

Money Matters
The County Council's Revenue and
Capital Financial Position
2022/23 Outturn



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Executive Summary

This report provides details for Cabinet on the county council's 2022/23 revenue and capital outturn position.

2022/23 Revenue Budget

The report outlines the final revenue outturn position whilst also providing a comparison to the last reported position at Quarter 3. The final position at the end of the year is net expenditure of £948.857m, against an approved budget of £948.107m, which represents an in-year overspend of £0.750m or 0.08% of the net revenue budget. Money Matters reports to Cabinet through the year have shown an improvement at each quarter from the original £17.7m overspend that was forecast at Quarter 1 which reflected the significant inflationary and demand pressures that have impacted local government as a whole. The very small final overspend reflects strong financial management across the council to mitigate the impact of those cost pressures.

The most significant areas of over and underspend in 2022/23 are as follows:

- Adult Services - **£7.5m underspend** primarily due to additional income received from Health contributions to complex packages of care and use of the Contain Outbreak Management Grant. These are one-off forms of income and therefore without these elements of income the service would have reported an overspend.
- Children's Social Care - **£13.7m overspend** due to higher than budgeted placement costs and the extra costs of agency staff.
- Public and Integrated Transport - **£5.0m overspend** due to taxi passenger numbers increasing by over 10% from the start of the academic year 2022/23. In addition, there have also been increases in journey distances following best practice as outlined in statutory guidance relating to how long a child should be transported (45 minutes for primary and 75 minutes for secondary school children) has resulted in an increase in single occupancy journeys which is the most expensive provision.
- Treasury Management - **£7.4m underspend** principally due to the sale of gilts and bonds.

The revenue position includes a considerable amount of "one-offs" such as grant funding and non-recurrent income settlements and also the improvement in the treasury management position in the final quarter which hadn't been expected due to the difficult economic environment. As an example, if the treasury management underspend had not occurred over the final months of the year, the revenue budget would have been overspent by c£8.1m. In addition, without c£14m of "one-offs" across the Adult Services budget, then the overspend could have been in the region of £22m. Whilst there will always be one-off transactions across a financial year, in



this particular year there were several which were highly influential over the financial position and without them the final position could have been worse.

2022/23 Revenue Reserves

The budget report to Full Council in February 2023 indicated that there would be sufficient funds remaining in reserves to support the budget beyond the MTFs period ending 2026/27, this continues to be the case following confirmation of the final 2022/23 outturn position.

In the reported position at Quarter 3, the balance on the Transitional Reserve was forecast to be £188.533m by the end of 2022/23. The outturn position is £21.793m less than forecast for a number of reasons but mainly reflects the impact of transactions relating to our pooled budget arrangements with the Integrated Care Board (ICB). These have been re-negotiated and the impact on reserves will be fully offset by additional contributions from the ICB in 2023/24 and future years.

There are commitments of c£23m forecast over the next 3 years, including the £8.935m agreed to support the 2023/24 budget, however there are contributions to reserves expected of c£26m from the ICB, therefore a net contribution to reserves is forecast over the next 3 years. This does not include any support of the financial gap in future years, as this is agreed on an annual basis at the Full Council Budget Meeting and the intention is to identify proposals to address forecast funding gap in 2024/25 and future years.

While the council's reserve position remains healthy, there are significant levels of uncertainty in relation to future years funding and expenditure levels that is affecting local government as a whole. Key expenditure pressures are across children's social care (including transport costs) and adult social care, and whilst growth has been built into the budgets these areas are still a high risk to future year's budgets.

There are also additional uncertainties regarding the financial impact of inflation, the current cost-of-living pressures on energy costs, fuel and foodstuffs and the ongoing negotiations on the local government pay award for 2023/24 and beyond.

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

We also still await confirmation of when the long-awaited large-scale funding changes (fair funding/business rates retention/baseline reset) are going to be implemented from, following multiple delays over recent years.



2022/23 Capital Programme

The capital delivery programme for 2022/23 totalled £223.115m with the programme delivering an outturn position of £138.585m, resulting in an underspend against budget of £84.530m.

The variance is due to the following:

- | | |
|---------------------------------------------|------------|
| • Net underspends and potential underspends | -£3.672m |
| • Net overspends and potential overspends | £0.519m |
| • Slipped Delivery | -£107.788m |
| • Additional Delivery | £26.410m |

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

During the first 3 months of this financial year a comprehensive review of the delivery programme for 2023/24 is being undertaken in light of the outturn position. Any proposed changes to the 2023/24 delivery programme will be reported back to Cabinet as part of the regular money matters reports.



Section A - The 2022/23 Revenue Budget

Revenue Budget Outturn 2022/23 Summary Table

Service Area	Revised Budget	Outturn	Outturn Variance	Outturn Variance	Q3 Forecast Variance	Movement from Q3
	£m	£m	£m	%	£m	£m
Adult Services and Health & Wellbeing	421.238	413.684	-7.554	-1.79%	-7.144	-0.410
Education & Children's Services	229.376	241.266	11.891	5.18%	11.549	0.342
Growth, Environment & Transport	158.488	160.495	2.007	1.27%	-2.123	4.130
Resources	155.149	151.702	-3.447	-2.22%	1.294	-4.742
Chief Executive Services	-16.143	-18.290	-2.147	-13.30%	-1.056	-1.091
Grand Total	948.107	948.857	0.750	0.08%	2.521	-1.771

The above table details the breakdown across services of the final outturn position for 2022/23. The position has improved by £1.771m compared to the position reported to Cabinet as at Quarter 3.

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

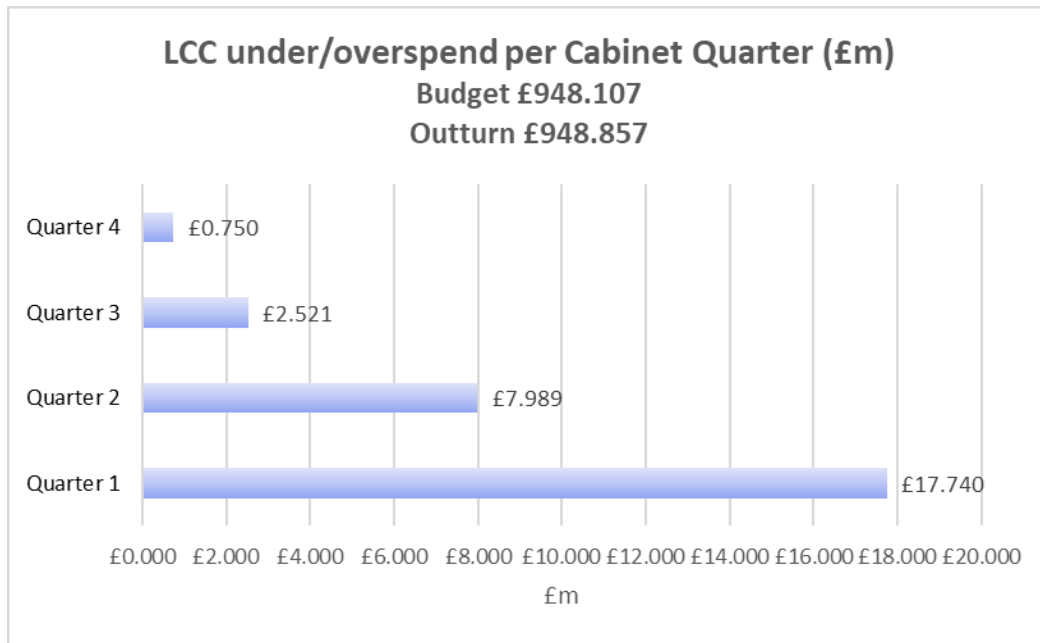
- Treasury Management – In September/October we reported a break-even position on this budget, however by the end of the financial year an underspend has been achieved of c£7.4m. This was mainly due to gains made on the sale of short-term investments and also increased interest receivable; however, these were offset by the increased cost of interest payable due to the impact of interest rate rises over the year.
- Home to School Transport – The final outturn position has worsened by £5.3m. This is due to taxi passenger numbers increasing by over 10% from the start of the academic year 2022/23. In addition, there has also been increases in journey distances due to the application of statutory guidance relating to how long a child should be transported (45 minutes for primary and 75 minutes for secondary school children) has resulted in an increase in single occupancy journeys which is the most expensive provision.

Across the county council we are experiencing increasing demand for services particularly adult social care support for residents in their own homes, and children's social care overall. Services continue 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.

The graph below shows how the variances have developed over quarterly Cabinet reporting during the financial year:



1. Adult Services and Health and Wellbeing Directorate

Service Area	Revised Budget	Outturn	Outturn Variance	Outturn Variance	Q3 Forecast Variance	Movement from Q3
	£m	£m	£m	%	£m	£m
Disability (Adults)	2.946	4.046	1.100	37.35%	1.846	-0.745
Residential & Day Care Services for Older People	1.438	3.155	1.717	119.38%	1.781	-0.064
Total Adult Care and Provider Services	4.384	7.201	2.817	64.26%	3.627	-0.810
Mental Health	34.658	34.210	-0.448	-1.29%	-0.061	-0.387
Learning Disabilities, Autism	158.605	153.436	-5.170	-3.26%	-5.062	-0.108
Social Care Services (Adults)	218.104	213.285	-4.819	-2.21%	-5.933	1.115
Total Adult Community Social Care	411.367	400.931	-10.436	-2.54%	-11.056	0.620
Safeguarding & Quality Improvement Services	4.610	4.709	0.098	2.13%	-0.034	0.132
Policy Info & Commission Live Well	4.318	4.417	0.098	2.28%	0.150	-0.052
Total Safeguarding and Quality Improvement	8.929	9.125	0.197	2.20%	0.116	0.081
Total Adult Services	424.680	417.258	-7.422	-1.75%	-7.313	-0.109
Public Health & Wellbeing	-67.656	-67.656	0.000	0.00%	0.000	0.000
Health Equity Welfare & Partnerships	59.290	59.056	-0.233	-0.39%	0.000	-0.233
Health, Safety & Resilience	1.322	1.038	-0.284	-21.51%	-0.259	-0.026
Trading Standards & Scientific Services	3.603	3.989	0.386	10.72%	0.428	-0.042
Total Public Health	-3.442	-3.573	-0.132	-3.82%	0.169	-0.301
Total Adult Services and Health and Wellbeing	421.238	413.684	-7.554	-1.79%	-7.144	-0.410

The total net approved budget for Adult Services and Health and Wellbeing in 2022/23 is £421.238m. The outturn position is a cost of £413.684m, resulting in an underspend of £7.554m, which is equivalent to 1.79% of the budget. This is an improvement of £0.410m compared to Quarter 3.

