LANCASTER CITY COUNCIL

Promoting City, Coast & Countryside

*Committee:* **BUDGET AND PERFORMANCE PANEL**

*Date:* **WEDNESDAY, 2 FEBRUARY 2022**

*Venue:* **MORECAMBE TOWN HALL**

*Time:* **6.00 P.M.**

**A G E N D A**

***The meeting will be live streamed using MS teams and a link to the meeting is HERE***

***Seating is limited if you wish to attend in person.***

1. **Apologies for Absence**

2. **Minutes**

   Minutes of the Meeting held on 14th December 2021 (previously circulated).

3. **Items of Urgent Business authorised by the Chair**

4. **Declaration of Interests**

   To receive declarations by Councillors of interests in respect of items on this Agenda.

   Councillors are reminded that, in accordance with the Localism Act 2011, they are required to declare any disclosable pecuniary interests which have not already been declared in the Council's Register of Interests. (It is a criminal offence not to declare a disclosable pecuniary interest either in the Register or at the meeting).

   Whilst not a legal requirement, in accordance with Council Procedure Rule 9 and in the interests of clarity and transparency, Councillors should declare any disclosable pecuniary interests which they have already declared in the Register, at this point in the meeting.

   In accordance with Part B Section 2 of the Code Of Conduct, Councillors are required to declare the existence and nature of any other interests as defined in paragraphs 8(1) or 9(2) of the Code of Conduct.

5. **Budget and Policy Framework Update** (Pages 3 - 14)

   Cabinet will present its Budget and Policy Framework Proposals.

   Attached report and appendices previously published and to be considered by Council on 26th January 2022.

6. **Lancashire Combined Fire Authority - Budget Consultation** (Pages 15 - 41)

Attached.

7. **Lancashire County Council - Budget Consultation** (Pages 42 - 119)

This report was marked “to follow” and was included on the agenda on 27th January 2022.

**ADMINISTRATIVE ARRANGEMENTS**

**(i) Membership**

Councillors Adrian De La Mare (Chair), Tim Dant (Vice-Chair), Phillip Black, Roger Dennison, Ross Hunter, Joan Jackson, Oliver Robinson, Luke Taylor and Joanna Young

**(ii) Substitute Membership**

Councillors Paul Anderton, Mandy Bannon, Abbott Bryning, Geoff Knight and Jason Wood

**(iii) Queries regarding this Agenda**

Please contact Stephen Metcalfe, Democratic Services - email sjmetcalfe@lancaster.gov.uk.

**(iv) Changes to Membership, substitutions or apologies**

Please contact Democratic Support email democracy@lancaster.gov.uk.

KIERAN KEANE,
CHIEF EXECUTIVE,
TOWN HALL,
DALTON SQUARE,
LANCASTER LA1 1PJ

Published on 25 January 2022.

**COUNCIL**

# Budget & Policy Framework Update 2022/23 – 2025/26
# 26 January 2022

## Report of Cabinet

| PURPOSE OF REPORT |
|---|
| To update Council and gain its feedback on the latest position regarding the development of the budget and policy framework for 2022/23 to 2025/26 and in that context, to seek approval to the level of Council Tax increase for 2022/23 and for Cabinet's proposed revenue budget for 2022/23. |
| **This report is Public** |

**RECOMMENDATION OF COUNCILLOR WHITEHEAD**

**(1)** **That Council approves a City Council Tax increase of £5 to the Band D Council Tax (from £236.95 to £241.95) for 2022/23, together with a year on year target of the maximum allowable under the Government's local referendum thresholds for future years.**

**(2)** **That Council considers the proposed revenue budget for 2022/23 as set out in this report.**

1 **INTRODUCTION**

1.1 Under the Constitution, Cabinet has responsibility for developing corporate planning proposals and a balanced budget for Council's consideration.

1.2 This report seeks a final decision on Council Tax increases and feedback on Cabinet's proposed balanced revenue budget for 2022/23.

1.3 The Cabinet meeting on 07 December 2021 considered updated estimates in respect of Government funding and Council Tax and the corresponding impact on the revenue budget gap. Since that report, the Government has released the Provisional Local Government Finance Settlement. Cabinet agreed a proposed balanced revenue budget for recommendation to Council at its 18 January 2022 meeting.

1.4 All services have been working with the Chief Executive and Finance Team to ensure a balanced budget aligned with our priorities is achieved. Throughout the Autumn discussions have been held with all services to identify opportunities to address the structural deficit and align expenditure with priority outcomes based on the Funding the Future Strategy.

## 2.0 STRATEGIC & OPERATIONAL CONTEXT

2.1 The 2022/23 Budget has once again been set against the backdrop of significant change, which puts significant pressure on the ability to forecast. There is continued evidence of

- accelerated pace of change in funding regimes, formula and budget and accounting requirements of central government

- fewer system-wide reviews, and a much greater number of issue specific consultations, reviews and changes some of which are resulting in in-year changes, and even retrospective changes to previously agreed budgetary forecasting and funding distribution formula

- a wide range of single initiative funding opportunities emerging both as a result of the pandemic and more generally which need to be established within capacity including consideration of appropriate dispersal and income accounting, governance and delivery practices

- External factors such as the pandemic and EU Exit which fundamentally alter both the priorities for and use of Council resources and change the context under-pinning our income from council tax and business rates as well as fees and charges.

- The impact of COVID -19 on the wider economy and the rise in both pay and general inflation

## 3.0 LOCAL GOVERNMENT FUNDING UPDATE

3.1 The Council's net revenue expenditure is funded from the following sources:

- Settlement Funding Assessment which is divided into Revenue Support Grant and Localised Business Rates
- Council Tax
- New Homes Bonus

3.2 The Government released the provisional local government finance settlement on 16 December 2021. Similar to 2020 this is a one-year settlement following on from its Spending Review in November 2021, rather than a long-term review due to the ongoing economic uncertainty caused by the COVID-19 pandemic.

3.3 A summary of the provisional settlement for Lancaster City Council is provided in table one below.

**Table One – Provisional Settlement allocations for Lancaster City Council**

| | Provisional Settlement £000 | LCC Forecast £000 | Difference £000 |
|---|---|---|---|
| Settlement Funding Assessment | | | |
| Revenue Support Grant | 212 | 0 | 212 |
| Retained Rates | 9,762 | 9,624 | 138 |
| New Homes Bonus | 547 | 556 | -9 |
| Lower Tier Services Grant | 257 | 0 | 257 |
| Services Grant | 395 | 0 | 395 |
| Reimbursement 1.25% NIC | 0 | 144 | -144 |
| **Total Government Funding** | **11,173** | **10,324** | **849** |

3.4 As table one shows, the provisional settlement allocates £0.849M more resources than anticipated and this slightly reduces the gap for the 2022/23 revenue budget. However, a number of additional pressures have been identified and reflected in the current budgeted position. These are discussed further in section 5.

3.5 The pattern of one year settlements and the lack of a longer term horizon makes financial planning particularly difficult; however, a number of funding assumptions have been made within the Council's Medium Term Financial Strategy (MTFS) reflecting the past two settlements. These are discussed in greater detail within section 7.

## 4.0 COUNCIL TAX

4.1 As part of the provisional finance settlement, the Government published its referendum criteria for Council Tax. District councils will be permitted to raise their Council Tax by 2% or £5, whichever is higher, without reference to a referendum. Table two below considers the following two options for Council Tax:

- Option one – an annual 2% or £5 increase in Council Tax (whichever is higher) – for Lancaster City Council, this will be £5 in 2022/23
- Option two – no increase in Council Tax

**Table Two – Impact of council tax options: 2022/23 to 2025/26**

| Year | Taxbase (% Annual Increase) | Estimated Annual Movement | Option One Annual maximum increase in Council Tax | | | Option Two No annual increase in Council Tax | | Additional Income from increase |
|---|---|---|---|---|---|---|---|---|
| | | % | Band D | Increase | Income | Band D | Income | |
| 2022/23 | 42,060 | 1.34% | 241.95 | £5 | 10,176,417 | 236.95 | 9,966,117 | 210,300 |
| 2023/24 | 42,480 | 1.00% | 246.95 | £5 | 10,490,584 | 236.95 | 10,065,778 | 424,806 |
| 2024/25 | 42,905 | 1.00% | 251.95 | £5 | 10,810,017 | 236.95 | 10,166,436 | 643,581 |
| 2025/26 | 43,334 | 1.00% | 256.99 | 2% | 11,136,523 | 236.95 | 10,268,100 | 868,423 |

4.2 The budget proposals have assumed the maximum allowable increase in Council Tax. In 2022/23 this will raise an additional £210k. If there was no increase in Council Tax, income would increase by £133k due to additional properties. The table above also shows the difference, in terms of income, between the maximum allowable tax increase and no increase which, over four years, amounts to an additional £2.147M in income if option one is adopted.

4.3 Taxbase growth of 1.34% in 2022/23 is higher than originally forecast in the MTFS. The MTFS assumes an increase of £5 until a 2% increase is greater than £5.

4.4 **The recommendation arising from this report is that the Council on 26 January 2022 agree a £5 increase (option one) to the level of the 2022/23 Band D Council Tax for the Lancaster City Council element**. It is also recommended that option one is selected for the purposes of completing estimates in the Medium-Term Financial Strategy.

**5.0 BUDGET PROPOSALS**

5.1 The 7 December 2021 Cabinet report set out the challenges facing the Council in balancing its revenue budget for 2022/23 and beyond. Since that report several savings and growth proposals have been presented as well as in-year changes and ongoing changes to accounting, forecasting and grant activity which have caused a change in the budgetary position from that stated previously. Proposals for closing the budget gap are shown in table three below and are provided in more detail in **Appendix A.**

**Table Three Cabinet's Draft Revenue Budget Proposals – 2022/23**

| | 2022/23 £'000 |
|---|---|
| **Revenue Budget/Forecast as at 24 February 2021** | **21,110** |
| **Base Budget Changes** | |
| Operational Changes | 1,478 |
| Additional Inflationary Pressure | 67 |
| Latest Budgetary Position | **22,655** |
| **Outcomes Based Resourcing Proposals:** | |
| Savings Proposals | (180) |
| Additional Resource Requirements | 690 |
| Income Generation Proposals | (840) |
| Revenue Impact of Capital Programme Review | (1,505) |
| Contribution to/(from) Collection Fund Reserves | 400 |
| Contribution to/(from) Unallocated Reserve | 34 |
| **General Fund Revenue Budget** | **21,254** |
| Core Funding: | |
| Revenue Support Grant | (212) |
| New Homes Bonus | (42) |
| Supplementry Government Grants | (652) |
| Prior Year Council Tax Surplus | (66) |
| Net Business Rates Income | (10,106) |
| **Council Tax Requirement** | **10,176** |
| **Estimated Council Tax Income - (Increases based on £5 for 2022/23 then max** | **10,176** |
| **Resulting Base Budget (Surplus)/Deficit** | **0** |

5.2 The proposals set out in the table 3 above produce a balanced revenue budget for 2022/23, which forms part of the recommendations of this report.

5.3 Table 4 below reconciles the position reported to Council 15 December 2021 to the current balanced position.

**Table 4 Reconciliation Council 15 December 2021 to Current Position**

| | 2022/23 |
|---|---|
| **Resulting Base Budget (Surplus)/ Deficit as at 15 December 2021 (Council)** | **2,232** |
| Impact of Provisional Local Government Finance Settlement as at 16 December 2021 | (849) |
| Impact of Review of the Capital Programme (MRP & Interest) | (1,505) |
| Savings Proposals | (180) |
| Additional Resource Requirements | 690 |
| Additional Income Proposals | (840) |
| Operational Changes (Pension Top Up plus minor changes) | 447 |
| Inflationary Impact | (19) |
| Council Tax/Business Rates Adjustments | (10) |
| Contribution to Reserves | 34 |
| **Resulting Base Budget (Surplus)/ Deficit as at 18 January 2022** | **0** |

Budget Principles and Assumptions

5.4 Within the revenue budget there are several principles and key assumptions underpinning the proposed revenue strategy. These are:

i. Annually, a balanced revenue budget will be set with expenditure limited to the amount of available resources;
ii. No long-term use of balances to meet recurring baseline expenditure.
iii. Resources will be targeted to deliver Corporate ambitions and value for money. Any additional investment and spending decisions will be made to reflect Council priorities and strategic commitments.

5.5 Despite significant challenges the Council is aiming to deliver a balanced budget for 2022/23. Within the budget there remain opportunities to address the underlying structural deficit in line with its Funding the Future Strategy (FtF), by:

- Increasing and diversifying income
- Improving productivity and securing efficiencies via new ways of working
- Developing alternative ways to achieve priority outcomes (e.g. partnership)

5.6 Table 5 below, lists the major assumptions that have been made for the 2022/23 budget.

**Table 5 Major Assumptions 2022/23**

| | 2022/23 |
|---|---|
| Council Tax base growth | 1.34% |
| Council Tax inflation | £5 |
| Business Rates Multiplier | Frozen |
| Inflation – Pay | 2%<br>515,100 |
| Inflation – Premises Related | Various<br>128,900 |
| Inflation – Insurance | 10%<br>60,800 |
| Inflation – General Index | 3.3%<br>216,400 |
| Inflation – Fees & Charges | 3.3%<br>(401,400) |

Operational Changes

5.7 Operational changes included in the base budget for 2022/23 currently amount to an increase in expenditure of £1.478M. The Council budgets for inflation across a number of areas such as gas, electricity, water, insurance, building costs etc as well as general price inflation and seeks the appropriate indices from a number of sources. The impact of inflation increases expenditure by a further £0.067M. A summary of operational changes is given in the table 6 below:

**Table 6 Operational Changes**

| **Operational Changes** | **£M** |
|---|---|
| Salaries | 0.515 |
| Additional cost pressures | 0.430 |
| Slipped expenditure | 0.095 |
| Other minor changes | 0.038 |
| Pension Fund Top Up | 0.400 |
| Sub Total | 1.478 |
| Impact of Inflation | 0.067 |
| Total | 1.545 |

Pay & Prices Increases

5.8 A 2% pay award allowance has been included in 2022/23 and 2% across the remaining years. The assumption of 2% considers that employees on lower salaries are expected to receive an increase. It should be noted that pay awards in Local Government are covered by collective bargaining between employers and trade unions and are not subject to direct control from Central Government. However, it is reasonable to assume that Local Government will mirror what happens in the rest of the public sector.

5.9 Prices inflation has been included on selected non-pay items as set out in table 5

Pension Fund Top Up Payment

5.10 The pension fund is subject to a triennial actuarial valuation, the most recent of which was undertaken by Mercers LLP during 2019, on behalf of Lancashire County Council, the pension fund administrator. As a result of the triennial valuation Council elected to prepay its pension's deficit recovery and future service costs in April 2020 for the period 2020/21 to 2022/23. Due to an underestimation in pensionable pay the Council has been asked to consider making additional payments to the pension fund.

Additional Cost Pressures

5.11 Significant cost pressures have been highlighted through budget monitoring. Some key pressures are set out below and within **Appendix B:**

- HGV Drivers £0.087M
- Bank Charges £0.027M
- Investment Interest £0.055M
- Audit Fees £0.020M
- Vehicle Repair & Maintenance £0.084M

Savings and Income Generation Proposals

5.12 The budget savings or income growth identified in **Appendix B** for 2022/23 relate to several areas where actions are being undertaken by the Council. Some of the key areas are:

- Car Parking Tariff Review £0.495M
- Salt Ayre Income £0.209M

5.13 It should be noted that the potential income of £0.495M relating to the Council's car parking tariff review is subject to a separate report and agreement and at this time may be at risk.

Revenue Impact of Capital Programme Review

5.14 Cabinet and Executive Management Team have reviewed in detail the Council's existing capital programme and have repositioned and reprofiled a number of capital schemes in line with their revised Capital Investment Strategy (Investing in the Future) to lessen the revenue impact of capital projects through Minimum Revenue Provision (MRP) and interest cost savings.

## 6.0 CAPITAL PROGRAMME

6.1 Cabinet and Executive Management Team are currently finalising the proposed Capital Programme for 2022/23 and beyond in accordance with their Capital Investment Strategy (Investing in the Future). A draft version of this strategy was presented Budget and Performance Panel on 14 December 2021 for consideration and commentary as per the Council's constitutional requirements.

6.2 Details of the current proposed Capital Programme are provided at **Appendix C**. Members should note that schemes currently under development are subject to consideration of a full business case and approval in accordance with the governance processes outlined in the Capital Investment Strategy. The final Capital Programme for 2022/23 to 2025/26 and supporting Capital Strategy to cover this period and beyond will be considered by Cabinet at its February meeting ahead of the Budget Council on 23 February 2022.

6.3 It is expected that a number of significant capital proposals will be put forward in line with the Capital Investment Strategy during the forthcoming year covering major upcoming corporate priority projects. These ambitious schemes, which cover economic development, regeneration, housing development and meeting the climate emergency will contribute to achieving the Council's ambitions and influence the longer term revenue budget position.

## 7.0 MEDIUM TERM FINANCIAL STRATEGY

7.1 A revised Medium Term Financial Strategy will be considered in detail at Budget Council. The revision of the MTFS will be important and timely in order to provide sound financial planning processes to underpin the Council's ambitions. Key considerations of the MTFS include taking account of the impact of decisions made to balance the 2022/23 budget alongside forecasts for future funding.

7.2 There are a number of factors to be considered as part of the financial planning exercise and Members will be aware of the recent announcements regarding the decommissioning plans for the Heysham 1 and Heysham 2 nuclear reactors. This announcement will have a significant impact across the district as a whole but will inevitably have a significant impact on the Councils finances, as currently the rateable value of the reactors accounts for over 30% of the Council's total rateable value. The retained business rates scheme does have a safety net mechanism in place to ensure that a Council's income does not drop below more than a set percentage of its index linked spending baseline. Given the Council's exposure it is expected that it will inevitably fall into a safety net scenario and will need to rely on the Business Rates Retention Reserve to smooth operational shortfalls in the short term.

7.3 Medium Term financial forecasts have been updated as shown in Table 6 below. These estimates are best estimates and may be subject to change prior to presentation at Budget Council.

**Table 6 Medium term Financial Forecasts**

| | 2022/23 £'000 | 2023/24 £'000 | 2024/25 £'000 | 2025/26 £'000 |
|---|---|---|---|---|
| Revenue Budget | 21,254 | 21,943 | 23,479 | 24,766 |
| Budget Gap (Incremental) | 0 | 2,165 | 3,211 | 3,997 |
| Budget Gap (Cumulative) | 0 | 2,165 | 5,376 | 9,373 |
| **Percentage of Revenue Budget** | | **9.87%** | **22.90%** | **37.85%** |

7.4 The forecast gaps are structural in nature, meaning that the Council's forecast spending exceeds the income it expects to receive. This represents a significant challenge for Executive Management Team and Cabinet over the short and medium term. Re-iterating the commentary in the 07 December 2021 Cabinet report, *"it is now imperative that a thorough and detailed review of our cost base is undertaken through application of Outcomes Based Resourcing (OBR), or other similar budget principles. This will have a particularly important part to play alongside the other pillars of the Funding the Future strategy in driving down budget gaps from 2023/24 and beyond and in realising financial sustainability."*

7.5 Members will be pleased to note that, at the time of writing this report, detailed proposals are being developed to enable phase 1 procurement of external advice, with the aim of securing suitable expertise by the end of the current financial year. Further updates on the progress of OBR procurement and the MTFS will be made to Budget Council 23 February 2022.

7.6 A full update on the Housing Revenue Account budget and financial outlook will be considered alongside the revenue budget including options to ensure that the service's 30-year business plan is viable and that its ongoing budget is balanced, whilst delivering value for money to tenants.

## 8.0 DETAILS OF CONSULTATION

8.1 As in previous years, the usual high-level consultation with relevant stakeholders on the budget will be undertaken prior to Budget Council in February. More specific consultation may be required depending on the budget savings options being considered. Consultation on council housing matters will be undertaken through the District Wide Tenants' Forum.

## 9.0 OPTIONS AND OPTIONS ANALYSIS (INCLUDING RISK ASSESSMENT)

9.1 Options are very much dependent on Council's views regarding spending priorities balanced against Council Tax levels.

- In respect of the proposed 2022/23 revenue budget (set out in section 5 of the report and Appendix A), the recommendation reflects the culmination of work completed to date, and so no alternative options are put forward.
- In respect of Council Tax, the main options are set out at section 6 of the report.
- In respect of the Capital Programme (section 6 of this report) and MTFS (section 7 of this report), Council is requested to give feedback and no final decisions are sought at this stage.

9.2 In terms of the actual budget position, Cabinet's recommendations produce a balanced revenue budget for 2022/23. The Cabinet proposals will be considered by Budget and Performance Panel on 26 January 2021 and any feedback from this event considered prior to the agreement of a final budget proposal for Budget Council on 23 February 2022.

9.3 Depending on the nature of any alternative proposals put forward by Council, Officers may need additional time to assess them fully prior to detailed consideration by Members. This is to ensure that relevant considerations are taken into account, to support informed and lawful decision-making.

**<u>Appendices</u>**

- **Appendix A General Fund Revenue Budget Projections 2022/23 to 2025/26**
- **Appendix B Savings and Budget Proposals 2022-23 to 2025-26**
- **Appendix C Capital Programme 2021/22 – 2025/26**

| | |
|---|---|
| **RELATIONSHIP TO POLICY FRAMEWORK**<br>The budget should represent, in financial terms, what the Council is seeking to achieve through its Policy Framework. | |
| **CONCLUSION OF IMPACT ASSESSMENT**<br>**(including Diversity, Human Rights, Community Safety, Sustainability etc.)**<br><br>None directly arising in terms of the corporate nature of this report – any implications would be as a result of specific decisions on budget proposals affecting service delivery, etc**.** | |
| **LEGAL IMPLICATIONS**<br><br>Legal Services have been consulted, but at this stage there are no legal implications arising. | |
| **FINANCIAL IMPLICATIONS**<br><br>As set out in the report. | |
| **SECTION 151 OFFICER'S COMMENTS**<br><br>The Section 151 Officer has authored tis report in his capacity as Chief Finance Officer | |
| **MONITORING OFFICER'S COMMENTS**<br><br>The Monitoring Officer has been consulted and has no comments to add. | |
| **BACKGROUND PAPERS**<br>Cabinet reports on budget proposals<br>07 December 2021 and<br>18 January 2022 | **Contact Officer:** Paul Thompson<br>**Telephone**: 01524 582603<br>**E-mail**: pthompson@lancaster.gov.uk |

Appendix A

# General Fund Revenue Budget Projections 2022/23 to 2025/26

For Consideration by Council 26 January 2022

BUDGET PROJECTIONS

| | 2022/23 £'000 | 2023/24 £'000 | 2024/25 £'000 | 2025/26 £'000 |
|---|---|---|---|---|
| **Revenue Budget/Forecast as at 24 February 2021** | **21,110** | **23,550** | **24,400** | **24,400** |
| **Base Budget Changes** | | | | |
| Operational Changes | 1,478 | 1,243 | 1,454 | 1,586 |
| Additional Inflationary Pressure | 67 | 117 | 179 | 791 |
| Latest Budgetary Position | **22,655** | **24,910** | **26,033** | **26,777** |
| **Outcomes Based Resourcing Proposals:** | | | | |
| Savings Proposals | (180) | (212) | (222) | (230) |
| Additional Resource Requirements | 690 | 842 | 803 | 806 |
| Income Generation Proposals | (840) | (1,112) | (1,068) | (1,074) |
| Revenue Impact of Capital Programme Review | (1,505) | (1,742) | (1,751) | (1,297) |
| Contribution to/(from) Collection Fund Reserves | 400 | (743) | (316) | (216) |
| Contribution to/(from) Unallocated Reserve | 34 | | | |
| **General Fund Revenue Budget** | **21,254** | **21,943** | **23,479** | **24,766** |
| Core Funding: | | | | |
| Revenue Support Grant | (212) | | | |
| New Homes Bonus | (42) | (42) | (42) | (42) |
| Supplementry Government Grants | (652) | (652) | (652) | (652) |
| Prior Year Council Tax Surplus | (66) | | | |
| Net Business Rates Income | (10,106) | (8,593) | (8,764) | (8,940) |
| **Council Tax Requirement** | **10,176** | **12,656** | **14,021** | **15,132** |
| **Estimated Council Tax Income -** **(Increases based on £5 for 2022/23 then max allowable)** | **10,176** | **10,491** | **10,810** | **11,135** |
| **Resulting Base Budget (Surplus)/Deficit** | **0** | **2,165** | **3,211** | **3,997** |
| ***Original MTFS Savings Requirement*** | ***2,183*** | ***4,223*** | ***4,668*** | ***N/A*** |
| ***Change*** | ***(2,183)*** | ***(2,058)*** | ***(1,457)*** | ***N/A*** |

BALANCES

| General Fund Unallocated Balance | £M |
|---|---|
| **Balance as at 31 March 2021** | **(7.808)** |
| 2021/22 In Year allocations | **+2.267** |
| 2021/22 Forecast (Under)/Overspend | +0.319 |
| **Projected Balance as at 31 March 2022** | (5.222) |
| 2022/23 Forecast Budgeted Contribution | (0.034) |
| **Projected Balance as at 31 March 2023** | **(5.256)** |
| **Less Recomended Minimum Level of Balances** | **3.500** |
| **Available Balances** | **(1.756)** |

# Saving and Budget Proposals 2022/23 to 2025/26

## SAVINGS PROPOSALS

| | Upfront Investment | 2022/23 £'000 | 2023/24 £'000 | 2024/25 £'000 | 2025/26 £'000 |
|---|---|---|---|---|---|
| ***Central Services*** | | | | | |
| Chief Executive | | | | | |
| Delete vacant Head of Policy & Strategy | | 71 | 74 | 77 | 80 |
| ***Communities & the Environment*** | | | | | |
| Public Protection | | | | | |
| Community Safey Partnership | | 16 | 16 | 17 | 17 |
| ASB Contribution to Police | | 12 | 12 | 12 | 12 |
| Domestic Abuse Contribution | | 4 | 4 | 4 | 4 |
| Public Realm | | | | | |
| Marketgate (toilets) | | 21 | 21 | 21 | 21 |
| ***Corporate Services*** | | | | | |
| Democratic Services | | | | | |
| Staffing Changes (succession planning) | | - | 13 | 13 | 13 |
| Legal Services | | | | | |
| Staffing Changes (succession planning) | | 15 | 30 | 30 | 30 |
| ***Economic Growth & Regeneration*** | | | | | |
| Economic Development | | | | | |
| Remove FHS staff costs | | 41 | 42 | 43 | 43 |
| Planning & Place | | | | | |
| Additional Pre-Application Service Offers | | - | - | 5 | 10 |
| **Net Savings** | | **180** | **212** | **222** | **230** |

## INCOME GENERATION PROPOSALS

| | Upfront Investment | 2022/23 £'000 | 2023/24 £'000 | 2024/25 £'000 | 2025/26 £'000 |
|---|---|---|---|---|---|
| ***Communities & the Environment*** | | | | | |
| Customer Involvment & Leisure | | | | | |
| Salt Ayre Leisure Centre | | 209 | 484 | 483 | 482 |
| Public Protection | | | | | |
| Street Trading Consent | | - | 20 | 20 | 20 |
| Pest Control/Unbugged | | 9 | 15 | 20 | 22 |
| Public Realm | | | | | |
| Car Parking charging at new sites | | 20 | 20 | 20 | 20 |
| Car Parking Tariff Review | | 495 | 430 | 371 | 371 |
| Revisit delivery of Morecambe Concessions | | 10 | 30 | 30 | 30 |
| Williamson Park Events Income | | 70 | 75 | 80 | 80 |
| ***Economic Growth & Regeneration*** | | | | | |
| Economic Development | | | | | |
| Commercial ticketed events (estimated) | | 10 | 20 | 25 | 30 |
| Planning & Place | | | | | |
| Building Control | | 5 | 6 | 7 | 7 |
| Property, Investment & Regeneration | | | | | |
| Assembly Rooms Rent | | 12 | 12 | 12 | 12 |
| **Net Cost of Redirection** | | **840** | **1,112** | **1,068** | **1,074** |

## ADDITIONAL RESOURCE REQUIREMENTS

| | Upfront Investment | 2022/23 £'000 | 2023/24 £'000 | 2024/25 £'000 | 2025/26 £'000 |
|---|---|---|---|---|---|
| ***Central Services*** | | | | | |
| Chief Executive | | | | | |
| Partnerships & Innovation Coordinator (shared costs) | | (20) | (20) | (20) | (20) |
| Executive Support Apprentice | | (7) | (18) | (22) | (25) |
| ***Communities & the Environment*** | | | | | |
| Housing Services | | | | | |
| LATCo Development Manager | | (23) | (92) | (94) | (95) |
| Public Protection | | | | | |
| New EHO Post (Apprentice/Student) | | (10) | (23) | (23) | (23) |
| Public Realm | | | | | |
| LESS Contribution (Food Futures) | | (13) | (13) | (13) | (13) |
| Recycling (Wheelie Bin Pilot in Heysham) | | (25) | (25) | - | - |
| Bin Sensor Technology | **(62)** | (36) | (36) | (36) | (36) |
| District Wide Tree Survey/Strategy | | (75) | - | - | - |
| Open Spaces (ad-hoc Councillor requests) | | - | (50) | (50) | (50) |
| Additional Public Realm Capacity | | (32) | (66) | (70) | (72) |
| Williamson Park Business Development Officer | | (32) | (33) | (34) | (35) |
| Williamson Park Events | | (30) | (30) | (30) | (30) |
| ***Corporate Services*** | | | | | |
| Financial Services | | | | | |
| Internal Audit Manager (offset by Wyre savings) | | - | (32) | (34) | (36) |
| Project Accountant(s) to cover larger projects | | (12) | (47) | (50) | (52) |
| CIVICA Financials Contract | | - | (15) | (15) | (15) |
| Human Resources & Organisational Development | | | | | |
| Programme Manager (position made permanent) | | (58) | (59) | (60) | (62) |
| Working Well | | (25) | - | - | - |
| ***Economic Growth & Regeneration*** | | | | | |
| Economic Development | | | | | |
| Museums staff Job Evaluation (folowing TUPE transfer) | | (14) | (15) | (16) | (16) |
| Critical maintenance and security for architectural site | | (10) | (10) | (10) | (10) |
| Planning & Place | | | | | |
| Building Control (post-external contract) | | (105) | (95) | (75) | (65) |
| Voice-recognition software | | (6) | (6) | (6) | (6) |
| Integrated EDMS system | | (45) | (45) | (45) | (45) |
| Amenity Improvements Programme | | (12) | (12) | - | - |
| Property, Investment & Regeneration | | | | | |
| Project due diligence (contribution to new reserve) | | (100) | (100) | (100) | (100) |
| **Net Cost of Growth** | | **(690)** | **(842)** | **(803)** | **(806)** |

