



**Committee: BUDGET AND PERFORMANCE PANEL**

**Date: TUESDAY, 26 JANUARY 2016**

**Venue: MORECAMBE TOWN HALL**

**Time: 6.00 P.M.**

## **A G E N D A**

**Please note that this meeting will be held in Morecambe Town Hall and will start at 6.00 p.m. All Members of Council and stakeholders have been invited to attend.**

**1. Apologies for Absence**

**2. Minutes**

Minutes of the Meeting held on 15<sup>th</sup> December, 2015 (previously circulated).

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

**4. Declaration of Interests**

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

Members 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 10 and in the interests of clarity and transparency, Members 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, Members 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. Lancashire County Council Consultation on Budget Proposals (Pages 1 - 126)**

Lancashire County Councillor David Borrow will present Lancashire County Council's Budget Proposals.

Documents from the County Councils Cabinet Meeting to be held on 21<sup>st</sup> January 2016 are attached.

6. **Lancashire Police and Crime Commissioner Budget Proposals**

The Police and Crime Commissioner, Mr Grunshaw, will present the Lancashire Police and Crime Commissioner Budget Proposals.

7. **Budget and Policy Framework Proposals 2016 to 20**

Cabinet will present its Budget and Policy Framework Proposals for the period 2016/17 to 2019/20.

More information on Cabinet's specific proposals will only be available following Cabinet on 19<sup>th</sup> January 2016; it will be circulated after then.

8. **Lancashire Combined Fire Authority Budget Proposals** (Pages 127 - 149)

The Panel to consider and comment on the Lancashire Combined Fire Authority Budget Proposals.

**ADMINISTRATIVE ARRANGEMENTS**

**(i) Membership**

Councillors Dave Brookes (Chairman), Phillippa Williamson (Vice-Chairman), Claire Cozler, Andrew Gardiner, Janet Hall, Tim Hamilton-Cox, Colin Hartley, Susan Sykes and Anne Whitehead

**(ii) Substitute Membership**

Councillors Sam Armstrong, Alan Biddulph, Tracy Brown, Nicholas Wilkinson, John Wild and Peter Williamson

**(iii) Queries regarding this Agenda**

Please contact Sarah Moorghen, Democratic Services - telephone 01524 582132 or email [smoorghen@lancaster.gov.uk](mailto:smoorghen@lancaster.gov.uk).

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

Please contact Democratic Support, telephone 582170, or alternatively email [democraticsupport@lancaster.gov.uk](mailto:democraticsupport@lancaster.gov.uk).

MARK CULLINAN,  
CHIEF EXECUTIVE,  
TOWN HALL,  
DALTON SQUARE,  
LANCASTER LA1 1PJ

Published on Thursday, 14<sup>th</sup> January 2016.

**Cabinet**

Meeting to be held on 21 January 2016

**Report of the Interim Director of Financial Resources**

Electoral Divisions affected:

All

**Money Matters – The Financial Strategy for 2016/17 to 2020/21**

(Appendices 'A', 'B', 'C' and 'D' refer)

Contact for further information:

Damon Lawrenson, (01772) 534715, Interim Director of Financial Resources

[damon.lawrenson@lancashire.gov.uk](mailto:damon.lawrenson@lancashire.gov.uk)

**Executive Summary**

This report sets out the impact of the Autumn Statement and the Finance Settlement for 2016/17 that results in a £303.3m reduction in central government support over the period 2016/17 to 2019/20.

This report provides an update of the forecast outturn Financial Position for 2015/16 on revenue and capital, the County Council's updated Medium Term Financial Strategy (MTFS) for the period 2016/17 to 2020/21, reflecting the final settlement for 2016/17, and the position with regard to application of current reserves.

The County Council is facing an unprecedented financial challenge. The Medium Term Financial Strategy reported in November forecast that the council will have a financial shortfall of £262m in 2020/21. This is a combination of reducing resources as a result of the government's extended programme of austerity at the same time as the Council is facing significant increases in both the cost (for example, as a result of inflation and national living wage) and the level of demand for its services. The revised position following the financial settlement for 2016/17 is now for a financial shortfall of £200.5m in 2020/21. This revised gap is after the impact of the settlement, new financial pressures and the £64.8m of savings proposals agreed at Cabinet in November.

Over the five years 2016/17 to 2020/21 the Council is facing the need to make savings of £200.5m on top of those already agreed within previous budget processes.

**Financial Position as at 30<sup>th</sup> November 2015**

An overspend is currently forecast on the revenue budget of £9.591m. This is a significant improvement on the forecast position reported to Cabinet at the end of quarter one, which was an over spend of £33.251m, and the £19.666m forecast overspend reported to Cabinet at the end of quarter two. This improvement reflects positive actions taken to stop all non-essential expenditure, tight management of

vacancies and management actions to control and reduce where possible all other areas of expenditure. In addition it is anticipated that the remaining forecast overspend will significantly reduce further by the end of the financial year following approval of a revised minimum revenue provision (MRP) policy at Full Council in February.

The current forecast overspend is due to a base budget pressure from 2014/15 of £24.838m and additional 2015/16 emerging pressures of £10.928m. These are offset by gains of £26.175m. This position is reflected in the Financial Outlook and Medium Term Financial Strategy.

### The Financial Outlook and Medium Term Financial Strategy

The previous MTFS presented to Cabinet in November estimated a gap of £262m. This report has further revised the assumptions in the MTFS for expenditure in light of the latest information from the financial settlement for 2016/17. The underlying position resulting directly from the settlement is an additional gap of £10.9m over the full period but £30.4m worse in 2016/17 and 2017/18 before an improved position in later years primarily as a result of the Better Care Fund. Through the identification of £64.8m of savings proposals agreed at Cabinet in November, recommending a 3.99% increase in Council Tax and the use of capital receipts under new flexibilities particularly the funding gap for the period up to 2020/21 is now estimated to be £200.5m.

### The County Council's reserves position

The County Council is forecast to have a maximum of £56.613m in reserves remaining at 31 March 2018, primarily within the County Fund, to manage risks after this date. The majority of the £56.613m is contained within the County Fund. This assumes the set-up and application of up to £117.2m of reserves supporting the revenue budget in 2016/17 and 2017/18 which will still leave a residual gap in the revenue budget for 2017/18 of c£28.3m.

### The County Council's Capital Programme for 2016/17 and Beyond

The report proposes a Capital Programme for the period 2016/17 to 2018/19 totalling £229.950m funded from a variety of sources but with a total borrowing requirement of £121.987m, the revenue implications of which have been included within the MTFS.

### **Recommendations**

The Cabinet is asked to:

- (i) Note the current forecast overspend of £9.591m on the revenue budget in 2015/16 and ongoing pressure of £35.766m.
- (ii) Note the revised funding gap of £200.5m covering the period 2016/17 to 2020/21 as set out in the revised financial outlook forecast for the Council.

- (iii) Approve the additional budget adjustments for 2016/17, and following years' increases, included in the revised MTFS following the financial settlement.
- (iv) To recommend to Cabinet to make recommendations to Full Council on 11 February 2016 the Band D Council Tax for 2016/17 reflecting a 3.99% increase including 2% to be used for social care as per the new flexibilities.
- (v) Note the contents of the County Council's Reserves position at 30<sup>th</sup> November 2015.
- (vi) Approve all the proposed changes to the existing use of reserves, linked to creating the Transitional Reserve.
- (vii) In line with the Council's financial strategy agreed at the 26<sup>th</sup> November Cabinet, approve the establishment of the Council's Transitional Reserve (£107.599m or £117.190m should the County Council deliver a balanced revenue position in 2015/16).
- (viii) Note and approve the use of capital allocations within the 2015/16 capital programme for projects which are now complete or considered not needed as part of the 2016/17 programme funding.
- (ix) Approve the specific capital programme as presented within the body of the report.
- (x) Approve the increase in prudential borrowing identified within the Capital Programme report which is required as a result of utilising revenue and other reserves, previously earmarked for supporting the Capital Programme, to assist in the overall reshaping of the County Council.
- (xi) To note and have regard to the advice of the Interim Director of Financial Resources in relation to the robustness of the budget and the adequacy of reserves.

### **Background and Advice**

The detailed reports at Appendices A, B, C & D present the County Council's revenue position as at 31<sup>st</sup> December 2015, reserves position as at 30<sup>th</sup> November 2015, updated financial outlook and Medium Term Financial Strategy for the period 2016/17 to 2020/21, and an update on the Capital Programme.

### **Impact of the Autumn Statement 2015 and the Financial Statement on the County Council's Financial Position**

The Council's MTFS has been forecasting a continuing period of severe austerity and the Autumn Statement and the financial settlement for 2016/16 announced immediately before Christmas has not only confirmed that forecast, but has presented the Council with an even greater reduction in financial resources than previously anticipated.

1) The Rate Support Grant (RSG) and Business Rate Top Up Grant combined is known as the SFA and represents the main funding from central government. The adjusted 2015/16 SFA is £338.466m

This is forecast to reduce from 2015/16 by:

- £46.217m in 2016/17 to £292.294m
- £80.140 m in 2017/18 to £258.326m
- £99.452m in 2018/19 to £239.014m
- £117.719m in 2019/20 to £220.747m

**This represents a total reduction in grant support over the 4 years of £343.5m.**

2) Reductions in Public Health

The grant is forecast to reduce by:

- £1.6m in 2016/17 to £72.0m
- £3.4m in 2017/18 to £70.2m
- £5.2m in 2018/19 to £68.4m
- £7.0m in 2019/20 to £66.6m

**This represents a total reduction in the core Public Health grant support over the 4 years of £17.2m.**

3) Adults Social Care – Impact of the National Living Wage

The introduction of the National Living Wage is forecast to have an increase in the cost of social care by:

- £3.3m in 2016/17
- £11.8m in 2017/18
- £19.8m in 2018/19
- £27.4m in 2019/20

**This represents a total increase in social care costs over the 4 years of £62.5m.**

4) Increased funding for Adults Social Care from the Better Care Fund

- £0.000m in 2016/17
- £3.210m in 2017/18
- £22.656m in 2018/19
- £40.014m in 2019/20

**This would represent a total increase in funding over the 4 years to 2019/20 of £65.9m. Note this would only be sufficient to cover just the estimated increase in costs as a result of the National Living Wage (£62.5m).**

5) Increase in Council Tax by 2% to fund Adults Social Care

The government has provided councils with responsibility for Adults Social Care with the ability to increase its Council Tax by 2% specifically to fund those services. A 2% increase every year for 4 years has the potential to raise:

- £7.8m in 2016/17
- £15.7m in 2017/18
- £23.8m in 2019/20
- £32.1m in 2019/20

**This gives the council the potential to raise a total of £79.6m of additional revenue over 4 years by increasing local taxation. When compared against the reduction in SFA (£343.5m) and other factors within the settlement the resources are lower by £223.7m. Incorporating the Public Health Grant (£17.2m) the net reduction in resources would be £241.0m, even if the council raised council tax every year by 2%.**

**2016/17 – 2020/21 Budget Strategy and Proposals**

As a result the County Council is facing an unprecedented financial challenge. The assumptions made in the MTFs have been reviewed and updated to reflect the latest information available following the financial settlement announced on Thursday 17<sup>th</sup> December 2015.

The revised forecast funding gap, following the settlement, is now estimated to be £280.8m by 2020/21. This gap will be reduced to £200.5m subject to delivery of the additional savings of £64.8m of savings options approved by Cabinet in November and £15.5m of additional revenue as a result of the proposed 3.99% increase in council tax.

**2016/17 and 2017/18 Budget Position**

Specific budget options were presented and agreed by Cabinet on November 26<sup>th</sup>. A number of the proposals will take some lead-in time to deliver and initial estimates of reserve requirements to support the delivery of those savings were identified within the report.

The table below sets out the summary position of budget proposals against the gap identified within the updated MTFs and the overall reserves requirement of £145.5m over the next 2 financial years covering both the revised MTFs funding gap and supporting the savings programme.

	2016/17 £m	2017/18 £m
<b>MTFS Funding Gap</b>	<b>23.3</b>	<b>51.5</b>
<b>Estimated Reserve Requirement</b>	<b>69.7</b>	<b>75.8</b>

The reserves report in Appendix B identifies the total value of existing reserves which could be transferred to a transitional reserve to support the revenue budget as being £107.6m which could increase to £117.2m on the basis that the change in MRP policy is agreed at Full Council in February 2016. This would leave a gap in available reserves against the reserves requirement of £37.9m (£28.3m if the MRP policy is agreed).

The proposed Capital Programme has been based on the agreed principle that prudential borrowing should take place, wherever possible, rather than utilisation of ongoing revenue or reserve funding and therefore support the revenue funding.

### **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 have regard to the advice of the Council's Chief Finance Officer (in the case of the County Council the Interim Director of Financial 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. A number of specific risks remain within the budget as follows:

- **Government Funding**

The Local Government Settlement on 17<sup>th</sup> December included the Government offering any council that wishes it to take up a four year funding settlement to provide greater certainty around financial planning. Whilst a longer-term settlement is welcome, it reflects a significantly worsening position with greater reliance on locally raised funding and still the possibility of further reductions in future years should, for example, new responsibilities be given to councils which are not fully funded. Previous reports to Cabinet have clearly identified an impending scenario whereby the County Council will have insufficient resources to meet statutory responsibilities as they are currently provided. It has been recognised previously that the County Council will need to quickly assess and make fundamental changes to the current business model to deliver further savings given the significant funding gap that remains.

There is no guarantee that the changes to the business model, which will need to be necessarily focused on reducing costs, will be sufficient to deliver balanced budgets over the period of this financial strategy and therefore the County Council will need to continuously lobby Central Government and relevant stakeholders regarding the extreme challenges being faced as a result of the local government finance system.

- **Service Demand**

This is a key risk facing the Council in both preparing future budgets and managing budgets during the year. As reported in the budget monitoring reports presented to



Cabinet over the year, demand for both adult and children's social care services continues to see increases despite the impact of demand management measures.

Over the period 2015/16 to 2020/21 £97.4m has been provided for demand pressures of which c70% relates to adult social care and c14% children's social care. This has been identified based on current and historical trends and population projections where appropriate (particularly linked to the ageing population). While this estimate is based on assumptions that have previously been a reasonable prediction of demand there remain a very significant range of risks that might impact on what actually happens.

These include the developing relationship with the NHS including the impact of the Better Care Fund, the interaction between increasingly tightening health and local authority resources as well as other factors such as whether there is a hard winter. While reasonable steps have been taken to estimate future demand and ongoing work is being undertaken with health colleagues it is still possible that demand will exceed budget, although the Council does have a good record of managing demand pressures in previous years. However the flexibility in other parts of the budget which has assisted with this has been very significantly eroded in recent years following the delivery of the savings contained in the previous and current financial strategy.

The pressure resulting from the increasing numbers and complexity of Learning Disability service users, increased demand for direct payments within physical disability services and increased demand for residential care within Mental Health Services continue to be significant issues. This is potentially exacerbated by the Transforming Care (Winterbourne) agenda should there be significant additional costs of moving anyone who is inappropriately in hospital to community-based support.

- Pay

The MTFs makes provision for pay of a 1% increase each year. Most of the pay bill will continue to be driven by the national pay agreement and this assumption will be kept under ongoing review. The County Council is committed to paying its employees as an accredited member of the Living Wage Foundation who have announced a 5% increase in the Living Wage. The impact of this initial increase and further 5% increases in subsequent years for those staff directly impacted has been factored into the MTFs. This does not address maintaining current differentials in pay grades which will need to be considered in future years.

- Inflation

Actual inflation remains relatively low but analysts are anticipating slight increases over coming years. 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 and the need to absorb additional inflationary costs in year.

A particular issue concerns care markets, primarily residential and homecare, the funding of which is recognised as being a significant issue regionally and nationally. Whilst a significant amount of resource has been included within the MTFs to fund price increases and the estimated impact of the national living wage on care providers, there are significant capacity and sustainability issues within the market which the social care levy will only partly help mitigate given the scale.

### **The Level of Reserves**

The Council holds reserves for a number of reasons:

- To enable the organisation to deal with unexpected events such as flooding or the destruction of a major asset through fire.
- To enable the organisation to manage variations in the demand for services which cause in year budget pressures.
- 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.
- The degree to which funds have already been set aside for specific purposes which will reduce the need for general reserves.

Previous reports to Cabinet have clearly identified that the revenue budget will be heavily supported by the reserves that are currently available to the County Council. The value of the Council's reserves is currently significant but are non-recurrent and bar the County Fund are now fully committed over the next 2 years and will not therefore be available in later years to support managing future year budget pressures.

The level of risk evident within the budget is clearly increasing as set out in the analysis above at a time when it is clear that the revenue budget will have to be supported significantly by reserves. The setting up of a transitional reserve to this end is a recognition of this requirement and the effectiveness of budgetary control is a combination of both systems and processes and the risk environment within which the Council is operating. Budgetary control procedures are strong, however based on the evidence of the current year and given the increased level of financial risk there is a greater risk that the processes in place will not be able to bring down a significant overspend over the course of the following years.

In relation to the Council's general reserve (County Fund Balance), the forecast level at 31 March 2016 is £36m.

In overall terms, the Council has an appropriate level of reserves available to manage the overall financial risk it is facing in 2016/17, but not in 2017/18 and therefore it is critical that the zero based budget work identifies and is able to deliver additional savings over the next two years to those already agreed.

Delivery of previously agreed savings plans which now total c£213m (including the current year) following the detailed budget risk assessment and base budget review are critical to ensure the forecast gap does not increase. There are a significant number of factors, both internal and external, which may impact upon delivery and the impact of these will need to be identified and mitigated.

### **Conclusion**

Following the budget risk assessment undertaken early in the year, ongoing detailed budget monitoring, base budget review work and identification of budget proposals and detailed review of the current reserves commitments, a balanced budget for 2016/17 with the use of £69.7m of reserves can be recommended. However, this is clearly dependent on all budget options agreed at Cabinet in November being delivered fully within the timeframes identified, along with the other savings agreed in previous budget cycles. Should any of these budget options ultimately not be taken forward they will need to be replaced with alternative savings to avoid increasing the size of the gap and there also remains £23.256m of savings that will need to be identified relating to the remaining gap in 2016/17 that will need to be delivered by 2017/18. Clearly the reliance on reserves is significant and continuing into 2017/18 and at this point an insufficient value of reserves has been identified to meet the estimated shortfall at this point.

Whilst the principle has been agreed of reviewing each and every continuing service using a zero based approach, with reference to our benchmark unit costs and moving towards the lowest quartile of the most appropriate comparator group, this will need to make early progress during 2016/17 to meet the 2016/17 and 2017/18 shortfalls and consider whether a sustainable financial position will be achievable over a longer period. There is a strong likelihood that the County Council will during the course of this financial strategy period (in 2017/18 at the earliest) be in the position of being unable to set a budget which will meet the cost of the statutory responsibilities.

### **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 Financial Position**

### **As at 31st Dec 2015**

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# Money Matters – Update on the County Council's Financial Position for 2015/16

## 1. Introduction

This report provides an update for Cabinet on the County Council's 2015/16 revenue financial position.

## 2. Summary of the Financial Position

This report provides a view on the Council's current financial performance and the anticipated position at the year end. The forecast is based on information up to the end of December 2015 and reflects the new organisational structure with detailed budget monitoring being undertaken at Head of Service level (Appendix 1 shows the forecast, budget and the variance between forecast and budget for each Head of Service spending area) and summarised in the main body of the report up to their appropriate management line e.g. the Director for Development and Corporate Services. The rationale resulting in all forecast variances +/- £0.1m are explained within the report along with any mitigating actions being put in place.

The 2014/15 outturn report which was considered by Cabinet on the 9<sup>th</sup> July 2015 contained some significant ongoing financial pressures where base budget provisions were inadequate to meet the cost of service provision.

The key areas of ongoing pressure highlighted were:

- Learning disability services £3.000m
- Physical disability services £2.300m
- Personal social care staffing £2.000m
- Mental health services £2.400m
- Adult social care transport £1.100m
- Children in need, child protection & looked after children £9.600m
- BTLS £6.900m

Since the 2014/15 outturn the nature of these pressures have been reviewed further as part of the budget monitoring process and the current forecast includes the following base budget pressures from 2014/15 totalling £24.838m:

- Learning disability services £5.733m
- Physical Support services £2.550m
- Personal social care staffing £2.069m
- Mental health services £2.175m
- Public & Integrated Transport £0.600m
- Children's services £4.461m
- BTLS £6.500m
- Libraries, Museums, Culture & Registrars £0.750m

There are further additional pressures detailed within the forecast totalling £10.928m. These have reduced by £1.496m from the position reported at the end of quarter 2 and include the following:

- Adults services £6.617m
- Public Health & Wellbeing £4.261m (potential grant reduction)
- Lancashire Pension Fund £0.050m

The above figures reflect improvements in a number of areas detailed later in the report.

Offsetting the forecast pressures are estimated gains of £26.175m which have increased by £8.579m from the position reported at the end of quarter 2 and includes the following;

- Children's Services £1.651m
- Community Services £5.672m
- Commissioning £1.623m
- Development and Corporate services £1.751m
- Public Health & Wellbeing £2.523m
- Chief Executive £12.955m

The above figures reflect improvements in a number of areas detailed later in the report.

This results in a forecast outturn of an overspend of £9.591m in 2015/16 against the budget of £726.675m which will be an in-year call on reserves. This represents a reduction of £10.075m from the forecast overspend position reported to Cabinet in November, which reflected the position at the end of quarter 2. The significant improvement reflects positive actions taken to stop all non-essential expenditure, tight management of vacancies and management actions to control and reduce where possible all other areas of expenditure and results in a reduced impact on reserves.

In addition, the Money Matters report which was agreed at Cabinet in November included a budget saving for 2016/17 onwards relating to Capital Financing Charges. This is to be delivered via a revised Minimum Revenue Provision Policy being agreed at Full Council in February 2016. On the basis of further work undertaken, this could be retrospectively implemented from April 2015 with an estimated impact of a reduced charge to the revenue account of c£10m this year. This would, as the forecast currently stands, result in almost a balanced budgetary position for 2015/16.

The forecast includes the application of earmarked reserves of £17.495m utilised to support base budget pressure which have been built into the Medium Term Financial Strategy (MTFS) going forward from 2016/17. A further £24.758m of reserves has been highlighted throughout the report which support one-off in year project work and invest to save schemes which have a net nil effect to the overall revenue forecast and have not been included in the MTFS.

### **2.1 Recommendations**

Note the current financial revenue forecast as at the end of quarter 3. This is based largely on financial data at the end of November 2015.

### 3. Section A

Key Issues emerging are as follows:

Ref	Service Grouping	Revised Annual Budget	Previous CABINET Forecast Variance	Current CABINET Forecast	Current Period Forecast Variance	Current Period Forecast Variance
			QTR 2	QTR 3	QTR 3	
		£m	£m	£m	£m	%
3.1	ADULTS SERVICES	292.148	19.274	311.292	19.144	7%
3.2	CHILDRENS SERVICES	103.618	5.010	106.428	2.810	3%
3.3	COMMUNITY SERVICES	168.535	-0.753	164.213	-4.322	-3%
3.4	PUBLIC HEALTH & WELLBEING	29.559	2.880	31.297	1.738	6%
3.5	LANCASHIRE PENSION FUND	-1.842	0.029	-1.792	0.050	-3%
3.6	COMMISSIONING	37.700	0.820	36.077	-1.623	-4%
3.7	DEVELOPMENT AND CORPORATE SERVICES	35.393	3.472	40.142	4.749	13%
3.8	CHIEF EXECUTIVE	61.564	-11.066	48.609	-12.955	-21%
	<b>LCC (ALL) NARRATIVE TOTAL</b>	<b>726.675</b>	<b>19.666</b>	<b>736.266</b>	<b>9.591</b>	<b>1%</b>



### 3.1 Operations and Delivery – Adult Services

Ref	Service Grouping	Revised Annual Budget £m	Previous CABINET Forecast Variance QTR2 £m	Current CABINET Forecast QTR3 £m	Current Period Forecast Variance QTR3 £m	Current Period Forecast Variance %
3.1.1	ADULT SERVICES	0.656	-0.014	0.635	-0.021	-3%
3.1.2	DISABILITY (adults)	-4.099	-0.395	-4.674	-0.575	-14%
3.1.3	OLDER PEOPLE	-0.143	-0.084	-0.534	-0.391	-276%
3.1.4	SAFEGUARDING (adults)	27.746	3.176	31.095	3.349	12%
3.1.5	SOCIAL CARE SERVICES (adults)	267.988	16.591	284.770	16.782	6%
	<b>ADULTS SERVICES TOTAL</b>	<b>292.148</b>	<b>19.274</b>	<b>311.292</b>	<b>19.144</b>	<b>7%</b>

The total net Adult Services revised budget in 2015/16 is £292.148m. The service is forecast to overspend by £19.144m which is broadly similar to the position reported at the end of quarter 2. This will largely remain as an ongoing pressure if not addressed. The 2014/15 base budget pressure within this total overspend is £12.527m.

Overspending on commissioned social care services accounts for £16.728m of this total. With a further £0.627m relating to social care assessment, care management and support staff and £3.547m relating to direct payments to service users that allow individuals to arrange their own care. This is marginally offset by underspending of £0.973m on care services delivered in-house and a total underspending of £0.792m across a number of other service areas.

#### 3.1.2 Disability Service

- This service is forecast to underspend by £0.575m, which is an improved position of £0.180m from the position reported at the end of quarter 2.
- Within this total day services are forecast to underspend by £1.018m. This service is currently being reviewed and redesigned and as such the underspend is being held to off-set overspending in other areas as service plans are being developed.
- Domiciliary care services are forecast to overspend by £0.393m due to increased staffing costs.
- There are additional overspends totalling £0.050m which relate to other small variances across the service.

#### 3.1.3 Older People – in-house care services

- Older People Care services are forecast to underspend by a total of £0.391m, which is an improved position of £0.307m from the position reported at the end of quarter 2.

- Included within this total, the core service delivery budget delivering care through the operation of 17 care homes and 14 day centres is forecast to underspend by £0.301m.
- With further underspending of £0.090m through active control of management /support costs.

### **3.1.4 Safeguarding**

- This service is forecast to overspend overall by £3.349m, which is an increase of £0.173m from the position reported at the end of quarter 2. The significant areas of variance are detailed below, in addition there are underspends totalling £0.332m which relate to other smaller variances across the service.

#### **Mental Health - Residential**

- Mental Health residential care is forecast to overspend by £2.423m of which the base budget pressure from 2014/15 is £2.175m.
- The forecast overspend has remained similar to the forecast position reported at the end of quarter 2. The current year's forecast overspend is largely due to the full year effect of the previous year's growth.
- Since April 2014 there has been a 20% increase in the number of service users and a 4% increase in the average weekly cost of care packages over the same time period.
- There are currently 293 clients supported via this service.

#### **Mental Health - Home Care**

- Mental Health Home Care services are forecast to overspend by £1.277m.
- The forecast overspend has remained broadly similar to the position reported at the end of quarter 2.
- In the year to date service user numbers have increased by 24%.
- Average care package costs increased by 14% in 2014/15 and continue to rise with an increase in the year to date of around 7%.

#### **Mental Health - Staff**

- Mental Health Staff operate under a joint arrangement with LCFT carrying out Mental Health social work on behalf of the Council.
- The employee expenditure for this service is jointly funded by LCC, CCGs and LCFT.
- The service is forecast to underspend by £0.683m. This is an improvement of £0.308m from the previously reported position, and is largely due to reduced agency fee rates.

### **3.1.5 Social Care Services (Adults)**

Changes in statutory reporting requirements has meant the previous client groups of 'Older People' and 'Physical Disability' have now been combined to form the new client group 'Physical Support'.

The total budget for this service area is £267.988m and is forecast to overspend by £16.782m, which is an increased overspend of £0.191m from the position reported at the end of quarter 2.

If unaddressed will largely remain as a pressure in 2015/16 onwards, of which the base budget pressure from 14/15 is £10.352m. The significant areas of variance are detailed below. Additionally, there are also a number of other variances amounting to £1.290m in total across other service areas including equipment and adaptations.

### **Social Care – Staff**

- The service is due to overspend by £1.400m largely due to a base budget pressure from 14/15.
- This service area contains the expenditure budget for social work staff delivering assessment and care management services across all client groups excluding Mental Health.
- The service is currently experiencing significant demand pressure in cases which is preventing any reduction in staff numbers to deliver cost savings.