Adult Services – underspend £7.422m

The total 2022/23 budget for Adult Services is net expenditure of £424.680m. The service has a net cost of £417.258m resulting in an underspend of £7.422m equating to 1.75% 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 have resulted



in underspend for the service. 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 overspent, due in the main to cost pressures such as pay award pressures, general price inflation and increasing demand levels across areas such as homecare. In 2023/24, growth and inflationary increases have been included, which should mitigate some of these pressures will be replicated again. It is important to note that the aim is that more people should be supported at home rather than in a residential setting but more work will be needed to ensure residents support is not over-prescribed.

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. If the pay award had been calculated and awarded in line with the requisite graded staff, the Adult Services bought would have had an underspend of c£12m.

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. In 2022/23, following a review of eligible costs to be attributed against this grant funding, 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.

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. With this said, all agency spend is within the staffing budget envelope of adult services and in itself does not cause a pressure on the budget.

Work is underway to reduce costs and enhance the permanent workforce as well as launch a new homecare procurement framework to reduce the cost of care.

Savings progress

Despite Adult Services delivering **£7.422m** under budget in 2022/23, this underspend was not linked to identified area of savings which means £13.5m savings are carried forward into 2023/24 and marked as outstanding. This means that Adult Services will have savings of c£37m to deliver in 2023/24, which are a combination of delayed savings and proposals that were agreed by Full Council in February 2023. 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.

In order to deliver the savings programme, the Directorate has developed a new governance structure which includes the Adult Finance Board, to ensure the service monitors progress and mitigates, where possible, any risk linked to the delivery of savings.

One of identified savings proposals is about how the service reduces demand. Benchmarking data shows that when compared to other similar authorities, whilst Lancashire is not approached by proportionately more people, of those who do come forward, the county council continues to over-prescribe long-term social care packages of support. Local Authorities that perform better typically have a stronger preventative offer and make greater use of community provision funded within the voluntary community and faith sector as an alternative to formal packages of care.

From an adult social care perspective, they generally also deliver a strength-based social care practice model which is something that has been piloted in Lancashire and due to be implemented county wide in 2023/24. In Lancashire we are calling this Living Better Lives in Lancashire.

A key principle of Living Better Lives in Lancashire is that we start first by offering advice, information and that we signpost residents to support at a family, neighbourhood and/ or community level. This is part of our Care Act duty to Prevent, Reduce and Delay the need for specialist social care intervention and something we are calling Conversation 1.

Following this, if we think a person is likely to go on and still require specialist social care support, the aim is to offer up to six weeks to prevent the need for long-term support. This is Conversation 2 and it should be offered to residents to regain independence and to Prevent, Reduce or Delay the need for specialist support. This offer of support could be an already commissioned service which is provided by the voluntary, community and faith sector. It could be reablement or a short break for six weeks.

We should also note that for some residents, with more complex needs, it is clear that offering short-term support would not prevent, reduce or delay the need for long-term support and in this instance, we would state the professional rationale we have

used and move to Conversation 3 which acts as the Care Act assessment and when eligibility would be determined for long-term specialist social care support.

Pressures linked to the care market

Issues impacting on the budget which are increasingly difficult to control/manage include the Fair Cost of Care, an exercise all authorities were 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. 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. We have 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.

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 older people requiring support for their mental health. We are trialling, with the NHS, the use of some of our in-house provider care home beds for this purpose 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.

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.

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some instances, due to staffing problems and cost pressures, homecare providers are declining business resulting in a reliance on non-framework higher cost provision.

The directorate is also facing significant increases in the numbers of young adults now transferring from children services with costs in 2022/23 being £2.4m over budget and will in almost all circumstances be lifelong. More detailed analysis is required in this area to understand whether more needs to be done linked to accommodation options with the District Councils and how we link this to packages of support which is the area adult social care is responsible for funding. This area has been included within the saving proposals put forward by the Directorate and includes additional staff within Adults 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.

Income generation

The underspend for the 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 - underspend £0.132m

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 service is reporting an underspend of £0.132m at the end of the 2022/23 financial year.

As the Public Health Grant is ring-fenced any underspend occurring in year is transferred to the Public Health Grant Reserve re-invested into the service. The total net contribution into the reserve is £4.919m.

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.

Public Health and Wellbeing –breakeven

The Public Health and Wellbeing budget is underspent as the Contained Outbreak Management Fund (COMF) monies have been used to meet employee cost as appropriate. This service block shows a breakeven position as all unspent Public Health Grant will be transferred into the reserve.



Health Equity, Welfare & Partnership – underspend £0.233m

Although a small underspend of £0.233m is reported for the service, it is important to note that this includes a contribution to the Public Health Grant Reserve for service budgets that have underspent. After a contribution from COMF in the sum of £0.419m for staffing costs and underspending on commissioned services, the year-end net contribution into the reserve is £3.887m.

Health, Safety & Resilience – underspend £0.284m

The net underspend position is as a result of some income targets overachieving which are offset staffing budget pressures due to the higher than budgeted pay-award.

Trading Standards & Scientific Services –overspend £0.386m

Trading Standards & Scientific Services year end position is an overspend of £0.386m due to budget pressures on closed landfill sites and environmental testing, which are offset by environmental testing additional income.



2. Education and Children's Services Directorate

Service Area	Revised Budget £m	Outturn £m	Outturn Variance £m	Outturn Variance %	Q3 Forecast Variance £m	Movement from Q3 £m
Front Door, Assessment & Adolescent Services	11.984	12.202	0.218	1.82%	0.748	-0.530
Family Safeguarding	12.425	17.135	4.710	37.90%	3.298	1.411
CSC: Looked After Children/Leaving Care	112.763	121.014	8.251	7.32%	7.738	0.513
Fostering, Adoption Lancashire Blackpool & Residential	36.934	37.455	0.521	1.41%	0.747	-0.226
Family Safeguarding Project	0.087	0.087	0.000	0.00%	0.000	0.000
Total Children's Social Care	174.192	187.893	13.700	7.87%	12.532	1.169
Inclusion	9.192	8.160	-1.032	-11.23%	-0.823	-0.210
Children and Family Wellbeing Service	18.525	16.560	-1.965	-10.61%	-1.661	-0.303
Cultural Services	11.275	11.994	0.718	6.37%	0.229	0.489
Education Improvement 0-11 to 11+-25 (Combined)	5.129	5.925	0.795	15.50%	0.849	-0.054
Total Education & Skills	44.121	42.638	-1.484	-3.36%	-1.406	-0.078
Safeguarding, Inspection & Audit	15.015	14.769	-0.246	-1.64%	-0.017	-0.229
Education & Children's Services Central Costs	-5.901	-6.000	-0.098	-1.67%	0.422	-0.520
Total Education and Children's Services	9.114	8.769	-0.345	-3.78%	0.404	-0.749
Policy Info & Commission Start Well	1.948	1.967	0.019	0.96%	0.019	0.000
Total Policy Commissioning and Children's Health	1.948	1.967	0.019	0.96%	0.019	0.000
Total Education and Children's Services	229.376	241.266	11.891	5.18%	11.549	0.342

The total net approved budget for Education & Children's Services in 2022/23 is £229.376m and the service overspent by £11.891m. This is an increase in overspend of £0.342m from the forecast reported at Quarter 3.

The largest impact on the position for ECS in 2022/23 is 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. These pressures are offset by underspends on staff due to vacancies and non-staff costs across several services.



Children's Social Care – Overspend £13.700m

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 several service areas.

Residential and fostering placements (including in-house residential provision but excluding Children with Disabilities) overspent by c£6.600m.

Overall, there has been a decrease in the number of children looked after over the last 2 to 3 years, and on average the number of children entering care has fallen since September 2020 from 2,085 (excluding children with disabilities) to 1,814 in March 2023, a reduction of 271 (c13%) with most of this reduction occurring since January 2021.

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 at least 10 beds in the next financial year.

The fall in numbers over this period is largely due to the impact of the implementation of Lancashire Family Safeguarding in February 2021, to some extent the pandemic with a reduction in both referrals and new assessments during the pandemic and more recently the work being undertaken to improve our response to teenagers at risk of being received into care. Whilst there was some early delivery of LFS savings in 2021/22 the number of new entrants aged 0-12 was above the level required to deliver budgeted recurring savings during the early part of 2022/23, and although new entrants reduced during the latter half of the year, there was an under delivery of savings of c£0.900m in 2022/23.

Whilst the total number of children looked after has fallen the cost of agency residential placements has increased significantly since September 2021. This is largely due to the extremely complex needs that children being received into care are presenting with, alongside a national care crisis resulting in an increase in the average cost of these placements.

All high cost and same day placements are subject to an approval process that brings Heads of Service together with the Director of Children's Social Care to discuss alternative options for these children. At times this results in children remaining at home or children being matched to in house foster carers or children's homes who may have otherwise been discounted. 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. Although this did not result in a significant decrease in the average costs of



placements it was noted that the month on month increase seen since summer 2021 did slow down.

