

Money Matters
The County Council's Revenue Financial
Position
2022/23 Quarter 2



Contents

		Page
1	Summary Revenue Budget Monitoring Position as of 30 th September 2022	2
2	Executive Summary	2
3	Adult Services and Health and Wellbeing Directorate	4
4	Education and Children's Services Directorate	9
5	Growth, Environment and Transport Services Directorate	13
6	Resources Directorate	17
7	Chief Executive Services	21



1. Summary Revenue Budget Monitoring Position as of 30th September 2022

Service Area	Net Budget	Net Forecast Outturn	Net Forecast Variance	Net Forecast Variance	Q1 Variance
	£m	£m	£m	%	£m
Adult Services and Health and Wellbeing	421.237	418.188	-3.049	-0.72%	3.758
Education and Children's Services	229.376	240.082	10.706	4.67%	12.753
Growth, Environment and Transport	158.488	159.283	0.795	0.50%	1.985
Resources	112.419	111.922	-0.497	-0.44%	1.064
Chief Executive Services	26.587	26.621	0.034	0.13%	-1.820
Grand Total	948.107	956.096	7.989	0.84%	17.740

2. Executive Summary

This report provides an update to Cabinet on the county council's forecast 2022/23 revenue financial position as at the end of September 2022. The forecast outturn for 2022/23 is outlined in the table above, with a £7.989m overspend forecast, which by way of context is 0.84% of the county council's net budget. This represents a significant improvement across all Directorates of almost £10m from the £17.7m overspend that had been forecast at Quarter 1 and reported to Cabinet in September. The improvement reflects services having undertaken detailed reviews of their cost drivers and identifying actions to reduce costs to work towards achieving a break-even position including tighter control of vacancy management. The focus will remain on reducing costs further in the second half of the year to address the remaining forecast overspend.

We are now experiencing an increased demand for services particularly around adult social care support for residents in their own homes and children's social care overall. We are still feeling the impact of the acute health sector whilst it attempts to return to business as usual, with again increased demand to free up hospital beds and offer alternative care solutions. Longer term, it is anticipated that we will see additional demand continuing across our Adults and Children's services, along with inflationary pressure from providers of care and also as a consequence of the implementation of the Fair Cost of Care nationally.

The price and demand pressure being experienced have led to an overspend being forecast at Quarter 2 with a risk that the current volatility in actual demand could lead to a significant variance from the current forecast as we move through the year. This is particularly highlighted in Children's Social Care with an overspend of c£10m forecast although this is an improvement of £2m from the position reported at Quarter 1. In adult services, whilst there are still pressures in terms of demand and cost of packages, these have been offset by some one-off savings particularly in relation to income.

During the last two financial years there were multiple grants awarded by the Government to local authorities to support them during the pandemic, these have largely come to an end. We were able to carry forward some Contain Outbreak



Management Fund grant for use to contain any further outbreaks and this is being closely monitored.

The savings that have been agreed to date are also closely monitored. There is a combination of savings that were planned to be delivered in 2021/22 or earlier and were delayed due to the pandemic, and the budgeted savings agreed to be reprofiled for 2022/23. As all restrictions have broadly been lifted and services return to providing services closer to the levels pre-pandemic, they are in a better position to monitor and deliver the savings that are built into the budget.

At November Cabinet, a further c£86m of additional savings proposals were agreed and strategic targets of £32m to help balance the budget over the medium-term financial period. Some of these savings form part of the 2022/23 budget monitoring position, as following a review of trends over the past five years it has been confirmed that some underspends are recurrent and will therefore be removed from the budget from 2023/24. In order to monitor the delivery of both those savings previously agreed and still to be delivered as well as the new package of savings to be agreed in setting the 2023/24 budget, each Directorate will have a Finance Monitoring Board. The purpose of the Boards are to challenge and monitor delivery of savings, in addition to removing barriers to delivery, as well as escalating any issues to ensure savings are delivered within their profiled timescales and earlier if possible.