### **Physical Support – Direct Payments**

- Direct payments are a means of providing a payment to a service user to allow them to arrange their own care alternative to the Council commissioning services on their behalf.
- This area of service is forecast to overspend by £3.124m due to pressure from 2014/15 and on-going demand.
- In 2014/15 the number of people receiving a direct payment for this client group increased by 9% and in the year to date service user numbers have already increased by around 21%.
- There are currently 2,058 clients supported via this service.

### **Physical Support – Home Care**

- This service is forecast to overspend by £1.139m largely due to base budget pressure from 2014/15.
- In 2014/15 the number of people receiving home care for this client group increased by 4% and in the year to date service user numbers have increased by around 6%.
- There are currently 6,318 clients supported via this service.

### **Learning Disabilities**

- Learning Disability services include the provision of care services including residential and nursing care, but predominantly supported living and direct payments. Services are commissioned via a pooled fund arrangement with the six Lancashire CCGs. The LCC share of the service is forecast to overspend by £10.602m.
- The forecast overspend contains on-going demand pressure from 2014/15 of £5.733m.
- The budget was increased by a net £7.791m to allow for volume and price increases and other adjustments.

- Increases in service user activity are forecast to increase spending in 2015/16 by £1.052m.
- The budget has been reduced by £13.505m to reflect service offers and other savings agreed as part of the February 2014 budget. £1.897m of these savings are forecast to be achieved.

### **Purchasing General**

- This service is forecast to underspend by £0.773m through controlling costs by reducing non-essential spending.

### **Care Act funding**

The Council was notified that it was to receive specific grant funding and funding via the Better Care Fund for the implementation of the social care reforms that came into force from April 2015 and the preparation necessary for the funding reforms to be implemented in future years resulting from the Care Act. Of the £10.500m due to be received, the current forecast for Adult Services includes the application of £8.504m. The remaining £1.996m is planned to be used to support the reduction in waiting times for assessment.

### 3.2 Operations and Delivery – Children's Services

Ref	Service Grouping	Revised Annual Budget £m	Previous CABINET Forecast Variance QTR 2 £m	Current CABINET Forecast QTR 3 £m	Current Period Forecast Variance £m	Current Period Forecast Variance %
3.2.1	CHILDREN'S SERVICES	-0.285	-0.459	-0.747	-0.462	162%
3.2.2	ADOPTION & FOSTERING, RESIDENTIAL AND YOT	24.306	0.718	24.395	0.089	0%
3.2.3	SAFEGUARDING, INSPEC. & AUDIT	5.383	0.182	5.578	0.195	4%
3.2.4	CHILDREN SOCIAL CARE	54.198	5.208	60.109	5.911	11%
3.2.5	SCHOOL IMPROVEMENT	7.250	0.000	6.944	-0.306	-4%
3.2.6	SEN & DISABILITY	15.946	-0.504	14.443	-1.503	-9%
3.2.7	TRADED SERVICES (START WELL)	-3.180	-0.135	-4.294	-1.114	35%
	<b>CHILDRENS SERVICES TOTAL</b>	<b>103.618</b>	<b>5.010</b>	<b>106.428</b>	<b>2.810</b>	<b>3%</b>

The total net revised budget for Children's Services in 2015/16 is £103.618m. As at the end of quarter 3, the service is forecast to overspend by £2.810m which is a decrease of £2.200m in the forecast overspend reported to Cabinet at the end of quarter 2.

#### 3.2.1 Children's Services

- Underspends of £0.462m are forecast on central Children's Services budgets in 2015/16 which is an improvement of £0.003m from the forecast position reported to Cabinet at the end of quarter 2.
- Forecast underspends of £0.322m relate to agreed savings that have been delivered earlier than planned in 2015/16 rather than 2016/17.
- Forecast underspends of £0.080m relate to reduced management costs.
- Forecast underspends of £0.060m relate to various other items of expenditure including reduced cost of CRB checks.

#### 3.2.2 Adoption, Fostering, Residential and YOT

- Adoption, Fostering, Residential and YOT are forecast to overspend by £0.089m in 2015/16, which is an improvement of £0.629m from the forecast position reported to Cabinet at the end of quarter 2.
- Overnight Short Breaks (ONSB) Service is forecast to overspend by £0.586m in 2015/16, which represents a delay in the achievement of service offers savings relating to the timing of the merger and closure of a number of units. The forecast remains unchanged from the forecast position reported to Cabinet at the end of quarter 2.
- In-house fostering allowances are forecast to underspend by £0.238m in 2015/16 which is an improvement of £0.318m from the forecast position

reported to Cabinet at the end of quarter 2. The decrease in forecast follows a detailed review of in-house fostering allowance payments in 2015/16.

- Adoption Allowances are forecast to underspend by £0.157m in 2015/16 which is an improvement of £0.167m from the forecast position reported to Cabinet at the end of quarter 2 and is the result of a more rigorous enforcement of the County Councils approval process and qualification criteria.
- Further underspends of £0.102m are forecast across a number of staffing and other budgets, which is an improvement of £0.144m from the position reported to Cabinet at the end of quarter 2.

This forecast includes the application of £1.036m from reserves of which £0.976m will be met from Adoption Reform Grant carried forward held on the Former CYP Directorate Grant Funded Reserve and £0.060m will be met from the YOT – General Youth Offending Reserve to fund specific projects agreed by the Youth Justice Management Board and the impact of in year cuts to the Youth Justice Board Grant of £0.158m.

### **3.2.3 Safeguarding, Inspection and Audit**

- Safeguarding, Inspection and Audit is forecast to overspend by £0.195m which is an increase of £0.013m from the forecast position reported to Cabinet at the end of quarter 2.
- Overspends of £0.105m relate to additional staff costs predominantly within the Minute Taking Service.
- Overspends of £0.090m relate to the MASH/CART/EDT Service, in particular the Emergency Duty Team.

This forecast includes the planned application of non-recurrent reserve funding of £0.082m from the Strategic Investment Reserve in 2015/16 to support the Early Response Service and £0.090m from the Adoption Reform Grant carried forward and held on the Former CYP DFM General Reserve. It also includes the planned application of non-recurrent reserve funding of £0.056m from the Former CYP DFM General Reserve to cover the cost of additional staff following the merger of Lancashire Safeguarding Children's Board (LSCB) and Lancashire Safeguarding Adults Board (LSAB). Further contributions are to be sought from partners to balance the LSCB/LSAB budget from 2016-17.

### **3.2.4 Children's Social Care**

- Children's Social Care is expected to overspend by £5.911m, which is an increase of £0.703m from the forecast position reported to Cabinet at the end of quarter 2.
- A forecast overspend of £4.469m relates to agency placements which includes fostering and residential placements with external providers. The forecast reflects historical demand pressures and previous overspends. However, the forecast for agency foster care placements does take account of a fall in numbers of children placed. The forecast has increased by £0.250m from the position reported to Cabinet at the end of quarter 2. This increase relates to an increase in backlog payments. However, there is also a potential risk that increased numbers of high cost agency residential placements will lead to an increase in spend. The capacity of a number of in-house residential units is limited due to the placement of young people with increasingly complex needs that require high staff to child ratios to support, and as at the end of November



there were 10 vacancies within in-house residential units. Consequently young people who would otherwise have been placed in these units have been placed with external providers at an average weekly cost of approx. £2,560. It is difficult to estimate the financial impact of backlogs and increased numbers of high cost residential placements with the information available, however, this could be in the region of £0.500m over and above overspends reported to date. Both placements costs and activity data will be kept under review to determine the financial impact of any future changes and resulting trends. Demand may be further affected by the work being undertaken following the Ofsted Review, although the pathway diagnostic work, that is currently underway, has already identified some potential for efficiencies which could reduce costs without affecting the level of service delivery.

- An overspend of £1.459m is forecast on family support which covers assistance to families, residence orders, special guardianship orders and other payments. This is an improvement of £0.071m from the forecast position reported to Cabinet at the end of quarter 2.
- An overspend of £0.219m is forecast across a number of staffing teams. This is an increase in forecast of £0.665m from the forecast position reported to Cabinet at the end of quarter 2 and predominantly relates to the recruitment of agency staff following the Ofsted inspection. The forecast is likely to change over the coming months following the recruitment of additional experienced social, however, at this stage it is difficult to accurately reflect the financial impact of this in 2015/16. Budget provision of £5m has been made in 2016/17 via the MTFS report which went to Cabinet in November.
- A forecast underspend of £0.122m relates to Leaving Care Allowances and reflects a fall in the payments made in 2015/16.
- An underspend of £0.114m on other expenditure relates predominantly to the cost of CRB checks which is an improvement of £0.019m from the forecast position reported to Cabinet at the end of quarter 2.

This forecast includes the planned application of non-recurrent reserve funding of £0.657m, of which £0.460m will be met from Working Together with Families Grant carried forward and held on the Former CYP Directorate Grant Reserve and £0.197m from Adoption Reform Grant carried forward and held on the Former CYP DFM General Reserve, both of which will fund staff costs.

### **3.2.5 School Improvement**

School Improvement is forecast to underspend by £0.306m in 2015/16 which is an improvement of £0.306m from the forecast position reported to Cabinet at the end of quarter 2.

- Forecast underspends of £0.381m relate to staff costs and vacancies across a number of teams although this is offset by the anticipated receipt of £0.075m less income than budgeted.

This forecast includes the planned application of non-recurrent reserve funding of £0.032m from the Former CYP DFM General Reserve for ongoing projects.

### 3.2.6 Special Education Needs and Disability (SEND)

Following discussions with Directors and Heads of Service there has been some realignment of budgets since quarter 2 to ensure that service and financial responsibility is correctly aligned. These changes include the transfer of £0.177m of budget to Traded Services. SEND is forecast to underspend by £1.503m in 2015/16 which is an improvement of £0.822m from the forecast position reported to Cabinet at the end of quarter 2.

- Underspends of £0.621m are forecast on SEND agency placements which includes family support and residential and foster care placements with external providers and remains unchanged from the forecast position reported to Cabinet at the end of quarter 2.
- Non-recurrent underspends of £0.312m relate to staff costs and vacancies which is an improvement of £0.252m from the forecast position reported to Cabinet at the end of quarter 2.
- Underspends of £0.280m relate to in-house fostering payments and forecast expenditure is in line with the outturn in 2014/15.
- Underspends of £0.290m predominantly relate to anticipated increases in charges for SLA's with Health for Occupational Therapy and Speech and Language Services which have not materialised in 2015/16.

This forecast includes the planned application of non-recurrent reserves funding of £0.595m, of which £0.553m from the Former CYP Directorate Grant Funded Reserve will be used to fund the cost of implementing SEND reforms. A further £0.042m from the Former CYP DFM Reserve will be used fund work around Joint Loan Stores in respect of Children with Disabilities.

### 3.2.7 Traded Services (Start Well)

Following discussions with Directors and Heads of Service there has been some realignment of budgets since quarter 2 to ensure that service and financial responsibility is correctly aligned. These changes include the transfer of £0.177m of budget from SEND and the realignment of budgets within Traded Services. A full review of Traded Services has been undertaken to assess the financial position and delivery of service offer savings following the commencement of the 2015/16 academic year. Traded Services Start Well is forecast to underspend by £1.114m in 2015/16 which is an improvement of £1.156m from the forecast position reported to Cabinet at the end of quarter 2. The forecast position represents a forecast surplus before corporate overheads of £4.294m in 2015/16.

- Schools Catering and Residential Service is forecast to underspend by £1.289m in 2015/16 of which £0.900m is non-recurring.
- Governor Services is forecast to underspend by £0.102m which relates to staff costs and vacancies.
- Outdoor Education Service is forecast to overspend by £0.218m in 2015/16 as a result of fewer bookings than anticipated.
- Overspends of £0.059m are forecast across a number of other service areas.

This forecast includes the planned application of non-recurrent reserve funding of £0.020m from the Former CYP DFM General Reserve to cover the cost of ICT system developments.



### 3.3 Operations and Delivery – Community Services

Ref	Service Grouping	Revised annual budget £m	Previous CABINET Variance - QTR 2 £m	Current CABINET Forecast - QTR 3 £m	Current Period Forecast Variance £m	Current Period Forecast Variance %
3.3.1	COMMUNITY SERVICES	0.272	0.000	0.272	0.000	0%
3.3.2	CUSTOMER ACCESS	3.726	-0.580	2.996	-0.730	-20%
3.3.3	PUBLIC & INTEGRATED TRANSPORT	55.256	-0.611	52.309	-2.947	-5%
3.3.4	LIBRARIES, MUSEUMS, CULTURE & REGISTRARS	15.053	-0.025	14.899	-0.154	-1%
3.3.5	HIGHWAYS	23.378	-0.400	21.696	-1.682	-7%
3.3.6	WASTE MGT	70.221	0.863	71.412	1.191	2%
3.3.7	NON SERVICE ISSUES CORPORATE BUDGETS	0.629	0.000	0.629	0.000	0%
	<b>COMMUNITY SERVICES TOTAL</b>	<b>168.535</b>	<b>-0.753</b>	<b>164.213</b>	<b>-4.322</b>	<b>-3%</b>

The total net revised budget for Community Services in 2015/16 is £168.535m. As at the end of quarter 3, the service is forecast to underspend by £4.322m which is an improvement of £3.569m from the forecast position reported to Cabinet at the end of quarter 2.

#### 3.3.2 Customer Access

- Customer Access is forecast to underspend by £0.730m, which is an improvement of £0.150m from the forecast position reported to Cabinet at the end of quarter 2. The forecast underspend relates to staff costs, vacancies and maternity leave and other costs. A number of vacancies are in the process of being recruited to and this has been reflected in the forecast. However, delays in filling vacancies and any further vacancies which arise may result in further underspends during the remainder of the year.

#### 3.3.3 Public & Integrated Transport

- Public & Integrated Transport is forecast to underspend by £2.947m which is an improvement of £2.336m from the forecast position reported to Cabinet at the end of quarter 2.
- Public Bus is forecasting to underspend by £0.561m as a result of a combination of fuel cost reductions and additional income received.
- Community transport is showing a predicted underspend of £0.636m. This is mainly due to the £0.500m investment agreed as part of the 2014/15 budget to further fund such schemes which to date has no firm plans to be spent. The remaining £0.136m saving is due to lower vehicle running costs.

- Concessionary Travel underspends of £1.014m have been identified following a detailed review which has highlighted a fall in overall passenger numbers of 6% since 2014/15 in the year to date.
- Preston Bus Station is reporting an underspend of £0.090m due to reduced running costs (electricity, water and gas).
- Additional staffing underspends of £0.646m have been highlighted since the June forecast, £0.511m of which relates to Local Sustainable Transport Fund grant funding being received.

The current forecast includes a contribution to reserves for the replacement of NoWcards due every 5 years (2017) of £0.020m as well as a non-recurrent contribution from reserves of £0.024m in relation to the CIVINET network.

### **3.3.4 Libraries, Museums, Culture & Registrars**

- The service are forecasting an underspend of £0.154m, this is an improvement of £0.129m from the forecast position reported to Cabinet at the end of quarter 2.
- Reductions have been made in Libraries, Museums and Cultural services running costs, project spend and staffing levels giving a revised forecast base budget pressure from 14/15 of £0.204m.
- The registration service has reduced their running costs and is attracting new business income resulting in a forecast underspend of £0.358m, which is likely to reoccur in future years.

The forecast includes £0.510m planned application of non-recurrent reserve funding which is mainly investment in additional book stock.

### **3.3.5 Highways**

- The service forecast an underspend of £1.682m which is an increase of £1.282m from the forecast position reported to Cabinet at the end of quarter 2.
- An underspend of £1.148m is forecast resulting from an over-recovery on plant and transport due to improved utilisation rates and labour productivity and increased Capital activity, as well as a reduction on the highway management costs such as depot running costs.
- Highway defects forecast an underspend of £0.428m due to improved work practices and reduced demand through Capital investment.
- The newly introduced highways permit scheme is forecast to generate higher revenues than initially expected in the proposal resulting in additional income of £0.439m.
- Additional overspends have been indemnified across the service amounting to £0.333m, these include under recovery of roundabout sponsorship income.

The current forecast includes £0.429m planned application of non-recurrent reserve funding to fund equipment renewals £0.154m, proposed investment in traffic management schemes utilising previous parking income surpluses £0.012m, investment in public realm activities supported by roundabout sponsorship surplus income £0.028m and the application of member priority contingencies monies £0.235m for schemes approved in 2013/14 which are now being carried out.

### 3.3.6 Waste Management

The service are forecasting an overspend of £1.191m, which is an increase of £0.328m from the position reported to Cabinet at the end of quarter 2.

Waste had previously highlighted the following risks totalling £10.490m in terms of revenue costs in 2015/16, these risks have slightly reduced this month to £10.190m due to improvements in the recyclate market:

- The cost of disposing of excess green waste, previously picked up by GRLOL (Global Renewables Lancashire Operations Limited) directly, which has increased by £0.650m.
- Recyclate income which has dropped considerably against the level originally budgeted resulting in an overspend of £2.300m. However alternative markets are being investigated and there is potential for this position to improve over the year.
- Increased insurance costs of £1.800m have materialised in year. However investment in a fire prevention system is underway which should ultimately reduce these costs in future years.
- The withdrawal of the PFI Grant has resulted in a pressure of £5.990m. Within the 2015/16 forecast position the earmarked reserve has been applied to manage this pressure and going forward this has been built into the revised MTFS.

Steps have been taken where possible to reduce this burden which include

- GRLOL being tasked with reducing their operating costs, this is currently estimated at £0.600m however plans may result in further savings.
- The decision to mothball part of the waste treatment plant has been taken which will save the Authority a predicted £0.500m in year and this could potentially increase.
- Cost reductions have been seen in the Household Waste Recycling Centres with an additional £0.500m saving forecasted for the year relating to the agreed reduction in opening hours, weekend and bank holiday resulting in reduced overtime payments along with income now being received from the change in policy to charge individuals for inert waste. This is an improvement of £0.2m since last quarter.
- The costs of landfill have also reduced by £1.000m due to improved diversion rates and cheaper options for offtakes. This is £0.5m less than quarter 2 because of increased prices of diverted material in the quarter.
- Transport costs have also reduced by £0.3m due to the cost of transport for diverted waste being borne by those customers. This is an improvement of £0.2m on last quarter.
- Lifecycle savings of £0.200m relating to 14/15 which have been confirmed as part of GRLOL final accounts sign off and £0.200m saving after re-profiling the lifecycle programme.
- There are additional underspends totalling £0.280m which relate to other small variances across the service, including reductions in staff costs, clinical waste, odour measurements and waste minimisation projects.

## 3.4 Operations and Delivery – Public Health and Wellbeing Services

Ref	Service Grouping	Revised Annual Budget	Previous Cabinet Forecast Variance QTR 2	Current CABINET Forecast QTR 3	Current Period Forecast Variance	Current Period Forecast Variance
		£m	£m	£m	£m	%
3.4.1	DEPUTY DIR PUBLIC HEALTH & CONSULTANTS TOTAL	0.508	0.000	0.532	0.024	5%
3.4.2	PUBLIC HEALTH & WELLBEING TOTAL	-68.718	4.301	-64.439	4.279	-6%
3.4.3	EMERGENCY PLANNING & RESILIENCE TOTAL	1.267	-0.258	0.948	-0.319	-25%
3.4.4	HEALTH EQUITY, WELFARE & PARTNERSHIPS TOTAL	5.709	-0.111	5.109	-0.600	-11%
3.4.5	PATIENT SAFETY & QUALITY IMPROVEMENT TOTAL	3.537	-0.761	2.797	-0.740	-21%
3.4.6	TRADING STANDARDS & SCIENTIFIC SERVICES TOTAL	3.174	0.126	3.265	0.091	3%
3.4.7	WELLBEING, PREVENTION & EARLY HELP TOTAL	84.082	-0.417	83.085	-0.997	-1%
	<b>PUBLIC HEALTH &amp; WELLBEING TOTAL</b>	<b>29.559</b>	<b>2.880</b>	<b>31.297</b>	<b>1.738</b>	<b>6%</b>

The total net revised budget for Public Health & Wellbeing Services in 2015/16 is £29.559m. As at the end of quarter 3, the service is forecast to overspend by £1.738m which is a decrease of £1.142m from the forecast position reported to Cabinet at the end of quarter 2.

### 3.4.1 Public Health & Wellbeing

- The Public Health Grant budget of £68.718m (including the part year funding for 0-5 years PH contracts) has now been transferred under this heading. An overspend has been highlighted of £4.279m in the main this is due to the confirmed loss of grant amounting to £4.261m. As yet reserves have not been applied to contain this risk in year and the ongoing loss of grant has been addressed in 2016/17 via the MTFS.

### 3.4.3 Emergency Planning & Resilience

- The service are forecasting an underspend of £0.319m, which is an improvement of £0.061m from the forecast position reported to Cabinet at the end of quarter 2.
- This relates to forecast underspends of £0.240m resulting from efficiencies within the service and additional income with an additional £0.079m underspend relating to staffing vacancies.

### 3.4.4 Health Equity, Welfare & Partnerships

- Underspend of £0.600m, which is an increased saving of £0.489m from the forecast position reported to Cabinet at the end of quarter 2.
- Road Safety staffing spend is under budget by £0.160m and third party spend by £0.090m.
- School Crossing Patrol expenditure is under budget by £0.100m mainly in relation to employee costs. However going forward there are a number of new school crossing patrols being established, which will increase spend over the remainder of the financial year.
- Third party spend in relation to Children's Trust Partnerships provides a saving of an additional £0.080m.
- Across the remainder of the service, additional underspends of £0.170m have been identified this quarter in relation to employee costs.

The cost of commissioning domestic abuse services is currently funded by contributions from a range of agencies. A revenue funding gap of £0.553m is currently anticipated, which is proposed to be covered via the Domestic Abuse reserve. Management is currently working with partners to develop a sustainable solution to the commissioning of these services going forward. Reserves are time limited and cannot support the service at its current levels in 2016/17.

### 3.4.5 Patient Safety & Quality Improvement

- This service is forecast to underspend by £0.740m, which is a reduction of £0.021m from the forecast position reported to Cabinet at the end of quarter 2. This underspend is due to vacant posts within the current staffing structure and controlling costs by reducing non-essential spending.

This includes the planned application of non-recurrent Health Services reserve funding of £0.222m in relation to the Steady On falls prevention strategy.

### **3.4.6 Trading Standards & Scientific Services**

- Safer trader staffing is forecasting to overspend by £0.091m, which is a reduction of £0.035m from the forecast position reported to Cabinet at the end of quarter 2.

This includes the planned application of non-recurrent reserve funding of £0.066m, £0.106m from the improved partnership reserve for one-off project spend, working with communities to address tobacco and alcohol issues offset by a net contribution to the equipment renewals reserve of £0.040m.

### **3.4.7 Wellbeing, Prevention & Early Help**

- The service are forecasting an underspend of £0.997m, which is an improvement of £0.580m from the forecast position reported to Cabinet at the end of quarter 2.
- Additional reductions in contract spend of £0.381m represents continued efforts to reduce spend wherever possible.
- Savings have now also been identified under Children Centres amounting to £0.616m following the directive to hold back on filling vacancies and cut non-essential spending.

It should be noted that from the 1<sup>st</sup> October 2015 responsibility for the 0-5 years Health visitors Public Health contracts transferred to LCC from NHSE. The Public Health grant increased in line with this fully committed additional spend of £9.054m.

£1.372m has been planned application of non-recurrent reserve funding within the forecast as one off spend, covering small approved project and grant spend £0.242m as well as affordable warmth grants to districts £0.400m, STEADY on falls prevention £0.320m and early support £0.410m



## 3.5 Within the Lancashire Pension Fund

Ref	Service Grouping	Revised Annual Budget £m	Previous CABINET Forecast Variance QTR 2 £m	Current CABINET Forecast QTR 3 £m	Current Period Forecast Variance £m	Current Period Forecast Variance %
3.5.1	LANCASHIRE PENSION FUND	-0.028	0.000	-0.028	0.000	0%
3.5.2	CHIEF INVESTMENT OFFICER	-0.046	0.000	-0.046	0.000	0%
3.5.3	DEPUTY CHIEF INVESTMENT OFFICER	-0.033	0.000	-0.033	0.000	0%
3.5.4	INVESTMENT PORTFOLIO MANAGER	-0.092	0.000	-0.092	0.000	0%
3.5.5	YOUR PENSION SERVICE	-1.588	0.029	-1.538	0.050	3%
3.5.6	POLICY & COMPLIANCE	-0.055	0.000	-0.055	0.000	0%
	<b>LANCASHIRE PENSION FUND TOTAL</b>	<b>-1.842</b>	<b>0.029</b>	<b>-1.792</b>	<b>0.050</b>	<b>3%</b>

The forecast for Your Pension Service includes the use of £0.089m from the Downsizing Reserve to meet costs arising from the anticipated increase in demand for VR estimates and payments as a result of the County Council's Transformation Programme.

## 3.6 Within the Commissioning Services

Ref	Service Grouping	Revised Annual Budget	Previous CABINET Variance QTR 2	Current CABINET Forecast QTR 3	Current Period Forecast Variance	Current Period Forecast Variance
		£m	£m	£m	£m	%
3.6.1	COMMISSIONING	0.166	-0.007	0.159	-0.007	-4%
3.6.2	CORPORATE COMMISSIONING	0.137	0.000	0.137	0.000	0%
3.6.3	ASSET MGT	10.143	-0.855	7.936	-2.207	-22%
3.6.4	PROCUREMENT	1.856	0.030	2.097	0.241	13%
3.6.5	AREA PUBLIC SERVICE INTEGRATION	0.529	0.026	0.529	0.000	0%
3.6.6	POLICY, INFO. & COMMISSION START WELL	0.545	0.113	0.580	0.035	6%
3.6.7	POLICY, INFO. & COMMISSION LIVE WELL	0.852	-0.027	0.852	0.000	0%
3.6.8	POLICY, INFO. & COMMISSION AGE WELL	0.659	-0.003	0.455	-0.204	-31%
3.6.9	BUSINESS INTELLIGENCE	1.022	0.186	1.379	0.357	35%
3.6.10	GOVERNANCE, FINANCE & PUBLIC SERVICES	0.140	0.000	0.140	0.000	0%
3.6.11	FINANCIAL RESOURCES	0.101	0.000	0.101	0.000	0%
3.6.12	OFFICE OF THE POLICE AND CRIME COMMISSIONER TRES	-0.016	0.000	-0.016	0.000	0%
3.6.13	FINANCIAL MGT (OPERATIONAL)	2.237	-0.260	1.756	-0.481	-22%
3.6.14	FINANCIAL MGT (DEVELOPMENT AND SCHOOLS)	0.346	-0.169	0.237	-0.109	-32%
3.6.15	CORPORATE FINANCE	0.824	-0.271	0.714	-0.110	-13%
3.6.16	EXCHEQUER SERVICES	4.168	0.100	3.668	-0.500	-12%
3.6.17	LEGAL, DEMOCRATIC & GOVERNANCE	0.101	0.000	0.101	0.000	0%
3.6.18	LEGAL AND DEMOCRATIC SERVICES	13.194	1.958	14.555	1.361	10%
3.6.19	INTERNAL AUDIT	0.697	0.000	0.697	0.000	0%
	<b>COMMISSIONING TOTAL</b>	<b>37.700</b>	<b>0.820</b>	<b>36.077</b>	<b>-1.624</b>	<b>-4%</b>



The total net revised budget for Commissioning Services in 2015/16 is £37.700m. As at the end of quarter 3, the service is forecast to underspend by £1.624m which is an improved position of £2.444m from the forecast position reported to Cabinet at the end of quarter 2.

### **3.6.3 Asset Management**

- Asset Management is forecast to underspend by £2.207m in 2015/16 which is an improvement of £1.352m from the forecast position reported to Cabinet at the end of quarter 2.
- The forecast underspend relates to street lighting energy costs. Following a review of bills received from EDF late in 2014/15 it has become apparent that EDF overcharged the Authority in 2014/15 by £0.746m and therefore the service will show a one-off reduced spend in 2015/16 as a result of overcharges being refunded. In addition to this the street lighting budget is now showing a further underspend due to a 7% reduction from 2014/15 on energy consumption of £0.449m and an 11% reduction from 2014/15 on the cost of energy of £0.807m. The additional underspend is based on price increases originally built into the MTFs for 2015/16 which have not materialised totalling £0.205m and which have been revised in the MTFs going forward.