Overspends on social work and other teams including staff related costs of c£3.600m are in part due to the use of agency and managed service staff to fill vacant posts. An updated recruitment and retention strategy has been launched with plans are in place to fill all current vacancies in the first half of 2023/24. Retention activity aims to reduce turnover by at least 4%. This would result in a significantly more stable workforce and significantly reduce dependency on the agency market.

Director approval is now required to employ agency staff where costs can-not be met within the staffing budget.

The budget for the Children's Social Care Service also covers other allowances, payments and assistance to families which overspent by c£1.300m the most significant of which are detailed below.

- Regular payments and assistance to families overspent by c£2.200m which is a c30% increase on spend in 2021/22.
- Special Guardianship Orders (SGO's) underspent by c£100,000 although there has been an increase in spend of c£900,000 compared to 2021/22. Spend on SGO's continues to increase by c9% per annum as it has done in previous years.
- Child arrangement orders (CAO's) underspent by c£500,000. There has been a decrease in spend of c£200,000 compared to 2021/22.
- Leaving Care allowances underspent by c£400,000 broadly in line with 2021/22.
- Underspends of c£100,000 relate to staying put arrangements.
- Adoption allowances underspent by c£200,000, broadly in line with 2021/22.

Agency residential and fostering placements for children with disabilities (CwD) overspent by c£900,000, with CwD family support also overspending by £1.100m. 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 outturn includes estimated back dated health contributions of c£0.900m which relates to previous financial years. In addition, CwD Direct Payments overspent by c£1.100m which reflects an increase in the number of referrals compared to 2021/22.

Lancashire Break Time underspent by c£600,000. Although a significant number of families registered for the service take up was less than anticipated. A strong focus on increasing registrations is expected to reduce the likelihood of an underspend in 2023/24.

The Children with Disabilities service transferred into Children's Social Care in the latter half of 2022/23 and is now subject to the same budget monitoring outlined above.



Education and Skills – Underspend £1.484m

Inclusion - Underspend £1.032m

Forecast underspends of c£260,000 relate to staff (vacancies) across the service.

The Specialist Teaching Service underspent by £380,000, with £780,000 on staffing 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, with all specialist teacher roles now filled. The staff are making a difference in the role they play in supporting schools and providing the right interventions and information for children. Staffing levels have a direct impact on income, with the forecast including an under recovery of income of c£370,000.

Children Family and Wellbeing Service – Underspend £1.965m

Underspends of c£1.130m across the service relate to staff (vacancies) and c£830,000 to operational costs.

The county council received 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, to 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 continues to work systematically to fill both current vacancies and additional fixed term temporary posts. Vacancies at the end of 2022/23 were c7% with recruitment activity continuing. The service continues to respond to challenges around stabilising turnover, particularly in relation to lower graded frontline operational posts in the structure. Exit evidence indicates that staff are gaining experience within the service and moving on to roles in other settings and sectors with comparable or reduced responsibilities at more favourable pay rates.

Cultural Services – Overspend £0.718m

Overspends across the service mainly relate to c£300,000 on non-staff costs and under recovery of income of c£480,000 in particular for Lancashire Outdoor Education and Lancashire Music Service, offset by underspends on staff costs of c£60,000.

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. Work is ongoing regarding the income targets for both Lancashire Outdoor Education and Lancashire Music Service.

Education Improvement - Overspend £0.795m

Overspends of c£2.160m 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£710,000 and on non-staff costs of c£660,000. 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 – Underspend £0.345m

Safeguarding, Inspection & Audit – Underspend £0.246m

The underspend position is due to underspends across non staff costs and additional income. These are offset by the pressure on staff costs of the higher than budgeted pay award.



3. Growth, Environment and Transport Directorate

Service Area	Revised Budget	Outturn	Outturn Variance	Outturn Variance	Q3 Forecast Variance	Movement from Q3
	£m	£m	£m	%	£m	£m
Waste Management	71.720	69.038	-2.682	-3.74%	-1.383	-1.299
Highways	16.476	13.927	-2.549	-15.47%	-3.011	0.462
Public & Integrated Transport	57.945	62.966	5.021	8.67%	-0.340	5.361
Design and Construction	-2.419	-0.381	2.038	84.24%	2.552	-0.514
Customer Access	3.085	3.200	0.115	3.74%	0.308	-0.193
Total Highways & Transport	146.806	148.750	1.944	1.32%	-1.873	3.817
Business Growth	0.723	1.687	0.964	133.45%	0.682	0.282
Strategic Development	6.910	6.031	-0.879	-12.72%	-0.817	-0.063
LEP Coordination	0.090	0.214	0.124	138.64%	0.000	0.124
Estates	0.529	0.400	-0.130	-24.52%	-0.107	-0.023
ED Skills	0.010	0.010	-0.001	-7.40%	-0.002	0.001
Total Growth & Regeneration	8.262	8.341	0.079	0.95%	-0.243	0.322
Planning and Environment	3.420	3.404	-0.016	-0.47%	-0.007	-0.009
Total Environment & Planning	3.420	3.404	-0.016	-0.47%	-0.007	-0.009
Total Growth, Environment & Transport	158.488	160.495	2.007	1.27%	-2.123	4.130

The annual budget for Growth, Environmental and Transport Directorate is £158.488m, the Directorate outturn represents an overspend of 2.007m.

Highways & Transport – Overspend £1.944m

The total net approved budget for Highways and Transport in 2022/23 was £146.806m and the outturn position is an overspend of £1.944m

Waste Management – Underspend £2.682m

The most significant variance to budget relates to additional income from recyclable materials of c£2.900m. 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 during 2022/23. Consequently, the MTFs was not adjusted to reflect continued high prices in 2022/23 however as prices have remained higher than budgeted a saving of c£1.000m has been reflected in the 2023/24 budget. There is potential for this to be overachieved although as stated above prices are volatile and driven by the market so will be monitored closely during 2023/24



There was no significant variance from budget for the cost of waste disposal overall, however, there were a variety of offsetting variances which are detailed below.

- Processes at Thornton Waste Recovery Park that reduce the amount of waste that needs to be sent for disposal suffered unplanned down time during 2022/23. As a result around 14,000 tonnes of waste needed disposal which hadn't been budgeted for, and this equates to an additional circa £2.0m of waste disposal costs.
- The overall amount of waste across the county requiring disposal was around 19,000 tonnes lower than assumed in the budget creating an underspend of circa £2.0m. This reduction was across a number of different contracts whose disposal rates vary; hence the tonnage and associated saving will appear different to the tonnage/cost reported from Thornton Waste Recovery Park above.

Overspends of c£500,000 at the household waste recycling centres mostly relates to increased maintenance requirements. Maintenance requirements at each site were reviewed and the additional work required included maintenance of skips, bottle banks and cabins and renewal of signs and road markings to ensure sites operate safely.

There were several 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 – Underspend £2.549m

Across demand led income budgets there are some large variances to budget which overall result in over recovery of income of c£3.900m. Increased income from housing developers is £3.800m and from utility companies is £1.500m which reflect the current housing market and the level of new developments across Lancashire. This increased income has been partly offset by reduced income across parking and bus lane enforcement of £1.400m. 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 being fined for using bus lanes illegally. Bus lane restrictions have now been in place for some time and it is considered that public awareness has increased.

Overspends of £1.700m relate to lower than anticipated charges to capital across the service and reflect the fact that some projects which were originally planned to be delivered in 2022/23 will now be completed in 2023/24.

There are other smaller variances across the service including increased spend on traffic signal maintenance (c£400,000), underspends relating to public realm agreements (c£400,000) and staffing underspends predominantly related to school crossing patrols (c£300,000).



Public and Integrated Transport (PIT) – Overspend £5.021m

By far the most significant variance both from budget and change from what was previously reported at Quarter 3 relates to the cost of home to school transport, mainly relating to children with special educational needs.

Since the start of the 2022/23 academic year there has been an increase in taxi passenger numbers of over 10% which is almost three times the growth that was assumed in the budget. In addition, there have been increases in journey distances following best practice as outlined in statutory guidance in relation to how long a child should be transported (45 minutes for primary and 75 minutes for secondary school children). This has resulted in an increase in single occupancy journeys which is the most expensive provision. Work is being undertaken to identify how these cost pressures can be mitigated going forward. Further pressures relate to increased staffing costs due to the 2022/23 pay award and increases to the foundation living wage, and additional passenger assistants as a result of the additional children requiring transport.

As well as the increased demand for home to school transport there has also been significant inflationary increases on taxi contract costs and whilst a provision was made to cover these increases at the end of 2021/22 an overspend of c£5.000m has resulted.

Fleet services overspent by c£600,000 mainly due to reduced income and a combination of a reduction on the value 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 resulted in overspends of c£200,000 and has been adjusted for in the medium term financial strategy from 2023/24.

Bus stations overspent by c£600,000 partly due to departure charges to operators not increasing in 2022/23 (and in previous years). The focus for this service is to try and rebuild public transport following the pandemic, which is supported with additional grant support from the DfT.

Partly offsetting the above costs pressures is an underspend on concessionary travel. Throughout the pandemic concessionary passenger numbers fell significantly and have been slower to increase than fare paying passenger numbers. Based on data 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 outturn is based on reimbursing operators at pre-pandemic levels for the first part of 2022/23 then tapering that support to 90% for the latter part of the year. The impact of these decisions was a revenue underspend of c£1.300m and a transfer to reserves of c£1.200m to fund future spend on additional bus services.



Design and Construction (D&C) – Overspend £2.038m

Design and Construction property overspent by c£1.700m 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 from 2023/24. The remainder of the overspend relates to the receipt of less income than budgeted due to the number and mix of projects the service delivered.

Design and Construction highways service overspent by c£300,000. As an income generating service vacancies have resulted in staffing underspends offset by a larger under recovery of income.