3. Adult Services and Health and Wellbeing Directorate

Service Area	Net Budget	Net Forecast Outturn	Net Forecast Variance	Net Forecast Variance	Q1 Variance
	£m	£m	£m	%	£m
Disability Adults	2.946	5.414	2.468	83.77%	2.456
Residential Day Care Services for Older People	1.439	5.172	3.733	259.42%	3.613
Total Adult Care and Provider Services	4.385	10.586	6.201	141.41%	6.069
Social Care Services Adults	218.546	215.280	-3.266	-1.49%	-1.226
Learning Disabilities, Autism and Mental Health	193.103	187.113	-5.990	-3.10%	-1.600
Total Adult Community Social Care	411.649	402.393	-9.256	-2.25%	-2.826
Safeguarding, Quality and Improvement Services	7.044	7.048	0.004	0.06%	0.225
Total Safeguarding and Quality Improvement	7.044	7.048	0.004	0.06%	0.225
Policy, Information and Commissioning Age Well	1.000	0.982	-0.018	-1.80%	0.018
Policy, Information and Commissioning Live Well	0.951	0.936	-0.015	-1.58%	0.019
Total Adult Services and Health and Wellbeing	1.951	1.918	-0.033	-1.69%	0.037
Total Adults	425.029	421.945	-3.084	-0.73%	3.505
Public Health and Wellbeing	-67.272	-67.274	-0.002	0.00%	0.000
Health Equity Welfare and Partnerships	58.555	58.541	-0.014	-0.02%	0.040
Health Safety and Resilience	1.322	1.040	-0.282	-21.33%	-0.177
Trading Standards and Scientific Services	3.603	3.936	0.333	9.24%	0.390
Total Public Health	-3.792	-3.757	0.035	-0.92%	0.253
Total Adult Services and Health and Wellbeing	421.237	418.188	-3.049	-0.72%	3.758

The total net approved budget for Adult Services and Health and Wellbeing in 2022/23 is £421.237m. As at the end of September 2022, the service is forecast to underspend by £3.049m. This is an improvement of £6.807m compared to Quarter 1.



Adult Services – Forecast underspend £3.084m

The total 2022/23 budget for Adult Services is net expenditure of £425.029m. The forecasted outturn estimated as at the end of September 2022 is £421.945m resulting in an underspend of £3.084m equating to 0.73% of the total budget.

This position contains a mixture of both under and overspends, with the most significant pressure being the recently agreed pay award. As this pay award has been calculated on a flat rate per employee, the % uplift is greater for the grades that predominantly make up the majority of our care staff working in our care provider services and therefore the total pressure is significant at £5m.

The largest source of the positive variance to budget has been the greater success in recovery of income. As part of the Quarter 2 monitoring position, there is a significant increase in the level of income received across services, as most notably agreement was reached on a Continuing Health Care and joint funding case which resulted in £4.6m being received by the County Council from the NHS. Further work is taking place to review how costs are more appropriately shared with the NHS, other partners and service users where this is applicable.

We are also mindful that our cost predictions include the costs we have incurred to date over the summer and early autumn period, however we are now moving into the winter period when referral levels can be higher due to seasonal issues exacerbating pre-existing conditions in our most vulnerable residents and often influenced by the response of the NHS, mainly hospitals. In addition, a pressure is anticipated (and forecast) as we go through the winter months, as grant funding has ceased in relation to service users awaiting discharge from hospital.

There are a number of factors driving the costs within adult social care, some within our ability to control and some now starting to impact which are increasingly more difficult to influence. As noted below, staffing shortages due to recruitment and retention difficulties and high sickness levels across all services increases the reliance on agency workers and results in higher overall costs. We have recently agreed a directorate Workforce Strategy that will start to address such issues. In some service areas we are unable to use our framework providers, again mainly due to staffing pressures, which again increases costs as we turn to off framework providers which are at higher cost. We are embarking on a significant re-procurement exercise for our homecare framework and will be seeking to address this. General price and cost of living pressures are impacting on many of our providers. The Cost of Care (see below) exercise may address some of these issues but depending on the level of government grant funding this could further add to overall cost pressures.

Savings progress

Controllable costs include the delivery of pre-existing savings which have been unavoidably delayed due to the prioritisation of the Directorate's response to covid of which there are still ongoing issues especially for those living and working in care settings. The Directorate has a governance framework in place to ensure rigour and grip of the delivery of the £17m savings outstanding with £10.9m due to be delivered within this financial year. The forecast assumption at this stage is that 39% will be

delivered in this financial year, with plans in place to deliver the remaining 61%. In some instances, COVID-19 has exposed changes that are now required to some of the previously agreed savings programme to ensure that adult services can deliver to its original target.

Through reviewing service budgets and processes the service has put forward c£50m of additional savings to be delivered from 2023/24, subject to approval at Full Council in February. The savings have been identified and will be delivered against a background of challenge for the service of growing needs of an ageing and increasingly disabled (physical and emotional) adult population as identified by our Director of Public Health in his annual report and the precarious nature of the care market.

Pressure areas

Other controllable costs include the spend associated with our response to adults approaching the council for advice and support. Benchmarking data continues to show that when compared to other similar authorities we support a larger proportion of people and with higher packages of care. Authorities that perform better typically have a stronger preventative offer and make greater use of community provision as an alternative to formal packages of care. This has a benefit for the person as they can make better use of services based close to where they live, improving their ability to live independently at home, and reduces costs for the Council as community based provision tends to be less costly than formal care. The directorate had already agreed to progress a programme of change to bring us closer to some of what other councils have done on this, underpinned by a strengths-based practice approach. Unfortunately, this had been delayed due to COVID-19 but is now recommencing with closer monitoring. A key component of the change is to increase the uptake in direct payments as this affords the public a greater level of choice and control of how they manage and receive care.

