained Outbreak Management Fund (COMF) and Test and Trace Reserve**

The table below provides a financial summary of the grant received from 2020/21. As far as Central Government is concerned the two grants are now combined so the closing balance as at 31/03/2022 is £25.8m with estimated commitments for 2022/23 identified to date of £16.980m. Therefore, the current uncommitted balance is estimated to be circa. £8.8m dependent on progress with various projects. This balance is being updated on a continual basis as investments are brought forward to invest in Public Health interventions that meet the grant guidelines.

Examples of the committed spend in 2022/23 (£16.980m) include Employee Costs, Public Health transformational projects, purchasing test kits, investing in



educational material and spend across other Directorates such as additional employee resources in Adult Social Care and support for Special Educational Needs (SEN) catching up missed education.

### Financial Summary and Draft Forecast COMF (incl. Test and Trace)

		COMF £	Test and Trace £	TOTAL £
2020/21	Received in 2020/21	-24,221,723	-6,367,420	-30,589,143
	Expenditure in 2020/21	-	1,320,733	1,320,733
2021/22	<b>Opening Balance as at 01/04/2021</b>	<b>-24,221,723</b>	<b>-5,046,687</b>	<b>-29,268,410</b>
	Received in Year 2021/22	-6,708,124	-	-6,708,124
	<b>Total Grant Available</b>	<b>-30,929,847</b>	<b>5,046,687</b>	<b>35,976,534</b>
	Grant Cost Centre Actual Spend 2021/22	2,382,616	1,387,336	3,769,952
	Directorates Actual Spend 2021/22	6,407,147	-	6,407,147
	<b>Total Actual Spend 2021/22</b>	<b>8,789,763</b>	<b>1,387,336</b>	<b>10,177,099</b>
	<b>Closing Balance as at 31/03/2022</b>	<b>-22,140,084</b>	<b>-3,659,351</b>	<b>-25,799,435</b>
2022/23	<i>Less Draft Estimated Commitments in 2022/23</i>	16,730,000	250,000	16,980,000
	<b>Estimated Uncommitted Balance as at 31/03/2023</b>	<b>-5,410,084</b>	<b>-3,409,351</b>	<b>-8,819,435</b>

### 3.3 Policy, Information, Commissioning and Safeguarding

Policy, Information, Commissioning and Safeguarding	Approved Net Budget £m	Net Outturn £m	Net Outturn Overspend/ (Underspend) £m	Net Outturn Variance %	Q3 Overspend/ (Underspend) £m	Movement From Q3 £m
Policy Info & Commission Age Well	0.756	0.724	-0.032	-4.23%	-0.014	-0.018
Policy Info & Commission Live Well	0.937	0.925	-0.012	-1.28%	-0.020	0.008
Safeguarding & Quality Improvement Services	6.131	6.293	0.162	2.64%	0.062	0.100
<b>Total Policy, Information, Commissioning and Safeguarding</b>	<b>7.824</b>	<b>7.942</b>	<b>0.118</b>	<b>1.51%</b>	<b>0.028</b>	<b>0.090</b>

The budget for Policy, Information, Commissioning and Safeguarding in 2021/22 is £7.824m. The forecast outturn variance position is an overspend of £118,000 which equates to 1.51% of the total budget.

### 3.4 Education and Children's Services

Education and Children's Services	Approved Net Budget £m	Net Outturn £m	Net Variance £m	Net Variance %	Q3 Variance £m
Family Safeguarding Project	1.133	1.133	0.000	0.00%	-0.028
Front Door, Assessment & Adolescent Services	11.465	11.004	-0.461	-4.02%	-0.257
Family Safeguarding	11.920	12.594	0.674	5.65%	0.672
Looked After Children/Leaving Care	93.503	89.875	-3.628	-3.88%	-3.268
Fostering, Adoption Lancashire Blackpool & Residential Services	35.204	32.085	-3.119	-8.86%	-2.611
<b>Total CSC</b>	<b>153.225</b>	<b>146.691</b>	<b>-6.534</b>	<b>-4.26%</b>	<b>-5.492</b>
Children and Family Wellbeing Service	17.737	17.562	-0.175	-0.99%	-1.117
Education Improvement 0 - 11 Years And 11+ To 25 Combined	5.127	5.582	0.455	8.87%	1.127
Inclusion	21.980	22.205	0.225	1.02%	-0.249
Cultural Services	10.651	10.275	-0.376	-3.53%	-0.154
<b>Total Education and Skills</b>	<b>55.495</b>	<b>55.624</b>	<b>0.129</b>	<b>0.23%</b>	<b>-0.393</b>
Safeguarding, Inspection & Audit	14.828	13.686	-1.142	-7.70%	-1.134
Policy Info & Commission Start Well	1.709	4.713	3.004	175.78%	0.018
Education & Children's Services Central Costs	-5.911	-6.917	-1.006	-17.02%	-0.605
<b>Total</b>	<b>219.346</b>	<b>213.797</b>	<b>-5.549</b>	<b>-2.53%</b>	<b>-7.606</b>
Share of unallocated Covid-19 emergency monies	-1.165	0.000	1.165		1.165
<b>Total Education and Children's Services</b>	<b>218.181</b>	<b>213.797</b>	<b>-4.384</b>	<b>-2.01%</b>	<b>-6.441</b>

Education & Children's Services (ECS) underspent by £4.384m in 2021/22 against a net budget of £218.181m. This is a decrease in underspend of £2.057m from the forecast outturn reported to Cabinet at Quarter 3.

The largest impact on the position for ECS in 2021/22 is a reduction in the number of children entering care which has resulted in an underspend of c£6.050m. However, in year income pressures (net of any reduction in costs incurred earning income) remain which are largely due to the pandemic as discussed later in this report, albeit that overall, these are mitigated by underspends on staffing and non-staff costs.

#### Children's Social Care – Underspend £6.534m

The largest areas of spend within the Children's Social Care Service are for social work teams and residential and fostering placements for children in our care with activity cutting across a number of service areas.

The family safeguarding model is a way of keeping families together where it is safe to do so, achieved through a more collaborative way of working where workers motivate parents to identify the changes needed within their own families,

which helps achieve better outcomes for children. The family safeguarding service works with children and their families aged 12 and under.

The family safeguarding model required investment in staff via the recruitment of adult workers based in children's social work teams and training in motivational interviewing techniques (MIT) but is expected to deliver savings from a reduction in children entering care and resulting placement costs.

The first adult workers have been in post since January 2021. Recruitment of posts was ongoing during 2021/22 with most posts now filled, although there are some challenges in recruiting to probation roles following changes to probation services in England and Wales. The first rounds of MIT training began in early 2020/21 and is ongoing as planned.

LFS was expected to begin to deliver savings in 2021/22 from October 2021. However, on average the number of children entering care has fallen since September 2020 and there has been a significant reduction in the number of children looked after, from 2,085 (excluding children with disabilities) in September 2020 to 1,882 in March 2022, a reduction of 203 (c10%) with most of this reduction occurring since January 2021.

Whilst the implementation of LFS has undoubtedly had a positive impact on the numbers of children entering care, it is likely that the pandemic has also had some impact with reductions in numbers of both referrals and new assessments started over the same period. It is almost impossible to know how much of the reduction has resulted from each of these factors.

None the less residential and fostering placements (including in-house residential provision) underspent by c£6.050m in 2021/22 as a result of reductions in numbers of children looked after. This in part represents early delivery of savings.

The budget for the Children's Social Care Service also covers other allowances, payments and assistance to families which underspent by c£210,000 as detailed below.

- Assistance to families and regular payments are overspent by c£710,000 due to a combination of the pandemic and the provision of support to keep children at home with their families where it is safe to do so.
- Special guardianship orders (SGO's) and child arrangement orders (CAO's) underspent by c£130,000 due to a smaller increase in demand than budgeted for.
- Underspends on staying put arrangements and leaving care allowances are c£680,000.
- Adoption allowances underspent by c£110,000.

Underspends of c£270,000 relate to a number of areas of spend across the service.

The outturn includes contributions of c£300,000 from the Contain Outbreak Management Fund to cover costs incurred in dealing with the pandemic.

The position has improved by c£1.040m compared to quarter 3 which is mainly due to a reduction in placement and staff costs and additional grant received for asylum seekers over the age of 18.

### **Education and Skills – overspend £129,000**

#### **Children Family and Wellbeing Service (CFW) – Underspend £175,000**

Underspends of £1.612m across the service mainly relate to staff (vacancies), operational costs and payments by results (PBR) funding from the Troubled Families Unit (TFU), offset by transfers to reserves of £1.437m to cover future costs of the Growing Up Well Digital Project and delivery of the family hub model.

The position worsened by c£950,000 compared to quarter 3 due to transfers to reserves, offset by further underspends on staffing and operational costs.

#### **Education Improvement - Overspend £455,000**

Overspends of c£2.400m relate to under recovery of income across the service. This is largely due to the impact of the pandemic but is also due to some schools opting out of the new advisory service offer and ongoing pressures on some income generating services including Governor Services and the Professional Development Service. The position includes the recoupment of eligible income losses for April to June 2021 from the sales, fees and charges income compensation scheme and a contribution of c£170,000 from Contain Outbreak Management Fund to cover costs incurred in dealing with the pandemic.

The above overspends are partly offset by underspends on non-staff costs of c£1.960m.

The position has improved by c£670,000 compared to quarter 3, mainly due to ongoing staffing vacancies, a reduction in non-staff costs and higher income than anticipated.

#### **Inclusion - Overspend £225,000**

Overspends of c£1.610m relate to placements and family support for children with disabilities and c£190,000 to non-staff costs across the service.

The above overspends are offset by several underspends as detailed below.