Customer Access – Overspend £0.115m

The overspend relates to staffing due to not being able to fully deliver budgeted savings and the impact of the increased pay award. In the latter part of the year vacant posts have not been filled to reduce the budget pressure previously reported. This will be kept under review during 2023/24 to ensure that the service remains at satisfactory levels for customers as well as continuing to explore technical solutions to keep service costs as low as possible.

Growth and Regeneration –Overspend of £0.079m

An overspend is reported 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 position shows that efforts were made to mitigate some of the non-delivery of savings, with action taken across other areas of the service to reduce expenditure which has resulted in a small overspend at year-end.

Environment and Planning – Underspend £0.016m

There were several offsetting under and overspends across the service with the most significant overspends being due to increased operational spend on public rights of way and reduced capital recharge income, offset by underspends on staffing as the service carried several vacancies throughout the year.

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.



4. Resources Directorate

Service Area	Revised Budget	Outturn	Outturn Variance	Outturn Variance	Q3 Forecast Variance	Movement from Q3
	£m	£m	£m	%	£m	£m
Corporate Budgets (Pensions & Apprenticeship Levy)	11.599	14.324	2.725	23.49%	0.958	1.767
Corporate Budgets (Treasury Management)	30.184	22.813	-7.370	-24.42%	0.000	-7.370
Resources	0.570	0.533	-0.037	-6.54%	0.002	-0.039
Total Resources	42.353	37.670	-4.683	-11.06%	0.960	-5.643
Lancashire Pension Fund	-0.004	-0.073	-0.069	-1651.62%	0.000	-0.069
Exchequer Services	4.319	3.915	-0.404	-9.36%	-0.030	-0.375
Financial Management (Development & Schools)	0.026	0.091	0.065	248.82%	0.112	-0.047
Financial Management (Operational)	1.754	1.848	0.094	5.36%	-0.003	0.097
Corporate Finance	8.405	8.219	-0.186	-2.22%	-0.228	0.042
Payroll Services	1.057	1.136	0.079	7.49%	0.020	0.059
Procurement	2.275	2.395	0.120	5.26%	0.085	0.035
Internal Audit	0.827	0.837	0.010	1.19%	0.033	-0.024
Total Finance Services	18.658	18.366	-0.292	-1.56%	-0.011	-0.281
Service Assurance	21.214	21.782	0.569	2.68%	-0.504	1.073
Digital Business Engagement	2.282	2.256	-0.027	-1.18%	-0.181	0.154
Design & Implement	5.446	5.187	-0.259	-4.75%	-0.128	-0.131
Operate	3.748	3.824	0.076	2.03%	-0.309	0.385
Architecture	1.111	1.028	-0.084	-7.54%	-0.112	0.028
Total Digital Service	33.801	34.076	0.275	0.81%	-1.234	1.510
Corporate Strategy and Policy	0.000	0.000	0.000	0.00%	0.000	0.000
Facilities Management	23.041	25.038	1.997	8.67%	1.599	0.399
Asset Management	9.164	8.572	-0.591	-6.45%	-0.453	-0.139
Business Intelligence	1.502	1.477	-0.024	-1.63%	-0.034	0.010
Total Strategy and Performance	33.707	35.088	1.381	4.10%	1.112	0.270
Coroner's Service	2.458	2.722	0.264	10.75%	0.094	0.170
Legal and Governance Services	15.664	15.724	0.060	0.39%	0.499	-0.439
Registration Service	-0.193	0.190	0.383	-198.20%	0.453	-0.071
Total Law and Governance	17.929	18.636	0.707	3.94%	1.047	-0.340
Programme Office	1.222	1.170	-0.051	-4.20%	-0.114	0.062
Organisational Development	0.700	0.730	0.031	4.39%	0.012	0.019
Total Organisational Development & Change	1.921	1.901	-0.021	-1.07%	-0.102	0.081
Human Resources	2.439	1.990	-0.450	-18.43%	-0.252	-0.198
Skills Learning & Development	3.000	2.842	-0.158	-5.27%	-0.001	-0.157
Total People Services	5.439	4.832	-0.608	-11.17%	-0.253	-0.354
Communications	1.340	1.132	-0.208	-15.53%	-0.224	0.016
Total Communications	1.340	1.132	-0.208	-15.53%	-0.224	0.016
Total Resources	155.149	151.702	-3.447	-2.22%	1.294	-4.742

The budget for Resources Directorate is £155.149m, the outturn position is an underspend of £3.447m, which is an improvement of of c£4.7m compared to Quarter 3.

Resources – Underspend £4.683m

The main reason for the underspend in this area is due to an improved position across the Treasury Management budget, with an underspend of £7.4m by the end of the financial year. This was mainly due to there being an unexpected opportunity to make gains through the sale of short-term investments in the final quarter of the year; however, these were offset by the increased cost of interest payable due to rising interest rates.

This position is offset by pressures within the pension prepayment budget which have arisen due to the higher than budgeted pay award with the associated impact on pension contributions therefore being greater than originally assumed and budgeted for, and the creation of the pension prepayment risk reserve to mitigate the impact in future financial years.

Finance Services – Underspend £0.292m

There are both small underspends and overspends across most services within Finance, in general most variances relate to staffing vacancies.

Digital Services – Overspend £0.275m

Underspends of c£1.050m relate to staff costs and vacant posts offset by c£410,000 to cover the cost of contractors and commissioning work from external providers/consultants with the service continuing to experience difficulties recruiting to staff. The underspend is also further offset by under recovery of income of c£730,000 due to fewer requests for chargeable one-off change projects as opposed to business-as-usual work.

Forecast underspends of c£480,000 relate to renewals (payments to third party suppliers for maintenance, support and licences), which is anticipated to be non-recurring.

Overspends of c£230,000 relate to temporary support from a third party provider to fill some knowledge gaps following the implementation of Oracle Fusion, with this support expected to continue into 2023/24.

Overspends of c£140,000 relate to under recovery of budgeted income across Education Services products, following a small reduction in the number of schools buying back services, in particular broadband and the cessation of provision of some other products/services. The outturn includes a non recurring underspend of £100,000 for a backdated rates rebate covering the last 5 years following a property revaluation.

Overspends of c£140,000 relate to infrastructure refresh costs. Further overspends of c£160,000 relate to various other items across Digital Services.

Strategy and Performance – Overspend £1.381m

Asset Management – 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, where there was an increase of 79% in energy prices from October which equated to increased costs of £865,000 however, the projected increase was only known after the budget was set for 2022/23 and a provision was made at the end of 2021/22 to cover these additional costs so no variance to budget is reported in the outturn.

Facilities Management – Overspend £1.997m

The areas experiencing the most significant variations to budget in 2022/23 are school catering, staff and civic catering and premises running costs including repairs and maintenance.

The most significant variance is school catering which has overspent by £2.563m predominantly due to additional staffing costs to reflect the current pay offer and increase in the Foundation Living Wage and increases in food price inflation (19%). The majority of the pressures were only known after meal prices were set so could not be easily recovered via increased income from schools. To try to mitigate the financial position the service changed menu options in the second half of the financial year but the impacts of this were offset by further supplier product price reviews sending food costs higher and in addition there was a loss of income due to school strikes. Despite this, the service did mitigate a significant amount of the unprecedented inflation pressures.

Staff and civic catering overspent by £115,000 mainly due to lower sales as a result of the impact of hybrid working but also affected by food price inflation and pay offer increases to Foundation Living Wage. Footfall increased in the latter part of 2022/23 and consequentially the financial position improved compared to previous forecasts.

Premises running costs including repairs and maintenance has an overall underspend of c£933,000, however this is after using a provision of £571,000 to cover increased costs of electricity and gas since contract prices increased in October and a one-off underspend of £1.045m relating to a rates rebate at Museum of Lancashire.

Law and Governance – Overspend £0.707m

Coroners Service – Overspend £0.264m

In the main the overspend is the result of an overspend of staffing and supplies and services, some of which was offset by one-off unbudgeted income.

In 2022/23 the number of deaths in Lancashire has increased by 23%, 29% of these occurring over the winter period. As a result, this has had an impact on the number of inquests held. Nationally, it has been reported that there has been an increase in the number of deaths, so is not just specific to in Lancashire. In addition, to the

pressure the increase generated, there were still several inquests held from the Covid-19 recovery period following the pandemic.

The service has also seen higher contract prices, which previously had been covered through efficiencies. However, this has proven to not be a viable option IN 2022/23 and the pressure is shown in the outturn position.

Legal and Governance Service – Overspend £0.060m

The outturn overspend is in the main due to staff cost pressures both in relation to a higher than budgeted pay award and agency staff costs. The service continues to experience income pressures, but these are offset by underspends across legal fee budgets.

Registrars – Overspend £0.383m

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 – Underspend £0.021m

The underspend largely relates to staff costs.

People Services – Underspend £0.608m

The underspend relates to staff costs and income levels across the services.

Communications Service – Underspend £0.208m

The underspend largely relates to staff costs.



5. Chief Executive Services

Service Area	Revised Budget	Outturn	Outturn Variance	Outturn Variance	Q3 Forecast Variance	Movement from Q3
	£m	£m	£m	%	£m	£m
Chief Executive	2.303	0.513	-1.791	-77.74%	-1.056	-0.735
Corporate Budgets (Funding and Grants)	-18.447	-18.803	-0.356	-1.93%	0.000	-0.356
Total Chief Executive Services	-16.143	-18.290	-2.147	-13.30%	-1.056	-1.091

The budget for Chief Executive Services is -£16.143m, the outturn position is an underspend of £2.147m.

Chief Executive – underspend £1.791m.

The outturn variance is mainly due to underspends across supplies and services budgets.

Corporate Budgets (Funding and Grants) – underspend of £371,000.

The outturn variance is due to underspends o across operational cost budgets.