Legislative Changes

Issues impacting on the budget which are increasingly difficult to control/manage include the Fair Cost of Care, an exercise all authorities are required to complete in readiness for social care reform in 2023. This is highly likely to illustrate that councils are not funding to a level acceptable to the care market impeding market sustainability. The next steps in the process are for feedback to be received on our evaluation and information provided as to the next steps in terms of the proposed reforms due to take effect from next year. As an Authority we have assumed that the funding provided will cover any extra cost pressures associated with the changes.

Older People services

The council continues to experience challenge in securing care in some parts of the county due to rurality for example and some types of care i.e., nursing home provision for elderly mentally ill. As a consequence, budget pressures are being experienced primarily in the cost of home care for all adults including older people and those with mental health or learning disability. We are also being approached to meet the increasing costs from providers arising due to increases in fuel and energy costs and expect to be under considerable pressure from the market to provide additional financial support. In some instances, due to staffing problems and cost pressures homecare providers are declining our business resulting in our reliance on



non-framework higher cost provision. The increased cost pressures across the directorate are over **£5.0m** in this financial year.

Younger Adults specific needs groups

The directorate is also facing significant increases in the numbers of young adults now transferring from children services with forecast costs £1.7m over budget at this stage and will in almost all circumstances be lifelong. We recognise more detailed analysis is required and requires a step change in the way the 2 directorates work together and with families and young people. There are increasing cost pressures within Children's services which are now impacting on Adult's services as the young people attain the age of 18 to 25 and transition over. This area has been included within the saving proposals put forward by the Directorate and includes additional staff within Adult services who can work with young people and their families well in advance of the young person turning 18 to plan, source, or develop with the market, the right care in the right place, to be ready at the right time.

In-House provision

The largest pressures that are forecast across the Directorate relate to in-house services, and most noticeably in the older peoples care homes. There are particular pressures in relation to staff costs, both in terms of the pay award (£3.9m) and also the necessity to employ agency workers to cover for staff absence. In addition, occupancy levels have not recovered post-pandemic and this is having a detrimental impact on income levels forecast to be achieved by the service (£2.5m).

Income generation

The ability at this point to report an underspend as a Directorate is largely due to one-off income recovery through sharing costs more equitably with the NHS for example on ensuring obligations are met toward Continuing Health Care. Work continues with the NHS to achieve better value for money by working together and where appropriate to pool budgets. As mentioned earlier in the report, at Quarter 2 there have been increases in income from a variety of sources, joint funding from the NHS, service user income and direct payment clawback. This will continue to be monitored and reported in future reports and forms part of next year's savings proposals as there is more work to do.

Public Health & Wellbeing

The total budget for Public Health & Wellbeing Services in 2022/23 is a net income budget of (£3.792m) as it includes the ring-fenced Public Health Grant of £72.216m. The overall directorate is forecasting an overspend at Quarter 2 of £0.035m.

As the Public Health Grant is ring-fenced any underspend on those services covered by the grant occurring in year will be transferred to the Public Health Grant Reserve to be re-invested into the service such as the Transformation Programme currently being developed and implemented.

The service has had to work in a very different way during the last two years to deliver the successful response to the demands of the pandemic in Lancashire with the change in approach leading to growth in the Public Health Grant Reserve balance. This fund is now available, not only to support transforming the Public



Health service, but also to investment into services across the Council that will have a positive impact on public health. A proposal totalling £14m has already been included in the recent Cabinet budget report.

Finance Outlook Beyond 2022/23

Any underspends within the service are mainly due to service and project delays due to the pandemic and continued COVID-19 infections and outbreaks across Lancashire together with staff working on COVID-19 contain management which has been funded by grant. Despite the level of forecast underspend in 2022/23, the current high rates of inflation will have a material impact on the cost of commissioned services and also internal costs from 2022/23 onwards.

Public Health and Wellbeing

The Public Health and Wellbeing budget is forecast to end the year underspent as the Contained Outbreak Management Fund (COMF) monies will be used to meet employee cost as appropriate. As per previous years, the cost centre shows a breakeven position as all unspent Public Health Grant will be transferred into the reserve.

Health Equity, Welfare & Partnership

A small underspend is reported for the service, please note that this includes a contribution to the Public Health Grant Reserve of c£3m for areas within the Health Equity, Welfare & Partnership service that are expected to underspend by the end of the year.

Health, Safety & Resilience

The forecast outturn position for 2022/23 is an underspend of £0.282m due to underspends forecast on staffing and service costs.

Trading Standards & Scientific Services

Trading Standards & Scientific Services forecasted year end position is an overspend of £0.333m due to pressures on income and staffing budgets. Some of the pressures experienced by the service are recurrent and will need to be addressed with changes made to ensure that the service operates within its agreed budget envelope.



