

**Report to the Cabinet**

Meeting to be held on Thursday, 11 July 2024

**Report of the Executive Director of Resources**

**Part I**

Electoral Division affected:  
(All Divisions);

**Corporate Priorities:**  
Delivering better services;

**The County Council's Financial Position - 2023/24 Outturn**

(Appendices 'A' - 'D' refer)

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**Brief Summary**

This report provides an update to Cabinet on the county council's final outturn position across revenue and capital budgets. This report follows the same format as the rest of the year for consistency. The process will be streamlined for Quarter 1 reporting in the current year.

The 2023/24 outturn position is an overspend of £5.220m, which represents 0.5% of the revenue net budget. This compares to the last report to Cabinet at Quarter 3 which forecast an overspend of £5.8m. There have been fluctuations to forecasts since Quarter 3, and overall, the position has improved in the final quarter of the financial year.

The 2023/24 budget contained savings to be delivered totalling c£80m. The county council has a proven track record of delivering savings, and this financial year has further emphasised this, with 91.5% of savings delivered. Those savings not achieved in this financial year will be delivered in future years. A revised profile of savings delivery is shown in Appendix 'A'.

The level of reserves remains robust, particularly the transitional reserve. The reserves are sufficient to support the projected budget shortfall over the medium term financial strategy, with work on-going to review ongoing challenges and the budget gap. Details of the reserves position are shown in Appendix 'A' (page 26 refers).

In February 2023 an indicative Capital Delivery Programme of £239.859m was agreed by Cabinet. Following confirmation of the final 2022/23 outturn, subsequent approved additions together with re-profiling of the programme, the in-year programme decreased to £159.135m. The outturn position for 2023/24 is spend of £153.838m, a variance of £5.296m (-3.33%). The variance is primarily the product of delayed delivery on some agreed schemes which has been mitigated where possible through earlier than originally planned delivery on other schemes within the multi-year programme.

Schools outturn position of schools delegated budget for 2023/24 is an overspend of £3.371m. This has resulted in the level of school balances falling to £69.79m. The detail is shown in Appendix 'C'.

### **Recommendation**

Cabinet is asked to:

- (i) **Note** the council's final revenue and capital outturn position for 2023/24.
- (ii) **Approve** the transfer from the transitional reserve for the 2023/24 overspend of £5.220m.
- (iii) **Approve** the revised list of savings (incorporating mitigations for those savings delayed) for 2024/25 and beyond.
- (iv) **Note** the schools budget outturn position for 2023/24.
- (v) **Note** the overview of the council's Chief Finance Officer in Appendix 'D'.

### **2023/24 Revenue Outturn**

The Council has had a challenging financial year, as have most Councils, given the pressures it faced from both inflation and demand and has managed these pressures effectively during the year. Early quantification of the challenges and continual political and managerial oversight have allowed the position to be managed. This process was an integral component in allowing an extra £5m to be spent on highways maintenance. An overspend of £5.2m is reported for the 2023/24 revenue budget as shown in the table below across Directorates.

Detailed analysis can be found in Appendix 'A'.



Service Area	2023/24 Budget	2023/24 Outturn	2023/24 Outturn Variance	2023/24 Outturn Variance	2023/24 Quarter 3 Forecast Variance	Movement from Quarter 3
	£m	£m	£m	%	£m	£m
Adult Services	449.477	449.534	0.057	0.01%	0.746	-0.689
Education & Children's Services	250.414	254.353	3.939	1.57%	4.934	-0.995
Growth, Environment, Transport & Health	167.947	177.176	9.230	5.50%	6.121	3.108
Resources & Chief Executive Services	171.208	163.203	-8.005	-4.68%	-5.972	-2.033
<b>Grand Total</b>	<b>1,039.046</b>	<b>1,044.266</b>	<b>5.220</b>	<b>0.50%</b>	<b>5.828</b>	<b>-0.608</b>

### **Executive Director of Adult Services and Health and Wellbeing**

Adult Services continues to apply a number of measures to ensure there is robust and effective budget management. This includes oversight via the Directorate Finance Board, identifying accountable Directors and Heads of Services for savings proposals, and changing ways of working to enable more cost-effective earlier support for residents. Work is ongoing to explore opportunities for improved cost sharing with the NHS.

The trend and risk in managing the Adult Services budget continues to be around balancing overspends in care packages and underspends in staffing. The latter poses the service with challenges in terms of recruitment and retention, quality and consistency and for residents longer waiting times for support, which is an ongoing priority to address. Another cost driver is the reliance on agency workers in our council run care provision necessary to ensure safe and compliant care.