Section B – County Fund Balance, Reserves and Provisions

Revenue Reserves as at 31st March 2023

The table below shows the summary position for revenue reserves as at 31st March 2023:

Reserve Name	Opening balance 2022/23	2022/23 Expenditure	2022/23 transfers to/from other reserves	2022/23 Closing Balance	2023-24 Forecast Exp	2024-25 Forecast Exp	2025-26 Forecast Exp	Forecast closing balance 31 March 2026
	£m	£m	£m	£m	£m	£m	£m	£m
County Fund	-23.440	0.000	0.000	-23.440	0.000	0.000	0.000	-23.440
SUB TOTAL - COUNTY FUND	-23.440	0.000	0.000	-23.440	0.000	0.000	0.000	-23.440
Strategic Investment Reserve	-4.190	0.280	3.460	-0.450	0.410	0.050	0.000	0.010
COVID-19 Reserve	-11.050	1.440	9.610	0.000	0.000	0.000	0.000	0.000
Downsizing Reserve	-5.450	0.110	0.000	-5.340	0.000	0.000	0.000	-5.340
Risk Management Reserve	-4.280	1.160	-0.060	-3.180	0.310	0.150	0.000	-2.720
Transitional Reserve	-215.780	55.730	-6.690	-166.740	-0.890	-3.330	1.340	-169.620
Business Rates Volatility Reserve	-5.000	0.000	0.000	-5.000	0.000	0.000	0.000	-5.000
Service Reserves	-108.750	-19.850	-6.330	-134.930	76.910	27.270	11.930	-18.820
Treasury Management Reserve	-36.320	0.000	0.000	-36.320	0.000	0.000	0.000	-36.320
SUB TOTAL - LCC RESERVES	-390.820	38.870	-0.010	-351.960	76.740	24.140	13.270	-237.810
Non-LCC Service Reserves	-17.060	-7.680	0.000	-24.740	11.540	0.840	0.450	-11.910
SUB TOTAL - NON LCC RESERVES	-17.060	-7.680	0.000	-24.740	11.540	0.840	0.450	-11.910
GRAND TOTAL	-431.320	31.190	-0.010	-400.140	88.280	24.980	13.720	-273.160

The County Fund shown at the top of table is the balance set aside to cover the authority against a serious emergency situation (e.g, widespread flooding), a critical and unexpected loss of income to the authority and for general cash flow purposes. In considering these various factors the county council has a County Fund balance of which remains unchanged at £23.437m at the end of 2022/23.

The table above shows that the forecast value at the end of 2025/26 of the uncommitted Transitional Reserve following the 2022/23 outturn is £169.620m. The outturn position at the end of the 2022/23 financial year is £21.793m less than forecast for a number of reasons but mainly relating to financial support in the region of £35m provided to the Integrated Care Board. However, due to the nature of the agreed payments, the funds will be recouped over the next 5 years, with the most significant amount in 2023/24. There are commitments of c£23m forecast over the next 3 years, including the £8.935m agreed to support the 2023/24 budget, however there are contributions to reserves expected of c£26m from the ICB through renegotiation of our existing pooled budget arrangements, therefore a net contribution to reserves is forecast over the next 3 years. This does not include any support of the financial gap in future years, as this is agreed on an annual basis at the Full Council Budget Meeting.

The table below shows the available balances for each future financial year and most importantly the forecast available funds to support the budget gap in future years.

	2023/24	2024/25	2025/26	2026/27
	£m	£m	£m	£m
Opening Balance	166.740	167.630	183.037	174.867
Gap funding	8.935	-12.077	6.831	19.103
Commitments	-9.825	-3.330	1.340	
Closing balance	167.630	183.037	174.867	155.764

Provision for Bad and Doubtful Debts

In addition to general provisions against known liabilities the Council maintains a provision against bad and doubtful debts. For 2022/23 there has been a decrease in the provision of £1.349m (16.72%).

	Opening Balance as at 1 April 2022 £m	In Year Changes £m	Closing Balance as at 31st March 2023 £m
Corporate Bad Debt Provision	-8.066	-1.349	-9.415



General Provisions

General Provisions which are set aside for specifically quantified liabilities such as insurance claims. Movements in general provisions are summarised in the table below:

	Opening Balance as at 1 April 2022 £m	In Year Changes £m	Closing Balance as at 31st March 2023 £m
Adult Services - Safeguarding	-0.968	0.028	-0.940
Adult Services – General	-3.570	0.000	-3.570
Financial Resources	-0.001	-0.007	-0.008
Energy/fuel cost increases	-3.820	3.820	0.000
Business Rates Appeals	-6.046	1.261	-4.785
Municipal Mutual Insurance (MMI) Provision	-2.749	0.000	-2.749
Insurance Provision	-31.297	-4.998	-36.296
Highways Provision	-0.300	0.300	0.000
Facilities Management Provision	-0.470	0.100	-0.370
PFI Payments	-1.595	-0.500	-2.095
Grand Total	-50.818	0.005	-50.813

The table above contains both long- and short-term provisions held at the end of the 2023/24 financial year. A review of all provisions has been undertaken with several removed as they are no longer required. In addition, where new provisions are required, or increases were needed to existing provisions then the required action has been taken.



Section C – The 2022/23 Capital Delivery Programme

In February 2022 an indicative Capital Delivery Programme of £208.263m was agreed with Cabinet. Subsequently approved additions and re-profiling of the programme have increased the in-year programme to £223.115m.

The Delivery Programme is shown in section 2 split by block. This was agreed by service heads as being deliverable, with the understanding that it was an ambitious delivery programme, aiming to deliver schemes already programmed in for delivery within financial year along with, where possible, the delivery of schemes that have slipped from delivery plans in prior years. The project and programme managers were held accountable using the following actions:

- Detailed monitoring of the delivery programme through 2022/23 to ensure variances were understood and reported in a timely manner and a robust level of challenge provided to programme and project managers.
- Performance reports developed to enable the Capital Board to undertake this monitoring and challenge.



1. Delivery Programme

The delivery programme for 2022/23 was originally agreed at Budget Full Council in February and then updated by Cabinet during the year to reflect the previous year's outturn position and impact of delayed delivery and all subsequent Cabinet approved decisions. This formed the basis of the monitoring report throughout the year.

The final delivery programme is £223.115m as set out in Table 1 below:

Table 1 – 2022/23 Capital delivery programme by block

Service Area	Delivery Programme agreed Feb 22	Changes to planned delivery	Total Delivery Plan for Monitoring
	£m	£m	£m
Schools (including DFC)	25.738	1.368	27.106
Highways	50.258	-0.296	49.962
Transport	23.591	0.000	23.591
Externally Funded Schemes	1.804	1.268	3.072
Central Systems & ICT	5.187	8.802	13.989
Adult Social Care	16.000	1.255	17.255
Corporate - Property	20.211	2.074	22.285
Economic Development	45.784	0.609	46.393
East Lancs Levelling Up Fund	0.000	0.000	0.000
Vehicles	4.441	-0.229	4.212
Transforming Cities Fund	15.250	0.000	15.250
Grand Total	208.263	14.852	223.115



2. Variance Analysis

The reported outturn variance for the financial year 2022/23 is -£84.530m. A breakdown of the variance to block level is shown in Table 2 below.

Table 2 – Summary Capital Delivery programme outturn position 2022/23

Service Area	Total delivery programme for 2022/23	Outturn	Variance
	£m	£m	£m
Schools (excluding DFC)	24.768	22.099	-2.669
Schools DFC	2.338	2.098	-0.240
Highways	49.962	42.130	-7.832
Transport	23.591	12.659	-10.932
Externally Funded	3.072	1.675	-1.397
Central Systems & ICT	13.989	12.100	-1.889
Adults Social Care	17.255	17.197	-0.058
Corporate - Property	22.285	10.016	-12.269
Economic Development	46.393	10.796	-35.397
Vehicles	4.212	2.323	-1.889
East Lancs Levelling Up Fund	0.000	0.406	0.406
Transforming Cities	15.250	5.086	-10.164
Totals	223.115	138.585	-84.530

The outturn for 2022/23 is £138.585m and funded from a combination of borrowing (£45.704m), Grants (£82.811m) and Contributions (£10.070m).

A more detailed narrative on the key items making up the variances by block can be found in the section 5 of the report.

Table 3 – Analysis of outturn variance

Service Area	Forecast Variance	Underspends and potential underspends	Overspends and potential overspends	Slipped Delivery	Additional delivery
	£m	£m	£m	£m	£m
Schools (exc DFC)	-2.669	-0.734	0.000	-8.967	7.032
Schools DFC	-0.240	0.000	0.000	-0.240	0.000
Highways	-7.832	-1.295	0.515	-7.996	0.944
Transport	-10.932	-1.175	0.000	-12.432	2.675
Externally Funded	-1.397	0.000	0.003	-1.400	0.000
Central Systems & ICT	-1.889	0.000	0.004	-3.355	1.462
Adults Social Care	-0.058	-0.058	0.000	0.000	0.000
Corporate - Property	-12.269	-0.409	-0.003	-16.233	4.376
Economic Development	-35.597	0.000	0.000	-45.069	9.472
Vehicles	-1.889	-0.001	0.000	-1.931	0.043
East Lancs Levelling Up Fund	0.406	0.000	0.000	0.000	0.406
Transforming Cities	-10.164	0.000	0.000	-10.164	0.000
Totals	-84.530	-3.672	0.519	-107.788	26.410

Underspends and potential underspends cover schemes that are forecast to be completed under budget. As per the capital financial regulations, these underspends can be repurposed within the same programme to allow for additional spend on other projects though consideration to reducing the level of borrowing should be given at this time of increased borrowing costs.

Overspends and potential overspends cover schemes that are forecast to be completed over budget. As per the capital financial regulations, these underspends can be covered through repurposed monies within the same programme.

Slipped delivery covers expenditure that was originally forecast to be incurred in 2022/23 but is now forecast to be slipped into later years.

Earlier than profiled delivery covers expenditure on schemes within the approved multi-year programme but not originally scheduled in the current year delivery programme.