4. Education and Children's Services Directorate

Service Area	Net Budget	Net Forecast Outturn	Net Forecast Variance	Net Forecast Variance	Q1 Variance
	£m	£m	£m	%	£m
Front Door Assessment and Adolescent Services	11.984	12.508	0.524	4.37%	0.052
Family Safeguarding	12.425	15.219	2.794	22.49%	1.362
Csc: Looked After Children and Leaving Care	98.487	104.554	6.067	6.16%	7.792
Fostering and Adoption Lancashire Blackpool and Residential Services	36.933	37.705	0.772	2.09%	1.459
Family Safeguarding Project	0.087	0.087	0.000	0.00%	0.000
Total Childrens Social Care	159.916	170.073	10.157	6.35%	10.665
Inclusion	23.470	23.910	0.440	1.87%	1.174
Children And Family Wellbeing Service	18.525	16.863	-1.662	-8.97%	-1.587
Cultural Services	11.275	11.687	0.412	3.65%	0.647
Education Improvement 0 - 11 Years	5.128	5.995	0.867	16.91%	1.264
Total Education and Skills	58.398	58.455	0.057	0.10%	1.498
Safeguarding Inspection and Audit	15.015	15.013	-0.002	-0.01%	0.138
Education and Childrens Services Central Costs	-5.901	-5.479	0.422	7.15%	0.422
Total Education and Childrens Services	9.114	9.534	0.420	4.61%	0.560
Policy Info Commission Start Well	1.948	2.020	0.072	3.70%	0.030
Total Policy Commissioning and Childrens Health	1.948	2.020	0.072	3.70%	0.030
Total Education and Children's Services	229.376	240.082	10.706	4.67%	12.753

The total net approved budget for Education and Children's Services (ECS) in 2022/23 is £229.376m. As at the end of September 2022, the service is forecast to overspend by £10.706m. This is a reduction in overspend of £2.047m compared to Quarter 1.

Overall, forecast overspends are mainly due to increases in placement costs over the last 12 months and in particular the number of children placed in agency residential accommodation and increases in the average cost of these placements, as well as under recovery of income across various services. Whilst these pressures are offset by underspends on staff due to vacancies and non-staff costs across several services, the staff forecast does include the recently agreed pay award of £1,925 on basic pay per FTE which is higher than what was budgeted for and the reduction to national insurance from November 2022.



Children's Social Care – Forecast overspend £10.157m

The largest areas of spend within the Children's Social Care Service are for residential and fostering placements for children in our care and social work teams, with activity cutting across a number of service areas which is forecast to overspend by c£6.700m.

Overall, there has been a decrease in the number of children looked after and on average the number of children entering care has fallen since September 2020 from 2,085 (excluding children with disabilities) to 1,859 in September 2022, a reduction of 226 (c11%) with most of this reduction occurring since January 2021.

The fall in numbers over this period is largely due to the impact of the implementation of Lancashire Family Safeguarding in February 2021 and the pandemic with a reduction in both referrals and new assessments started over the same period. Whilst there was some early delivery of Lancashire Family Safeguarding savings in 2021/22 the number of new entrants aged 0-12 has been above the level required to deliver recurring savings over the last 6 months and assuming they continue at this level an under delivery of savings of c£900,000 is expected in 2022/23. Forecast delivery of savings has improved since Quarter 1 following a decrease in numbers of children aged 0-12 entering care in the last 2 months.

Whilst the total number of children looked after has fallen the cost of agency residential placements has increased significantly since September 2021, in part due to an increase in the number of children placed in agency residential placements, following a fall from mid-2020/21, but largely due to an increase in the average cost of these placements.

The forecast at Quarter 2 has improved by c£2.400m since Quarter 1 largely as result of a decrease in children looked after in September 2022. However, the forecast for 2022/23 assumes that costs will continue to increase broadly in line with average monthly increases during the last 3 months which is lower than the average monthly increase over the last 12 months suggesting demand increases are slowing down.

Forecast overspends on social work and other teams including staff related costs of c£3.139m are in part due to the use of agency and managed service staff to fill vacant posts.

The budget for the Children's Social Care Service also covers other allowances, payments and assistance to families which are forecast to overspend by c£400,000 the most significant of which are detailed below.

- Regular payments and assistance to families is forecast to overspend by c£1.280m which is a c15% increase on spend in 2021/22.
- Leaving Care allowances are forecast to overspend by c£140,000.
- Special Guardianship Orders (SGO's) and Child arrangement orders (CAO's) are forecast to underspend by c£500,000 although there has been an



increase in spend of c£740,000 compared to 2021/22. Spend on SGO's continues to increase by c9% per annum as it has done in previous years.