# General Fund Capital Programme

## Council 26 January 2022

Appendix C

| Service / Scheme | 2021/22 Gross Budget | 2021/22 External Funding | 2021/22 Net Programme | 2022/23 Gross Budget | 2022/23 External Funding | 2022/23 Net Programme | 2023/24 Gross Budget | 2023/24 External Funding | 2023/24 Net Programme | 2024/25 Gross Budget | 2024/25 External Funding | 2024/25 Net Programme | 2025/26 Gross Budget | 2025/26 External Funding | 2025/26 Net Programme | 5 YEAR TOTAL Total Gross Programme | 5 YEAR TOTAL Total External Funding | 5 YEAR TOTAL Total Net Programme |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | £ | £ | £ | £ | £ | £ | | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ | £ |
| **Communities and Environment** | | | | | | | | | | | | | | | | | | |
| Vehicle Renewals | 2,503,000 | | 2,503,000 | 2,012,000 | | 2,012,000 | 194,000 | | 194,000 | 2,253,000 | | 2,253,000 | 1,423,000 | | 1,423,000 | 8,385,000 | 0 | 8,385,000 |
| Fleet Growth & changed fleet specifications | 0 | | 0 | 180,000 | | 180,000 | 0 | | 0 | 0 | | 0 | 0 | | 0 | 180,000 | 0 | 180,000 |
| Electrification of Vehicles | 0 | | 0 | 508,000 | | 508,000 | 186,000 | | 186,000 | 2,454,000 | | 2,454,000 | 1,423,000 | | 1,423,000 | 4,571,000 | 0 | 4,571,000 |
| 2 x Electric Refuse Vehicles | 400,000 | | 400,000 | 0 | | 0 | 0 | | 0 | 0 | | 0 | 0 | | 0 | 400,000 | 0 | 400,000 |
| Electronic Vehicle Charging Points - Phase 2 | 58,000 | (30,000) | 28,000 | 0 | | 0 | 0 | | 0 | 0 | | 0 | 0 | | 0 | 58,000 | (30,000) | 28,000 |
| SALC optimised solar farm, air sourced heating pumps & glazing efficiency | 4,828,000 | (4,828,000) | 0 | 0 | | 0 | 0 | | 0 | 0 | | 0 | 0 | | 0 | 4,828,000 | (4,828,000) | 0 |
| One Million Trees | 33,000 | | 33,000 | 30,000 | | 30,000 | 30,000 | | 30,000 | 0 | | 0 | 0 | | 0 | 93,000 | 0 | 93,000 |
| Happy Mount Park Pathway Replacements | 13,000 | | 13,000 | 0 | | 0 | 0 | | 0 | 0 | | 0 | 0 | | 0 | 13,000 | 0 | 13,000 |
| Far Moor Playing Fields s106 Scheme | 56,000 | (21,000) | 35,000 | 37,000 | | 37,000 | 0 | | 0 | 0 | | 0 | 0 | | 0 | 93,000 | (21,000) | 72,000 |
| Disabled Facilities Grants | 1,870,000 | (1,870,000) | 0 | 3,667,000 | (3,667,000) | 0 | 2,144,000 | (2,144,000) | 0 | 2,144,000 | (2,144,000) | 0 | 0 | | 0 | 9,825,000 | (9,825,000) | 0 |
| Next Steps Accommodation Programme | 750,000 | | 750,000 | 0 | | 0 | 0 | | 0 | 0 | | 0 | 0 | | 0 | 750,000 | 0 | 750,000 |
| Half Moon Bay Car Park Extension | 30,000 | | 30,000 | 30,000 | | 30,000 | 0 | | 0 | 0 | | 0 | 0 | | 0 | 60,000 | 0 | 60,000 |
| Salt Ayre Asset Management Plan | 1,436,000 | | 1,436,000 | 549,000 | | 549,000 | 124,000 | | 124,000 | 38,000 | | 38,000 | 53,000 | | 53,000 | 2,200,000 | 0 | 2,200,000 |
| Customer Contact System | 91,000 | | 91,000 | 0 | | 0 | 0 | | 0 | 0 | | 0 | 0 | | 0 | 91,000 | 0 | 91,000 |
| Mellishaw Park | 0 | | 0 | 600,000 | | 600,000 | 360,000 | | 360,000 | 240,000 | | 240,000 | 0 | | 0 | 1,200,000 | 0 | 1,200,000 |
| Roof Mounted Solar Array - City Labs | 33,000 | | 33,000 | 0 | | 0 | 0 | | 0 | 0 | | 0 | 0 | | 0 | 33,000 | 0 | 33,000 |
| Vehicle Maintenance Unit Brake Rollers | 36,000 | | 36,000 | 0 | | 0 | 0 | | 0 | 0 | | 0 | 0 | | 0 | 36,000 | 0 | 36,000 |
| **Economic Growth and Regeneration** | | | | | | | | | | | | | | | | | | |
| Sea & River Defence Works | 910,000 | (722,000) | 188,000 | 725,000 | (725,000) | 0 | 0 | | 0 | 0 | | 0 | 0 | | 0 | 1,635,000 | (1,447,000) | 188,000 |
| Morecambe Regeneration | 3,165,000 | | 3,165,000 | 0 | | 0 | 0 | | 0 | 0 | | 0 | 0 | | 0 | 3,165,000 | 0 | 3,165,000 |
| Lancaster Heritage Action Zone | 174,000 | (174,000) | 0 | 2,356,000 | (1,383,000) | 973,000 | 777,000 | (136,000) | 641,000 | 0 | | 0 | 0 | | 0 | 3,307,000 | (1,693,000) | 1,614,000 |
| Canal Quarter Site Acquisition | 110,000 | | 110,000 | 40,000 | | 40,000 | 0 | | 0 | 0 | | 0 | 0 | | 0 | 150,000 | 0 | 150,000 |
| Edward Street Coach House Area Improvement | 0 | | 0 | 84,000 | | 84,000 | 0 | | 0 | 0 | | 0 | 0 | | 0 | 84,000 | 0 | 84,000 |
| Bailrigg Garden Village - Contribution | 0 | | 0 | 0 | | 0 | 0 | | 0 | 306,000 | | 306,000 | 306,000 | | 306,000 | 612,000 | 0 | 612,000 |
| 1 Lodge Street Urgent Structural Repairs | 150,000 | | 150,000 | 340,000 | | 340,000 | 0 | | 0 | 0 | | 0 | 0 | | 0 | 490,000 | 0 | 490,000 |
| Coastal Revival Fund - Morecambe Co-Op Building | 11,000 | (11,000) | 0 | 0 | | 0 | 0 | | 0 | 0 | | 0 | 0 | | 0 | 11,000 | (11,000) | 0 |
| Morecambe Co-Op Building Renovation | 50,000 | | 50,000 | 375,000 | | 375,000 | 0 | | 0 | 0 | | 0 | 0 | | 0 | 425,000 | 0 | 425,000 |
| Lancaster Square Routes | 0 | | 0 | 21,000 | (16,000) | 5,000 | 0 | | 0 | 0 | | 0 | 0 | | 0 | 21,000 | (16,000) | 5,000 |
| Lancaster District Empty Homes Partnership | 0 | | 0 | 73,000 | | 73,000 | 0 | | 0 | 0 | | 0 | 0 | | 0 | 73,000 | 0 | 73,000 |
| S106 Highways Works | 70,000 | | 70,000 | 0 | | 0 | 0 | | 0 | 0 | | 0 | 0 | | 0 | 70,000 | 0 | 70,000 |
| Lancaster City Museum Boiler | 179,000 | | 179,000 | 0 | | 0 | 0 | | 0 | 0 | | 0 | 0 | | 0 | 179,000 | 0 | 179,000 |
| Palatine Recreation Ground Pavillion | 138,000 | | 138,000 | 0 | | 0 | 0 | | 0 | 0 | | 0 | 0 | | 0 | 138,000 | 0 | 138,000 |
| Lawson's Bridge S106 Scheme | 2,000 | | 2,000 | 63,000 | | 63,000 | 0 | | 0 | 0 | | 0 | 0 | | 0 | 65,000 | 0 | 65,000 |
| Engineers Electric Vehicle | 15,000 | | 15,000 | 0 | | 0 | 0 | | 0 | 0 | | 0 | 0 | | 0 | 15,000 | 0 | 15,000 |
| Cable Street Christmas Lights | 0 | | 0 | 24,000 | | 24,000 | 0 | | 0 | 0 | | 0 | 0 | | 0 | 24,000 | 0 | 24,000 |
| **Corporate Services** | | | | | | | | | | | | | | | | | | |
| ICT Systems, Infrastructure & Equipment | 105,000 | | 105,000 | 370,000 | | 370,000 | 160,000 | | 160,000 | 150,000 | | 150,000 | 130,000 | | 130,000 | 915,000 | 0 | 915,000 |
| ICT Laptop Replacement & e-campus screens | 0 | | 0 | 120,000 | | 120,000 | 30,000 | | 30,000 | 0 | | 0 | 0 | | 0 | 150,000 | 0 | 150,000 |
| ICT Telephony | 40,000 | | 40,000 | 0 | | 0 | 0 | | 0 | 0 | | 0 | 0 | | 0 | 40,000 | 0 | 40,000 |
| **Schemes Under Development** | | | | | | | | | | | | | | | | | | |
| Canal Quarter | 0 | | 0 | 1,000,000 | | 1,000,000 | 1,000,000 | | 1,000,000 | 2,000,000 | | 2,000,000 | 1,500,000 | | 1,500,000 | 5,500,000 | 0 | 5,500,000 |
| Bailrigg Garden Village - Project Development/Acquisitions | 0 | | 0 | 650,000 | | 650,000 | 200,000 | | 200,000 | 550,000 | | 550,000 | 0 | | 0 | 1,400,000 | 0 | 1,400,000 |
| | | | 0 | | | 0 | | | 0 | | | 0 | | | 0 | | | |
| **GENERAL FUND CAPITAL PROGRAMME** | 17,256,000 | (7,656,000) | 9,600,000 | 13,854,000 | (5,791,000) | 8,063,000 | 5,205,000 | (2,280,000) | 2,925,000 | 10,135,000 | (2,144,000) | 7,991,000 | 4,835,000 | 0 | 4,835,000 | 51,285,000 | (17,871,000) | 33,414,000 |

| Financing : | 2021/22 Net Programme | 2022/23 Net Programme | 2023/24 Net Programme | 2024/25 Net Programme | 2025/26 Net Programme | 5 YEAR TOTAL Total Net Programme |
|---|---|---|---|---|---|---|
| Capital Receipts | 0 | 0 | 0 | 0 | 0 | 0 |
| Direct Revenue Financing | 300,000 | 0 | 0 | 0 | 0 | 300,000 |
| Earmarked Reserves | (325,000) | (947,000) | (484,000) | (278,000) | 0 | (2,034,000) |
| **Increase / (Reduction) in Capital Financing Requirement (CFR) (Underlying Change in Borrowing Need)** | 9,575,000 | 7,116,000 | 2,441,000 | 7,713,000 | 4,835,000 | 31,680,000 |

**<u>This message is sent on behalf of Mr Mark Nolan, Clerk and Monitoring Officer to Lancashire Combined Fire Authority</u>**

Dear Chief Executive,

To enable the capital budget consultation to take place, please find below the initial draft budget. Please note that the capital budget at this stage has not been considered by the Lancashire Combined Fire Authority. It would be helpful if you could let me have any comments you wish to make on the revenue budget proposals by no later than 10 February 2022. This will enable your views to be tabled for consideration by the Authority at its budget setting meeting on 21 February 2022.

**<u>Capital Budget Strategy</u>**

The Authority's capital strategy is designed to ensure that the Authority's capital investment:

- assists in delivering the corporate objectives
- provides the framework for capital funding and expenditure decisions, ensuring that capital investment is in line with priorities identified in asset management plans
- ensures statutory requirements are met, i.e., Health and Safety issues
- supports the Medium-Term Financial Strategy by ensuring all capital investment decisions consider the future impact on revenue budgets
- demonstrates value for money in ensuring the Authority's assets are enhanced/preserved
- describes the sources of capital funding available for the medium term and how these might be used to achieve a prudent and sustainable capital programme.

**Managing capital expenditure**

The Capital Programme is prepared annually through the budget setting process and is reported to the Authority for approval each February. The programme sets out the capital projects taking place in the financial years 2022/23 to 2026/27 and will be updated in May to reflect the effects of the final level of slippage from the current financial year (2021/22).

The majority of projects originate from approved asset management plans, subject to assessments of ongoing requirements. Bids for new capital projects are evaluated and prioritised by Executive Board prior to seeking Authority approval.

A budget manager is responsible for the effective financial control and monitoring of their elements of the capital programme. Quarterly returns are submitted to the Director of Corporate Services on progress to date and estimated final costs. Any variations are dealt with in accordance with the Financial Regulations (Section 4.71). Where expenditure is required or anticipated which has not been included in the capital programme, a revision to the Capital Programme must be approved by Resources Committee before that spending can proceed.

**Proposed Capital Budget**

Capital expenditure is expenditure on major assets such as new buildings, significant building modifications and major pieces of equipment/vehicles.

The Service has developed asset management plans which assist in identifying the long-term capital requirements. These plans, together with the operational equipment register have been used to assist in identifying total requirements and the relevant priorities.

**Slippage from 2021/22**

The 2022/23 programme includes various items of estimated slippage expected from the 2021/22 programme, previously agreed by Resources Committee: -

*Table 2 Details of Slippage from previous year*

| Item | Budget<br>£m |
|---|---|
| Pumping appliances x 7 | 1.490 |
| Command support units x 2 | 0.580 |
| Turn table ladder (TTL) x 1 | 0.675 |
| Water Tower x 2 | 1.000 |
| Prime mover x 1 | 0.215 |
| Pod x 1 | 0.028 |
| CCTV on appliances | 0.100 |
| Enhanced station facilities at Blackpool | 0.200 |
| Drill tower replacements | 0.150 |
| ESMCP | 1.000 |
| Various ICT systems/hardware | 0.755 |
| Total | 6.193 |

**Vehicles**

The Fleet Asset Management plan has been used as a basis to identify the following vehicle replacement programme, which is based on current approved lives:-

*Table 3 Vehicle Requirements (Numbers and cost by type per year)*

| | **No of Vehicles** | | | | |
|---|---|---|---|---|---|
| **Type of Vehicle** | **2022/23 (inc Slippage)** | **2023/24** | **2024/25** | **2025/26** | **2026/27** |
| Pumping Appliance | 7 | 6 | 5 | 6 | 6 |
| Command Unit | 2 | - | - | - | - |
| Water Tower | - | 2 | - | - | - |
| Aerial appliance | 1 | - | - | - | - |
| All-Terrain Vehicle | 1 | - | - | - | - |
| Prime mover | 2 | - | - | - | - |
| Pod | 1 | - | - | - | - |
| Operational Support Vehicles | 16 | 16 | 18 | 11 | 12 |
| | **32** | **22** | **23** | **21** | **18** |
| | **Budget (£m)** | | | | |
| Pumping Appliance | 1.490 | 1.337 | 1.156 | 1.421 | 1.457 |
| Command Unit | 0.580 | - | - | - | - |
| Water Tower | - | 1.000 | - | - | - |
| Aerial appliance | 0.750 | - | - | - | - |
| All-Terrain Vehicle | 0.016 | - | - | - | - |
| Prime mover | 0.215 | - | - | - | - |

| | | | | | |
|---|---|---|---|---|---|
| Pod | 0.028 | - | - | - | - |
| Operational Support Vehicles | 0.359 | 0.459 | 0.504 | 0.260 | 0.353 |
| | **3.437** | **2.795** | **1.660** | **1.682** | **1.810** |

Numbers are based on anticipated delivery dates, not order date. Several of the vehicles have long lead times, and stage payments, hence the actual timing of spend is subject to change, with any deliveries spanning across years inevitably resulting in the need to move spend between years, usually this will be in the form of slippage into subsequent years, but occasionally there will be a need to pull budget forward to reflect an earlier delivery/stage completion date. This will be reported to Resources Committee as delivery dates are agreed.

Both the Water Towers and Aerial Appliance requirements have been approved previously by CFA. With the exception of the these, all other vehicles are replacements.

It is worth noting that LFRS currently has several vehicles provided and maintained by Government under New Dimensions (5 Prime Movers and 1 Utility Terrain Vehicle), which under LFRS replacement schedules would be due for replacement during the period of the programme.  However, our understanding is that Government will issue replacement vehicles if they are beyond economic repair, or if the national provision requirement changes.  Should LFRS be required to purchase replacement vehicles, grant from Government may be available to fund them.  Based on the current position, we have not included these vehicles (or any potential grant) in our replacement plan.

In addition, Fleet Services continue to review future requirements for the replacement of all vehicles in the portfolio, hence there may be some scope to modify requirements as these reviews are completed, and future replacement programmes will be adjusted accordingly.

**Operational Equipment**

With the exception of CCTV on appliances, which is an existing project that has previously been approved, all other requirements are replacements for existing end of life equipment:

*Table 4 Equipment Requirements (Cost per year)*

| | **2022/23 (inc Slippage)** | **2023/24** | **2024/25** | **2025/26** | **2026/27** |
|---|---|---|---|---|---|
| | **£m** | **£m** | **£m** | **£m** | **£m** |
| Thermal Imaging Cameras | - | 0.250 | - | - | - |
| Breathing Apparatus (BA) and Telemetry equipment | - | - | 0.550 | - | - |
| Cutting and extrication equipment | 1.500 | - | - | - | - |
| CCTV on appliances | 0.100 | - | - | - | - |
| | **1.600** | **0.250** | **0.550** | **-** | **-** |

The cost of replacing cutting and extrication equipment will vary dependent upon whether these are battery operated or not, and we are currently awaiting the evaluation and a decision on this. As such further work is required to refine the £1.5m estimate.

Each of these groups of assets is subject to review prior to replacement, which may result in a change of requirements or the asset life.

**ICT**

The majority of the spend is on replacement/upgraded systems, with the exception of:-
.

- Data Warehouse, which will extract data from our business systems and create common data sets to aid performance management, data analysis and enable users to have self-service access
- Dynamic cover tool, which supports the Service in determining optimum appliance configuration based on available resources
- Digitisation of Fire appliances - additional Vehicle Mounted Data Systems (VMDS) units, to improve connectivity and accessibility for Service Delivery staff outside of the office based environment

All replacements identified in the programme will be subject to review, with both the requirement for the potential upgrade/replacement and the cost of such being revisited prior to any expenditure being incurred.

*Table 5 ICT Requirements (Cost per year)*

| | **2022/23 (inc Slippage)** | **2023/24** | **2024/25** | **2025/26** | **2026/27** |
|---|---|---|---|---|---|
| | **£m** | **£m** | **£m** | **£m** | **£m** |
| **New Systems** | | | | | |
| Data Warehouse | 0.100 | - | - | - | - |
| Dynamic Cover Tool | 0.150 | - | - | - | - |
| **Replace Existing Systems** | | | | | |
| Performance management | 0.100 | - | - | - | - |
| Hydrant Management system | 0.025 | - | - | - | - |
| Incident Command system | 0.100 | - | - | - | - |
| Asset Management system | 0.050 | - | - | - | 0.100 |
| HFSC referral system | 0.100 | - | - | - | - |
| Pooled PPE system | - | 0.080 | - | - | - |
| Community Fire Risk Management Information System (CFRMIS) | - | 0.100 | - | - | - |
| Rota management package (WT/On call) | - | - | 0.100 | - | - |
| Storage Area Network | - | - | 0.120 | - | - |
| GIS Risk Info (Cadcorp) | - | - | - | 0.100 | - |
| WAN (Intrinsic) | - | - | - | 0.450 | - |
| IRS/MIS (3TC) | - | - | - | 0.050 | - |
| **New Operational Communications** | | | | | |
| Digitisation of Fire appliances - additional VMDS units | 0.254 | - | - | - | - |
| **Replace Operational Communications** | | | | | |
| ESMCP (Airwave replacement – assumed fully funded by government grant) | 1.000 | - | - | - | - |
| VMDS replace existing kit | 0.361 | - | - | - | - |
| Incident Ground Radios | 0.180 | - | - | - | - |
| **Total ICT Programme** | **2.420** | **0.180** | **0.220** | **0.600** | **0.100** |

(Note HR & Payroll and the Finance system are both outsourced and form part of on-going SLAs, as such no allowance has been made for their future replacement, as it is assumed that any replacement costs are covered by the existing SLA. If at some point the Service moved away from the current SLAs, then we will incur costs in implementing new systems. We have not allowed for this.)

**Buildings**

The only new scheme included in the above programme is STC Props, which reflects the need to upgrade/replace some of the training props at STC which are nearing end of life. This scheme is at the initial design/feasibility stage with a considerable amount of work required to develop this into a more detailed scheme with more accurate costings.

*Table 6 Building Requirements (Cost per year)*

| | **2022/23 (inc Slippage)** | **2023/24** | **2024/25** | **2025/26** | **2026/27** |
|---|---|---|---|---|---|
| | **£m** | **£m** | **£m** | **£m** | **£m** |
| **New Schemes** | | | | | |
| STC Props | - | - | - | 5.000 | - |
| **Existing Schemes** | | | | | |
| SHQ relocation | 0.250 | 3.000 | 8.750 | | - |
| C50 – Preston replacement station | 0.250 | 7.750 | - | - | - |
| C52 Fulwood replacement station | - | - | - | 2.500 | - |
| W30 – Blackpool Welfare | 0.450 | - | - | - | - |
| S56 – Skelmersdale Community Room | - | 0.150 | - | - | - |
| P73 - Bacup Extension | - | 0.150 | - | - | |
| Drill tower replacements (notional 2 per year) | 0450 | 0.300 | 0.300 | 0.300 | 0.300 |
| | **1.400** | **11.350** | **9.050** | **7.800** | **0.300** |

In terms of all the building proposals it must be noted that we are still developing requirements/designs hence costings and timing are to provide some context for decision making. All works shown can be amended but ultimately the limiting factor remains capacity to undertake and manage works, not only these capital works but the day-to-day issues that arise as well as new initiatives that are identified at a later date.

**Total Capital Requirements**

The following table details capital requirements over the five-year period:

*Table 7 Summary Capital Requirements*

| | **2022/23 (inc Slippage)** | **2023/24** | **2024/25** | **2025/26** | **2026/27** | **TOTAL** |
|---|---|---|---|---|---|---|
| | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** |
| Vehicles | 3.437 | 2.795 | 1.660 | 1.682 | 1.810 | **11.385** |
| Operational Equipment | 1.600 | 0.250 | 0.550 | - | - | **2.400** |
| IT Equipment | 2.420 | 0.180 | 0.220 | 0.600 | 0.100 | **3.520** |
| Buildings | 1.400 | 11.350 | 9.050 | 7.800 | 0.300 | **29.900** |

| | | | | | | |
|---|---|---|---|---|---|---|
| | **8.857** | **14.575** | **11.480** | **10.082** | **2.210** | **47.205** |

**Capital Funding**

Capital expenditure can be funded from the following sources:

**Prudential Borrowing**

The Prudential Code gives the Authority increased flexibility over its level of capital investment and much greater freedom to borrow, should this be necessary, to finance planned expenditure. However, any future borrowing will incur a financing charge against the revenue budget for the period of the borrowing.

Given the financial position of the Authority we have not needed to borrow since 2007 and repaid a large proportion of our borrowing in October 2017.

**Capital Grant**

Capital grants are received from other bodies, typically the Government, in order to facilitate the purchase/replacement of capital items.

There is an expectation that the ESMCP project costs carried forwards from 2021/22 will receive £1.0m grant funding which is included in the programme, however we have not had any confirmation that LFRS costs will be met from grant. To date no other capital grant funding has been made available for 2022/23, nor has any indication been given that capital grant will be available in future years, and hence no allowance has been included in the budget.

**Capital Receipts**

Capital receipts are generated from the sale of surplus property and vehicle assets, with any monies generated being utilised to fund additional capital expenditure either in-year or carried forward to fund the programme in future years.

The Authority expects to hold £1.7m of capital receipts as at 31 March 2022. This will be fully utilised during the 5-year programme.

Anticipated sale proceeds of £2m have been included in respect of the potential sale of the existing Fulwood site, reflecting the relocation of SHQ and the development of Fulwood Fire Station.

**Capital Reserves**

Capital Reserves have been created from under spends on the revenue budget in order to provide additional funding to support the capital programme in future years. The Authority expects to hold £16.7m of capital reserves as at 31 March 2022, after allowing for the transfer of the year end revenue underspend of £0.4m and the transfer of £0.4m of earmarked reserves into this (as referred to in the reserves and balances policy elsewhere on this agenda). Over the life of the programme we anticipate utilising all these reserves.

**Revenue Contribution to Capital Outlay (RCCO)**

Any revenue surpluses may be transferred to a Capital Reserve in order to fund additional capital expenditure either in-year or carried forward to fund the programme in future years.

The revenue contribution in 22/23 has been increased to £3.0m reflecting the significant increase in staffing vacancy factors currently being experienced (as referred to in the Revenue Budget report elsewhere on this agenda). The contribution has been reduced to £2.25m in future years reflecting the anticipated short-term nature of this position.

**Drawdown of Earmarked Reserves**

£0.25m has been drawn down from the Innovation Reserve to fund the digitisation of fire appliances project.

**Drawdown of General Reserves**

No allowance has been made for the drawdown of any of the general reserve.

**Total Capital Funding**

The following table details available capital funding over the five-year period:

*Table 8 Summary Capital Funding*

| | **2022/23 (inc Slippage)** | **2023/24** | **2024/25** | **2025/26** | **2026/27** | **TOTAL** |
|---|---|---|---|---|---|---|
| | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** |
| Capital Grant | 1.000 | - | - | - | - | **1.000** |
| Capital Receipts | - | 1.389 | 0.292 | - | 2.000 | **3.681** |
| Capital Reserves | 4.603 | 10.936 | 1.143 | - | - | **16.682** |
| Earmarked Reserves | 0.254 | - | - | - | - | **0.254** |
| Revenue Contributions | 3.000 | 2.250 | 2.250 | 2.250 | 2.250 | **12.000** |
| | **8.857** | **14.575** | **3.686** | **2.250** | **4.250** | **33.617** |

**Summary Programme**

Based on the draft capital programme as presented we have a shortfall of £11.6m:

*Table 9 Summary Capital Requirements and Funding Available*

| | **2022/23 (inc Slippage)** | **2023/24** | **2024/25** | **2025/26** | **2026/27** | **TOTAL** |
|---|---|---|---|---|---|---|
| | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** |
| Capital Requirements | 8.857 | 14.575 | 11.480 | 10.082 | 2.210 | **47.205** |
| Capital Funding | 8.857 | 14.575 | 3.686 | 2.250 | 4.250 | **33.617** |
| **Surplus/(Shortfall)** | **-** | **-** | **(7.794)** | **(7.832)** | **2.040** | **(13.587)** |

This a very large funding gap, demonstrating that the programme as set out is not achievable without significant borrowing.

**Impact on the Revenue budget**

The capital programme shows the Authority utilising all of its capital reserves and receipts part way through 2024/25, meaning that the remainder of the capital programme will need to be met from either capital grant (if available), additional revenue contributions or from new borrowing.

Any borrowing will impact the revenue budget as capital financing (interest payable and Minimum Revenue Provision - MRP) charges. As we have already set aside funds (prepaid MRP) to offset our existing £2.0m of PWLB borrowing we would need to take out new borrowing of £11.5m. This has a significant impact on the revenue budget, in terms of interest payments and setting aside a sum equivalent to the Minimum Revenue Provision (MRP). Two examples are provided below showing the position over a 20 and a 50-year period, based on current long-term interest rates (note these may change over the course of the programme).

*Table 10 Cost of Borrowing*

| | 20 Year | 50 Year |
|---|---|---|
| | 1.85% | 1.60% |
| Interest per annum | £215k | £185k |
| MRP | £575k | £230k |
| | **£790k** | **£415k** |

The revenue budget, reported elsewhere on the agenda, incorporates £0.4m in future years budgets reflecting the need to borrow.

**Programme Assumptions**

It is also worth highlighting that the programme is based around a number of assumptions which could change: -

- All costings are subject to refinement during the design and procurement phases;
- Vehicle replacements are based on the Fleet Asset management Plan, however the scale of replacements in 22/23 is extremely high and hence some slippage is likely
- New Dimensions vehicle replacements are expected to be carried out by Government, however this position may change;
- No allowance has been made for developments in operational equipment, which may justify future investments. At the present time this would need to be met from the Innovation reserve, of which we have £0.25m remaining, or from the revenue budget (there is £0.2m of funding available for this type of R&D investment);
- ICT software replacements are subject to review prior to replacement, which has led in the past to significant slippage;
- Operational Communications replacements (ESMCP) are subject to a great deal of uncertainty in terms of both timing and costs as they are related to a national replacement project, in addition there may be grant funding available for this which is also unknown at this time;
- The costs and timing for investment in STC Props and replacement of Preston and Fulwood Fire Stations and SHQ relocation are estimates only at this stage, based on current information, but clearly if/when any of these go ahead this will create a need for external borrowing;
- Capital grant may be made available in future years, in order to assist service transformation and greater collaboration, although this is felt to be unlikely.

**Summary**

Without borrowing the current programme is not balanced, as such the Authority will need to borrow £11.5m over the life of the programme. The cost of this borrowing is incorporated into the revenue budget in future years. Whilst this results in a funding gap in future years, it is felt that this will be easily offset by future savings targets, resulting in a balanced budget in future years. Therefore, the Treasurer considers that the programme is prudent, sustainable, and affordable.

As noted above, should any of the funding assumptions or expenditure items within the programme change, this will have an impact on the overall affordability of the programme.

This message is sent on behalf of Mr Mark Nolan, Clerk and Monitoring Officer to Lancashire Combined Fire Authority

Dear Sir/Madam,

To enable the revenue budget consultation to take place, please find below the initial draft budget. Please note that the revenue budget at this stage has not been considered by the Lancashire Combined Fire Authority. It would be helpful if you could let me have any comments you wish to make on the revenue budget proposals by no later than 10 February 2022. This will enable your views to be tabled for consideration by the Authority at its budget setting meeting on 21 February 2022.