The forecast includes planned application of non-recurrent reserve funding of £0.109 from the energy survey work reserve to cover the costs of meeting statutory requirement to Display Energy Certificates and Advisory Reports required by the government in all buildings accessed by Public and a net contribution to the CYP PFI reserves of £0.840m.

### **3.6.4 Procurement**

- Procurement is forecast to overspend by £0.241m in 2015/16, which is an increase in forecast of £0.211m from the forecast position reported to Cabinet at the end of quarter 2. The forecast overspend relates predominantly to the non-receipt of budgeted income.

### **3.6.6 Policy, Information and Commissioning Start Well**

- Policy, Information and Commissioning Start Well is forecasting to overspend by £0.035m in 2015/16, which is a decrease of £0.078m from the forecast position reported to Cabinet at the end of quarter 2. The forecast overspend relates to reducing staff costs.

### **3.6.8 Policy, Information and Commissioning Age Well**

- Policy, Information and Commissioning Age Well is forecast to underspend by £0.204m in 2015/16, which is an improvement of £0.201m from the position reported to Cabinet at the end of quarter 2. The forecast underspend relates to staff costs and vacancies and the forecast position has been revised following a detailed review of staff budgets and costs with the Head of Service for Policy, Information and Commissioning Age Well.

### **3.6.9 Business Intelligence**

- Business Intelligence is forecasting to overspend by £0.357m in 2015/16, which is an increase of £0.171m from the forecast position reported to Cabinet at the end of quarter 2. The forecast overspend relates to staff costs and has been revised following a detailed review of staff budgets and costs with the Head of Service for Business Intelligence.

### **3.6.11 Financial Resources**

The forecast includes use of non-recurrent reserve funding reserves of £0.070m from the downsizing reserve to fund the additional in year costs of the Interim Director of Financial Resources

### **3.6.13 Financial Management (Operational)**

- An underspend of £0.481m is forecast in 2015/16 which is an improvement of £0.221m from the forecast position reported to Cabinet at the end of quarter 2. The forecast underspend relates to staff costs and vacancies.

### **3.6.14 Financial Management (Development and Schools)**

- An underspend of £0.109m is forecast in 2015/16 which is an increase of £0.060m in the forecast position reported to Cabinet at the end of quarter 2. The forecast underspend relates to staff costs and vacancies, whilst the change in the forecast position is a result of a decision not to draw down £0.060m from reserves to fund ICT developments as previously reported given the forecast underspend position.

### **3.6.15 Corporate Finance**

- An underspend of £0.110m is forecast in 2015/16 which is an increase of £0.161m from the forecast position reported to Cabinet at the end of quarter 2. The forecast underspend relates to staff costs and vacancies. The change in the forecast position relates to staff vacancies and a decision not to draw down £0.275m from reserves to fund ICT developments as previously reported given the forecast underspend position.

### **3.6.16 Exchequer Services**

- An underspend of £0.500m is forecast in 2015/16 which is an improvement of £0.600m from the forecast position reported to Cabinet at the end of quarter 2. The forecast underspend relates to staff costs and vacancies and lower than budgeted demand for Care and Urgent Needs Support. The change in the forecast position relates to the lower than budgeted demand for Care and Urgent Needs Support and a decision not to draw down £0.060m from reserves to fund ICT developments as previously reported given the forecast underspend position.

### 3.6.17 Legal and Democratic Services

- Legal and Democratic Services is forecast to overspend by £1.361m in 2015/16, which is an improvement of £0.597m from the forecast position reported to Cabinet at the end of quarter 2.
- Coroners Service is forecast to overspend by £0.385m on staff costs, various fees for services provided (toxicology, pathology, mortuary fees, etc.) and SLA's with other Local Authorities, as a result of continuing demand led pressures, which is an decrease in overspend of £0.046m from the forecast position reported to Cabinet at the end of quarter 2. The change in forecast follows the renegotiation of SLA's with Blackpool Borough Council.
- £1.124m relates to overspends on staff, agency costs and legal fees within Legal Services resulting from increases in numbers of child protection cases. This is a decrease in overspend of £0.463m from the forecast position reported to Cabinet at the end of quarter 2 and relates predominantly to staff vacancies and maternity leave.
- Further underspends of £0.146m across a number of service areas relate to staff vacancies, expenditure for official visitors and member related expenditure, which is an improvement of £0.087m from the forecast position reported to Cabinet at the end of quarter 2.

The forecast also contains a planned contribution to the County Council Elections reserve of £0.400m.

## 3.7 Within the Development and Corporate Services

Ref	Service Grouping	Revised Annual Budget £m	Previous CABINET Variance QTR 2 £m	Current CABINET Forecast QTR 3 £m	Current Period Forecast Variance £m	Current Period Forecast Variance %
3.7.1	BUSINESS GROWTH	0.081	0.000	0.079	-0.002	-2%
3.7.2	CORE BUSINESS SYSTEMS/TRANSFORMATION	14.350	1.167	16.708	2.358	16%
3.7.3	CORPORATE SERVICES	0.099	0.000	0.099	0.000	0%
3.7.4	DESIGN and CONSTRUCTION	3.154	0.015	4.544	1.390	44%
3.7.5	DEVELOPMENT AND CORPORATE SERVICES	0.172	0.000	0.172	0.000	0%
3.7.6	ECONOMIC DEVELOPMENT	1.317	0.000	1.317	0.000	0%
3.7.7	ESTATES	1.787	0.000	1.046	-0.741	-41%
3.7.8	FACILITIES MGT	4.726	1.432	5.645	0.919	17%
3.7.9	HEALTH & CARE SYSTEMS DEVELOPMENT	0.730	0.000	0.781	0.051	7%
3.7.10	HUMAN RESOURCES	1.175	-0.187	0.980	-0.195	-17%
3.7.11	LEP COORDINATION	0.081	-0.035	0.046	-0.035	-43%
3.7.12	LANCASHIRE ADULT LEARNING	-2.485	1.927	0.078	2.563	103%
3.7.13	PLANNING AND ENVIRONMENT	2.684	0.063	2.684	0.000	0%
3.7.14	PROGRAMME OFFICE	2.586	-0.631	2.075	-0.511	-20%
3.7.15	PROGRAMMES & PROJECT MGT	0.117	0.000	0.117	0.000	0%
3.7.16	SKILLS, LEARNING AND DEVELOPMENT	4.738	-0.279	3.693	-1.045	-22%
3.7.17	STRATEGIC ECONOMIC DEVELOPMENT	0.081	0.000	0.078	-0.003	-4%
		<b>35.393</b>	<b>3.472</b>	<b>40.142</b>	<b>4.749</b>	<b>13%</b>

The total net revised budget for Development and Corporate Services in 2015/16 is £35.393m. As at the end of quarter 3, the service is forecast to overspend by £4.749m which is an improved position of £1.277m from the forecast position reported to Cabinet at the end of quarter 2.

### 3.7.2 Core Business Systems/Transformation

- Core Business Systems and Transformation Service is forecast to overspend by £2.358m in 2015/16, which is an increase of £1.191m from the position reported to Cabinet at the end of quarter 2.
- The forecast includes the planned application of non-recurrent reserve funding of £6.7m from the Risk Management Reserve. The previous report noted that several budget adjustments totalling £5.1m, reflected in the former OCL contract, had not been made in the 2014/15 accounts and 2015/16 budget. This has directly impacted on the financial position for this service area and the adjustments should have re-aligned the budget to reflect the cost of the agreed BTLS contract. The wider strategic partnership budget is forecast to overspend by £2.666m in 2015/16 following a detailed review and the ongoing impact is addressed in the MTFs from 2016/17.
- Non BTLS elements of Core Business Systems and Transformation Service are forecast to underspend by £0.308m which is an improvement of £0.106m from the forecast position reported to Cabinet at the end of quarter 2. The forecast underspend relates to staff costs and vacancies offset by asset management programme charges not budgeted for.

### 3.7.4 Design and Construction

- Design and Construction are forecasting an overspend of £1.390m in 2015/16 which has not previously been reported.
- This overspend is due to reduced income from fees for capital property works offset by related staff savings, resulting in a net overspend of £0.500m. In addition the R&M savings target of £0.500m will not be achieved due to delays in the property rationalisation programme. The service also has staffing vacancies within highways design and the design and construction management team, overall forecasting a saving of £0.110m.

£6.828m of reserves balances have been applied. This is made up of £6.061m in relation to the Pooled Resources Operational Plan (PROp) which is a non-profit making building and maintenance scheme for all Primary, Nursery, Special Schools and ACERS, administered by LCC, £0.727m one-off funding in relation to the LCC planned repairs & maintenance programme and £0.040m one-off funding to continue the development of the high specification design and construction software and systems.

### 3.7.6 Economic Development

The forecast includes a contribution from the Strategic Investment Reserve of £3.142m in 2015/16 to fund the costs of a number of work streams to develop employment opportunities across Lancashire.

### 3.7.7 Estates

- Estates is forecast to underspend by £0.741m in 2015/16, which is a decrease in forecast of £0.741m from the forecast position reported to Cabinet at the end of quarter 2. The service has undertaken a full review of budgets and as a result identified a number of underspends including £0.213m on staffing, £0.110m (non recurring) in relation to a lease extension, £0.372m relating to increased property

management income chargeable to capital and £0.046m across a number of other areas.

### **3.7.8 Facilities Management**

- Facilities Management is forecasting a £0.919m overspend which is a slight improvement from the position reported to Cabinet at the end of quarter 2.
- There is a pressure of £0.708m resulting from delays in delivery of 2015/16 service offer savings linked to the property rationalisation review. Only part of the Woodlands savings have been achieved to date resulting in an additional pressure of £0.121m. Lancashire Adult Learning property costs have transferred under Facilities Management resulting in an in year net pressure of £0.470m which will be addressed as part of the property rationalisation programme from 2016/17 onwards. Remaining pressures of £0.120m relate to inherited building costs and catering overspends.

The forecast also includes the planned application of non-recurrent reserve funding of £0.378m from reserves for the redesign of committee floor audio visual installation and conferencing system.

### **3.7.9 Health and Care Systems**

This position includes the planned application of non-recurrent reserve funding of £0.811m of reserves.

### **3.7.10 Human Resources**

- Human Resources is forecast to underspend by £0.195m in 2015/16 which is an improvement of £0.008m from the forecast position reported to Cabinet at the end of quarter 2. The forecast underspend relates to staff costs and vacancies and achievement of more income than budgeted.

The forecast includes the planned application of non-recurrent reserve funding of £0.392m from the former CYP DFM General Reserve agreed by Lancashire Schools Forum to provide transitional support for services which are currently not traded as they move to a traded basis.

### **3.7.12 Lancashire Adult Learning**

- Lancashire Adult Learning is forecast to overspend by £2.563m which is an increase of £0.636m from the forecast position reported to Cabinet at the end of quarter 2, following the completion of the 2014/15 academic year end which covers the period August 2014 to July 2015.
- The forecast overspend is due to the non-achievement of budgeted income targets and agreed savings, particularly in light of a recent OFSTED report and resulting reduction in Adult Skills funding.

The forecast for Lancashire Adult Learning includes the use of £0.399m from the Lancashire Adult Learning Reserve in relation to 2014/15 academic year.



### 3.7.13 Planning and Environment

Planned application of non-recurrent reserve funding of £0.046m have been applied within the forecast; £0.021 from the waste PFI compensation reserve, reimbursing local residents in relation to the waste plant odour issues and £0.025m from the equipment renewals reserve for the introduction of car parking ticket machines at the countryside sites.

### 3.7.14 Programme Office

- Programme Office is forecast to underspend by £0.511m in 2015/16. The forecast underspend relates to staff cost and vacancies and has decreased by £0.120m from the forecast position reported to Cabinet at the end of quarter 2 following the recruitment of two locum solicitors.

### 3.7.16 Skills, Learning and Development

- Skills, Learning and Development is forecast to underspend by £1.045m in 2015/16 which is an improvement of £0.766m from the forecast position reported to Cabinet at the end of quarter 2.
- Forecast underspends of £0.491m across Learning and Development budgets predominately relate to staff vacancies.
- Forecast underspends of £0.262m relate to training expenses.
- Forecast underspends of £0.629m relate to internal charges and recharges no longer required following the phase 1 restructure.
- Forecast overspends of £0.337m predominantly relate to staff costs and vacancies within the Social Inclusion Service.

This forecast includes the planned application of non-recurrent funding of £1.850m from reserves of which £1.245m will be met from the Strategic Investment Reserve. This will cover the costs of promoting sustainable employment for young people, including Lancashire's looked after children, through apprenticeships with Lancashire businesses and professional apprenticeships with the County Council, and the Ex Service Personnel Mentoring In Schools Programme. A further £0.661m will be met from the former CYP DFM General Reserve to cover the costs of ESF Skills Support and ESF NEET projects, £0.048m will be met from the Downsizing Reserve to support staff through the County Councils Transformation Programme and £0.116m will be met from Assessed Supported Year in Employment Grant carried forward and held on the Former CYP Directorate Grant Funded Reserve.

### 3.8 Within Chief Executive Services

Ref	Service Grouping	Revised Annual Budget	Previous CABINET Variance QTR 2	Current CABINET Forecast QTR 3	Current Period Forecast Variance	Current Period Forecast Variance
		£m	£m	£m	£m	%
3.8.1	CHIEF EXECUTIVE	0.274	0.020	0.274	0.000	0%
3.8.2	SERVICE COMMUNICATIONS	1.583	-0.225	1.368	-0.215	-14%
3.8.4	CONTINGENCIES	0.625	-0.625	0.000	-0.625	-100%
3.8.5	NON SERVICE ISSUES CORPORATE BUDGETS	74.948	-9.989	63.080	-11.868	-16%
3.8.6	LARGE SPECIFIC GRANTS TO SUPPORT THE AUTHORITY	-15.866	-0.247	-16.113	-0.247	2%
	<b>CHIEF EXECUTIVE TOTAL</b>	<b>61.564</b>	<b>-11.066</b>	<b>48.609</b>	<b>-12.955</b>	<b>-21%</b>

The total net revised budget for Chief Executive Services in 2015/16 is £61.564m. As at the end of quarter 3, the service is forecast to underspend by £12.955m which is an improvement of £1.889m from the forecast position reported to Cabinet at the end of quarter 2.

The forecast includes the planned application of non-recurrent reserve funding of £5.500m from the downsizing reserve to cover the cost of staff displaced during phase 1 of the County Council's Transformation Programme.

#### 3.8.2 Service Communications

- Service Communications is forecast to underspend by £0.215m in 2015/16 which is an increase in forecast cost of £0.010m from the forecast position reported to Cabinet at the end of quarter 2. The forecast underspend relates to staff costs and vacancies of which £0.185m relates to a continuation of underspends in 2014/15.

#### 3.8.4 Contingencies

- Contingencies are forecast to underspend by £0.625m which is unchanged from the forecast position reported to Cabinet at the end of quarter 2.

#### 3.8.5 Non Service Issues Corporate Budgets

- Non Service Issues Corporate Budgets are forecast to underspend by £11.868m which is an improvement of £1.879m from the forecast position reported to Cabinet at the end of quarter 2.

This forecast includes the planned application of non-recurrent reserve funding of £5.464m from the risk management reserve.



### Former CYP Centrally Managed Projects

- Former CYP Centrally Managed Projects is forecast to overspend by £0.621m which is an increase of £0.621m from the forecast position reported to Cabinet at the end of quarter 2.
- Forecast overspends of £0.495m relate to an internal recharge for ICT refresh for which the budget was reduced in 2015/16 for service offer savings.
- The remaining underspends of £0.126m predominantly relate to school closure costs.

### Pensions – Inherited Liability and Central Employers Contribution

- An underspend of £0.489m is forecast across inherited liability and central employers pension contribution budgets which is unchanged from the forecast position reported to Cabinet at the end of quarter 2.

### Treasury Management

	<b>Budget 15/16 £m</b>	<b>Forecast 15/16 £m</b>	<b>Surplus (-) /Deficit £m</b>
MRP	37.085	30.439	-6.646
Interest Paid	22.308	24.992	2.684
Interest Received	-12.710	-20.748	-8.038
Grants	-0.280	-0.280	0.000
<b>Total</b>	<b>46.403</b>	<b>34.403</b>	<b>-12.000</b>

- The capital financing budget is forecast to underspend by £12.000m in 2015/16.
- Minimum Revenue Provision (MRP) - Forecast surplus £6.646m. The MRP is a charge to cover the amount of capital expenditure that has not yet been financed. The budget is based on assumptions regarding the financing of the Capital Programme. The MRP is lower than anticipated due to a lower than anticipated level of borrowing used to finance the 2014/15 Programme and following the cessation of the Waste PFI contract in 2014/15 a review of waste provision within the charge was undertaken.
- Interest Paid – Forecast deficit £2.684m. Interest paid is overspent largely due to the agreed contribution towards the Todmorden Curve Rail Project (£2.300m) which was not budgeted for.
- Interest Receivable - Forecast surplus £8.038m. The forecast surplus on interest received arose primarily because the county council's low risk investment portfolios increased in value as a result of market movements during the first months of the year. This enabled some core GILT bonds to be sold resulting in a net gain of

£2.960m. There have also been net gains of £5.078m resulting from sales on the traded bond portfolio.

- The Money Matters report which was agreed at Cabinet in November included a budget saving for 2016/17 onwards relating to Capital Financing Charges. This is to be delivered via a revised Minimum Revenue Provision Policy being agreed at Full Council in February 2016 and, on the basis of further work undertaken, this could be implemented from April 2015 with an estimated impact of a reduced charge to the revenue account of c£10m this year.

### **3.8.6 Large Specific Grants to Support the Authority**

- Large specific grants are forecast to underspend by £0.247m which is unchanged from the forecast position reported to Cabinet at the end of quarter 2. This relates to higher than budgeted Education Services Grant (ESG). Actual ESG received varies dependent on conversions to academies during the year.
- The budgets for Extended Rights to Free School Travel and Public Health Grant has been moved to Public and Integrated Transport and Public Health and Wellbeing respectively.

## Appendix 1 – The 2015/16 Revenue Budget Detail

## Appendix 1.1 – Adult Services

Level E - Cost Centre Description	Revised Annual Budget	Current Period Forecast (ORACLE)	Current Period Forecast Variance (ORACLE)
	£m	£m	£m
<b>ADULT SERVICES</b>			
DIR - ADULT SERVICES	0.656	0.635	-0.021
<b>ADULT SERVICES TOTAL</b>	<b>0.656</b>	<b>0.635</b>	<b>-0.021</b>
<b>DISABILITY (adults)</b>			
ADULT DISABILITY SERVICE	-1.736	-1.738	-0.002
ADULT DISABILITY DAY SERVICE	-1.103	-2.121	-1.018
ADULT DISABILITY DOM SERVICE	-1.483	-1.090	0.393
ADULT DISABILITY SHORT BREAKS SERVICE	-0.449	-0.451	-0.002
SHARED LIVES	0.672	0.726	0.054
<b>DISABILITY (adults) TOTAL</b>	<b>-4.099</b>	<b>-4.674</b>	<b>-0.575</b>
<b>OLDER PEOPLE</b>			
RESIDENTIAL/REHABILITATION	-0.924	-1.153	-0.229
DAY CARE	-0.291	-0.363	-0.072
SUPPORT SERVICES	1.072	0.982	-0.090
<b>OLDER PEOPLE TOTAL</b>	<b>-0.143</b>	<b>-0.534</b>	<b>-0.391</b>
<b>SAFEGUARDING (adults)</b>			
SAFEGUARDING STAFF	3.296	3.296	0.000
MENTAL HEALTH STAFF	5.396	4.714	-0.683
MENTAL HEALTH-DAY CARE	0.690	0.653	-0.037
MENTAL HEALTH -DIRECT PAYMENTS	2.280	2.703	0.423
MENTAL HEALTH-SUPPORTED ACCOMMODATION	0.000	0.000	0.000
MENTAL HEALTH-HOME CARE	3.441	4.718	1.277
MENTAL HEALTH-RESIDENTIAL	8.246	10.669	2.423
MENTAL HEALTH-NURSING	2.263	2.343	0.080
MENTAL HEALTH-OTHER SOCIAL CARE	0.122	0.050	-0.072
MENTAL HEALTH BLOCK CONTRACT	2.012	1.949	-0.063

<b>SAFEGUARDING (adults) TOTAL</b>	<b>27.746</b>	<b>31.095</b>	<b>3.348</b>
<b>SOCIAL CARE SERVICES (adults)</b>			
SOCIAL CARE STAFF	12.528	13.928	1.400
OPERATIONAL ADMINISTRATION	2.091	2.104	0.013
CARE NAVIGATION	0.401	0.298	-0.103
PHYSICAL SUPPORT-NURSING	17.930	18.254	0.324
PHYSICAL SUPPORT-RESIDENTIAL	54.080	54.215	0.135
PHYSICAL SUPPORT-SUPPORTED ACCOMODATION	2.450	2.357	-0.093
PHYSICAL SUPPORT-DIRECT PAYMENTS	23.690	26.814	3.124
PHYSICAL SUPPORT-HOME CARE	39.466	40.605	1.139
PHYSICAL SUPPORT-DAY CARE	3.305	3.152	-0.153
PHYSICAL SUPPORT-OTHER SOCIAL CARE	1.738	1.684	-0.054
LEARNING DISABILITIES	109.200	119.802	10.602
EQUIPMENT & ADAPTATIONS	3.526	4.745	1.219
CARERS SERVICES	1.994	1.996	0.002
REABLEMENT	2.236	2.236	0.000
SUPPORTING PEOPLE	11.737	11.737	0.000
PURCHASING GENERAL	2.310	1.537	-0.774
BETTER CARE FUND	-20.694	-20.694	0.000
<b>SOCIAL CARE SERVICES (adults) TOTAL</b>	<b>267.988</b>	<b>284.770</b>	<b>16.781</b>
<b>ADULTS SERVICES TOTAL</b>	<b>292.148</b>	<b>311.292</b>	<b>19.144</b>

Level E - Cost Centre Description	Revised Annual Budget	Current Period Forecast (ORACLE)	Current Period Forecast Variance (ORACLE)
	£m	£m	£m
<b>CHILDREN'S SERVICES</b>			
CHILDREN'S SERVICES - MANAGEMENT	0.137	0.137	0.000
DEPUTY DIRECTOR CHILDREN'S SERVICES	0.433	0.115	-0.318
CHILDREN'S SERVICES - OTHER	0.557	0.413	-0.144
DIRECTORATE OVERHEAD ALLOCATIONS	-2.849	-2.849	0.000
PREMATURE RETIREMENT COSTS	1.437	1.437	0.000
<b>CHILDREN'S SERVICES TOTAL</b>	<b>-0.285</b>	<b>-0.747</b>	<b>-0.462</b>
<b>ADOPTION &amp; FOSTERING, RESIDENTIAL AND YOT</b>			
ADOPTION, FOSTERING, RESIDENTIAL AND YOT - MANAGEMENT	0.580	0.596	0.016
ADOPTION SERVICES STAFF	0.658	0.801	0.143
ADOPTION SERVICES OTHER	1.527	1.370	-0.157
RESIDENTIAL CENTRAL BUSINESS SUPPORT TEAM	0.133	0.086	-0.047
COUNTY RESIDENTIAL MANAGERS	0.200	0.323	0.123
FOSTERING SERVICES	2.145	1.963	-0.182
MAINSTREAM RESIDENTIAL	5.107	5.107	0.000
OVERNIGHT BREAKS SERVICE	2.151	2.737	0.586
PROVIDER IN HOUSE FOSTERING ALLOWANCES	9.628	9.390	-0.238
SCAYT +	0.610	0.524	-0.086
YOUTH OFFENDING TEAM	1.567	1.499	-0.068
<b>ADOPTION &amp; FOSTERING, RESIDENTIAL AND YOT TOTAL</b>	<b>24.306</b>	<b>24.395</b>	<b>0.090</b>
<b>SAFEGUARDING, INSPEC. AND AUDIT</b>			
SAFEGUARDING, INSPECTION AND AUDIT - MANAGEMENT	0.525	0.536	0.011
SAFEGUARDING, INSPECTION AND AUDIT	3.040	3.134	0.094
MASH/CART/EDT	1.363	1.453	0.090

YOUNG CARERS GRANT	0.280	0.280	0.000
LANCASHIRE SAFEGUARDING CHILDREN BOARD	0.175	0.175	0.000
<b>SAFEGUARDING, INSPEC. &amp; AUDIT TOTAL</b>	<b>5.383</b>	<b>5.578</b>	<b>0.195</b>
<b>CHILDREN SOCIAL CARE</b>			
CHILDREN SOCIAL CARE - HEAD OF SERVICE	1.046	1.068	0.022
LOCALITY & CAPSS TEAMS	16.386	16.443	0.057
CSC MANAGEMENT SUPPORT WORKERS TEAM	0.054	0.433	0.379
SOCIAL CARE BUSINESS SUPPORT	1.755	1.516	-0.239
AGENCY - FOSTERING CHILDREN LOOKED AFTER	14.122	15.600	1.478
AGENCY - RESIDENTIAL CHILDREN LOOKED AFTER	8.499	14.209	5.710
AGENCY REMAND - COUNTYWIDE	0.565	0.315	-0.250
DIRECTORATE CONTINGENCY (CS)	2.469	0.000	-2.469
s17 FAMILY SUPPORT - ASST TO FAMILIES	1.404	1.906	0.502
s17 FAMILY SUPPORT - REGULAR PAYMENTS	0.000	0.555	0.555
s17 FAMILY SUPPORT - RESIDENCE ORDERS	2.464	2.304	-0.160
s17 FAMILY SUPPORT - SPECIAL GUARDIANSHIP ORDERS	4.024	4.586	0.562
LEAVING CARE ALLOWANCES	0.799	0.677	-0.122
STAYING PUT	0.000	0.000	0.000
IN HOUSE FOSTERING - CHILDREN LOOKED AFTER	0.114	0.100	-0.014
IN HOUSE RESIDENTIAL - CHILDREN LOOKED AFTER	0.071	0.071	0.000
CSC OTHER	0.426	0.326	-0.100
SAFEGUARDING EARLY INTERVENTION	0.000	0.000	0.000
<b>CHILDREN SOCIAL CARE TOTAL</b>	<b>54.198</b>	<b>60.109</b>	<b>5.911</b>
<b>SCHOOL IMPROVEMENT</b>			
SCHOOL IMPROVEMENT - MANAGEMENT	0.392	0.392	0.000
ALTERNATIVE & COMPLEMENTARY EDUCATION - SCH IMP SERV	0.355	0.330	-0.025
EARLY YEARS TEACHING	0.605	0.585	-0.020
LEARNING IMPROVEMENT SUPPORT TEAM	0.867	0.822	-0.045
PE & SPORT	0.043	0.043	0.000
PUPIL ACCESS - PUPIL SUPPORT	1.273	1.202	-0.071
SCHOOLS CAUSING CONCERN - SCH IMP	0.450	0.450	0.000