- Forecast underspends of c£320,000 on staying put arrangements are broadly in line with 2021/22.
- Adoption allowances are forecast to underspend by c£210,000 with spend also broadly in line with 2021/22.

Education and Skills – Forecast overspend £0.057m

Children Family and Wellbeing Service (CFW) – Forecast underspend £1.662m

Forecast underspends of c£1.380m across the service relate to staff (vacancies) and c£285,000 to operational costs.

The county council will receive additional Supporting Families funding in 2022/23 of c£1.500m which is being used to recruit additional fixed term staff in CFW and in the Inclusion Service. They will provide targeted support and improve the outcomes for children and young people within communities following the pandemic, in particular for families experiencing domestic abuse and to meet emotional health/school readiness priorities.

The service is working systematically to fill both the current vacancies and the additional fixed term temporary posts. Vacancies were c16% at the end of 2020/21, c18% at the end of 2021/22 and are c5% at the end of September 2022, with recruitment activity continuing. The service expects vacancies to reduce over the coming months following the success of recent recruitment activity (subject to the criteria introduced to recruit to vacancies across the county council).

Education Improvement – Forecast overspend £0.867m

Forecast overspends of c£2.140m relate to under recovery of income across the service. This is due to some schools opting out of the advisory service offer and ongoing pressures on some income generating services including Governor Services and the Professional Development Service, with pressures on school budgets affecting buy-back of services.

The above overspends are partly offset by forecast underspends on staff costs of c£690,000 and on non-staff costs of c£580,000. A review of the service is currently being undertaken in light of the reduction of the number of schools currently buying into the service and competition from other organisations.

Inclusion – Forecast overspend £0.440m

Forecast overspends of c£1.110m relate to agency residential and fostering placements and family support. Spend on agency residential placements has increased in recent years beyond what has been reflected in the budget, with significant increases since March 2021. The forecast includes estimated health contributions of c£1.200m however of this a c£600,000 relates to 2021/22.



Specialist Teachers Service is forecast to underspend on staffing by c£500,000 due to vacancies across the service. This has a direct impact on income, with the forecast including an under recovery of income of c£440,000.

Further forecast underspends of c£530,000 relate to staffing across the service and c£60,000 to community equipment.

Cultural Services – Forecast overspend £0.412m

Forecast overspends of c£70,000 relate to staffing and are mainly due to the recent pay award offer, c£30,000 to non-staff costs and c£340,000 to under recovery of income across the service.

Education and Children's Services – Forecast overspend £0.492m

Education and Children's Services Central Costs – Overspend £0.422m

Forecast overspends relate to a loss of c£920,000 (c50%) of the School Monitoring & Brokering grant received from the Department for Education (DfE) offset by forecast underspends on Premature Retirement Costs (PRC) of c£500,000 which assumes a similar level of spend to that in 2021/22.



5. Growth, Environment and Transport Directorate

Service Area	Net Budget	Net Forecast Outturn	Net Forecast Variance	Net Forecast Variance	Q1 Variance
	£m	£m	£m	%	£m
Waste Management	71.720	71.241	-0.479	-0.67%	-0.546
Highways	16.476	15.298	-1.178	-7.15%	-0.072
Public and Integrated Transport	57.944	57.367	-0.577	-1.00%	-1.608
Design And Construction	-2.419	0.603	3.022	124.93%	3.282
Customer Access	3.085	3.506	0.421	13.65%	0.557
Total Highways and Transport	146.806	148.015	1.209	0.82%	1.613
Business Growth	0.733	1.276	0.543	74.08%	0.633
Strategic Development	6.909	6.209	-0.700	-10.13%	-0.137
LEP Coordination	0.090	0.090	0.000	0.00%	0.001
Estates	0.530	0.442	-0.088	-16.60%	0.000
Total Growth and Regeneration	8.262	8.017	-0.245	-2.97%	0.497
Planning And Environment	3.420	3.251	-0.169	-4.94%	-0.125
Total Environment and Planning	3.420	3.251	-0.169	-4.94%	0.869
Total Growth Environment and Transport	158.488	159.283	0.795	0.50%	2.482

Overall Position – Forecast overspend £0.795m

The annual budget for Growth, Environmental and Transport Department management team is £158.488m, the forecast position for 2022/23 as at Quarter 2 is an overspend of £0.795m.

Highways and Transport - Forecast overspend £1.209m

The total net approved budget for Highways and Transport in 2022/23 is £146.806m. As at the end of Quarter 1, the service is forecast to overspend by £1.209m.

Waste Management – Forecast underspend £0.479m

The service is currently expected to overachieve income projections from recyclable materials forecast by as much as £1.000m. Prices are volatile and whilst they remain significantly higher than budgeted for in 2021/22, there is a risk they do not remain at the same level. Consequently, the MTFs was not adjusted to reflect continued high prices in 2022/23. Based on current data the service does forecast another significant over recovery of income in 2022/23 although the market has seen some reductions in paper and card prices that are reflected in the forecast.