3. Capital Programme 2023/24 next steps:

Due to the delayed year end for 2022/23, the start of the preparation for 2023/24 was also delayed. The added time to produce accurate 2022/23 year end accounts meant a shortened preparation time for the 2023/24 delivery plan.

During 2023/24 the Capital finance team is aiming to-

- a) Utilise new Oracle Fusion functionality to improve reporting methods.
- b) Redesign working processes to utilise the strict budgetary control features in Fusion, whilst putting minimal impact on service delivery.
- c) Work with project and programme managers to produce 2023/24 monitoring reports & to enable an early start on 2024/25 delivery plan preparation.
- d) Ensure that the project management system (PPMS) is fully utilised to allow for accurate financial and non-financial reporting for all projects.
- e) Work closely with project managers to mitigate risks of overspends and to help flag up previously approved funding which could be reutilised rather than seeking approval for new and additional funding when programmes are facing budget pressures.

5. 2022/23 Capital Programme Outturn Detailed Analysis

The outturn variances by block from the budget for delivery in 2022/23, with comments by programme or significant project are as follows:

5.1 Schools

The school's capital programme (including devolved formula capital (DFC)) has a 2022/23 delivery plan of £27.106m. The final outturn position is £24.197m, a variance of -£2.909m.

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

Basic Need Programme

The purpose of the Basic Need programme is to increase school pupil places in targeted areas via grant funded school expansions or new school build projects.

A new primary school commissioned at the site of the former Higher Standen school in Clitheroe commenced on site in October. A conservative 2022/23 delivery plan had been entered for this project due to there being no robust programme and start date in place as legal and planning conditions were not yet satisfied. However, good progress was made in the latter part of the year and the project has delivered £2.822m in addition to the delivery plan. £0.340m additional delivery was also recorded in total across a number of other basic need projects that were operational in year.

School expansion projects at Primet Academy in Colne and SS John Fisher and Thomas Moore high school are new constructions and were planned to commence on site during 2022/23. The first phase of the Primet High expansion was completed during the summer, however the second phase of the project, which included the construction of the new block, was delayed due to a lengthy procurement process. This caused slipped delivery of -£1.043m. Preliminary enabling works did begin on site in April 2023.

The project at Fisher-More High School has been beset by legal delays and required a value engineering exercise. Delivery of this project is to be managed by the school's diocese. It remains planned to commence in 2023/24, with all planned delivery for 2022/23 slipping to this and future years causing a slipped delivery variance for 2022/23 of -£2.700m.

Further slippage was incurred across Broadfield's move to Burnley Hameldon campus (-£0.321m) where the scope of works was reduced due to programme constraints, and Burnley Campus re-organisation (-£0.256m) where delays have resulted in the works now likely to only commence in 2024/25.

Condition Programme

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

The condition programme delivery plan for 2022/23 was £11.380m. While many projects have been completed in advance of schedule over the summer, an overall slipped delivery variance of -£0.692m is recorded due to a number of projects



originally planned for 2022/23 now being tendered for delivery in summer 2023, such as roof repairs at Lancaster Chadwick High school and Garstang Primary school and a boiler replacement at Ormskirk Asmall primary school. Savings of -£0.492m on the delivery plan have been achieved across several projects.

Local Full Fibre Networks

Funding had been awarded from the Department for Digital, Culture, Media and Sport to a number of schools across the county that were identified as premises that would benefit from the installation of high speed fibre. The delivery plan for 2022/23 was £0.016m and this was fully spent in year.

Devolved Formula Capital (DFC)

The DFC programme is a grant funded programme for small to medium capital projects. It is allocated to schools on a formula basis by the department for education in order for schools to spend on capital projects within expenditure guidelines. The DFC 2022/23 delivery plan was £2.338m. In year expenditure was £2.098m with a slipped delivery variance of -£0.240m.

5.2 Highways

The Highways capital programme has a 2022/23 delivery plan of £49.962m. The final outturn position is £42.130m, a variance of -£7.832m.

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

The structural defects programme has an overspend of £0.416m. Although new ways of working were implemented from 1st April 2022 which has significantly reduced the spend from previous years, there is still a sustained increase in the number of defects being reported.

As a result of the increase in the number of structural defects reported it was decided to identify schemes that potentially could be deferred or cancelled with minimum impact to allow funds to be transferred to any potential overspend in structural defects. As a result of this exercise some prior year footway slurry seal schemes were cancelled resulting in an underspend of -£0.787m. The 2022/23 footway slurry seal schemes were also paused causing a slipped delivery variance of -£0.205m, these will now be delivered along with the 23/24 footway schemes. In the Local Deterioration Programme schemes were put on hold but these will now be delivered in 2023/24 resulting in slippage of -£1.418m.

Within the Moss Roads programme slippage of -£0.555m is due to a number of factors. Chain Lane has been delayed because more work is needed than originally anticipated. Unexpected ground conditions at Segars Lane caused a delay and Moss Lane is now being delivered in October 2023 half term to avoid disruption. There is also an underspend of -£0.132m due to Gravel Lane and Taylors Meanygate being completed under budget.

Within the traffic signal programme changing to a new traffic signal contractor cause a delay to schemes starting. This, combined with limited resource in the team, has led to slippage of -£0.712m.



Within the public rights of way walking and cycling programme there was a slipped delivery of -£0.589m across several schemes is due to operational delays such as having to get Environment Agency consent or further site investigations needed.

The design, procurement and legal agreements required for the construction of the Ormskirk 5 ways junction has taken longer than anticipated. There are also long lead times for the equipment which has meant that construction is now scheduled to start in October 23 and slipped delivery of -£0.150m is reported on the project.

The works on Derby St bridge and Moor Street railway bridge were delayed allowing works to complete on the Ormskirk Eastern Gateway with a slipped delivery variance of -£0.440m. Construction is now planned to start at the end of 2023/24.

Several schemes in the rural programme were scheduled to be delivered in late March 23, however some of the works and costs continued into April. The schemes on Midgery Lane and Cropper Road are on hold until housing developments are complete causing slippage of -£0.787m. The residential urban programme also had several large schemes delayed until 2023/24 with a slipped delivery variance of -£0.959m.

A variety of operational issues within small programmes of Highways resulted in slippage -£0.570m.

Despite challenges with price increases and shortages of certain materials highways delivered additional schemes across various programmes. In particular good progress has been made on the drainage programme resulting in additional delivery of £0.192m and the bridges and structures programme of £0.401m. Across smaller programmes in the highways block there is additional delivery of £0.351m.

5.3 Transport

The transport capital programme has a 2022/23 delivery plan of £23.591m. The final outturn position is £12.659m, a variance of -£10.932m.

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

Ormskirk Eastern Gateway

A joint programme with West Lancs Borough Council to demolish the bus station building and create valuable open space in the town centre through which new routes to the town centre and railway station will now be finalised in the second quarter of 2023/24 due to construction delays with the contractors causing a slipped delivery variance of -£0.647m.

Safer Roads Scheme

The remaining outstanding work in the programme is the installation of average speed cameras for which the tender has been accepted. The final delivery across the programme was slightly higher than expected creating additional delivery of £0.138m. The remaining installation work is expected to be completed in 2023/24 utilising the remaining grant funded budget in full.



M55 Link Road

The M55 to Heyhouses link road will create a much improved connection between Lytham St Annes and the M55 motorway. Construction commenced in June 2021 with the initial earthworks and utilities preparation estimated to take 18 months. Delays encountered by the contractor undertaking this work have meant that LCC Highways staff were only on site from March 2023 rather than the initial expectation of September 2022. This delay caused slipped delivery of -£3.710m.

Heysham Link

A delivery budget of £4.000m was agreed for 2022/23 to finalise land claims which are payable between one to six years after the road has opened, timing of claims are dependent on the 3rd party making the claim so whilst value possible can be determined timing of payment of the claim cant, These delays have resulted in a year end outturn of just £0.825m with the slipped delivery of -£3.175m forecast to be utilised in 2023/24 should the claims be made.

City Deal

The annual contribution towards the City Deal of £2.500m was completed earlier in the year to correspond to the agreed delivery budget. 2023/24 marks the 10year anniversary of City Deal, which was the original term of the deal, a review is underway with partners in line with the heads of terms to agree the future of City Deal and any commitments required by LCC for the following years 2024/25 onwards.

East Lancs Strategic Cycleway

The aim is to create a joined-up network that provides access to workplaces, schools, as well as providing tourism and recreation opportunities. Awaiting results from the completed bat surveys has delayed an integral next part of the programme which now cannot be undertaken until next season causing a knock on effect to associated work and a slipped delivery variance of -£0.676m.

Cycling Safety

There was additional delivery of £0.785m in the cycling safety programme, mainly due to £0.649m of additional delivery on the Clifton Drive cycleway project, fully funded by Sustrans grant, for the final safety works and defects works.

Burnley Pendle Growth Corridor

The Burnley Pendle growth corridor investment programme is a key priority for the East Lancashire Highways and Transport Masterplan. The projects within the current scheme are now coming to a close with a delivery plan of £0.411m included in 2022/23 for the final stages of work. There have been underspends across three schemes totalling -£0.028m, with slipped delivery of -£0.270m on the Rose Grove scheme. It is likely that part of this slipped delivery will be realised as an underspend during 2023/24.

5.4 Externally Funded

The Externally Funded capital programme has a 2022/23 delivery plan of £3.072m. The final outturn position is £1.675m, a variance of -£1.397m.



The section 278 Town2Turf project at Burnley has slipped delivery of -£0.341m. Works on this district controlled levelling up project is aimed to improve pedestrian access from Burnley town centre to the Burnley football club area. The scheme is now due to commence construction in 2023/24.