In line with the Authority's objective to deliver affordable, value for money services the Authority's Budget Strategy remains one of: -

- Delivering services as outlined in the Risk Management Plan and other plans;
- Continuing to invest in improvements in service delivery;
- Continuing to invest in improving facilities;
- Continuing to deliver efficiencies;
- Setting a robust budget;
- Maintaining an adequate level of reserves;
- Maintaining future council tax increases within the Governments referendum principles.

**Draft Budget**

In order to determine the future budget requirement, the Authority has used the approved 2021/22 budget as a starting point, and has uplifted this for inflation and other known changes and pressures, to arrive at a draft budgetary requirement, prior to utilising any reserves, as set out below: -

| | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 |
|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m |
| Preceding Years Draft Net Budget Requirement | 58.2 | 61.4 | 62.4 | 63.9 | 66.0 |
| Add back previous years unidentified savings target | 0.3 | - | - | - | - |
| Add back previous years Vacancy Factors | 1.4 | 2.8 | 1.4 | 1.4 | 1.2 |
| Inflation | 2.0 | 1.4 | 1.5 | 1.5 | 1.5 |
| Other Pay Pressures | 0.2 | - | (0.1) | - | - |
| Committed Variations | - | 0.1 | 0.3 | 0.3 | 0.3 |
| Growth | 2.8 | (1.9) | (0.2) | - | - |
| Efficiency Savings | (0.8) | - | - | - | 0.2 |
| Gross Budget Requirement | 64.2 | 63.9 | 65.3 | 67.1 | 69.2 |
| Vacancy Factors | (2.8) | (1.4) | (1.4) | (1.2) | (1.5) |
| Net Budget Requirement | 61.4 | 62.4 | 63.9 | 66.0 | 67.7 |

**Inflation**

The following amounts have been added to the budget in respect of inflationary pressures, in line with current estimates: -

| | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 |
|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m |
| The impact of the unbudgeted pay awards in 2021/22:<br>• Grey book (operational staff) at 1.5% from 1 July 2021 onwards<br>• Green book (support staff) estimated at the most recent offer of 1.75% for the full financial year (not yet agreed/implemented) | 0.7 | - | - | - | - |
| A 2% allowance has been built in for all future pay-awards | 0.8 | 1.0 | 1.1 | 1.1 | 1.1 |
| Non-pay inflation<br>• Energy - 25% inflation for 22/23 and subsequently 2.5% thereafter<br>• Fuel - 12.5% inflation for 22/23 and subsequently 2.5% thereafter<br>• Rates – 5% each year<br>• Other - 2.5% each year | 0.5 | 0.4 | 0.4 | 0.4 | 0.4 |
| | 2.0 | 1.4 | 1.5 | 1.5 | 1.5 |

Each 1% pay award in excess of the above assumptions equates to an additional cost of £400k per year for grey book personnel, and £75k for green book personnel.

**Other Pay Pressure**

| | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 |
|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m |
| Employers National Insurance increase of 1.25% in relation to the Health and Social Care levy (this is offset by a new Service Grant allocation - see funding section later in the report) | 0.3 | - | - | - | - |
| Pay has been re-costed, taking account of changes to personnel, grades etc.<br>Given this accounts for the majority of the overall budget it is worth highlighting some of the assumptions used: -<br><u>Whole-time Pay</u><br>• Approx. 200 personnel are currently paid at development rates of pay, it is assumed that this continues at this level throughout the budget period. (If all personnel were | (0.1) | - | (0.1) | - | - |

| | | | | | |
|---|---|---|---|---|---|
| paid at competent rates of pay this would cost an additional £1.2m)<br>• Approx. 385 personnel are currently paid CPD, it is assumed that this continues at this level throughout the budget period. (If all personnel were paid CPD this would cost an additional £0.1m)<br>• Approx. 30 personnel are currently 'opted out' of the FF pension scheme, it is assumed that this continues at this level throughout the budget period (if all personnel were in the pension scheme this would cost an additional £0.3m)<br>• The FF pension scheme transitional arrangements are due to be ended, with all FF transferring into the 2015 scheme on 1 April 2022, a reduction of £0.3m.<br><u>On-Call Pay</u><br>• Approx. 225 of all on-call personnel are currently paid at development rates of pay, it is assumed that this continues at this level throughout the budget period (if all personnel were paid at competent rates of pay this would cost an additional £0.2m)<br>• Approx. 80 on-call personnel are currently paid CPD, it is assumed that this continues at this level throughout the budget period (if all personnel were paid CPD this would cost an additional £0.1m)<br>• Approx. 80 personnel are currently 'opted out' of the FF pension scheme, it is assumed that this continues at this level throughout the budget period (if all personnel were in the pension scheme this would cost an additional £0.2m)<br>• The FF pension scheme transitional arrangements are due to be ended, with all on call FF transferring into the 2015 scheme on 1 April 2022, a very small reduction of £6k.<br><u>Support Pay</u><br>• The budget is based on the assumed scale points of personnel in post at 1 April 2022. No allowance has been made for future incremental progression or staff turnover where typically new starters commence at the bottom of the pay grade. | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| • Approx. 10 personnel are currently 'opted out' of the LGPS pension scheme, it is assumed that this number remains consistent throughout the budget period (if all personnel were in the pension scheme this would cost an additional £30k) | | | | | |
| | 0.2 | - | (0.1) | - | - |

**Committed Variations**

Committed variations are those items which are unavoidable, or which arise from previously agreed policy decisions.

| | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 |
|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m |
| The budget reflects the additional drawdown against the apprentice levy, net of our 5% co-investment cost. The increase arising from the government funding of 95% of any levy account shortfall,<br>The extent of the levy drawdown depends on the number and timing of WT recruits in training, hence the reductions in future years reflect the reduction in recruit numbers. | (0.4) | - | 0.2 | 0.1 | 0.1 |
| Increased MRP/interest payable in relation to the draft capital programme in line with anticipated borrowing (as referred to in the Capital budget report elsewhere on the agenda) | - | - | - | 0.2 | 0.2 |
| Other | 0.4 | 0.1 | 0.1 | 0.1 | 0.1 |
| | - | 0.1 | 0.3 | 0.3 | 0.3 |

**Growth**

| | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 |
|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m |
| The number and timing, and hence cost, of recruit Fire-fighters is affected by<br>• Changes in establishment, we have built in agreed changes to this. However, the cessation of DCP and the outcome of the ECR will affect establishment levels in the future but as yet, these are unknown and hence have been excluded.<br>• Retirements/leavers, we have incorporated anticipated retirements and an assumed level of early leavers into our forecasts. However, the on-going uncertainty surrounding pensions may have an impact on these, and whilst we have increased our allowance for this there is no guarantee that this will be accurate (further details are set out later in the report).<br>• Capacity within the organisation, both to undertake the comprehensive recruitment process required, but more specifically | 0.3 | (0.5) | - | - | - |

| | | | | | |
|---|---|---|---|---|---|
| capacity at Training Centre to run multiple recruit courses alongside all the other essential training that is required.<br>As such the budget allows for the following recruits/apprentice FFs each year:-<br>• 22/23 – 82 apprentices<br>• 23/24 – 24 apprentices<br>• 24/25 – 24 apprentices<br>• 25/26 – 24 apprentices<br>• 26/27 – 24 apprentices<br>Appendix 1 shows the impact this recruitment has on staffing levels, and hence vacancy levels. | | | | | |
| The WT overtime budget is 'flexed' to take account of the costs of covering vacancies during the year. As there are a significant level of operational vacancies next year the overtime budget has been increased, with a reduction in 2023/24 reflecting the reduction in forecast vacancies | 0.4 | (0.4) | | | |
| Establishment at Training Centre has been increased to reflect the additional recruit courses required next year, as well as the increasing demands on training requirements in general | 0.2 | (0.1) | - | - | |
| The increase in budget reflects the temporary requirement to enhance the delivery of protection services, and to better integrate this with crews/operational response | 0.2 | - | (0.2) | - | - |
| As referred to in the capital budget report the Revenue Contribution to Capital Outlay (RCCO) has been increased to £3.0m in 22/23, reflecting the significant increase in staffing vacancy factors currently being experienced, and the need to provide additional funding for the capital programme. The contribution has been reduced to £2.25m in future years reflecting the anticipated short-term nature of this position. | 0.7 | (0.7) | - | - | - |
| Capacity within support functions has been a major challenge for a number of years, however, demands placed on these departments has grown significantly in recent years, perhaps best illustrated by the amount of work required to support changes to the pension schemes. Whilst we have marginally increased resources in some areas in this and | 0.7 | | | | |

| | | | | | |
|---|---|---|---|---|---|
| previous budgets, it is clear that this has not been sufficient to address our current challenges.<br>As highlighted later in the report recruitment into several departments has been problematic for a number of years, with the situation becoming significantly worse in the last 12 months. We are now carrying over 20 vacant support posts (over 10%), and the most often cited reason for struggling to recruit is comparability of salary. Whilst market supplements have been applied to some posts this is not considered a long-term solution.<br>As such we propose undertaking a review of requirements at the start of the new year, and have therefore built an allowance into the budget to meet these costs and to put support functions on a sustainable long-term footing. This allowance is included to aid financial planning at this stage, as the actual requirements will not be known until the review is undertaken.<br>Note as cost and timing of outcomes is uncertain, we propose transferring any unused funds arising from this into the Capital Funding Reserve, to reduce the need to borrow in later years. | | | | | |
| Members have agreed that the Authority will undertake an Emergency Cover Review (ECR) in 22/23, incorporating the withdrawal of the DCP duty system. It is worth highlighting that converting a DCP station back to the 2-2-4 duty system costs approx. £0.5m, per station, a total of £5.5m across the 11 DCP stations.<br>Clearly this is unaffordable and hence we will need to look for alternative solutions. At this stage it is impossible to forecast the outcome of this review and hence we have assumed it will be cost neutral from a budget perspective. Obviously, if this is not the case then future years budgets will come under increasing pressure and it will become more difficult to set a long-term balanced budget. | - | - | - | - | - |
| Pension costs, as members are aware we have previously set aside over £2m to meet backdated employer contributions associated | - | - | - | - | - |

| | | | | | |
|---|---|---|---|---|---|
| with changes to pensionability of allowances. It has always been assumed that the Government would meet the cost of any backdating, net of both employee and employer contributions, via the pensions holding account that we report each year.<br>On a similar basis we have assumed that the Government would meet all costs, including backdated employer contributions, associated with the McCloud judgement and the introduction of Immediate Detriment.<br>Whilst we are still working on final costings relating to pensionability of allowances, and are awaiting more definitive guidance re immediate detriment, it does appear that the Governments position has changed and that there is a real risk that we are left picking up significant costs associated with this.<br>We have not built any allowance into the budget for this. However, it must be acknowledged that these will be one-off costs and hence, we may be able to meet these from reserves. | | | | | |
| Other | 0.3 | (0.2) | - | - | - |
| | 2.8 | (1.9) | (0.2) | - | - |

**Efficiency Savings**

The Authority has a good track record of delivering efficiency savings, with the following savings identified below: -

| | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 |
|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m |
| We have top sliced the majority of non-pay budgets by 2.5%. | (0.2) | - | - | - | - |
| Adjust pooled PPE budget to reflect lifecycle replacement requirement. | (0.2) | - | - | - | 0.2 |
| Reduction in car users/mileage budgets across all budgets, in line with trends seen in 19/20, 20/21 and year to date 21/22 – reflects alternative ways of future working. | (0.2) | - | - | - | - |
| Other | (0.2) | | | | |
| | (0.8) | - | - | - | 0.2 |

**Gross Budget Requirement**

As set out above the overall gross budget requirement for each year is as follows: -

| | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 |
|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m |
| Draft Gross Budget Requirement | 64.2 | 63.9 | 65.3 | 67.1 | 69.2 |

**Vacancy Factors**

The budget needs to take account of forecast vacancy factors arising from retirement and recruitment profiles: -

| | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 |
|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m |
| The vacancy factor for whole-time has also been updated and is based on the following: -<br>• Each year a number of personnel who have reached full pension benefits delay their retirement. Whilst this varies each year it averages out at approx. 7 personnel at any point in time. As such we have assumed that all bar 7 personnel who can retire do so immediately.<br>• It is also worth noting that the requirement reflects anticipated early leavers, i.e., personnel who retire before reaching forecast retirement date or who resign or are dismissed, of:-<br>➢ 17 in 22/23<br>➢ These numbers reduce in future years in order to avoid double counting of those who have retired 12/24 months earlier than their estimated retirement date, hence the allowance reduces to<br>➢ 12 in 23/24<br>➢ 9 in 24/25<br>➢ 6 in subsequent years<br>• Recruit numbers are as set out earlier and we assume that all recruits successfully complete the course.<br>Appendix 1 shows the impact this has on staffing levels, and the resultant vacancy levels.<br>The forecast establishment position as at the end of March 2022 is 13 vacant posts, rising to 32 before the first cohort of WT recruits are posted to station.<br>It is still not clear what further impact either the transitional pension arrangements or making allowances pensionable will have on the | (0.8) | 0.2 | 0.1 | 0.3 | 0.1 |

| | | | | | |
|---|---|---|---|---|---|
| retirement profile, or what impact the ECR will have on this.<br>Note, as set out above the WT overtime budget is 'flexed' to take account of the costs of covering the vacancies during the year. | | | | | |
| On Call vacancy factors has been increased from 18% to 21% reflecting the current level of staffing, and assuming this remains constant. | (1.2) | (1.2) | (1.3) | (1.3) | (1.3) |
| Support staff vacancy factor has been increased from 3.75% to 10.0%, broadly reflecting the current level of vacancies.<br>This has been reduced back to 5% in 23/24 and 2.5% in subsequent years on the assumption that this is a temporary problem, which the review of support pay and capacity requirements should address. | (0.8) | (0.4) | (0.2) | (0.2) | (0.2) |
| | (2.8) | (1.4) | (1.4) | (1.2) | (1.5) |

**Net Budget Requirement**

As set out above the overall net budget requirement for each year is as follows: -

| | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 |
|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m |
| Draft Budget Requirement | 61.4 | 62.4 | 63.9 | 66.0 | 67.7 |
| Budget Increase | 4.9% | 1.7% | 2.7% | 3.2% | 2.7% |

**Grant Funding**

The Governments Budget will set the overall total for public sector spending which will then be allocated out to departments as part of the Spending Review, and these are then allocated out to individual Authorities as part of the Local Government Finance Settlement, the first draft of which was announced in December.

Due to economic uncertainty the anticipated multi-year settlement has been postponed again, hence the draft settlement only covers 22/23.

Similarly, the Fair Funding review, which looked to re-assess the methodology under which funding was allocated to individual authorities, and the implementation of a revised Business Rates Retention Scheme, have both been put on hold for at least a further 12 months.

The draft 2022/23 Local Government Finance Settlement showed an increase in the Governments Settlement Funding Assessment of 1.08%. The Settlement Funding Assessment comprises:-

| | |
|---|---|
| • Revenue Support Grant (from the Government) | £8.8m |
| • Business Rates (from local billing authorities) | £11.3m |
| • Business Rates Top-Up (from the Government) | £4.4m |
| | £24.5m |

Looking beyond 22/23, it is assumed that this will grow in line with this increase and hence we have allowed for 1.0% growth each year. The table below sets out our assumed level of funding (Settlement Funding Assessment) over the next 5 years: -

| | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 |
|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m |
| Estimated Settlement Funding Assessment | 24.5 | 24.8 | 25.0 | 25.2 | 25.5 |
| Growth | 1.1% | 1.0% | 1.0% | 1.0% | 1.0% |

**Service Grant**

A new one-off grant has been introduced in 2022/23, Services Grant, worth £822 million to local government. This grant allocation is for 2022/23 only, but the Government has confirmed it will work with the sector on how to distribute this funding from 2023/24 onwards. As the grant includes funding for the increase in employer National Insurance Contributions it is assumed that this element will recur in subsequent years, but it may be under a different heading. We have not built in any allowance for the balance of this grant in future years.

| | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 |
|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m |
| Service Grant | 1.1 | 0.3 | 0.3 | 0.3 | 0.3 |

**Business Rates Adjustments**

We are awaiting final details of our Business Rates from billing authorities, hence have used the Governments estimate of £4.4m, as set out above.

In addition to the above Business Rates the Authority receives Section 31 grant from the Government to compensate for specific reliefs it has agreed as part of policy decisions, i.e., small business relief etc. This year the anticipated grant remains at £1.3m, the same as last year (the actual figure will not be known until billing authorities confirm business rates details). We have assumed this increases in line with inflation in future years.

We are awaiting details of the collection fund surplus or deficit from billing authorities. We are also awaiting confirmation as to whether there is any compensation due in respect of additional business rates reliefs granted by the Government and what our share of that is. As such we have assumed that the only adjustment required reflects the 3-year smoothing of last year's deficit, i.e., £80k.

| | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 |
|---|---|---|---|---|---|
| Section 31 Grant – Business Rates Reliefs | (£1.3m) | (£1.3m) | (£1.3m) | (£1.3m) | (£1.3m) |

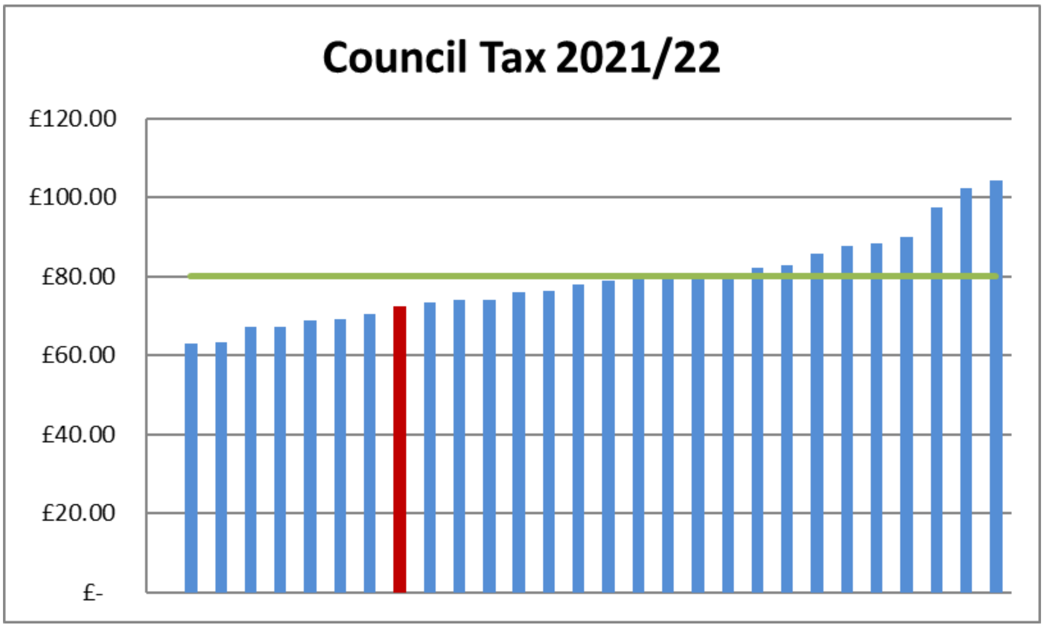
| | | | | | |
|---|---|---|---|---|---|
| Business Rates Collection Fund Deficit c/fwd from 21/22 | £0.1m | £0.1m | - | - | - |
| Business Rates Collection Surplus in year | - | - | - | - | - |
| Total Business Rates Adjustment | (£1.2m) | (£1.2m) | (£1.3m) | (£1.3m) | (£1.3m) |

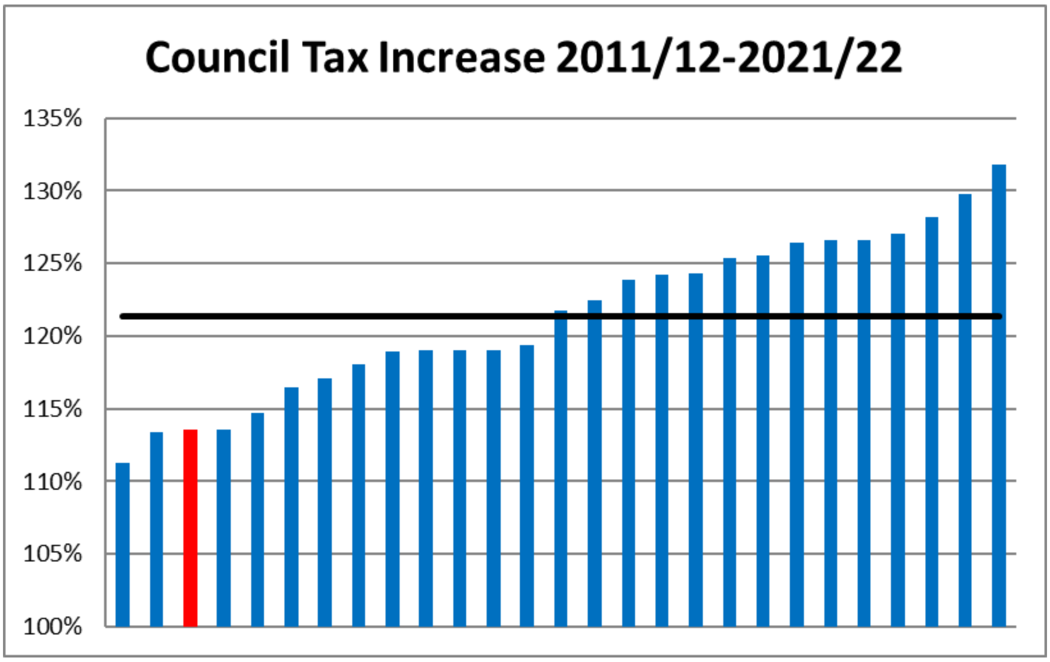
Funding projections will be updated once Billing Authorities provide more detail re business rates.

**Council Tax**

In setting the council tax, the Authority aims to balance the public's requirement for our services with the cost of providing this. As such the underlying principle of any increase in council tax is that this must be seen as reasonable within the context of service provision.

The Authority became a precepting authority on 1 April 2004. Since this our council tax increases have been limited by either capping or the current referendum thresholds set by the Government. As such our council tax increases and hence budget increases have been constrained by these and our desire to deliver value for money services. Our council tax of £72.27 is still below the national average of £80.06, and our increase of just 13.5% since 2010/11 compares with an average increase of 21.4% over the same period and is the third lowest of any Fire Authority.

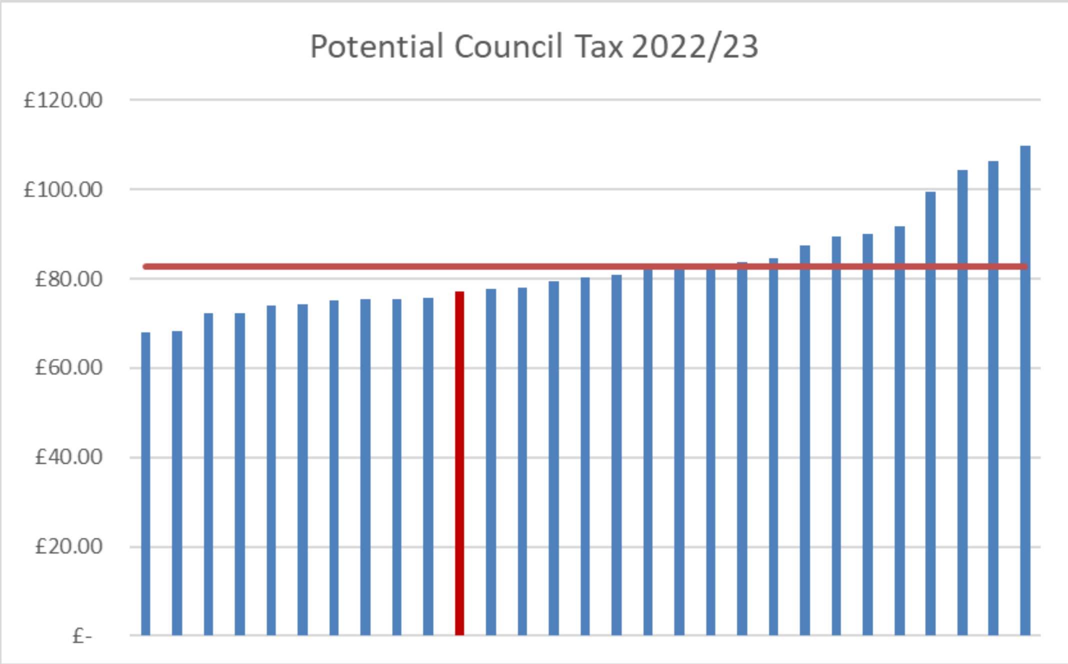


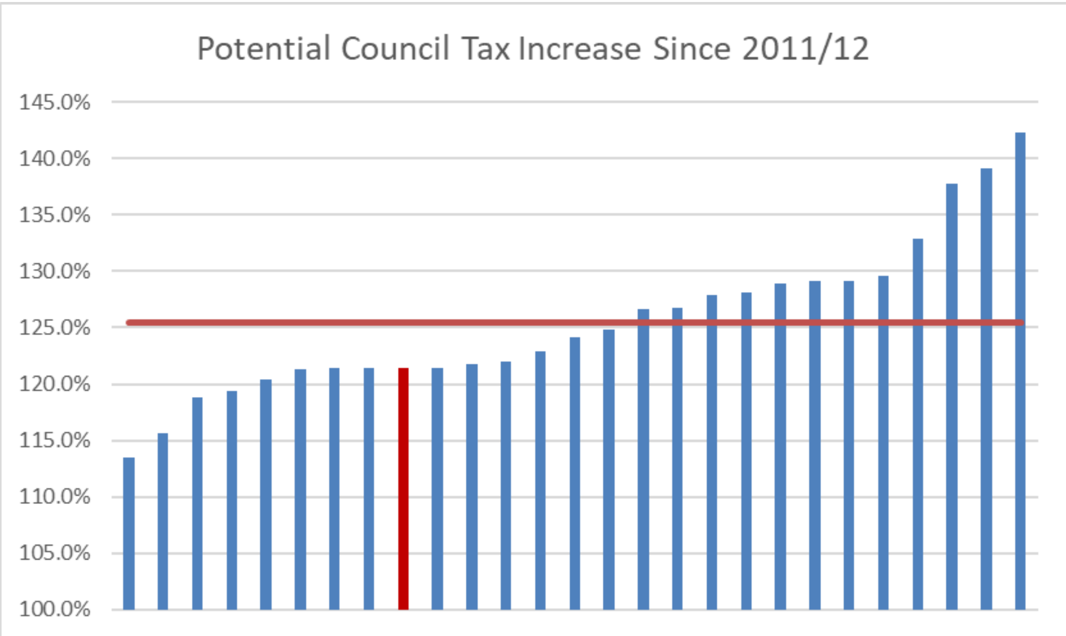



The draft Local Government Settlement confirmed that “the Government is proposing a 2% core referendum threshold and is consulting on proposals to allow the 8 FRAs with the lowest precept levels to increase council tax by £5 for one year only in 2022/3. This is to assist those FRAs in addressing immediate pressures and to maintain a sustainable income baseline for future years”. It is worth highlighting that this flexibility was last allowed in 2013/14, and that the sector as a whole has been lobbying for re-introduction of this flexibility for all Authorities since this date, hence this a major shift in the Government’s stance, but one which is very unlikely to be repeated in future years.

Lancashire are in the bottom quartile for council tax levels and hence, if the flexibility is supported following the consultation exercise, this will apply to ourselves. Based on our estimated tax base this will generate £2.25m of funding compared with £650k from a 2% increase, an additional £1.6m. Furthermore, it should be emphasised that this additional funding will set a new council tax baseline and hence becomes a recurring increase.

Assuming all Authorities increase by the maximum amount permissible (£5 or 2% depending in which quartile they are in) our council tax of £77.27 would still be below the national average of £82.66, and our increase of 21.4% since 2010/11 would compare with an average increase of 25.5% over the same period and will still be the joint seventh lowest of any Fire Authority.




**Council Tax-Base**

We are waiting for billing authorities to confirm the council tax base, and hence have utilised an assumed increase of 1.35% (based on provisional returns submitted to date). For the purpose of medium term forecasting we have assumed that the taxbase increases by 1.5% in subsequent years in line with historic averages.

| | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 |
|---|---|---|---|---|---|
| Estimated Number of Band D equivalent properties | 448,707 | 455,438 | 462,270 | 469,204 | 476,242 |

Last year the Government allocated an additional £670m of Local Council Tax Support Grant to councils, of which our share was £0.8m, to offset the reduction in tax base during the pandemic. It is assumed that this was a one-off allocation, and hence this has not been allowed for in this year's budget.

We are awaiting details of the collection fund surplus or deficit from billing authorities. As such we have assumed that the only adjustment required reflects the 3-year smoothing of last year's deficit, i.e., £121k.

| | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 |
|---|---|---|---|---|---|
| Council Tax Collection Fund Deficit c/fwd from 21/22 | £0.1m | £0.1m | - | - | - |
| Council Tax Collection Surplus in year | - | - | - | - | - |
| Net Collection Fund | £0.1m | £0.1m | - | - | - |

Both the tax base and collection fund deficit will be updated once figures are received from billing authorities.

**Draft Council Tax Requirements**

| | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 |
|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m |
| Draft Budget Requirement | 61.4 | 62.4 | 63.9 | 66.0 | 67.7 |
| Less Settlement Funding Assessment | (24.5) | (24.7) | (25.0) | (25.2) | (25.5) |
| Less Service Grant | (1.1) | (0.3) | (0.3) | (0.3) | (0.3) |
| Less Business Rates Adjustment | (1.2) | (1.2) | (1.3) | (1.3) | (1.3) |
| Less Council Tax Collection Deficit/(Surplus) | 0.1 | 0.1 | - | - | - |
| Equals Precept | 34.7 | 36.3 | 37.3 | 39.1 | 40.5 |
| Estimated Number of Band D equivalent properties | 448,707 | 455,438 | 462,270 | 469,204 | 476,242 |
| Equates to Council Tax Band D Property | £77.27 | £79.60 | £80.64 | £83.25 | £85.14 |
| Increase in Council Tax | £5.00 | 3.0% | 1.3% | 3.2% | 2.3% |

(For information, a 1% change to the council tax equates to £0.3m.)