SERV			
SUPPORT FOR VULN PUPILS - SCH IMP SERV	1.805	1.730	-0.075
SCHOOL IMPROVEMENT - CENTRAL	-0.397	-0.467	-0.070
SCHOOL IMPROVEMENT - PRIMARY SOUTH	0.126	0.126	0.000
EDUCATION HEALTH - SCH IMP SERVICE	0.000	0.000	0.000
SCHOOL IMPROVEMENT - PRIMARY EAST	0.603	0.603	0.000
SCHOOL IMPROVEMENT - PRIMARY NORTH	0.772	0.772	0.000
SCHOOL IMPROVEMENT - SECONDARY	0.356	0.356	0.000
<b>SCHOOL IMPROVEMENT TOTAL</b>	<b>7.250</b>	<b>6.944</b>	<b>-0.306</b>
<b>SEN &amp; DISABILITY</b>			
SEN & DISABILITY - MANAGEMENT	0.653	0.653	0.000
SEND - AGENCY FAMILY SUPPORT	1.703	1.400	-0.303
SEND - AGENCY FOSTERING	0.814	0.800	-0.014
SEND - AGENCY RESIDENTIAL	2.284	1.980	-0.304
SEND - DIRECT PAYMENTS	1.786	1.786	0.000
SEND - AIDS & ADAPTATIONS	0.235	0.235	0.000
SEND - COMMUNITY EQUIPMENT	0.513	0.533	0.020
SEND - IN HOUSE FOSTERING	0.430	0.150	-0.280
SEND - LANCASHIRE BREAK TIME	1.042	0.972	-0.070
SEND - CHILD & FAMILY SUPPORT TEAM	1.217	1.217	0.000
SEND - IA OCCUPATIONAL THERAPY	0.658	0.454	-0.204
SEND - IA SPEECH & LANGUAGE THERAPY	1.010	0.957	-0.053
SEND - INTEGRATED ASSESSMENT TEAM	1.155	1.095	-0.060
SEND - BUSINESS SUPPORT	0.684	0.466	-0.218
SEND - CARERS SERVICES	0.247	0.264	0.017
SEND - SEN IMPLEMENTATION GRANT	0.000	0.000	0.000
SEND - SEND REFORM GRANT	-0.005	-0.005	0.000
SEND - LEARNER SUPPORT TEAM	0.000	0.000	0.000
SEND - PROVISION & PERFORMANCE TEAM	1.720	1.720	0.000
SEND TRADED TEAM	-0.200	-0.234	-0.034
<b>SEN &amp; DISABILITY TOTAL</b>	<b>15.946</b>	<b>14.443</b>	<b>-1.503</b>
<b>TRADED SERVICES (START WELL)</b>			
TRADED SERVICES (START WELL) - MANAGEMENT	0.130	0.130	0.000
SCHOOL CATERING	-1.781	-3.070	-1.289



EDUCATIONAL VISITS	-0.039	-0.039	0.000
GOVERNOR SERVICES	-0.278	-0.380	-0.102
GRADUATE TEACHER	-0.011	-0.011	0.000
LANCASHIRE MUSIC SERVICE	-0.166	-0.166	0.000
LEARNING EXCELLENCE (PDS)	-0.562	-0.557	0.005
LTA	-0.199	-0.199	0.000
OUTDOOR EDUCATION	-0.100	0.118	0.218
RECRUITMENT, RETENTION, NQT'S	-0.076	-0.076	0.000
SCHOOLS ICT CURRICULUM	-0.018	0.052	0.070
BUSINESS SUPPORT AND ADMINISTRATION (TRADED SERVICES)	-0.080	-0.096	-0.016
<b>TRADED SERVICES (START WELL) TOTAL</b>	<b>-3.180</b>	<b>-4.294</b>	<b>-1.114</b>
<b>CHILDRENS SERVICES TOTAL</b>	<b>103.618</b>	<b>106.428</b>	<b>2.810</b>

## Appendix 1.3 – Operations and Delivery Community Services

Service Grouping	Revised Annual Budget	Current Period Forecast	Current Period Forecast Variance
	£m	£m	£m
<b>COMMUNITY SERVICES</b>			
DIRECTORATE WIDE OVERHEADS (O&D)	0.006	0.006	0.000
DNU - OPERATIONS AND DELIVERY (O&D)	0.155	0.155	0.000
DNU - OPERATIONS AND DELIVERY (O&P)	0.111	0.111	0.000
<b>COMMUNITY SERVICES TOTAL</b>	<b>0.272</b>	<b>0.272</b>	<b>0.000</b>
<b>CUSTOMER ACCESS</b>			
CUSTOMER ACCESS - HEAD OF SERVICE	0.191	0.191	0.000
CUSTOMER ACCESS	3.535	2.805	-0.730
<b>CUSTOMER ACCESS TOTAL</b>	<b>3.726</b>	<b>2.996</b>	<b>-0.730</b>
<b>PUBLIC &amp; INTEGRATED TRANSPORT</b>			
BUS & SUPPORTED TRANSPORT	-0.159	-0.133	0.026
BUS STATIONS	0.904	0.814	-0.090
COMMUNITY TRANSPORT	1.500	0.864	-0.636
CONCESSIONARY TRAVEL	20.236	19.222	-1.014
CONTRIBUTION TO/FROM RESERVES (O&D)	2.850	2.850	0.000
DNU - OPERATIONS AND DELIVERY (P&IT)	0.250	0.247	-0.003
FLEET	-4.705	-4.705	0.000
GRITTERS	0.000	0.000	0.000
HOME TO SCHOOL TRANSPORT	0.000	0.000	0.000
HQ SUPPORT TEAMS (O&D)	0.000	0.000	0.000
INFORMATION	0.552	0.531	-0.021
INTERCHANGES & TRAVEL	-0.129	-0.098	0.031
LEARNING DISABILITY	0.000	0.000	0.000
PHYSICAL SUPPORT	0.000	0.000	0.000
PUBLIC BUS	12.646	12.085	-0.561
PUBLIC TRANSPORT	0.000	0.000	0.000
PUBLIC TRANSPORT CO-ORDINATION	0.036	0.036	0.000
PUBLIC TRANSPORT DEVELOPMENT	0.454	0.454	0.000
PUBLIC TRANSPORT INITIATIVES	0.576	0.562	-0.014
RADIO COMMUNICATION	0.000	0.000	0.000
SEN	0.000	0.000	0.000
SEN TRANSPORT	0.000	0.000	0.000
SUSTAINABLE TRAVEL	0.568	-0.097	-0.665

T&E MANAGEMENT	0.000	0.000	0.000
TRANSPORT	0.000	0.000	0.000
TRANSPORT 16+	0.000	0.000	0.000
TRANSPORT OF CLA	0.000	0.000	0.000
TRANSPORT TO ACERS	0.000	0.000	0.000
TRAVELCARE	19.677	19.677	0.000
YOUNG PEOPLE TRANSPORT	0.000	0.000	0.000
<b>PUBLIC &amp; INTEGRATED TRANSPORT TOTAL</b>	<b>55.256</b>	<b>52.309</b>	<b>-2.947</b>
<b>LIBRARIES, MUSEUMS, CULTURE &amp; REGISTRARS</b>			
ACCESS DEVELOPMENT	0.000	0.000	0.000
ARCHIVES	0.000	0.000	0.000
ARTS	0.000	0.000	0.000
COUNTY HERITAGE	1.937	2.126	0.189
COUNTY LIBRARIES	10.925	11.383	0.458
CULTURAL SERVICES DEVELOPMENT	1.082	0.924	-0.158
CULTURAL SERVICES JOINT	0.190	0.037	-0.153
CULTURAL SERVICES SUPPORT	0.489	0.350	-0.139
DNU - OPERATIONS AND DELIVERY (LMC&R)	0.242	0.249	0.007
LEARNING DEVELOPMENT	0.000	0.000	0.000
COUNTY LIBRARY SERVICE	0.000	0.000	0.000
ASSISTANT DEVELOPMENT	0.000	0.000	0.000
REGISTRATION SERVICE	0.188	-0.170	-0.358
<b>LIBRARIES, MUSEUMS, CULTURE &amp; REGISTRARS TOTAL</b>	<b>15.053</b>	<b>14.899</b>	<b>-0.154</b>
<b>HIGHWAYS</b>			
ENVIRONMENT CONTINGENCIES	0.519	0.393	-0.126
COUNTY WIDE SERVICES TEAM	0.998	0.819	-0.179
COUNTY HIGHWAYS TEAM	0.927	1.033	0.106
COUNTYWIDE HIGHWAYS	0.000	-0.600	-0.600
DRAINAGE (PUBLIC REALM)	3.856	3.827	-0.029
DRAINAGE (STRATEGIC)	-0.085	0.048	0.133
HIGHWAY DEPOTS	0.989	0.989	0.000
HIGHWAY DEVELOPMENT CONTROL	0.097	-0.072	-0.169
HIGHWAY REGULATION & INSPECTION	-0.381	-0.820	-0.439
HIGHWAYS CENTRAL CHARGES	3.828	3.828	0.000
HIGHWAYS DEPOTS - SOUTH	0.000	0.000	0.000
HIGHWAYS MANAGEMENT TEAM	1.477	1.570	0.093
HIGHWAYS TEAM (PUBLIC REALM)	10.005	9.577	-0.428
LANCASHIRE PARKING SERVICES	-0.681	-0.599	0.082
OPERATIONS - ENV SERVICES	-0.374	-0.374	0.000
OPERATIONS - HIGHWAYS	-5.366	-5.366	0.000

OPERATIONS - MANAGEMENT	-7.576	-8.124	-0.548
OPERATIONS - P&T ACCOUNT	5.420	5.420	0.000
OPERATIONS L & E	0.259	0.349	0.090
OPERATIONS QUANTITY SURVEYORS	0.198	0.129	-0.069
PRIORITIES - CONTINGENCIES	0.000	0.000	0.000
SEVERE WEATHER	4.008	4.018	0.010
STREET LIGHTING ENERGY	0.000	0.000	0.000
STREET LIGHTING TEAM	4.346	4.581	0.235
TRAFFIC POLICY, SAFETY & SIGNALS	0.914	1.070	0.156
<b>HIGHWAYS TOTAL</b>	<b>23.378</b>	<b>21.696</b>	<b>-1.682</b>
<b>WASTE MGT</b>			
WASTE MGT	0.000	0.000	0.000
HoS -WASTE MGT	0.191	0.191	0.000
COMMERCIAL AND INDUSTRIAL TRADE WASTE	-1.792	-1.803	-0.011
GREEN WASTE	0.403	0.353	-0.050
Head of Waste Management	0.000	0.000	0.000
HOUSEHOLD WASTE RECYCLING CENTRES	6.565	6.056	-0.509
LANDFILL - DISPOSAL	27.401	26.588	-0.813
MISCELLANEOUS	0.237	0.209	-0.028
OGM SITES	0.311	0.135	-0.176
RECYCLING & COST SHARING	10.439	10.402	-0.037
WASTE AWARENESS INITIATIVES	0.053	-0.021	-0.074
WASTE MANAGEMENT TEAM	0.574	0.525	-0.049
WASTE PFI	29.318	32.318	3.000
WASTE PFI MISC	-5.727	-5.749	-0.022
WASTE TRANSFER STATIONS	2.248	2.208	-0.040
<b>WASTE MGT TOTAL</b>	<b>70.221</b>	<b>71.412</b>	<b>1.191</b>
<b>NON SERVICE ISSUES CORPORATE BUDGETS</b>			
LEVIES	0.629	0.629	0.000
NON SERVICE ISSUES CORPORATE BUDGETS TOTAL	0.000	0.000	0.000
<b>NON SERVICE ISSUES CORPORATE BUDGETS TOTAL</b>	<b>0.629</b>	<b>0.629</b>	<b>0.000</b>
<b>OPERATIONS AND DELIVERY TOTAL</b>	<b>168.535</b>	<b>164.213</b>	<b>-4.322</b>

## Appendix 1.4 – Public Health and Wellbeing

<b>Service Grouping</b>	<b>Revised Annual Budget</b>	<b>Current Period Forecast</b>	<b>Current Period Forecast Variance</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>DEPUTY DIR PUBLIC HEALTH &amp; CONSULTANTS</b>			
DNU - OPERATIONS AND DELIVERY (DDPH)	0.508	0.516	0.008
<b>DEPUTY DIR PUBLIC HEALTH &amp; CONSULTANTS TOTAL</b>	<b>0.508</b>	<b>0.516</b>	<b>0.008</b>
<b>PUBLIC HEALTH &amp; WELLBEING</b>			
DNU - OPERATIONS AND DELIVERY (PH&W)	-68.718	-64.439	4.279
<b>PUBLIC HEALTH &amp; WELLBEING TOTAL</b>	<b>-68.718</b>	<b>-64.439</b>	<b>4.279</b>
<b>EMERGENCY PLANNING &amp; RESILIENCE</b>			
EMERGENCY PLANNING & RESILIENCE	0.000	0.000	0.000
HoS -EMERGENCY PLANNING & RESILIENCE	0.639	0.650	0.011
EMERGENCY PLANNING	0.173	0.095	-0.078
HEALTH & SAFETY	0.409	0.169	-0.240
HEALTH PROTECTION	0.046	0.034	-0.012
H&S non DFM non DFM	0.000	0.000	0.000
<b>EMERGENCY PLANNING &amp; RESILIENCE TOTAL</b>	<b>1.267</b>	<b>0.948</b>	<b>-0.319</b>
<b>HEALTH EQUITY, WELFARE &amp; PARTNERSHIPS</b>			
BUSINESS SUPPORT TEAMS (PH&W)	0.000	0.000	0.000
CRIME & DISORDER	0.486	0.486	0.000
DNU - OPERATIONS AND DELIVERY (HEW&P)	0.637	0.467	-0.170
EARLY INTERVENTION / SUPPORT (HEW&P)	0.000	0.000	0.000
HEALTH POLICY	0.000	0.000	0.000
HEALTH SYSTEMS DEVELOPMENT	0.000	0.000	0.000
HQ SUPPORT TEAMS (PH&W)	0.000	0.000	0.000
JOINT HEALTH UNIT	0.000	0.000	0.000
LANCASHIRE PARTNERSHIP FOR ROAD SAFETY	0.061	0.061	0.000
LOCAL CHILDREN'S TRUST PARTNERSHIPS	0.336	0.256	-0.080

PUBLIC HEALTH (PH&W)	0.000	0.000	0.000
PUBLIC HEALTH COLLABORATIVE	0.211	0.211	0.000
PUBLIC HEALTH MANAGEMENT	0.000	0.000	0.000
ROAD SAFETY	0.000	0.000	0.000
ROAD SAFETY - OTHER	0.710	0.550	-0.160
ROAD SAFETY EDUCATION	0.305	0.215	-0.090
ROAD SAFETY TRAINING	-0.399	-0.399	0.000
SCHOOL CROSSING PATROL SERVICE	-0.000	-0.000	0.000
SCP - OPERATIONS	0.000	0.000	0.000
SCP - OVERHEADS	1.497	1.397	-0.100
WELFARE RIGHTS	0.984	0.984	0.000
WIDER DETERMINANTS OF HEALTH	0.881	0.881	0.000
<b>HEALTH EQUITY, WELFARE &amp; PARTNERSHIPS TOTAL</b>	<b>5.709</b>	<b>5.109</b>	<b>-0.600</b>
<b>PATIENT SAFETY &amp; QUALITY IMPROVEMENT</b>			
HoS -PATIENT SAFETY & QUALITY IMPROVEMENT	1.266	1.073	-0.193
BUSINESS MANAGEMENT AND GOVERNANCE	0.193	0.141	-0.052
HEALTH IMPROVEMENT GENERAL	0.000	0.000	0.000
HEALTH PROTECTION (PS&QI)	0.131	0.077	-0.054
HEALTHWATCH	0.438	0.332	-0.106
TRAINING (PH&W)	0.600	0.500	-0.100
POPULATION HEALTHCARE GENERAL	0.000	0.000	0.000
WORKFORCE DEVELOPMENT	0.053	0.003	-0.050
AREA TEAMS	0.856	0.687	-0.169
<b>PATIENT SAFETY &amp; QUALITY IMPROVEMENT TOTAL</b>	<b>3.537</b>	<b>2.813</b>	<b>-0.724</b>
<b>TRADING STANDARDS &amp; SCIENTIFIC SERVICES</b>			
CLOSED LANDFILL SITES	0.770	0.643	-0.127
COUNTY LAB & GENERAL	0.234	0.260	0.026
DNU - OPERATIONS AND DELIVERY (TS)	0.523	0.523	0.000
ENVIRONMENT	-0.170	-0.102	0.068
FOOD & AGRICULTURE	0.206	0.244	0.038
FOOD (TS)	0.000	0.000	0.000
METROLOGY	0.000	0.000	0.000
NORTH WEST TRAINING FACILITY	0.000	0.000	0.000
SPECIALIST SERVICES & PROJECTS	0.000	0.000	0.000
TRADING STANDARDS AREA EAST BASED	0.000	0.000	0.000
TRADING STANDARDS TEAM	1.611	1.697	0.086

<b>TRADING STANDARDS &amp; SCIENTIFIC SERVICES TOTAL</b>	<b>3.174</b>	<b>3.265</b>	<b>0.091</b>
<b>WELLBEING, PREVENTION &amp; EARLY HELP</b>			
CHILDREN, YOUNG PEOPLE AND FAMILIES	16.061	16.093	0.032
HEALTH CHECKS AND WELLNESS COMMISSIONING	5.158	5.031	-0.127
SEXUAL HEALTH COMMISSIONING	10.787	10.004	-0.783
SUBSTANCE MISUSE	18.890	18.999	0.109
TOBACCO CONTROL AND STOP SMOKING SERVICES	3.270	3.084	-0.186
PUBLIC MENTAL HEALTH	2.391	1.795	-0.596
PUBLIC HEALTH GENERAL	0.028	1.650	1.622
INTEGRATED WELLBEING	3.285	2.833	-0.452
EARLY INTERVENTION / SUPPORT (PH&W)	-0.026	-0.026	0.000
EI LEAD PROFESSIONAL & SMALL GRANTS	0.390	0.390	0.000
CENTRAL CC	0.182	0.080	-0.102
DIRECT MANAGED CC	9.435	8.973	-0.462
SCHOOL BASED CC	5.220	5.220	0.000
NON ACCOUNTABLE CC	1.740	1.740	0.000
INTEGRATED SERVICES TEAM (PH&W)	0.305	0.305	0.000
14-19 TEAM YPS	0.020	0.020	0.000
LANCASHIRE STUDENT SUPPORT	0.000	0.000	0.000
CURRICULUM STRATEGY YPS	0.725	0.725	0.000
QUALITY PROFESSIONAL DEVELOPMENT YPS	0.367	0.367	0.000
CENTRAL YOUNG PEOPLE'S SERVICE	0.831	0.831	0.000
BURNLEY YOUNG PEOPLE'S SERVICE	0.696	0.696	0.000
CHORLEY YOUNG PEOPLE'S SERVICE	0.592	0.592	0.000
FYLDE YOUNG PEOPLE'S SERVICE	0.437	0.437	0.000
HYNDBURN YOUNG PEOPLE'S SERVICE	0.710	0.690	-0.020
LANCASTER YOUNG PEOPLE'S SERVICE	0.744	0.737	-0.007
PENDLE YOUNG PEOPLE'S SERVICE	0.664	0.658	-0.006
PRESTON YOUNG PEOPLE'S SERVICE	0.723	0.723	0.000
RIBBLE VALLEY YOUNG PEOPLE'S SERVICE	0.360	0.360	0.000
ROSSENDALE YOUNG PEOPLE'S SERVICE	0.600	0.600	0.000
SOUTH RIBBLE YOUNG PEOPLE'S SERVICE	0.507	0.507	0.000
WEST LANCS YOUNG PEOPLE'S SERVICE	0.671	0.652	-0.019
WYRE YOUNG PEOPLE'S SERVICE	0.520	0.520	0.000
WORKING TOGETHER WITH FAMILIES	-2.200	-2.200	0.000
<b>WELLBEING, PREVENTION &amp; EARLY HELP TOTAL</b>	<b>84.082</b>	<b>83.085</b>	<b>-0.997</b>
<b>PUBLIC HEALTH &amp; WELLBEING TOTAL</b>	<b>29.559</b>	<b>31.297</b>	<b>1.738</b>



## Appendix 1.5 – Lancashire Pension Fund

Level E - Cost Centre Description	Revised Annual Budget	Current Period Forecast (ORACLE)	Current Period Forecast Variance (ORACLE)
	£m	£m	£m
<b>LANCASHIRE PENSION FUND</b>			
LANCASHIRE PENSION FUND	-0.028	-0.028	0.000
<b>LANCASHIRE PENSION FUND TOTAL</b>	<b>-0.028</b>	<b>-0.028</b>	<b>0.000</b>
<b>CHIEF INVESTMENT OFFICER</b>			
CHIEF INVESTMENT OFFICER	-0.046	-0.046	0.000
<b>CHIEF INVESTMENT OFFICER TOTAL</b>	<b>-0.046</b>	<b>-0.046</b>	<b>0.000</b>
<b>DEPUTY CHIEF INVESTMENT OFFICER</b>			
DEPUTY CHIEF INVESTMENT OFFICER - MANAGEMENT	-0.033	-0.033	0.000
<b>DEPUTY CHIEF INVESTMENT OFFICER TOTAL</b>	<b>-0.033</b>	<b>-0.033</b>	<b>0.000</b>
<b>INVESTMENT PORTFOLIO MANAGER</b>			
INVESTMENT PORTFOLIO - MANAGEMENT	-0.073	-0.073	0.000
INVESTMENT PORTFOLIO	-0.019	-0.019	0.000
<b>INVESTMENT PORTFOLIO MANAGER TOTAL</b>	<b>-0.092</b>	<b>-0.092</b>	<b>0.000</b>
<b>YOUR PENSION SERVICE</b>			
YOUR PENSION SERVICE - MANAGEMENT	0.138	0.138	0.000
YOUR PENSION SERVICE	-1.726	-1.676	0.050
<b>YOUR PENSION SERVICE TOTAL</b>	<b>-1.588</b>	<b>-1.538</b>	<b>0.050</b>
<b>POLICY &amp; COMPLIANCE</b>			
POLICY AND COMPLIANCE - MANAGEMENT	-0.056	-0.056	0.000
POLICY AND COMPLIANCE	0.001	0.001	0.000
<b>POLICY &amp; COMPLIANCE TOTAL</b>	<b>-0.055</b>	<b>-0.055</b>	<b>0.000</b>
<b>LANCASHIRE PENSION FUND TOTAL</b>	<b>-1.842</b>	<b>-1.792</b>	<b>0.050</b>

## Appendix 1.6 – Commissioning

Level E - Cost Centre Description	Revised Annual Budget	Current Period Forecast (ORACLE)	Current Period Forecast Variance (ORACLE)
	£m	£m	£m
<b>COMMISSIONING</b>			
COMMISSIONING - MANAGEMENT	0.166	0.159	-0.007
<b>COMMISSIONING TOTAL</b>	<b>0.166</b>	<b>0.159</b>	<b>-0.007</b>
<b>CORPORATE COMMISSIONING</b>			
CORPORATE COMMISSIONING - MANAGEMENT	0.137	0.137	0.000
<b>CORPORATE COMMISSIONING TOTAL</b>	<b>0.137</b>	<b>0.137</b>	<b>0.000</b>
<b>ASSET MGT</b>			
ASSET MANAGEMENT - MANAGEMENT	0.611	0.611	0.000
ASSET MANAGEMENT	2.225	2.225	0.000
PFI SCHEME - BUILDING SCHOOLS FOR THE FUTURE	0.000	0.000	0.000
STREET LIGHTING ENERGY (COMM)	7.307	5.100	-2.207
<b>ASSET MGT TOTAL</b>	<b>10.143</b>	<b>7.936</b>	<b>-2.207</b>
<b>PROCUREMENT</b>			
PROCUREMENT - MANAGEMENT	0.310	0.275	-0.035
PROCUREMENT	1.546	1.822	0.276
<b>PROCUREMENT TOTAL</b>	<b>1.856</b>	<b>2.097</b>	<b>0.241</b>
<b>AREA PUBLIC SERVICE INTEGRATION</b>			
AREA PUBLIC SERVICE INTEGRATION - MANAGEMENT	0.250	0.183	-0.067
VOLUNTEER SERVICE	0.279	0.346	0.067
<b>AREA PUBLIC SERVICE INTEGRATION TOTAL</b>	<b>0.529</b>	<b>0.529</b>	<b>0.000</b>
<b>BUSINESS INTELLIGENCE</b>			
BUSINESS INTELLIGENCE	1.022	1.379	0.357
<b>POLICY, INFO. &amp; COMMISSION START WELL TOTAL</b>	<b>1.022</b>	<b>1.379</b>	<b>0.357</b>
<b>POLICY, INFO. &amp; COMMISSION START WELL</b>			

POLICY, INFO. & COMMISSION START WELL - MANAGEMENT	0.340	0.331	-0.009
POLICY, INFO. & COMMISSION START WELL	0.205	0.249	0.044
<b>POLICY, INFO. &amp; COMMISSION START WELL TOTAL</b>	<b>0.545</b>	<b>0.580</b>	<b>0.035</b>
<b>POLICY, INFO. &amp; COMMISSION LIVE WELL</b>			
POLICY, INFO. & COMMISSION LIVE WELL - MANAGEMENT	0.722	0.667	-0.055
POLICY, INFO. & COMMISSION LIVE WELL	0.130	0.185	0.055
<b>POLICY, INFO. &amp; COMMISSION LIVE WELL TOTAL</b>	<b>0.852</b>	<b>0.852</b>	<b>0.000</b>
<b>POLICY, INFO. &amp; COMMISSION AGE WELL</b>			
POLICY, INFO. & COMMISSION AGE WELL - MANAGEMENT	0.360	0.351	-0.009
POLICY, INFO. & COMMISSION AGE WELL	0.299	0.104	-0.195
<b>POLICY, INFO. &amp; COMMISSION AGE WELL TOTAL</b>	<b>0.659</b>	<b>0.455</b>	<b>-0.204</b>
<b>GOVERNANCE, FINANCE AND PUBLIC SERVICES</b>			
GOVERNANCE, FINANCE AND PUBLIC SERVICES - MANAGEMENT	0.140	0.140	0.000
<b>GOVERNANCE, FINANCE &amp; PUBLIC SERVICES TOTAL</b>	<b>0.140</b>	<b>0.140</b>	<b>0.000</b>
<b>FINANCIAL RESOURCES</b>			
FINANCIAL RESOURCES - MANAGEMENT	0.101	0.101	0.000
HISTORICAL REVENUE - CORPORATE	0.000	0.000	0.000
<b>FINANCIAL RESOURCES TOTAL</b>	<b>0.101</b>	<b>0.101</b>	<b>0.000</b>
<b>OFFICE OF THE POLICE AND CRIME COMMISSIONER TRES</b>			
OFFICE OF THE POLICE & CRIME COMMISSIONER TREASURER - MANAGEMENT	-0.016	-0.016	0.000
<b>OFFICE OF THE POLICE AND CRIME COMMISSIONER TRES TOTAL</b>	<b>-0.016</b>	<b>-0.016</b>	<b>0.000</b>
<b>FINANCIAL MGT (OPERATIONAL)</b>			
FINANCIAL MANAGEMENT (OPERATIONAL) - MANAGEMENT	0.249	0.249	0.000
FINANCIAL MANAGEMENT (OPERATIONAL)	1.988	1.507	-0.481
<b>FINANCIAL MGT (OPERATIONAL) TOTAL</b>	<b>2.237</b>	<b>1.756</b>	<b>-0.481</b>
<b>FINANCIAL MGT (DEVELOPMENT AND SCHOOLS)</b>			

FINANCIAL MANAGEMENT (DEVELOPMENT & SCHOOLS) - MANAGEMENT	0.244	0.244	0.000
SCHOOLS FINANCIAL SERVICES	-0.324	-0.324	0.000
CAPITAL AND GRANTS	0.404	0.335	-0.069
SCHOOLS DEVELOPMENT	0.022	-0.018	-0.040
<b>FINANCIAL MGT (DEVELOPMENT AND SCHOOLS) TOTAL</b>	<b>0.346</b>	<b>0.237</b>	<b>-0.109</b>
<b>CORPORATE FINANCE</b>			
CORPORATE FINANCE - MANAGEMENT	0.244	0.244	0.000
CORPORATE FINANCE	0.582	0.398	-0.184
CORPORATE FINANCE - OTHER	-0.002	-0.002	0.000
EQUAL PAY REVIEW	0.000	0.074	0.074
INSURANCES	0.000	0.000	0.000
SEVERANCE COSTS	0.000	0.000	0.000
<b>CORPORATE FINANCE TOTAL</b>	<b>0.824</b>	<b>0.714</b>	<b>-0.110</b>
<b>EXCHEQUER SERVICES</b>			
EXCHEQUER SERVICES - MANAGEMENT	0.137	0.137	0.000
EXCHEQUER SERVICES	4.031	3.531	-0.500
<b>EXCHEQUER SERVICES TOTAL</b>	<b>4.168</b>	<b>3.668</b>	<b>-0.500</b>
<b>LEGAL, DEMOCRATIC &amp; GOVERNANCE</b>			
LEGAL, DEMOCRATIC AND GOVERNANCE SERVICES - MANAGEMENT	0.101	0.101	0.000
<b>LEGAL, DEMOCRATIC &amp; GOVERNANCE TOTAL</b>	<b>0.101</b>	<b>0.101</b>	<b>0.000</b>
<b>LEGAL AND DEMOCRATIC SERVICES</b>			
CORONERS SERVICE	2.352	2.737	0.385
COUNTY COUNCIL ELECTION	0.400	0.400	0.000
COUNTY COUNCIL MEMBERS	1.727	1.683	-0.044
DEMOCRATIC SERVICES	0.207	0.178	-0.029
DEMOCRATIC SERVICES - GRANTS	0.933	0.933	0.000
LEGAL AND DEMOCRATIC SERVICES - MANAGEMENT	0.724	0.650	-0.074
COMPLAINTS	0.492	0.492	0.000
INFORMATION GOVERNANCE	0.314	0.314	0.000
LEGAL SERVICES	6.045	7.169	1.124
<b>LEGAL AND DEMOCRATIC SERVICES TOTAL</b>	<b>13.194</b>	<b>14.555</b>	<b>1.362</b>
<b>INTERNAL AUDIT</b>			
INTERNAL AUDIT - MANAGEMENT	0.193	0.193	0.000
INTERNAL AUDIT	0.504	0.504	0.000
<b>INTERNAL AUDIT TOTAL</b>	<b>0.697</b>	<b>0.697</b>	<b>0.000</b>
<b>COMMISSIONING TOTAL</b>	<b>37.700</b>	<b>36.077</b>	<b>-1.623</b>

