

Money Matters
The County Council's Revenue Financial
Position
2022/23 Quarter 3



Contents

		Page
1	Summary Revenue Budget Monitoring Position as of 30 th November 2022	2
2	Executive Summary	2
3	Adult Services and Health and Wellbeing Directorate	4
4	Education and Children's Services Directorate	10
5	Growth, Environment and Transport Services Directorate	15
6	Resources Directorate	19
7	Chief Executive Services	23



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

Service Area	Net Budget	Net Forecast Outturn	Net Forecast Variance	Net Forecast Variance	Q2 Variance
	£m	£m	£m	%	£m
Adult Services and Health & Wellbeing	421.238	414.094	-7.144	-1.70%	-3.049
Education & Children's Services	229.376	240.925	11.549	5.04%	10.707
Growth, Environment & Transport	158.488	156.365	-2.123	-1.34%	0.795
Resources	155.149	156.443	1.294	0.83%	0.471
Chief Executive Services	-16.143	-17.199	-1.056	-6.54%	-0.934
Grand Total	948.107	950.628	2.521	0.27%	7.991

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 November 2022. The forecast outturn for 2022/23 is outlined in the table above, with a £2.521m overspend forecast, which by way of context is 0.27% of the county council's net budget. This represents an improvement across all Directorates of almost £5.5m from the c£8m overspend that had been forecast at Quarter 2 and reported to Cabinet in December. The improvement reflects services having undertaken detailed reviews of their cost drivers and identifying actions to reduce costs and improve income levels including tighter control of vacancy management. The aim remains to achieve a break-even position over the remainder of the financial year.

The county council is experiencing increasing demand for services particularly adult social care support for residents in their own homes, and children's social care overall. The county council continues to respond to the acute health sector seeking to free up hospital beds and offer alternative care solutions. Longer term, it is anticipated there will be high levels of demand continuing across Adults and Children's services, as well as inflationary pressure from providers of care and the consequence of the Fair Cost of Care review, despite the announced delay in the Provisional Financial Settlement in December 2022.

In the forecast position, demand pressures in Children's Social Care are highlighted with an overspend of c£12m forecast and also 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. Within the 2022/23 forecast position, there are various one-off underspends across services, which are unlikely to be available in future years to meet any additional demand or inflationary pressures for those assumed within the revised medium term financial strategy.

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. Some Contain Outbreak Management Fund grant was carried forward for use to contain any further outbreaks and this is being kept under regular



review. These one-off grants have supported pressures as a result of the pandemic, such as increases in demand and delays in the delivery of savings.

The savings that have been agreed to date are being 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. There is now a strong focus on delivery of savings agreed within the budget.

At Cabinet in November, 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 strategy period. 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 has a Finance Monitoring Board. The purpose of the Boards is 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	Q2 Variance
	£m	£m	£m	%	£m
Disability (Adults)	2.946	4.792	1.846	62.66%	2.468
Residential & Day Care Services for Older People	1.438	3.219	1.781	123.84%	3.734
Total Adult Care and Provider Services	4.384	8.011	3.627	82.73%	6.202
Social Care Services (Adults)	218.314	212.473	-5.841	-2.68%	-3.268
Learning Disabilities, Autism & Mental Health	193.052	187.838	-5.215	-2.70%	-5.989
Total Adult Community Social Care	411.367	400.311	-11.056	-2.69%	-9.258
Safeguarding & Quality Improvement Services	4.653	4.619	-0.034	-0.73%	-0.104
Policy Info & Commission Live Well	4.275	4.426	0.150	3.51%	0.077
Total Safeguarding and Quality Improvement	8.929	9.045	0.116	1.30%	-0.027
Total Adults	424.680	417.366	-7.313	-1.72%	-3.083
Public Health & Wellbeing	-67.656	-67.656	0.000	0.00%	-0.002
Health Equity Welfare & Partnerships	59.290	59.290	0.000	0.00%	-0.014
Health, Safety & Resilience	1.322	1.064	-0.259	-19.55%	-0.282
Trading Standards & Scientific Services	3.603	4.031	0.428	11.88%	0.333
Total Public Health	-3.442	-3.272	0.169	4.92%	0.035
Total Adult Services and Health and Wellbeing	421.238	414.094	-7.144	-1.70%	-3.049

The total net approved budget for Adult Services and Health and Wellbeing in 2022/23 is £421.238m. As at the end of November 2022, the service is forecast to underspend by £7.144m. This is an improvement of £4.095m compared to Quarter 2.