In addition, further underspends are now forecast due to the reduced costs of waste disposal. The service has seen a reduction in the amount of waste it is required to dispose of in the first 5 months of 2022/23 of almost 9,000 tonnes compared to the same period of 2021/22. The current forecast assumes that tonnages for the



remainder of this financial year will be the same as they were last year. The forecast underspend of c£400,000 from waste being diverted from landfill (to refuse derived fuel ('RDF')) is partly offset by the RDF costs being higher than originally assumed in the budget and also because minimum tonnages are built into the landfill contract, meaning the county council is still liable to pay the landfill gate fee for approximately 4,000 tonnes of waste.

Partly offsetting the above are forecast overspends of c£1.000m at the household waste recycling centres predominantly relating to increased maintenance requirements. Maintenance requirements at each site have been reviewed and the additional work required includes maintenance of skips, bottle banks and cabins and renewal of signs and road markings to ensure sites operate safely.

There are a number of other smaller offsetting variances across the service including overspends on the waste company operating costs due to increases in utility prices and underspends on green waste and legal costs.

Highways – Forecast underspend of £1.178m

A review undertaken shows a large forecast under recovery of income on parking and bus lane enforcement. Options to increase pay and display charging in high volume areas continue to be explored, as a previously agreed saving is still to be delivered. The bus lane enforcement income shortfall is due to less people triggering a fine through using bus lanes, as the bus lane restrictions have now been in place for a longer amount of time and awareness has increased. However, this is more than offset by expected over recovery of income from both utility companies and housing developers, which is reporting an increased level of income at Quarter 2 and is one of the main reasons for the improved position. A further underspend is forecast at Quarter 2 (c£0.5m) relating to overhead charges for capital works. These charges are based on the value of work delivered which in 2022/23 are expected to be greater than assumed when the budget was set.

As stated above these income streams are demand led and will be kept under review throughout the year. The remainder of the forecast relates to staffing and a combination of the impact of the recently agreed pay offer offset by some underspends particularly relating to school crossing patrols.

Public and Integrated Transport (PIT) – Forecast underspend £0.577m

There are several uncertainties within the service, the most significant being within home to school transport where c£1.800m of reprofiled savings are budgeted to be delivered in 2022/23 and increased fuel costs are expected to impact the cost of taxi and school bus contracts. Increased costs are estimated to be c£2.100m but will be dependent on contract price increases particularly in the new academic year from September 2022. However, a provision was made at the end of 2021/22 to cover the risk of increasing fuel prices and as such no variance is currently reported.

A further area of uncertainty is concessionary travel passenger numbers. Throughout the pandemic concessionary passenger numbers fell significantly and have been slower to increase than fare paying passenger numbers. Based on data from the early part of 2022/23 concessionary passengers are 80%-85% of numbers before the pandemic. In the past 2 years the county council reimbursed operators based on



pre-pandemic passenger numbers. Government advice has been subject to change in this area, but the latest guidance suggests either continuing to pay at pre-pandemic levels or tapering down support, but that if support is reduced the saving is used to fund additional bus services. The forecast is based on continuing to reimburse operators at pre-pandemic levels for the first 4 months of the financial year dropping to 90% (or on actuals if they grow to more than 90%) for the remainder of the year. The impact of this is a revenue underspend of c£1.500m and a transfer to reserves of c£1.000m to fund future spend on additional bus services.

The above underspends are partly offset by forecast overspends on fleet services of c£600,000, predominantly due to reduced income. Other factors impacting the service are a reduction in values of external work expected and an accounting change whereby any receipts for vehicle sales over £10,000 are reported as capital receipts in line with accounting rules whereas previously they were treated as revenue receipts in the Fleet Services budget. The latter is expected to result in overspends of c£200,000 and was adjusted for in the medium-term financial strategy at Quarter 1.

Bus stations are expected to overspend by c£400,000 due to departure charges not increasing in 2022/23 (and in previous years), although the impact of this could be mitigated by increases in numbers of departures and will be monitored throughout the year.

Design and Construction (D&C) – Forecast overspend £3.022m

Design and Construction property is forecast to overspend by c£2.7m of which c£790,000 relates to a review of costs previously recharged to the capital programme with the impact of the reduction in recharge being reflected in the updated medium term financial strategy at Quarter 1. The forecast overspend in the main relates to less fee income than budgeted being received. This is mainly due to the mix of projects the service have been commissioned to deliver and will be kept under review, with the potential for the forecast to improve dependent upon the work received.

Customer Access – Forecast overspend £0.421m

The forecast overspend is due to the service being unable to make the full staffing reductions required in line with budget reductions. An overspend on staffing has been required in order to deliver an acceptable level of service during 2022/23. Technical solutions are being explored in order to generate efficiencies and enable the service to be delivered at the lowest possible cost whilst retaining satisfactory service levels for customers. Longer term the service levels themselves may also need to be reviewed.