- Underspends of c£700,000 relate to staffing across various teams. The service is working to fill vacancies following recruitment delays due to the pandemic.
- Direct payments underspent by c£300,000 mainly due to audited clawbacks.
- Lancashire Break Time underspent by c£180,000 due to reduction in uptake due to the pandemic.
- SEN Traded Service underspent by c£185,000, mainly due to vacancies offset by under recovery of income.
- Aids, adaptations and community equipment underspent by c£215,000.

The position has worsened by c£470,000 compared to quarter 3, mainly due to an increase in placement and family support costs and direct payments, offset by reductions in aids, adaptations and community equipment spend, Lancashire Break Time and Traded Service income.

### **Cultural Services – Underspend £376,000**

Underspends within the Libraries, Museums and Conservation Services of c£250,000 relate to both staff and non-staff costs and are largely due to the closure of some sites in the early part of the financial year as a result of the pandemic.

Underspends of c£120,000 are across other service areas relate to further underspends on staff and non-staff costs offset with losses of income due to the pandemic.

### **Education and Children's Services – Overspend £856,000**

#### **Safeguarding, Inspection & Audit – Underspend £1.141m**

Underspends of c£856,000 relate to staff costs due to vacancies, c£278,000 to non-staff costs (travel and third-party payments) across a number of areas within the service, and the remaining underspend to over recovery of income.

#### **Policy, Information and Commissioning Start Well – Overspend £3.004m**

Overspends and the change in the position compared to that reported at quarter 3 relate to a transfer to reserves to cover the cost of the replacing the Education Management System in 2023/24.

#### **Education and Children's Services Central Costs – Underspend £1.006m**

Underspends relate to Premature Retirement Costs (PRC). The position has improved by c£400,000 compared to quarter 3 based on low levels of PRC activity in the latter part of the year.

## **3.5 Growth, Environment and Planning**

<b>Growth, Environment &amp; Planning</b>	<b>Approved Net Budget £m</b>	<b>Net Outturn £m</b>	<b>Net Outturn Variance £m</b>	<b>Net Outturn Variance %</b>	<b>Q3 Variance £m</b>	<b>Movement From Q3 £m</b>
<b>LEP Coordination</b>	0.090	0.083	-0.007	-7.78%	-0.001	-0.006
<b>Business Growth</b>	1.416	1.472	0.056	3.95%	0.019	0.037
<b>Planning and Environment</b>	2.837	2.604	-0.233	-8.21%	-0.024	-0.209
<b>Estates</b>	0.479	0.502	0.023	4.80%	0.054	-0.031
<b>Strategic Development</b>	1.887	0.943	-0.944	-50.03%	-0.948	0.004
<b>Total</b>	<b>6.709</b>	<b>5.604</b>	<b>-1.105</b>	<b>-16.47%</b>	<b>-0.900</b>	<b>-0.205</b>
<b>Share of unallocated COVID-19 emergency monies</b>	-0.010	0.000	0.010		0.010	0.000
<b>Total Growth, Environment &amp; Planning</b>	<b>6.699</b>	<b>5.604</b>	<b>-1.095</b>	<b>-16.35%</b>	<b>-0.890</b>	<b>-0.205</b>

The total net approved budget for Growth, Environment and Planning in 2021/22 is £6.699m. The service underspent by £1.095m in 2021/22.

### **Planning and Environment – Underspend £233,000**

The underspend predominantly relates to staff costs across the service and vacancies throughout the year.

### **Strategic Development – Underspend £944,000**

The underspend is non-recurring and predominantly relates to delays in recruiting to the newly created Major Projects Team and lower projected spend on associated operational budgets.

## **3.6 Highways and Transport**

Highways and Transport	Approved Net Budget £m	Net Outturn £m	Net Outturn Variance £m	Net Outturn Variance %	Q3 Variance £m	Movement From Q3 £m
Highways	12.666	18.037	5.371	42.40%	6.123	-0.752
Public & Integrated Transport	58.197	56.887	-1.310	-2.25%	-2.878	1.568
Customer Access	2.819	2.791	-0.028	-0.99%	0.307	-0.335
Design and Construction	-2.490	1.578	4.068	-163.37%	3.385	0.683
<b>Total</b>	<b>71.192</b>	<b>79.293</b>	<b>8.101</b>	<b>11.38%</b>	<b>6.937</b>	<b>1.164</b>
Share of unallocated COVID-19 emergency monies	0.211	0.000	-0.211		-0.211	0.000
<b>Total Highways and Transport</b>	<b>71.403</b>	<b>79.293</b>	<b>7.890</b>	<b>11.05%</b>	<b>6.726</b>	<b>1.164</b>

The total net approved budget for Highways and Transport in 2021/22 was £71.402m including an allocation of £211,000 for COVID-19 for the first 3 months of 2021/22.

The service overspent by £7.890m in 2021/22.

### **Highways – Overspend £5.371m**

Overspends of £5.000m relate to a revenue contribution to capital outlay (RCCO) to fund expenditure on structural defects. However, due to the increased capital works delivered during 2021/22 overheads charged to capital increased by £1.272m as these are based on the value of work delivered which has partly offset the unbudgeted revenue contribution.

Overspends of £765,000 related to lower income across the service. Bus lane enforcement and parking income streams have continued to be heavily affected by Covid-19. Much of this income is from fixed penalty notices and as such lower volumes of traffic has resulted in reduced income. Delays in the implementation of additional on-street pay and display sites have also contributed to the shortfall in income compared to budget.

Overspends of c£878,000 relate to a number of other smaller cost pressures the most significant relating to traffic signals maintenance due to increased system failures, severe weather due to additional gritting costs in April 2021 and higher spend on storm damage over the winter period, and additional plant and PPE costs due to the pandemic.

The outturn has improved by £752,000 compared to quarter 3 due to a number of changes across the service the most significant being reduced under recovery on income.

### **Public and Integrated Transport (PIT)-Underspend £1.310m**

Most parts of the public and integrated transport budget have been impacted by the pandemic to some degree in 2021/22. The most significant variances are explained below.

Underspends of c£1.212m relate to school transport costs mainly due to smaller than expected increases in taxi costs in the early part of the year particularly for excluded pupils and enhanced terms for payments to parents generating savings of more than £700,000. Due to the pandemic and resulting uncertainty around delivery of savings, £1.800m of previously agreed savings were reprofiled and added back to the budget in 2021/22 but are due to be delivered in 2022/23.

Overspends of £590,000 relate to fleet services. There was a lower percentage of productive hours worked than before the pandemic partly due to ensuring staff were following Covid-19 safety guidelines particularly in the early part of the year.

Bus stations overspent by £168,000 following a decision to hold the departure fee at 75p per departure in 2021/22 rather than apply the previously agreed increase to 85p, pending further discussions with operators.

Public bus services underspent by £1.367m. As part of a budget amendment agreed in 2020/21 an additional £3.000m was added to the budget. In addition, the council has received additional S106 funding to fund services and grant funding to help fund the shortfall in fares revenue due to the pandemic. Whilst additional services have been added the budget has not been fully spent during 2021/22.

Concessionary travel underspent by £1.582m. Throughout 2021/22 payments to bus operators continued to be made based on historic passenger data as numbers are still significantly lower than before the pandemic.

Due to risks around increases in fuel costs and reduced taxi provision in the marketplace, and the resulting impact on taxi, school and tendered bus contracts, a provision has been made for c£2.100m to cover these risks in 2022/23.

The outturn has worsened by £1.568m compared to quarter 3 predominantly due to the provision relating to fuel costs partly offset by small changes across the service the most significant relating to public bus services.



## Design and Construction (D&C) – Overspend £4.068m

Design and Construction property service overspent by £3.769m, of which £2.192m relates to work required at Barnoldswick Church of England Primary School to replace a roof which has failed due to a build-up of condensation within the roof structure. This work has not been fully completed in 2021/22, however, a transfer to reserves to cover costs in future years is reflected in the outturn. The remainder of the overspend relates to the number and mix of projects that the service delivered during the year and a lower than budgeted level of service costs charged to capital schemes.

Design and Construction highways service overspent by £299,000. As an income generating service vacancies have resulted in staffing underspends offset by a larger under recovery of income.

### 3.7 Organisational Development and Change

Organisational Development and Change	Approved Net Budget £m	Net Outturn £m	Net Outturn Variance £m	Net Outturn Variance %	Q3 Variance £m	Movement From Q3 £m
Programme Office	1.193	1.117	-0.076	-6.37%	0.000	-0.076
Organisational Development	0.754	0.615	-0.139	-18.44%	-0.054	-0.085
<b>Total</b>	<b>1.947</b>	<b>1.732</b>	<b>-0.215</b>	<b>-11.04%</b>	<b>-0.054</b>	<b>-0.161</b>
Share of unallocated Covid-19 emergency monies	0.000	0.000	0.000		0.000	0.000
<b>Total Organisational Development and Change</b>	<b>1.947</b>	<b>1.732</b>	<b>-0.215</b>	<b>-11.04%</b>	<b>-0.054</b>	<b>-0.161</b>

The total net approved budget for Organisational Development and Change in 2021/22 was £1.947m. The service underspent by £215,000 in 2021/22 which relates to staffing. There was no significant change to the forecast reported at quarter 3.