Longridge bus stop infrastructure improvements has slippage of -£0.208m. This project has seen delays resulting from the consultation process, as well as issues surrounding traffic regulation orders. As such, advertising is due to start at the end of May 2023, and the majority of the spend is now anticipated to be incurred in 2023/24.

The S278 scheme on Blackpool Road, Kirkham has slippage of -£0.196m due to ecological issues causing a delay to construction, which was due to commence in July 2022. Additional funds may be required on this scheme and will be monitored in 2023/24.

UCLan Masterplan has slippage of -£0.195m, with construction works now complete and only a small spend anticipated in 2023/24. It is expected this project will be completed under budget, with the underspend to be reported in 2023/24.

S278 Catforth & Woodplumpton villages traffic calming schemes have slippage of -£0.137m, as the main suppliers programme of works have pushed this project into 2023/24.

The S278 Water Lane/Fylde Road Junction project has slippage of -£0.125m which has been caused by design delays and a prolonged period to scope out the project objectives and commission the supplier to produce a design model and recommendations.

5.5 Central Systems and ICT

The Central Systems and ICT capital programme has a 2022/23 delivery plan of £13.989m. The final outturn position is £12.100m, a variance of -£1.889m.

Details of the main variances are as follows:

The project for the migration to the Oracle Cloud platform has slipped delivery of -£1.586m. The Fusion system is now live, with the capital project anticipated to wind down in 2023/24. It is expected that the majority of future spend will be covered from corporate reserves generated during the data migration phase of the programme. £4.817m of borrowing in 2022/23 will be repaid from similar reserves in 2023/24, as works on the system become business as usual.

There is further notable slipped delivery on the social care reform Lancashire patient record service project of -£0.078m which has been delayed due resources being utilised on other ICT projects. The project for the replacement of document handling hardware and software has slipped delivery of -£0.131m due to a shortage of space for the equipment to support the scanning/records digitisation project.

5.6 Adults Social Care (Adults)

The Adults capital programme has a 2022/23 delivery plan of £17.255m. The final outturn position is £17.197m, a variance of -£0.058m.

The disabled facilities grant (DFG) is capital funding for the provision of home adaptations to help older and disabled people to live as independently and safely as possible in their homes. The 2022/23 DFG allocation was £16.715m and this was received fully passported to district councils to distribute during the first half of the year.

The extra care grant allocation for Preston, was designed to contribute to new independent living homes specifically for people over the age of 55 with varying care needs. After delays in 2021/22, the legal agreement was executed in 2022/23 and a contribution for £0.540m was paid over late 2022/23.

5.7 Corporate property

The corporate property capital programme has a 2022/23 delivery plan of £22.285m. Outturn for 2022/23 was £10.016m, a variance of -£12.269m.

Details of the main variances are as follows:

The new rolling program of operational buildings repairs and maintenance of £44.670m over the next three years will now begin in 2023/24 to allow the adequate allocation of staff resources and a structured agenda of inspections. The £14.670m planned for 2022/23 will be rolled forward to meet these assessment costs, with the exception of £0.138m incurred in 2022/23 on early preparation work delivery profiling due to available resources.

The project to replace Bowgreave Rise residential care home to increase affordable extra care schemes for older people and those requiring dementia care has now been completed and opened in the first quarter of 2023/24. The delivery budget of £2.500m was agreed to take into account the potential for delays on the exposed site but the work was completed without encountering these issues.

The Department for Education's (DfE) new capital funding programme will support the Council's service delivery through the establishment of new children's homes provision via refurbishment or new builds. The programme, which supports the "where our children live" strategy began with the identification of the initial 4 sites for refurbishment, a further property at 416 Heysham Road was then selected to purchase and adapt. A Delivery Budget of £1.157m was agreed, although delays in access to the buildings to complete the necessary surveys saw slipped delivery of -£0.628m. However, the purchase of the new site, which wasn't initially forecast for this year was completed ahead of schedule causing additional delivery of £0.451m against the plan.

The delivery plan for the programme of works to a range of operational premises (WtOP) was set at £0.956m with 20 projects forecast to be worked on in the year. Outturn for the programme in 2022/23 was £0.714m, much of this slipped delivery of -£0.242m related to two neighbourhood projects being placed on hold for further investigation, Preston Moor Nook (-£0.110m) and Leyland zone (-£0.081m).

The delivery plan for the building condition programme was agreed at £1.661m for 2022/23 initially covering 51 active projects. The outturn for 2022/23 was £1.145m as many of the projects were slowed by supply chain issues, the slipped delivery of -£0.516m is now forecast to be fully utilised in 2023/24.

5.8 Economic Development

The economic development capital programme has a 2022/23 delivery plan of £46.393m. Outturn for the year was £10.796m a variance of -£35.397m.

Samlesbury Enterprise Zone, which on completion, will be a national centre of excellence for advanced engineering and manufacturing has an agreed in year delivery budget of £26.093m. Concentrating on emerging market prospects, Samlesbury will be a leading centre for world-class research businesses and supply chain manufacturers developing cutting edge technologies and advanced manufacturing processes. Groundworks in Zone A were completed but the works in Zones B&C are now due to begin in July 2023 and completed within the 2023/24 financial year.

Much of the expense in the year related to the safe recycling of coal tar found on site which has been treated and re utilised in the county's roads costing £2.016m much lower than the expense of safe landfill options. Overall, the programme incurred slipped delivery of -£22.283m which will be utilised over the next year as the works progress. This variance was predominantly due to the delay in the competition of the earthworks programme which has a knock-on effect to the rest of the works and was caused by the discovery of coal tar contamination during the removal of a former runway at the site.

The contribution to the Brierfield Mill scheme, which created offices, apartments, and leisure schemes in the redeveloped historic site which was due to be paid in 2022/23 will now be paid in 2023/24 created a slipped delivery variance of -£0.407m.

The funding contribution towards the expansion of the Lomeshaye industrial estate, adjacent to J12 of the M65 motorway, had an additional delivery variance of £0.944m previously profiled for spend in 2023/24 Progress on the scheme exceeded the delivery plan forecast with the majority of the available contribution now being paid out to the project partners.

In respect of the Lancashire Central site at Cuerden which will be delivered in conjunction with the County Council's development partner Maple Grove Developments, partners have submitted revised plans for the site. Delays to the consideration of planning permission, as a result of National Highways' consideration of the impact on nearby motorways, have deferred the commencement of the works and created -£3.395m of slipped delivery against the initial £5.000m plan. This is expected to be fully utilised in 2023/24.

The new programme based at Farington in conjunction with Lancashire Cricket Club, will create a new year-round sports facility for Lancashire. A budget of £7.000m was approved for this year, however with final government approval required for planning



for a scheme of such size in a green belt area, this will all be carried forward to 2023/24 when the work is expected to commence.

Whilst work was expected to ramp up on the South Lancaster Growth Catalyst over the year, it became apparent that the approach to collection of developer contributions required to fund the delivery of the wider programme was an issue. This was coupled with inflationary pressures on the main schemes which, with fixed grant contributions, meant the reliance on developer contributions was greater.

The reassessment of the programme, delivery timescales and grant funding deadlines meant that delivery of the programme was too risky for partners to undertake and forced the decision to withdraw from the HIF programme. This has meant that the delivery programme expected both in 2022/23 and in later years will now not take place. Partners are working to develop a programme that could support housing delivery in south Lancaster requiring a much reduced risk to the public purse, with timing of delivery more aligned to the developer contributions that will be needed to fund it.

5.10 Vehicles

The Vehicles capital programme has a 2022/23 delivery plan of £4.212m. The final outturn position is £2.323m, a variance of -£1.889m.

In 2022/23 the fleet replacement programme has overseen delivery of 26 vans, 5 versalift telescopic access platform vehicles, 2 salt spreading vehicles, 2 wheeled loaders, 1 covid van, 1 mobile library van, 2 vehicles for transporting plant, 1 end tipper & crane, 1 car and 1 wheeled wood chipper. In addition to this, 12 electric estate cars and 1 electric van are now in service.

Global supply issues have however caused delays to deliveries of vehicles on order for delivery to LCC in 2022/23.

There has also been some delay in progressing orders at the end of this period due to long term staff absence, but measures are now in place to catch up on any outstanding requirements while progressing the current year's requirements.

With supply chain issues easing, fleet services would expect in 2023/24, any backlog to be recovered and new orders to be processed and fulfilled within a shorter time scale.

5.11 Transforming Cities Fund (TCF)

The TCF capital programme has a 2022/23 delivery plan of £15.250m. The final outturn position is £5.086m, a variance of -£10.164m.

A slippage variance of -£10.164m has been reported. This is due to several issues which have combined to delay spend on the programme during 2022/23.

The transforming ringway project is expected to complete in Autumn 2023, a 6 month delay which is due to unexpected additional sub-surface works and procurement issues relating to the paving contract. Current figures suggest that it will not spend all of the original £14.700m revised budget allocation due to the less than

expected drawdown on contingency. Any surplus (currently estimated at approximately £1.500m to £2.000m) may be available to address some of the budget pressures on the Cottam Parkway project.

Progress on Cottam Parkway project has been slower than expected due to difficulties getting the appropriate railway possessions for track surveys to complete aspects of design and progress through Network Rail's approval processes.

The pre-procurement research and design stage of the technology package has proven more complex and lengthier than anticipated and this has delayed the significant spend which will be incurred when contracts are let. This will be made up in 2023/24.

LCC are currently in discussions with the DfT regarding the funding and delivery position on Cottam Parkway following a national review of the Transforming Cities Programme as the delivery programme exceeds the confirmed funding spend deadlines and a further funding gap is emerging due to the inflationary position. This will only be partly mitigated by the surplus on Transforming Ringway. Decisions are expected in September 2023 which will inform the future deliverability of the Cottam Parkway project.



Section D - Schools Spending 2022/23

The final outturn position against schools delegated budgets as of 31 March 2023 is an overspend of £21.265m resulting in school balances decreasing by that sum to a total of £74.049m.