Adult Services – Forecast underspend £7.313m

The total 2022/23 budget for Adult Services is net expenditure of £424.680m. The forecasted outturn estimated as at the end of November 2022 is £417.366m resulting in an underspend of £7.313m equating to 1.72% of the total budget.

Whilst the position in this financial year appears positive, it is important to recognise that there are some significant "one-off" elements that are resulting in the service forecasting an underspend. In 2022/23 and future years the service has significant levels of savings to deliver to stay within their budget envelope, with some savings agreed to be delivered in previous financial years being delayed due to the impact of



the pandemic. If the service did not have those non-recurrent benefits within its financial position in 2022/23 then the service would be forecasting an overspend, due in the main to cost pressures that are largely outside of our control such as wage and general price inflation.

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 day-to-day activities, services working in conjunction with finance teams recover income as appropriate from both service users and the NHS. As part of the 2022/23 position, the county council's most notable agreement with the NHS was in relation to Continuing Health Care and a number of joint funding cases, 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.

As part of funding support provided by the Government during the pandemic, the Contain Outbreak Management Fund was awarded to Councils. As part of the Quarter 3 monitoring position, following a review of eligible costs to be attributed against this grant funding, additional funds of £3.4m have been allocated to the Adult Services budget. These funds offset the additional cost pressures associated with providing safe services in our in house services for example, ensuring appropriate staffing levels and maintaining high standards of infection control, in addition to the increasing demands on our services from for example supporting more people being discharged from hospitals.

It should be noted that the cost predictions include the costs the county council has incurred to date up to November, however data is awaited and activity over the high demand winter period when referral levels can be higher due to seasonal issues exacerbating pre-existing conditions in the most vulnerable residents and often influenced by the response of the NHS, mainly hospitals.

As widely reported, this winter period has so far been particularly pressured for health and care services and there have been inevitable knock on pressures felt across adult services as part of our response. Additional monies have been made available by government but with fairly limited use, in the main for supporting hospital discharges through residential settings. This, in most instances, would not be the preferred discharge route and the county council has been working closely with the NHS locally to utilise the additional funding in the most effective way.

There are a number of factors driving the costs within adult social care, some within the county council's 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. Staffing shortages within in house residential services for example require cover, which in the



main is provided through agencies, where costs are higher. Some teams such our hospital teams have vacancies in the order of 30% due to high turnover rates associated with such high pressure services.

During 2022/23 a directorate Workforce Strategy has been agreed and as it is implemented will start to address such issues. In some service areas, such as homecare, framework providers have not been able to be used, again mainly due to staffing pressures, which again increases costs as off framework providers are used which are at higher cost. The county council is embarking on a significant re-procurement exercise for the homecare framework and will be seeking to address this. General price and cost of living pressures are impacting on many of the council's 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-19, of which there are still ongoing issues. 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. 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 the 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 the response to adults approaching the council for advice and support. Benchmarking data continues to show that when compared to other similar authorities, although the county council is not approached by proportionately more people, of those who do come forward, the county council continues to 'draw in' a larger proportion of people, and then go on to give them proportionately more formal 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 individual 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 the county council 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. Many of the reforms are now delayed until in 2025/26 however the Fair Cost of Care exercise has been used to inform the provider fee increases for 2023/24, which will be presented to Cabinet in February. Authorities will be required to publish the results of their Fair Cost of Care exercises, and this is highly likely to illustrate that most councils are not always able to fund to a level acceptable to the care market, thereby impeding market sustainability. The county council has assumed that the funding provided from government will cover the extra cost pressures associated with increasing the prices paid to our providers associated with the social care reforms.

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. The county council are trialling, with the NHS, the use of some of our in house provider care home beds for elderly mentally ill people and whilst numbers are still quite modest the outcomes for the individuals are better and cost savings have been identified. This is enabling people to return from high cost out of area placements and long stay institutional settings which is beneficial to the person and reduces cost. Our Director of Health and Care for Lancashire intends to progress this through the Integrated Care Board.

Budget pressures continue to be experienced primarily in the cost of home care for all adults including older people and those with mental health or learning disability. The county council is also being approached to meet the increasing costs from providers arising due to increases in fuel and energy costs and are 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 business resulting in a reliance on non-framework higher cost provision.