### 3.8 Waste Management

Waste Management	Approved Net Budget £m	Net Outturn £m	Net Outturn Variance £m	Net Outturn Variance %	Q3 Variance £m	Movement From Q3 £m
Waste Management	69.398	66.928	-2.470	-3.56%	-1.702	-0.768
<b>Total</b>	<b>69.398</b>	<b>66.928</b>	<b>-2.470</b>	<b>-3.56%</b>	<b>-1.702</b>	<b>-0.768</b>
Share of unallocated COVID-19 emergency monies	0.723	0.000	-0.723		-0.723	0.000
<b>Total Waste Management</b>	<b>70.121</b>	<b>66.928</b>	<b>-3.193</b>	<b>-4.55%</b>	<b>-2.425</b>	<b>-0.768</b>

The total net approved budget for Waste Management in 2021/22 is £70.121m including an allocation of £723,000 for Covid-19 for the first 3 months of 2021/22. The service underspent by £3.193m in 2021/22.



Throughout the previous financial year (2020/21) the pandemic had a significant impact on the composition of waste collected with increases of over 30,000 tonnes of waste collected at the kerbside, partly offset by a reduction of 10,000 tonnes collected at Household Waste Recycling Centres (HWRC) which were closed for part of the year and ran with limited capacity once reopened.

Throughout 2021/22 there were some reductions in kerbside collections compared to 2020/21 but these were offset by an increase in waste at the HWRCs and overall tonnages were similar to 2020/21, although this was still 8,000 more tonnes than assumed in the budget.

These additional costs have been partly offset by more tonnes being diverted from landfill at a lower price and the overall impact of these factors resulted in an overspend on waste disposal costs of £854,000.

The above was offset by underspends of £3.223m relating to increased income from recycled waste predominantly due to significant increases in the price of metals and cardboard. These markets are volatile and are always subject to large fluctuations and will be kept under review in 2022/23.

Further underspends of £462,000 relate to operating and lifecycle costs at the waste recovery parks although £314,000 of this was non-recurring and relates to lower-than-expected operating costs in 2020/21.

A provision of £350,000 has been made to mitigate the impact of recent increases in fuel and energy prices in 2022/23, although it remains uncertain what the eventual impact will be.

The outturn has improved by £768,000 compared to quarter 3 predominantly due to further increases in income for recycled waste and a reduction in waste tonnages previously forecast, partly offset by the provision for fuel and energy price increases.

### 3.9 Finance

Finance	Approved Net Budget £m	Net Outturn £m	Net Outturn Variance £m	Net Outturn Variance %	Q3 Variance £m
Lancashire Pension Fund	-0.001	-0.001	0.000	0.00%	0.000
Exchequer Services	4.175	3.543	-0.632	-15.14%	-0.460
Financial Mgt (Development and Schools)	0.014	-0.120	-0.134	-957.14%	-0.123
Financial Mgt (Operational)	1.716	1.567	-0.149	-8.68%	0.088
Corporate Finance	8.325	8.276	-0.049	-0.59%	-0.191
Internal Audit	0.794	0.829	0.035	4.41%	0.018
Payroll	0.866	0.677	-0.189	-21.82%	-0.122
Procurement	2.132	2.052	-0.080	-3.75%	0.077
BTLS	0.000	0.035	0.035	0%	0.000
<b>Total</b>	<b>18.021</b>	<b>16.858</b>	<b>-1.163</b>	<b>-6.45%</b>	<b>-0.713</b>
Share of unallocated Covid-19 emergency monies	0.032	0.000	-0.032		-0.032
<b>Total Finance</b>	<b>18.053</b>	<b>16.858</b>	<b>-1.195</b>	<b>-6.62%</b>	<b>-0.745</b>

## Overview

The total approved net budget for Finance in 2021/22 is £18.053m, including an allocation of £32,000 for Covid-19 for the first 3 months of 2021/22. The outturn position is an underspend of £1.195m. The most significant variances are detailed below: -

### Exchequer Services – underspend of £632,000

The outturn position includes an underspend of £638,000 on employees, which is due to vacancies, employees opting out of the pension scheme and employees working v-time arrangements. There was a net overachievement of income of £30,000 and an overspend of £60,000 on supplies and services, largely due to software expenditure.

The service received £25,000 Contain Outbreak Management Fund income not budgeted for.

### Financial Management (Development and Schools) – underspend of £134,000

The outturn position includes an underspend of £58,000 on employee costs. There is an underspend of £146,000 on Supplies and Services, largely due to underspends of £41,000 on transport costs and £105,000 on other general expenditure.

### Financial Management (Operational) – underspend of £149,000

The outturn position includes an overspend of £280,000 on employee costs due to agency staff cover, staff overlaps due to retirement and the vacancy factor and PALS savings not being realised offset by a positive variance on income. The income variance is an overachievement of interest on deferred payment agreement income of £37,000, Fusion Project income of £167,000 and Contain Outbreak Management Fund grant income of £75,000. There is also an underspend on supplies and services expenditure of £144,000.

### Payroll – underspend of £189,000

The underspend is primarily on staffing due to vacancies.

## 3.10 Corporate Services

Corporate Services	Approved Net Budget £m	Net Outturn £m	Net Outturn Variance £m	Net Outturn Variance %	Q3 Variance £m
Coroner's Service	2.451	2.410	-0.041	-1.67%	-0.032
Human Resources	1.828	1.590	-0.238	-13.02%	-0.085
Legal, Governance and Registrars	14.283	14.213	-0.070	-0.49%	0.474
Skills Learning & Development	2.918	2.653	-0.265	-9.08%	-0.111
<b>Total</b>	<b>21.480</b>	<b>20.866</b>	<b>-0.614</b>	<b>-2.86%</b>	<b>0.246</b>
Share of unallocated Covid-19 emergency monies	0.410	0.000	-0.410		-0.410

<b>Total Corporate Services</b>	<b>21.890</b>	<b>20.866</b>	<b>-1.024</b>	<b>-4.68%</b>	<b>-0.164</b>
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The total approved net budget for Corporate Services in 2021/22 is £21.890m. The outturn position represents an underspend of £1.024m.

### **Human Resources – underspend £238,000**

The underspend is due to an overachievement of income from the Recruitment services, advertising income and the Fusion project.

### **Legal, Governance And Registrars – underspend £70,828**

This comprises of a combined forecasted underspend of £28,137 on Legal and Governance, and an underspend of £42,691 on Registrars.

### **Skills Learning & Development – underspend £265,000**

Underspends of £304,000 relate to operational training budgets the most significant relating to the ex-service mentoring scheme, these were partly offset by reduced income from schools of £39,000.

## **3.11 Strategy and Performance**

<b>Strategy and Performance</b>	<b>Approved Net Budget £m</b>	<b>Net Outturn £m</b>	<b>Net Outturn Variance £m</b>	<b>Net Outturn Variance %</b>	<b>Q3 Variance £m</b>	<b>Movement From Q3 £m</b>
<b>Asset Management</b>	7.729	12.771	5.042	65.23%	-0.315	5.357
<b>Facilities Management</b>	21.695	25.039	3.344	15.41%	2.475	0.869
<b>Business Intelligence</b>	1.341	1.334	-0.007	-0.52%	0.009	-0.016
<b>Total</b>	<b>30.765</b>	<b>39.144</b>	<b>8.379</b>	<b>27.24%</b>	<b>2.169</b>	<b>6.210</b>
<b>Share of unallocated Covid-19 emergency monies</b>	0.864	0.000	-0.864		-0.864	0.000
<b>Total Strategy and Performance</b>	<b>31.629</b>	<b>39.144</b>	<b>7.515</b>	<b>23.76%</b>	<b>1.305</b>	<b>6.210</b>

### **Overview**

The total net approved budget for Strategy and Performance in 2021/22 is £31.629m including a £864,000 allocation for Covid-19 for the first 3 months of 2021/22.

The outturn position is an overspend of £7.515m although this predominantly relates to strategic decisions based on the overall authority position which are detailed in the service narratives below.

### **Asset Management – Overspend £5.042m**

The position predominantly relates to strategic decisions which have been made based on the overall authority position for 2021/22. The most significant being a transfer to reserves of £4.972m to cover future repayments of the Salix loan for LED replacements. In the MTFs it was assumed that all future repayments would be made from the revenue budget, that will remain the case in 2022/23 as that

amount is already included in the 2022/23 budget. Repayments beyond 2022/23 will be covered by this reserve transfer and the MTFS will be adjusted accordingly when next updated reducing the forecast funding gap in 2023/24 and future years.

Due to recent increases in street lighting energy prices and future uncertainty a provision has been made for £366,000 to help cover this risk in 2022/23. Inflation is already added to the budget, but prices are volatile, so it is prudent to mitigate this risk with a provision.

Staffing underspends of £320,000 due to delays in recruiting to budgeted posts is partly offsetting the position.

The position has worsened by £5.357m compared to quarter 3 due to the decisions detailed above.

### **Facilities Management - Overspend £3.344m**

The issues that affected the forecast for facilities management in 2020/21 remain to some extent in 2021/22 as do the uncertainties that Covid-19 has brought. The significant variances are detailed below:

- School catering overspent by £2.861m which relates to lower income charges to schools. There has been fluctuation across the year but broadly speaking income levels have been approximately 10% lower than pre-pandemic. In addition, the service has faced increases in food costs.
- A further income pressure of £175,000 relates to staff and civic catering, some of these facilities remained closed and whilst others reopened sales are significantly lower than before the pandemic.
- Offsetting these were underspends on premises running costs and repairs and maintenance due to some sites remaining closed and others being significantly less occupied which resulted in underspends of £671,000.
- Energy prices have increase significantly over recent months and remain a future risk and whilst these budgets are inflated, they are particularly volatile so a provision of £815,000 has been made to help cover this risk in 2022/23.

The position has worsened by £869,000 compared to quarter 3 predominantly due to the provision to cover risk around future energy costs.