We know our service has a high comparator cost to other county authorities and as a result, a lot of our action is focused on embedding a strength-based practice model common to most other councils designed to support personal independence and resilience. Other areas include a new procurement system to reduce the cost for homecare, a new financial scheme of delegation to ensure tighter financial controls as well as identifying where support offered by the voluntary, community and faith sector can replace more costly, specialist social care support.

### **Executive Director of Education and Children's Services**

The Directorate's Leadership Team continues to focus on strengthening financial management and ensuring the robust decision making is in place before committing to significant spend.

Encouragingly, the impact of our Family Safeguarding approach continues to be successful in reducing the numbers of children in care, and in contributing to reduced pressures on placement budgets. However, we continue to see increases in average weekly costs of agency residential homes in line with inflation. The average weekly



cost excluding unregistered homes (how the region measures average children's home costs) is £5,473. This is below the regional average (end of Q3) of £5,589.

Difficulties remain in securing appropriate homes for some children and young people with more complex needs where placement costs can be significant. The first of our recently developed in-house homes has already demonstrated a positive impact in helping to better support children in our care and reduce costs. We are excited to be commencing the registration with Ofsted for the second.

We have continued our focus on reducing managed service and agency staffing teams. We are pleased that all managed teams have now ceased, and the number of agency staff has been halved in this financial year and is now 5.76%. The average national rate is 17.9%.

There are continued challenges in reducing payments relating to assistance to families and other support for children in our care. However, we have significantly reduced spend against this budget over the course of the year with circa £1.6m less being spent in quarter 4 compared to quarter 1. We introduced more detailed coding to help us understand how and where this budget was being spent and to enable us monitor progress.

Where traded service income has fallen, an element of consequent overspend continues to be offset by holding vacancies and options to expand to markets beyond Lancashire are being considered.

Moving forward, we will continue to focus on addressing the challenges around sufficiency of homes, both fostering and residential, for children in our care, and in our focus on sustaining reductions achieved of new entrants in to care through approaches such as Family Safeguarding and strengthening our multi-agency support for children and young people at risk of/being exploited. These, together with offset from underspends across the Directorate and bringing forward future savings options, will help to reduce financial pressures within the Education and Children's Services budget.

### **Executive Director of Growth, Environment and Transport**

The Directorate's annual budget has achieved significant outputs in 2023/24. This has included delivering a programme of major strategic development, transport and infrastructure projects to create jobs, improve connectivity and regenerate key sites; engaging and supporting business to grow and invest; whilst improving the skills, talents and capacity of the Lancashire workforce to deliver economic benefit, such that Q4 saw Lancashire overtake Merseyside to become the third largest economy in the north of England.

Budgets have been invested in highway safety, maintenance and tackling our carbon footprint alongside measures to improve public transport, increase cycling and walking as well as other sustainable measures such as increased use of electric and low-emission vehicles. The safety, resilience and health of our communities and residents have been supported together with improvements to the natural environment benefitting public access, health and wellbeing.



Quarter 4 has seen mixed financial performance in the Directorate contributing to a final 2023/24 outturn at 5.5% over budget. Leadership and management continue to focus on mitigation however the significant pressures and risks have materialised alongside some factors outside of the control of budget holders.

Improvements of £0.5m in public health, planning, transport and environment budgets were offset by £3.6m overspends in highways, waste, growth and regeneration.

In highways, the most significant overall financial pressure in home to school transport remained, mitigation plans ensured the budget improved in Q4 against the Q3 forecast. This pressure is now built into the Medium Term Financial Strategy from 2024/25. However, also in highways, as the Met Office confirmed the UK has had the wettest winter on record extending well into Q4, the persistent heavy rainfall contributed to a significant overspend on drainage works including reactive spend and flood prevention.

In the last two quarterly forecasts, the risks of under-recovery of income from recycled materials were highlighted. National pricing for recycled waste on which our income is based continue to suffer from a downturn in highly volatile market conditions associated with global factors (varying by £2.85m over 2023/24). Underspends in other areas of waste management have been offset by overspends on increased disposal costs and security associated with criminal activity at household waste recycling centres.

Elsewhere across the Directorate, sound budget management, managed use of underspends and reserves, achievement of savings and income levels are closer to expected performance and ensure the majority of other services have performed within budget. Risks outlined in Q4 will inform the 2024/25 budget, savings and Medium Term Financial Strategy.