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 £1.5m over budget at this stage and will in almost all circumstances be lifelong. More detailed analysis is required and requires a step change in the way the two 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's 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 part of service delivery, joint funding from the NHS, service user income and direct payment clawback are part of day-to-day operational activity, with levels of income increasing partially due to additional demand levels and also due to improved business processes and collaborative working. 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 - forecast overspend £0.169m

The total budget for Public Health & Wellbeing Services in 2022/23 is a net income budget of (£3.442m) as it includes the ring-fenced Public Health Grant of £72.216m. The overall forecast position is an overspend at Quarter 3 of £0.169m.

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 county council that will have a positive impact on public health. A proposal totalling £14m has already been included in the recent Cabinet budget report.

Financial 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 relatively low level of forecast overspend in 2022/23 and a forecast contribution to reserves for underspends across services funding through the Public Health Grant, the current high rates of inflation will have a material impact on the cost of commissioned services, such as sexual health services, health visiting and substance misuse services, and also internal costs from 2022/23 onwards.



Public Health and Wellbeing – forecast to breakeven

The Public Health and Wellbeing budget is forecast to end the year underspent as the Contained Outbreak Management Fund 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 – forecast to breakeven

Various relatively small underspends are forecast across the services, however, as these services are public health grant funded, any underspend is moved to reserves to invest in public health in future years. In 2022/23 a contribution to the Public Health Grant Reserve of c£3m is forecast.

Health, Safety & Resilience – forecast underspend £0.259m

The forecast outturn position for 2022/23 is an underspend of £0.259m due to additional income off set by the higher than budgeted pay award pressure.

Trading Standards & Scientific Services – forecast overspend £0.428m

Trading Standards & Scientific Services forecasted year end position is an overspend of £0.428m due to budget pressures on closed landfill sites and environmental testing, which are offset by environmental testing additional income. 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 £m	Net Forecast Outturn £m	Net Forecast Variance £m	Net Forecast Variance %	Q2 Variance £m
Front Door, Assessment & Adolescent Services	11.984	12.732	0.748	6.24%	0.524
Family Safeguarding	12.425	15.724	3.298	26.55%	2.794
CSC: Looked After Children/Leaving Care	112.763	120.501	7.738	6.86%	6.908
Fostering, Adoption Lancashire Blackpool & Residen	36.934	37.681	0.747	2.02%	0.772
Family Safeguarding Project	0.087	0.087	0.000	0.00%	0.000
Total Children's Social Care	174.192	186.724	12.532	7.19%	10.998
Inclusion	9.192	8.369	-0.823	-8.95%	-0.398
Children and Family Wellbeing Service	18.525	16.863	-1.661	-8.97%	-1.661
Cultural Services	11.275	11.504	0.229	2.03%	0.412
Education Improvement 0-11 to 11+-25 (Combined)	5.129	5.979	0.849	16.56%	0.865
Total Education & Skills	44.121	42.716	-1.406	-3.19%	-0.782
Safeguarding, Inspection & Audit	15.015	14.998	-0.017	-0.11%	-0.003
Education & Children's Services Central Costs	-5.901	-5.480	0.422	7.14%	0.422
Total Education and Children's Services	9.114	9.518	0.404	4.44%	0.419
Policy Info & Commission Start Well	1.948	1.967	0.019	0.97%	0.072
Total Policy Commissioning and Children's Health	1.948	1.967	0.019	0.97%	0.072
Total Education Childrens Services	229.376	240.925	11.549	5.04%	10.707

The total net approved budget for Education and Children's Services in 2022/23 is £229.376m. As at the end of November 2022, the service is forecast to overspend by £11.549m.

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, and 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 reflect the recent pay award, which is higher than what was budgeted for, and the reduction in National Insurance from November 2022.

Children's Social Care – Overspend £12.532m

The largest areas of spend within the Children's Social Care Service are for residential and fostering placements for children in the care and social work teams, with activity



cutting across a number of service areas which are forecast to overspend by c£7.000m.

Agency Fostering spend has reduced over the last two years, but greater savings were anticipated against this budget line due to the fewer number of children entering care. There has been a decrease in the number of children in county council care over the last two years, 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 October 2022, a reduction of 226 (c11%) with most of this reduction occurring since January 2021.

Overall, there has not however been a reduction in agency fostering costs due to increases in the average cost per placement, possibly linked in part to inflationary uplifts in contract prices. As well as this, the needs of children entering care have become more complex, resulting in higher cost agency fostering placements or high-cost residential placements being made.