### **Digital Services**

Digital Services	Approved Net Budget £m	Net Outturn £m	Net Outturn Variance £m	Net Outturn Variance %	Q3 Variance £m
Service Assurance	15.657	12.196	-3.461	-22.11%	-0.901
Digital Business Engagement	1.825	1.565	-0.260	-14.25%	-0.312
Design & Implement	5.542	5.588	0.046	0.83%	0.113
Operate	3.738	3.018	-0.720	-19.26%	-0.576
Architecture	0.781	0.655	-0.126	-16.13%	-0.125
Data	4.426	4.078	-0.348	-7.86%	-0.274

<b>Total</b>	<b>31.969</b>	<b>27.100</b>	<b>-4.869</b>	<b>-15.23%</b>	<b>-2.075</b>
<b>Share of unallocated Covid-19 emergency monies</b>	0.000	0.000	0.000		0.000
<b>Total Digital Services</b>	<b>31.969</b>	<b>27.100</b>	<b>-4.869</b>	<b>-15.23%</b>	<b>-2.075</b>

The total net approved budget for Digital Services in 2021/22 is £31.969m. The service underspent by £4.869m in 2021/22. The most significant variances across the wider Digital Service are explained below.

Underspends of c£2.200m relate to staff costs and vacant posts offset by c£600,000 to cover the cost of extending the use of contractors and commissioning work from external providers/consultants. The service continues to experience difficulties in recruiting staff.

Not all work related to the implementation of M365 has been completed with further phases ongoing and some audio licences were provided free of charge in 2021/22, resulting in a non-recurrent underspend of c£780,000.

As part of the transition a number of historic BTLS Purchase Order's previously receipted by other services in 2020/21 were closed down in 2021/22. This resulted in credits in 2021/22 which offset charges in 2020/21, and consequently a non-recurrent underspend of £355,000 in the current financial year.

Underspends of c£220,000 relate to traded activity and in particular Education Services.

Underspends of c£220,000 relate to document handling non staff costs and in particular print and mail costs largely due to changes in ways of working during the pandemic. Whether these underspends are recurrent will depend on future ways of working.

The majority of £2.100m of other underspends across the service relate to renewals/contracts with third parties for maintenance and support, licencing, etc.

Overspends of c£400,000 relate to both one-off and recurring costs for ServiceNow, including a transfer to reserves of c£340,000 to fund one-off costs which will be incurred in 2022/23. Whilst the majority of costs are covered by the Continuous Service Improvement (CSI) budget the shortfall is offset by underspends within the service in 2021/22. ServiceNow is intended to deliver sustainable long-term efficiencies across the county council.

The outturn includes a transfer to reserves of c£2.800m for desktop and infrastructure refresh largely due to delays in delivery of equipment and therefore the rollout of desktop refresh and delays in delivering infrastructure refresh projects.

The outturn improved by c£2.800m compared to the forecast reported at quarter 3 predominantly due to increased underspends on renewals/contracts.

### 3.12 Chief Executive Services

Chief Executive Services	Approved Net Budget £m	Net Outturn £m	Net Outturn Variance £m	Net Outturn Variance %
Chief Executive	-24.638	-25.894	-1.256	-5.10%
Communications	1.116	0.916	-0.200	-17.92%
Corporate Budgets (Funding and Grants)	-3.672	-1.799	1.873	51.01%
Corporate Budgets (Treasury Management)	31.647	18.147	-13.500	-42.66%
Corporate Budgets (Pensions & Apprenticeship Levy)	11.111	10.173	-0.938	-8.44%
<b>Total</b>	<b>15.564</b>	<b>1.543</b>	<b>-14.021</b>	<b>-90.09%</b>
Share of unallocated COVID-19 emergency monies	1.803	0.000	-1.803	
<b>Total Chief Executive Services</b>	<b>17.367</b>	<b>1.543</b>	<b>-15.824</b>	<b>-91.12%</b>

The total approved net budget for Chief Executive Services in 2021/22 is £17.367m including an allocation of £1.803m for Covid-19 for the first 3 months of 2021/22. The outturn position is an underspend of £15.824m.

#### **Chief Executive - underspend of £1.256m.**

The outturn position includes a £575,000 underspend on Supplies and Services. There are underspends of £396,000 on Covid-19 Winter Grants and £280,000 on other Covid-19 related spend, which net off against Covid-19 overspends within services.

#### **Communications – underspend £200,000.**

This underspend reflects the significant amount of staff time spent on Covid-19 related matters, which has been charged against the Covid-19 Contain Outbreak Management Fund (COMF) grant allocation.

#### **Corporate Budgets (Funding and Grants) – overspend of £1.873m.**

The overspend largely relates to a £2.000m contribution into an insurance provision to reflect the required level of funding available based on recent claims and an overspend of £61,000 due to Write Offs with no associated bad debt provision. This is offset by underspends on the advertising budget of £188,000.

#### **Corporate Budgets (Treasury Management) – underspend £13.500m.**

The Treasury Management service had an underspend of £13.500m, 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.

**Corporate Budgets (Pensions & Apprenticeship Levy) - underspend of £938,000.**

This is largely due to an overspend of £0.568m on employer pension contributions to reflect a shortfall that had arisen due to differences between the actual pensionable payroll and the estimated pensionable payroll when the prepayment was calculated by the actuary in 2021.

There is an additional offset of £1.510m underspend on inherited pensions liabilities which are charged directly to Lancashire and not the pension fund.

## Section B - Schools Spending 2021/22

The final outturn position against schools delegated budgets at 31 March 2022 is an underspend of £5.173m. This means that school balances have increased by £5.173m in 2021/22, to a total of £95.325m.

The tables below show analysis of school balances by phase at the end of the financial year 2021/22.

### 2021/22 School Balances - In-Year Movement of Balances by Phase

Phase	Balance Brought Forward as at 1 April 2021 £m	In-year Increase / (Decrease) 21/22 £m	Balance Carried Forward as at 31 March 22 £m
Nursery	0.745	0.053	0.798
Primary	58.429	-(2.677)	55.752
Secondary	23.603	5.893	29.496
Special	5.669	1.871	7.541
Short Stay	1.705	0.022	1.727
<b>Total</b>	<b>90.151</b>	<b>5.173</b>	<b>95.313</b>

Schools continued to face exceptional challenges in the 2021/22 financial year related to the covid pandemic and the associated educational recovery.

Increased levels of core funding were provided by the Government in 2021/22, with Lancashire's gross Dedicated Schools Grant (DSG) allocation some £86m higher than that received in 2020/21. This was partly due to increased funding nationally made available by Government, and the incorporation of funding for the teachers' pay and pensions grants into core school funding that were previously paid as separate grants. There was also an increase in the overall numbers of pupils in Lancashire compared to 2020/21, which contributed to the increased level of funding received.

In addition to the core Dedicated Schools Grant (DSG) funding allocations to schools, considerable additional funding was allocated during 2021/22 in the form of Government grants. For Lancashire maintained schools, grant allocations in the year totalled over £36m.

A number of these grants were specifically to assist schools continue to respond to the challenges of supporting pupils catch up on learning. Some of these grants were allocated by the DfE on an academic year basis and will need to be spent by the end of the current school year, which may have had some impact on the level of balances held at 31 March 2022.

### 2021/22 School Balances –In-Year Movement Count of Schools by Phase

Phase	Count of deficit in year	Count of surplus in year
Nursery	12	12
Primary	268	193



Secondary	9	37
Special	5	24
Short Stay	4	4
<b>Total</b>	<b>298</b>	<b>270</b>

298 schools operated an in-year deficit in 2021/22, which equates to 52%, with 270 schools (48%) operating an in year surplus. This level of in year spending in 2021/22 is more in line with historic levels. In 2020/21, 88% of schools operated an in-year surplus, as school expenditure levels were curtailed, largely as a result of reduced operations during national COVID-19 lockdowns.

#### **2021/22 School Balances – Number of Schools in Surplus/Deficit by Phase**

<b>Phase</b>	<b>Count of deficit close balance</b>	<b>Count of surplus close balance</b>
Nursery	6	18
Primary	11	450
Secondary	1	45
Special	3	26
Short Stay	0	8
<b>Total</b>	<b>21</b>	<b>547</b>

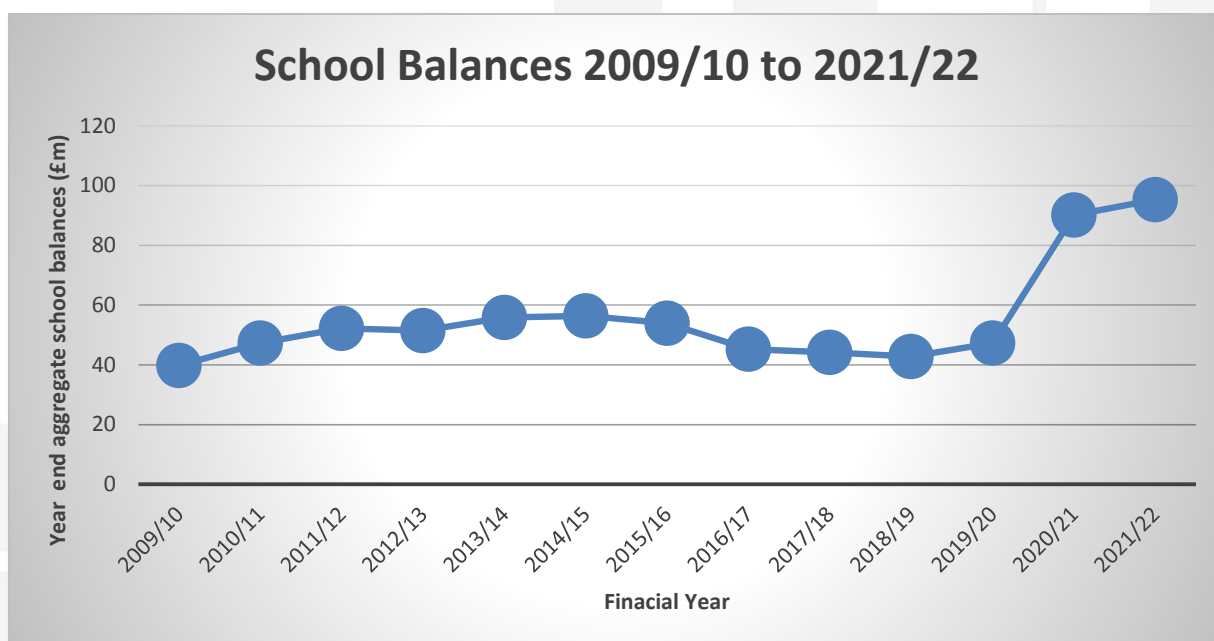
21 schools ended the 2021/22 financial year in deficit. The number of schools in deficit at 31 March 2022 has decreased from 30 schools in deficit a year earlier. The nursery sector remains the most concerning phase with 6 out of 24 schools ending the financial year in deficit, representing 25% of schools in the sector.