### **Executive Director of Resources**

The Resources Leadership Team has continued its focus on improving the services it provides to support the Council's agenda. As part of that process, we have focussed on our own financial position as well as supporting services to deliver.

Work has progressed in Digital Services on the fundamental review of ICT applications the Council holds and the licencing arrangements. Staff recruitment remains difficult and vacancies have been covered by contractors. Whilst challenged it has been achieved within the financial envelope.

Despite the capacity challenges facing the Directorate we have continued to develop initiatives that will drive forward the Council's agenda. Developments include a redesigned Change Programme, People Strategy including Recruitment and Retention, Business Planning and improved Performance Management, delivery of a review of property usage.

Catering services have incurred an overspend as a consequence of pay and food inflation. A recovery plan has been implemented for this service area that will bring the service into a positive position in 2024/25. This pressure has been mitigated by



savings across other areas of Facilities and Asset Management around building costs not increasing as much as anticipated within the budget.

The Coroners service continues to see increasing costs outside of the control of the Council. This has been more than mitigated in the year by a significant underspend on external legal fees.

Recruitment and retention remain difficult across most service areas creating some delivery challenges. However, this has resulted in considerable underspending within the Directorate. These one-off savings have helped the overall Council position in 2023/24.

### **2023/24 Capital Programme**

In February 2023 an indicative capital delivery programme of £239.859m was agreed with Cabinet. Subsequently re-profiling of the programme, with the addition of budget approvals have decreased the in-year programme to £159.135m. The table below shows the outturn position of £153.838m for 2023/24.

Detailed analysis can be found in Appendix 'B'.

Service Area	Total delivery programme for 2023/24	Outturn 2023/24	Variance
	£m	£m	£m
Schools (excluding DFC)	26.340	34.310	7.970
Schools DFC	2.309	5.145	2.836
Highways	46.952	44.941	-2.011
Transport	18.638	17.876	-0.762
Externally Funded	5.109	5.216	0.107
Central Systems & ICT	6.012	1.367	-4.645
Adults Social Care	18.173	18.173	0.000
Corporate - Property	9.835	6.990	-2.845
Economic Development	12.684	9.597	-3.087
East Lancashire Levelling Up Fund	6.783	2.373	-4.410
Vehicles	3.299	1.323	-1.976
Transforming Cities	3.000	6.527	3.527
<b>Totals</b>	<b>159.135</b>	<b>153.838</b>	<b>-5.296</b>

### **2023/24 – Schools Budget**

The final outturn position against schools delegated budgets as at 31 March 2024 is an overspend of £3.371m resulting in school balances decreasing by that sum to a total of £69.790m.

Details of the variance and school balances are provided in detail at Appendix 'C'.



## **2023/24 – Comments from Chief Finance Officer (Appendix 'D')**

Appendix 'D' provides the views of the Chief Finance Officer on the financial health of the county council reflecting on the final 2023/24 outturn position and also provides a forward view of the risks and opportunities facing our budgets in future years.

### **Appendices**

Appendices 'A' - 'D' are attached to this report are summarised below and referenced at relevant points within this report.

<b>Appendix</b>	<b>Title</b>
Appendix 'A'	Revenue Budget 2023/24 Outturn
Appendix 'B'	Capital Delivery Programme 2023/24 Outturn
Appendix 'C'	Schools Budget 2023/24 Outturn
Appendix 'D'	Comments from Chief Finance Officer 2023/24 Outturn

### **Consultations**

N/A

### **Implications:**

This item has the following implications, as indicated:

### **Legal**

This report shows the final financial outturn position for 2023/24. The draft accounts have been published in line with the statutory framework and will be subject to external audit in due course.

### **Financial**

The financial implications of 2023/24 outturn are detailed within the report. The level of reserves at 31 March 2024 is strong and can sustain the Council over the coming years. There are some inherent challenges for future years within the report that surround the delivery of existing and future savings agreed within the approved medium term financial position. Lancashire County Council has a strong record of achieving savings and to maintain this strong financial rigour is required.

### **Risk management**

The county council's overall approach to managing financial risks continues to be to identify and acknowledge risks early and build their impact into financial plans while continuing to develop strategies which will minimise their impact. This approach operates in parallel with the identification and setting aside of sufficient resources to manage the financial impact of the change risks facing the organisation.

This report shows the final position for the Council for 2023/24 based upon actual spend so has limited implications for risk other than those described above.



## List of Background Papers

Paper	Date	Contact/Tel
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None

Reason for inclusion in Part II, if appropriate

N/A