The service is undertaking a range of activity to address placement sufficiency and to ensure more children can be cared for within families wherever possible. Where this is not possible, more children will be placed in local authority owned children's homes. For example, innovative approaches are being explored that would enable the county council to recruit and support more foster carers who could provide homes for children aged 13 plus, who can present some challenges to traditional foster carers. This, along with other mechanisms, could increase inhouse fostering sufficiency and reduce dependency on the agency fostering market and residential settings. Where residential homes are required, the local authority plans to increase its own capacity by 10 beds in the next financial year.

The fall in numbers of children in the county council's care 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 this 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 during the early part of 2022/23, and assuming they continue at current levels an under delivery of savings of c£0.600m is expected in 2022/23. Forecast delivery of savings has improved since quarter 2, following a decrease in numbers of children aged 0-12 entering care in the last 2 to 3 months.

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.

The numbers of children entering care who are aged 13 plus has broadly remained consistent and is an area of focus for the service. A project is currently underway that aims to support more families to remain together where children are at risk of exploitation and family breakdown. This would help to reduce the overall number of children entering care and result in further cost avoidance.



The Children with Disabilities Team has recently moved into the Children's Social Care Service area. Agency residential and fostering placements for children with disabilities is forecast to overspend by c£1.100m, offset by underspends of c£100,000 on children with disabilities 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 c£600,000 relates to 2021/22. In addition, children with disabilities Direct Payments are forecast to overspend by c£500,000 which reflects an increase in the number of referrals compared to 2021/22.

All of these placements are now subject to the newly introduced approval process that brings Heads of Service together with the Director of Children's Social Care to discuss alternative options for children who may require high cost placements. Where a high cost placement is required, supplier costs are scrutinised and challenged using a nationally recognised care costing tool. Alongside this it is anticipated that two of the new Council run children's homes will meet some of this demand for children with disabilities.

Forecast overspends on social work and other teams including staff related costs of c£3.400m are in part due to the use of agency and managed service staff to fill vacant posts. An updated recruitment and retention strategy is being launched which will bring a minimum of 75 new social workers into the council over the next 12 months. Retention activity aims to reduce turnover by 4%. This would result in a significantly more stable workforce and significantly reduce dependency on the agency market.

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£700,000, the most significant of which are detailed as follows:

- Regular payments and assistance to families is forecast to overspend by c£1.570m which is a c22% increase on spend in 2021/22. The service will seek to reduce this by accessing universal services more for vulnerable families.
- Leaving Care allowances are forecast to overspend by c£140,000.
- Special Guardianship Orders and Child Arrangement Orders 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 Special Guardianship Orders' continues to increase by c9% per annum, as it has done in previous years.
- Forecast underspends of c£250,000 on Staying Put arrangements are broadly in line with 2021/22.
- Adoption allowances are forecast to underspend by c£220,000, with spend also broadly in line with 2021/22.

Education and Skills – Underspend £1.406m

Inclusion - Underspend £0.823m

Forecast underspends of c£390,000 relate to staff (vacancies) across the service.

The Specialist Teaching Service is forecasting underspends on staffing of c£550,000 due to vacancies across the service. There have been difficulties in recruiting teaching staff to the services as the posts require specialist qualifications, however some



appointments have recently been made. Staffing levels have a direct impact on income, with the forecast including an under recovery of income of c£250,000.

Aids and Adaptations & Community Equipment is forecast to underspend by c£120,000.

Children Family and Wellbeing Service – Underspend £1.661m

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 within the service 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 October 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).

Cultural Services – Overspend £0.229m

Forecast overspends of c£60,000 relate to staffing and are mainly due to the higher than budgeted pay award and c£250,000 to under recovery of income across the service, offset by underspends on non-staff costs of c£85,000.

The grade mix of staff across Cultural Services has resulted in a higher percentage pay award for more staff in this service area, and therefore a greater pressure on the staffing budget compared to some other service areas.

Education Improvement - Overspend £0.849m

Forecast overspends of c£1.730m 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£685,000 and on non-staff costs of c£200,000. 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.

The service is looking at what savings can be made through a restructure. This will align the service to the current market and school needs rather than previous needs. The service is also looking at expanding into other markets such as traded Attendance Support and marketing advisor support to schools beyond Lancashire in the next financial year.