## Appendix 1.7 – Development and Corporate Services

<b>Level E - Cost Centre Description</b>	<b>Revised Annual Budget</b>	<b>Current Period Forecast (ORACLE)</b>	<b>Current Period Forecast Variance (ORACLE)</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>BUSINESS GROWTH</b>			
BUSINESS GROWTH - HEAD OF SERVICE	0.081	0.079	-0.002
<b>BUSINESS GROWTH TOTAL</b>	<b>0.081</b>	<b>0.079</b>	<b>-0.002</b>
<b>CORE BUSINESS SYSTEMS/TRANSFORMATION</b>			
CORE BUSINESS SYSTEMS/TRANSFORMATION - HEAD OF SERVICE	0.617	0.617	0.000
BTLS	10.133	12.799	2.666
BUILDING SERVICES	0.224	0.224	0.000
BUSINESS IMPROVEMENT	0.274	0.274	0.000
BUSINESS SERVICES	0.351	0.351	0.000
BUSINESS SERVICES (D&C)	0.000	0.000	0.000
BUSINESS SERVICES CENTRAL	0.007	0.110	0.103
BUSINESS STRATEGY & COMMISSIONING (DC)	0.524	0.461	-0.063
CHIEF EXECUTIVE	0.000	0.000	0.000
CLIENT MANAGEMENT	0.058	0.058	0.000
DARMS	0.993	0.993	0.000
EXECUTIVE SUPPORT & DOCUMENT MANAGEMENT	0.967	0.878	-0.089
PROCUREMENT & ACCOUNTS PAYABLE	0.156	0.000	-0.156
RECORDS MANAGEMENT	-0.014	-0.117	-0.103
DIRECTORATE WIDE OVERHEADS (CBS/T)	0.060	0.060	0.000
<b>CORE BUSINESS SYSTEMS/TRANSFORMATION TOTAL</b>	<b>14.350</b>	<b>16.708</b>	<b>2.358</b>
<b>CORPORATE SERVICES</b>			
DNU - DEVELOPMENT & CORPORATE DNU - SERVICES (CS)	0.099	0.099	0.000
<b>CORPORATE SERVICES TOTAL</b>	<b>0.099</b>	<b>0.099</b>	<b>0.000</b>
<b>DESIGN and CONSTRUCTION</b>			

DESIGN AND CONSTRUCTION BUILDINGS	-2.625	-2.125	0.500
DESIGN AND CONSTRUCTION HIGHWAYS	-0.679	-0.640	0.039
DESIGN AND CONSTRUCTION PROP SCHEME	0.000	0.000	0.000
DESIGN AND CONSTRUCTION R&M CARE SERVICES	0.570	0.570	0.000
DESIGN AND CONSTRUCTION R&M COUNTY BUILDINGS	4.000	5.000	1.000
ENVIRONMENT APPRENTICES	-0.051	0.076	0.127
DNU - DEVELOPMENT & CORPORATE DNU - SERVICES (D&C)	1.939	1.663	-0.276
<b>DESIGN and CONSTRUCTION TOTAL</b>	<b>3.154</b>	<b>4.544</b>	<b>1.390</b>
<b>DEVELOPMENT AND CORPORATE SERVICES</b>			
DIRECTORATE WIDE OVERHEADS (D&C)	0.006	0.006	0.000
DNU - DEVELOPMENT & CORPORATE DNU - SERVICES (D&CS)	0.166	0.166	0.000
<b>DEVELOPMENT AND CORPORATE SERVICES TOTAL</b>	<b>0.172</b>	<b>0.172</b>	<b>0.000</b>
<b>ECONOMIC DEVELOPMENT</b>			
ECONOMIC DEVELOPMENT	1.204	1.204	0.000
LCDL	0.000	0.000	0.000
DNU - DEVELOPMENT & CORPORATE DNU - SERVICES (EM)	0.113	0.113	0.000
<b>ECONOMIC DEVELOPMENT TOTAL</b>	<b>1.317</b>	<b>1.317</b>	<b>0.000</b>
<b>ESTATES</b>			
AGRICULTURAL ESTATES	0.000	0.000	0.000
ESTATES	0.585	0.000	-0.585
ESTATES - HEAD OF SERVICE	0.290	0.290	0.000
SWIMMING POOLS	0.004	0.004	0.000
TRAVELLERS SITES	0.130	0.084	-0.046
TRANSFERRED TO ESTATES	0.778	0.668	-0.110
<b>ESTATES TOTAL</b>	<b>1.787</b>	<b>1.046</b>	<b>-0.741</b>
<b>FACILITIES MGT</b>			
BUILDING CLEANING	-0.301	-0.246	0.055
BUILDINGS / ACCOMODATION	4.912	5.652	0.740
BUILDINGS / ACCOMODATION - YOUTH	0.240	0.240	0.000
CLEANING	0.000	0.000	0.000

DIRECT CLEANING CONTRACTS	0.000	0.000	0.000
LCC - ACS SITES	0.000	0.000	0.000
LCC CLEANING CONTRACT	0.000	0.000	0.000
LCC -SLAS	0.000	0.000	0.000
STAFF & CIVIC CATERING	0.000	0.000	0.000
COUNTY BUILDINGS	0.000	0.000	0.000
COLLEGES / FURTHER EDUCATION	-0.308	-0.166	0.142
COUNTY BUILDINGS NON DFM	0.000	0.000	0.000
DNU - DEVELOPMENT & CORPORATE DNU - SERVICES (FM)	0.183	0.165	-0.018
NOW MAPPED TO DESIGN & CONSTRUCTION	0.000	0.000	0.000
<b>FACILITIES MGT TOTAL</b>	<b>4.726</b>	<b>5.645</b>	<b>0.919</b>
<b>HEALTH &amp; CARE SYSTEMS DEVELOPMENT</b>			
HEALTH & CARE SYSTEMS DEVELOPMENT	0.730	0.781	0.051
<b>HEALTH &amp; CARE SYSTEMS DEVELOPMENT TOTAL</b>	<b>0.730</b>	<b>0.781</b>	<b>0.051</b>
<b>HUMAN RESOURCES</b>			
HUMAN RESOURCES	0.745	0.550	-0.195
HUMAN RESOURCES - HEAD OF SERVICE	0.430	0.430	0.000
<b>HUMAN RESOURCES TOTAL</b>	<b>1.175</b>	<b>0.980</b>	<b>-0.195</b>
<b>LEP COORDINATION</b>			
LEP COORDINATION - HEAD OF SERVICE	0.081	0.046	-0.035
<b>LEP COORDINATION TOTAL</b>	<b>0.081</b>	<b>0.046</b>	<b>-0.035</b>
<b>LANCASHIRE ADULT LEARNING</b>			
LANCASHIRE ADULT LEARNING	-2.485	0.078	2.563
<b>LANCASHIRE ADULT LEARNING TOTAL</b>	<b>-2.485</b>	<b>0.078</b>	<b>2.563</b>
<b>PLANNING AND ENVIRONMENT</b>			
COUNTRYSIDE SERVICE	0.481	0.481	0.000
ENVIRONMENTAL & COMMUNITY PROJECTS	0.599	0.599	0.000
HoS -PLANNING AND ENVIRONMENT	0.260	0.260	0.000
LEVIES (D&C)	0.189	0.189	0.000
PLANNING	0.570	0.570	0.000
PROW	0.561	0.561	0.000



RURAL	0.024	0.024	0.000
<b>PLANNING AND ENVIRONMENT TOTAL</b>	<b>2.684</b>	<b>2.684</b>	<b>0.000</b>
<b>PROGRAMME OFFICE</b>			
PROGRAMME OFFICE - HEAD OF SERVICE	1.380	1.415	0.035
PROGRAMME OFFICE	1.206	0.660	-0.546
<b>PROGRAMME OFFICE TOTAL</b>	<b>2.586</b>	<b>2.075</b>	<b>-0.511</b>
<b>PROGRAMMES &amp; PROJECT MGT</b>			
DIRECTORATE WIDE OVERHEADS (P&PM)	0.006	0.006	0.000
DNU - DEVELOPMENT & CORPORATE DNU - SERVICES (P&PM)	0.111	0.111	0.000
<b>PROGRAMMES &amp; PROJECT MGT TOTAL</b>	<b>0.117</b>	<b>0.117</b>	<b>0.000</b>
<b>SKILLS, LEARNING AND DEVELOPMENT</b>			
SKILLS, LEARNING AND DEVELOPMENT	4.428	3.383	-1.045
SKILLS, LEARNING AND DEVELOPMENT - HEAD OF SERVICE	0.310	0.310	0.000
<b>SKILLS, LEARNING &amp; DEVELOPMENT TOTAL</b>	<b>4.738</b>	<b>3.693</b>	<b>-1.045</b>
<b>STRATEGIC ECONOMIC DEVELOPMENT</b>			
STRATEGIC ECONOMIC DEVELOPMENT - HEAD OF SERVICE	0.081	0.078	-0.003
<b>STRATEGIC ECONOMIC DEVELOPMENT TOTAL</b>	<b>0.081</b>	<b>0.078</b>	<b>-0.003</b>
<b>DEVELOPMENT AND CORPORATE SERVICES TOTAL</b>	<b>35.393</b>	<b>40.142</b>	<b>4.749</b>

## Appendix 1.8 – Chief Executive

<b>Service Grouping</b>	<b>Revised Annual Budget</b>	<b>Current Period Forecast</b>	<b>Current Period Forecast Variance</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>CHIEF EXECUTIVE</b>			
CHIEF EXECUTIVE	0.217	0.217	0.000
SUPERNUMMARY MANAGEMENT (PHASE 1)	0.000	0.000	0.000
CHIEF EXECUTIVE - OTHER	0.057	0.057	0.000
COUNTY COUNCIL NETWORK	0.000	0.000	0.000
<b>CHIEF EXECUTIVE TOTAL</b>	<b>0.274</b>	<b>0.274</b>	<b>0.000</b>
<b>SERVICE COMMUNICATIONS</b>			
SERVICE COMMUNICATIONS - MANAGEMENT	0.193	0.193	0.000
SERVICE COMMUNICATIONS	1.390	1.175	-0.215
<b>SERVICE COMMUNICATIONS TOTAL</b>	<b>1.583</b>	<b>1.368</b>	<b>-0.215</b>
<b>CONTINGENCIES</b>			
RETURNING SERVICES CONTINGENCIES	0.454	0.000	-0.454
RETURNING SERVICES GENERAL	0.000	0.000	0.000
SOCIAL CARE STAFF CONTINGENCIES	0.000	0.000	0.000
CARE AND URGENT NEEDS SUPPORT SCHEME CONTINGENCIES	0.171	0.000	-0.171
<b>CONTINGENCIES TOTAL</b>	<b>0.625</b>	<b>0.000</b>	<b>-0.625</b>
<b>NON SERVICE ISSUES CORPORATE BUDGETS</b>			
FORMER CYP CENTRALLY MANAGED PROJECTS	-0.062	0.560	0.622
NHB - CONTR. TO CITY DEAL	1.295	1.295	0.000
PENSIONS - INHERITED LIABILITY	13.873	13.873	0.000
PENSIONS - CENTRAL EMPLOYERS CONTRIBUTION	16.967	16.478	-0.489
PENSIONS (CE)	0.000	0.000	0.000
STRATEGIC	-4.098	-4.098	0.000
SUBSCRIPTIONS & FEES	0.570	0.570	0.000
TREASURY MANAGEMENT	46.403	34.403	-12.000
<b>NON SERVICE ISSUES CORPORATE BUDGETS TOTAL</b>	<b>74.948</b>	<b>63.080</b>	<b>-11.867</b>
<b>LARGE SPECIFIC GRANTS TO SUPPORT THE AUTHORITY</b>			
CYP DIRECTORATE GRANTS	-15.866	-16.113	-0.247

PUBLIC HEALTH			0.000
CARE ACT			0.000
<b>LARGE SPECIFIC GRANTS TO SUPPORT THE AUTHORITY TOTAL</b>	<b>-15.866</b>	<b>-16.113</b>	<b>-0.247</b>
<b>CHIEF EXECUTIVE TOTAL</b>	<b>61.564</b>	<b>48.609</b>	<b>-12.955</b>



# **Money Matters**

## **Update on the County Council's Reserves**

### **Position as at 31<sup>st</sup> December 2015**

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# Money Matters – Update on the County Council's Reserves Position for 2015/16

## 1. Introduction

This report sets out the reserves position in line with the current budget monitoring report. The Money Matters Report agreed at Cabinet on 26<sup>th</sup> November 2015 identified an estimated reserves requirement of £144m being needed to support the revenue budgets in 2016/17 and 2017/18. This reflected both the Risk Reserve position and the estimated funding gap based on the MTFS less identified savings. Following the finance settlement, the requirement has increased to £145m.

This report states the existing plan of reserves commitments plus the impact of creating the Transitional Reserve. In some cases, this has meant a significant change to the original plans for the reserves. The transfers to the Transitional Reserve are proposed from existing reserves that do not yet have binding commitments, are reserves from non-statutory services or are reserves intended for capital funding. The capital reserves can be replaced by borrowing which will then release these funds for the Transitional Reserve whilst also allowing the County Council to continue with its capital programme.

By 31<sup>st</sup> March 2018 it is expected that there will only be the £36m County Fund and a residual £20.613m of service reserves. All other reserves will have been spent.

## 2. Summary

As at 1<sup>st</sup> April 2015 the County Council had total reserves of £424.650m. Of this, £95.951m is held for schools and its use is restricted. Therefore the County Council's reserves were £328.699m. This total includes £65.454m of partner / non-LCC funds held for joint projects which are included in the figures shown within this report.

So far this year, there has been a further £30.042m added to reserves. There are £99.189m of outstanding in-year commitments. This will leave a balance on reserves at 31<sup>st</sup> March 2016 of £259.552m. There are commitments of £148.219m in 2016/17 and £54.721m of commitments in 2017/18. This will leave the £36m County Fund and £20.613m of Service Reserves by 31<sup>st</sup> March 2018. The remaining service reserves by this date are mainly for long-term PFI commitments and waste plant maintenance.

**The 2015/16 forecast net overspend of £9.591m as detailed in Appendix A has been set against the proposed Transitional Reserve.**



The table below illustrates the summary forecast position in respect of the Council's reserves:

Reserve Name	Opening Balance as at 1 April 2015	Actual In Year Changes	Transitional Reserve - non-capital commitments	Transitional Reserve - capital commitments	Other commitments	Closing Balance as at 31 March 2016	2016-17 Commitments	2017-18 Commitments	Closing balance as at 31 March 2018	Previous Forecast (Sept 15)	Variance to Previous Forecast
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
County Fund (3.1)	-36.000	0.000	0.000	0.000	0.000	-36.000	0.000	0.000	-36.000	-11.234	-24.766
Business Rates Volatility Reserve (3.2)	-5.000	0.000	5.000	0.000	0.000	0.000	0.000	0.000	0.000	-5.000	5.000
Strategic Investment Reserve (3.3)	-21.391	-14.580	14.687	17.034	2.920	-1.330	1.330	0.000	0.000	-1.016	1.016
Downsizing Reserve (3.4.1)	-80.606	-6.057	10.417	0.000	16.069	-60.177	47.425	12.752	0.000	0.000	0.000
Risk Management Reserve (3.4.2)	-82.020	29.594	2.633	16.050	20.843	-12.900	12.900	0.000	0.000	21.718	-21.718
Service Reserves	-103.682	-38.999	23.172	28.197	49.766	-41.546	19.897	1.036	-20.613	-41.754	21.141
Proposed Transitional Reserve	0.000	0.000	-55.909	-61.281	9.591	-107.599	66.667	40.932	0.000	0.000	0.000
<b>TOTAL</b>	<b>-328.699</b>	<b>-30.042</b>	<b>0.000</b>	<b>0.000</b>	<b>99.189</b>	<b>-259.552</b>	<b>148.219</b>	<b>54.720</b>	<b>-56.613</b>	<b>-37.286</b>	<b>-19.327</b>

Note: the Service Reserves reflect the inclusion of the actual income and committed expenditure for the Growth Deal of £39.5m.

### 3. Reserves

#### 3.1 County Fund Balance

The County Fund is the balance set aside to cover the authority against a serious emergency situation (e.g. widespread flooding); a critical and unexpected loss of income to the authority and for general cash flow purposes. In considering these various factors the County Council holds a County Fund balance at £36m. It is proposed this balance is retained as a prudent safeguard against any unexpected financial pressures.

#### 3.2 Business Rates Volatility Reserve

Business rates are an important source of finance for the authority. However, this income can fluctuate depending upon changes in rateable value and the impact of any valuation appeals. In the last quarter of the 2014/15 financial year there was a sudden increase in the number of valuation appeals. The results of the appeals are not likely to be known until early 2016.

In addition the Chancellor has announced a national review of the business rates system. This will see local government retaining 100% of all business rates although it has been indicated that this will also come with "new responsibilities". More details of the reform of business rates are expected when the Government consultation on business rates is published.

Also, from 1<sup>st</sup> April 2016, the Secretary of State has given approval for Lancashire County Council to form a business rates pool with 9 of the local District Authorities, enabling the pool to retain all business rates growth. The County Council will retain 10% of any growth. Currently, 50% of all growth above a set level is returned to Central Government.

It is proposed that £5m from this reserve is transferred to the Transitional Reserve. Any Business Rates risks will be met in future by either the County Fund or the Transitional Reserve.

### **3.3 Strategic Investment Reserve**

This reserve is held to fund an agreed programme of investment in areas including economic development, increasing employment opportunities and the development of apprenticeship programmes.

This reserve currently has a balance of £35.971m. It is proposed that £31.721m be transferred to the Transitional Reserve and £2.920m set aside for other commitments. This will leave a balance of £1.330m which is planned to be used in 2016/17.

Details of the commitments are shown in Annex A.

### **3.4 Reserves held to deliver Organisational Change**

The County Council currently has two reserves to deliver organisational change: the Downsizing Reserve and the Risk Management Reserve.

#### **3.4.1 Downsizing Reserve**

The Downsizing Reserve is predominantly used to fund voluntary redundancies arising from the reduction in the size of the organisation.

This reserve currently has a balance of £86.663m. It is proposed that £10.417m be transferred to the Transitional Reserve. There are a further £16.069m of forecasted redundancy costs for this year. It is estimated that there are £60.177m of redundancy costs in 2016/17 and 2017/18 which will reduce the reserve to a nil balance by 31<sup>st</sup> March 2018.

Details of the commitments are shown in Annex B.

#### **3.4.2 Risk Management Reserve**

The Risk Management Reserve was created as a result of extraordinary Treasury Management performance during 2014/15 and previous years. This reserve is available to help the authority manage risks to funding and service delivery going forward.

This reserve currently has a balance of £52.426m. It is proposed that £18.683m be transferred to the Transitional Reserve and £20.843 set aside for other commitments.

The remaining balance of £12.9m is planned to be used in 2016/17, leaving a nil balance by 31<sup>st</sup> March 2017.

Details of the commitments are shown in Annex B.

### 3.5 Service Reserves

The County Council holds numerous reserves for specific service provision.

Currently, the reserves total £142.681m. It is proposed that £51.369m be transferred to the Transitional Reserve. There are existing commitments to services of £49.766m (including a £39.5m commitment to the Growth Deal).

There are known commitments of £19.897m in 2016/17 and £1.036m in 2017/18 that will reduce the balance to £20.613m by 31<sup>st</sup> March 2018. The majority of the balance in 2018 relates to long term PFI programmes and ongoing funding for Waste Plant maintenance.

Details of the Service Reserves are shown in Annex C.

### 3.6 Schools

Under statute schools have delegated budgets. It is the responsibility of the individual schools to maintain reserves to cover risks and meet future plans. As schools make their own delegated decisions on when to use reserves, no forecast is made. School reserves cannot be used for any other purpose. The current status of schools' reserves is as follows:

Reserve Name	Opening Balance as at 1 April 2015	YTD actuals 2015/16	Forecast Closing Balance as at 31 March 2016
	£m	£m	£m
School Reserves	95.951	7.221	88.730

## 4. Impact of 2015/16 Outturn Forecast

The current monitoring report is showing a potential demand on resources of £9.591m as a result of this being the current forecast outturn overspend position. This has been committed against the Transitional Reserve.

## 5. Transitional Reserve and capital borrowing

The plans announced at 26<sup>th</sup> November Cabinet for the period 1<sup>st</sup> April 2016 until 31<sup>st</sup> March 2018 are heavily supported by reserves. It is proposed that a new Transitional Reserve would be created to provide a source of funding for these plans. So far, the Cabinet plans have specifically identified £65.959m use of reserves during the period. In addition, there was a funding gap identified in the Medium Term Financial Strategy which was also planned to be funded from reserves. As a result, a target of £143.973m was set for the Transitional Reserve in November 2015. Following the financial settlement and revisions to the MTFS report at Appendix C, the updated reserves requirement has increased to £145m.

It is also proposed that any external consultancy support to design and implement the County Council's future organisation model, is funded from the Transitional Reserve. This external consultancy support was highlighted in financial reports to Cabinet in August 2015 and November 2015.

In total, this report identifies £117.190m of reserves that can be used to create the Transitional Reserve. These transfers can be made from existing reserves that do not yet have binding commitments, are reserves from non-statutory services or are reserves intended for capital funding.

£61.281m of the Transitional Reserve originates from previous reserves set aside to fund capital work, which can now be replaced by borrowing. £55.909m relates to non-capital work and will be transferred directly from other reserves.

It is proposed that the current forecasted in-year overspend of £9.591m is set against the Transitional Reserve. This would leave a balance of £107.599m available to support the financial plans for the next two years which will go towards meeting the overall £145m that is required. If the planned changes to the Minimum Revenue Provision (MRP) policy are applied this year, then it is expected that this will be sufficient to cover the current forecast overspend of £9.591m and therefore the full £117.190m will be available for the Transitional Reserve assuming a balanced position in 2015/16.

The contribution to the Transitional Reserve and the amount of capital spending that is to be replaced by borrowing is tabulated below. The additional cost of the borrowing is reflected in the attached capital programme and MTFS reports.

Reserve Name	Non-capital Contribution to Transitional Reserve	Capital contribution to Transitional Reserve (to be replaced by borrowing)	Total contribution to Transformation Reserve
	£m	£m	£m
Business Rates Volatility Reserve (3.2)	5.000	0.000	5.000
Strategic Investment Reserve (3.3)	14.687	17.034	31.721
Downsizing Reserve (3.4.1)	10.417	0.000	10.417
Risk Management Reserve (3.4.2)	2.633	16.050	18.683
Service Reserves (3.5)	23.172	28.197	51.369
<b>TOTAL</b>	<b>55.909</b>	<b>61.281</b>	<b>117.190</b>
Less in-year 2015/16 overspend			9.591
<b>TOTAL</b>	<b>55.909</b>	<b>61.281</b>	<b>107.599</b>

The creation of the Transitional Reserve will have a significant impact on certain current non-capital approvals for the use of the reserves. For example:

- Within the Strategic Investment reserve, £9.038m was set aside for Promoting Sustainable Employment for Young People (approved by Cabinet in February 2012). Of this, it is proposed that £8.263m is transferred to the Transitional Reserve. This will affect the Authority's work regarding apprenticeships and lead to the programme ceasing at the end of March 2016.

- Within the Strategic Investment Reserve there is £3m set aside for Sustainable Employment in Adults (approved by Cabinet in February 2013). It is proposed the full £3m is transferred to the Transitional Reserve. This was to provide a 3 year programme aimed at retraining and reskilling opportunities for adults across Lancashire, to enable them to access employment opportunities. This programme would then cease in March 2016.
- Within the Strategic Investment Reserve there is £1.3m set aside for joint working with Lancashire Constabulary in the "Early Action / Early Response" scheme. The reserve was to fund staffing for preventative work but only very limited recruitment has taken place. The remainder of the reserve is currently unused.
- From the Downsizing Reserve, £10.417m has been found by recalculating the estimated VR costs and a reduction in the estimate of the cost of the Adult Social Care Review. This recalculation does not impact directly on frontline services.
- Within Service Reserves, there is £6.215m set aside for Public Health. Having reviewed the proposed commitments for this reserve, £5.315m can be made available for the Transitional Reserve and this will be ringfenced to Public Health transformation.
- Within Service Reserves, there is £2.964m set aside for Development Services. These were planned to be used for one-off projects such as IT replacement or economic development activities. It is estimated that £2.136m can be made available for the Transitional Reserve.
- Within Service Reserves, there is £1.103m set aside for Buildings Repair and Renewals. This reserve could be transferred to the Transitional Reserve and any Buildings Repair work could be capitalised and replaced by borrowing.

### **6. Conclusion**

Following the 26<sup>th</sup> November Cabinet decision recommending the use of reserves to support the financial plans for 2016/17 and 2017/18, the commitments against reserves have been reviewed.

This would enable the creation of an estimated £117.190m Transformation Reserve which will help to support the financial strategy for the next two years. The majority of this reserve has been created by replacing the use of reserves for capital work with borrowing, without affecting service delivery. The remainder of the Transitional Reserve originates from under-utilised reserves or from non-statutory services. The total amount of reserves funding required is currently estimated to be £145m.

By 31<sup>st</sup> March 2018, apart from the £36m County Fund and the £20.613m Service Reserves, all reserves will have been utilised. This will leave the County Council with minimal reserve resources to support its operations and manage risks after this date.