As can be seen the increase in 22/23 is in line with the additional flexibility allowed for in the draft settlement. Increases in subsequent years are marginally above the 2% referendum limit, reflecting the removal of Service Grant.

The following table sets out the funding gap each year: -

| | 2022/23 | 2023/24 | 2024/25 | 2025/26 | 2026/27 |
|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m |
| £5 increase in council tax in 22/23 followed by 2% | - | (0.3) | (0.1) | (0.6) | (0.7) |

**Reserves**

A reasonable level of reserves is needed to provide an overall safety net against unforeseen circumstances, such as levels of inflation/pay awards in excess of budget provision, unanticipated expenditure on major incidents, and other “demand led” pressures, such as increased pension costs, additional costs associated with national projects, etc. which cannot be contained within the base budget. In addition, they also enable the Authority to provide for expenditure, which was not planned at the time the budget was approved, but which the Authority now wishes to implement.

As such a review of the strategic, operational, and financial risk facing the Authority is undertaken each year to identify an appropriate level of reserves to hold, this incorporates issues such as higher than anticipated pay awards,  increased number of ill health retirements, etc. The most significant change is the increased risks associated with pension costs arising from the review of pensionability of allowances and the Immediate Detriment position. As such the minimum requirement has increased to £4.0m. As at 31 March 2022 we anticipate holding £6.0m, providing scope to utilise approx. £2.0m of reserves.

Therefore, the Treasurer considers this reserve is at an appropriate level.

**Summary Council Tax 2022/23**

We are recommending a £5.00 increase in council tax for an average band D property:-

| | £5 |
|---|---|
| | £m |
| Gross Budget Requirement | 61.4 |
| Less Settlement Funding Assessment | (24.5) |
| Less Service Grant | (1.1) |
| Less Business Rates Adjustment | (1.2) |
| Less Council Tax Collection Deficit | 0.1 |
| Equals Precept | 34.7 |
| Estimated Number of Band D equivalent properties | 448,707 |
| Equates to Council Tax Band D Property | £77.27 |
| Increase in Council Tax | £5.00 |

The increase of £5.00 per annum equating to 10p per week for an average band D property. It is also worth highlighting that Fire accounts for a very small proportion of the total council tax bill, with the 2021/22 average band D bill in Lancashire being £1,996, of which 'Fire' accounts for £72, less than 4%.

**Robustness of the Revenue Budget 2022/23**

Under Section 25 of the Local Government Act 2003, the Chief Finance Officer is required to make a statement about the robustness of the budget.

The professional opinion of the Treasurer is that the budget has been prepared on a robust basis for the following reasons:

- The budget is reflective of existing service plans;
- The budget takes account of the anticipated on-going revenue impact of current and future capital programmes (no allowance has been made for any potential borrowing associated with the capital programme as we are still finalising this);
- The allowances included for inflation and pay awards represent a best estimate of the likely cost of this, at

| | 2022/23 |
|---|---|
| Uniformed Pay Award | 2.0% |
| Non-Uniformed Pay Award | 2.0% |
| Non-Pay Inflation<br>(Additional inflation has been allowed for in 22/23 in respect of energy and fuel) | 2.5% |

- As part of the budget setting process all estimates, including savings and income forecast, are assessed for reasonableness;
- The situation in respect of future funding, and in particular the outcome of next year's Spending Review and the longer-term impact of the pandemic on business rates and council tax will be kept under review and reported to the Authority in due course.

- The level of and appropriateness of reserves has been reviewed by the Treasurer, based on the potential risks faced by the Authority;
- The following significant financial risks have all been assessed and the Treasurer feels that these are adequately covered within the budget estimates presented or within the level of reserves currently held: -
    - Reductions in funding levels over and above those forecast;
    - Reduction in funding via Business Rates retention scheme;
    - Reduction in council tax funding due to changes in collection rates, localisation of council tax support, reducing tax base and/or council tax referendum limits;
    - Higher than anticipated inflation;
    - Larger increases in future pension costs/contributions;
    - Significant changes in retirement profiles;
    - Increase in costs arising from demand led pressures, i.e., increasing staff numbers, overtime due to spate conditions or major equipment replacement requirements;
    - Inadequacy of insurance arrangements

**Summary**

The lack of a multi-year settlement makes longer term planning more difficult as there can be no certainty around future funding forecasts. Offsetting this is the opportunity provided by the £5 council tax flexibility allowed this year. The Home Office have clearly stated that this flexibility is only for this year, and it is hard to see a situation where that does not prove to be the case in the medium term.

Raising council tax by the maximum permissible still only increases the overall council tax bill by £5 but generates £2.25m of funding for the Authority. This increase provides an opportunity to address some of the capacity and pay issues within support functions, as well as reduce the pressure on the ECR delivering sufficient change to offset the cessation of DCP and meet future budget pressures. It gives greater long term funding certainty which will form the basis of our future investment requirements, which are essential if we are to continue to hit our ambition to be the best equipped, best trained, and best accommodated Service.

To partners and stakeholders

We are seeking the opinion of partners and stakeholders on Lancashire County Council's proposed budget for 2022/23.

We are consulting on Cabinet's budget proposals for the coming financial year which are contained within "Money Matters" Cabinet reports and can be viewed here, (**Note:** These are attached to the Agenda) once the Cabinet agenda is published on Wednesday afternoon.

The budget being proposed for 2022/23 does not contain any specific savings proposals requiring policy decisions for Cabinet and Full Council to consider as part of the budget setting process, reflecting the necessary organisational focus on responding to the pandemic. The budget reflects the provisional financial settlement which was announced on 16th December 2021. This provided confirmation of funding announcements made as part of the Spending Review including the proposal to apply a 3.99% council tax increase with 2% of this to be used to support the increasing costs of adult social care however some of the funding allocations are subject to consultation and could change as part of the final financial settlement and the figures are not expected to be confirmed early February 2022. Subject to final confirmation of funding levels, a funding gap is anticipated for 2022/23 which would need to be funded from reserves in advance of work being undertaken over the spring and summer to identify budget proposals for 2023/24 aimed at achieving a balanced budget in future years.

We would like to hear your thoughts on this proposal.

Your feedback will be considered and reported to our Budget Full Council Cabinet meeting on 17 February 2022. We would be grateful if you could provide any comments that you would like us to consider no later than Friday 11 February 2022 at 5pm.

Please send responses to moderngov@lancashire.gov.uk

**Report to the Cabinet**
Meeting to be held on Thursday, 3 February 2022

**Report of the Chief Executive and Director of Resources**

**Part I**

Electoral Division affected:
(All Divisions);

**Corporate Priorities:**
Delivering better services;
Protecting our environment;
Supporting economic growth;
Caring for the vulnerable;

**Money Matters 2021/22 Position - Quarter 3**
(Appendices 'A' - 'C' refer)

Contact for further information:
Angie Ridgwell, Tel: (01772) 536260, Chief Executive and Director of Resources,
angie.ridgwell@lancashire.gov.uk

**Brief Summary**

This report provides an update to Cabinet on the county council's 2021/22 revenue and capital financial position, as at the end of November 2021 and an updated Medium-Term Financial Strategy covering the period 2022/23 to 2024/25.

The Chancellor of the Exchequer announced a 3-year spending review on 27 October 2021, this followed on from the prime minister's announcement that the government would be introducing a new national insurance levy of 1.25% to fund health and social care reform with changes to adult social care charging to come into effect from October 2023.

The draft local government settlement was a one-year settlement for 2022/23 only and draft allocations were provided to local authorities on 16 December and have been factored into the updated funding position for 2022/23 with the final settlement to be confirmed in early February. Assumptions have been made regarding funding in future years based on advice from national bodies, benchmarking, and discussion with peers in the absence of a longer-term settlement beyond 2022/23 and the likelihood of formula and business rate funding changes being implemented from 2023/24.

Whilst the quarter 3 forecast presents an underspend of £23.45m for the current financial year, there remains a level of uncertainty about the longer-term impacts of the ongoing pandemic. The extent and profiling of any latent impact on price or demand for our services also remains unclear.

Lancashire County Council

With the initial settlement information now received we have updated the projections based on this information, which may still be subject to changes in the final settlement. Services have also been through a process of identifying budget pressures and developing business cases for investment in activities designed to both improve service delivery and ultimately deliver cost benefits.

The revised position also reflects some further delays to the delivery of previously agreed savings resulting from services responding to the pandemic, although these are mitigated through the identification of new savings and it is anticipated that delayed savings will be delivered during 2023/24.

The current Medium-Term Financial Strategy indicates an aggregated funding gap of £42.830m by 2024/25, a £15.730m decrease from the previously reported position at Quarter two of this financial year. The forecast funding gap for 2022/23 is now £21.690m which is an improved position of £8.780m from Quarter 2 resulting from the initial analysis of the provisional settlement offset primarily by increasing demand and inflationary pressures for both Adults and Childrens services.

In summary:

(i) The 2021/22 revenue forecast outturn is £881.413m, representing a projected underspend of £23.46m (2.66%) of the agreed budget.

(ii) The Medium-Term Financial Strategy has been updated for our current expectations of levels of funding, savings delivery, demand, and inflation.

(iii) At Full Council in February 2021 the Medium-Term Financial Strategy showed a deficit of £30.470m in 2022/23 and £50.048m in 2023/24. The forecast now indicates a financial deficit of £21.690m in 2022/23 and £42.830m by 2024/25.

(iv) The council is forecast to hold a General Reserve against unforeseen issues of £23.44m representing circa 3% of net budget, which is unchanged from the previously reported position.

(v) The council is forecast to hold £204.450m of uncommitted transitional reserve at the end of the financial year, which includes the forecast underspend for 2021/22. This is sufficient to meet the forecast gap for all of the years covered by the Medium-Term Financial Strategy, 2022/23 to 2024/25.

**Recommendation**

Cabinet is asked to:

(i) **Note** the current forecast underspend of £23.46m on the revenue budget in 2021/22.

(ii) **Note** the revised funding gap of £21.690m in 2022/23 and **Agree** to make recommendations to Full Council on 17 February 2022 for this to be met from the uncommitted transitional reserve.

(iii) **Note** the revised forecast funding gap of £42.830m by 2024/25 as set out in the revised financial outlook forecast for the council.

(iv) **Approve** the budget adjustments for 2021/22, and following years' changes, included in the revised Medium-Term Financial Strategy.

(v) **Note** the contents of the county council's reserves position.

(vi) **Note** the revised 2021/22 capital delivery programme of £165.567m and the forecast outturn of £164.050m.

(vii) **Agree** to make recommendations to Full Council on 17 February 2022 for an indicative capital delivery programme of £206.263m in 2022/23.

(viii) **Agree** to make recommendations to Full Council on 17 February 2022 for a Band D Council Tax for 2022/23 reflecting a 3.99% increase including 2% to be used for adult social care as per the new flexibilities.

**Detail**

The detailed reports present the quarter 3 position and are appended as follows:

- Appendix 'A' - the 2021/22 forecast revenue position.
- Appendix 'B' - revised medium-term financial strategy for the period 2022/23 to 2024/25, including reserves position.
- Appendix 'C' - the 2021/22 capital financial position and draft capital delivery programme for 2022/23 to 2024/25.

<u>2021/22 Revenue Position as of 30 November 2021 (Appendix 'A')</u>

A revenue underspend is currently forecast at £23.46m and represents a variance of 2.66% against the overall revenue budget of £881.41m. The forecast outturn position reflects an increasing underspend including significant gains on Treasury Management and some service areas with lower than anticipated demand when setting the budget. The report also identifies those areas where forecast pressures exist and are subject to ongoing detailed review with the focus on continuing to tightly control and drive down costs wherever possible.

The savings that have been agreed to date are also closely monitored, with a total of £42.727m to be delivered in 2021/22. This is a combination of savings that were planned to be delivered in 2020/21 and were delayed due to the pandemic, and the budgeted savings agreed to be removed from the budget in 2021/22. Delays to the delivery of some of those savings has been experienced due to the pandemic offset by utilisation of COVID-19 grant funding and offsetting cost reductions.

The Medium-Term Financial Strategy and reserves position (Appendix 'B')

The previous updated Medium-Term Financial Strategy reported to Cabinet in November forecast a funding gap of £30.470m in 2022/23 and £58.560m by 2024/25. The updated funding gap contained within this report is £21.690m in 2022/23 and £42.830m by 2024/25 which is a reduction of £8.780m in 2022/23 and £15.730m by 2024/25. The reduction is primarily due to the impact of the one-year provisional finance settlement offset by a revision of the demand position.

The value of the uncommitted transitional reserve is currently forecast to be £204.450m by the end of March 2022, including the impact of the forecast underspend within the 2021/22 outturn position. The value of the uncommitted transitional reserve is currently forecast to be sufficient to meet the identified funding gaps for financial years 2022/23 - 2024/25, but the intention is to identify further savings, thereby securing a sustainable financial position for the council going forward.

Capital delivery programme for 2021/22 and Indicative Capital Delivery Programme for 2022/23 to 2024/25 (Appendix 'C')

In February 2021, an indicative Capital Delivery Programme of £152.439m was agreed with Cabinet. This delivery programme figure has been revisited following confirmation of the final 2020/21 slipped delivery figures, additions to the capital programme agreed post February 2021 and re-profiling of the programme deliverables in year which have increased the in-year programme to £165.567m with a forecast outturn of £164.050, a variance of -£1.517m or c-0.9%. An indicative capital delivery programme of £206.263m is proposed for 2022/23 but will be reviewed once the outturn position for 2021/22 is confirmed and any reprofiling that is necessary at that point reported to Cabinet.

**The Robustness of the Budget and the Adequacy of Reserves**

Section 25 of the Local Government Act 2003 requires that, in giving consideration to budget proposals, Members must have regard to the advice of the council's Chief Finance Officer (in the case of the county council the Chief Executive and Director of Resources) on the robustness of the estimates and the adequacy of the council's reserves.

**Robustness of the Estimates**

This section is concerned with the scale of financial risks faced by the council as a result of the estimates and assumptions which support any budget. The basis of the estimates on which the budget has been prepared, as in previous years, relies on the forecast of activity and the impact of changes in policy previously agreed by the council. These forecasts are kept under review as part of the budget monitoring process and actions identified to address financial risks arising from changes in the forecast as they occur.

The table below demonstrates the scale of just a small variance in the assumptions made, showing the potential impact of both a positive and negative movement of 1% across the main areas within the Medium-Term Financial Strategy:

| | Potential Full - Year Impact (£m) |
|---|---|
| Funding - Council Tax (1%) | +/- 5.700 |
| Pay (1%) | +/- 3.290 |
| Price Inflation (1%) | +/- 6.990 |
| Demand (1%) | +/- 5.230 |

A number of specific risks remain within the budget as follows:

- **Government Funding**

On 27 October 2021 the Chancellor announced the Spending Review 2021 (SR21). Whilst a multi-year Spending Review was originally expected, the Chancellor and the Prime Minister decided to conduct a one-year Spending Review, setting department's resource and capital budgets for 2022/23 only in order to prioritise the response to COVID-19 and focus on supporting jobs.

The Provisional Settlement was announced on 16 December 2021 and confirmed the funding streams that were included within SR21 and provided more detailed information and allocations for councils.

The Medium-Term Financial Strategy contains a best estimate of the funding envelope that the county council expects to achieve over coming years based on a lack of any certainty regarding funding levels post 2022/23. We anticipate the delayed fair funding review and business rates system review to take effect from 2023/24.

Assumptions have been made that include the continuation of social care grants, improved better care fund and that business rates will change to a 75% share from 2022/23.

As part of the provisional settlement, it was confirmed that the maximum increase that we will be able to apply to council tax, without a referendum, will be 1.99%. In addition, those authorities with responsibility for adult social care have the ability to raise council tax by an additional 1% through as adult social care precept. It has also been confirmed that any of the previous Adult Social care precept flexibility allowed but not taken in 2021/22 can be applied in 2022/23.

- **Service Demand**

In 2021/22 we have seen the impact of the pandemic on demand levels, with areas such as nursing and residential care being initially lower than budgeted, due to a number of factors including lockdown and the impact of the acute health sector commissioning some residential placements as part of NHS funded scheme to create capacity in hospitals in support of the crisis. As 2021/22 has progressed we have seen large increases in demand for both Adults and Childrens services, as a consequence of this, increased demand and inflationary price pressures have had to be factored into the Medium-Term Financial Strategy. For Adults social care services an additional

£92m has been built in covering both demand and inflationary fee pressures over the next three years

In addition to current lower than budgeted demand levels, we have some benefits from the current remote working arrangements with costs such as premises, printing and mileage being reduced.

Demand pressures are identified based on current and historical trends and population projections where appropriate (particularly linked to the ageing population in respect of adult social care). Estimates are based on assumptions that have previously been a reasonable prediction of demand, during the current financial year.

Detailed work continues to be undertaken focused on a better understanding of the causes of increasing demand, including the impact of the pandemic, and what steps can be taken to mitigate the financial impact, which is a major contributing factor towards the funding gap reported in the Medium-Term Financial Strategy.

- **Pay**

The majority of the pay bill is driven by the national pay agreement and the announcement of a new pay spine represents a significant additional cost pressure reflected in the updated Medium-Term Financial Strategy. The county council also remains committed to paying its employees as an accredited member of the Living Wage Foundation.

- **Inflation**

Levels of inflation have been increasing during the year with the UK Consumer Price Index (CPI) for November registered 5.1% year on year, up from 4.2% in the previous month.  Inflation is now forecast by the Monetary Policy Committee to peak at 6% in April 2022.

Provision made within the budget is limited to areas where the council has no choice but to pay increased prices, e.g. due to contractual terms. The inflation forecasts used in recent years are based on the future level of inflation implied by yields on interest linked gilts. Historically, this has tended to give a more accurate forecast than the methodology previously used. It is anticipated that the continued use of this methodology will reduce the risk of needing to make catch up additions to the budget for "missed" inflation or the need to absorb additional inflationary costs in year.

A particularly significant area is the care market, primarily residential, nursing and homecare, the funding of which is recognised as a significant issue regionally and nationally. A significant amount of resource has been included within the Medium-Term Financial Strategy to fund price increases and the estimated impact of the national living wage on care providers.

- **Interest Rates**

As a result of the inflationary pressures there was an expectation that the Bank Rate would be increased, and the Bank of England did increase the Bank Rate to 0.25% in

December 2021. Arlingclose, the council's Treasury Management advisors, expect the Bank Rate to rise to 0.5% in quarter one of 2022 and then stay at that level for the foreseeable future.

- **Savings Programme Delivery**

The scale of savings agreed to be delivered remains significant with £42m of previously agreed savings budgeted to be delivered by 2022/23, £8.5m of which is now forecast not to be delivered until 2023/24 due to the refocussing of officer priorities during the pandemic.

Any further significant under-delivery or slippage to delivery timeframes will create an additional funding pressure and impact on the ongoing and longer-term financial health of the council if those costs are not mitigated by the Government providing additional funding in future years.

There are inherent risks in the delivery of any savings programme of this scale, particularly where they are directly linked to reducing the future demand for services. However, there is a strong track record of delivery of the vast majority of previous savings plans and there are comprehensive arrangements in place to track delivery of financial savings and take corrective actions where required.

This has been identified as one of the highest-level risks in the council's Risk and Opportunity Register and there are comprehensive arrangements in place to track delivery of financial savings and take corrective actions as required.

**Adequacy of Reserves**

The council holds reserves for a number of reasons:

- to enable the council to deal with unexpected events such as flooding or the destruction of a major asset through fire,
- to enable the council to manage variations in the demand for services which cause in year budget pressures, and
- to fund specific projects or identified demands on the budget.

There is no 'right' answer to the question of the appropriate level of reserves for a local authority; this is a matter of judgement taking into account:

- the level of risk evident within the budget as set out above,
- a judgement on the effectiveness of budgetary control within the organisation, and
- the degree to which funds have already been set aside for specific purposes which will reduce the need for general reserves.

In relation to the council's general reserve (County Fund Balance), the forecast level at 31 March 2022 is £23.437m. In addition, the council is forecast to hold £15.4m by the end of the financial year as a formal treasury management reserve to reflect that, whilst the council's treasury management performance (covering both investment activity and financing costs) has been positive over an extended period, the outlook post-Brexit is particularly uncertain and volatile. The reserve is there to hedge against that volatility, including interest rate changes and associated risks over the short-term without directly impacting the revenue account.

The value of the council's uncommitted transitional reserve, which is available to support the revenue budget, by the end of the financial year including the 2021/22 forecast underspend is currently forecast to be £204.450m and is sufficient to meet the forecast funding gap within the current Medium-Term Financial Strategy covering 2022/23 to 2024/25.

The level of risk evident within the budget has been significant in recent years and has been exacerbated by the initial and longer-term impact of the pandemic and the ongoing longer-term uncertainty regarding funding levels. The revenue budget for 2022/23 will need to be supported by reserves with an increasing gap forecast in subsequent years. The transitional reserve allows decisions to be made in a more measured and considered way but does not of itself negate the need for a sustainable budget to be achieved. While the council's budgetary control procedures are strong in terms of managing in year expenditure, the effectiveness of budgetary control is a combination of systems and processes as well as the risk environment within which the council is operating. It therefore remains an essential requirement that the council continues to ensure that processes are effective in maintaining a grip on in year expenditure and also that there is a clear focus on delivering a balanced and sustainable budget.

As part of the Medium-Term Financial Strategy report, scenario analysis and stress tests of the current financial gap and reserves position have been undertaken.

Overall, the council has an appropriate level of reserves available to manage the financial risks it is facing from 2022/23 to 2024/25. However, on current forecasts it will be necessary that additional savings are identified to be delivered to bring the council to a financially sustainable position. Any utilisation of remaining reserves should support, wherever possible, activities which reduce ongoing revenue costs.

**Implications**:

**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.

The financial risks and opportunities that could affect the position outlined in the report primarily cover the following areas. Many of these risks equally present opportunities:

**Level of Future Resources from Central Government**

Risks remain in relation to the level of resources the council receives from the government in terms of support for the additional pressures as a result of the COVID-

19 pandemic, revenue support grant, social care grant, business rates and the fairer funding settlement which has been delayed for a further year. At this point in time there is insufficient detailed information regarding the changes to be certain of the funding assumptions within the Medium-Term Financial Strategy from 2023/24 onwards and a prudent assessment of future funding levels has been made. We have received the provisional settlement for 2022/23 and the final settlement is due in early February.

**Demand**

There is continued pressure on the council's budget from demand led service areas, particularly around adult and children's social care, and whilst the most up to date demand forecasts have been included, they are subject to volatility and will continue to be closely monitored and reviewed.

**Inflation**

A significant level of additional resource has been included in the medium-term financial strategy, primarily on contractual price increases and particularly on social care where there are nationally recognised funding issues in the residential and domiciliary care markets. In addition, the medium-term financial strategy includes funding for fee increase that enable independent sector providers to meet the significant additional costs of the increases in the national living wage.

**Delivery**

The Medium-Term Financial Strategy assumes that agreed savings including those delayed as a result of COVID-19 will be delivered fully by 2023/24. There are also a significant number of other factors, both internal and external, which may impact upon delivery, and these will need to be clearly identified and either minimised or optimised as appropriate.

**Legal**

Please note that matters referred to in this financial forecast will be subject to council consideration where appropriate.

**List of Background Papers**

| Paper | Date | Contact/Tel |
|---|---|---|
| None | | |

Reason for inclusion in Part II, if appropriate

N/A

# Money Matters
# The County Council's Revenue Financial Position
# 2021/22 Quarter Three

Lancashire County Council

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## 1. Summary Revenue Budget Monitoring Position as at 30th November 2021

| Service Area | Approved Net Budget | Current Period Net Forecast Outturn | Current Period Net Forecast Variance | Current Period Net Forecast Variance | Q2 Variance | Movement Q3 to Q2 |
|---|---|---|---|---|---|---|
| | £m | £m | £m | % | £m | £m |
| **Adults** | 388.77 | 383.97 | -4.80 | -1.23% | 2.27 | -7.07 |
| **Policy, Information, Commissioning and Safeguarding** | 7.82 | 7.84 | 0.02 | 0.26% | -0.02 | 0.04 |
| **Public Health & Wellbeing** | -4.40 | -4.86 | -0.46 | -10.45% | 0.23 | -0.69 |
| **Education and Children's Services** | 218.17 | 211.74 | -6.43 | -2.95% | -7.71 | 1.28 |
| **Growth, Environment & Planning** | 6.70 | 5.81 | -0.89 | -13.28% | -0.62 | -0.27 |
| **Highways and Transport** | 71.40 | 78.13 | 6.73 | 9.43% | 4.14 | 2.59 |
| **Organisational Development** | 1.94 | 1.89 | -0.05 | -2.58% | -0.08 | 0.03 |
| **Waste Mgt** | 70.12 | 67.69 | -2.43 | -3.47% | -2.23 | -0.20 |
| **Finance** | 18.05 | 17.31 | -0.74 | -4.10% | -0.63 | -0.11 |
| **Corporate Services** | 21.89 | 21.73 | -0.16 | -0.73% | -0.38 | 0.22 |
| **Strategy and Performance** | 31.62 | 32.94 | 1.32 | 4.17% | 0.11 | 1.21 |
| **Digital Services** | 31.97 | 29.89 | -2.08 | -6.51% | -0.77 | -1.31 |
| **Chief Executive Services** | 17.36 | 3.87 | -13.49 | -77.71% | -10.76 | -2.73 |
| **TOTAL** | **881.41** | **857.95** | **-23.46** | **-2.66%** | **-16.45** | **-7.01** |

## 2. Executive Summary

This report provides the third update of the financial year 2021/22 to Cabinet on the county council's forecast 2021/22 revenue financial position as at the end of November 2021. The forecast outturn for 2021/22 is outlined in the table above, with a £23.46m underspend forecast, which by way of context is 2.66% of the county council's net budget.

Forecasting in the current climate is challenging as while the financial impacts of the Covid crisis continue to be the biggest single factor impacting on our financial performance this year, there remain other factors of uncertainty in our forecast which will continue to be kept under review as we progress through the year.

Whilst it is clear that there are financial pressures as a result of the crisis there are also some offsetting cost reductions. At this point in the financial year, we can see that the reduction in demand for some services seen in 20-21 and early in 21-22 resulting from the pandemic have now reversed, with more citizens coming into the care sector for support particularly around domiciliary care. National funding of a scheme to create capacity in hospitals in support of the crisis has now been extended until the end of the current financial year but is unlikely to continue next year, however, as more restrictions are implemented to deal with the new variant this may well change. Longer term, there is a risk that the local authority will face higher costs due to placing people earlier from hospital that have multiple co-morbidities which attract higher fees. The anticipation that over the coming months we may see increasing demand across our children's services as a result of the pandemic has now materialised. These areas of growth form part of our monitoring statements.

In addition to initial lower than budgeted demand levels, we have some benefits from the current remote working arrangements with costs such as building occupancy, printing and mileage being reduced. We also have treasury management gains (£13.50m) which are mitigating the forecast pressures.

These factors led to an underspend being forecast at quarter two which have now increased as at Quarter 3. We are awaiting further impacts of latent demand which is difficult to forecast with any certainty and volatility in actual demand could still lead to a significant variance from the current forecast at year end.

The forecast is based on actual expenditure and income to date, combined with budget holder knowledge of anticipated activity over the rest of the financial year and trends from previous years. It has been produced just before the most impacted months of the winter period and with the uncertainty around a new Covid 19 strain which may lead to significant fluctuations in demand for services. The position that is reported reflects our most robust forecast at this stage. However, there are some volatile, primarily demand led, service areas that could see their forecast fluctuate during the remainder of the year. Areas such as adults and children's social care, recyclate income, concessionary travel and treasury management are areas that are particularly closely monitored as fluctuations across these areas are most likely to materially impact the forecast position.

There continues to be multiple grants awarded by the Government to local authorities to support additional expenditure, delayed savings delivery, and lost income as a result of the pandemic. The monitoring position at quarter three reflects the additional income received to date and costs forecast to be incurred. It must be noted that this is a rapidly changing picture with additional funding and changes to advice and guidance as part of the pandemic continuing to happen on a regular basis. Some further funding for winter pressures within Adult Social Care has just been announced, we have not yet been informed regarding the level of funding which will be applicable to LCC.

The savings that have been agreed to date are also closely monitored. A total of £42.727m was to be delivered in this financial year. This is a combination of savings that were planned to be delivered in 2020/21 and were delayed due to the pandemic, and the budgeted savings agreed to be removed from the budget in 2021/22. As restrictions which had been lifted has now been reintroduced, it is unclear as to when service delivery will be closer to the levels provided pre-pandemic. There is a renewed focus on delivering the savings that are built into the current budget, and we have seen some increased savings delivery from the position reported at quarter two.

## 3. Adult Services

| Adults | Approved Net Budget | Current Period Net Forecast Outturn | Current Period Net Forecast Variance | Current Period Net Forecast Variance | Q2 Variance | Movement Q3 to Q2 |
|---|---|---|---|---|---|---|
| | £m | £m | £m | % | £m | £m |
| Disability (Adults) | 1.94 | 1.86 | -0.08 | -4.12% | 0.07 | -0.15 |
| Learning Disabilities, Autism & Mental Health | 176.36 | 180.64 | 4.28 | 2.43% | 7.46 | -3.18 |
| Residential & Day Care Services for Older People | 0.26 | 4.36 | 4.10 | 1576.92% | 4.60 | -0.50 |
| Social Care Services (Adults) | 197.70 | 197.11 | -0.59 | -0.31% | 2.63 | -3.25 |
| **Total** | **376.26** | **383.97** | **7.71** | **2.04%** | **14.76** | **-7.08** |
| Share of unallocated COVID-19 emergency monies | 12.48 | 0.00 | -12.48 | | -12.48 | 0.00 |
| **Total Adults** | **388.77** | **383.97** | **-4.80** | **-1.23%** | **2.28** | **-7.08** |

**Adult Services – Total Forecast underspend - £4.80m**

The Adult Services budget accounts for c46% of the county council's total net budget and is forecast to be £4.80m underspend at the end of this financial year. It should be noted that this position includes COVID 19 emergency funding of £12.48m. The forecast is an improved position from Quarter 2 (forecast overspend at Q2, £2.28m). This positive movement is mainly due to additional income received from the NHS, reduction in direct payments and a contribution from the Contain Outbreak Management Fund (COMF) grant held in Public Health. It is important to note, however, these factors are offset by significant increases in unit costs for home care due to difficulties in sourcing services from home care providers within the expected price range. The number of residential care and nursing service users is also seeing an upward trend.