Education and Children's Services – Overspend £0.404m

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 offset by forecast underspends on Premature Retirement Costs of c£500,000 which assumes a similar level of spend to that in 2021/22.

Further work is taking place to review the central costs.



5. Growth, Environment and Transport Directorate

Service Area	Net Budget	Net Forecast Outturn	Net Forecast Variance	Net Forecast Variance	Q2 Variance
	£m	£m	£m	%	£m
Waste Management	71.720	70.337	-1.383	-1.93%	-0.479
Highways	16.476	13.465	-3.011	-18.28%	-1.179
Public & Integrated Transport	57.945	57.605	-0.340	-0.59%	-0.577
Design and Construction	-2.419	0.132	2.552	-	3.022
Customer Access	3.085	3.393	0.308	9.99%	0.421
Total Highways and Transport	146.806	144.933	-1.873	-1.28%	1.209
Business Growth	0.733	1.413	0.680	92.83%	0.543
Strategic Development	6.910	6.094	-0.817	-11.82%	-0.700
LEP Coordination	0.090	0.089	0.000	-0.11%	0.000
Estates	0.529	0.423	-0.107	-20.14%	-0.088
Total Growth & Regeneration	8.262	8.019	-0.243	-2.94%	-0.245
Planning and Environment	3.420	3.413	-0.007	-0.20%	-0.169
Total Environment & Planning	3.420	3.413	-0.007	-0.20%	-0.169
Total Growth, Environment and Transport	158.488	156.365	-2.123	-1.34%	0.795

Overall Position – Forecast underspend £2.123m

The annual budget for Growth, Environmental and Transport Directorate is £158.488m, the forecast position for 2022/23 as at Quarter 3 is an underspend of £2.123m.

Highways and Transport - Forecast underspend £1.873m

The total net approved budget for Highways and Transport in 2022/23 is £146.806m. As at the end of Quarter 3, the service is forecast to underspend by £1.873m.

Waste Management – Forecast underspend £1.383m

The service is currently forecast to overachieve income projections from recyclable materials by as much as £1.700m. Prices are volatile and whilst they remain significantly higher than budgeted for in 2021/22, it was uncertain whether they would remain at the same level. Consequently, the medium term financial strategy was not adjusted to reflect continued high prices in 2022/23. Whilst the market has seen some recent reductions in paper and card prices these have not dropped as much as expected at Quarter 2, therefore the position has improved by c£750,000.

The cost of waste disposal is forecast to underspend by c£100,000. There are a variety of largely offsetting variances within waste disposal, the most significant change from Quarter 2 relates to issues with the waste drying process to remove moisture and achieve 'mass loss' prior to disposal.



The level of mass loss seen in recent months is much reduced and amounts to a reduction of c8,000 tonnes compared to budget which in monetary terms is an additional c£1.000m of waste disposal costs. The intention is to replace equipment used in the process, that appears to be impacting on moisture removal, however, there is a lead time for replacement equipment, and it is currently expected that replacement will take place towards the end of this financial year or in early 2023/24. The other main factors effecting waste disposal costs remain.

As detailed in previous reports there are reductions in the amounts of waste requiring disposal. This reduction has continued throughout 2022/23 so the current forecast now assumes tonnages will continue to be lower than in 2021/22 for the remainder of the year. This equates to an estimated 18,000 tonnes lower than was assumed when the budget was set. The potential benefits of waste being diverted from landfill (to refuse derived fuel ('RDF')) continue to be partly offset by the refuse derived fuel 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. This is currently forecast to equate to for approximately 9,000 tonnes of waste.

Further forecast overspends of c£600,000 at the household waste recycling centres mostly relate 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 offset by underspends on green waste and legal costs.

Highways – Forecast Underspend £3.011m

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 fewer people contravening bus lanes thereby triggering a fine, 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, with increased levels of income being one of the main reasons for the improved position compared to Quarter 2.

Further underspends of c£700,000 relate to overhead charges for capital works. These charges are based on the value of work delivered, which in 2022/23 is expected to be greater than assumed when the budget was set.

These income streams are demand led and will be kept under review for the remainder of the year. The remainder of the forecast underspend predominantly relates to staffing. Whilst the forecast reflects the higher than budgeted pay award, this is more than offset by underspends across the service. However, some of this may be non-recurrent as it is due to difficulties in recruiting staff following a restructure.



There are a number of other largely offsetting smaller variances across the service the most significant of which are forecast underspends relating to public realm agreements offset by overspends relating to traffic signals maintenance.