## 7. Annex A – Strategic Investment Reserve

STRATEGIC INVESTMENT RESERVE	Opening Balance as at 1 April 2015	2015-16 Actual In Year Changes	Transitional Reserve - capital	Transitional Reserve - non-capital	Other commitments	Closing Balance as at 31 March 2016	2016-17 Commitments	2017-18 Commitments	Total as at 31 March 2018	Previous Forecast (Sept 15)	Variance to Previous Forecast
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Promoting Sustainable Employment for Young People	-9.038	0.000	0.000	8.263	0.775	0.000	0.000	0.000	0.000	0.000	0.000
Young Person's Travel	-1.716	0.000	0.000	1.116	0.600	0.000	0.000	0.000	0.000	-0.516	0.516
Economic Development - GAMMA	-0.213	0.121	0.000	0.000	0.092	0.000	0.000	0.000	0.000	0.000	0.000
Economic Enterprise Zone Strategic Development	-0.500	0.000	0.000	0.000	0.500	0.000	0.000	0.000	0.000	0.000	0.000
Economic Development - Exertis	-0.500	0.000	0.000	0.000	0.500	0.000	0.000	0.000	0.000	0.000	0.000
Economic Development - Boost Continuation	-1.929	0.000	0.000	0.000	1.929	0.000	0.000	0.000	0.000	0.000	0.000
Armed Forces Apprentice Costs	-2.645	0.000	0.000	0.645	0.775	-1.225	1.225	0.000	0.000	-0.500	0.500
Early Action /Early Response	-1.300	0.000	0.000	1.113	0.082	-0.105	0.105	0.000	0.000	0.000	0.000
Sustainable Employment in Adults	-3.300	0.000	0.000	3.300	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Training for Social Workers – dementia care	-0.250	0.000	0.000	0.250	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Capital - to provide funding for the Highways and Transplant Masterplans	0.000	0.000	4.044	0.000	0.000	4.044	0.000	0.000	4.044	4.044	0.000
Green Energy Fund	0.000	0.000	0.000	0.000	5.000	5.000	0.000	0.000	5.000	5.000	0.000
Core Systems Transformation	0.000	7.990	7.990	0.000	-7.333	8.647	0.000	0.000	8.647	8.647	0.000
Street Lighting Capital Program 3 year contribution	0.000	0.000	5.000	0.000	0.000	5.000	0.000	0.000	5.000	5.000	0.000
Transfer from Risk Management Reserve	0.000	-22.691	0.000	0.000	0.000	-22.691	0.000	0.000	-22.691	-22.691	0.000
<b>Balance</b>	<b>-21.391</b>	<b>-14.580</b>	<b>17.034</b>	<b>14.687</b>	<b>2.920</b>	<b>-1.330</b>	<b>1.330</b>	<b>0.000</b>	<b>0.000</b>	<b>-1.016</b>	<b>1.016</b>

## 8. Annex B – Downsizing and Risk Management Reserves

<b>DOWNSIZING &amp; RISK MANAGEMENT RESERVES</b>	<b>Opening Balance as at 1 April 2015</b>	<b>2015-16 Actual In Year Changes</b>	<b>Transitional Reserve - capital</b>	<b>Transitional Reserve - non-capital</b>	<b>Other commitments</b>	<b>Closing spend as at 31 March 2016</b>	<b>2016-17 Commitments</b>	<b>2017-18 Commitments</b>	<b>Total as at 31 March 2018</b>	<b>Previous Forecast (Sept 15)</b>	<b>Variance to Previous Forecast</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Downsizing Reserve</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Cost of carry from Phase 1	0.000	0.000	0.000	1.700	5.500	7.200	0.000	0.000	7.200	7.200	0.000
Redundancy provision	0.000	0.000	0.000	5.717	10.151	15.868	38.137	12.713	66.717	66.717	0.000
Transitional costs associated with Transformation Programme	0.000	0.167	0.000	0.000	0.348	0.515	2.288	0.040	2.843	2.843	0.000
Review for Adult Social Care	0.000	0.000	0.000	3.000	0.000	3.000	7.000	0.000	10.000	10.000	0.000
Additional costs of Interim DoFR	0.000	0.000	0.000	0.000	0.070	0.070	0.000	0.000	0.070	0.070	0.000
<b>Transfer from Risk Management Reserve</b>	<b>0.000</b>	<b>-6.224</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>-6.224</b>	<b>0.000</b>	<b>0.000</b>	<b>-6.224</b>	<b>-6.224</b>	<b>0.000</b>
<b>Total on Downsizing Reserve</b>	<b>-80.606</b>	<b>-6.057</b>	<b>0.000</b>	<b>10.417</b>	<b>16.069</b>	<b>20.429</b>	<b>47.425</b>	<b>12.753</b>	<b>80.606</b>	<b>80.606</b>	<b>0.000</b>
<b>Risk Management Reserve</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Occupational Health	0.000	0.000	0.000	0.084	0.000	0.084	0.000	0.000	0.084	0.084	0.000
Adults LD Remodelling Reserve	0.000	0.000	0.000	1.364	0.000	1.364	0.000	0.000	1.364	1.364	0.000
Council Tax Collection Fund surplus in 2014-15	0.000	-5.400	0.000	0.000	0.000	-5.400	0.000	0.000	-5.400	-5.400	0.000
Returned New Homes Bonus	0.000	-0.564	0.000	0.000	0.000	-0.564	0.000	0.000	-0.564	-0.564	0.000
Business Rates Collection Fund Surplus 2014-15	0.000	-0.426	0.000	0.000	0.000	-0.426	0.000	0.000	-0.426	-0.426	0.000
Revenue Corporate Strategic budget	0.000	5.464	0.000	0.000	0.000	5.464	0.000	0.000	5.464	5.464	0.000
Adult Social Care Budget Consultation	0.000	0.000	0.000	13.819	0.000	13.819	0.000	0.000	13.819	13.819	0.000
Provision to mitigate against risk - Property rationalisation	0.000	0.000	0.000	1.108	0.000	1.108	0.000	0.000	1.108	1.108	0.000
Provision to mitigate against risk DoLS- Deprivation of Liberty Safeguards	0.000	0.000	0.000	0.000	0.000	0.000	2.900	0.000	2.900	2.900	0.000
Insurance Provision	0.000	0.000	0.000	0.000	6.050	6.050	0.000	0.000	6.050	6.050	0.000
Capital - to provide funding for the shortfall of capital receipts	0.000	0.000	5.000	0.000	0.000	5.000	0.000	0.000	5.000	5.000	0.000
Impact of Fairness Commission Report Council Welfare Provision and the Care and Urgent Needs	0.000	0.000	0.000	0.000	0.000	0.000	3.000	0.000	3.000	3.000	0.000
Fund 3 years R&M Capital Assets	0.000	0.000	3.250	0.000	0.000	3.250	0.000	0.000	3.250	3.250	0.000
The risk of flooding due to lack of gully emptying	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
School Crossing Patrols	0.000	0.000	0.000	0.000	0.000	0.000	1.500	0.000	1.500	1.500	0.000
Waste PFI Grant	0.000	0.000	0.000	0.000	5.990	5.990	0.000	0.000	5.990	5.990	0.000
Integration of Health and Care services	0.000	0.000	0.000	0.750	0.000	0.750	0.000	0.000	0.750	0.750	0.000
Social Work Dedicated Review Team	0.000	0.000	0.000	0.000	0.153	0.153	2.500	0.000	2.653	2.653	0.000
Integrated Wellbeing Adult Social Care	0.000	0.000	0.000	0.400	0.000	0.400	0.000	0.000	0.400	0.400	0.000
Liquid Logic - Children's Services	0.000	0.000	0.000	0.000	0.400	0.400	0.000	0.000	0.400	0.400	0.000
Liquid Logic - Adult Social Care	0.000	0.000	0.000	0.000	0.250	0.250	0.000	0.000	0.250	0.250	0.000
Liquid Logic - for capital expenditure	0.000	0.000	0.300	0.000	0.000	0.300	0.000	0.000	0.300	0.300	0.000
Corporate - Additional ICT Costs	0.000	0.000	0.000	6.000	0.000	6.000	0.000	0.000	6.000	6.000	0.000
CLEO and BTLs budget realignment	0.000	0.000	0.000	0.000	6.700	6.700	0.000	0.000	6.700	1.600	5.100
Delivery of Preston, South Ribble & Lancashire City Deal	0.000	0.000	7.000	0.000	0.000	7.000	0.000	0.000	7.000	7.000	0.000
Payment of additional allowances when staff are on leave	0.000	0.000	0.000	0.000	1.300	1.300	0.000	0.000	1.300	1.300	0.000
Rowley landfill improvements	0.000	0.000	0.500	0.000	0.000	0.500	0.000	0.000	0.500	0.500	0.000
Delay in Wellbeing & Prevention Service Offer	0.000	0.000	0.000	0.000	0.000	0.000	3.000	0.000	3.000	8.926	-5.926
Care & Urgent Needs Reserve	0.000	1.605	0.000	0.000	0.000	1.605	0.000	0.000	1.605	1.605	0.000
Replace Risk Mgt overspend from Transitional Reserve	0.000	0.000	0.000	-20.892	0.000	-20.892	0.000	0.000	-20.892	0.000	-20.892
<b>Transfer to Strategic Investment Reserve</b>	<b>0.000</b>	<b>22.691</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>22.691</b>	<b>0.000</b>	<b>0.000</b>	<b>22.691</b>	<b>22.691</b>	<b>0.000</b>
<b>Transfer to Downsizing Reserve</b>	<b>0.000</b>	<b>6.224</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>6.224</b>	<b>0.000</b>	<b>0.000</b>	<b>6.224</b>	<b>6.224</b>	<b>0.000</b>
<b>Total on Risk Management Reserve</b>	<b>-82.020</b>	<b>29.594</b>	<b>16.050</b>	<b>2.633</b>	<b>20.843</b>	<b>69.120</b>	<b>12.900</b>	<b>0.000</b>	<b>82.020</b>	<b>103.738</b>	<b>-21.718</b>

## 9. Annex C – Service Reserves

Reserve Name	Opening Balance as at 1 April 2015	2015-16 Actual In Year Changes	Transitional Reserve - capital	Transitional Reserve - non-capital	Other commitments	Closing balance as at 31 Mar 2016	2016-17 Commitments	2017-18 Commitments	Closing balance as at 31 Mar 2018	Previous Forecast (Sept 15)	Variance to Previous Forecast
	£m	£m		£m	£m	£m	£m	£m	£m	£m	£m
YOT - General Youth Offending	-0.867	0.000	0.000	0.356	0.060	-0.451	0.146	0.055	-0.250	-0.632	0.382
Former CYP DFM* General	-3.698	-0.741	0.000	0.694	2.496	-1.249	1.249	0.000	0.000	-0.273	0.273
Former CYP Directorate Grant Funded	-5.327	5.327	0.000	0.000	-3.025	-3.025	1.222	0.000	-1.803	-2.241	0.438
Contingency For Children's Social Care	-0.014	0.000	0.000	0.014	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Crime & Disorder	-1.636	0.000	0.000	0.962	0.553	-0.121	0.121	0.000	0.000	0.000	0.000
Schools – Fulwood High School Private	-1.084	0.000	0.000	0.000	0.030	-1.054	0.040	0.050	-0.964	-0.964	0.000
Finance Initiative Earmarked Reserve Schools – Private Finance Initiative - Building Schools for the Future Wave 1	-5.750	0.000	0.000	0.000	-0.870	-6.620	-0.740	-0.640	-8.000	-8.000	0.000
Exhibitions Reserve	-0.052	0.000	0.000	0.052	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Museum Acquisition Fund	-0.072	0.000	0.000	0.072	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Archives Development Fund	-0.003	0.000	0.000	0.003	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Queen Street Steam Engine Repair Fund.	-0.236	0.000	0.000	0.027	0.000	-0.209	0.000	0.000	-0.209	-0.236	0.027
Lancaster City General Acquisitions Fund	-0.011	0.000	0.000	0.000	0.000	-0.011	0.000	0.000	-0.011	-0.011	0.000
Lancaster Adult Learning HQ General	-0.365	-0.317	0.000	0.000	0.682	0.000	0.000	0.000	0.000	-0.211	0.211
Arts Development Fund	-0.024	0.024	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Former Adults - Early Intervention	-4.757	0.000	0.000	4.757	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Former Adults Directorate Grant Funded	-2.837	-0.071	0.000	2.335	0.557	-0.016	0.016	0.000	0.000	-0.719	0.719
Adult Social Care - Transit	-1.365	0.000	0.000	0.000	0.000	-1.365	1.365	0.000	0.000	0.000	0.000
Health Services	-7.924	0.369	0.000	1.170	-0.146	-6.532	6.532	0.000	0.000	0.000	0.000
Better Care Fund Reserve	-4.368	2.250	0.000	0.000	0.000	-2.118	0.000	0.000	-2.118	-4.368	2.250
Extra Care Fund Reserve	-3.000	0.000	3.000	0.000	0.000	0.000	0.000	0.000	0.000	-3.000	3.000
Contributions from Development	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Lancashire Road Safety Partnership	-0.767	0.000	0.000	0.150	0.617	0.000	0.000	0.000	0.000	0.000	0.000
Roundabout Sponsorship Income	-0.231	-0.026	0.000	0.203	0.054	0.000	0.000	0.000	0.000	-0.074	0.074
Improved Outcomes Partnership	-0.137	0.048	0.000	0.031	0.058	0.000	0.000	0.000	0.000	0.000	0.000
UK & Ireland Civnet Network	-0.055	0.025	0.000	0.000	0.000	-0.030	0.030	0.000	0.000	0.000	0.000
Waste PFI Compensation Payments Reserve	-0.387	0.000	0.000	0.000	0.021	-0.366	0.015	0.000	-0.351	-0.366	0.015
Equipment Renewal Reserve	-0.801	0.107	0.000	0.585	0.109	0.000	0.000	0.000	0.000	0.000	0.000
Joint Service Needs Assessment Reserve	-0.104	0.000	0.000	0.000	0.104	0.000	0.000	0.000	0.000	0.000	0.000
Multi Agency Data Exchange Reserve	-0.045	0.000	0.000	0.000	0.045	0.000	0.000	0.000	0.000	0.000	0.000
Parking Reserve Fund Reserves	-0.690	0.012	0.000	0.678	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Building Design & Consultancy Reserve	-0.097	0.000	0.000	0.057	0.040	0.000	0.000	0.000	0.000	0.000	0.000
NoW Card Renewal	-0.380	0.000	0.000	0.000	-0.020	-0.400	0.400	-0.080	-0.080	-0.080	0.000
Energy Surveys	-0.109	0.000	0.000	0.000	0.109	0.000	0.000	0.000	0.000	0.000	0.000
Priorities Contingencies Reserve	-0.235	0.235	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Waste Plant Rectification	-20.000	4.000	8.500	0.000	0.000	-7.500	2.500	0.000	-5.000	-14.056	9.056
Former Finance & Information DFM General	-0.335	0.013	0.000	0.262	0.060	0.000	0.000	0.000	0.000	0.000	0.000
Former OCE General Reserve	-0.727	0.727	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Former OCE DFM General	-0.378	0.000	0.000	0.000	0.378	0.000	0.000	0.000	0.000	0.000	0.000
Economic Development Reserve	-0.493	0.210	0.000	0.000	-0.210	-0.493	0.493	0.000	0.000	0.000	0.000
Lancashire Enterprise Partnership (LEP) Reserve	-1.179	0.000	0.000	0.000	0.000	-1.179	1.179	0.000	0.000	0.000	0.000
City Deal	-6.951	1.295	0.000	0.000	0.000	-5.656	5.656	0.000	0.000	0.000	0.000
Development Services Reserve	-2.964	0.828	0.000	2.136	0.000	0.000	0.000	0.000	0.000	-0.225	0.225
Growth Deal	0.000	-39.350	0.000	0.000	39.350	0.000	0.000	0.000	0.000	0.000	0.000
Care & Urgent Needs Reserve	0.000	-1.605	0.000	1.605	0.000	0.000	0.000	0.000	0.000	-1.605	1.605
Champions Funds	-0.004	0.001	0.000	0.000	-0.001	-0.004	0.004	0.000	0.000	0.000	0.000
Vehicle Excess Reserve - LCC	-0.259	0.008	0.000	0.251	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Buildings Repair & Renewals Reserve	-1.103	0.000	0.000	1.103	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Former Corporate DFM Schemes	-0.315	0.044	0.000	0.315	-0.044	0.000	0.000	0.000	0.000	0.000	0.000
Election Reserve	-0.851	-0.400	0.000	0.000	0.000	-1.251	-0.400	1.651	0.000	0.000	0.000
Local Member & Gateway Grant	-0.059	-0.010	0.000	0.000	0.000	-0.069	0.069	0.000	0.000	0.000	0.000
School Catering Repair And Maintenance	-1.878	0.051	0.000	0.000	0.000	-1.827	0.000	0.000	-1.827	-1.883	0.056
Civic Catering Repair And Maintenance	-0.039	0.000	0.000	0.039	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Funding of Capital Projects	-2.981	0.000	2.981	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Funding of Capital Projects - CYP	-2.736	0.000	2.736	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Funding of Capital Projects - ENV	-2.338	-0.054	2.392	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Funding of Capital Projects - LCCS	-0.226	0.000	0.226	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Funding of Capital Projects - Resources	-4.223	-12.139	8.362	0.000	8.000	0.000	0.000	0.000	0.000	0.000	0.000
Public Health	-6.215	0.140	0.000	5.315	0.760	0.000	0.000	0.000	0.000	-2.810	2.810
<b>TOTALS</b>	<b>-103.682</b>	<b>-38.999</b>	<b>28.197</b>	<b>23.172</b>	<b>49.766</b>	<b>-41.546</b>	<b>19.897</b>	<b>1.036</b>	<b>-20.613</b>	<b>-41.754</b>	<b>21.141</b>



# Money Matters

## Financial Outlook for the County Council

### Medium Term Financial Strategy

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## Financial Outlook for the County Council: Medium Term Financial Strategy

### 1. Executive Summary

#### 1.1 Introduction

This report updates the financial position facing Lancashire County Council over the period 2015/16 to 2020/21. The County Council is experiencing an ongoing period of unprecedented financial pressure as a result of the Government's extended programme of austerity combined with significant increases in demand for public services.

Cabinet have received reports in August and November 2015 on the MTFs to cover the period 2015/16 to 2020/21. The latest reported funding gap over the five year period was £262.0m.

Since the last report in November 2015 the Secretary of State has announced the Provisional Local Government Finance Settlement for 2016/17. This report considers the impact of the Settlement on the MTFs, the impact of budget decisions taken by Cabinet and updates other assumptions in light of current information. As a result of these reviews the funding gap has reduced to £200.5m.

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	Total £m
<b>Funding gap reported to Cabinet – November 2015</b>	<b>90.174</b>	<b>21.940</b>	<b>56.018</b>	<b>47.592</b>	<b>46.283</b>	<b>262.007</b>
Impact of Settlement	21.577	8.849	-15.210	-4.319		<b>10.897</b>
Impact of Expenditure Pressures	-3.402	5.276	2.271	2.341	1.496	<b>7.982</b>
Saving options Cabinet November	-64.177	-0.687				<b>-64.864</b>
Funding Decisions						
Council Tax increase in 2016/17	-15.515					<b>-15.515</b>
Capital receipts application	-5.000	-7.500	7.500	5.000		<b>0.000</b>
Business rate pooling	-0.400	0.400				<b>0.000</b>
<b>Revised Funding Gap</b>	<b>23.257</b>	<b>28.278</b>	<b>50.579</b>	<b>50.614</b>	<b>47.779</b>	<b>200.507</b>
<b>Change in Funding Gap</b>	<b>-66.917</b>	<b>6.338</b>	<b>-5.439</b>	<b>3.022</b>	<b>1.496</b>	<b>-61.500</b>

## 1.2 Conclusion

Lancashire County Council continues to face, as previously stated, an unprecedented period of financial constraint through to at least 2020/21.

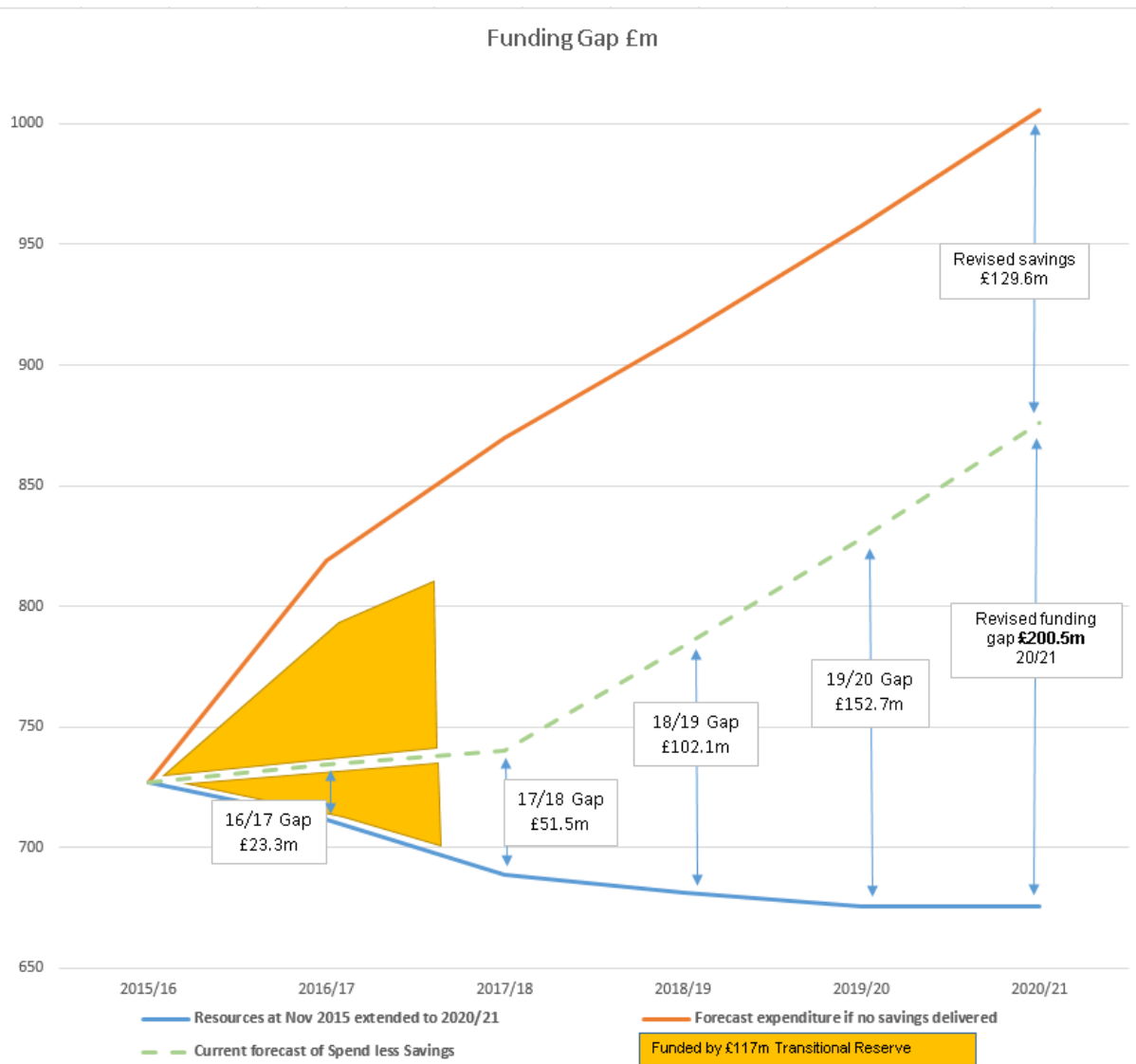
The financial commitment required to fund statutory demand led services is almost certain to result in using up all available resources. The resource available for discretionary services will be minimal (if any exists at all) and at this stage we cannot be certain of the point at which funding may not cover statutory demand led services as the resources have yet to be confirmed. However, indications from the initial base budget review suggest that there will be insufficient resources to cover statutory services from 2017/18.

The County Council, in redesigning the services it provides to the public, faces the challenge of doing so whilst delivering further savings of an estimated £200m over the next 5 years.

As part of the process of redesigning its services the County Council has recognised that it will need to utilise its reserves. Details on the reserves are detailed in the Money Matters report Appendix B. In this report it is noted that as at 1 April 2015 the County Council had reserves of £328.7m of reserves; some of which are already committed. Including the Funding Gap identified in this report, it has been identified that there is an estimated reserves requirement of £145m to support the revenue budgets in 2016/17 and 2017/18. Consequently, by 31st March 2018 it is expected that there will only be the £36m County Fund and a residual £20.613m of service reserves. All other reserves will have been spent.

The graph below illustrates the potential use of reserves compared to the funding gap requirement over the period. The element of the funding gap that can be funded from reserves is highlighted. This indicates that reserves will not be available to fund the gap beyond 2017/18, by which point it is estimated that all available reserves will have been used. The graph has four components:

- The red line shows the current estimated total expenditure that the County Council would incur if no savings were made.
- The dotted green line shows the anticipated level of expenditure the County Council would make if the current savings targets were achieved. Our current savings plans do not fully address the decreasing resources. The graph shows the cumulative gap that will accrue year-on-year if further savings are not made resulting in a £200.5m funding gap by 2020/21.
- The blue line shows the current estimate of resources available to the County Council which decreases over time.
- The shaded area represents the proposed use of the £117m Transitional Reserve. Some of this reserve has already been committed to fund the cost of savings taken out of the budget but which will not be made immediately (as agreed by Cabinet in November). It is important to note that there are insufficient reserves to finance both these commitments and the funding gap in 2017/18.



## 2. Resources

The County Council's previously reported MTFS assumes a 7% reduction in government funding in both 2016/17 and 2017/18 and reductions of 6% in 2018/19 and 2% in 2019/20. These were based on information on Government Departmental Limits .

These assumptions provided the following forecast of resources available to the Council which were included in both the August and November MTFS reports.

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
Level of resources	705.034	684.221	668.977	663.781	663.926

These resources consist of:

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
Council Tax	388.834	391.024	392.028	393.047	394.069
Business Rates	179.933	185.320	190.116	195.056	200.144
RSG	131.353	102.887	81.833	70.678	64.713
New Homes Bonus	4.914	4.990	5.000	5.000	5.000
<b>Total Estimated Resources at November 2015</b>	<b>705.034</b>	<b>684.221</b>	<b>668.977</b>	<b>663.781</b>	<b>663.926</b>

## 2.1 Provisional Local Government Finance Settlement December 2015

The Secretary of State issued the provisional Local Government Settlement on 17th December which provided details of support to local authorities for the next four years. In particular the Settlement covered details on the:

- Settlement Funding Assessment
- A new Better Care Fund
- New Homes Bonus
- Use of Capital receipts
- Council Tax increase limitations
- Business Rates Pooling

## 2.2 Settlement Funding Assessment (SFA)

The Settlement Funding Assessment (SFA) is a measure of the income that will be received from Business Rates and Revenue Support Grant (RSG). From the 2015/16 SFA (adjusted to reflect change in grants included within the SFA) to 2019/20, the County Council's SFA is showing a reduction of £117.7m (34.7%).

	2015/16 (adjusted) £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
<b>Settlement Funding Assessment (SFA)</b>	338.466	292.249	258.326	239.014	220.747
<b>Funded by:</b>					
<b>RSG</b>		118.841	81.508	56.979	32.894
<b>Business Rate baseline</b>		173.408	176.818	182.035	187.853
<b>TOTAL</b>		<b>292.249</b>	<b>258.326</b>	<b>239.014</b>	<b>220.747</b>
<b>In year reduction of SFA</b>		<b>-46.217</b>	<b>-33.923</b>	<b>-19.312</b>	<b>-18.267</b>

A comparison of the SFA in the November MTFS with the settlement SFA is shown in the table below:

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
<b>November MTFS SFA</b>	307.111	285.613	268.476	263.107
<b>Settlement SFA</b>	292.249	258.326	239.014	220.747
<b>Variation</b>	<b>-14.862</b>	<b>-27.287</b>	<b>-29.462</b>	<b>-42.360</b>

### 2.3 Impact on the Medium Term Financial Strategy

The County Council's previously reported MTFS had assumed that there would be a reduction in government funding. The assumptions made in the MTFS were a 7% reduction in government funding in both 2016/17 and 2017/18 and reductions of 6% in 2018/19 and 2% in 2019/20. The actual reductions in the Settlement are greater than those assumed.

The impact of these changes on the MTFS are shown overleaf:

	2016/17	2017/18	2018/19	2019/20
<b>% change of SFA currently in MTFS</b>	-7.0%	-7.0%	-6.0%	-2.0%
<b>Actual SFA reduction</b>	-13.7%	-11.6%	-7.5%	-7.6%
<b>Impact on MTFS Funding Gap (£m)</b>	<b>14.862</b>	<b>12.425</b>	<b>2.175</b>	<b>12.898</b>

## 2.4 Care Act 2014 Funding

From the details available it would appear that the Care Act funding is included within the SFA from 2016/17; hence an adjusted 2015/16 SFA has been calculated for comparison purposes. In the MTFS there is specific grant funding of £7m and therefore it is assumed that this has now been included in the SFA and represents a loss in each of the years having an overall impact on the funding gap of £7m.