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

<b>Year End</b>	<b>Number of schools in deficit</b>
31 March 2022	21
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 2015. However, the 2022 figure may be artificially low, as some schools may have high levels of grant funding in their year end balances, due to unspent funding such as Covid related catch-up grants.

## Aggregate School Balances by Year



The graph demonstrates the trend in aggregate school balances over a number of years and shows that following the significant rise in the balances held by schools at March 2021, school balances have increased further at March 2022, but at a much-reduced rate. Balances at the end of 2021/22 are at £95.325m, however, as noted above, there may be covid related reasons contributing to this year-end position. Analysis provided by schools about their year-end position at 31 March 2022 indicates that over £26m of total balances are classed as 'committed'.

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 £106m, compared to the actual balances held of circa £95m.

### Support for Schools in Deficit

The county council, in consultation with the Lancashire Schools Forum, has continued to provide significant targeted support and enhanced monitoring and early warning to support schools that are in, or may be heading towards, financial difficulty. This includes monitoring the financial outlook of schools on the Schools in Financial Difficulty (SIFD) category warning system for maintained schools, issuing early warning letters to offer a 'heads-up' that financial pressures may be mounting and using the agreed SIFD procedures to provide additional support to some schools.

21 schools ended the 2021/22 financial year in deficit, compared to 30 schools a year earlier, as a number of schools returned to surplus during the year through the delivery of budget recovery plans.

During the year, an amendment to the SIFD support criteria was introduced to allow interest charges and provision of school finance support will be met

centrally from SIFD funding for schools with an agreed recovery plan, or an agreed sustainability plan.

A one-off SIFD allocation to a Lancashire school was also agreed, to assist with the financial recovery plan.

### **Schools Reserves\*\***

<b>Schools Reserves</b>	<b>Opening Balance as at 1 April 2021 £m</b>	<b>In Year Changes £m</b>	<b>Closing Balance as at 31 March 2022 £m</b>
Individual Schools Reserves	90.151	5.162	95.313
Other Schools Reserves	20.767	10.792	31.559

\*\* 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 2021/22 Capital Delivery Programme

### 1. Introduction

In February 2021 an indicative Capital Delivery Programme of £152.439m was agreed with Cabinet. Subsequent approved additions and re-profiling of the programme have increased the in-year programme to £170.563m.

The Delivery Programme is shown in section 2 split by block. This was agreed by service heads as being deliverable, with the understanding that it is an ambitious delivery programme, pushing to catch up on slipped delivery due to two lockdowns within 2020/21, as well as aiming to deliver schemes already programmed in for delivery this financial year. The project and programme managers were held accountable using the following actions:

- Detailed monitoring of the delivery programme through 2021/22 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 to undertake this monitoring and challenge.

### 2. Delivery Programme

The delivery programme was originally agreed in June 2021. It is made up of the Cabinet agreed 2021/22 budget, updated with any approved decisions and reprofiling since June 2021, and an expected delivery amount for prior year schemes. This formed the basis of the monitoring report throughout the year.

The final delivery programme is £170.563m as set out in table 1 below:

**Table 1 – 2021/22 Capital delivery programme by block**

Service Area	Delivery Programme agreed Feb 21	Decisions	Changes to planned delivery	Total Delivery Plan for Monitoring
	£m	£m	£m	£m
Schools (including DFC)	24.157	21.177	-19.378	25.956
Highways	43.970	64.471	-54.508	53.933
Transport	13.665	4.562	-2.269	15.958
Externally Funded Schemes	5.430	1.477	0.525	7.432
Central Systems & ICT	0.000	5.000	7.656	12.656
Adult Social Care	15.087	0.058	2.168	17.313
Corporate - Property	14.698	3.360	-6.619	11.439
Economic Development	16.160	0.250	-4.421	11.989
South Lancaster Growth Catalyst	0.000	4.100	0.000	4.100
Vehicles	4.924	0.000	-0.925	3.999

Transforming Cities Fund	14.348	0.000	-8.560	5.788
<b>Grand Total</b>	<b>152.439</b>	<b>104.454</b>	<b>-86.330</b>	<b>170.563</b>

### 3. Variance Analysis

The reported outturn variance for the financial year 2021/22 is -£6.439m. A breakdown of the variance to block level is shown in table 2 below.

**Table 2 – Summary Capital Delivery programme outturn position 2021/22**

Service Area	Total delivery programme for 2021/22	Outturn	Forecast Variance
	£m	£m	£m
Schools (exc DFC)	23.576	24.445	0.869
Schools DFC	2.380	2.654	0.274
Highways	53.933	59.794	5.861
Transport	15.958	14.856	-1.102
Externally Funded	7.432	6.712	-0.720
Central Systems & ICT	12.656	7.952	-4.704
Adults Social Care	17.313	16.773	-0.540
Corporate - Property	11.439	7.852	-3.587
Economic Development	11.989	13.900	1.911
South Lancaster Growth Catalyst	4.100	1.676	-2.424
Vehicles	3.999	4.709	0.710
Transforming Cities	5.788	2.801	-2.987
<b>Totals</b>	<b>170.563</b>	<b>164.124</b>	<b>-6.439</b>

The outturn spend for 2021/22 is £164.124m and funded from a combination of borrowing (£58.173m), Grants (£93.059m) and Contributions (£12.892m).

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	Variance	Underspends and potential underspends	Overspends and potential overspends	Slipped Delivery	Additional delivery
	£m	£m	£m	£m	£m
Schools (exc DFC)	0.869	-0.811	0.000	-4.067	5.747
Schools DFC	0.274	0.000	0.000	0.000	0.274
Highways	5.861	-0.004	7.236	-9.475	8.104
Transport	-1.102	-0.951	0.943	-4.366	3.272
Externally Funded	-0.720	-0.043	0.008	-0.746	0.061
Central Systems & ICT	-4.704	0.000	0.000	-4.888	0.184
Adults Social Care	-0.540	0.000	0.000	-0.540	0.000
Corporate - Property	-3.587	-0.415	0.002	-3.995	0.821
Economic Development	1.911	-0.010	0.000	-9.277	11.198

South Lancaster Growth Catalyst	-2.424	0.000	0.000	-2.424	0.000
Vehicles	0.710	-0.008	0.000	-0.649	1.367
Transforming Cities	-2.987	0.000	0.000	-2.987	0.000
<b>Totals</b>	<b>-6.439</b>	<b>-2.242</b>	<b>8.189</b>	<b>-43.414</b>	<b>31.028</b>

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 2021/22 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 2022/23 next steps:**

During the first 3 months of 2022/23 a comprehensive review of the delivery programme for 2022/23 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 2022/23 across all blocks, reflecting the final outturn position for 2021/22.
- b) Whilst considering resources available, an achievable 2022/23 delivery programme drawn up allowing for accurate financial and performance monitoring.
- c) A review of the current reporting blocks to ensure they remain relevant and fit for purpose.
- d) Work to ensure business as usual during the crossover period for the implementation of the new Oracle Fusion system.
- e) Redesign working processes to utilise the budgetary control features in Fusion, whilst putting minimal impact on service delivery.

A detailed position by block will be presented for Quarter 1 in July 2022 which will set the agreed delivery plan for the year against which performance will be measured monthly and reported to cabinet quarterly.

## 5. Capital Programme 2021/2022 Outturn Detailed Analysis

The outturn variances by block from the budget for delivery in 2021/22, with comments by programme or significant projects as follows:

### Schools

**The schools capital programme (including devolved formula capital (DFC)) has a 2021/22 delivery plan of £25.956m. The final outturn position is £27.099m, a variance of £1.143m.**

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 through grant funded school expansions and new school build projects.

During the financial year a number of new projects were commissioned, including a number of SEN units to support the authority's SEND strategy at schools in Chorley, Morecambe, Nelson and Preston, utilising the remaining high needs provision capital allowance that Lancashire received in the previous year.

Large scale expansion projects to address anticipated areas of high pupil place demand were approved at Colne Primet Academy, SS John Fisher & Thomas More RC High and Burnley Campus. These projects are currently undergoing design work. A new primary school was approved in Summer 2021 at the site of Clitheroe Higher Standen Farm. This is now in undergoing tendering procedures and accounts for £0.182m of additional delivery. Finally, in November 2021 approval was sought to install 2 temporary classrooms at Castercliff Academy to immediately address temporary pressures of demand for pupil places in Pendle. This accounts for £0.483m of additional in year delivery.

