

Report to the Cabinet

Meeting to be held on Thursday, 5 December 2024

Report of the Interim Director of Finance and Commerce

Part I

Electoral Division affected:
(All Divisions);

Corporate Priorities:
Delivering better services;

2024/25 Quarter 2 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 September 2024. The Quarter 2 monitoring position contains assumptions relating to demand levels and savings delivery across a number of services.

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 an overspend of £17.079m (1.54%) after implementing £4.518m of remedial actions. Directorates have been asked to continue to review expenditure to reduce the predicted overspend.

The capital delivery programme for 2024/25 is £192.365m, with a forecast expenditure level of £188.566m giving an underspend of £3.799m (1.97%).



Recommendation

Cabinet is asked to:

- (i) **Review** the current forecast overspend of £17.079m (1.54%) on the revenue budget in 2024/25.
- (ii) **Note** the current forecast of capital expenditure of £188.566m for 2024/25 and approve the virement of the predicted underspends to increase the highways and drainage capital budget.

Detail

1. 2024/25 Revenue Position as at 30 September 2024 (Appendix 'A')

- 1.01 The county council, similar to other local authorities, continues to face unprecedented financial challenges. Whilst there is a strong track record of delivering savings and managing budgets, the 2024/25 in-year position is particularly challenging. The main pressures are across demand led budgets, where we continue to see growth and inflationary increases, in addition to the requirement to deliver significant savings.
- 1.02 In previous financial years, as part of budget announcements, there has been additional in-year funding released to support social care. In the Chancellor's Autumn Budget Statement on 30 October 2024, there was no additional in-year funding announced, therefore it is anticipated that there will be no additional funding to support this overspend position in 2024/25.
- 1.03 **At Quarter 2, the revenue budget is forecast to overspend by £17.079m (1.54%), which is an increase of £9.5m compared to the position reported at Quarter 1.** The most significant change is across Adult Services, where pressures continue across commissioned packages of care and the service is facing increased challenges and delays in achieving its significant agreed savings programme.
- 1.04 As part of the Quarter 1 position, the forecast included one-off mitigations (such as use of reserves), and recovery plans for both Adult and Children's Social Care. Whilst some progress has been made against these plans, the level that can be achieved and therefore mitigate against pressures in Adult Social Care has reduced to £1.4m (compared to £8.750m at Quarter 1), therefore resulting in an increase in the forecast overspend. However, at Quarter 2 the recovery plan for Children's Social Care is forecast to be fully achieved.
- 1.05 Given the budget position that is forecast for 2024/25 (and the potential impact on the 2025/26 budget and beyond) there has been management action to both review the in-year forecast and progress against delivery of savings. In addition, all Directorates have reviewed their expenditure forecasts and commitments and have revised forecasts accordingly, reflecting the financial pressures that are faced in the 2024/25 financial year. Whilst the position is reviewed and monitored through a robust governance regime, through Directorate Finance



and Performance Boards and Strategic Finance and Performance Board, as a result of the position forecast there is a need to escalate this to Executive Leadership Team with a higher frequency of discussions taking place (and will continue to do so).

1.06 **The initial forecast indicated that there will be an underlying overspend of £21.6m in 2024/25.** Following the development of recovery plans by Adult and Children's Social Care that were prepared and reported at Quarter 1, progress has been closely monitored on their respective delivery. Table 1 shows the revised forecast for delivery plans, with good progress shown across Children's Social Care meaning that the value of £2m remains in the forecast. However, the forecast recovery plan for Adult Social Care has significantly reduced from £8.750m at Quarter 1 to £1.4m at Quarter 2. This is due to some elements of the plan no longer being able to be achieved in the form intended or overlaps with the existing agreed savings programme. Directorates are working hard to find further mitigations across budgets, with spending controls being strongly put in place to reduce expenditure during the final half of the financial year.

1.07 In addition, Table 1 contains an adjustment for savings delivery specifically relating to Adult Social Care. The programme of savings for this service totals £25m, and at Quarter 2 the progress against some of the savings have been delayed. However, through the Adult Finance Board and discussions with the Directorate Management Team an adjustment of £1.1m has been made to the originally forecast position to reflect action that the service is going to take in the remainder of the financial year to deliver some of their agreed savings delivery programme.

