

Report to the Cabinet

Meeting to be held on Thursday, 5 September 2024

Report of the Executive Director of Resources

Part I

Electoral Division affected:
(All Divisions);

Corporate Priorities:
Delivering better services;

2024/25 Quarter 1 Financial Monitoring Report
(Appendices 'A' - 'B' refer)

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Brief Summary

This report provides an update to Cabinet on the county council's 2024/25 revenue and capital financial position, as at the end of June 2024. The Quarter 1 monitoring position contains assumptions relating to demand levels and savings delivery across a number of services, most particularly social care, which at this stage in the financial year are based on a number of assumptions based on costs and income to date and service knowledge.

There are spending challenges across all of council services as is common with most councils across the country. Whilst Lancashire remains in a relatively strong financial position, this is within a sector with declining financial sustainability that needs addressing at a national level. This report sets out some of the financial challenges the council currently faces. It also sets out some of the achievements and progress that has been made this year to date.

The forecast outturn position is £7.590m after implementing £20.76m of remedial actions and use of one-off funding. Directorates have been asked to complete further remedial action plans to look to produce a balanced budget by the end of the financial year.

The capital delivery programme for 2024/25 is £187.095m following confirmation of slippage from 2023/24 in the outturn report to Cabinet in July. The forecast expenditure is £186.322m giving an underspend of £0.773m (0.41%).



Recommendation

Cabinet is asked to:

- (i) **Note** the current forecast overspend of £7.590m on the revenue budget in 2024/25 and the next steps proposed for a balanced budget by year end.
- (ii) **Note** the current forecast of capital expenditure £186.322m for 2024/25.

Detail

2024/25 Revenue Position as at 30 June 2024 (Appendix 'A')

The budget monitoring process for Quarter 1 was undertaken following the completion of the 2023/24 outturn position. A review of all budgets, including demand levels, costs to date, income levels and savings delivery are all reviewed as part of the process. Further to this, the finance team and services have reviewed the costs incurred during Quarter 1 and prepared the most robust forecast possible at this early stage in the financial year. The position has been reviewed by each Directorate Finance and Performance Board, Strategic Finance Board and the Executive Management Team.

The initial forecast indicated that there will be an overspend of £28.4m in 2024/25. In light of a significant underlying budget pressures, a forensic review of budgets has taken place in order to demonstrate the actions that can and will be taken to achieve a balanced budget position by the end of the financial year. This has resulted in £20.8m of mitigations being identified.

A summary of the forecast position at Quarter 1 is shown in Table 1 below.

Services have completed initial recovery plans to support reaching the forecast overspend of £7.59m in 2024/25. However, these will undergo further development during Quarter 2 to achieve a balanced budget position.



Table 1 – Forecast Q1 Outturn Position for 2024/25

Directorate	Adult Services	ECS*	GETH**	Resources & Chief Executive	Corporate Budgets	Total
	£m	£m	£m	£m	£m	£m
Budget 2024/25	469.242	256.135	196.042	138.289	52.046	1,111.754
Initial Forecast Projection	484.406	267.768	199.662	136.211	52.061	1,140.108
Underlying Q1 Forecast Position	15.164	11.633	3.620	-2.078	0.015	28.354
Mitigations						
Management Actions		-0.050	-0.250	-1.814		-2.114
Apply Public Health Grant		-0.600	-1.500			-2.100
Use of Reserve Balances	-1.500	-2.900	-1.400			-5.800
Total Mitigations	-1.500	-3.550	-3.150	-1.814	0.000	-10.014
Recovery Plan	-8.750	-2.000				-10.750
Q1 Forecast	4.914	6.083	0.470	-3.892	0.015	7.590

* Education and Children's Services

** Growth, Environment, Transport and Health

Key Variances

The key variances resulting in an overspend position are as follows:

- **Adult Care and Provider Services** - the in-house services are forecasting a combined overspend of £9.4m. This is due to pressures across staffing budgets in addition to reduced occupancy levels (which results in reduced income for the services).
- **Adult and Community Social Care** - The overspend mainly relates to pressures across homecare and supported living within the Learning Disability and Autism Service. The service is experiencing more expensive weekly costs, particularly for homecare.
- **Children's Social Care** - this service is forecast to overspend by £8.3m due to growth in placements costs for Children with Disabilities, savings delivery pressures and overspends across other allowances and support budgets.