A number of projects that were previously postponed indefinitely due to the pandemic have been restarted. The expansion of Tom Finney high school which had been on hold since early 2020 was restarted in August 2021 and is progressing quicker than anticipated causing an additional delivery variance of £0.590m. The scheme is now set to complete in summer 2022/23. An SEN project in Thornton Cleveleys, previously deemed unviable and therefore cancelled was re-established in late 2021 at a different site. This project was fully delivered and accounts for £0.588m of additional delivery.

The large-scale project to expand Unity College, Burnley is progressing ahead of schedule accounting for £0.531m in additional delivery and is due to handover within budget at the start of 2022/23. A number of other projects have reported smaller additional delivery variances totalling £0.219m.

A number of projects have smaller slipped delivery variances which are largely due to contractor final retention payments now falling due in early 2022/23 totalling -£0.556m and others have estimated savings totalling -£0.329m, mainly reported from a SEN unit project at Barrowford Primary School. Realised savings will be reallocated in 2022/23 to advance further SEN provision work across the county.

## Condition Programme

The Condition Programme delivers a variety of grant funded works to address priority condition issues at school buildings.

There is an outturn variance within the condition programme of -£0.839m, which can be broken down into £3.154m additional delivery, -£3.511m slipped delivery and -£0.482m underspends and potential underspends.

The underspends of -£0.485m are across a number of projects included in the original delivery plan. However, it should be noted that actual total underspends of -£1.465m were realised on the condition programme in 2021/22 when projects not included in the original delivery plan and completed as advance delivery in 2021/22 are counted. Net slipped delivery of -£0.357m is reported (-£3.512m slipped delivery less £3.154m additional delivery) resulting from a number of projects new to 2021/22 not progressing as anticipated in year due primarily to complexities discovered on site and they have been reviewed and reprogrammed for 2022/23, allowing for projects programmed for 2022/23 to then be delivered ahead of schedule as advance delivery.

The most noteworthy project continues to be that at Oswaldwistle Rhyddings High School, which has undergone demolition and major rebuild. The project, which started in 2017 was originally intended to replace an area of concrete panelling but eventually necessitated a complete demolition and rebuild of a building block when structural damage was uncovered, with pupils temporarily relocated to another school. The final completion of the project this year sees the successful conclusion of what was a challenging scheme. The position at the end of 2021/22 was £0.205m in advance of the delivery plan and the project has completed within budget overall.

## Local Full Fibre Networks

Funding was awarded from the department for digital, culture, media and sport to a number of schools across the county identified as premises that would benefit from the installation of a high-speed fibre network. The installation will be largely managed by LCC Education Digital Services. The delivery plan for 2021/22 was £0.020m which was fully spent as planned.

## Devolved Formula Capital (DFC)

The DFC programme is a grant funded programme for small to medium capital projects. It is allocated to schools on a formula basis by the DfE for schools to spend on capital projects within expenditure guidelines. The DFC 2021/22 delivery plan is £2.380m. During 2021/22 spend on DFC projects totalled £2.654m, which is an additional variance on the delivery plan £0.274m. the additional spend being funded from unutilised balances from prior years grant allocations.

## Highways

**The Highways capital programme has a 2021/22 delivery plan of £53.933m. The final outturn position is £59.794m, a variance of £5.861m.**

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



The structural defects programme had an overspend of £6.845m. This was due to two factors, a sustained increase in the number of defects being reported and the approach adopted to improve the quality and increase size of the repair where necessary. The continued use of the current health & safety inspection policy on intervention levels and response times has also had an impact. The increased number of defects being reported resulted in an increased use of sub-contractor resources, use of these sub-contractors further down the dayworks framework are significantly more expensive and were used to keep up with demand. Due to the high level of spend on structural defects during 2021/22 a working group was established to review working practices and the new ways of working are being implemented from 1 April 2022.

A number of schemes within the bridge maintenance and structural maintenance programmes have slipped, this is due to the prioritisation of flood damage schemes because of their impact on the road network, causing a slippage variance of -£1.235m.

Construction on Derby Street bridge, Ormskirk, has been delayed resulting in slippage of -£0.622m. Some of the 2021/22 principal bridge inspections being delivered by consultants will be carried out during 2022/23 resulting in slippage of -£0.322m and also within the bridges programme there is slippage of -£0.151m on post tension special inspection and assessments.

Parts of the 2020/21 transport infrastructure investment fund (TIIF) storm damage bridges and structures programme will be delivered in 2022/23 due to environmental constraints such as Environment Agency permission to access rivers. This continued delay has caused slippage of £-0.302m.

Engaging with utility companies who are taking longer to respond to queries lengthened the lead time from delivery to construction and therefore affected the delivery of the 2021/22 bridges and structures storm damage programme causing a slippage variance of -£0.235m.

As a result of an additional investment of £10.000m being added to the programme in February 2021, the ABC and urban roads programmes were expanded. When the delivery programme was set in May 2021 some of the schemes still had to be programmed, therefore as schemes were prioritised and programmed during the year, it caused some schemes to slip into 2022/23 whilst others were delivered ahead of schedule. The impact on the ABC programme was slippage of -£1.189m and additional delivery of £1.733m. Within the urban programme a prudent view of what could be delivered on top of the original agreed programme was taken. Delivery progressed better than anticipated causing an additional delivery variance of £2.752m.

Several schemes within the safer roads programme, safety camera maintenance programme and the traffic signal programme are now expected to be delivered in 2022/23 resulting in slippage of -£0.431m. This is mostly due to a reprioritisation of works, with more urgent schemes being delivered ahead of the schemes originally programmed when the delivery plan was set.

Within the rural roads programme and the moss road programme, slippage of -£0.543m is due to the delivery of a handful of schemes being changed to 2022/23.

Within the footway programme slippage of -£0.763m on slurry seal schemes due to contractor availability has been offset by additional delivery elsewhere in the programme of £0.604m.

Slippage on some drainage schemes totalling -£0.554m due to available resources being prioritised for the drainage works needed ahead of programmed resurfacing works, and the reprogramming of 6 schemes within the flood prevention programme resulting in slippage of -£0.457m.

Despite challenges with staff isolating and shortages of certain materials Highways delivered additional schemes across various programmes to the value of £2.097m. In addition to this, good progress has been made on the DFT challenge fund retaining walls programme resulting in additional delivery of £0.631m, and increased coring activity within the asset testing programme has resulted in additional delivery of £0.888m.

## **Transport**

**The Transport capital programme has a 2021/22 delivery plan of £15.958m. The final outturn position is £14.856m, a variance of -£1.102m.**

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

### **Safer Roads Scheme**

In 2018, LCC successfully secured full funding for 5 route lengths during the second round of the Safer Road Fund Bid process, grants totalling £7.942m were awarded. The grant was provided to cover changes to road layouts, speed cameras, better lighting, road studs etc. The majority of the work has now been completed across the 5 projects with the exception of the speed cameras which will be re-tendered in 2022/23. A variance of £1.083m additional delivery occurred in 2021/22 with work progressing quicker than anticipated when the delivery plan was drawn up.

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

NPIF provided for additional spending in areas that are key to boosting productivity: transport, digital communications, research and development, and housing. There was net slipped delivery across the NPIF projects of -£0.257m due to resource issues, which is now expected to be delivered in 2022/23 which will mark the completion of the spend.

### **Burnley Pendle growth corridor**

The Burnley Pendle growth corridor investment programme is a key priority for the East Lancashire highways and transport masterplan. It is a collaborative agreement including Burnley, Pendle and Hyndburn Councils. The scheme is now coming to a close with only £0.129m of spend in 2021/22. Any remaining works in the programme are expected to be completed in 2022/23 following delays on one element of the programme due to land availability, and current forecasts show there are overall potential savings of -£0.807m.

### **Skelmersdale Rail Link**

The demolition of Newcastle Colleges Group buildings, in anticipation of a potential new rail link to Skelmersdale, was completed within the year and recorded actuals of £1.203 for 2021/22. A further £0.050m, £0.025m of additional

delivery, was incurred completing the Grip 3 report (Governance for Railway Investment Projects) which will allow consideration of the viability of undertaking the full scheme by the stakeholders involved.

### **M55 Heyhouses Link Road**

This is a large project spanning a number of years funded by a number of different grants and contributions. In 2021/22, an additional delivery variance of £0.225m is reported. Construction is forecast to increase substantially throughout 2022/23 to ensure full use is made of time limited grants available.

### **Burnley Town Centre Improvements**

A delivery plan of £0.940m was established in 2021/22 for developments at Lower St James Street and Pioneer Place, a series of public realm improvements which form part of a wider scheme to regenerate the area. Prior year delays on the works on Lower St James caused delays to the start of the work on the Pioneer Place project. Work has slipped on this project into 2022/23 causing a variance of -£0.700m.

### **Heysham**

A delivery budget of £0.784m is in place for 2021/22 to cover residual work and settling numerous claims for land adversely affected by the programme. These claims plus the linked legal cost incurred caused an in year overspend of £0.923m. Further funding is to be approved in 2022/23 to cover the final estimated land compensation costs.

### **Lancashire Safer Travel Restart**

Lancashire was awarded £3.501m of a £250m emergency fund for Covid recovery. This was to be utilised initially for instant schemes reallocating road space for pop-up bike lanes, wider pavements, cycle, and bus-only streets and their eventual adoption for permanent change if successful. The inclusion of the new scheme on Penwortham Brow, part of the Penwortham to Preston Cycle Superhighway was added to the Programme and its completion helped create £0.634m of additional delivery in 2021/22 against the delivery budget of £0.091m.

### **Cycling schemes**

During the year improvements on the £0.099m Golden Hill Way Chapel Brow project were put on hold as South Ribble Council are undertaking similar work which has resulted in an underspend of -£0.091m in the programme. It was agreed that budget from a number of cancelled schemes would be repurposed to fund a new larger project on Clifton Drive causing an additional delivery variance of £0.444m.