The tables below show analysis of school balances by phase at the end of the financial year 2022/23.

2022/23 School Balances - In-Year Movement of Balances by Phase

Phase	Balance Brought Forward as of 1 April 2022 £m	In-year Increase / (Decrease) 22/23 £m	Balance Carried Forward as of 31 March 23 £m
Nursery	0.797	-0.445	0.352
Primary	56.109	-15.709	40.400
Secondary	29.140	-1.596	27.544
Special	7.541	-3.120	4.421
Short Stay	1.727	-0.395	1.332
Total	95.314	-21.265	74.049

Schools continued to face exceptional challenges in 2022/23 related to the recovery from the covid pandemic, increased energy, and general price pressures.

Increased levels of core funding were provided by the Government in the year. With the gross Dedicated Schools Grant (DSG) allocation being £54m higher than that received in 2021/22. This was partly due to nationally increased funding made available by Government and an increase in the overall numbers of pupils in Lancashire compared to the prior year, which contributed to the increase.

In addition to the core Dedicated Schools Grant (DSG) funding allocations to schools, considerable additional funding was allocated during 2022/23 in the form of supplementary government grants. For Lancashire maintained schools, grant allocations in the year totalled £38.128m.

A number of these grants were specifically to assist schools as they continue to respond to the challenges of supporting pupils catch up on learning, to cover the health and social care levy and wider costs. Some of these grants were allocated by the DfE on an academic year basis and will need to be spent by the end of the current school year, which may have had some impact on the level of balances held on 31 March 2023.

2022/23 School Balances –In-Year Movement Count of Schools by Phase

Phase	Count of deficit in year	Count of surplus in year
Nursery	16	8
Primary	328	128
Secondary	27	18
Special	21	8
Short Stay	4	4
Total	396	166

396 schools reported an in-year deficit in 2022/23, which equates to 70%, with 166 schools (30%) reporting an in-year surplus. This level of in year spending in 2022/23 has shown an increase over historic levels with energy and general price pressure and the reinstatement one off delayed spend during the covid lockdown driving the increase. In 2021/22, 48% of schools operated an in-year surplus.

2022/23 School Balances – Number of Schools in Surplus/Deficit by Phase

Phase	Count of deficit close balance	Count of surplus close balance
Nursery	8	16
Primary	29	427
Secondary	1	44
Special	4	25
Short Stay	1	7
Total	43	519

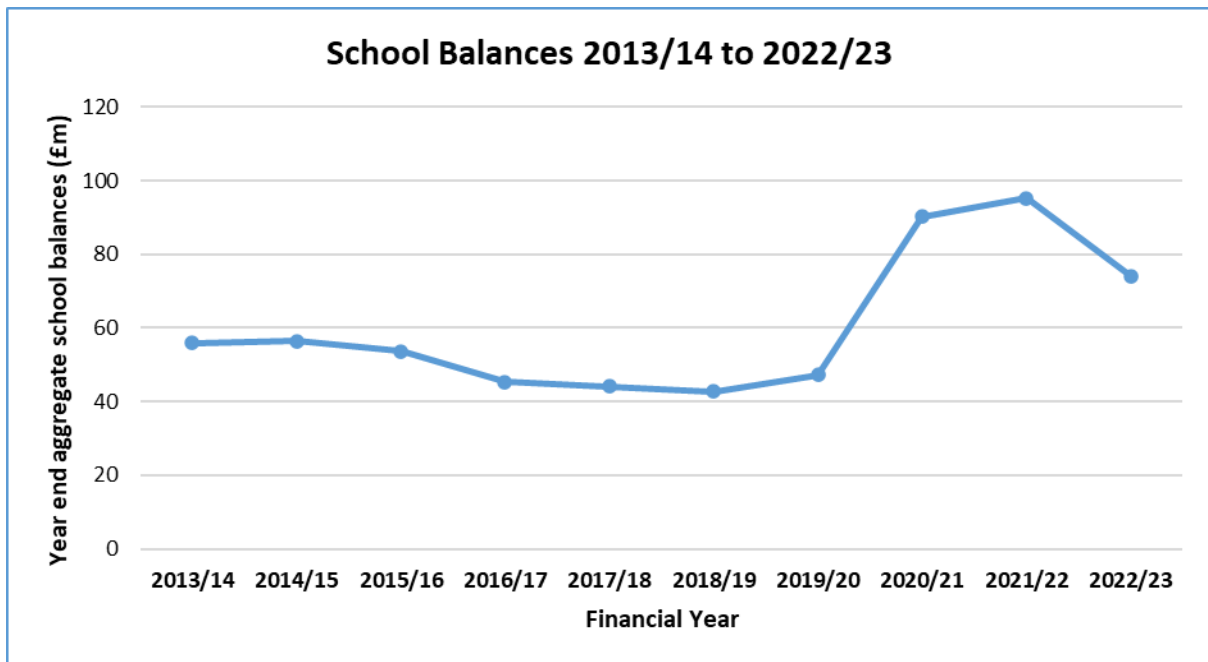
43 schools ended the 2022/23 financial year in deficit. The number of schools in deficit has increased from 21 schools in deficit a year earlier. The nursery sector remains the most concerning phase with 8 out of 24 schools ending the financial year in deficit, representing 33% of schools in the sector.

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

Year End	Number of schools in deficit
31 March 2023	43
31 March 2022	21
31 March 2021	30
31 March 2020	41
31 March 2019	39
31 March 2018	47
31 March 2017	40
31 March 2016	25
31 March 2015	18



The number of schools in deficit has returned to more historic levels following what was an artificially low 2022 figure due to unspent funding such as Covid related catch-up grants.



The graph demonstrates the trend in aggregate school balances over several years and shows that following the significant rise in the balances held by schools in the two financial years to March 2022. Balances at the end of 2022/23 are returning to more traditional levels at £74.049m. The deployment of delayed spend and cost pressures being contributing factors to the reduction.

To provide context for the total school balances, the current authority guideline for schools is to have reserves equating to 12% of their total Combined Financial Reporting (CFR) income or a minimum of £75,000. This is to ensure that individual schools can withstand potential financial risks and financial stresses. If all Lancashire schools held the guideline balance, the total balance would have been circa £112m, compared to the actual balances held of circa £74m.

Support for Schools in Deficit

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

43 schools ended the 2022/23 financial year in deficit, compared to 21 schools a year earlier. Of the 21 schools at the start of the year 5 have returned to being in surplus because of a successful recovery plan 6 are following a recovery plan and are showing reduced deficits. We continue to work with the remaining 10 schools



which remain in deficit. Alongside these schools a further 27 schools have slipped into deficit in the year. We have recovery plans for these schools and will actively monitor and support schools as they manage their budgets appropriately.

By way of support to those schools with an agreed recovery plan or an agreed sustainability plan, we continue to meet interest charges and provision of school finance support from SIFD reserves.

Schools Reserves**

Schools Reserves	Opening Balance as of 1 April 2022	In Year Changes	Closing Balance as of 31 March 2023
	£m	£m	£m
Individual Schools Reserves	95.314	-21.265	74.049
Other Schools Reserves	31.558	3.270	34.828

** The School Reserves are ring-fenced to schools and are used at schools' discretion.

Under the Education Reform Act, schools are given most of their budgets to directly control. If a school does not spend its entire budget, it is held as a reserve for them to use in the future. These reserves cannot be used for any other purpose.



Section E – Conclusion on the County Council's Financial Health

Whilst the revenue outturn position for 2022/23 presents a small overspend (0.08% of the net budget) this has reduced significantly during the financial year due to strong financial management across services. It should be recognised that despite the reported position there are a significant level of "one-off" transactions that have mainly improved the financial position which cannot be relied upon in future financial years.

Over the period of the medium-term financial strategy there is a structural funding gap that will need to be addressed. Currently there are sufficient reserves to support the forecast gap through to 2026/27 and beyond but the intention is that further savings will be identified to reduce the requirement from reserves in 2024/25 and beyond.

The forecast funding gap is predicated on the achievement of all agreed savings, and any undelivered or delayed savings will further increase the gap. In 2023/24 services will need to deliver c£75m of previously agreed savings to stay within their budget envelope which includes those delayed from previous years. These savings are a combination of efficiencies, demand management, income generation and a reduction in some services. Whilst there is an ongoing financial risk, the support available from reserves provides time for future savings proposals to be carefully developed and considered along with the scope for investing in areas which could deliver longer-term financial benefits.

The availability of reserves to support recent revenue budgets has been enabled by good financial stewardship. The council has a track record of delivering positive outturn positions in most years through strong financial management, including delivering the majority of savings that have been agreed in budget cycles.

As part of the Money Matters report for Quarter 1, detailed work will be undertaken to determine the extent to which any of the underspending areas represent structural underspends not yet fully adjusted for within the MTFS for future years. Similarly, overspending areas are also being reviewed to determine the extent that it is recurrent and not reflected in the MTFS, with an updated position to be reported to Cabinet in the Quarter 1 Money Matters update.

The proportion of the council's revenue budget spent on key demand led areas continues to increase and remains a challenge as a result of the ageing population and increasing demand, despite the application of the adult social care precept. The other significant area of demand is children's social care. There are also significant financial risks associated with the current cost of living crisis.

The remaining reserves are forecast to be sufficient to enable a balanced budget to be set until 2026/27, however it is critical that further proposals are developed to address the funding gap. To address this work is underway to identify proposals for the 2024/25 budget.

As with any such plan, the medium-term financial strategy contains a number of assumptions within future year forecasts reflecting a number of unknown elements in

relation to the future funding of local government. In particular for this year the uncertainty around inflation, energy costs and general cost of living rises creates additional uncertainty.

The government's aim to introduce a new fair funding formula and 75% business rates retention have been further delayed. We await confirmation of when these changes will be implemented but our core assumption remains neutral regarding their financial impact.