With regard to the impact of the pandemic on the Directorate's overall financial performance, we can now make a more accurate assessment of the forecasted full year effect on the programme of budgetary savings. As previously reported, the focus on service delivery during 2020 and 2021 has significantly hindered progress against service re-engineering projects required to meet the approved budget savings already factored into the Directorate's budget. That said, activity to improve the level of receipts from the NHS for Joint Funded packages of care has been successful which helps to off-set the outstanding savings in 2021/22. In addition, uncommitted Direct Payment expenditure has increased this year as service users have not been able to, or reluctant to, buy into certain services that have been temporarily closed for periods or require social distancing over the previous 22 months.

**Outstanding Budget Savings Taking into Account Off-setting Budget Variations**

| | £m |
|---|---|
| Budget savings outstanding and to be re-profiled into future years | 22.671 |
| Off-setting Budget variations: | |
| NHS Joint Funding Care Packages | (2.100) |
| Reduced Expenditure – Direct payments | (7.300) |
| **Net Impact – Forecasted Budget Savings Outstanding as at 31/03/2022** | **13.271** |

The most significant variances within the Adult Social Care Directorate are as follows: -

**Learning Disability, Autism & Mental Health – Forecast overspend £4.28m**

**(1) Learning Disability – forecast overspend of £5.405m**

This is as a result of overspends of £5.816m within commissioning offset by staffing underspends of £410,886.

The position is explained further below:

- Staffing budgets are forecast to underspend by £410,866. There are additional agency staff costs within the LDA Community team of £150,000 which is being offset by vacancies in this team. There are 17fte vacancies throughout the whole teams.

- The costs across commissioned services that are as a result of price and demand fluctuations are creating a net budgetary pressure of £5.239m, which is analysed below:
    a. Domiciliary care pressures of £3.951m, primarily relate to previous years' recurrent growth and price increases.
    b. Direct Payments are forecasting an overspend £2.086m
    c. Day care is currently forecast to underspend by £564,000, related to be the on-going pandemic.
    d. Residential is forecast to overspend £3.706 This service demand has declined during the year, reducing from 223 service users at the close of 2020/21 to the current position of 221. It should be noted that this forecast includes for back dated packages of care incurred in May and June, which has impacted the forecast.
    e. Nursing Care underspends £237,908 are due to declining service user numbers, currently 9 service users (7 service users at the end of March 2021) and demand levels of 3% built into the budget not being not utilised. However, there are price pressures, current price at £1548.18pw, equating to an increase of 25.28%% compared to budget 4.80%. Price pressures have been noted in previous years with average price increase of 8.82%.

- Additional savings totalling £3.458m have been built into this year's budget, some of which have been delayed because of the pandemic. A summary of the accumulated targets and forecast position against budget:
    a. SC508 Modernisation of Supported Housing and Flat Schemes accumulated savings target £2.434m, forecast £0.642m, shortfall £1.792m
    b. ASC025 Voids £0.500m, forecast nil, shortfall £0.500m
    c. LD001 Remodelling accumulated savings target £2.025m, forecast £1.271m, shortfall £0.754m.
    d. SC511 Enablement accumulated savings target £2.177m, forecast £0.225m, shortfall £1.952m.
    e. SC518 Direct Payment Clawback £170,000, forecast £0.170m, shortfall nil.
    f. ASC002 Shared Lives savings target £0.307m, forecast nil, shortfall £0.307m.
    g. This forecast assumes delayed savings of £5.305m.

- Within the forecast are continued void costs forecast at £3.699m
- Direct Payments Clawback monies of £5.612m are included in this forecast. This is significantly above what has previously been reclaimed and thought to be circumstantial to the pandemic and unlikely to be recurrent at this level in future financial years.
- Net additional income of £2.815m is forecast, including joint funded health claims £1.974m and non-residential service user income £1.085m, which is offset by underachieved residential and nursing service user income £244,113.

**(2) Mental Health - Forecast underspend £1.123m**

This forecast variance is due to staffing underspends of £1.276m and commissioning net overspends of £0.153m. The health income budget has been increased in this year's budget, due to an additional Exchequer lead savings target, which is currently forecast with a £0.575m pressure.

**Residential and Day Care Services for Older People – forecast overspend £4.10m**

The service operates with a gross budget of £23.92m and has an income target of £23.66m resulting in a net budget of £0.26m.

The service is still experiencing staffing and agency pressures as per the previous year and this situation looks unlikely to change whilst we are still in the midst of a pandemic. Despite the use of the auxiliary workforce which also included the use of day centre staff and volunteers, the service has had to call on a high level of agency workers to cover for sickness absence. This will result in a forecasted overspend of £1.035m.

Winter pressure funding of £282,000 in respect of additional night care assistant posts has been incorporated into the staffing budget and has reduced the staff overspend.

The auxiliary workforce has now been stepped down, so the service is covering absences with additional hours for staff.

Internal charges such as cleaning and catering are forecast to overspend £510,000.

The other main area of overspend relates to a loss of income from both LCC funded and self-funding clients. At present there is a forecasted under-recovery on income for Residential service users which totals £2.526m (Q2 £2.560m). £1.387m of this relates to LCC service users and there is a corresponding underspend against the Social Care Services (Adults) residential budget.

The service still is experiencing a Covid related pressure due to a reduction in residential occupancy which has to date been reduced from a maximum occupancy level of c.604 to an average of c.474 residents.

**Social Care Services (Adults) – forecast underspend £590,000**

| | Approved Net Budget | Current Period Net Forecast Outturn | Current Period Net Forecast Variance | Current Period Net Forecast Variance | Q2 Variance | Movement Q3 to Q2 |
|---|---|---|---|---|---|---|
| | £ m | £ m | £ m | % | £ m | £ m |
| **Physical Support** | 182.798 | 182.916 | 0.118 | 0.06% | 2.737 | -2.619 |
| **Staffing** | 19.229 | 19.042 | -0.187 | -0.97% | -0.121 | -0.066 |
| **Prevention** | 4.352 | 3.939 | -0.413 | -9.49% | 0.022 | -0.435 |
| **Central Services** | -8.683 | -8.791 | -0.108 | 1.24% | -0.008 | -0.099 |
| **Total Social Care Services (Adults)** | **197.696** | **197.106** | **-0.590** | **-0.30%** | **2.630** | **-3.219** |

***<u>Physical Support –forecast overspend £118,000</u>***

Physical Support is the largest budget area within Social Care Services (Adults), with a budget of £182.798m. This area has a large number of savings that were delayed from 2019/20 and 2020/21. Notably Passport to Independence and its continuation to generate budgetary savings into Community and Reablement Services. Demand for services decreased during 2020-21 but is now on the increase again. The service has benefited from increases in income during the current year, as well as one-off benefits from increased Direct Payments clawback and a change in bad debt policy

Direct Payments Clawback - there have been large increases over the year to date, with the possible explanation that we are now recovering balances which were underutilised during the pandemic. Due to the sustained increases in clawback during the year, the OP / PD forecast has been increased by a further £701,000 in Quarter 3 and now stands at £7.688m, an increase of £3.329m compared with 20-21. Across all services the latest prediction is for total clawback to reach £14.5m for the year, compared with £7.4m in 2020/21.

Enhanced Discharge claim – the forecast has increased by a further £1.574m this quarter

***Residential and Nursing Care - forecast underspend £5.870m (Q2 forecast underspend £3.879m)***

The forecast underspend on Residential care is £1.292m (Q2 forecast underspend £199,000). The main variances are highlighted in the table below:

- There are budget pressures brought forward from previous years due to delayed savings delivery
- Long- and short-term placement costs have increased this quarter, due to an increase in service users as well as backdated costs relating to previous periods
- The forecast includes expenditure of £6.461m in relation to Discharge to Assess packages. Although these packages should in theory be short term, the cost has been forecast to the end of the year as there is a constant throughput. Enhanced discharge funding of £2.764m is forecast in respect of all acute discharges
- The service user income forecast includes a one-off benefit of c£1.8m due to a change in bad debt policy in Q1. In addition, bad debt provision and write-offs have reduced substantially and are now forecast to be around £725,000 lower than previous forecasts

Nursing care is showing a forecast underspend of £4.578m (Q2 forecast underspend £3.680m)

- The forecast for long term placements is below budget - demand was below budget in 2020-21. However, long term placement numbers have increased in the current year, and this is reflected in the forecast
- The service user income forecast for Q1 included a one-off benefit of c£700,000 due to a change in bad debt policy. In addition, bad debt provision and write-offs have reduced substantially and are now forecast to be around £424,000 lower than previous forecasts

***Non-Residential Care –forecast overspend £7.437m (Q2 forecast overspend £8.317m)***

The Home Care forecast is an overspend of £8.535m (Q2 £8.668m)

- There are budget pressures brought forward from previous years due to delayed savings delivery
- There was a significant growth in service user numbers during the last quarter of 2020/21 which has continued into the current year. This has put additional pressure on the expenditure budget but has been offset to an extent by an increase in service user income
- Service user income also had a one-off benefit from the change in bad debt policy by £420,000 in Q1. In addition, bad debt provision and write-offs have reduced substantially and are now forecast to be around £300,000 lower than previous forecasts
- There are additional cost pressures due to the current difficulties in sourcing domiciliary care from Framework providers, which has resulted in an increase in off-framework packages at higher rates.

This budget area also includes Crisis support with forecast spend totalling £5.153m. Spend is largely funded from Better Care Fund and iBCF Winter Pressures funding. The grant funded Social Care in Prisons Service is also included

***<u>Direct Payments</u>***

The forecast underspend on Direct Payments is £1.098m (Q2 forecast overspend £351,000)

- The Direct Payments budget is also experiencing pressures brought forward from the previous year
- These pressures have been offset by a large increase in clawback. Clawback was scaled back in 2020-21, although recoveries were made from unused funding during the Pandemic. The normal 10 weeks surplus recovery practice in line with the DP policy resumed in April 2021, and this has resulted in high amounts of during 2021-22. The forecast for OP/PD is £7.688m, an increase of £701,000 compared with Q2 and an increase of £3.329m compared with 20-21.
- Service user income benefited from the change in bad debt policy by around £260,000 in Q1

***Day Care – forecast underspend £1.736m (Q2 forecast underspend -£1.598m)***

Services at both in house and external day care centres have been restricted due to Covid-19, with those centres remaining open having a significantly reduced capacity. The underspend mainly relates to in house services and there is a corresponding overspend in the Residential and Day Care Services for Older People service

***Extra Care Sheltered Housing– forecast overspend £373,000 (Q2 forecast underspend £27,000)***

The forecast has increased this quarter in line with an increase in spot provision and in year contract uplifts

***Prevention – forecast underspend £413,000***

The total net budget for preventative services, including reablement and the equipment and carer's services is £4.352m and is mainly funded by Better Care Fund and improved Better Care Fund.

The Carers Service continues to forecast a significant underspend of £0.455M, although Carers Direct Payments numbers are rising again and have led to a modest increase in costs since Q2.

## Policy, Information, Commissioning and Safeguarding November 2021 (Q3)

| Policy, Information, Commissioning and Safeguarding | Approved Net Budget | Current Period Net Forecast Outturn | Current Period Net Forecast Variance | Current Period Net Forecast Variance | Q2 Variance | Movement Q3 to Q2 |
|---|---|---|---|---|---|---|
| | £m | £m | £m | % | £m | £m |
| Policy Info & Commission Age Well | 0.76 | 0.74 | -0.02 | -2.63% | 0.00 | -0.02 |
| Policy Info & Commission Live Well | 0.93 | 0.91 | -0.02 | -2.15% | -0.01 | -0.01 |
| Safeguarding & Quality Improvement Services | 6.13 | 6.19 | 0.06 | 0.98% | -0.01 | 0.07 |
| **Total Policy, Information, Commissioning and Safeguarding** | **7.82** | **7.84** | **0.02** | **0.26%** | **-0.02** | **0.04** |

The budget for Policy, Information, Commissioning and Safeguarding in 2021/22 is £7.82m. The forecast outturn position is an overspend of £20,000.

### Safeguarding & Quality Improvement Services

The Safeguarding & Quality Improvement service is forecast to overspend by £60,000.

The Care Navigation team is forecast to underspend by c£227,000, whilst the other service areas, including Safeguarding, MASH and Contracts, is forecast to overspend by c£289,000. This overspend predominantly relates to agency costs of £440,000.

The current number of vacancies within the service is 22 FTEs. These consist of 10 in Care Navigation, 3 in Safeguarding, 1 in Contracts and 8 in Quality Improvement & MASH.

## Public Health and Wellbeing – November 2021 (Q3)

| Public Health & Wellbeing | Approved Net Budget | Current Period Net Forecast Outturn | Current Period Net Forecast Variance | Current Period Net Forecast Variance | Q2 Variance | Movement Q3 to Q2 |
|---|---|---|---|---|---|---|
| | £m | £m | £m | % | £m | £m |
| Public Health & Wellbeing | -67.32 | -67.32 | 0.00 | 0.00% | 0.00 | 0.00 |
| Health Equity Welfare & Partnerships | 58.31 | 58.63 | 0.32 | 0.55% | 0.37 | -0.05 |
| Health, Safety & Resilience | 0.98 | 0.22 | -0.76 | -77.55% | -0.20 | -0.56 |
| Trading Standards & Scientific Services | 3.49 | 3.61 | 0.12 | 3.44% | 0.20 | -0.08 |
| **Total** | **-4.54** | **-4.86** | **-0.32** | **-7.05%** | **0.37** | **-0.69** |
| Share of unallocated COVID-19 emergency monies | 0.14 | 0.00 | -0.14 | -100.00% | -0.14 | 0.00 |
| **Total Public Health & Wellbeing** | **-4.40** | **-4.86** | **-0.46** | **-10.45%** | **0.23** | **-0.69** |

The net budget for Public Health & Wellbeing Services in 2020/21 is -£4.54m and includes the ring-fenced Public Health Grant of £70.243m. The service forecast out-turn position is an underspend of £0.32m in 2021/22. The allocation of £0.14m from the COVID Emergency Grant monies increases this underspend to £0.46m. The position at Quarter 2 was an overspend of £0.23m (after the allocation of the COVID grant monies) meaning the overall financial performance of the Directorate has improved by £0.69m.

**Health Equity, Welfare & Partnerships**

Although an overall overspend is reported for the service, it should be noted that this includes a contribution to the Public Health Grant Reserve for areas within the Directorate that are underspending, being £3.791m. The Public Health Grant is a ring-fenced grant therefore any underspend will be transferred to the specific reserve to be reinvested in Public Health in future years.

A decision has been made to attribute £1.463m HEWP staffing costs to the Contain Outbreak Management Fund (COMF). This has resulted in a forecast underspend of the PH Grant and has therefore created a forecast increase to reserves for future expenditure.

The Sexual Health contracts are forecast to underspend by £1.035m due to reduced activity. To protect future service provision, they will be paid on block contract terms for the full financial year rather than on a tariff basis.

Service area variances on Public Health Grant related services are forecast at £1.293m and include the following: -

- Underspending on Health Checks.
- Underspend brough about by delayed Oral Health Contract.
- Tobacco contract - Stop Smoking campaign underspend.
- Suicide Prevention - budget overspend.
- Underspending due to Staffing vacancies.
- Additional costs for Healthy Weights initiatives.
- Underspend transferred to reserves - Domestic Abuse Services.
- Drug Misuse underspends.

**Health, Safety & Resilience**

The service forecast position to the end of the year is an underspend of £0.76m.

A decision has been made to attribute £0.482m staffing costs to the Contain Outbreak Management Fund (COMF). This has resulted in an increased forecast underspend.
The remainder of the underspend predominantly relates to the in-year overachievement of income for Health & Safety and Educational Visits.

**Trading Standards & Scientific Services**

Trading Standards & Scientific Services forecast position is an overspend of £0.12m.

- Scientific Services forecasted overspend is £0.12m. The breakdown of this variance is an overspend on Environmental Testing service cost pressures of £0.18m and other minor variations
- Shortfalls in the first 3 months of this financial year have been included in claims to MHCLG for losses of sales, fees, and charges.

**Education and Children's Services**

| Education and Children's Services | Approved Net Budget | Current Period Net Forecast Outturn | Current Period Net Forecast Variance | Current Period Net Forecast Variance | Q2 Variance | Movement Q3 to Q2 |
|---|---|---|---|---|---|---|
| | £m | £m | £m | % | £m | £m |
| **Family Safeguarding Project** | 1.13 | 1.10 | -0.03 | -2.65% | 0.00 | -0.03 |
| **Front Door, Assessment & Adolescent Services** | 11.47 | 11.20 | -0.27 | -2.35% | -0.16 | -0.11 |
| **Family Safeguarding** | 11.92 | 12.59 | 0.67 | 5.62% | 0.49 | 0.18 |
| **Csc: Looked After Children/Leaving Care** | 93.51 | 90.26 | -3.25 | -3.48% | -5.15 | 1.90 |
| **Fostering, Adoption Lancashire Blackpool & Residential Services** | 35.20 | 32.59 | -2.61 | -7.41% | -1.56 | -1.05 |
| **Total CSC** | **153.23** | **147.74** | **-5.49** | **-3.58%** | **-6.38** | **0.89** |
| **Children and Family Wellbeing Service** | 17.73 | 16.62 | -1.11 | -6.26% | -1.06 | -0.05 |
| **Education Improvement 0 - 11 Years And 11+ To 25 Combined** | 5.13 | 6.25 | 1.12 | 21.83% | 1.11 | 0.01 |
| **Inclusion** | 21.98 | 21.73 | -0.25 | -1.14% | -0.67 | 0.42 |
| **Cultural Services** | 10.65 | 10.50 | -0.15 | -1.41% | -0.32 | 0.17 |
| **Total Education and Skills** | **55.49** | **55.10** | **-0.39** | **-0.70%** | **-0.94** | **0.55** |
| **Safeguarding, Inspection and Audit** | 14.82 | 13.69 | -1.13 | -7.62% | -0.93 | -0.20 |
| **Policy Info & Commission Start Well** | 1.71 | 1.73 | 0.02 | 1.17% | -0.02 | 0.04 |
| **Education & Children's Services Central Costs** | -5.91 | -6.52 | -0.61 | -10.32% | -0.61 | 0.00 |
| **Total** | **219.34** | **211.74** | **-7.60** | **-3.46%** | **-8.88** | **1.28** |
| **Share of unallocated COVID-19 emergency monies** | -1.17 | 0.00 | 1.17 | | 1.17 | 0.00 |
| **Total Education and Children's Services** | **218.17** | **211.74** | **-6.43** | **-2.95%** | **-7.71** | **1.28** |

The total net approved budget for Education and Children's Services (ECS) in 2021/22 is £218.17m. As at the end of November 2021, the service is forecast to underspend by £6.43m.

Overall, the position has changed by £1.28m compared to the position reported to Cabinet at quarter 2 (September). This is mainly due to a forecasted increase in placement costs.

The largest impact on the forecast position for ECS in 2021/22 is a reduction in the number of children entering care which has resulted in an underspend of c£5.100m. However, income pressures (net of any reduction in costs incurred earning income) remain which are largely due to the pandemic as discussed later in this report, albeit that overall, these are mitigated by underspends on staffing and non-staff costs across ECS.

**Children's Social Care – Underspend £5.49m**

The largest areas of spend within the Children's Social Care Service are for social work teams and residential and fostering placements for children in our care with activity cutting across a number of service area.

The Children's Social Care Service has undergone significant change in the last 12 months with the implementation of Lancashire Family Safeguarding (LFS) from January/February 2021 necessitating a restructure of social work teams. The family safeguarding model is a way of keeping families together where it is safe to do so, achieved through a more collaborative way of working where workers motivate parents to identify the changes needed within their own families, which helps achieve better outcomes for children. The family safeguarding service works with children and their families aged 12 and under.

The family safeguarding model required investment in staff via the recruitment of adult workers based in children's social work teams and training in motivational interviewing techniques (MIT) but is expected to deliver savings from a reduction in children entering care and resulting placement costs.

Most children who face the greatest risks are those living in families where at least one of the adults is struggling with mental or emotional health issues, substance, or alcohol difficulties, or where there is domestic abuse. The family safeguarding model seeks to address these issues, helping parents to solve long-standing difficulties to keep children with their families. It works by having mental health, substance misuse and domestic abuse specialists work alongside social workers which allows for whole family support, with tailored programmes delivered for individual parents, often within their own homes.

The implementation of LFS has been possible because of the support of the Department for Educations (DfE) Strengthening Families Protecting Children Programme aimed at helping to safely reduce the number of children entering care. Funding for the implementation of LFS was awarded by the DfE following the submission of a successful bid. Total DfE funding awarded was c£6.300m to contribute towards one-off implementation costs and adult worker costs on a reducing basis over 3 years.

The first adult workers have been in post since January 2021. Recruitment of posts is ongoing with most posts now filled, although there are some challenges in recruiting to probation roles following recent changes to probation services in England and Wales. The first rounds of MIT training began in early 2020/21 and is ongoing as planned.

LFS was expected to begin to deliver savings in the current financial year from October 2021. However, on average the number of children entering care has fallen since September 2020 and there has been a significant reduction in the number of children looked after, from 2,085 (excluding children with disabilities) in September 2020 to 1,862 in November 2021, a reduction of 223 (c11%) with most of this reduction occurring since January 2021.

Whilst the implementation of LFS has undoubtedly had a positive impact on the numbers of children entering care, it is likely that the pandemic has also had some impact with reductions in numbers of both referrals and new assessments started over the same period. It is almost impossible to know how much of the reduction has resulted from each of these factors.

In the last 3 months since Sep-21 when children returned to school at the start of the new academic year there are being a significant increase in the cost of placements. This is due to increases in complex cases and the number of children in agency residential placements thereby resulting in an increase in the average costs of placements, rather than an increase in the number of children looked after. In addition, the reducing CLA changes that there is a beginning of a change in terms of the fact that the numbers entering judicial proceedings are rising slightly. None the less residential and fostering placements are forecast to underspend by c£5.100m in 2021/22 as a result of reductions in children looked after which in part represents early delivery of savings. The forecast also assumes some additional costs following the easing of lockdown restrictions. However, the forecast could change given uncertainties around the above, but will be kept under review and any changes reported in future months.

Forecast overspends on social work teams of c£600,000 are in part due to the use of agency staff to fill vacant posts.

The budget for the Children's Social Care Service also covers other allowances, payments and assistance to families which are forecast to underspend by c£500,000 as detailed below.

- Assistance to families and regular payments is forecast to overspend by c£600,000 based on spend to date.
- Special guardianship orders (SGO's) and child arrangement orders (CAO's) are forecast to underspend by c£200,000 due to a smaller increase in demand than budgeted for.
- Forecast underspends on staying put arrangements are c£300,000 which is broadly in line with 2020/21.
- Forecast underspends on agency remand are c£400,000 which is also broadly in line with 2020/21.
- Adoption allowances are forecast to underspend by c£200,000.

Forecast underspends of c£500,000 relate to a number of smaller budgets across the service. The forecast includes contributions of c£350,000 from the Contain Outbreak Management Fund to cover costs incurred in dealing with the pandemic.

The position has worsened by c£900,000 compared to quarter 2, mainly due to an increase in forecast placement costs.

**Education and Skills – Underspend £393,000**

**Children Family and Wellbeing Service (CFW) – Underspend £1.11m**

Forecast underspends of c£900,000 relate to staff costs and vacancies which the service is in the process of recruiting to and c£200,000 to payments by results (PBR) funding from the Troubled Families Unit (TFU).
The service is working systematically to fill vacancies and has made significant progress with recruitment since May 2021. In February there were vacancies of c16% reducing to c9% at the end of quarter 1, c7% at the end of quarter 2 and c6% as at quarter 3.

There is no significant change from the position reported at quarter 2.

**Education Improvement - Overspend £1.12m**

Forecast overspends of c£2.400m relate to under recovery of income across the service. This is largely due to the impact of the pandemic but is also due to some schools opting out of the new advisory service offer and ongoing pressures on some income generating services including Governor Services and the Professional Development Service. The forecast includes the recoupment of eligible income losses for April to June 2021 from the sales, fees and charges income compensation scheme and a contribution of c£230,000 from Contain Outbreak Management Fund to cover costs incurred in dealing with the pandemic.

The above overspends are partly offset by forecast underspends on non-staff costs of c£1.300m

A review of the Lancashire Professional Development Service is to be undertaken in light of the reduction of the number of schools currently buying into the service as competition from other organisations increases and also in response to the pandemic and restrictions to delivery despite moving to online delivery where possible.

**Inclusion - Underspend £250,000**

Underspends of c£720,000 on staffing are forecast across a number of teams. The service is working to fill vacancies following recruitment delays due to the pandemic. Direct Payments are also forecast to underspend by c£530,000 due to audited clawbacks.

Offsetting the above are forecast overspends
on placements and family support of c£890,000, and non-staff costs of c£110,000.

The forecast includes contributions of c£100,000 from the Contain Outbreak Management Fund to cover costs incurred in dealing with the pandemic. The position has worsened by £425,000 compared to quarter 2, mainly due to an increase in forecast placement and family support costs.

**Cultural Services – Underspend £150,000**

Forecast underspends within the Libraries and Museums Services of c£340,000 mainly relate to staffing and non-staff costs and are largely due to the closure of some sites in the early part of the financial year as a result of the pandemic.

Forecast overspends of c£190,000 relate to Outdoor Education Centres and the cancellation of bookings due to the pandemic.

The forecast includes the recoupment of eligible income losses for April to June 2021 from the sales, fees and charges income compensation scheme and contributions of £650,000 from the Contain Outbreak Management Fund to cover costs incurred in dealing with the pandemic.

The position has worsened by c£170,000 compared to quarter 2. This mainly relates to an increase in forecast spend of c£410,000 within the Music Service and a decrease in forecast spend of c£260,000 with the Libraries and Museums Services.

**Education and Children's Services – Underspend £1.72m**

**Safeguarding, Inspection & Audit – Underspend £1.13m**

Forecast underspends of c£850,000 relate to staffing due to vacancies and c£280,000 to non-staff costs (travel and third-party payments) across a number of areas within the service.

The position has improved by c£200,000 compared to quarter 2, mostly due to further staffing underspends as a result of vacancies and further reductions in non-staff costs.

**Policy, Information and Commissioning Start Well – Overspend £20,000**

No significant variance from budget is forecast for Policy, Information and Commissioning Start Well in 2021/22 and there is no significant change from the position reported at quarter 2.

**Education and Children's Services Central Costs – Underspend £610,000**

Forecast underspends relate to Premature Retirement Costs (PRC). Forecasts are in line with 2020/21 outturn and have not changed from what was reported at quarter 2.

## 4. Growth, Environment and Planning Services

| Growth, Environment & Planning | Approved Net Budget | Current Period Net Forecast Outturn | Current Period Net Forecast Variance | Current Period Net Forecast Variance | Q2 Variance | Movement Q3 to Q2 |
|---|---|---|---|---|---|---|
| | £m | £m | £m | % | £m | £m |
| **LEP Coordination** | 0.09 | 0.09 | 0.00 | 0.00% | 0.00 | 0.00 |
| **Business Growth** | 1.42 | 1.44 | 0.02 | 1.41% | 0.00 | 0.02 |
| **Planning and Environment** | 2.83 | 2.81 | -0.02 | -0.71% | -0.02 | 0.00 |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Estates** | 0.48 | 0.53 | 0.05 | 10.42% | 0.05 | 0.00 |
| **Strategic Development** | 1.89 | 0.94 | -0.95 | -50.26% | -0.65 | -0.30 |
| **Total** | **6.71** | **5.81** | **-0.90** | **-13.41%** | **-0.62** | **-0.28** |
| **Share of unallocated COVID-19 emergency monies** | -0.01 | 0.00 | 0.01 | | 0.01 | 0.00 |
| **Total Growth, Environment & Planning** | **6.70** | **5.81** | **-0.89** | **-13.28%** | **-0.61** | **-0.28** |

The total net approved budget for Growth, Environment and Planning in 2021/22 is £6.70m. As at the end of November 2021, the service is forecast to underspend by £890,000. Please see explanation of significant variances below

**Strategic Development – Forecast Underspend £950,000**

The forecast underspend predominantly relates to delays in recruiting to the newly created Major Projects Team and lower projected spend on associated operational budgets and is non-recurring. The underspend has increased by £300,000 compared to quarter 2 largely due to lower expected operational spend within the Major Projects Team.

## 5. <u>Highways and Transport Services</u>

| Highways and Transport | Approved Net Budget | Current Period Net Forecast Outturn | Current Period Net Forecast Variance | Current Period Net Forecast Variance | Q2 Variance | Movement Q3 to Q2 |
|---|---|---|---|---|---|---|
| | £m | £m | £m | % | £m | £m |
| **Highways** | 12.67 | 18.79 | 6.12 | 48.30% | 4.78 | 1.34 |
| **Public & Integrated Transport** | 58.19 | 55.32 | -2.87 | -4.93% | -3.43 | 0.56 |
| **Customer Access** | 2.82 | 3.12 | 0.30 | 10.64% | 0.45 | -0.15 |
| **Design and Construction** | -2.49 | 0.90 | 3.39 | -136.14% | 2.55 | 0.84 |
| **Total** | **71.19** | **78.13** | **6.94** | **9.75%** | **4.35** | **2.59** |
| **Share of unallocated COVID-19 emergency monies** | 0.21 | 0.00 | -0.21 | | -0.21 | 0.00 |
| **Total Highways and Transport** | **71.40** | **78.13** | **6.73** | **9.43%** | **4.14** | **2.59** |

The total net approved budget for Highways and Transport in 2021/22 is £71.40m including an allocation of £211,000 for COVID-19 for the first 3 months of 2021/22.

As at the end of November 2021, the service is forecast to overspend by £6.73m.

**Highways – Forecast Overspend £6.12m**

Forecast overspends of £1.51m relate to lower income across the service mostly relating to bus lane enforcement and parking. Most of this income is from fixed penalty notices and as such is difficult to forecast due to uncertainties around volumes of traffic and the behaviour of the public. Delays in the implementation of additional on-street pay and display sites is also contributing to the shortfall in income compared to budget.

Cost pressures of £277,000 relate to additional plant hire and PPE costs partly as a result of the COVID-19 pandemic to allow staff to continue to work safely.