### **Ormskirk Rail to Bus / Town Centre**

This project along with the work at Ormskirk Bus Station have been incorporated in a larger new programme, the Eastern Gateway, a partnership between Lancashire County Council, West Lancashire Borough Council and Historic England to make a number of major improvements to Ormskirk town centre. Additional delivery of £0.272m was realised in 2021/22 due to the new agreement, with the change in scope seeing a further £1.996m added to the budget over the next two years.

## Externally Funded

**The Externally Funded capital programme has a 2021/22 delivery plan of £7.432m. The final outturn position is £6.712m, a variance of -£0.720m.**

The S278 Padiham THI project has slipped delivery of -£0.261m. Works on this project to provide a high quality paving shared space scheme have experienced delays on street furniture delivery due to supplier issues. The scheme is now 90% of the way through construction and is expected to be completed in early 2022/23. Whalley town centre footway and bus stop improvements project has slippage of -£0.094m. This project has seen delays due to unforeseen circumstances (thick reinforced concrete taking a long time to break out). As such, the works will now be on site until mid-late June and the scheme is due to be completed in 2022/23. S278 A584 Lytham Rd/Church Rd highway works has slippage of -£0.085m where statutory undertaker diversions were delayed starting on site due to resources being unavailable.

S106 Rosslyn Avenue, Preesall has slippage of -£0.071m caused from system issues not allowing purchase orders to be raised, a delayed start for a team to be allocated to the project and delays following valid concerns raised during consultation.

Further slippage across a number of projects of -£0.137m are due to design issues and as such these projects are now scheduled to have works in 2022/23.

There is an underspend on the Eastway phase 2 S278 works scheme of -£0.042m where the project is now complete and the developer is to be refunded.

There is additional delivery totalling £0.062m and a forecast overspend of £0.009m. Further funding is being sought to finance the potential overspend.

The additional delivery includes £0.016m on the S278 Blackpool Road, Kirkham scheme where design and tender works have started, with the remainder of works being delivered in 2022/23 and £0.013m on the UCLan Masterplan scheme, where main contract payments have now been agreed and closed, and it is expected that the construction contract can be delivered within budget.

## Central Systems and ICT

**The Central Systems and ICT capital programme has a 2021/22 delivery plan of £12.656m. The final outturn position is £7.952m, a variance of -£4.704m.**

Details of the main variances are as follows:

Migration to Oracle Cloud from the current e-business suite Oracle platform has slipped delivery of -£1.600m, along with the recently approved Oracle fusion contingency scheme which sees slippage of -£3.048m. Though additional delivery budget was approved in February 2021 there have been delays in completion of various technical components of the project which have led to supplier milestones being delayed for sign off and this resulted in slipped delivery of the increased budget. As payments are tied to key sign off points these have also been delayed. We expect the programme to be complete in the autumn of 2022 and all expenditure to have been committed and paid by this point.

The libraries ICT project has slippage of -£0.156m with no expenditure in year. Libraries were unable to obtain the equipment needed in year due to supply issues and so expenditure is now expected in 2022/23.

The Microsoft Office 365 project has slippage of -£0.063m following LCC receiving a credit from licenses which will be used in future years on implementation of extra functionality.

Offsetting this is additional delivery on the new fleet management system project totalling £0.130m where money has been spent on a required replacement system, and additional delivery on the document handling service replacement hardware and new software project totalling £0.023m on replacing printing and mail equipment.

### **Adults Social Care (Adults)**

**The Adults capital programme has a 2021/22 delivery plan of £17.313m. The final outturn position is £16.773m, a variance of -£0.540m.**

The disabled facilities grant (DFG) is capital funding for the provision of home adaptations to help older and disabled people to live as independently and safely as possible in their homes. The 2021/22 DFG allocation was £16.715m and this was received and fully passported to district councils to distribute during the first half of the year.

The extra care grant allocation for Preston, was designed to contribute to new independent living homes specifically for people over the age of 55 with varying care needs. The legal agreement was due to be executed in 2021/22 however additional delays have arisen, and it is now expected that the contribution £0.540m will now be finalised in 2022/23 as the scheme itself is complete.

The inpatient detoxification grant was a one-year funding scheme which aimed to increase medically managed inpatient detoxification capacity and stabilise this provision in the treatment system for drug and alcohol users. Funding of £0.058m was received in-year and has been paid in full to the provider.

### **Corporate property**

**The Corporate – Property capital programme has a 2021/22 delivery plan of £11.439m. The final outturn position is £7.852m, a variance of -£3.587m.**

The corporate property block oversees Capital spend on the range of property programmes within LCC's portfolio. An overview of these programmes is given below:

#### **Bowgreave Rise programme**

The project to replace Bowgreave Rise Residential Care Home, providing affordable extra care schemes for older people and supported housing apartments for younger adults with disabilities, has a slipped delivery variance in 2021/22 of -£1.178m. It is still anticipated that the construction work will be completed in 2022/23.

### **Great Harwood North Cliffe, Overnight Short Break Unit**

The construction of a new overnight short break unit providing purpose-built units to meet the diverse needs of the users has progressed despite bad weather delays over winter. There is a slipped delivery variance of -£0.568m which is forecast to be utilised in full in 2022/23 with completion of the project expected in quarter 1.

### **Covid Secure Visiting Facilities**

The programme of covid related property works had remaining funding of £0.138m from the initial allocation from 2020/21. The work at all the sites was completed in the year at an outturn of £0.128m, the remaining -£0.010m recorded as an underspend against the programme.

### **Salix decarbonisation**

A new programme was established for decarbonisation schemes at Burnley, Leyland and Garstang libraries. Work at Garstang is now complete and handed over, the remaining two sites have been hampered by the delay in delivery of the required heat pumps causing slipped delivery of -£0.183m. Work is due to be completed in early 2022/23.

### **Burnley Short Breaks Unit Extension**

Work is now complete on the project to improve the capacity of the Burnley adults short breaks unit after lockdown delays in prior years. An underspend of -£0.029 is reported.

### **Building condition programme**

The delivery plan for the programme was set at £2.162m with 62 projects forecast to be worked on in the year. The major projects within the programme include roofing works at County Hall BMU which have now been completed. This created £0.020m of additional delivery from previous slippage against its delivery target of £0.124m for 2021-22. The mechanical works at Chorley neighbourhood centre are completed with a potential underspend of £0.007m once the defects period is completed. The replacement of chiller units within the CCP site is also complete with the system now in operation, an underspend variance of -£0.096m is reported which will be returned to the building condition budget to finance future schemes. All the programme's budget has been allocated but there is a remaining contingency of £1.376m. A small number of projects were initially restricted by access issues and, following a review, some have been put on hold increasing the forecast slipped delivery to -£1.190m, offset by additional delivery variances of £0.406m.

### **Works to Operational Premises**

The delivery plan for this programme of works was set at £1.018m with 21 projects forecast to be worked on in the year. Over the programme, -£0.191m of underspends were recorded, and although -£0.503m of works will slip into 2022/23 a further £0.204m of projects planned for 2022/23 were undertaken ahead of schedule.

Of the major schemes, those to facilitate the transfer of the Civil Enforcement Officers to LCC alternative accommodation at both Lancaster and County Hall, have been completed incurring £0.051m and £0.059m respectively. The work to repair the Burnley Queen Street Mill has been finalised, spending £0.070m of the £0.160m delivery budget, and this annual underspend has been returned to the

works to operational premises budget for future use. In addition, the project to replace the sluice rooms at Bowgreave Rise has also been completed ahead of schedule costing £0.084m and creating additional delivery of £0.044m.

The 2022/23 programme approved in February 2022 includes an amount of £14.7m for works on a portion of the property portfolio with a further £15m in 2023/24. These costs resulted from the quinquennial surveys of a fifth of our portfolio and relate to urgent or priority one types of works. There is a potential ask (£30m) on each of the remaining four fifths of the portfolio which is not affordable in the long term so property rationalisation or reorganisation is required to reduce this liability. Work is ongoing around this area with results due to be reported in summer to feed into the budget setting process in Autumn for 2023/24.

### **Electric vehicle charging points at LCC Sites**

A new programme of £0.215m to begin installing Electric Vehicle charging points at LCC sites was approved, of which £0.120m was added to the 2021/22 delivery budget to cover the sites at Hapton Network fleet depot and Bamber Bridge. Only £0.014m was incurred in 2021/22 in initial preparations, but this slippage of -£0.106, plus the remaining £0.095m, is forecast to be spent in full in 2022/23

### **Economic Development**

**The Economic Development capital programme has a 2021/22 delivery plan of £11.989m. The final outturn position is £13.900m, a variance of £1.911m.**

Expenditure on the Samlesbury Enterprise Zone, which on completion will be a national centre of excellence for advanced engineering and manufacturing, rose to £4.501m in 2021/22, a net additional delivery variance of £0.162m. The final works to zone C are expected to be completed in summer 2022 which will allow progression to work on Zone A, the subsequent area to be utilised.

A contribution to the Brierfield Mill scheme, which has created offices, apartments, and leisure schemes in the redeveloped site, has a slipped delivery variance of £0.407m. It is now expected that the remaining contribution will be finalised in 2022/23. The annual contribution to the City Deal of £1.295m from the Economic Development Programme was made earlier in the year although it is now forecast that the remaining contribution towards the expansion of the Lomeshaye Industrial Estate of £1.500m will be made next financial year after been held up in 2021/22 by the delays in progress on site due to lockdown.