Growth and Regeneration – Forecast underspend of £0.245m

An overspend is forecast on Business Growth due to non-delivery of savings that were targeting generating additional income from the LCDL business parks and securing increased contributions from unitary and district council partners. These savings are £700,000 in 2022/23 and the forecast shows that efforts are being made to mitigate some of the non-delivery of savings with action taken across other areas of the service to reduce expenditure to ensure a breakeven position is achieved.



Environment and Planning – Forecast underspend of £0.169m

The forecast underspend relates to staffing costs.



6. Resources Directorate

Service Area	Net Budget	Net Forecast Outturn	Net Forecast Variance	Net Forecast Variance	Q1 Variance
	£m	£m	£m	%	£m
Lancashire Pension Fund	-0.004	-0.006	-0.002	-50.00%	0.000
Exchequer Services	4.062	3.911	-0.151	-3.72%	-0.127
Financial Mgt Development and Schools	0.026	0.144	0.118	453.85%	0.094
Financial Management (Operational)	1.754	1.755	0.001	0.06%	0.050
Corporate Finance	8.405	8.169	-0.236	-2.81%	-0.180
Payroll Services	1.056	1.077	0.021	1.99%	0.024
Procurement	2.275	2.298	0.023	1.01%	0.036
Internal Audit	0.827	0.866	0.039	4.72%	0.039
Total Finance Services	18.401	18.214	-0.187	-1.02%	-0.064
Service Assurance	21.214	20.611	-0.603	-2.84%	-1.725
Digital Business Engagement	2.341	2.081	-0.260	-11.11%	0.148
Design and Implement	5.446	5.455	0.009	0.17%	0.018
Operate	3.689	3.655	-0.034	-0.92%	0.310
Architecture	1.111	0.957	-0.154	-13.86%	-0.106
Data	0.000	0.000	0.000	#DIV/0!	-0.186
Total Digital Service	33.801	32.759	-1.042	-3.08%	-1.541
Facilities Management	23.040	24.555	1.515	6.58%	2.062
Asset Management	9.164	8.626	-0.538	-5.87%	-0.144
Business Intelligence	1.502	1.485	-0.017	-1.13%	0.065
Total Strategy and Performance	33.706	34.666	0.960	2.85%	1.983
Coroners Service	2.441	2.568	0.127	5.20%	0.037
Legal Governance and Registrars	15.488	15.672	0.184	1.19%	0.726
Total Corporate Services	17.929	18.240	0.311	1.73%	0.763
Programme Office	1.222	1.108	-0.114	-9.33%	-0.079
Organisational Development	0.700	0.712	0.012	1.71%	0.000
Total Organisational Development and Change	1.922	1.820	-0.102	-5.31%	-0.079
Human Resources	2.320	2.090	-0.230	-9.91%	-0.014
Skills, Learning and Development	3.000	2.998	-0.002	-0.07%	0.000
Total People Services	5.320	5.088	-0.232	-4.36%	-0.014
Communications	1.340	1.135	-0.205	-15.30%	0.016
Total Communications	1.340	1.135	-0.205	-15.30%	0.016
Total Resources	112.419	111.922	-0.497	-0.44%	1.064



The budget for Resources Directorate is £112.419m, the current forecast position is an underspend of £0.497m, which is an improvement of c£1.6m compared to Quarter 1.

Finance Services – Forecast underspend £0.187m

Exchequer Services – Forecast underspend of £0.151m

The forecast position includes an underspend of £325,000 on employees, which is due to vacancies, employees opting out of the pension scheme and employees working in variable time arrangements. This underspend is offset by some pressures on supplies and services and income.

Financial Management (Development and Schools) – Forecast overspend £0.188m

The forecast overspend largely relates to staff costs.

Corporate Finance – Forecast underspend of £0.236m

The forecast underspend largely relates to staff costs.

Digital Services – Forecast underspend £1.042m

Forecast underspends of c£1.100m relate to staff costs and vacant posts offset by c£400,000 to cover the cost of contractors and commissioning work from external providers/consultants with the service continuing to experience difficulties recruiting staff. The forecast underspend is also further offset by forecast under recovery of income of c£200,000 due to fewer requests for chargeable one-off change projects as opposed to business-as-usual work.

Forecast underspends of c£400,000 relate to renewals (payments to third party suppliers for maintenance, support and licences), which is anticipated to be non-recurring. The cost of Microsoft 365 is expected to increase in 2023/24 following the rollout of further phases while the impact of over estimating inflation included in the budget for 2022/23 will be removed in the medium-term financial strategy from 2023/24.