The traffic signals maintenance budget is forecast to overspend by £267,000. The age of the traffic signal network has resulted in increased system failures requiring immediate rectification and additional maintenance costs. There has also been an increase in maintenance contract prices and the number of signals installed. Budget provision has been made in the MTFS from 2022/23 to cover additional costs in future years.

There was increased winter gritting activity early in the financial year due to the unseasonably cold weather in April. Whilst the outturn will largely depend on the climate during the coming winter an overspend of £140,000 is forecast to reflect additional costs in early 2021/22.

Unbudgeted legal costs relating to a claim against the authority are forecast to result in an overspend of £550,000. At the end of 2020/21 a provision was made for these costs of £200,000 but it is expected that they will exceed this amount.

A forecast overspends of £5.00m relates to a revenue contribution to capital outlay (RCCO) to fund expenditure on structural defects. However, due to the increased capital works delivery this year overheads charged to capital are forecast to increase by £1.30m as they are directly based on the value of work delivered which will partly offset the unbudgeted revenue contribution.

The above overspends are partly offset by staffing underspends of £300,000 relating to school crossing patrols and ash dieback work. Budget was added in the MTFS from 2021/22 to fund spend incurred dealing with ash dieback, however, it is not expected to be fully utilised during 2021/22.

The forecast has worsened by £1.34m compared to quarter 2 predominantly due to the increased forecast contribution to capital to fund spend on structural defects.

**Public and Integrated Transport (PIT) – Forecast Underspend £2.87m**

Most parts of the public and integrated transport budget are expected to continue to be impacted by the pandemic to some degree in 2021/22. The most significant variances are detailed below.

- School transport costs are forecast to underspend by c£1.00m due to a combination of factors.
    - Since the start of the 2020/21 academic year taxi contracts have not increased to the same extent as they have in previous years, particularly those for excluded children although since

September 2021 contract costs have begun to increase and will be kept under review.

- The enhanced terms for payments to parents has already generated savings in excess of £500,000. Due to the pandemic and resulting uncertainty around delivery of savings, £1.800m of previously agreed savings have been reprofiled and added back to the 2021/22 budget but are now due to be removed from the budget in 2022/23.

- Additional bus services were provided in the old academic year, but these costs were fully covered by DfE funding. A lesser number of additional services are still required in the new academic year, but these are expected to be funded by Contain Outbreak Management Funding (COMF).

- There has also been an increase in the value of extended rights to free travel income of over £300,000 but significant increase in contract costs are yet to be seen. This will be kept under review.

- Forecast overspends of c£400,000 relate to fleet services. Fleet workshops continue to adhere to social distancing rules and additional hygiene measures to ensure staff are working safely which is impacting on efficiency levels. Consequently, there are fewer productive hours being worked resulting in a reduction in income. Time spent testing and training staff ahead of the implementation of a new fleet management system later in 2021/22 is also likely have an impact on productive time this year, although this should provide improved management information and help reduce vehicle costs across the authority in the longer term.

- Bus stations are forecast to overspend by c£200,000 following a decision to hold the departure fee at 75p per departure in 2021/22 rather than apply the previously agreed increase to 85p, pending further discussions with operators.

- Public bus services are forecast to underspend by c£1.00m. As part of a budget amendment agreed in 2020/21 an additional £3.00m was added to the budget. In addition, the council has received additional S106 funding to fund services and grant funding to help fund the shortfall in fares revenue due to the pandemic. Whilst additional services have been added it is not expected that all the additional funding will be spent in 2021/22.

- Concessionary travel is forecast to underspend by c£1.50m. Payments to bus operators continue to be made based of historic passenger data which will be the case for the remainder of 2021/22 as there is no likelihood of concessionary passenger numbers increasing to the level they were before the pandemic. Despite this the concessionary travel budget underspent in previous years and so this is expected be the case in 2021/22.

The forecast has worsened by £560,000 compared to quarter 2 predominantly due to a reduced underspend in school transport costs

**Customer Access – Forecast Overspend £307,000**

Forecast overspends mainly relate to staffing and are due to delays in delivering budgeted savings, reduced turnover of staff and additional staffing costs incurred as a result of the county councils COVID-19 response.

The forecast has improved by £150,000 compared to quarter 2 due to a reduction in the staffing overspend.

**Design and Construction (D&C) – Forecast Overspend £3.39m**

Design and Construction property service is forecast to overspend by £3.28m, of which £2.19m relates to work required at Barnoldswick Church of England Primary School to replace a roof which has failed due to a build-up of condensation within the roof structure and requires rectification. This work will not be fully completed in the current financial year and as such a transfer to reserves to cover costs in future years is reflected in the forecast. The remainder of the forecast overspend relates to the number and mix of projects that the service expects to deliver this year.

Design and Construction highways service is forecast to overspend by £102,000. As an income generating service vacancies have resulted in staffing underspends offset by a larger under recovery of income.

The forecast has worsened by £840,000 compared to quarter 2 predominantly due to the planned transfer to reserves to fund the roof repair works which will be carried out in 2022/23 at Barnoldswick Church of England Primary School.

## 6. Organisational Development and Change

| Organisational Development and Change | Approved Net Budget | Current Period Net Forecast Outturn | Current Period Net Forecast Variance | Current Period Net Forecast Variance | Q2 Variance | Movement Q3 to Q2 |
|---|---|---|---|---|---|---|
| | £m | £m | £m | % | £m | £m |
| **Programme Office** | 1.19 | 1.19 | 0.00 | 0.00% | 0.00 | 0.00 |
| **Organisational Development** | 0.75 | 0.70 | -0.05 | -6.67% | -0.08 | 0.03 |
| **Total** | **1.94** | **1.89** | **-0.05** | **-2.58%** | **-0.08** | **0.03** |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Share of unallocated COVID-19 emergency monies** | 0.00 | 0.00 | 0.00 | | 0.00 | 0.00 |
| **Total Organisational Development and Change** | **1.94** | **1.89** | **-0.05** | **-2.58%** | **-0.08** | **0.03** |

The total net approved budget for Organisational Development and Change in 2021/22 is £1.94m. As at the end of November 2021, the service is forecast to underspend by £54,000.

**Organisational Development – Forecast Underspend £50,000**

Forecast underspends relate to staffing costs. The forecast reflects that some additional posts will only be filled partway through 2021/22.

There is no significant change to the forecast reported at quarter 2 and due to the delays in recruiting to the additional posts there is expected to be no call on the £600,000 set aside in reserves for organisational development in 2021/22.

## 7. Waste Management

| Waste Mgt | Approved Net Budget | Current Period Net Forecast Outturn | Current Period Net Forecast Variance | Current Period Net Forecast Variance | Q2 Variance | Movement Q3 to Q2 |
|---|---|---|---|---|---|---|
| | £m | £m | £m | % | £m | £m |
| **Waste Mgt** | 69.40 | 67.69 | -1.71 | -2.46% | -1.51 | -0.20 |
| **Total** | **69.40** | **67.69** | **-1.71** | **-2.46%** | **-1.51** | **-0.20** |
| **Share of unallocated COVID-19 emergency monies** | 0.72 | 0.00 | -0.72 | | -0.72 | 0.00 |
| **Total Waste Mgt** | **70.12** | **67.69** | **-2.43** | **-3.47%** | **-2.23** | **-0.20** |

The total net approved budget for Waste Management in 2021/22 is £70.12m including an allocation of £723,000 for COVID-19 for the first 3 months of 2021/22.

As at the end of November 2021, the service is forecast to underspend by £2.43m.

**Waste Management – Forecast Underspend £1.71m**

Throughout the last financial year (2020/21) the pandemic had a significant impact on the composition of waste collected with increases of over 30,000 tonnes of waste collected at the kerbside, partly offset by a reduction of 10,000 tonnes collected at Household Waste Recycling Centres (HWRC) which were closed for part of the year and ran with limited capacity once reopened.

Based on data for the first 7 months of 2021/22 there has been some reduction in kerbside collections compared to 2020/21 but this is offset by an increase in waste at the HWRCs and currently overall tonnage is forecast to be the same as 2020/21 although this is 11,000 more than was assumed in the budget.

These additional costs are being partly offset by more tonnes being diverted from landfill at a lower price and the issue around reduced mass loss reported earlier in the year has been resolved. The overall impact of these factors results in a forecast overspend on waste disposal costs of c£1.100m

The above is offset by forecast underspends of c£2.400m relating to increased income from recycled waste predominantly due to significant increases in the price of metals and cardboard. These markets are volatile, and prices are subject to change.

Further underspends of c£500,000 relate to the operating and lifecycle costs at the waste recovery parks although £314,000 of this is non-recurring and relates to lower than expected operating costs in 2020/21.

The position has improved by c£200,000 compared to quarter 2 the most significant reason being increase in forecast income from recycled waste.

## 8. Finance

| Finance | Approved Net Budget | Current Period Net Forecast Outturn | Current Period Net Forecast Variance | Current Period Net Forecast Variance | Q2 Variance | Movement Q3 to Q2 |
|---|---|---|---|---|---|---|
| | £m | £m | £m | % | £m | £m |
| **Lancashire Pension Fund** | 0.00 | 0.00 | 0.00 | 0.00% | 0.00 | 0.00 |
| **Exchequer Services** | 4.17 | 3.72 | -0.45 | -10.79% | -0.41 | -0.04 |
| **Financial Mgt (Development and Schools)** | 0.01 | -0.11 | -0.12 | -1200.00% | -0.11 | -0.01 |
| **Financial Mgt (Operational)** | 1.72 | 1.80 | 0.08 | 4.65% | 0.07 | 0.01 |
| **Corporate Finance** | 8.33 | 8.14 | -0.19 | -2.28% | -0.13 | -0.06 |
| **Internal Audit** | 0.80 | 0.81 | 0.01 | 1.25% | -0.03 | 0.04 |
| **Payroll** | 0.86 | 0.74 | -0.12 | -13.95% | -0.14 | 0.02 |
| **Procurement** | 2.13 | 2.21 | 0.08 | 3.76% | 0.15 | -0.07 |
| **Total** | **18.02** | **17.31** | **-0.71** | **-3.94%** | **-0.60** | **-0.11** |
| **Share of unallocated COVID-19 emergency monies** | 0.03 | 0.00 | -0.03 | | -0.03 | 0.00 |
| **Total Finance** | **18.05** | **17.31** | **-0.74** | **-4.10%** | **-0.63** | **-0.11** |

The total approved net budget for Finance in 2021/22 is £18.05m, including an allocation of £32,000 for COVID-19 for the first 3 months of 2021/22.

The forecast at quarter three represents an underspend of £740,000.

**Exchequer Services – underspend of £450,000**

The service is forecasting an underspend of £527,000 on employees, which is due to vacancies, employees opting out of the pension scheme and employees working v-time arrangements.

The service is also forecasting £25k Contain Outbreak Management Fund income not budgeted for.

**Financial Management (Development and Schools) – underspend of £120,000**

The forecast includes an underspend of £35,000 on employee costs. There is an underspend of £85,000 due to the Head of Service vacancy, offset by overspends of £29,000 in Schools Financial Services and £21,000 in the Capital team.

There is a forecast overspend on income of £42,000 which includes a pressure of £108k on Schools Financial Services SLA income, which has not increased in line with pay pressure increases. This is offset by an underspend of £35,000 relating to receipt of a Financial Transparency Grant which was not budgeted for, £27,000 income from Strategic Development and £4,000 on other income.

**Financial Management (Operational) – overspend of £80,000**

The service is forecasting an overspend of £320,000 on employee costs due to agency staff cover, staff overlaps due to retirement and the vacancy factor and PALS savings not being realised. This majority of this overspend is being offset by underspends in other areas and additional income.

**Corporate Finance – forecast underspend of £190,000**

The service is forecasting an underspend of £181,000 on employee costs due to vacancies held for part of the year.

**Payroll – underspend of £120,000.**

The forecast includes and overspend of £289,000 due to unbudgeted Fusion posts, offset by underspend of £173,000 on other staffing due to vacancies. There is a forecast overachievement of income of £234,000, which includes £289,000 unbudgeted income received for the Fusion posts, offset by a pressure on Clubs and Groups income of £26,000 and £29,000 on LTA income.

**Procurement – Forecasted overspend of £80,000**

The forecasted overspend is predominately due to specialist agency cost for vacant senior posts of £315,000 and forecasted underspend in staffing costs of £83,000. This is offset by a forecasted over achievement in income of £272,000 and a small, forecasted underspend in supplies and services of £49,000.

**9. Corporate Services**

| Corporate Services | Approved Net Budget | Current Period Net Forecast Outturn | Current Period Net Forecast Variance | Current Period Net Forecast Variance | Q2 Variance | Movement Q3 to Q2 |
|---|---|---|---|---|---|---|
| | £m | £m | £m | % | £m | £m |
| Coroner's Service | 2.45 | 2.42 | -0.03 | -1.22% | -0.06 | 0.03 |
| Human Resources | 1.83 | 1.75 | -0.08 | -4.37% | -0.04 | -0.04 |
| Legal, Governance and Registrars | 14.28 | 14.76 | 0.48 | 3.36% | 0.19 | 0.29 |
| Skills Learning & Development | 2.92 | 2.80 | -0.12 | -4.11% | -0.07 | -0.05 |
| **Total** | **21.48** | **21.73** | **0.25** | **1.16%** | **0.02** | **0.23** |
| Share of unallocated COVID-19 emergency monies | 0.41 | 0.00 | -0.41 | | -0.41 | 0.00 |
| **Total Corporate Services** | **21.89** | **21.73** | **-0.16** | **-0.73%** | **-0.39** | **0.23** |

The Legal Services budget is experiencing pressures due to the impact of the pandemic, with reduced income, staffing pressures and increased legal fees due to a higher volume of cases taking place through “virtual” court hearings. Whilst there are pressures in supporting social care, across other areas of legal services such as Registrars and the Coroners Service there are offsetting forecast underspends.

The total approved net budget for Corporate Services in 2021/22 is £21.89m. The forecast at quarter three represents an underspend of £160,000.

**CORONER'S SERVICE – underspend £30,000**

The forecast underspend is due to a reduction in spend on supplies and services.

**HUMAN RESOURCES – underspend £80,000**

There is a net forecast overspend on employee costs of £13,000. This is comprised of forecast overspends in Corporate HR of £171,000 and the Head of Service budget of £9,000, offset by an underspend in Schools HR of £28,000 and the Recruitment Service of £31,000. There is a part year recharge of 2 posts to the Family Safeguarding project and a recharge of 2 posts to the Oracle Fusion project, totalling £108,000.

There is a forecast overachievement of income of £151,000, of which £52,000 relates to DBS income, £13,000 Fusion project income and £34,000 advertising income. Also, the Schools HR team overachieved their budgeted income by £51,000.

There is a forecast overspend on supplies and services of £49,000 due to forecast overspends of £25,000 on records management costs for which there is no budget, £54,000 in DBS payments, offset by additional income, and £16,000 on recruitment expenditure. This is offset by an underspend of £46,000 on other expenditure, including £38,000 on transport costs.

**LEGAL, GOVERNANCE AND REGISTRARS – overspend £480,000**

This comprises of a combined forecasted overspend of c£447,000 on Legal and Governance, and a forecasted overspend of c£27,000 on Registrars.

Legal and Governance forecast demonstrates an overspend of c£447,000 which is due to a forecasted overspend in staffing cost of c£212,000 due to several posts being unbudgeted until 2022/23 and agency costs, a forecasted overspend in legal fees as a result of increase in volume with courts holding "virtual" court hearings of c£70,000, a forecasted overspend on supplies and services of c£161,000 and a shortfall of forecasted income of c£4,000.

The coroner's forecasted underspend of £32,000 was agreed to be utilised to support some of the staffing overspend.

Registrars forecast an overspend of c£27,000, with a movement from quarter two to quarter three of c£247,000 due an over inflated income projection as Q2.

**SKILLS LEARNING & DEVELOPMENT – Underspend £120,000**

Forecast underspends of £170,000 relate to operational training budgets the most significant relating to the ex-service mentoring scheme and are partly offset by reduced income from schools of £59,000.

## 10. Strategy and Performance

| Strategy and Performance | Approved Net Budget | Current Period Net Forecast Outturn | Current Period Net Forecast Variance | Current Period Net Forecast Variance | Q2 Variance | Movement Q3 to Q2 |
|---|---|---|---|---|---|---|
| | £m | £m | £m | % | £m | £m |
| **Asset Mgt** | 7.73 | 7.42 | -0.31 | -4.01% | -0.17 | -0.14 |
| **Facilities Mgt** | 21.69 | 24.17 | 2.48 | 11.43% | 1.14 | 1.34 |
| **Business Intelligence** | 1.34 | 1.35 | 0.01 | 0.75% | 0.01 | 0.00 |
| **Total** | **30.76** | **32.94** | **2.18** | **7.09%** | **0.98** | **1.20** |
| **Share of unallocated COVID-19 emergency monies** | 0.86 | 0.00 | -0.86 | | -0.86 | 0.00 |
| **Total Strategy and Performance** | **31.62** | **32.94** | **1.32** | **4.17%** | **0.12** | **1.20** |

The total net approved budget for Strategy and Performance in 2021/22 is £31.62m including a £864,000 allocation for COVID-19 for the first 3 months of 2021/22.

As at the end of November 2021, the service is forecast to overspend by £1.32m

**Asset Management – Forecast Underspend £315,000**

The forecast underspend predominantly relates to staffing due to delays in recruiting to budgeted posts. The forecast has improved by £150,000 compared to quarter 2 due to the increased staffing underspend.

**Facilities Management - Forecast Overspend £2.48m**

The issues that affected the forecast for facilities management in 2020/21 remain to some extent in 2021/22 as do the uncertainties that Covid-19 has brought. The significant variances are detailed below:

- School catering is forecast to overspend by £3.018m which relates to lower income charge to schools. There was significant improvement in income levels with the 2020/21 academic year from April to July being over 90% compared to pre-pandemic. Income levels have reduced slightly in the first part of the new academic year and going into the winter period and with a new variant of the virus it is felt that there is unlikely to be any improvement in current income levels.

- A further income pressure of £250,000 relates to staff and civic catering, some of these facilities continue closed and whilst others have reopened sales are significantly lower than before the pandemic.

- Offsetting these are forecast underspend on premises running costs, repairs, and maintenance due to some sites remaining closed and others being significantly less occupied which is forecast to result in underspends of £793,000.

The forecast has worsened by £1.20m compared to quarter 2 predominantly due to the movement in the school catering forecast.

## 11. Digital Services

| Digital Services | Approved Net Budget | Current Period Net Forecast Outturn | Current Period Net Forecast Variance | Current Period Net Forecast Variance | Q2 Variance | Movement Q3 to Q2 |
|---|---|---|---|---|---|---|
| | £m | £m | £m | % | £m | £m |
| **Service Assurance** | 15.66 | 14.75 | -0.91 | -5.81% | -0.04 | -0.87 |
| **Digital Business Engagement** | 1.83 | 1.51 | -0.32 | -17.49% | -0.18 | -0.14 |
| **Design & Implement** | 5.54 | 5.66 | 0.12 | 2.17% | 0.08 | 0.04 |
| **Operate** | 3.74 | 3.16 | -0.58 | -15.51% | -0.29 | -0.29 |
| **Architecture** | 0.78 | 0.66 | -0.12 | -15.38% | -0.13 | 0.01 |
| **Data** | 4.42 | 4.15 | -0.27 | -6.11% | -0.22 | -0.05 |
| **Total** | **31.97** | **29.89** | **-2.08** | **-6.51%** | **-0.78** | **-1.30** |
| **Share of unallocated COVID-19 emergency monies** | 0.00 | 0.00 | 0.00 | | 0.00 | 0.00 |
| **Total Digital Services** | **31.97** | **29.89** | **-2.08** | **-6.51%** | **-0.78** | **-1.30** |

The total net approved budget for Digital Services in 2021/22 is £31.97m. As at the end of November 2021, the service is forecast to underspend by £2.08m.

The most significant variances are explained below.

- Forecast underspends of c£2.10m relate to staff costs and vacant posts offset by c£600,000 to cover the cost of extending the use of contractors and commissioning work from external providers/consultants. The service continues to experience difficulties in recruiting staff.

- As part of the transition a number of historic BTLS POs previously receipted by other services in 2020/21 were closed down in 2021/22. This resulted in credits in 2021/22 which offset charges in 2020/21, and consequently a non-recurrent underspend of £355,000 in the current financial year.

- Not all work related to the implementation of M365 has been completed with further phases ongoing and some audio licences have been provided free of charge in 2021/22, resulting in a non-recurrent forecast underspend of c£400,000.

- Overspends of c£300,000 relate to both one-off and recurring costs for ServiceNow. Whilst the majority of costs are covered by the Continuous Service Improvement (CSI) budget the shortfall is offset by underspends within the service in 2021/22. ServiceNow is intended to deliver sustainable long-term efficiencies across the county council.

There are a number of smaller offsetting variances across a number of service areas.

## 15 Chief Executive Services

| Chief Executive Services | Approved Net Budget | Current Period Net Forecast Outturn | Current Period Net Forecast Variance | Current Period Net Forecast Variance | Q2 Variance | Movement Q3 to Q2 |
|---|---|---|---|---|---|---|
| | £m | £m | £m | % | £m | £m |
| **Chief Executive** | -24.64 | -22.54 | 2.10 | 8.52% | 2.17 | -0.07 |
| **Communications** | 1.11 | 0.93 | -0.18 | -16.22% | -0.14 | -0.04 |
| **Corporate Budgets (Funding and Grants)** | -3.67 | -3.86 | -0.19 | -5.18% | -0.06 | -0.13 |
| **Corporate Budgets (Treasury Management)** | 31.65 | 18.14 | -13.51 | -42.69% | -11.00 | -2.51 |
| **Corporate Budgets (Pensions & Apprenticeship Levy)** | 11.11 | 11.20 | 0.09 | 0.81% | 0.08 | 0.01 |
| **Total** | **15.56** | **3.87** | **-11.69** | **-75.13%** | **-8.95** | **-2.74** |
| **Share of unallocated COVID-19 emergency monies** | 1.80 | 0.00 | -1.80 | | -1.80 | 0.00 |
| **Total Chief Executive Services** | **17.36** | **3.87** | **-13.49** | **-77.71%** | **-10.75** | **-2.74** |

The total approved net budget for Chief Executive Services in 2021/22 is £17.36m including an allocation of £1.80m for COVID-19 for the first 3 months of 2021/22. The position as at quarter 3 is an underspend of £13.49m.

**CHIEF EXECUTIVE - overspend of £2.10m.**

There is an overspend of £2.387m due to COVID related spend.

**COMMUNICATIONS – underspend of £180,000.**

The forecast position is an underspend of c£180,000; this is an increased underspend of £40,000 compared to the position at quarter 2. This forecast underspend largely relates to COMF (Contain Outbreak Management Fund) grant funding due to staff time dealing with work to prevent, contain and manage COVID.

**CORPORATE BUDGETS (FUNDING AND GRANTS) – underspend of £190,000.**

The underspend relates to unspent advertising budget.

**CORPORATE BUDGETS (TREASURY MANAGEMENT) – underspend £13.51m.**

The Treasury management budget is forecast to underspend by c£13.51m, primarily as a result of extra income received through the sale of gilts and bonds taking advantage of the current economic environment and ongoing significant volatility in their pricing.

**CORPORATE BUDGETS (PENSIONS & APPRENTICESHIP LEVY) - overspend of £90,000.**

This is due to underspends of £33,000 on the apprenticeship levy, £1.62m on inherited pensions liabilities and a gain on prepayment of pension contributions of £762,000 offset by a contribution to the pension's deficit of £2.50m which is not budgeted for.

THE END

# Money Matters
# Financial Outlook for the County Council Medium Term Financial Strategy & Reserves – Quarter three 2021/22

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Lancashire County Council

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## 1. Executive summary

At Cabinet in June 2021 the updated medium term financial strategy (MTFS) set out a forecast aggregated funding gap of £30.47m in 2022/23 and £63.958m by the end of the 3-year period (2021/22 – 2023/24). This reflected the ongoing and unprecedented uncertainty in relation to future local government funding and the financial impact of the Covid-19 emergency.

The government had announced a spending review which was published on the 27th of October 2021. The draft settlement figures for each Local Authority were made available on the 16th December 2021 for 2022/23 only. The major movements have been an improvement in the Social Care Grant from £42m to £57m, an improvement of £15.15m. We are also due to receive a new 22/23 General Services Grant of £13.06m. In addition, we have also received some additional funding for market sustainability and the fair cost of care of £3.725m for 2022/23. We have factored in the outcome of the draft settlement, however the final settlement when announced in early February may be different.

This report provides an updated position covering the financial years 2022/23 – 2024/25. The forecast funding gap for 2022/23 is £21.690m, with an updated aggregated funding gap contained within the report of £42.830m by 2024/25 which is a decrease of £15.730m from the last reported position. The reduction is a combination of revised demand figures included in the forecast, analysis of the provisional settlement, additional grant allocations and changes to other funding assumptions.

The value of the uncommitted transitional reserve is currently forecast to be sufficient to meet the identified funding gaps for the full period of the MTFS, which provides time to address the structural deficit in a considered and sustainable way. We will look to maximise efficiencies across services and work to identify potential savings to reduce the funding gap and deliver a sustainable balanced budget in future years.

The table below provides a detailed analysis of movements between the previously reported financial gap (Q2) and the revised financial gap as at Q3:

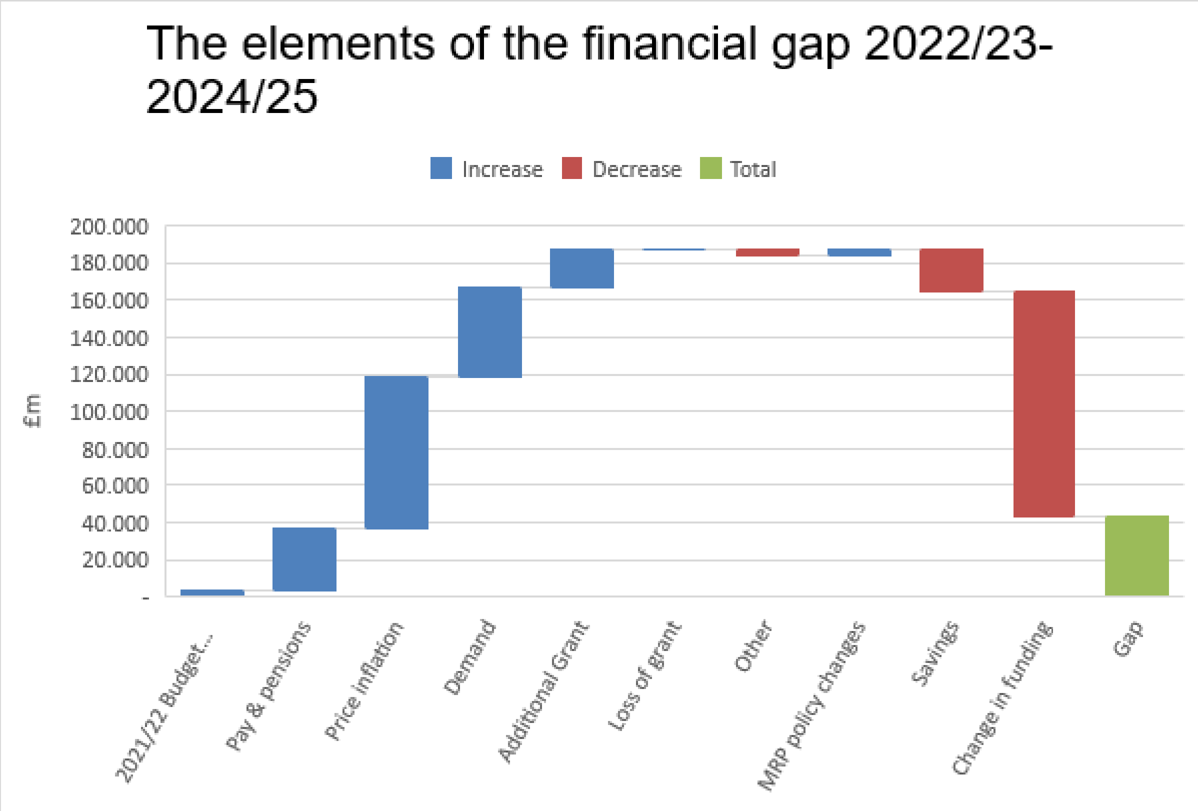
***Table 1***

| | 2022/23 £m | 2023/24 £m | 2024/25 £m | Total £m |
|---|---|---|---|---|
| **Spending Gap as reported at Q2** | **30.470** | **15.830** | **12.260** | **58.560** |
| Add change to forecast of spending: | | | | |
| Pay & Pensions | 8.090 | 1.040 | 0.210 | **9.340** |
| Inflation and Cost Changes | 10.590 | 3.270 | 0.190 | **14.050** |
| Service Demand and Volume Pressures | 13.450 | 6.550 | -0.560 | **19.440** |
| Other | 7.730 | 9.760 | 1.530 | **19.020** |
| Additional Grant | -3.730 | -7.450 | 0.000 | **-11.180** |
| Loss of Specific Grant | 0.000 | 0.000 | 0.000 | **0.000** |
| Undeliverable Savings | 0.000 | 0.000 | 0.000 | **0.000** |

| | | | | |
|---|---|---|---|---|
| Additional Savings | -11.000 | 0.000 | 0.000 | **-11.000** |
| Reprofiled Savings | 8.500 | -8.500 | 0.000 | **0.000** |
| **Total Change to Forecast of Spending** | **33.630** | **4.670** | **1.370** | **39.670** |
| Change to forecast of resources: | | | | |
| Funding | -42.410 | -6.470 | -6.520 | **-55.400** |
| **Total Change to Forecast of Resources** | **-42.410** | **-6.470** | **-6.520** | **-55.400** |
| **Funding Gap** | **21.690** | **14.030** | **7.110** | **42.830** |

| Aggregated Funding Gap | 2022/23 | 2023/24 | 2024/25 |
|---|---|---|---|
| **2022/23 (£m)** | 21.690 | 21.690 | 21.690 |
| **2023/24 (£m)** | | 14.030 | 14.030 |
| **2024/25 (£m)** | | | 7.110 |
| **Total** | **21.690** | **35.720** | **42.830** |
| **Previous position (£m)** | **30.470** | **46.300** | **58.560** |
| **Variance (£m)** | **-8.780** | **-10.580** | **-15.730** |

The graph below demonstrates the drivers that make up the changes in the financial deficit of £3.860 carried forward from 2021/22 to the cumulative position of £42.830m in the financial year 2024/25 shown in the table above:




## 2. Funding

Following the spending review on the 27th of October 2021, the provisional settlement information for individual local authorities was made available on the 16th December for 2022/23 only. We have factored in the draft funding and await the final settlement in early February. The settlement included additional funding for Social care and general services reflecting local government pressures. Any changes when the final settlement is available will be reported as part of the Budget report to Full Council.