Public and Integrated Transport – Forecast underspend £0.340m

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 have impacted on the cost of taxi and school bus contracts. Increased costs are forecast to be c£2.500m however a provision was made at the end of 2021/22 to cover the risk of increasing fuel prices, and as such no significant variance is currently reported. The exception to this is for the impact of the increase in the foundation living wage from November which is forecast to result in additional costs of c£200,000 for drivers and passenger assistants.

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 so far in 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.

Fleet services is forecast to overspend by c£600,000 predominantly due to reduced income. Other factors impacting the service include 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 has been 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 – Forecast overspend £2.552m

Design and Construction property is forecast to overspend by c£2.200m of which c£790,000 relates to a review of costs previously recharged to the capital programme with the impact of the reduction in the recharge being reflected in the medium-term financial strategy at Quarter 1. In the main the overspend relates to the receipt of less income than budgeted. This is mainly due to the mix of projects the service has 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 £0.308m

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 £0.243m

An overspend is forecast on Business Growth due to non-delivery of savings that were targeting generating additional income from the Lancashire County Developments Limited 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 £0.007m

Overall, there is no significant variance however there are staffing underspends across the service offset by operational overspends on countryside and public rights of way.

Several vacant posts will be recruited to soon to help with project delivery following the County Council's recent success in securing large capital grants for active travel and public transport schemes. New ways of managing the operational overspends on countryside and public rights of way are therefore under consideration.



6. Resources Directorate

Service Area	Net Budget	Net Forecast Outturn	Net Forecast Variance	Net Forecast Variance	Q2 Variance
	£m	£m	£m	%	£m
Corporate Budgets (Pensions & Apprenticeship Levy)	11.599	12.557	0.958	8.26%	0.944
Corporate Budgets (Treasury Management)	30.184	30.184	0.000	0.00%	0.000
Resources	0.570	0.572	0.002	0.29%	0.025
Total Resources	42.353	43.313	0.960	2.27%	0.969
Lancashire Pension Fund	-0.004	-0.004	0.000	0.00%	-0.001
Exchequer Services	4.319	4.289	-0.030	-0.69%	-0.151
Financial Management (Development and Schools)	0.026	0.138	0.112	427.85%	0.118
Financial Management (Operational)	1.754	1.751	-0.003	-0.17%	0.001
Corporate Finance	8.405	8.177	-0.228	-2.71%	-0.234
Payroll Services	1.057	1.076	0.020	1.88%	0.020
Procurement	2.275	2.360	0.085	3.74%	0.022
Internal Audit	0.827	0.860	0.033	4.05%	0.038
Total Finance Services	18.658	18.648	-0.011	-0.06%	-0.187
Service Assurance	21.214	20.709	-0.504	-2.38%	-0.603
Digital Business Engagement	2.282	2.101	-0.181	-7.94%	-0.259
Design & Implement	5.446	5.317	-0.128	-2.35%	0.010
Operate	3.748	3.439	-0.309	-8.24%	-0.034
Architecture	1.111	1.000	-0.112	-10.05%	-0.154
Data	0.000	0.000	0.000	#DIV/0!	0.000
Total Digital Service	33.801	32.567	-1.234	-3.65%	-1.042
Corporate Strategy and Policy	0.000	0.000	0.000	#DIV/0!	0.000
Facilities Management	23.041	24.640	1.599	6.94%	1.514
Asset Management	9.164	8.711	-0.453	-4.94%	-0.537
Business Intelligence	1.502	1.468	-0.034	-2.27%	-0.016
Total Strategy and Performance	33.707	34.818	1.112	3.30%	0.960
Coroner's Service	2.458	2.553	0.094	3.84%	0.127
Legal and Governance Services	15.664	16.163	0.499	3.19%	0.388
Registration Service	-0.193	0.260	0.453	234.85%	-0.205
Total Corporate Services	17.929	18.976	1.047	5.84%	0.310
Programme Office	1.222	1.108	-0.114	-9.30%	-0.114
Organisational Development	0.700	0.711	0.012	1.68%	0.012
Total Organisational Development and Change	1.921	1.820	-0.102	-5.30%	-0.102
Human Resources	2.439	2.187	-0.252	-10.33%	-0.231
Skills Learning & Development	3.000	2.999	-0.001	-0.04%	-0.001
Total People Services	5.439	5.186	-0.253	-4.65%	-0.232
Communications	1.340	1.116	-0.224	-16.75%	-0.205
Total Communications	1.340	1.116	-0.224	-16.75%	-0.205
Total Resources	155.149	156.443	1.294	0.83%	0.471



The budget for Resources Directorate is £155.149m, the current forecast position is an overspend of £1.294m, which is an increase in the overspend of c£0.5m compared to Quarter 2.