Forecast underspends of c£100,000 relate to various other expenditure and income across Digital Services. The forecast assumes c£1.800m of reserves will be used for ICT refresh most of which relates to infrastructure refresh and c£300,000 of reserves will be used for the update or re-procurement of the LAS system in 2022/23.

Strategy and Performance – Forecast overspend £0.960m

Asset Management – Forecast Underspend £0.538m

This underspend relates to staffing as the service has a number of vacant posts that they are trying to recruit to.

An area of pressure within these services is related to street lighting energy, the revised price for energy will be known in October and is expected to increase by 66% resulting in overspends of c£800,000. However, we made a provision at the end



of 2021/22 to cover these additional costs so no variance to budget is reported in the forecast.

Facilities Management – Forecast Overspend £1.515m

The areas where there will likely be variation to budget in 2022/23 are the same as 2021/22, namely school catering, staff and civic catering and premises running costs including repairs and maintenance.

The most significant variance is school catering which is forecast to overspend by £1.012m predominantly due to a combination of increases in food prices, additional staffing costs and income not returning to pre-covid levels. This forecast is volatile and will be kept under review throughout the year. The service is actively looking at menus and food served in schools to try to minimise the impacts of rising food and staffing costs.

Staff and civic catering is forecast to overspend by £150,000 due to lower sales as a result of a significant number of staff continuing to predominantly work from home. In September there has been an increase in footfall, and it is possible should that trend continue for the remainder of the year this position may improve slightly.

A half yearly review of premises running costs including repairs and maintenance shows an overall forecast overspend of c£1.200m however £700,000 of that relates to the costs of electricity and gas where a provision was made at the end of 2021/22 to cover price increases so the variance to budget is £510,000. The impacts of the support package announced by central government for utility costs is still being interpreted but it is currently thought that we will not benefit from any support due to purchasing electricity and gas in advance when prices whilst much increased were not at as high a level as they are currently. The main reason for the overspend to budget is due to higher spend on repairs and maintenance as buildings had significantly less spent on them during the pandemic and now more faults are being identified.

Corporate Services – Forecast overspend £0.311m

Coroners Service – Forecast overspend £0.127m

An overspend is forecast on staff costs due to the pay award (Coroners have their own Joint Negotiating Committee for Coroners that determine their pay award), in addition to those staff impacted by the pay award for those staff covered by the National Joint Council.

There are overspends forecast of c£0.100m on supplies and services due to higher contract prices which the service through efficiencies has previously been able to cover. However, this option will no longer be viable going forward. There is also an anticipated increase cost of post-mortems and their associated costs due to the training of new coroner officers.

The overspends above are offset by additional income achieved by the service.



Legal, Governance and Registrars – Forecast Overspend £0.184m

Legal and Governance is forecast to overspend by £0.388m at Quarter 2. This is comprised of a number of variances, the largest being a forecast overspend on staffing predominantly due to the pay award and agency costs, offset by vacancies.

There are also underspends on legal fees of c£0.370m based on profiling of cases to date with an offsetting pressure of c£0.360m income, mainly in relation to litigation fees.

The Registrars Service is forecast to underspend by £0.204m. This is due to overachievement of income offset by an overspend in staffing due to the higher than budgeted pay award.

Organisational Development and Change – Forecast underspend £0.102m

The forecast underspend largely relates to staff costs.

People Services – Forecast underspend £0.232m

The forecast underspends relate to staff costs and income.

Communications Service – Forecast underspend £0.205m

The forecast underspend largely relates to staff costs.



7. Chief Executive Services

Service Area	Net Budget	Net Forecast Outturn	Net Forecast Variance	Net Forecast Variance	Q1 Variance
	£m	£m	£m	%	£m
Corporate Budgets - Pensions and Apprenticeship Levy	11.599	12.542	0.943	8.13%	-1.956
Corporate Budgets - Funding and Grants	-18.446	-18.446	0.000	0.00%	0.000
Corporate Budgets - Treasury Management	30.184	30.184	0.000	0.00%	0.000
Chief Executive Services	3.250	2.341	-0.909	-27.97%	0.136
Total Chief Executive Services	26.587	26.621	0.034	0.13%	-1.820

The budget for Chief Executive Services is £26.587m, the current forecast position is an overspend of £0.913m.

Corporate Budgets (Pensions & Apprenticeship Levy) – Forecast overspend of £0.943m.

The main reason for the movement and subsequent overspend is the inclusion of the amount owing (£2.9m) in relation to the pension prepayment for 2021/22. Whilst the Authority is making a saving as a result of the prepayment, the amount owed to the pension fund is because the prepayment was based on a lower estimated contribution level than actually needed with a top-up payment therefore being required.

The pressure noted above is offset by an underspend of c£2m on inherited pensions liabilities which are charged directly to Lancashire and not the pension fund.

Chief Executive Services – Forecast underspend of £0.909m

An underspend is forecast across the Chief Executive Services strategic budget of £0.9m.