The review of the business rates system has been pending for a number of years, with early development of a new system taking place with pilots and elements of the system being consulted on. This was paused due to the pandemic and the effect of COVID 19 on the economy. The current expectation is that the new funding formula and Business Rate changes will be implemented from 2023/24 with consultation to be undertaken during the year and we await further information and guidance.

Due to the financial uncertainty created by the pandemic, it has been necessary to make some assumptions around the future funding envelope, the most significant being:

- A 1.5% increase in council tax base has been assumed for 2022/23 and a return to pre-Covid levels of 1.7% per annum thereafter.
- Council tax increases of 3.99% will be applied to 2022/23 to include the remaining element of the adult social care precept from 2021/22 plus an additional 1% adult social care precept for 2022/23. An increase of 2.99% is

assumed in 2023/24 and 2024/25, 1.99% general increase plus a further 1% adult social care precept.

- Assumption that the new model for business rates will be implemented in 2023/24, we await further updates in regard to business rates reform.
- Revenue support grant has been uplifted by CPI for 2022/23 and for the duration of this strategy.
- Council tax collection fund position is assumed to reflect a deficit. In 2024/25 it has been assumed that the collection fund will return to almost pre-pandemic levels of £3.000m surplus and is built into the MTFS
- Social care grant will be rolled over for the duration of this strategy, including additional grant announced as part of SR20 and the provisional settlement.
- Capital receipts increased to £6.000m for 2022/23 and £2.000m for 2023/24 and 2024/25 as a result of the extension to the flexibility in use of capital receipts to support revenue transformation expenditure.

Table 2 reflects the updated funding position.

***<u>Table 2</u>***

| | **2022/23** | **2023/24** | **2024/25** |
|---|---|---|---|
| **Revenue Support Grant** | 34.660 | 35.390 | 36.100 |
| **Business Rates** | 209.820 | 213.790 | 217.650 |
| **Council Tax** | 570.140 | 597.170 | 625.480 |
| **New Homes Bonus** | 2.470 | 1.630 | 1.630 |
| **Improved Better Care Fund** | 47.150 | 47.150 | 47.150 |
| **Social Care Support Grant** | 57.090 | 57.090 | 57.090 |
| **Collection Fund** | - 0.620 | - 0.620 | 3.000 |
| **Capital receipts** | 6.000 | 2.000 | 2.000 |
| **2022/23 Services Grant** | 13.060 | 13.060 | 13.060 |
| **Total** | **939.760** | **966.660** | **1,003.160** |

## 2.1 Council tax and business rates

***Council tax***

The MTFS currently reflects the following assumptions in relation to the county council's council tax increases as previously reported to cabinet, however this is a decision for full council to make each year when setting the budget.

***Table 3***

| | Council tax increase (no referendum required) | Remaining element of the adult social care precept from 2021/22 | Adult social care precept | Total council tax increase |
|---|---|---|---|---|
| 2022/23 | 1.99% | 1.00% | 1.00% | 3.99% |
| 2023/24 | 1.99% | 0.00% | 1.00% | 2.99% |
| 2024/25 | 1.99% | 0.00% | 1.00% | 2.99% |

Those authorities with responsibility for adult social care had the ability to raise council tax by an additional 3% through an adult social care precept in 2021/22, with the County Council agreeing to include 2% of this available flexibility. It was confirmed that any of the 3% allowed increase not taken in 2021/22 can be carried forward and applied in 2022/23 and this is therefore included in the 2022/23 council tax projections. Any decisions not to increase council tax in line with the assumptions above would increase the financial gap; every 1% in council tax yields circa £5.5m.

The calculation of the council tax base position for 2022/23 is particularly challenging as district councils need to assess the number of properties that can be taxed, the collection rate and also the council tax support schemes that they offer. In 2021/22 the Government provided additional support to compensate a reduced tax base due to the impact of Covid-19, however this is not expected to continue into 2022/23. The County Council has limited information about the tax base position, we are expecting final information to be available at the end of January 2022 and will reflect any updated position for the Budget for Full Council. The assumptions used currently are an increase of 1.5% at this stage, and then a return to pre-pandemic levels of 1.7% from 2023/24 onwards. This has been assumed based on historical average increases.

***Business rates***

Business rates income is a significant portion of funding to local authorities. The baseline is an assessment of the business rate income required to meet service needs. For the county council, the amount we anticipate to receive from the business rates collected in the area is less than our assessed need and therefore we receive a top up grant. Previously, we have also built in a small amount of growth into the MTFS for our local share at 0.5%.

As a result of the impact of Covid-19, the national review of business rates has been delayed and the implementation of the 75% scheme is now anticipated to be in place from 2023/24 onwards.

***Collection Fund***
One of the measures announced by the Government to try and mitigate the budget pressures on local authorities as a result of collection fund deficits was that any deficit for 2020/21 will be repaid over the following three years.

At quarter 3 it has been assumed the deficit position remains the same as reported at quarter 2. However, this is expected to change once final figures are received from the district councils and this is due by the statutory deadline of 21 January.

***Capital Receipts***
In April 2016, the government introduced the flexibility for capital receipts to be used to fund revenue expenditure that is designed to generate ongoing revenue savings or service improvements. This flexibility is currently available until 2024/25 following a further extension announcement.

The MTFS includes £6.000m of capital receipts income in 2022/23 and £2.000m in 2023/24 and 2024/25. The rules will support the plan for achieving financial sustainability through funding transformation projects, including efficiency measures, invest to save projects and new income generation plans. Please see table below:-

| **Service Area** | **Value (£m)** |
|---|---:|
| Organisational Development | 0.750 |
| Social Care Adults – New ways of working | 2.750 |
| Legal and Democratic | 0.250 |
| Childrens Social Care | 0.140 |
| Highways – new developments | 1.500 |
| Adults -Supported Housing | 0.110 |
| Exchequer services | 0.500 |
| TOTAL | 6.000 |

## 3. Net budget requirement

The MTFS covers spending pressures including pay increases, contractual inflation, increased demand for services and the impact of previously agreed and new savings measures.

### 3.1 Pay and pensions
The MTFS at quarter 3 shows a significant increase from the last reported position at Quarter 2. The additional budget requirement assumes a 2% increase in each future year. The main increases are £3.9m to meet the increased employer national

insurance costs of the new 1.25% national insurance levy which is being used to fund the national health and social care reforms additional costs across a number of service areas including adult social care to support increasing demands for a number of services, ensuring staffing levels within some of our registered services continue to meet statutory requirements and also some invest to save increases in workforce in support of our corporate priorities and aimed at delivering both service improvements and ultimately cost benefits through changing way of working.

The table below presents the amounts built into the MTFS for pay and pensions:

***Table 4***

| **Pay and Pensions** | 2022/23 Revised (Quarter 3 - December 2021) £m | 2023/24 Revised (Quarter 3 - December 2021) £m | 2024/25 Revised (Quarter 3 - December 2021) £m | Total |
|---|---|---|---|---|
| Employee Costs | 15.510 | 7.930 | 8.870 | 32.310 |
| Pensions costs | 0.460 | 0.000 | 0.000 | 0.460 |
| Other pay related costs | 0.030 | 0.040 | 0.040 | 0.110 |
| | 16.000 | 7.970 | 8.910 | 32.880 |
| | | | | |
| Pay and pensions -previous MTFS | 7.920 | 6.930 | 8.690 | 23.540 |
| | | | | |
| Variance | 8.080 | 1.040 | 0.220 | 9.340 |

.

### 3.2 Price inflation and cost changes

Contractual price increases represent a significant cost pressure to the county council. The assumptions have been subject to regular review by services.

The largest part of the inflationary calculations relates to Adult Social Care and reflect the impact of the national living wage increase of 6% and inflation now exceeding 5% which is significantly higher than had been anticipated, so has substantially increased. the cost of services that are commissioned from external providers The MTFS now includes a revised forecast as at Quarter 3.

The updated inflationary pressures are analysed across the authority as per Table 5:

*Table 5*

| Price Inflation | 2022/23 Revised (Quarter 3 - December 2021) £m | 2023/24 Revised (Quarter 3 - December 2021) £m | 2024/25 Revised (Quarter 3 - December 2021) £m | Total £m |
|---|---|---|---|---|
| Adult Services | 19.760 | 17.210 | 14.710 | 51.680 |
| Children's Services | 5.950 | 2.400 | 2.320 | 10.670 |
| Waste Services | 0.870 | 2.350 | 2.500 | 5.720 |
| Transport Services | 1.550 | 1.620 | 1.730 | 4.900 |
| Other Services | 4.700 | 2.200 | 1.460 | 8.360 |
| | **32.830** | **25.780** | **22.720** | **81.330** |
| | | | | |
| Price inflation -previous MTFS | 22.230 | 22.500 | 22.540 | 67.270 |
| | | | | |
| Variance | 10.600 | 3.280 | 0.180 | 14.060 |

### 3.3 Demand pressures

All services have reviewed the demand pressures they face in future years and increasing demand still remains a significant element of the funding gap. The majority of the increase in demand is for Childrens and Adults social services

***<u>Table 6</u>***

| Demand Pressures | 2022/23 Revised (Quarter 3 - December 2021) £m | 2023/24 Revised (Quarter 3 - December 2021) £m | 2024/25 Revised (Quarter 3 - December 2021) £m | Total £m |
|---|---|---|---|---|
| Adult Services | 13.320 | 11.320 | 11.320 | 35.960 |
| Children's Services | 3.160 | 3.730 | -0.770 | 6.120 |
| Waste Services | 1.540 | 0.000 | 0.000 | 1.540 |
| Transport Services | 0.140 | 0.550 | 0.610 | 1.300 |
| Other Services | 3.860 | 0.130 | 0.010 | 4.000 |
| | **22.020** | **15.730** | **11.170** | **48.920** |
| | | | | |
| Demand pressures -previous MTFS | 8.560 | 9.170 | 11.730 | 29.460 |

| | | | | |
|---|---|---|---|---|
| | | | | |
| Variance | 13.460 | 6.560 | -0.560 | 19.460 |

Adult social care represents a substantial proportion of the demand pressures. Adult social care has long seen annual increases in the demand for services and the MTFS attempts to predict growth in future years largely based on reviewing current and past activity trends and considering future population changes, particularly with regard to the ageing population and the impact of Covid on the future demand for services. From a social care perspective demand covers both increasing numbers of people eligible for support, the increasing complexity of those cases.. The pandemic has influenced demand, there are less Nursing and residential placements with a corresponding increase in domiciliary care services. The level of demand included for this service area for the three years to 2024/25 is £35.959m, an increase of £6.63m in the reported position at Quarter 2. This will continue to be monitored and figures may be updated in future MTFS reports.

Nationally, Children's Social Care is experiencing demand pressures across services, particularly in relation to placement demand, due to the number of looked after children. However, the implementation of the Lancashire family safeguarding model is a way of keeping families together where it is safe to do so. This is achieved through a more collaborative way of working where we motivate parents to identify the changes needed within their own families. This helps achieve better outcomes for children and is already resulting in less children coming into care aged 12 or under. We are however, now seeing additional demand within Children's services for 13+ young people and is reflected in a level of increased demand to that previously reported. This will continue to be closely monitored throughout 2022/23.

**3.5 Savings**

These adjustments are in respect of the revised savings profile for the family safeguarding project and include a reprofiled amount for Adults services due to savings plans being delayed due to the pandemic.

It should be noted that £42.730m savings were planned to be delivered in 2021/22. This was a combination of savings that were due to be delivered in 2020/21 and were delayed because of the pandemic, and budgeted savings of £7.370m which were agreed to be removed from the budget in 2021/22. The current assumption is that £8.5m of previously agreed and budgeted savings will not be delivered in 2022/23 but will be achieved by 2023/24. Some of the delayed savings have been mitigated during 2021/22 by other in-year savings and in 2022/23 they will be fully offset by new savings proposals.

Within the MTFS figures presented there are £11m of new savings. £10m of this figure relates to increased income generation identified by services. The proposals are primarily related to Adult social care services and income recovery measures. £1m relates to increased charges to service users primarily relating to increasing the charge to individuals in receipt of non-residential care to reflect the updated proposed cost of domiciliary care with significant increases planned for 2022/23 and provided in recent years but not reflected in the current charge. The increase will only affect a relatively small proportion of individuals in receipt of domiciliary care, applying to those who are financially assessed as being able to afford the increased charge following a detailed financial assessment having been undertaken to confirm their weekly net disposable income for charging purposes. A new charge is also proposed to cover the costs of administering appointeeships which will bring us into line with other authorities and an increased in the administration charge relating to deferred payments to reflect the actual cost. The £9m relates to improved debt collection levels and reduce the value of the bad debt provision and continuing the positive work in recent years to ensure Health contributions are accurately recorded and collected in respect of individuals with complex packages of care.

The remaining new saving is related to consolidating benefits from new ways of working with £1m worth of recurrent savings anticipated from reduced business mileage.

## 4. Reserves

***Table 7***

| Reserve Name | Opening balance 2021/22 | 2021/22 Forecast Expenditure | 2021/22 Forecast transfers to/from other reserves | 2021/22 Forecast Closing Balance | 2022-23 Forecast Exp | 2023-24 Forecast Exp | 2024-25 Forecast Exp | Forecast closing balance 31 March 2025 |
|---|---|---|---|---|---|---|---|---|
| | £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 | -4.810 | -1.480 | 2.360 | -3.930 | 2.810 | 0.100 | 0.000 | -1.020 |
| COVID-19 Reserve | -11.910 | 1.730 | 0.000 | -10.180 | 8.770 | 1.140 | 0.270 | 0.000 |
| Downsizing Reserve | -5.640 | 1.410 | 0.000 | -4.230 | 1.410 | 1.410 | 1.410 | 0.000 |
| Risk Management Reserve | -6.290 | 5.190 | 0.000 | -1.100 | 1.000 | 0.000 | 0.000 | -0.100 |
| Transitional Reserve | -201.760 | -2.630 | -0.060 | -204.450 | 9.700 | 5.520 | 2.650 | -186.580 |
| Business Rates Volatility Reserve | -5.000 | 0.000 | 0.000 | -5.000 | 0.000 | 0.000 | 0.000 | -5.000 |
| Service Reserves | -72.150 | 36.030 | 0.000 | -36.120 | 23.090 | 6.490 | 5.190 | -1.350 |
| Treasury Management Valuation Reserve | -13.780 | 13.780 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Treasury Management Reserve | -15.400 | 0.000 | 0.000 | -15.400 | 0.000 | 0.000 | 0.000 | -15.400 |
| **SUB TOTAL - LCC RESERVES** | **-336.740** | **54.030** | **2.300** | **-280.410** | **46.780** | **14.660** | **9.520** | **-209.450** |
| Non-LCC Service Reserves | -16.200 | 0.420 | 0.000 | -15.780 | 0.420 | 1.690 | 0.100 | -13.570 |
| **SUB TOTAL - NON LCC RESERVES** | **-16.200** | **0.420** | **0.000** | **-15.780** | **0.420** | **1.690** | **0.100** | **-13.570** |
| | | | | | | | | |
| **GRAND TOTAL** | **-376.380** | **54.450** | **2.300** | **-319.630** | **47.200** | **16.350** | **9.620** | **-246.460** |

The County Fund shown at the top of Table 7 is the balance set aside to cover the authority against a serious emergency (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 is forecast to maintain its County Fund balance at £23.440m, equating to circa 3% of net budget.

The value of the uncommitted transitional reserve is currently forecast to be £204.450m by the end of March 2022.

The transitional reserve is forecast to be sufficient to meet the identified funding gaps for 2022/23 – 2024/25 as set out in table 8 below.

***Table 8***

| | 2022/23 | 2023/24 | 2024/25 |
|---|---|---|---|
| | **£m** | **£m** | **£m** |
| **Opening Balance** | 204.450 | 173.060 | 131.820 |
| **Gap funding** | 21.690 | 35.720 | 42.830 |
| **Commitments** | 9.700 | 5.520 | 2.650 |
| **Closing balance** | **173.060** | **131.820** | **86.340** |

**5. Future risks and opportunities**

The following are key future risks, the full impact of which is not known at this stage:

**5.1 The financial impacts of the ongoing Covid-19 response**
The longer-term financial impacts of the response to, and recovery from, the pandemic remain unclear. A protracted recovery period or any subsequent spikes are likely to lead to further financial pressures to the authority.

The ongoing impacts and revision to service delivery and to service user demand for services and the ways they are delivered post pandemic could lead to volatility of pressure on the budget.

We will continue to assess the ongoing need for additional services in response to the pandemic and The financial implication of any requirements

Following a one-year spending review for 2021/22 there is continued uncertainty about the future funding envelope and significant assumptions have to be made as part of the development of the MTFS.

**5.2 Savings delivery**
The scale of savings agreed to be delivered over future financial years remains significant with £42.730m planned to be delivered in 2021/22. This is a combination of savings that were due to be delivered in 2020/21 and were delayed because of the pandemic, and the budgeted savings agreed to be removed from the budget in 2021/22. As restrictions have largely been lifted and services return to providing services closer to the levels provided pre-pandemic there has been a renewed focus and activity in monitoring and delivering the savings that are built into the budget which will continue. We are assuming all agreed savings will be achieved by 23/24, and delayed savings will be offset in 2022/23 by new proposals.

Should the Covid emergency response continue for a protracted period, or a further strain of the virus become apparent it is likely that there could be further slippage.

Any significant under-delivery or slippage to delivery timeframes will create an additional funding pressure and impact on the ongoing and longer-term financial health of the council if those costs are not mitigated by the Government providing additional funding in future years.

There are inherent risks in the delivery of any savings programme of this scale, particularly where they are linked to reducing the future demand for services. However, there is a strong track record of delivery of the vast majority of previous savings plans and there are comprehensive arrangements in place to track delivery of financial savings and take corrective actions where required.

**5.3 Business rates retention / changes to funding formula**
As previously explained, the future funding arrangements to be established by government pose a risk to the council. It is not expected that the new arrangements will come into place until 2023/24, a further delay to the previously extended delay, although we await final confirmation of this from the Government.

As discussed earlier within this report, the changes to the funding formula have been delayed. The outcome from the review may reduce funding below what is assumed in the MTFS. Conversely there is equally an opportunity that additional resources are made available through this process. Some supporting professional bodies have indicated that there could be additional funding for Lancashire as part of the fair funding review, but at this stage have indicated their models should be treated with caution due to the lack of information so have not been included in the MTFS at quarter 3.

The successful outcome of the Lancashire business rates pilot bid in 2019/20 has enabled the county council, districts, unitaries and fire authority to be well prepared for the implementation of the business rates retention scheme although the final details are not known at this stage.

**5.4 Children's social care**
Children's social care demand levels are forecast to continue to increase, particularly within agency residential placements, agency fostering placements and also special guardianship orders, but at a reduced rate to those previously reported. This is partially due to the impact of the pandemic, but also the work underway in relation to the family safeguarding model which has reduced placements for 0-12, however the costs and demand around 13+ young people's placements are increasing

**5.5 Demand Pressures**
Tthe MTFS contains assumptions across services for funding growth, demand, inflation and pay levels. As the National Living Wage was increased by 6.6%, this is causing an increased pressure in the care market in particular which is therefore causing increased costs to the Council for both Adult and Childrens social care. With that, and inflation running at in excess of 5% this is having a significant effect on costs across all services. This is the biggest risk that has been identified for some time and will continue to be closely monitored.

The table below shows the impact of an increase or decrease of 1% over these key elements of the projected budget requirement.

| | Potential Full - Year Impact (£m) |
|---|---|
| Funding - Council Tax (1%) | +/- 5.456 |
| Pay (1%) | +/- 3.290 |
| Price Inflation (1%) | +/- 6.950 |
| Demand (1%) | +/- 5.225 |

This stress testing gives confidence that the council can continue to live within its means for the next two to three years in adverse circumstances. This does not however diminish or negate the need to make further savings but does demonstrate that the council continues to have sufficient resilience to deliver them in a measured and structured way.

The County Fund shown at the top of Table 7 is the balance set aside to cover the authority against a serious emergency (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 is forecast to maintain its County Fund balance at £23.440m, equating to circa 3% of net budget.

The value of the uncommitted transitional reserve is currently forecast to be £204.450m by the end of March 2022.

The transitional reserve is forecast to be sufficient to meet the identified funding gaps for 2022/23 – 2024/25 as set out in table 8.

**5.4 Implementation of the Social Care Charging Reforms**

The Government have announced changes to charging for Social Care, which will take effect from October 2023. The financial impacts to councils is to be funded from the National Insurance levy.  Work is being undertaken to model the financial impact on the Council and there is a risk that funding provided in future may not be sufficient to meet the costs of these changes. Some funding has been made available during 2022/23 to prepare for implementation of the changes.

# Money Matters
# The County Council's Capital Financial Position 2021/22 December 2021,2021/22 Revised Programme and Draft Capital Delivery Programme 2022/23 to 2024/25



Lancashire County Council

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**Capital Programme Monitoring –December 2021**

## 1. Introduction

In February 2021 an indicative Capital Delivery Programme of £152.439m was agreed with Cabinet. This delivery programme figure has been revisited and, following confirmation of the final 2020/21 slipped delivery figures, subsequently approved additions and re-profiling of the programme have increased the in-year programme to £165.567m. A forecast outturn as at December 2021 has been set at £164.050m, a variance of -£1.517m or c-0.9%.

The delivery programme is shown in section 2 split by block. This is an ambitious delivery programme that is pushing to catch up on slipped delivery due to two lockdowns within 2020/21, as well as aiming to deliver schemes already programmed in for delivery this financial year. The delivery programme has been agreed by service heads and the project and programme managers will be held accountable using the following actions:

- Detailed monitoring of the delivery programme through the remainder of 2021/22 to ensure variances are reported in a timely manner and a robust level of challenge is provided to programme and project managers to ensure delivery remains on track
- Performance reports developed to enable the Capital Board to undertake this monitoring and challenge.

## 2. Delivery Programme

The current delivery programme was originally agreed in June 2021. It is made up of the Cabinet agreed 2021/22 budget, updated with any approved decisions and reprofiling since June 2021, and an expected delivery amount for prior year schemes. This will form the basis of the monitoring report. The total delivery programme is £165.567m as set out in table 1 below:

**TABLE 1 – 2021/22 Capital delivery programme by block**

| Service Area | Delivery Programme agreed Feb 21 | Decisions | Changes to planned delivery | Total Delivery Plan for Monitoring |
|---|---|---|---|---|
| | £m | £m | £m | £m |
| Schools (including DFC) | 24.157 | 21.177 | -19.376 | 25.958 |
| Highways | 43.970 | 64.471 | -54.507 | 53.934 |
| Transport | 13.665 | 4.562 | -2.269 | 15.958 |
| Externally Funded Schemes | 5.430 | 1.477 | 0.526 | 7.433 |

| | | | | |
|---|---|---|---|---|
| Central Systems & ICT | 0.000 | 0.000 | 7.656 | 7.656 |
| Adult Social Care | 15.087 | 0.058 | 2.168 | 17.313 |
| Corporate - Property | 14.698 | 3.360 | -6.620 | 11.438 |
| Economic Development | 16.160 | 0.250 | -4.421 | 11.989 |
| South Lancaster Growth Catalyst | 0.000 | 4.100 | 0.000 | 4.100 |
| Vehicles | 4.924 | 0.000 | -0.924 | 4.000 |
| Transforming Cities Fund | 14.348 | 0.000 | -8.560 | 5.788 |
| **Grand Total** | **152.439** | **99.454** | **-86.326** | **165.567** |

## 3. Risks to the Delivery Programme – COVID19

The current delivery plan is an ambitious plan to deliver a normal years Capital programme along with the catchup of 2020/21 projects that slipped due to the pandemic.

There has been no allowance in this years delivery plan for any future lockdowns, forecasts will be amended if further restrictions are implemented. There is still an overarching risk across the majority of the Capital programme that any future restrictions, and any lasting economic effects from previous restrictions, will impact on delivery and /or cost. This is difficult to forecast and quantify, and with that the figures in this report are caveated by this risk.

## 4. Variance Analysis

The forecast outturn as at December 2021 is £164.050m, giving an expected variance of -£1.517m. A breakdown of the variance at block level, along with the increased forecast and variance is shown in table 2 below.

**Table 2 – Summary Capital Delivery Programme Position as at 31st December 2021**

| Service Area | Total delivery programme for 2021/22 | Spend to date | Total Forecast spend | Forecast Variance |
|---|---|---|---|---|
| | £m | £m | £m | £m |
| Schools (exc DFC) | 23.579 | 19.773 | 22.549 | -1.030 |
| Schools DFC | 2.379 | 2.177 | 3.075 | 0.696 |

| | | | | |
|---|---|---|---|---|
| Highways | 53.934 | 47.388 | 59.428 | 5.494 |
| Transport | 15.958 | 12.134 | 14.771 | -1.187 |
| Externally Funded | 7.433 | 6.483 | 7.275 | -0.158 |
| Central Systems & ICT | 7.656 | 5.067 | 11.758 | 4.102 |
| Adults Social Care | 17.313 | 16.773 | 17.313 | 0.000 |
| Corporate - Property | 11.438 | 4.152 | 6.046 | -5.392 |
| Economic Development | 11.989 | 5.732 | 8.752 | -3.237 |
| South Lancaster Growth Catalyst | 4.100 | 1.019 | 4.100 | 0.000 |
| Vehicles | 4.000 | 4.294 | 4.530 | 0.530 |
| Transforming Cities | 5.788 | 1.784 | 4.453 | -1.335 |
| **Totals** | **165.567** | **126.776** | **164.050** | **-1.517** |

The total forecast spend for 2021/22 is £164.050m and funded from a combination of Borrowing (£54.546m), Grants (£96.946m) and Developer and 3rd Party Contributions (£12.558m).

There is a variance currently forecast of -£1.517m and table 3 below summarises the breakdown of this forecast variance.

Key items included within the variances are:
- Additional delivery on highways structural defects following a backlog after a peak in demand late in 2020/21
- The addition of a new reporting block following the signed collaboration agreement for the South Lancaster Growth Catalyst
- Additional delivery of central systems and ICT projects due to projects progressing quicker than expected.

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 Forecast 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) | -1.030 | -0.943 | 0.000 | -3.930 | 3.843 |
| Schools DFC | 0.696 | 0.000 | 0.000 | 0.000 | 0.696 |
| Highways | 5.494 | -0.700 | 6.256 | -3.664 | 3.602 |
| Transport | -1.187 | -0.788 | 0.019 | -2.857 | 2.439 |
| Externally Funded | -0.158 | -0.001 | 0.016 | -0.228 | 0.055 |
| Central Systems & ICT | 4.102 | 0.000 | 0.778 | 0.000 | 3.324 |
| Adults Social Care | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Corporate - Property | -5.392 | -0.284 | 0.001 | -5.455 | 0.346 |
| Economic Development | -3.237 | 0.000 | 0.000 | -3.539 | 0.302 |
| South Lancaster Growth Catalyst | 0.000 | 0.000 | 0.000 | 0.000 | 0.000 |
| Vehicles | 0.530 | 0.000 | 0.000 | -0.538 | 1.068 |
| Transforming Cities | -1.335 | 0.000 | 0.000 | -1.335 | 0.000 |
| **Totals** | **-1.517** | **-2.716** | **7.070** | **-21.546** | **15.675** |

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.

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 2020/21 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.

## 5. Detailed Narrative

**Schools**

**The Schools Capital Programme (including DFC) has a 2021/22 delivery plan of £25.958m. The current forecast outturn is £25.624m, a variance of -£0.334m. Spend to 31st December 2021 is £21.950m.**

A summary of the programmes within the schools 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. Spend to date is £10.246mm with £11.764m currently forecasted to be spent in the financial year. This is a variance of £0.019m on the delivery plan.

In recent months a number of new projects have been commissioned, including a number of SEN units to support the Authority's SEND strategy. Expansion projects to address areas of high pupil place demand forecast in future years have been approved at Colne Primet Academy, SS John Fisher, Thomas More RC High and Burnley Campus. These are all in early brief and design stages. A number of projects previously postponed during the height of the pandemic in 2020 have been restarted, including expansion work at Tom Finney High School and Ashton High School. Although few costs have been incurred on these projects in the year to date, it is anticipated that initial design and preliminary site costs will be incurred before March. The Tom Finney project in particular has advanced is now on site. The preliminary project programme financial forecast is included and will be updated once the conditions of the planning approval are received, and necessary design adjustments made.

The large-scale project to expand Unity college has progressed well this year. Although a two week delay is now reported on site, the project has delivered £5.410m in valuations since April and is currently forecast to handover within budget in the spring.

**Condition programme**

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

Spend to date is £9.508m, with a current outturn forecast of £10.764m, a delivery variance of -£1.048m. This is due to savings of -£0.634m forecast on a wide range of projects that will close after making final retentions payments later this financial year. A net slipped delivery of -£0.414m is forecast, largely on new projects that did not progress during the summer. Some are planned to progress during the autumn and winter but some of the higher value or more complex projects have been deferred until summer 2022.

The major rebuild of Oswaldwistle Rhyddings High School is complete and the project is now in defects with a few outstanding tasks for the contractor to attend to. The project has taken several years to complete and necessitated a full demolition of the previous building before rebuilding. The school operation had to be relocated to the empty Hamleton school site for the duration. Now the school is able to reopen, another project to relocate Broadfield Special school to the Hameldon site can commence.

**Local full fibre networks**
Funding was 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 2021/22 is £0.020m which is now spend fully spent, with the installation delivered by LCC Education Digital Services.

**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 DfE in order for schools to spend on capital projects within expenditure guidelines. The 2021/22 DFC delivery plan is £2.380m. At 31st December 2021 spend to date of £2.178m to date is reported. An additional delivery variance of £0.695m is forecast on the delivery plan as schools make use of accrued balances.