The Cuerden Strategic Site was given a delivery plan of only £0.200m in 2021/22 for consultancy, however some initial design fees were also incurred creating £0.023m of additional delivery. The bulk of the revised work remains forecast to take place in future years and will also include the newly announced Farrington Cricket Facility.

Work on the submission of the Business Case for The Eden North project in Morecambe utilised £0.151m in 2021/22 in completion of this first stage of the process, a slipped delivery variance of -£0.231m. The £125m project is set for completion in 2024 in partnership with the Eden project, Lancashire Enterprise Partnership, Lancaster City Council and Lancaster University.

## **South Lancaster Growth Catalyst (SLGC)**

**The SLGC capital programme has a 2021/22 delivery plan of £4.100m. The final outturn position is £1.676m, a variance of -£2.424m**

In October 2021 a collaboration agreement was signed between Lancaster City Council and Lancashire County Council for a long-term collaboration which will develop south Lancaster to stimulate growth in the region. The agreement plans to deliver c10,000 homes and use the developer contributions alongside agreed grant funding from the Homes England (HE) to develop new and existing highways infrastructure.

Work has been on-going on the design for the agreed early deliverable projects, and HE agreed a 2021/22 budget of £4.100m to cover these initial costs. However, there were some delays in issuing contracts for design and early supplier contract works that were a direct implication of the delay in signing the collaboration agreement. Whilst these works are now underway, there has been slipped delivery of -£2.424m this year. Homes England are aware the delay and have a revised cash flow to mitigate this as works progress. This cash flow will be mirrored in the 2022-23 delivery plan.

## **Vehicles**

**The Vehicles capital programme has a 2021/22 delivery plan of £3.999m. The final outturn position is £4.709m, a variance of £0.710m**

In 2021/22 the Vehicles capital programme has overseen delivery of thirty-two vans, four cars, two pick-up trucks, one semitrailer, four excavators, one tipper truck, one traffic management vehicle, three mobile library vehicles, four snowploughs, one arm mower, eighteen accessible minibuses, fifteen conversion minibuses, two tandem rollers and two woodchippers.

There is a slipped variance of -£0.615m relating to nine vehicles (five vans, three trucks and one mobile library). These schemes slipped due to staff shortages and reduced factory operating hours due to the impact of COVID19, these vehicles are forecast to be delivered in 2022/23. There has also been slippage of the unallocated funding totalling -£0.034m that has been reallocated to schemes expected to be delivered in 2022/23.

The scheme for eighteen accessible minibuses has an additional delivery variance of £0.923m. The full scheme was originally anticipated to be part-delivered this financial year and the remainder delivered in 2022/23, however some minibuses have been delivered earlier than expected. The same applies for the scheme for twelve vans, which has had additional delivery of £0.084m. There has also been additional delivery of £0.022m for four snowploughs, £0.055m for two pick-up trucks, £0.214m for two Hamm tandem rollers and £0.069m for two woodchippers which were all initially anticipated to be delivered in 2022/23.



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

**The TCF capital programme has a 2021/22 delivery plan of £5.788m. The final outturn position is £2.801m, a variance of -£2.987m.**

A slippage variance of -£2.987m has been reported. This is mainly due to unexpected ground condition issues slowing the progress on the Corporation Street phase of the project. This in turn delayed the work on the more spend intensive phases of construction on transforming ringway as early as we had planned. Delays in the agreement on the revised spend profile for Cottam Parkway and the technology package were also an issue. With these issues now resolved, work is expected to catch up within 2022/23 and fall in line with the revised spend profile agreed with the department for transport (DfT).

## Section D – County Fund Balance, Reserves and Provisions Revenue Reserves as at 31<sup>st</sup> March 2022

Table 4 below shows the summary position for revenue reserves as at 31<sup>st</sup> March 2022:

*Table 4*

Reserve Name	Opening balance 2021/22	2021/22 Expenditure	2021/22 Forecast transfers to/from other reserves	2021/22 Closing Balance	2022-23 Forecast Exp	2023-24 Forecast Exp	2024-25 Forecast Exp	Forecast closing balance 31 March 2025
	£m	£m	£m	£m	£m	£m	£m	£m
County Fund	-23.437	0.000	0.000	-23.437	0.000	0.000	0.000	-23.437
<b>SUB TOTAL - COUNTY FUND</b>	<b>-23.437</b>	<b>0.000</b>	<b>0.000</b>	<b>-23.437</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>-23.437</b>
Strategic Investment Reserve	-4.810	0.486	0.132	-4.192	2.906	0.286	0.000	-1.000
COVID-19 Reserve	-11.914	0.866	0.000	-11.048	9.857	1.036	0.154	-0.001
Downsizing Reserve	-5.642	0.188	0.000	-5.454	1.410	2.022	2.022	0.000
Risk Management Reserve	-6.290	2.013	0.000	-4.277	3.689	0.000	0.000	-0.588
Transitional Reserve	-201.755	-13.690	-0.332	-215.777	30.046	4.552	2.719	-178.460
Business Rates Volatility Reserve	-5.000	0.000	0.000	-5.000	0.000	0.000	0.000	-5.000
Service Reserves	-72.154	-36.792	0.200	-108.746	59.389	17.760	17.131	-14.466
Treasury Management Valuation Reserve	-13.778	-7.136	-15.403	-36.317	0.000	0.000	0.000	-36.317
Treasury Management Reserve	-15.403	0.000	15.403	0.000	0.000	0.000	0.000	0.000
<b>SUB TOTAL - LCC RESERVES</b>	<b>-336.746</b>	<b>-54.065</b>	<b>0.000</b>	<b>-390.811</b>	<b>107.297</b>	<b>25.656</b>	<b>22.026</b>	<b>-235.832</b>
Non-LCC Service Reserves	-16.195	-0.870	0.000	-17.065	0.965	3.076	0.456	-12.568
<b>SUB TOTAL - NON LCC RESERVES</b>	<b>-16.195</b>	<b>-0.870</b>	<b>0.000</b>	<b>-17.065</b>	<b>0.965</b>	<b>3.076</b>	<b>0.456</b>	<b>-12.568</b>
<b>GRAND TOTAL</b>	<b>-376.378</b>	<b>-54.935</b>	<b>0.000</b>	<b>-431.313</b>	<b>108.262</b>	<b>28.732</b>	<b>22.482</b>	<b>-271.837</b>

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 2021/22.

The table above shows that the forecast value at the end of 2024/25 of the uncommitted Transitional Reserve following the 2021/22 outturn is £178.460m. This is a better position by £620,000 compared to that reported to Full Council in February, due to additional contributions being made in 2021/22 offset by an increase in commitments for 2022/23 and 2023/24.

The closing balance of the Transitional Reserve as at 31<sup>st</sup> March 2022 has improved by £4.027m when compared to the forecast reported at Full Council in February. The main reason for this is due to the improvement in the underspend position that has been subsequently transferred to the transitional reserve.

There has been no further need to call on the Transitional Reserve to support the 2021/22 budget, with an agreed contribution to reserves made as part of the 2021/22 budget of £3.860m. 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 inflationary uplifts and cost of living concerns will lead to further savings having to be made.

**Table 5**

	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>
<b>Opening Balance</b>	215.777	166.887	131.787
<b>Gap funding</b>	<b>18.844</b>	<b>30.548</b>	<b>41.349</b>
<b>Commitments</b>	30.046	4.552	2.719
<b>Closing balance</b>	<b>166.887</b>	<b>131.787</b>	<b>87.719</b>

### **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 2021/22 there has been a decrease in the provision of £9.601m (54.34%).

	<b>Opening Balance as at 1 April 2021 £m</b>	<b>In Year Changes £m</b>	<b>Closing Balance as at 31st March 2022 £m</b>
Corporate Bad Debt Provision	-17.668	9.601	-8.066

### **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:

	<b>Opening Balance as at 1 April 2021 £m</b>	<b>In Year Changes £m</b>	<b>Closing Balance as at 31st March 2022 £m</b>
Adult Services - Safeguarding	-0.968	-	-0.968
Adult Services – General	-1.852	-1.718	-3.570
Financial Resources	-0.044	0.042	-0.001
Energy/fuel cost increases	-	-3.820	-3.820
Business Rates Appeals	-9.749	3.703	-6.046

Municipal Mutual Insurance (MMI) Provision	-2.749	-	-2.749
Insurance Provision	-22.915	-8.382	-31.297
Highways Provision	-0.200	-0.100	-0.300
Facilities Management Provision	-0.499	0.029	-0.470
PFI Payments	-1.095	-0.500	-1.595
<b>Grand Total</b>	<b>-40.072</b>	<b>-10.746</b>	<b>-50.818</b>

The table above contains both long- and short-term provisions held at the end of the 2022/23 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, 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 2021/22 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 2021/22 has been another 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. It is anticipated that there will be no further government grants for the pandemic awarded. The County Council is forecast to have a financial gap of £41.439m by 2024/25.

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 2024/25 and beyond but the intention is that further savings will be identified to reduce the requirement from reserves in 2023/24.

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 2022/23 services will need to deliver £29.589m of previously agreed savings to stay within their budget envelope which includes those delayed from previous years. 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.

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 2022/23 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,. 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 the quarter 1 money matters update.

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. There are also significant financial risks associated with the current cost of living crisis.

The remaining reserves are forecast to be sufficient to enable a balanced budget to be set until 2024/25, however it is critical that further proposals are developed to address the funding gap. To address this work is underway to identify proposals for the 2023/24 budget.

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 inflation, energy costs and general cost of living rises creates additional uncertainty.

The government's aim to introduce a new fair funding formula and 75% business rates retention have been further delayed. We await confirmation of whether these changes will be implemented in 2023/24 or further delayed. 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 still anticipate a spending review and longer-term (potentially 3-year) financial settlement in the autumn.