## 2.5 Better Care Funding

The Secretary of State acknowledged in his statement that there are expenditure pressures arising from adult social care. It was therefore confirmed that there would be £1.5bn for local authorities to support work with health authorities to complement the Social Care Precept. In total this is expected to generate an additional £3.5bn for social care by 2020. Those council's with lower ability to generate council tax income will receive higher allocation. The County Council's allocation is as follows:

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
<b>MTFS</b>	0.000	0.000	0.000	0.000
<b>New Better Care Fund</b>	0.000	3.210	22.656	40.014
<b>Impact on MTFS Funding Gap</b>	<b>0.000</b>	<b>-3.210</b>	<b>-19.446</b>	<b>-17.358</b>

## 2.6 New Homes Bonus

The Settlement includes an actual New Homes Bonus figure for 2016/17 and indicative allocation for 2017/18 to 2019/20. These future years' are lower to reflect a reduction in the total funding allocated in future years'. However, the New Homes Bonus System is subject to change and actual allocations will depend upon the outcome of the consultation and also the impact of future local growth. Using the indicative allocations will have the following effect on the MTFS:



	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
<b>MTFS</b>	4.915	4.994	5.000	5.000
<b>Settlement assumption</b>	5.084	5.531	3.475	3.333
<b>Change</b>	0.169	0.537	-1.525	-1.667
<b>Impact on MTFS Funding Gap</b>	<b>-0.169</b>	<b>-0.368</b>	<b>2.062</b>	<b>0.142</b>

## 2.7 Use of Capital Receipts

As part of the Autumn Statement the Chancellor of the Exchequer announced that the rules for the use of capital receipts, which is the income received from the sale of the County Council's fixed assets, were to be amended to help local authorities deliver more efficient and sustainable services. Currently the use of capital receipts is restricted to the funding of capital expenditure or the repayment of debt. From 1 April 2016 it is proposed that capital receipts can be used to fund revenue expenditure which meets certain criteria.

To meet the qualifying criteria the revenue expenditure needs to be on any project which is designed to generate ongoing revenue savings or to transform the service so as to make savings or improve the quality of service provision.

Local authorities will only be able to use capital receipts from the sale of property, plant and equipment received in the years in which this flexibility is offered. They may not use their existing stock of capital receipts to finance the revenue costs of reform.

Current estimates of the capital receipts to be generated are:

	2016/17 £m	2017/18 £m	2018/19 £m
<b>Capital receipts generated</b>	5.0	12.5	5.0

Provided suitable expenditure can be identified an estimated £22.5m can be applied to the revenue budget although this will have an impact on the Capital Programme which will either have to be reduced or be funded from an increased level of borrowing.

It should be noted that the receipts are one-off resources and there is a possibility that the level of receipts to be generated from the sale of assets will not be maintained at these levels for a sustained period of time. The actual receipts received in any one year will fluctuate in line with local property markets and the type of asset available for sale. Therefore, there is a risk that in any given year the receipts actually received will be less than assumed and therefore the situation will be monitored closely.

The funding gap shown in section 1.1 already assumes the use of these receipts. This is subject to the approval of the recommendation that the capital receipts are applied to revenue as outlined above.

## 2.8 Council Tax increases

The Council Tax referendum limit set by the Secretary of State remains at 2%. However, as an authority with social care responsibilities the council tax can be increased by up to 4%, providing that 2% is used for social care. If Lancashire were to increase the Council Tax for 2016/17 by 3.99% then it is estimated that an additional £15.515m would be generated.

Based on an estimated tax-base then the Council Tax position would be:

<b>Council Tax cash 2016/17</b>	£404.361m
<b>Tax base</b>	344,178.24
<b>Band D Council Tax 2016/17</b>	£1,174.86
<b>Band D Council Tax 2015/16</b>	£1,129.78
<b>% increase between 2015/16 and 2016/17</b>	3.99%

Details on the actual Council Tax-base will not be finalised until February and the above is an estimate of the council tax and the estimated cash generated in 2016/17.

The funding gap in section 1.1 assumes an increase in the Council Tax of 3.99% is applied but this will be subject to decision taken by the County Council.

## 2.9 Business Rate Pooling

The Settlement includes government assumptions of the amount of business rates individual authorities require to fund their services (the baseline funding). When the business rates retention system was implemented in 2013/14 the concept of a levy was also introduced. This levy was due to be paid to central government when a local authority's increase in revenue from business rates outstrips the increase in its baseline funding level.

Although the system calculates data for individual authorities there was the option for local authorities pooling between themselves subject to the approval from the Secretary of State. This arrangement is beneficial as it would enable more of the levy to be retained locally. A Lancashire Business Rate Pool was approved for 2016/17 covering the County Council and nine of the Lancashire Districts. It is currently estimated that the County Council will receive £0.4m additional income in 2016/17 as a result of the pool.

## 2.10 Summary of Potential Funding Changes on the MTFS

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
Resources Previous MTFS	705.034	684.221	668.977	663.781	663.926
Change in SFA	-14.862	- 27.287	- 29.462	- 42.360	-42.360
New Better Care Fund		3.210	22.656	40.014	40.014
New Homes Bonus	0.169	0.536	- 1.525	-1.666	-1.666
Capital receipts available	5.000	12.500	5.000		
Council Tax increase 2015/16	15.515	15.515	15.515	15.515	15.515
Business rate pooling	0.402				
<b>Updated Resources</b>	<b>711.258</b>	<b>688.695</b>	<b>681.161</b>	<b>675.284</b>	<b>675.429</b>
<b>Change in year</b>	<b>6.224</b>	<b>4.474</b>	<b>12.184</b>	<b>11.503</b>	<b>11.503</b>
<b>Impact on MTFS Funding Gap</b>	<b>-6.224</b>	<b>1.750</b>	<b>-7.710</b>	<b>0.681</b>	<b>0.000</b>

### 3. Net Spending Pressures

The MTFS covers spending pressures including pay increases, contractual inflation, increased demand for services and the impact of previously agreed savings measures that are either no longer achievable at all or not to the scale or in the timeframes originally planned.

#### 3.1 Pay

In the July Budget the Chancellor announced a 4 year restriction on public sector pay increases at 1% per year. Using this as a guide the MTFS has included an assumed pay award of 1% for each of the years with the cost shown below. This assumption is unchanged since August.

However, a recent court case has concluded that holiday pay for those who work regular overtime should be based on overall pay, including overtime, and not just basic pay. To accommodate this change £0.648m relating to affected staff has been included as a new recurrent cost pressure.

These pressures are summarised in the table below:

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	Total £m
Impact of 1% pay award	2.3	2.3	2.4	2.4	2.4	<b>11.8</b>
Holiday pay costs	0.7					<b>0.7</b>

The Chancellor also announced increases to the minimum wage for people aged over 25, referred to as the 'National Living Wage'. This is completely separate to the Living Wage the County Council is committed to paying its employees as an accredited member of the Living Wage Foundation.

Since the last MTFs the Living Wage Foundation has announced a 5% increase in its Living Wage. This is greater than initially anticipated. The impact of having a 5% annual increase and the impact of more grades being incorporated into the Living Wage is being examined. An initial assessment of the costs show that the MTFs needs to be increased as follows:

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	Total £m
Impact of Living Wage	0.624	1.464	0.923	0.979	1.039	<b>5.029</b>

These costs are currently being reviewed in the light of more up to date information and are subject to change.

This does not include the impact of any regrading required to maintain wage differences nor the impact of any of the budget options. This wage differential between grades is a significant risk. If the County Council was required to maintain the differentials there would be a significant additional cost. An initial exercise to ascertain the cost indicates an additional £11m per year would need to be found.

### 3.2 Price Inflation

Contractual price increases represent a significant cost pressure and initially there was an estimated cost over the period of £106.5m. The assumptions have been subject to regular review by services and a reduction of £15.4m was identified in November. Within this MTFs there has been an increase in the price inflation £1.7m identified from 2016/17 bringing the total price inflation in the year to £92.8m.

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	Total £m
Total price inflation	22.9	16.5	16.5	17.4	19.5	<b>92.8</b>
Impact of revised price inflation assumptions	1.7					<b>1.7</b>

Some of the key areas of price pressure are:

An estimated £58m over the period for payments to external providers of social care attract annual inflation in order for the fees paid by the County Council to keep up with increases in the price of resources for suppliers. The County Council has a legal responsibility to demonstrate the suppliers are able to deliver services with the fees paid to them. The inflation assumptions used for externally provided social care are set out below and are based on the application of relevant inflation rates to a costing model:

Service	2016/17	2017/18	2018/19	2019/20	2020/21
<b>Nursing Care</b>	2.5%	2.7%	2.9%	2.9%	2.9%
<b>Residential Care</b>	2.6%	2.9%	3.0%	3.1%	3.1%
<b>Domiciliary Care</b>	2.5%	2.6%	2.7%	2.7%	2.7%
<b>RPI</b>	2.2%	3.0%	3.1%	3.1%	3.1%

- £12.3m for the provision of waste disposal over the period of the MTFS.
- £5.6m on children's social care including agency payments, residence orders, foster and other allowances and payments to health. The payments to the health service are assumed to be at 1% in line with the pay award while the agency payments are capped at 2% per annum. Other allowances are generally at 2.2%.

### 3.3 National Living Wage

In his budget in July the Chancellor announced the introduction of a new National Living Wage for all workers aged 25 and over. This was included as a risk in the previous report but reflects compulsory rates that organisations must pay their staff beginning with a rate of £7.20 per hour from 1<sup>st</sup> April 2016. It is anticipated that this will rise incrementally each year to at least £9 per hour in 2020 and is a cost pressure that has been recognised as significant nationally.

Whilst the impact of the newly announced National Living Wage has no impact on the costs already forecast for the Council's own employees due the Living Wage Foundation impact outlined in 3.1, it is expected to impact significantly on the rates paid to providers of Adult Social Care commissioned services. It is now estimated that

the County Council will incur additional costs over the period of £34.6m due to the implementation of the National Living wage. These have now been built into the MTFS position.

### 3.4 Demand Pressures

All services have reviewed the demand pressures faced by the County Council in future years. The impact of this review has been identified and is reflected in the revised MTFS and it can be seen that a significant proportion of the funding gap that has been identified is due to demand pressures.

In total it is estimated that the demand pressures are £97.4m. This is unchanged from the MTFS reported in November.

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	Total £m
Total demand pressure	38.4	12.7	13.9	15.0	17.4	<b>97.4</b>

In total, Adult Social Care represents approximately 70% 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 past activity trends but also taking into account future population changes.

In deriving the estimated cost of demand the following projections have been used:

- Older People – population projections from the ONS for the aged over 85 population.

	2016/17	2017/18	2018/19	2019/20	2020/21
Total Older People Population Projection Growth	2.86%	2.78%	3.30%	3.49%	4.21%

- Physical Disability services continue to see increases in the demand for direct payments, where service users receive a cash payment from the County Council for individuals to arrange their own care in place of the County Council commissioning services on their behalf. The average annual growth in Direct Payments for those with physical disabilities over the last 3 years has been 5.5%. As such, an annual increase of this amount has been included in the forecast.
- Learning Disability services has traditionally seen growth in service user numbers of around 3% per annum. The last reliable year of activity information shows a 3.7% increase in the number of people with community based support which makes up the majority of current expenditure for those with learning disabilities. As such a 3.7% increase per annum has been included in the MTFS.

- For Mental Health services the average annual increase in service user numbers in the last 3 to 5 years has been used across Residential, Nursing, Home Care and Direct Payment services to project increased spending over the period.
- As the demand for services increase, so does the increase for formal social care assessment to identify whether an individual has eligible care needs which would entitle an individual to financial support from the County Council to meet their care needs. Population increases in the over 85 population has been used to project forward spending growth in relation to assessment and care management staff.
- The cost of children's social care demand is estimated to be £13.4m. This covers the cost of population changes and the anticipated increase in the number of children in care. In addition, £5m relates to an initial estimate of the additional social worker capacity requirement reflecting additional demands and the potential impact of the Ofsted inspection, already built into the MTFS.

### **3.5 Loss of specific grant**

The County Council receives various grants which are specific and form part of the net expenditure pressures rather than the general resources of the authority referred to in section 3 above. The County Council was subject to an in-year reduction to the Public Health Grant of £4.3m in 2015/16. It was anticipated that this will be a continuing reduction and was included in the November MTFS.

As noted in section 2.3 the Care Act monies has now been included in the general finance settlement and therefore this represents a loss of specific income of £6.885m.

### **3.6 Savings and Cabinet Decisions**

The savings to be achieved are constantly under review. Previous MTFS reports identified £48m of savings that were considered not achievable. This includes £2.4m identified in November. No further changes to prior year agreed savings have been identified.

In November, Cabinet approved new budget reductions of £64.177m in 2016/17 and £0.687m in 2017/18. It was approved that officers were authorised to proceed with their implementation subject to consultation where appropriate, and that the 2016/17 budget be prepared based upon these revenue decisions be agreed, with the outcome of any consultations being reported to Full Council. The MTFS now incorporates these reductions.

### **3.7 Capital Financing Requirements**

The budget options approved by Cabinet in November included a reduction of £7m to reflect a proposed change in the policy of calculating the Minimum Revenue Provision (MRP). Further work has been undertaken on the capital financing requirement taking into consideration:

- potential implementation of the new MRP policy,
- the impact on the capital financing budget from a change in the timing of the estimated rise in interest rates provided by the authority's external Treasury Management advisors,
- Cash-flow implications of the budget proposals and the use of reserves,
- The latest estimates of the Capital Programme and the requirement to borrow.

Given the latest estimates of interest rates, cash-flow and the Treasury Management Strategy regarding the taking of long term fixed debt it is estimated that there is a further reduction in the 2015/16 budget could be made. However, it is estimated that the costs will rise after this point. The impact on the MTFS is:

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
<b>MTFS change</b>	-5.685	3.812	1.348	1.362

#### 4. Future Risks

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

##### 4.1 Better Care Fund

The budget currently includes £20m of income from the Better Care Fund. This will only be received if it is annually re-agreed by the 6 Lancashire CCGs. It is currently assumed that this will continue in the MTFS.

##### 4.2 Deprivation of Liberty Safeguards

The Deprivation of Liberty Safeguards (DoLS) was implemented on 1 April 2009. It provides a legal framework for preventing the unlawful detention of anyone over the age of 18, in a care home or hospital, who lacks the capacity to consent to their care arrangements and residence.

Since March 2013 Lancashire County Council has taken the responsibility for assessment of people who meet DoLS criteria in hospitals as well as residential care homes and due to a Supreme Court ruling many more people are covered by the regulations. If the legal duty was rigidly applied revised estimates suggest that up to £5m could be the recurrent cost of full compliance. This has not been factored in to the MTFS.



### **4.3 Education Services Grant (ESG)**

The Chancellor of the Exchequer announced in his Autumn Statement £600m savings from Education Services Grant as the government reduces the local authority role and statutory duties with schools. ESG is approximately £16m in Lancashire but as yet there has been no detail on the likely loss of resource to the County Council.



**Money Matters**  
**The County Council's Capital Programme**  
**for 2016/17 and Beyond**

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# Money Matters – The County Council's Capital Programme for 2016/17 and Beyond

## 1. Introduction

This report sets out the following:

- a brief summary of the Capital Programme as approved by Cabinet in February 2015 and the additional approvals since then against which monitoring is undertaken;
- a summary of the County Council's Capital Programme financial position at the end of Quarter 2 of the 2015/16 financial year as at 30<sup>th</sup> September 2015;
- a summary of projects within the approved 2015/16 programme which are now complete or considered not needed which can be used as part of the 2016/17 programme funding solution;
- an outline of the 2016/17 and following two years draft capital programme including known projects and the effect on the capital programme of a number of Budget Options identified as part of the Cabinet discussions on the 26<sup>th</sup> November 2015;
- summary of the proposed funding of the 2016/17 capital programme and the revenue implications of the increased use of prudential borrowing;
- risks, important issues and funding pressures.

## 2. The 2015/16 Capital Programme

Table 1 below sets out the Capital Programme for 2015/16 and future years, showing the separate blocks as they were approved in February 2015. This table is as previously reported in Money Matters 2014/15 Outturn report. The 2015/16 column includes slippage brought forward. Annex 1 outlines the individual additions to the February approved programme up to 30<sup>th</sup> September 2015, and therefore included in the Quarter 2 monitoring.

The City Deal figures included in the February 2015 programme represented the nine years remaining from the initial ten year programme i.e. 2015/16 to 2023/24, whereas in the case of all other blocks, a programme was set with a maximum three year profile, i.e. ending in 2017/18.

<b>Table 1: Capital Investment Programme blocks</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19 onwards</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Schools	44.661	4.346	3.580	0.000	52.587
Children & Young People's Services	13.989	3.225	0.002	0.000	17.216
Highways Maintenance	42.276	20.454	19.964	0.000	82.694
Transport Improvement Schemes	71.334	5.695	5.870	0.000	82.899
Waste & other Environment projects	1.660	0.500	7.307	0.000	9.467
Adult Social Care	16.892	6.787	0.213	0.000	23.892
Corporate Programmes excluding vehicles	26.169	12.962	0.000	0.000	39.131
Vehicle Replacement Programme	6.204	3.200	3.200	0.000	12.604
<b>NON LEP LCC PROGRAMME SUBTOTAL</b>	<b>223.185</b>	<b>57.169</b>	<b>40.136</b>	<b>0.000</b>	<b>320.490</b>
City Deal schemes	46.193	75.128	26.974	177.646	325.941
<b>TOTAL APPROVED PROGRAMME</b>	<b>269.378</b>	<b>132.297</b>	<b>67.110</b>	<b>177.646</b>	<b>646.431</b>

### 3. Quarter 2 Capital Programme Financial Position

For the current 2015/16 financial year, there is a forecast variance of £48.442m under performance, which is analysed in Annex 2.

Over the three years 2015/16 to 2017/18 inclusive, the period for which the capital programme was set in February 2015, the County Council's capital programme excluding City Deal schemes is showing a forecast variance of £29.515m under performance against budget. The reasons for this are:

- **Schools block: total forecast underspend £4.555m.** This budget is the aggregate of Devolved Formula Capital grant from DfE held for individual Schools use which has not yet been spent by the individual schools.
- **Children and Young People block: total forecast under spend of £6.521m.** This relates mostly to un-programmed activity as at Quarter 2 in relation to Youth Zones £2.6m and Residential Overnight Breaks for Children with Disabilities £2.7m. The authority is currently reviewing delivery options.

- **Highways block: total forecast under spend of £3.702m.** The main items are: £3.233m relating to the M65 Crash Barriers and £0.368m relating to 2014/15 Unclassified Rural and £0.220 relating to 2014/15 ABC Roads. The forecast underspend re M65 Crash Barriers is due to external grants from DfT releasing resources. The 2014/15 Roads underspends were due to efficiencies in delivering the programmes of work.
- **Transport block: total forecast over spend £1.580m.** This is made up of a forecast underspend relating to Eaves Green Link Road (£0.561) and budget previously allocated to the now deferred Green Lane Link (£1.150) and a forecast overspend on the Heysham to M6 Link Road, caused by an additional £4m of event compensation payments.

In addition it should be noted that the Heysham to M6 Link Road project was included in the Council's capital programme at a value consistent with the amount of funding authorised in the programme not the value of the contract spend authorised in separate Cabinet reports. The difference is £3.772m, which has been consistently flagged as a risk requiring further funding. It is now clear that this extra funding will be required, and the current proposal is to fund this from borrowing. This has therefore been included in the draft 2016/17 programme presented in the Cabinet Report to which this Appendix is attached.

- **Waste and other projects block: total forecast under spend of £1.592m** relates to funding no longer required on the completed Liquid Logic project which replaced ISSIS.

In addition, a spend of £7.807m has been forecast for 2016/17 and 2017/18 against the equivalent budget for a Waste transfer station in East Lancashire, but a project has not yet been identified.

- **Adult Social Care block, total forecast under spend of £8.464m.** This is made up of three major items. Firstly £0.829m of unallocated budget for the Learning Disability Daycare modernisation programme, awaiting identification of a project in East Lancashire, and secondly, £5.573m allocated for LCC's Extra Care Strategy. Whilst investment in Extra Care Housing is a policy priority for the Council, only schemes which are unviable commercially without a County Council contribution are supported. Potential schemes where a viable business case can be presented will be supported as they come forward. Finally, there is un-programmed budget for the Libraries Regenerate programme totalling £1.885m.
- **Corporate block, total forecast under spend of £6.261m,** made up mainly of an un-programmed Economic Development budget of £5.619 and a forecast underspend on Superfast Broadband Phase 1 of £1.2m. This was the forecast position as at 30<sup>th</sup> September 2015. Since then it has been proposed that £3.7m be allocated to fund Phase 2 of the development study for the Skelmersdale Rail Link. The balance of the funding will be utilised to unlock further development opportunities including a potential scheme for Lomeshaye Industrial Estate, Pendle.

The difference between the current total capital programme of £696.356m and the position presented at the 2014/15 Money Matters Out turn report (Table 1) of £49.925m relates to additional Cabinet approved projects and revisions to previously estimated funding. Annex 2 provides more detail on the capital monitoring position for quarter 2 as at 30<sup>th</sup> September 2015.

### **Completed Projects or those considered as no-longer necessary**

Table 2 identifies the current level of un-programmed activity for projects deemed either complete or potentially not needed against the agreed programme:

<b>Table 2</b>	<b>2015/16 £m</b>	<b>2016/17 £m</b>	<b>2017/18 £m</b>	<b>Total £m</b>
Lancashire Break Time (unused grant balance)	0.674	0.017	0.000	0.691
Liquid Logic/resolutions Service replacement for ISIS	1.592	0.000	0.000	1.592
Waste Transfer Station (East)	0.000	0.000	7.307	7.307
<b>Total</b>	<b>2.266</b>	<b>0.017</b>	<b>7.307</b>	<b>9.590</b>

The costs within Table 2 for 2016/17 and beyond can be "recycled" to reduce the overall cost of borrowing and assist in funding additional items shown later within this report.

The Waste Transfer Station in the east of the county has been budgeted for and forecast to be spent within the capital programme for a number of years but to date has not been programmed. At this point it could be removed as it is not considered essential from an operational point of view.

#### **4. Provisional Capital Programme for 2016/17 – 2018/19**

Table 3 below details the proposed provisional capital programme for the period 2016/17 to 2018/19. City Deal is included only where LCC make a direct contribution to it or where LCC is supporting the cash flow requirements of the project in the early years.

City Deal and other Lancashire Economic Partnership activity is reported separately via the existing LEP reporting and performance framework. LCC is the accountable body for the LEP.

<b>Table 3 Provisional Capital Programme</b>	<b>2016/17 £m</b>	<b>2017/18 £m</b>	<b>2018/19 £m</b>	<b>Total £m</b>
<b><u>Programme approved February 2015</u></b>				
<b>a) 2015/16 and Prior Year Starts projects forecast requirement</b>				
Street Lighting Challenge Fund project	5.000	4.800		9.800
Non highways structures	0.110	0.050		0.160
Burnley Town Centre	0.700	0.550		1.250
Fire Suppression systems at Waste plants	1.500	2.000		3.500
Waste transfer station (East)	0.500	7.307		7.807
<b>Adult (of which 5.967m in 2016/17 relates to Extra Care Strategy, only £5.573m of which has not yet been programmed)</b>	<b>6.787</b>	<b>0.213</b>		<b>7.000</b>
Corporate	0.129			0.129
Vehicles	2.850	2.850		5.700
Schools	4.346	3.580		7.926
CYP non schools	3.225	0.002		3.227
<b>b) Removal of unprogrammed budgets as outlined in Table 2</b>				
Waste transfer station (East)		(7.307)		(7.307)
<b>c) 2016/17 and 2017/18 Starts approved in Feb 2015 programme to spend Single Capital Pot grants confirmed by DfT as available in that year</b>				
Highways Maintenance	20.454	19.964		40.418
Transport	3.570	2.320		5.890
LCC contribution to City Deal from LTP	2.500	2.500		5.000



<b><u>New for inclusion in February 2016 programme</u></b>				
<b>a) The following amounts have already received Cabinet approval and are now being listed for inclusion in the draft Capital Programme</b>				
	<b>2016/17 £m</b>	<b>2017/18 £m</b>	<b>2018/19 £m</b>	<b>Total £m</b>
Schools Playing Fields programme	0.783	0.253		1.036
Local Priorities Response Fund	2.500			2.500
Schools Single Capital Pot grant from DfE for Basic Need per Schools Capital Strategy Cabinet Report-allocations for 16/17 £8.891m plus 17/18 £29.006m ( 17/18 phased over 2 years)	8.891	9.006	20.000	37.897
Property Portfolio Rationalisation - Neighbourhood Centres suitability investment	10.000	5.000	5.000	20.000
Property Portfolio Rationalisation - Neighbourhood Centres dilapidations on terminated or surrendered leases	0.750	0.750		1.500
Heysham further funding required within £130m already approved expenditure. Funding not previously put in Capital Programme	3.772			3.772
Phase 2 Skelmersdale Rail Link study	0.500	3.200		3.700
Green Energy Fund to enable research and development to support and develop green energy businesses, develop energy solutions for the Council and the communities of Lancashire including the use of the Council's buildings to generate energy, as approved at Full Council 12.2.15.	2.500	2.500		5.000
<b>b) The following amounts have NOT previously received Cabinet approval. Each year DfT and DfE provide Single Capital Pot grants for Highways, Transport and Schools capital programmes. The figures below represent the value of those programmes that are equivalent to the amount indicated as being available by DfT and DfE, but not yet confirmed. Historically these amounts have been "passported" to be spent as indicated by DfT and DfE, but this principle could now be reconsidered. The only restrictions attached to these grants are that they are to be spent on capital.</b>				
Highways Maintenance equivalent to indicative allocation			18.567	18.567
Transport equivalent to indicative ( £6.054m less City Deal contribution £ 2.5m)			3.554	3.554
Contribution to City Deal			2.500	2.500
Single Capital Pot Schools indicative Condition allocations	11.319	11.319		22.638
<b>c) Economic Development schemes</b>				
SFBB Phase 2	2.400			2.400

<b>d) The following were Budget Options approved at Cabinet on 26<sup>th</sup> November 2015.</b>				
County Hall refurbishment ( £1.4m training/ conference centre plus £2.2m for office refurb)	3.600			3.600
Parish Buses	0.500	0.500		1.000
Street Lighting Energy Contract Invest to save to convert 50% of remaining non LED lanterns not currently being replaced via DfT Challenge Fund programme	2.000	3.000		5.000
Asset management and Buildings Capital Programme and Energy Team	0.411	0.418		0.829
Asset Management Highways team	0.096	0.098		0.194
Provision Planning team	0.267	0.272		0.539
Public Rights of Way team	0.084	0.085		0.169
Environment and Community team	0.313	0.319		0.632
Programme Office team	1.448	1.475		2.923
<b>Total Programme</b>	<b>103.805</b>	<b>77.024</b>	<b>49.621</b>	<b>229.950</b>

The table above does not include the impact arising from variances in expenditure and funding during 2015/16. Analysis of this impact will be undertaken as part of the year end accounting process, but monitoring currently suggests that expenditure in 2015/16 is likely to be less than budget in total (see Appendix B).

The Commissioning function has prepared, and is currently implementing a comprehensive timeline which takes projects from the design stage through to detailed implementation with project managers. At the January meeting of the Capital Programme Board will be reviewing a new programme development framework which will reflect the new corporate structure.

It should be noted that the above is based upon the principle agreed with the Budget Scrutiny Working Group that prudential borrowing should take place wherever possible, rather than utilisation of capital reserves. Capitalisation of activity is subject to regulatory control and a review is undertaken prior to capitalisation to ensure compliance. In particular, within the CIPFA code, site selection is not regarded as eligible capital expenditure.

## **5. Funding Implications**

The capital programme is currently funded by a variety of funding streams including specific government capital grants, capital receipts, LCC revenue funds and prudential borrowing. A number of actions are being recommended within this and other reports within this suite including ceasing to fund the capital programme from the use of revenue and revenue reserves and utilise more prudential borrowing. In total this is £61.281m.

## 6. Capital Receipts

In line with new Government legislation taking effect from 1 April 2016, Capital receipts are included in the MTFS Strategy to support revenue, hence capital receipts are excluded from Table 4 below with the exception of those specifically earmarked for a scheme included in the capital programme; and

With regard to Capital Receipts there are two anticipated sources:

- The Property Portfolio Rationalisation Strategy re Neighbourhood Centres includes expected Capital Receipts from sale of surplus properties totalling circa £11m; and
- Provisionally anticipated Capital Receipts from property other than Neighbourhood Centres totalling circa. £11.5m are also expected.

The estimated figures for Capital Receipts detailed above could change as a result of:

- Open market conditions at the point of sale of individual properties;
- The outcome of the exercise currently ongoing by officers in Asset Management to apply the principles of the Property rationalisation strategy approved by Cabinet on 26<sup>th</sup> November 2015; and
- Proposals to transfer surplus properties to third party organisations at a nominal sum as an alternative to sale on the open market.