**Highways**
**The Highways capital programme has a 2021/22 delivery plan of £53.934m. The current forecast outturn is £59.428m, a variance of £5.494m. Spend up to 31st December 2021 is £47.388m.**

The number of structural defects reported in the first half of 2021/22 has seen a significant and sustained increase compared to the same period in previous years. The peak in demand in quarter four of 2020/21 created a backlog of works which extended into this financial year. As a result of this there has been an increased spend on sub-contractor resources. Increased use of Contractors further down the dayworks framework are significantly more expensive and are having to be used to keep up with demand. If the demand and the current ways of working continue the forecast overspend could reach £6.000m. It is planned to use £0.500m of the jet patching programme budget which remains uncommitted to contribute to this overspend and a revenue contribution of £5.000m has been agreed.

Due to the prioritisation of flood damage schemes because of their impact on the road network a number of schemes within the bridge maintenance programme and the bridge structural maintenance programme are likely to slip into 2022/23. This is causing a slippage variance of -£1.018m for bridge maintenance and -£0.200m for bridge structural maintenance.

It is forecast that -£0.331m of works in the 2020/21 transport infrastructure investment fund (TIIF) storm damage bridges and structures programme will slip into 2022/23 due to environmental constraints such as Environment Agency permission to access rivers.

Engaging with utility companies who are taking longer to respond to queries is lengthening the lead time from delivery to construction and therefore affecting the delivery of the 2021/22 bridges and structures storm damage programme causing a slippage variance of -£0.200m.

Construction on Derby Street bridge, Ormskirk, has been delayed resulting in slippage of -£0.630m. The 2021/22 principal bridge Inspections are being delivered by consultants and it is anticipated that some of these will be carried out next year resulting in slippage of -£0.250m.

Works on the Rivington reservoir retaining wall has been put back causing additional slippage of -£0.100m. However, good progress has been made on the DFT challenge fund retaining walls programme and there is likely to be additional delivery of £0.500m in 2021/22.

The Salix programme is forecasting an in-year underspend of -£0.200m. This is due to delays in materials being delivered and problems getting access to dwellings in West Lancashire. Salix are soon to become a non-departmental public body and the Salix loan scheme is ending on 31st March 2022. As a result, Salix have advised that whilst they are able to fund committed streetlighting works that are carried out in the 2021/22 financial year they are not able to fund works that roll-over beyond 31st March 2022.

Shortage of steel and increased costs are having an impact on some of the other street lighting programmes. Deliveries from suppliers have been affected and the price of columns has increased by 30%. Due to these increases the street lighting defects programme is now forecast to overspend by £0.218m and its likely that the column replacement programme will also be impacted.

Several schemes within the safer roads programme, safety camera maintenance programme, flood prevention programme and traffic signal programme are now forecast to be delivered in 2022/23 resulting in slippage of -£0.436m.

More schemes have been delivered than anticipated in the Residential Urban programme, the current forecast is £2.224m additional delivery.

There has been additional delivery on a number of prior year schemes amounting to £0.303m and some small overspends totalling £0.039m across the Highways Block.

**Transport**

**The Transport capital programme has a 2021/22 delivery plan of £15.958m. The current forecast outturn is £14.771m, a variance of -£1.187m. Spend up to 31st December 2021 is £12.134m.**

A summary of the main variances and programmes within the block is given below.

**Safer Roads Scheme**
LCC successfully secured full funding for 5 route lengths during the second round of the safer road fund bid process. The department for transport (DfT) has provided total funds of £7.942m over three financial years to cover changes to road layouts, speed cameras, better lighting, road studs etc. The 2021/22 delivery plan was established to cover initial design work on all schemes, however the forecast has now increased causing an additional delivery variance of £0.776m due to most of the work now being completed.

**Burnley Pendle Growth Corridor**
The Burnley Pendle growth corridor investment programme is a key priority for the East Lancashire highways and transport masterplan. It is a collaborative agreement including Burnley, Pendle and Hyndburn councils. The scheme is now coming to a close and although the full remaining funding of £1.658m has been included in the delivery plan, underspends of -£0.738m are now forecast. The two major remaining pieces of work are at Rose Grove and Manchester Road station car parking. To mitigate risks of this joint venture a full legal agreement is in place and the billing of partner councils is up to date. There is forecast slipped delivery of -£0.317m within the programme with some works now slipping into 2022/23.

**Lancashire Safer Travel Restart**
Lancashire was awarded £3.501m of a £250m emergency fund for COVID19 recovery. This is to be utilised for instant schemes reallocating road space for pop-up bike lanes, wider pavements, cycle, and bus-only streets alongside interventions to support schools, signing and messaging and communication. Only the £0.090m funding remaining from the initial tranche was included as the delivery plan but already £0.442m additional delivery is forecast and will come from the next round of funding to be received in this financial year.

**National Productivity Investment Fund (NPIF)**
The NPIF grant provides for additional spending in areas that are key to boosting productivity: transport, digital communications, research and development, and housing. A realistic delivery budget was agreed of £0.768m and with the actuals to date coming in less than expected, there is a forecast slipped delivery of -£0.156m reported. The largest remaining scheme, Vivary Way has already incurred £0.425m of expenditure this year with the MOVA validation of Bluebell Way adding a further £0.040m.

**M55 Link Road**
This programme covers the building of the proposed link road which will connect the existing roundabout at Whitehills Road to the north with Heyhouses Lane near the Cyprus Point development site to the south. This is a large project spanning a number of years funded by a number of different grants and contributions. For 2021/22 a

delivery budget of £3.369m covers design work plus initial earth works and utilities work. Actual spending has now begun to ramp up sharply with actuals of £2.328m to December raising the forecast to give an additional delivery variance of £0.062m. All the agreements are now in place to offset any risk of disputes between the parties, but it will face issues of materials supply chain and price increases.

**Burnley Town Centre Improvements**
A delivery plan of £0.940m was established for work at Lower St James Street and Pioneer Place. Work on the latter can now be undertaken as work on Lower St James is complete. Delays on the commencement of the Pioneer Place project have resulted in -£0.550m now forecast to slip into 2021/22. This work is partly funded by Burnley Borough Council and the invoicing is monitored to minimise risk of any failure of funding being claimed.

**Heysham**
A delivery budget of £0.784m is in place for 2021/22 to cover mopping up work and settling claims for land adversely affected by the programme. These claims plus the linked legal cost have already incurred £1.209m to December, further funding will need to be approved to cover the final costs which could be a further £5m

**Externally Funded Schemes**
**The externally funded schemes capital programme has a 2021/22 delivery plan of £7.433m. The current forecast outturn is £7.275m, a variance of -£0.158m. Spend up to 31st December 2021 is £6.483m.**

The largest scheme within the delivery plan is UCLan Masterplan with a 2021/22 delivery budget of £4.500m. Works are due to be completed this year and remaining expenditure to be concluded the following year. The forecast for 2021/22 has increased to £4.528m giving an additional delivery variance of £0.0.028m, however as yet the cost implications for legacy matters is unknown. Discussions are being held with UCLan to provide cost certainty and eliminate any cost risks.

There is further additional delivery within this block on the S278 Blackpool Road, Kirkham project, totalling £0.025m. This is to complete the design and tender documents by the middle of February 2022, with the remainder of works being delivered in 2022/23. There is also an overspend of £0.016m on the s106 funded Blackpool Road/Lea Road crossing facilities scheme, which holds a potential risk as funding needs to be found to cover this.

There is a forecast slipped delivery variance of -£0.228m. This is mainly on the A584 Lytham Rd Highways works scheme (-£0.085m) where statutory undertaker diversions were delayed starting on site due to resources being unavailable and site supervision also hasn't been as intense as anticipated. Other notable slipped delivery variances include the public right of way scheme at Kiddrow Lane (-£0.040m) where expenditure is now expected in 2022/23 and the S278 Padiham THI (-£0.060m), which has experienced delays due to supplier issues.

**Central Systems and ICT**

**The central systems and ICT capital programme has a 2021/22 delivery plan of £7.656m. The current forecast outturn is £11.758m, a variance of £4.102m. Spend up to 31st December 2021 is £5.067m.**

The central systems and ICT block is forecasting an additional delivery variance of £0.406m across 3 schemes. The social care reform Lancashire patient records service (Lpres) scheme has an additional delivery variance of £0.350m, the project is to fund a change programme linked to Adult services which includes reviewing all processes and system interactions with our partners and the third sector. Forecast additional delivery of £0.026m on the Microsoft Office 365 scheme is due to advanced plans on the delivery of the project. It is expected that spend will increase on all projects in the next couple of months. Furthermore, there is forecasted additional delivery of £0.030m on the replacement of the Document Management System (DMS) following the current system no longer being supported.

The largest scheme within the delivery plan is the migration to Oracle Cloud from the current e-business suite Oracle platform, which has a 2021/22 delivery budget of £7.500m. Delays on the programme were reported in the quarter 2 report due to a number of factors with roll out still anticipated in June / July 2022. Forecast spend in 2021/22 is £11.196m which utilises all the original budget on the project, leading to an increase in spend on the programme that has previously been reported.

Other risks on this project include the pandemic leading to staff reductions across all partners and LCC leading to delays, remote delivery of the programme leading to issues with such items as quality of training and reduced processing power for testing and data validation, and accessing sufficient resource to allow appropriate design, development and testing alongside business as usual activities.

**Adult Social Care**

**The Adults Social Care capital programme has a 2021/22 delivery plan of £17.313m. The current forecast outturn is £17.313m, a variance of £0.000m. Spend up to 31st December 2021 is £16.773m.**

The Disabled Facilities Grant 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. This £16.715m allocation has been fully passported to district councils to distribute.

The extra care grant for Preston at £0.540m was due to have its legal agreement executed in July 2021, however, there have been additional delays in the agreement being signed. Building work has been completed previously and the contractors' invoice is expected to be received and paid following the signing of the legal agreement. Although there has been a delay in getting the agreement signed, this scheme is still anticipated to be delivered this financial year.

The inpatient detoxification grant is a one-year funding scheme aiming to increase medically managed inpatient detoxification capacity and to stabilise this component of provision in the treatment system for drug and alcohol users. Funding of £0.058m was received in August 2021 and has now been paid in full to the provider as of October 2021.

**Corporate – Property**
**The Corporate Property capital programme has a 2021/22 delivery plan of £11.438m. The current forecast outturn is £6.046m, a variance of -£5.392m. Spend up to 31st December 2021 is £4.152m.**

The corporate – property block covers a large number of projects so an overview of the programmes within the block is given below.

**Building condition programme**
The Delivery Plan for the programme of Building Condition has been set at £2.162m with 62 projects forecast to be worked on in the year. The major projects within the programme include roofing works at County Hall for which the contractor is completing snagging work spending £0.126m to date. The mechanical works at Chorley neighbourhood centre which has now been completed and handed overspending £0.093m to date and forecast to utilise its remaining £0.102m budget fully. The replacement of chiller units within the CCP site is also nearing completion with the system now in operation, £0.071m has been incurred to date and the forecast lowered to reflect a small underspend. All the programmes budget has been allocated but there is a remaining contingency of £1.439m. A small number of projects are still restricted by access issues and overall and following a review some have been put on hold increasing the forecast slipped delivery to -£1.149m, offset slightly by additional work on projects not previously forecast of £0.136m.

**Works to operational premises programme**
The works to operational premises has a delivery budget for the year of £1.018m with 21 projects forecast to be active. The major schemes within the programme include the transfer of the Civil Enforcement Officers to LCC alternative accommodation at both Lancaster and County Hall have been completed and are nearing their forecasts of £0.060m and £0.067m respectively. The work to repair the Burnley Queen Street mill has been completed with £0.074m forecast for 2021/22 and the project to replace the sluice rooms at Bowgreave Rise has also been completed and awaiting the final invoice which should bring the spend to £0.091m for the year.

**Bowgreave Rise programme**
The project to replace Bowgreave Rise residential care home providing affordable extra care schemes for older people and supported housing apartments for younger

adults with disabilities will be spread across two financial years. The initial forecast of £2.500m has been reduced to £0.236m as it now anticipated that the majority of the construction will be completed in 2022/23.

**Covid Secure Visiting Facilities**
The programme of COVID19 related property works to install secure visitor facilities at Care Homes has remaining funding of £0.138m all of which has been included in the Delivery Plan and £0.121m has already been incurred to the end of December.

**Salix Decarbonisation**
A new programme has been established for de-carbonisation schemes at Burnley, Leyland and Garstang libraries, with forecast spend of £0.519m. As £0.167m is grant supported with conditions to be spent in the financial year these schemes will be a priority. Work at Garstang is now complete and with the remaining two tenders now been approved work is likely to commence in January 2022.

**Great Harwood North Cliffe, Overnight Short Break Unit**
The construction of a new overnight short break unit providing purpose built units to meet the diverse needs of the users is progressing well, although it is now forecast that final construction may extend into next financial year causing -£1.347m of the forecast to slip into 2022/23. With a delivery plan for the year of £4.313m the risk of rising prices for building materials could adversely affect the final costs, along with the risk of poor weather conditions effecting the build as the site is in a very exposed location.

**Electric Vehicle charging points at LCC Sites**
A new programme of £0.215m to begin installing electric vehicle charging points at LCC sites has initially been approved. A budget of £0.120m was added to this years delivery plan to cover the sites at Hapton Network fleet depot and Bamber Bridge of which £0.060m is forecast to be spent in 2021/22, the slippage variance of -£0.060m is now forecast to spent in full in 2022/23 along with the remaining budget for the programme.

**Economic Development**
**The Economic Development capital programme has a 2021/22 delivery plan of £11.989m. The current forecast outturn is £8.752m, a variance of -£3.237m. Spend up to 31st December 2021 is £5.732m.**

The Cuerden strategic site programme was forecast to only require £0.200m in 2021/22 for consultancy, however internal design fees have been incurred and have created an additional delivery variance of £0.030m. The bulk of the revised work remains forecast to take place in future years following the finalisation of the development agreement.

The work on the South Lancaster Growth Catalyst (SLGC) bid has now been finalised. A delivery plan of £0.281m was submitted but the increased spend on design and legal fees has led to an additional delivery forecast of £0.016m. The delivery of the projects within the SLGC will be reported within a separate block now that the programme has moved into the development and delivery phase.

With the ED block, the majority of spend in 2021/22 is forecast to be spent on the Samlesbury enterprise zone project. After being previously delayed, groundworks, tree felling, and utilities works are underway in both zones with waste material being removed and temporary drainage installed and forecast to spend £5.087m on this preparation work this financial year. Along with the risk of price increases of materials and labour, recent unfavourable weather conditions and various ecology and planting plans also have to be considered looking at risks to delay the scheme.

Work on the submission of the business case for the Eden North project in Morecambe is forecast to utilise its remaining £0.151m in 2021/22 in completion of this first stage of the planning process. Risks to the programme comes from working with outside partners, in addition to the Eden project there is also involvement from Lancaster City Council and Lancaster University.

A contribution to the Brierfield Mill scheme which has created offices, apartments and leisure schemes in the redeveloped site has incurred £0.193m, it is now forecast that remaining £0.590m contribution will be completed in 2022/23 following changes to the project by the external grant recipient. It is also expected that the remaining contribution towards the expansion of the Lomeshaye Industrial Estate of £1.500m will be made this financial year after been held up by the delays in progress on site due to lockdown. The annual agreed contribution to City Deal of £1.295m has now been made for 2021/22.

**South Lancaster Growth Catalyst (SLGC)**
**The South Lancaster Growth catalyst capital programme has a 2021/22 delivery plan of £4.100m. The current forecast outturn is £4.100m, a variance of £0.000m. Spend up to 31st December 2021 is £1.019m.**

In October 2021 a collaboration agreement was signed between Lancaster City Council and Lancashire County Council for a long term collaboration which will develop South Lancaster to stimulate housing growth in the region. The agreement plans to deliver c10,000 homes and use the developer contributions alongside agreed grant funding from Homes England (HE) to develop new and existing highways infrastructure for roads and sustainable travel interventions as well as education and health provision.

Work has been on-going on the design for the agreed early deliverable projects and HE have agreed a 2021/22 budget of £4.100m to cover these initial costs.

The programme manager is working to develop a more detailed project plan which will be used to monitor against going forward, allowing variances to be reported against the individual projects within the SLGC programme and will be updated as design work is undertaken and the contractor is appointed for the delivery of the major road infrastructure

**Vehicles**
**The vehicles capital programme has a 2021/22 delivery plan of £4.000m. The current forecast outturn is £4.530m, a variance of £0.530m. Spend up to 31st December 2021 is £4.294m.**

To date in 2021/22 there has been delivery of twenty seven vans, four cars, two pick up trucks, one semitrailer, three excavators, one tipper truck, one traffic management vehicle, three mobile library vehicles, four snowploughs, and several accessible minibuses and conversion minibuses. In total, this has increased the forecast outturn to £4.531m.

There is a forecast slipped variance of -£0.510m due to four vehicles (three trucks and one mobile library) now forecast to be delivered in 2022/23. These schemes have slipped due to staff shortages and reduced factory operating hours as COVID19 continues to impact services and suppliers. Unallocated funding totalling £0.041m has now been allocated to schemes expected to be delivered in 2022/23, causing a slipped delivery variance.

The scheme for eighteen accessible minibuses has had additional delivery of £0.921m. The full scheme was originally anticipated to be part-delivered this financial year and the remainder delivered in 2022/23, however we have received more deliveries against this scheme in this financial year than originally anticipated. The same applies for the scheme for twelve vans, which has had additional delivery of £0.084m. There has also been additional delivery of £0.022m for four snowploughs and £0.055m for two pick-up trucks, which were initially anticipated to be delivered in 2022/23.

There are ongoing Brexit-related issues and global chip shortages, along with supply chain issues due to factories reducing their operating hours as a result of a downturn in business caused by COVID19. However, this is unlikely to impact meeting the delivery plan figure at this stage. Although some schemes have slipped into next year, the delivery plan figure has been exceeded.

**Transforming Cities Fund (TCF)**
**The TCF capital programme has a 2021/22 delivery plan of £5.788m. The current forecast outturn is £4.453m, a variance of -£1.335m. Spend up to 31st December 2021 is £1.784m.**

In June 2020, Lancashire County Council had its revised proposal for TCF investment in the Preston city region approved, with a schedule of works lasting until 2023/24.

The latest delivery programme indicates works will now slip into 2024/25, specifically on the Cottam Parkway element and discussions are under way with the Department for Transport (DfT) regarding this point. A formal change request was submitted in early November 2021 and an initial response requesting further information was received in December and is being actioned. The delivery plan for 2021/22 is £5.788m with the majority of spend expected on the Transforming Ringway project which embarked on construction at the end of the 2021 calendar year on schedule. The first phase of the works (on Corporation Street) are now expected to take longer than planned due to unforeseen ground conditions under the carriageway which have necessitated full reconstruction. The next phase, which is the larger one, is not now expected to begin until Spring 2022 and this will delay some spend into 2022/23.

With the maximum funding contribution and final delivery timescales set within the grant agreement, hitting the deadlines and remaining within budget are the key risks at programme level. Both Cottam Parkway and Transforming Ringway design teams are aware of the need to design to budget and to apply value engineering or scope modifications. This has become necessary on Cottam Parkway where the cost estimates at the latest design stage indicated a potential excess over the current agreed budget. Scope review and value engineering has already identified a number of savings and there is further work to be done here. The TCF Board also agreed to repurpose budget originally intended for other projects within the programme if necessary in order to bridge any gap. A cabinet report has been prepared for consideration at the January 2022 meeting to request an additional capital contribution from Lancashire County Council to cover the remaining gap of up to £4.547m.

## Capital Delivery programme – 3 year programme 2022/23 to 2024/25

### 6. Introduction

An indicative Capital delivery programme has been drawn up for 2022/23 to 2024/25. This has been drawn up using agreed annual budgets in addition to the forecast delivery of any remaining prior year slippage less any future year budget already delivered. These figures are shown in table 1 below, with the funding streams for the delivery programme then shown in table 2. A brief supporting narrative for the 2022/23 delivery programme by block is shown in section 2 of the report.

The figures in this report will be revised in May 2022 following the completion of the year end accounts to allow for adjustment for final slippage and advanced delivery figures. Additional funding agreed between January 2022 and May 2022 will also be added to the report to be submitted in early June 2022. The delivery programme agreed in June 2022 will then be used as the basis for the Capital monitoring reports throughout 2022/23.

**TABLE 1 – 2022/23 Capital delivery programme by block**

| Service Area | 21/22 forecast | 22/23 Delivery plan | 23/24 Delivery Plan | 24/25 Delivery plan |
|---|---|---|---|---|
| Schools (excl DFC) | 22.549 | 23.361 | 25.115 | 29.107 |
| Schools (DFC) | 3.075 | 2.377 | 3.909 | 1.608 |
| Highways | 59.428 | 48.258 | 26.351 | 21.488 |
| Transport | 14.771 | 23.591 | 15.495 | 12.834 |
| Externally Funded | 7.275 | 1.804 | 0.000 | 0.000 |
| Central Systems & ICT | 11.758 | 5.187 | 3.064 | 3.017 |
| Adults | 17.313 | 16.000 | 16.000 | 16.000 |
| Corporate - Property | 6.046 | 20.211 | 18.600 | 17.700 |
| Economic Development | 8.752 | 42.526 | 41.295 | 39.995 |
| South Lancaster Growth Catalyst | 4.100 | 3.258 | 20.904 | 0.000 |
| Vehicles | 4.530 | 4.441 | 0.000 | 0.000 |
| Transforming Cities Fund | 4.453 | 15.250 | 16.152 | 6.939 |
| **Totals** | **164.050** | **206.263** | **186.885** | **148.688** |

**TABLE 2 – Funding streams by year**

| Service Area | | 22/23 Delivery plan | 23/24 Delivery Plan | 24/25 Delivery plan |
|---|---|---|---|---|
| Borrowing | 54.546 | 97.680 | 64.323 | 61.112 |
| Grant | 96.946 | 97.081 | 116.563 | 81.876 |
| Contributions | 12.558 | 11.503 | 6.000 | 5.700 |
| **Totals** | **164.05** | **206.263** | **186.885** | **148.688** |

## 7. Detailed narrative

### Schools

**The schools capital programme has a 2022/23 delivery programme of £25.738m and contains approximately 300 projects to be worked on within the financial year.**

The schools delivery programme is split into three areas.

The basic need programme is to increase school pupil places in targeted areas via grant funded school expansions or new school build projects. An amount of £11.007m has been included in the delivery programme for 2022/23, including large projects such as the expansions of Burnley Unity college and Sir Tom Finney community high school.

The condition programme delivers a variety of grant funded works to address priority condition issues at school buildings. An amount of £4.637m has been included in the delivery programme for 2022/23, including projects to improve the condition of Leyland Methodist junior school and Staining CofE primary school. This programme is created on the basis of fixing worse first and is tailored to the amount of funding available through the grant funding.

The devolved formula capital programme is a grant funded programme for small to medium capital projects. It is allocated to schools on a formula basis by the DfE in order for schools to spend on capital projects within expenditure guidelines and a delivery programme amount of £2.377m has been included for 2022/23.

### Highways

**The Highways capital programme has a 2022/23 delivery programme of £48.258m and contains approximately 700 projects to be worked on within the financial year.**

The Highways delivery programme contains c£16.000m of projects planned prior to 2022 which are expected to be delivered within 2022/23. This includes £2.000m programmed for bridge maintenance work and £3.200m for detrunking the A601M, including bridge maintenance and demolition and remodelling of the road to permit development of the local area. £2.700m is programmed to continue storm damage repairs and flood prevention work.

An indicative amount of £20.167m has been included as anticipated funding from the Department for Transport (DfT). The actual amount received for the grant, along with a more detailed list of projects to be funded from the grant will be drawn up prior to the submission of the final 2022/23 delivery programme in May 2022.

A risk to the 2022/23 delivery programme is the continued high levels of expenditure on structural defects. This will be continued to be monitored in the remaining months of 2021/22 and a decision will need to be made before submission of the final 2022/23 delivery programme as to how this expenditure will be funded going forward if it is to remain at such a high level potentially reducing the grant allocations to other highways programmes to fund this prioritised work.

**Transport**

**The transport capital programme has a 2022/23 delivery programme of £23.591m and contains approximately 100 projects to be worked on within the financial year.**

The largest project within the Transport delivery programme is the M55 Heyhouses link road. This is a multi-year project which will connect the existing roundabout at Whitehills Road to the north with Heyhouses Lane near the Cyprus Point development site to the south. A delivery programme of £7.000m has been included for 2022/23 to reflect the expected delivery as per the grant agreements and the current position of the multi-year project, the remaining budget is shown in future years.

Other major projects within the 2022/23 delivery programme are the Ormskirk eastern gateway project, the completion of the Burnley town centre project and development of further schemes to promote safer travel across Lancashire whilst the Covid pandemic is ongoing. The £2.500m agreed contribution from the Transport block to the Lancashire City Deal is also included.

Provision has also been made for £5m increase to the budget for the Heysham M6 Link road to allow for the payment of the remaining land compensation claims and landscaping arrangements following the opening of the road several years ago. These are statutory or planning related payments and cannot be avoided.

**Externally Funded Schemes**

**The externally funded schemes capital programme has a 2022/23 delivery programme of £1.804 and contains 11 projects to be worked on within the financial year.**

The externally funded schemes capital block is funded through contributions from external stakeholders. The S278 scheme covering the improvements to the area around the UCLAN campus is ongoing and is £0.629m of the 2022/23 delivery programme. A further £0.235m is included in the programme for the works on Blackpool Road, Kirkham.

The delivery programme will be increased as further agreements are made with private developers, with ongoing risks to the programme that works need to be completed as specified in the agreements otherwise funding may have to be returned.

**Central Systems and ICT**

**The central systems and ICT capital programme has a 2022/23 delivery programme of £5.187m and contains 2 projects to be worked on within the financial year.**

The largest project within the delivery programme is the project to support the future proofing of the document handling service. £0.145m is included in the delivery programme for this which is predominantly to cover the cost of letter extraction and scanning software.

A provision of £5m additional budget has been made in 2022/23 following the review of the Oracle upgrade programme and related delays that have been identified and reported with roll out anticipated in June / July 2022.

Future years indicative provisions have been increased by £3m to reflect the capital investment that will be required in upgrading systems within the ICT roadmap.

**Adult Social Care**

**The Adult social care capital programme has a 2022/23 delivery programme of £16.000m and contains 1 project to be worked on within the financial year.**

As at January 2022, the disabled facilities grant (DFG) is the only project included on the delivery programme for the Adult social care block. The 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 £16.000m amount included in the delivery programme is an indicative amount until the 2022/23 grant agreement is confirmed.

**Corporate – Property**

**The corporate – property capital programme has a 2022/23 delivery programme of £20.211m and contains approximately 60 known projects to be worked on within the financial year plus 2 new programmes that are required.**

The corporate property programme is a rolling programme of works on the Councils property portfolio. The 2022/23 programme includes £1.145m for projects withing the building condition programme, £1.019m on projects within the works to operational premises programme and £1.363m on projects within the residential redesign programme.

Following surveyor inspections of a fifth of the corporate property portfolio a large number of priority 1 conditions works has been identified, the works to address these has been costed at £35m and a third of this has been provided in this years delivery programme to reflect the amount of work that can be delivered this year.

This is not a sustainable position for the remainder of the corporate property portfolio going forward and a 6 month programme of works to review the corporate property portfolio will be required to reduce the number of assets held. This work should create a series of capital receipts to be used to reduce the borrowing required to maintain the remaining portfolio which receives no grant funding.

A detailed list of projects to be delivered during 2022/23 will be available with the resubmitted delivery programme in May 2022 once the detail of slipped projects is confirmed after year end with delivery priorities agreed for 2022/23.

The project to replace the Bowgreave Rise residential care home providing affordable extra care schemes for older people and supported housing apartments for younger adults with disabilities is also included in the delivery programme with delivery for the project slipping from prior years.

**Economic Development**

**The economic development capital programme has a 2022/23 delivery programme of £42.526m and contains approximately 15 projects to be worked on within the financial year.**

The delivery of the Cuerden strategic site continues in 2022/23 and a £5.000m delivery programme has been set. It is expected that delivery will continue at pace throughout 2022/23, with the full site expected to be completed in 2025/26.

Work on the Samlesbury enterprise zone also continues into 2022/23 with a delivery programme of £23m, A loan to Lancashire County Developments for £7m to allow the investment in a new building is also included in the 2022/23 delivery programme. Annual contributions towards the Lancashire City Deal are also included.

A delivery amount of £1.000m has been included for the Low Carbon projects programme. This is a programme of work designed to properly understand and deliver carbon and cash savings across the buildings, assets and activities of the county council and the wider business community. A further £1.700m for this project has been earmarked for 2023/24 onwards.

The future years impacts of these projects is also included in the provision la programme for 2023/24 onwards

**South Lancaster Growth Catalyst (SLGC)**

**The SLGC capital programme has a 2022/23 delivery programme of £3.258m and contains approximately 3 projects to be worked on within the financial year.**

In October 2021 a collaboration agreement was signed between Lancaster City Council and Lancashire County Council for a long-term collaboration which will develop south Lancaster to stimulate growth in the region. The agreement plans to deliver c10,000 homes and use the developer contributions alongside agreed grant funding from Homes England (HE) to develop new and existing highways infrastructure. The delivery programme amount for 2022/23 covers the preliminary costs for the programme, including land acquisition fees, design fees and planning costs.

**Vehicles**

**The vehicles capital programme has a 2022/23 delivery programme of £4.441m and contains approximately 37 projects to be worked on within the financial year.**

The delivery programme amount of £4.441m is to purchase 112 vehicles, the majority of which are pre-planned for 2022/23 delivery, however some vehicles will be slipped delivery from 2021/22. The 112 planned vehicles include 21 minibuses, 24 vans, 11 general purchase trailers and 9 tippers.

The supply chain issues experienced in the last couple of years have been considered when drawing up the expected delivery for 2022/23.

**Transforming Cities Fund (TCF)**

**The TCF capital programme has a 2022/23 delivery programme of £15.250m and contains 3 projects to be worked on within the financial year.**

The delivery programme for TCF has been set in line with the budget amounts included as part of the grant agreement. Significant spend is expected as the 3 schemes approach critical delivery milestones. The largest scheme in 2022/23, Transforming Ringway, is forecast to spend £10.000m.

Discussions between the council and the Department for Transport (DfT) were held in December 2021 regarding the reprofiling of the budget due to forecasted slippage, the outcome of these discussions are still outstanding and should the budget profile change, this will be reflected in the finalised 2022/23 delivery programme agreed in May 2022.