Resources – Forecast overspend £0.960m

As part of the Quarter 3 budget monitoring, corporate budgets relating to Treasury Management, Pensions and Apprenticeship Levy have been moved from Chief Executive Services to the Resources Directorate.

The overspend is due to an amount owing (£2.9m) in this financial year that relates to the pension prepayment for 2021/22. Whilst the county council 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 the county council and not to the pension fund.

Finance Services – Forecast underspend £0.011m

There are both underspends and overspends across most services within Finance, however most variances are below £0.100m. Further details of the variances for those greater than £0.100m are shown below:

Financial Management (Development and Schools) – Forecast overspend £0.112m

The forecast overspend largely relates to staff costs.

Corporate Finance – Forecast underspend of £0.228m

The forecast underspend largely relates to staff costs.

Digital Services – Forecast underspend £1.234m

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 to staff. The forecast underspend is also further offset by 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 will increase in 2023/24 following the rollout of further phases. Due to strong performance by Digital Supplier Management keeping renewal costs down, the full inflation included in the budget for 2022/23 was not needed and will be removed in the medium-term financial strategy from 2023/24.

Forecast underspends of c£100,000 relate to Education Services (trading activity with schools) with under recovery of budgeted income offset by underspends on expenditure of which c£300,000 for a rates rebate following a site revaluation, is non-recurring. Forecast underspends of c£200,000 relate to various other non-staff spend across Digital Services. The forecast assumes c£1.700m 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 Liquid Logic (social care) system in 2022/23. Final payments on the low code platform and the IT Business Management implementation costs could see the underspend reduced by a further £360,000.

Strategy and Performance – Forecast overspend £1.112m

Asset Management – Forecast Underspend £0.453m

This underspend relates to staffing as the service has a number of vacant posts that it is 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, a provision has been made 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 £1.599m

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 £1.154m predominantly due to additional staffing costs to reflect the current pay offer and increase to Foundation Living Wage and a smaller amount relating to food price inflation. The forecast reflects the trading position for the end of 2021/22 academic year and an estimate for expected trade in the 2022/23 academic year up to March. 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 £120,000 due to lower sales as a result of a significant number of staff continuing to predominantly work from home. Footfall has increased in recent months and the financial position has improved compared to previous forecasts.

Premises running costs including repairs and maintenance shows an overall forecast overspend of c£900,000, 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 £196,000. 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 £1.047m

Coroners Service – Forecast overspend £0.094m

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£0.073m 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 increased 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 and Governance Service – Forecast Overspend £0.499m

Legal and Governance is forecast to overspend by £0.499m at Quarter 3. 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.

A forecast overspend is reported across members allowances, however this increase has been included in the budget for 2023/24. An underspend is forecast on legal fees of c£0.349m based on profiling of cases to date with an offsetting pressure of c£0.321m income, mainly in relation to litigation fees.

Registrars – Forecast Overspend £0.453m

The Registrars Service is forecast to overspend by £0.453m. There is a pressure across the staffing budget due to the higher than budgeted pay award. In addition, a pressure is reported across income budgets due to additional information in relation to income being provided by the service in East Lancashire. This has meant that income that relates to future years has been removed to reflect the change in policy in November 2019.

Organisational Development and Change – Forecast underspend £0.102m

The forecast underspend largely relates to staff costs.

People Services – Forecast underspend £0.253m

The forecast underspends relate to staff costs and income.

Communications Service – Forecast underspend £0.224m

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	Q2 Variance
	£m	£m	£m	%	£m
Chief Executive	2.303	1.247	-1.056	-45.85%	-0.934
Corporate Budgets (Funding and Grants)	-18.447	-18.447	0.000	0.00%	0.000
Total Chief Executive Services	-16.143	-17.199	-1.056	-6.54%	-0.934

The budget for Chief Executive Services is -£16.143m, the current forecast position is an underspend of £1.056m.

Chief Executive Services – Forecast underspend of £1.056m

An underspend is forecast across the Chief Executive Services strategic budget of c£1.1m.