- **Education and Skills** - There are spending pressures within the Inclusion Service and Education Improvement on staffing costs and income generation. These overspends are offset by a £2.1m forecast underspend for the Child and Family Wellbeing Service due to vacancies and additional grant funding.
- **Highways and Transport** - The most significant overspend of £2.5m relates to additional tree work. This is following the completion of tree survey work and has now confirmed the works required (including those subject to ash dieback).
- **Waste Management** - Forecast overspends predominantly relate to the challenges faced in recovering recycle income (£1.8m).
- **Resources** - Underspends are reported across a number of services, mainly relating to staff vacancies.

More detail of the variances across all service budgets are contained in Appendix 'A'.

Mitigations

In previous years, one-off monies have often been used to offset underlying overspends as part of this report the mitigations will be shown as those that are again one-offs and those that should reduce pressures on permanent basis. The mitigations are made up of the following:

- One-off funding from reserves
- Bringing forward of management action savings that have been proposed for 2025/26 (and are not already included in the forecast)
- Use of appropriate grant funding

These mitigations total £10m and have been implemented.

Recovery Plans

Given the challenge of balancing the current years budget each Directorate has reviewed its current position and produced a recovery plan of areas where spend profiles could be influenced prior to the year end.

These are explored further in the directorate overviews in Appendix 'A' and total £10.750m. Management action and oversight will be required to ensure these are delivered and this will be monitored by the Director of Finance with regular updates to Deputy Leader, as the relevant Cabinet Member, on progress.

Directorates are also in the process of further reviewing these plans with a view to delivering a balanced budget by the year end (i.e. identifying £7.6m of further reductions in spend).



Savings

The 2024/25 budget contains plans to deliver £59m of savings during the course of the year. These are a cornerstone of successful delivery of a balanced budget. These savings are regularly reviewed, and an overview is set out below (table showing RAG rating and proposed delivery in 2024/25)

			2024/25	2025/26	2026/27	Total
Delivered			-2.400	-0.260	-0.340	-3.000
Green			-10.861	-8.891	-2.912	-22.664
Amber			-43.483	-23.528	-21.057	-88.068
Red			-1.925	-6.300	0.000	-8.225
Total			-58.669	-38.979	-24.309	-121.957

**Red - Risks/issues identified that will affect programme, cost, quality. Action required to mitigate should be outlined in the issues log together with the appropriate issue owner.*

Amber - some issues that may affect programme, cost, quality but these are currently being managed.

Green – No issues, on track for delivery.

The delivery of savings are monitored at monthly Directorate Finance and Performance Boards which are chaired by each respective Executive Director. They are also monitored, supported and challenged by the Strategic Finance Board and Executive Management Team. In addition, regular reports are requested by Scrutiny Management Board.

Those savings that have transformational themes included within them are subject to a detailed project plan and supported by the Change Team.

Delivery of savings are being very closely monitored, and whilst at this early stage in the financial year the with c80% forecast to be delivered as part of the Quarter 1 position, there are some challenges that will be faced in delivering this forecast. This is a critical element of delivering a balanced budget position, with a very clear position across the council being that in areas where savings are delayed or not able to be delivered in their original form, mitigations must be found to neutralise the impact on the in-year budget position.

The recovery plans have identified some mitigations and actions to reduce the overspending predicted but focus will be maintained on delivery of savings. There is a robust governance process in place for monitoring of savings delivery and regular updates are shared with the Scrutiny Management Board.



Opportunities and Risks

The forecast position does not include the following opportunities or risks as part of the Quarter 1 position:

- Demand for council services continue to be a pressure, with some known areas continuing to grow in line with national trends (eg SEND, social care and home to school transport). This report has made assumptions based on information available at Quarter 1, but demand levels that form part of the final position for 2024/25 could be higher or lower.
- In previous years, we have received varying levels of additional funding for social care part way through the financial year, which has often supported the budgets on a one-off basis. At this stage there is no additional in-year funding included.
- In setting the 2024/25 budget approval was given to fund any pay award above the 3% assumption from transitional reserve. To meet the current rejected offer £4.5m will need to be drawn down from transitional reserve. If public sector pay goes up further, it is assumed that any additional costs will be supported by Government funding.
- There is ongoing dialogue with the Integrated Care Board in relation to a £10m contribution to the Better Care Fund to support relevant expenditure plans with Adult Social Care.
- In 2023/24, a £9m saving was agreed from the treasury management budget. This has remained in the 2024/25 base budget. The economic climate meant this was not possible to achieve in 2023/24 and £15m was drawn down from the Treasury Management Reserve. There is some improvement in the predicted outturn position in 2024/25 with the variance likely to be c£12m. This will be met from the specific reserves created from previous surpluses so there will be no impact on outturn. However, this could be a budget pressure in 2025/26.