1.08 A summary of the forecast position at Quarter 2 is shown in Table 1 below.

Table 1 – Forecast Q2 Outturn Position for 2024/25

Directorate	Adult Services	ECS*	GETH**	Resources & C Exec	Corporate Budgets	Total
	£m	£m	£m	£m	£m	£m
Budget 2024/25	469.835	256.090	195.664	138.117	52.049	1,111.754
Initial Forecast Projection	499.438	260.225	194.097	127.467	52.125	1,133.352
Underlying Quarter 2 Forecast Position	29.603	4.135	-1.567	-10.650	0.076	21.598
Savings Delivery Adjustment	-1.118					-1.118
Recovery Plan	-1.400	-2.000				-3.400
Quarter 2 Forecast	27.085	2.135	-1.567	-10.650	0.076	17.079

* Education and Children's Services ** Growth, Environment, Transport and Health



Key Changes to the forecast at Quarter 2

1.09 The key changes to the forecast position at Quarter 2 resulting in an increased overspend position are as follows:

Adult Services

- Increase in forecast on Learning Disabilities and Autism commissioned services of £4m mainly due to the delayed delivery of previous and current year savings, offset slightly by an increase in forecast of health income.
- Increase in forecast on Mental Health of £1.4m mainly due to pressures on nursing, residential care, and domiciliary/supported living expenditure.
- Increase in the forecast overspend across the directorate due to a revised position forecast (based on activity to date) for the delivery of the recovery plan.
- The updated position is reflective of increased challenges and delay in delivery of savings, particularly those relating to maximising independence.
- Increased charges being made to the bad debt provision for outstanding debts.
- Increased support from reallocated reserve balances.

Education and Children's Services

Children's Social Care:

- Reduced placements forecast as a result of reduced agency residential placements.
- Increase in forecast on in-house residential services of £0.3m due to one-off tribunal costs.
- Increase in overspend of £0.3m for Children with Disabilities family support.
- Improvement of £0.6m on staffing/teams largely due to delivery of leadership and management savings.
- Improvement of £0.3m across various allowances/support payments.
- Further reduced levels of expenditure forecast across all services following review future commitments.

Education and Skills:

- Increase in forecast overspend on Cultural Services across the service.
- Improvement position forecast for Education Improvement relating to income.
- Improvement for Children Family and Wellbeing across the service.
- Reduced levels of expenditure forecast across all services following review future commitments.

Growth Environment and Transport

- Additional £1.8m forecast on school transport costs predominantly for children with SEND. Increases in numbers of 15% since September and based on trends from previous academic years we would expect numbers to continue to increase.
- £0.5m pressure on reactive gully emptying and jetting to prevent flooding as rainfall continues to be above average levels.
- Increased overhead charges for highways capital work of £1.9m. Overheads are charged via a fixed percentage based on the value of capital work delivered,



which is forecast to be significantly higher in 2024/25 resulting in increased overhead recovery in the revenue budget.

- Reduced levels of expenditure forecast across all services following review future commitments.
- Increased level of income (£0.5m) across the Highways and Transport Budget.

Resources & Chief Executive

- Finance - across various services, reduced staffing costs mainly due to vacancies as a result of challenges in recruitment and increases in vacant posts. Also, reduced premises costs are forecast across the Facilities Management budget.
- Law & Governance - underspend increased due to higher levels of income forecasted within the service, underspends on fees budget and revised pay forecasts taking account of ongoing vacancies within the service.
- People Services - underspend increased relating to revised pay forecasts with a higher underspend on vacant posts and increased income levels forecasted.
- Strategy & Transformation - underspend has slightly reduced which largely relates to updates staffing forecasts.
- Reduced levels of expenditure forecast across all services following review future commitments.

1.10 More detail of the variances and changes in forecast at Quarter 2 across all service budgets are contained in Appendix 'A'.

Savings

1.11 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).

Table 2 – Agreed Savings by Directorate

	2024/25	2025/26	2026/27	Total
Adult Services	-24.811	-17.211	-10.340	-52.362
Education and Children's Services	-6.571	-5.488	-2.185	-14.244
Growth, Environment, Transport and Health	-5.078	1.313	-8.244	-12.009
All Council Services	-6.685	-13.728	-0.575	-20.988
Resources	-15.524	-3.865	-2.965	-22.354
Total	-58.669	-38.979	-24.309	-121.957



Table 3 – RAG Rating Summary

			2024/25	2025/26	2026/27	Total
Blue			-4.965	0.945	-0.340	-4.360
Green			-6.229	-1.886	-8.094	-16.209
Amber			-45.550	-31.738	-15.875	-93.163
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.