Next Steps

The Council remains in a relatively strong financial position however given demand for its services in some areas continues to grow and there is an underlying financial challenge in the current year a number of next steps are proposed:

- Each underlying overspending area will be reviewed and a recovery plan produced.
- A clear focus on delivery of savings will be maintained.
- Recovery plans for the current financial year will be reviewed in each Directorate.
- The Executive Management Team (EMT) will receive monthly progress updates on the above to monitor delivery.



Conclusions

This report sets out the Council's current year position which like most other Councils across the country is a challenging position. Members will have seen news stories of Councils in very difficult circumstances and a number issuing S114 notices. Whilst Lancashire has a projected overspend it is not in this territory and has plans to mitigate current overspends.

That said, the Council cannot be complacent about finances. As the report sets out the Council continues to focus on financial management alongside delivering quality services to residents.

In Quarter 1 there are some pressures on adult care provision costs that were previously mitigated by additional funding with overspend in Older People Service and supported living in Learning Disability and Autism Service. In Childrens there is some pressure on demand for services for Children with Disability. Waste costs remain a pressure.

However, recovery plans with mitigations have been put in place that bring the possible overspend down from £28.4m to the estimated £7.6m. Further action plans are being developed with the aspiration, whilst challenging, to deliver a balanced budget by year end.

The management of the Council's finances in the current climate requires continued focus from all budget holders.

2024/25 Capital Programme (Appendix 'B')

In February 2024 an indicative Capital Delivery Programme of £198.524m was agreed with Cabinet. This delivery programme figure has been revisited and, following confirmation of the final 2023/24 slipped delivery figures, subsequently approved additions and re-profiling of the programme, to take account of resourcing issues and deliverability, we have decreased the in-year delivery programme to £187.095m. This now forms the basis of the capital programme monitoring throughout the financial year.

The forecast capital expenditure for 2024/25 is £186.322m, giving an underspend against the delivery programme of £0.773m (0.41%). Table 1 below shows the delivery plan and forecast expenditure by service block and the forecasted variance. More detailed analysis and narrative on the delivery of the schemes within the programme is provided in Section 3 of Appendix 'B'.



Table 2 – 2024/25 Capital outturn forecast by block.

Service Area	Total delivery programme for 2024/25	Spend to June 2024	Total Forecast spend	Forecast Variance
	£m	£m	£m	£m
Schools (exc DFC)	33.188	7.489	33.121	-0.067
Schools DFC	3.160	0.674	3.160	0.000
Highways	54.630	15.298	54.380	-0.250
Transport	17.994	4.163	17.647	-0.347
Externally Funded	2.313	0.800	2.313	0.000
Central Systems & ICT	3.076	0.079	3.076	0.000
Adults Social Care	18.174	0.000	18.174	0.000
Corporate - Property	11.072	1.187	10.963	-0.109
Economic Development	27.477	4.268	27.477	0.000
East Lancashire Levelling Up Fund	4.410	1.641	4.410	0.000
Vehicles	3.921	0.000	3.921	0.000
Transforming Cities	7.680	2.498	7.680	0.000
Totals	187.095	38.097	186.322	-0.773

Appendices

Appendices 'A' - 'B' are attached to this report. For clarification they are summarised below and referenced at relevant points within this report.

Appendix	Title
Appendix 'A'	2024/25 Quarter 1 Revenue Monitoring
Appendix 'B'	2024/25 Capital Programme Monitoring

Implications:

This item has the following implications, as indicated:

Risk management

The report itself highlights specific risks relating to the delivery of a balanced forecast position in the current year. The key "dual" risk consideration when compiling the current forecast is one of estimating the current projected position and taking remedial action to ensure a balanced budget, alongside a careful balance against pessimistic forecasts that require reductions in expenditure levels that prove to have not been needed at a later date.



This balance is maintained through the professional advice of officers in drafting the report.

Legal

Matters referred to in this financial forecast will be subject to Council consideration where appropriate. The Council is responsible for setting the budget each year. Once agreed Cabinet will then implement the policy framework and keep within the budget, subject to the limits set by Financial Regulations. The Council is required to deliver a balanced budget and the monitoring of the Council's financial position contributes to the effective management of this responsibility.

List of Background Papers

Paper	Date	Contact/Tel
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None

Reason for inclusion in Part II, if appropriate

N/A