Blue - Complete – no longer monitored.

Table 4 – RAG Ratings by Directorate

	Red	Amber	Green	Blue	Total
Adult Services	0.000	-46.529	-4.100	-1.733	-52.362
Education and Children's Services	-0.425	-12.685	-0.743	-0.391	-14.244
Growth, Environment, Transport and Health	-1.500	-2.012	-6.572	-1.925	-12.009
All Council Services	-6.300	-12.688	-2.000	0.000	-20.988
Resources	0.000	-19.249	-2.794	-0.311	-22.354
	-8.225	-93.163	-16.209	-4.360	-121.957

1.12 Each Directorate has a Finance Monitoring Board, chaired by the Executive Director, where savings are reviewed and any issues with delivery are discussed, with RAG ratings regularly being updated. The Board provides robust financial management and rigour to ensure savings are delivered, and in cases where there are delays or difficulties with savings delivery there is the clear expectation that mitigations are found to ensure these do not impact on the in-year monitoring position or the medium-term financial strategy. The Boards meet monthly, with the position on savings also monitored and discussed by the Strategic Finance Board and the Executive Leadership Team.

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

1.14 There are currently £93m of savings rated as "amber", which is a classification used for a number of reasons:

- Delayed delivery
- Value of saving to be achieved is uncertain
- Subject to consultation
- Experiencing some issues in delivery of the saving



- 1.15 In most instances the RAG rating of Amber is used due to delays in delivery, with the expectation that the saving will be delivered but over a longer time frame.
- 1.16 Delivery of savings are being very closely monitored and as with any savings programme of this size, there are some challenges that will be faced in delivering the 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.
- 1.17 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

- 1.18 The forecast position does not include the following opportunities or risks as part of the Quarter 2 position:
- Demand for council services continue to be a pressure, with some known areas continuing to grow in line with national trends (e.g. SEND, social care and home to school transport). This report has made assumptions based on information available at Quarter 2, but demand levels that form part of the final position for 2024/25 could be higher or lower, particularly given Quarter 3 includes the challenging winter period.
 - 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

- 1.19 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 further recovery plans produced.
 - Spending controls across all services introduced.
 - 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 Leadership Team (ELT) will receive frequent updates on the above to monitor delivery.

Conclusions

- 1.20 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.
- 1.21 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.
- 1.22 In Quarter 2 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.
- 1.23 However, recovery plans with mitigations have been put in place that bring the possible overspend down from £21.6m to the estimated £17.1m. Further action plans are being developed with the aspiration, whilst challenging, to deliver a balanced budget by year end.
- 1.24 The management of the Council's finances in the current climate requires continued focus from all budget holders.

2. 2024/25 Capital Programme (Appendix 'B')

- 2.01 In February 2024 an indicative Capital Delivery Programme of £198.524m was approved by Full Council. 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 £192.365m. This now forms the basis of the capital programme monitoring throughout the financial year.
- 2.02 The forecast capital expenditure for 2024/25 is £188.566m, giving an underspend against the delivery programme of £3.799m (1.97%). Table 4 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 4 – 2024/25 Capital Outturn Forecast

Service Area	Total delivery programme for 2024/25	Spend to September 2024	Total Forecast spend	Forecast Variance
	£m	£m	£m	£m
Schools (excluding DFC)	33.191	24.359	38.810	5.619
Schools DFC	3.160	1.973	3.361	0.201
Highways	58.584	34.158	58.732	0.148
Transport	18.199	6.810	14.001	-4.198
Externally Funded	2.726	1.878	2.795	0.069
Central Systems & ICT	3.282	0.172	0.963	-2.319
Adults Social Care	18.232	18.232	18.232	0.000
Corporate - Property	11.105	2.775	9.596	-1.509
Economic Development	27.479	11.575	25.741	-1.738
East Lancashire Levelling Up Fund	4.410	3.685	4.410	0.000
Vehicles	3.921	2.353	3.849	-0.072
Transforming Cities	8.076	3.719	8.076	0.000
Totals	192.365	111.689	188.566	-3.799

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 2 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