## 7. Proposed funding

Table 4 below summarises the funding sources for the capital programme up to but not beyond 2018/19:

<b>Table 4: Capital Programme Funding</b>	<b>2016/17 £m</b>	<b>2017/18 £m</b>	<b>2018/19 £m</b>	<b>Total £m</b>
Capital Programme per table 3	<b>103.805</b>	<b>77.024</b>	<b>49.621</b>	<b>229.950</b>
<b>less</b>				
Capital receipts earmarked for School Playing Fields programme	(1.036)			(1.036)
<b>Single Capital Pot Grants confirmed by DfE and currently on DfE website:</b>				
SCP Schools Basic Need	(8.891)	(14.484)	(14.522)	(37.897)
SCP Highway maintenance -may be more per Band 2/3 but leave confirmed amount in at present	(20.514)	(18.567)		(39.081)
SCP Transport (LTP)	(6.054)	(6.054)		(12.108)
<b>Single Capital Pot Grants indicative:</b>				
Schools Condition	(11.319)	(11.319)		(22.638)
Highway maintenance -may be more per Band 2/3 but leave confirmed amount in at present			(18.567)	(18.567)
Transport (LTP)			(6.054)	(6.054)
<b>Other Grants and Contributions:</b>				
allocated in Feb 15 programme	(0.362)	0.000	0.000	(0.362)
DfT challenge fund Street Lighting	(5.000)	(4.800)	0.000	(9.800)
Burnley BC contribution to Burnley Town Centre	(0.700)	(0.550)		(1.250)
BDUK match funding re SFBB Phase 2	(1.200)			(1.200)
Contribution from existing capital programme Economic Development block	(0.500)	(3.200)		(3.700)
<b>Set aside from Reserves:</b>				
Set aside from Waste PFI Reserve for Fire Suppression Systems at Thornton & Farington (total £4m less £0.5m for 15/16)	(1.500)	(2.000)		(3.500)
Set aside for Green Energy Fund	(2.500)	(2.500)		(5.000)
<b>Net Prudential Borrowing Requirement excluding City Deal</b>	<b>44.229</b>	<b>13.550</b>	<b>10.478</b>	<b>68.257</b>
<b>City Deal-cashflow support</b>	<b>28.024</b>	<b>18.373</b>	<b>7.333</b>	<b>53.730</b>
<b>Total borrowing requirement</b>	<b>72.253</b>	<b>31.923</b>	<b>17.811</b>	<b>121.987</b>

Table 5 identifies the revenue implications of the changes in the borrowing requirements (excluding City Deal cashflow support) set out in Table 4:

<b>Table 5</b>	<b>2016/17 £m</b>	<b>2017/18 £m</b>	<b>2018/19 £m</b>	<b>2019/20 £m</b>
<b>Net Prudential Borrowing Requirement excluding City Deal per Table 4</b>	<b>44.229</b>	<b>13.550</b>	<b>10.478</b>	
Interest Cost	0.666	1.536	1.897	2.054
Minimum Revenue Provision (Principal)	0	0.559	0.748	0.944
<b>Total cost to revenue (interest and principal)</b>	<b>0.666</b>	<b>2.905</b>	<b>2.645</b>	<b>2.998</b>

The interest calculations are based upon an interest rate of 3%. This is based on the current average rate used by the Public Works Loan Board (PWLb), with 6 months interest being calculated in the first year of borrowing and a full 12 months in the following year. The minimum revenue provision is one fortieth of the prior year's debt. The revenue implications of this borrowing have been included within the MTFS.

## **8. Risks, important issues and funding pressures**

Annex 1 provides an analysis of potential risks, issues and funding pressures which may affect the capital programme moving forward.

## **Annex 1**

# **Additions to the Approved February 2015/16 Capital Programme up to 30<sup>th</sup> June 2015**

## Approved Capital Programme February 2015 – Revised and Restated

### 1. Total Capital Programme as approved in Money Matters 2014/15 Outturn report

The table below sets out the Capital Programme for 2015/16 and future years, showing the separate blocks as they were approved. This table is as previously reported in Money Matters 2014/15 Out turn report. The 2015/16 column includes slippage brought forward.

The City Deal figures included in the February 2015 programme represented the nine years remaining from the initial ten year programme i.e. 2015/16 to 2023/24, whereas in the case of all other blocks, a programme was set with a maximum three year profile, i.e. ending in 2017/18.

<b>Capital Investment Programme blocks</b>	<b>2015/16 £m</b>	<b>2016/17 £m</b>	<b>2017/18 £m</b>	<b>2018/19 onwards £m</b>	<b>Total £m</b>
Schools	44.661	4.346	3.580	0.000	52.587
Children & Young People`s Services	13.989	3.225	0.002	0.000	17.216
Highways Maintenance	42.276	20.454	19.964	0.000	82.694
Transport Improvement Schemes	71.334	5.695	5.870	0.000	82.899
Waste & other Environment projects	1.660	0.500	7.307	0.000	9.467
Adult Social Care	16.892	6.787	0.213	0.000	23.892
Corporate Programmes excluding vehicles	26.169	12.962	0.000	0.000	39.131
Vehicle Replacement Programme	6.204	3.200	3.200	0.000	12.604
<b>NON LEP LCC PROGRAMME SUBTOTAL</b>	<b>223.185</b>	<b>57.169</b>	<b>40.136</b>	<b>0.000</b>	<b>320.490</b>
City Deal schemes	46.193	75.128	26.974	177.646	325.941
<b>TOTAL APPROVED PROGRAMME</b>	<b>269.378</b>	<b>132.297</b>	<b>67.110</b>	<b>177.646</b>	<b>646.431</b>

The above approved programme and financing of it (below) took account of the following points:

- all Central Government resources announced as at 12th February 2015 for all years were allocated to the relevant programmes;
- the over programming of £15.359m over four years (2.4%) falls within the LCC Prudential Indicators;
- the programme included changes to support delivery of the Preston Bus Station scheme in order to incorporate the Youth Zone, which is now a City Deal delivery project;
- LCC acts as the Accountable body for the LEP, and as such has a duty to provide the LEP with financial reporting covering the full portfolio of LEP projects. As the LEP is a separate legal entity from LCC, and has governance over a wide portfolio of projects, with a pooled funding model, some of which are delivered by LCC, and some which are not. For clarity

of presentation the programme is subtotalled for non LEP items, and the following three elements of LEP activity are included within the line "City Deal schemes":

- LCC Contribution to LEP projects;
- Spend on schemes LCC are delivering funded from within the LEP funding envelope but some of which do not add value to LCC assets;
- LEP programmes not funded or delivered by LCC and which do not add value to LCC assets.

<b>Financed by:</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19 onwards</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Borrowing	42.545	21.207	0.000	0.000	63.752
Capital Receipts	21.297	4.289	8.638	0.000	34.224
Revenue contributions( one off and recurring)	14.643	4.925	4.966	0.000	24.534
Single Capital Pot Grant	71.944	28.886	22.390	14.999	138.219
Other grants & contributions	84.712	29.236	41.058	212.680	367.686
City Deal Cash Flow	25.520	43.754	(16.584)	(50.033)	2.657
<b>Total sources of finance</b>	<b>260.661</b>	<b>132.297</b>	<b>60.468</b>	<b>177.646</b>	<b>631.072</b>
<b>Over-programming</b>	<b>8.717</b>	<b>0.000</b>	<b>6.642</b>	<b>0.000</b>	<b>15.359</b>

### Over programming:

Decisions have historically been taken to programme a greater value of schemes than financial resources identified, based on the recognition that slippage on such a large capital programme is reasonable and funds actually required will probably not be as much in year as the programme value.

## 2. Total capital programme restated to reflect Cabinet authorisations since 12 February 2015 and amendments to outturn analysis

The tables below restate the Capital Programme and its financing to show the effect of changes to the programme that have been authorised in Cabinet reports since February as listed below, together with a revised analysis of the effect of 2014/15 out turn resulting from detailed monitoring work in Quarter 1.



<b>Capital Investment Programme blocks</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19 onwards</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Schools	43.681	4.346	3.580	0.000	51.607
Children & Young People's Services	13.989	3.225	0.002	0.000	17.216
Highways Maintenance	54.027	27.364	26.514	0.000	107.905
Transport improvement schemes	75.124	7.410	4.370	0.000	86.904
Waste & other Environment projects	2.831	2.000	9.307	0.000	14.138
Adult Social Care	16.437	6.787	0.213	0.000	23.437
Corporate Programmes excluding vehicles	33.492	1.462	0.000	0.000	34.954
Vehicle Replacement Programme	5.804	2.800	2.800	0.000	11.404
<b>NON LEP LCC PROGRAMME SUBTOTAL</b>	<b>245.385</b>	<b>55.394</b>	<b>46.786</b>	<b>0.000</b>	<b>347.565</b>
City Deal schemes	42.094	75.128	26.974	177.646	321.842
<b>TOTAL APPROVED PROGRAMME</b>	<b>287.479</b>	<b>130.522</b>	<b>73.760</b>	<b>177.646</b>	<b>669.407</b>
	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19 onwards</b>	<b>Total</b>
<b>Financed by:</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Borrowing	42.090	9.707	0.000	0.000	51.797
Capital Receipts	21.297	4.289	8.638	0.000	34.224
Revenue contributions (one off and recurring)	24.832	7.935	8.316	0.000	41.083
Single Capital Pot Grant	70.964	29.136	20.890	14.999	135.989
Other grants & contributions	94.059	35.701	45.858	212.680	388.298
City Deal Cash Flow	25.520	43.754	(16.584)	(50.033)	2.657
<b>Total sources of finance</b>	<b>278.762</b>	<b>130.522</b>	<b>67.118</b>	<b>177.646</b>	<b>654.048</b>
<b>Over-programming</b>	<b>8.717</b>	<b>0.000</b>	<b>6.642</b>	<b>0.000</b>	<b>15.359</b>

The following is a list of Cabinet reports approving additions to the capital programme since February 2015, detailing the schemes, date of approval and sources of funding, now reflected in the above table within the relevant block:

- 2.2.1 Highway maintenance £0.255m.** On 9<sup>th</sup> April 2015 the Cabinet Member for Highways & Transport approved £0.255m for improvements to Singleton Depot, including a new salt dome, to be funded from the Environment Directorate's 2014/15 revenue budget underspend.
- 2.2.2 Highway Maintenance £24.900m (£19.900m funded from grant, and £5.000m from LCC Downsizing Reserve) for two DfT Challenge Fund projects, being M65 and Street Lighting.** On 21<sup>st</sup> May 2015 the Cabinet Member for Highways & Transport approved reports to bring a total of £19.900m grant from the Department for Transport Challenge Fund into the programme. This consists of £5.100m to fund the replacement of vehicle restraint and communication systems on the M65 and £14.800m to fund a major programme of street lighting column and lantern replacement, plus provision of low emission vehicle charging points. A £5m capital contribution from LCC Downsizing reserve, as match funding for the street lighting bid, had already been agreed. The total agreed increase in the Capital Programme is therefore £24.900m for these two projects.
- 2.2.3 Highway Maintenance £0.075m.** On 5<sup>th</sup> March 2015 the Cabinet Member for Highways and Transport approved £0.075m developer contribution re a s278 scheme at Cottam Hall.
- 2.2.4 Highway Maintenance £0.015m.** On 9<sup>th</sup> April 2015 the Cabinet Member for Highways & Transport approved £0.015m of s106 funding for Morecambe Bay Cycleway.
- 2.2.5 Highway Maintenance £0.500m.** On 26<sup>th</sup> May the Cabinet Member for Highways & Transport and the Deputy Leader approved £0.500m to be transferred from Strategic Reserves for a programme of works on non highways structures throughout the County. This £0.500m was part of the £3.25m approved in total in February 2015 from Strategic Reserves, to be used for various categories of repairs and maintenance as required over the next three years.
- 2.2.6 Highway Maintenance £0.021m.** On 15<sup>th</sup> June the Cabinet Member for Highways & Transport approved £0.021m of s106 funding for a Cycleway on Newquay Road, Lancaster.
- 2.2.7 Highway Maintenance £0.005m.** On 26<sup>th</sup> May the Cabinet Member for Highways & Transport approved £0.005m developer contribution re a s278 scheme to relocate a bus stop in Clayton le Woods.
- 2.2.8 Transport Improvement £1.500m.** On 5<sup>th</sup> March 2015 the Cabinet Member for Highways & Transport approved £1.500m to be added to the programme to bring in funding from Burnley BC for the Burnley Town Centre Project to add to the £1.5m already in the programme.
- 2.2.9 Transport Improvement £0.350m.** On 5<sup>th</sup> March 2015 the Cabinet Member for Highways & Transport approved £0.350m to be added to the programme to bring in funding from external sources in relation to the Hardhorn Link Road/Poulton Town Centre scheme.
- 2.2.10 Waste and other projects £0.059m.** On 6<sup>th</sup> March 2015 the Cabinet Member for Public Protection and Waste approved a £0.059m contribution to the Garstang Community Recycling and Resale Centre (CRRC) to be funded from the Waste service revenue budget 2014/15 underspend

- 2.2.11 Waste and other projects £4.000m.** On 16<sup>th</sup> June 2015 the Leader approved a £4.000m programme of works to upgrade existing fire suppression systems at Farington and Thornton Waste Recovery Parks in order to meet new insurer requirements. This is to be funded from transfers from the reserve already set aside as a contingency to fund potential future works at these facilities.
- 2.2.12 Waste and other projects £0.082m.** On 6<sup>th</sup> March 2015 the Cabinet Member for Public Protection and Waste, approved a £0.082m contribution from Equipment reserve for the purchase of a mass spectrometer for the Lancashire County Scientific laboratory.
- 2.2.13 Corporate £9.343m.** In July and December 2014, two reports were approved by the Leader regarding the Core Systems Transformation programme and its funding from the Downsizing reserve. In July 2014 £0.736m was approved for BTLS pre programme work and LCC survey works, and in December 2014 a further £8.607m was approved for software and staff backfill costs. This programme has now been added to the capital programme, as authorised in the Cabinet reports, and the necessary funding has been drawn from the earmarked reserve.

**3. Total capital programme restated to also reflect amendments to the programme requiring authorisation within this report as listed below**

<b>Capital Investment Programme blocks</b>	<b>2015/16 £m</b>	<b>2016/17 £m</b>	<b>2017/18 £m</b>	<b>2018/19 onwards £m</b>	<b>Total £m</b>
Schools	44.849	4.346	3.580	0.000	52.775
Children & Young People`s Services	13.989	3.225	0.002	0.000	17.216
Highways Maintenance	54.027	27.364	26.514	0.000	107.905
Transport improvement schemes	75.124	7.410	4.370	0.000	86.904
Waste & other Environment projects	2.967	2.000	9.307	0.000	14.274
Adult Social Care	16.437	6.787	0.213	0.000	23.437
Corporate Programmes excluding vehicles	33.492	1.462	0.000	0.000	34.954
Vehicle Replacement Programme	5.804	2.800	2.800	0.000	11.404
<b>NON LEP LCC PROGRAMME SUBTOTAL</b>	<b>246.689</b>	<b>55.794</b>	<b>46.786</b>	<b>0.000</b>	<b>348.869</b>
City Deal schemes excluding capital financing costs	15.791	61.823	60.580	204.616	342.810
<b>TOTAL APPROVED PROGRAMME</b>	<b>262.480</b>	<b>117.217</b>	<b>107.366</b>	<b>204.616</b>	<b>691.679</b>

<b>Financed by:</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19 onwards</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Borrowing	42.105	9.707	0.000	0.000	51.812
Capital Receipts	21.297	4.289	8.638	0.000	34.224
Revenue contributions	24.968	7.935	8.316	0.000	41.219
Single Capital Pot Grant	69.568	29.136	20.890	14.999	134.593
Other grants & contributions	70.350	22.396	79.464	239.650	411.860
City Deal Cash Flow	25.475	43.754	(16.584)	(50.033)	2.612
<b>Total sources of finance</b>	<b>253.763</b>	<b>117.217</b>	<b>100.724</b>	<b>204.616</b>	<b>676.320</b>
<b>Over-programming</b>	<b>8.717</b>	<b>0.000</b>	<b>6.642</b>	<b>0.000</b>	<b>15.359</b>

The following is a list of amendments included in the above table now required to the capital programme to reflect changes in funding for capital received since the February programme was approved:

- 3.3.1 Schools £1.381m.** The final confirmed figure for the 2015/16 Single capital pot grant allocation for Schools was £1.381m lower than anticipated when setting the capital programme.
- 3.3.2 Schools £2.549m.** Devolved formula capital is an annual allocation from DfE for schools to spend on capital projects of their choice. This is the 2015/16 allocation now received and added to the programme.
- 3.3.4 Waste & Other projects £0.136m.** A contribution from Waste revenue budget 2014/15 underspend to Jameson Road landfill site of £0.136m was made at 2014/15 out turn.
- 3.3.5 City Deal £20.968m** increase in the value of the City Deal Programme 2015/16 and beyond in line with the report to the LEP Board.

#### 4. Total capital programme restated to also reflect amendments to the programme during Quarter 2 of 2015/16

<b>Capital Investment Programme blocks</b>	<b>2015/16 £m</b>	<b>2016/17 £m</b>	<b>2017/18 £m</b>	<b>2018/19 onwards £m</b>	<b>Total £m</b>
Schools	44.849	4.346	3.580	0.000	52.775
Children & Young People`s Services	13.989	3.225	0.002	0.000	17.216
Highways Maintenance	54.764	27.364	26.514	0.000	108.642
Transport improvement schemes	75.364	7.410	4.370	0.000	87.144
Waste & other Environment projects	2.967	2.000	9.307	0.000	14.274
Adult Social Care	16.437	6.787	0.213	0.000	23.437
Corporate Programmes excluding vehicles	35.947	1.462	0.000	0.000	37.409
Vehicle Replacement Programme	6.204	2.800	2.800	0.000	12.604
<b>NON LEP LCC PROGRAMME SUBTOTAL</b>	<b>250.521</b>	<b>55.394</b>	<b>46.786</b>	<b>0.000</b>	<b>353.501</b>
City Deal schemes excluding capital financing costs	15.791	61.823	60.580	204.616	342.810
<b>TOTAL APPROVED PROGRAMME</b>	<b>266.312</b>	<b>117.217</b>	<b>107.366</b>	<b>204.616</b>	<b>696.311</b>
<b>Financed by:</b>	<b>2015/16 £m</b>	<b>2016/17 £m</b>	<b>2017/18 £m</b>	<b>2018/19 onwards £m</b>	<b>Total £m</b>
Borrowing	42.105	9.707	0.000	0.000	51.812
Capital Receipts	21.297	4.289	8.638	0.000	34.224
Revenue contributions	24.968	7.935	8.316	0.000	41.219
Single Capital Pot Grant	69.568	29.136	20.890	14.999	134.593
Other grants & contributions	73.782	22.396	79.464	239.650	415.292
City Deal Cash Flow	25.475	43.754	(16.584)	(50.033)	2.612
<b>Total sources of finance</b>	<b>257.195</b>	<b>117.217</b>	<b>100.724</b>	<b>204.616</b>	<b>679.752</b>
<b>Over-programming</b>	<b>9.117</b>	<b>0.400</b>	<b>7.042</b>	<b>0.000</b>	<b>16.559</b>

The following is a list of amendments included in the above table now required to the capital programme to reflect changes in funding for capital received since the February programme was approved:

- 4.1.1 Highways £0.737m.** This includes the addition of a several new S106 and S278 schemes approved during 2015/16 which are funded from external sources.
- 4.1.2 Transport £0.240m.** Following the successful bid to the Coastal Communities Fund an additional scheme relating to historic public realm improvements on St George's Quay, Lancaster was added to the capital programme.
- 4.1.4 Corporate £2.455m.** Additional external funding has been brought into the capital programme to fund the Superfast Extension Project.
- 4.1.5 Vehicle replacement £1.2m.** Amendment to reflect the approved capital programme in February 2015 and slippage from previous years.



## **Annex 2**

# **Quarter 2 Outline Capital Monitoring**

**Quarter 2 – Outline Capital Monitoring**

The total of £29.515m forecast under performance for the three year period 2015/16 to 2017/18 comprises the following amounts for each block of the programme:

- **Schools block: total forecast underspend £4.555m.** This budget is the aggregate of Devolved Formula Capital grant from DfE held for individual Schools use which has not yet been spent by the individual schools.
- **Children and Young People block: total forecast under spend of £6.521m.** This relates to un-programmed activity as at Quarter 2 in relation to Chorley Youth Zone 2.6m and Residential Overnight Breaks for Children with Disabilities 2.7m. The authority is currently reviewing delivery options.
- **Highways block: total forecast under spend of £3.702m.** The main items are: £3.233m relating to the M65 Crash Barriers and £0.368m relating to 2014/15 Unclassified Rural and £0.220 relating to 2014/15 ABC Roads. The forecast underspend re M65 Crash Barriers is due to external grants from DfT releasing resources. The 2014/15 Roads underspends were due to efficiencies in delivering the programmes of work.
- **Transport block: total forecast over spend £1.580m.** This is made up of forecast underspends relating to Eaves Green Link Road (£0.561) and budget previously allocated to the now deferred Green Lane Link (£1.150) and a forecast overspend on the Heysham to M6 Link Road, caused by an additional £4m of event compensation payments.

In addition it should be noted that the Heysham to M6 Link Road project was included in the Council's capital programme at a value consistent with the amount of funding authorised in the programme not the value of the contract spend authorised in separate Cabinet reports. The difference is £3.772m, which has been consistently flagged as a risk requiring further funding. It is now clear that this extra funding will be required, and the current proposal is to fund this from borrowing. This has therefore been included in the draft 2016/17 programme presented in Table 3 below.

- **Waste and other projects block: total forecast under spend of £1.592m** relates to funding no longer required on the completed Liquid Logic project which replaced ISSIS. In addition, a spend of £7.807m has been forecast for 2016/17 and 2017/18 against the equivalent budget for a Waste transfer station in East Lancashire, but a project has not yet been identified.
- **Adult Social Care block, total forecast under spend of £8.464m.** This is made up of three major items. Firstly £0.829m of unallocated budget for the Learning Disability Daycare modernisation programme, awaiting identification of a project in East Lancashire, and secondly, £5.573m allocated for LCC's Extra Care Strategy. Whilst investment in Extra Care Housing is a policy priority for the Council, only schemes which are unviable commercially without a County Council contribution are supported. Potential schemes where a viable business case can be presented will be supported as they come forward. Finally, there is un-programmed budget for the Libraries Regenerate programme totalling £1.885m.



- Corporate block, total forecast under spend of £6.261m**, made up mainly of an un-programmed Economic Development budget of £5.619 and a forecast underspend on Superfast Broadband Phase 1 of £1.2m. This was the forecast position as at 30<sup>th</sup> September 2015. Since then an additional scheme has been identified at Lomeshaye Industrial Estate, Pendle for £1.9m, and a contribution to the Transport block of the programme in respect of the £3.7m cost now identified as being required for Phase 2 of the Skelmersdale Rail Link study.

**Forecast out turn and variance against revised and restated total programme**  
**Total budget 2015/16 and beyond: forecast underspend £29.515m**  
**2015/16 only: forecast underspend £48.442m**

	TOTAL PROGRAMME 2015/16 TO 2017/18			CURRENT YEAR		
	Total budget 2015/16 and beyond £m	Total forecast out turn £m	Total forecast variance £m	2015/16 restated budget £m	2015/16 forecast out turn £m	2015/16 forecast variance £m
<b>Capital Investment Programme blocks</b>						
Schools	52.775	48.220	(4.555)	44.849	29.140	(15.710)
Children & Young People's Services	17.216	10.695	(6.521)	13.989	5.270	(8.719)
Highways Maintenance	108.642	104.940	(3.702)	54.764	51.062	(3.702)
Transport improvement schemes	87.144	88.724	1.580	75.364	72.194	(3.170)
Waste & other projects	14.274	12.682	(1.592)	2.967	1.375	(1.592)
Adult Social Care	23.437	14.973	(8.464)	16.437	11.032	(5.405)
Corporate	34.954	28.693	(6.261)	33.492	23.348	(10.144)
Vehicle Replacement Programme	12.604	12.604	0.000	6.204	6.204	0.000

<b>NONLEP LCC PROGRAMME SUBTOTAL</b>	<b>351.046</b>	<b>321.531</b>	<b>(29.515)</b>	<b>248.066</b>	<b>199.625</b>	<b>(48.442)</b>
City Deal schemes (10 year programme)	<b>342.855</b>	<b>342.855</b>	<b>0</b>	<b>15.791</b>	<b>15.791</b>	<b>0</b>
<b>TOTAL APPROVED PROGRAMME</b>	<b>693.901</b>	<b>664.386</b>	<b>(29.515)</b>	<b>263.857</b>	<b>215.416</b>	<b>(48.442)</b>

### 1. SCHOOLS Forecast outturn for 2015/16 and beyond underspend £4.555m

Devolved Formula Capital grant is received from DfE and has traditionally been allocated directly to Schools capital activity. Property then assess what capital works need to be undertaken. Currently there is a significant under spend on this non-ring fenced grant.

Capital Investment Programmes within block	Total budget 2015/16 and beyond £m	Total forecast out turn £m	Total forecast variance £m	2015/16 restated budget £m	2015/16 forecast out turn £m	2015/16 forecast variance £m
<b>Pre 2015/16 Starts</b>						
Schools single capital pot	22.046	24.726	2.680	14.159	17.456	3.296
BSF	0.258	0.258	0.000	0.258	0.258	0.000
DFC-spend controlled by schools	5.893	3.000	(2.893)	5.893	3.000	(2.893)
Leyland St Marys fire	0.408	0.868	0.460	0.408	0.868	0.460
School Kitchens	0.868	0.868	0	0.868	0.071	(0.797)
Various smaller projects	1.164	1.591	0.427	1.125	1.500	0.375
<b>15/16 Starts</b>						
Schools single capital pot	19.589	16.909	(2.680)	19.589	5.987	(13.602)

DFC-spend controlled by schools	2.549	0.000	(2.549)	2.549	0.000	(2.549)
<b>Total of all programmes within block</b>	<b>52.775</b>	<b>48.220</b>	<b>(4.555)</b>	<b>44.849</b>	<b>29.140</b>	<b>(15.710)</b>

## 2.CHILDREN and YOUNG PEOPLE Forecast out turn for 2015/16 and beyond underspend £6.521m

Due to as yet unprogrammed budget allocations for all but one of the programmes as shown in the table below.

<b>Capital Investment Programmes within block</b>	<b>Total budget 2015/16 and beyond</b>	<b>Total forecast out turn</b>	<b>Total forecast variance</b>	<b>2015/16 restated budget</b>	<b>2015/16 forecast out turn</b>	<b>2015/16 forecast variance</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Tower Wood enhanced facilities	0.254	0.284	0.03	0.254	0.284	0.030
Residential redesign mainstream programme	2.197	1.789	(0.408)	2.127	1.737	(0.390)
Residential redesign disabilities overnight short breaks	4.210	1.553	(2.657)	4.182	1.525	(2.657)
Youth Zones new or major refurb	3.127	0.465	(2.262)	3.018	0.462	(2.556)
Refurbish satellite Youth Zones	0.558	0.437	(0.121)	0.558	0.109	(0.449)
Lancashire Break time	0.875	0.184	(0.691)	0.855	0.181	(0.674)
Early education for 2 year olds from income households	0.975	0.873	(0.102)	0.975	0.873	(0.102)
General improvement	0.020	0.110	0.090	0.020	0.099	0.079
Youth Zone Preston	2.000	2.000	0.000	2.000	0.000	(2.000)

Youth Zone	3.000	3.000	0.000	0.000	0.000	0.000
<b>Total of all programmes within block</b>	<b>17.216</b>	<b>10.695</b>	<b>(6.521)</b>	<b>13.989</b>	<b>5.270</b>	<b>(8.719)</b>

### 3.HIGHWAYS MAINTENANCE Forecast out turn for 2015/16 and beyond : underspend £3.702m

The main items are: £3.233m relating to the M65 Crash Barriers and £0.220m relating to 2014/15 ABC Roads. The forecast underspend re M65 Crash Barriers is due to external grants from DfT releasing resources.

Capital Investment Programmes within block	Total budget 2015/16 and beyond £m	Total forecast out turn £m	Total forecast variance £m	2015/16 restated budget £m	2015/16 forecast out turn £m	2015/16 forecast variance £m
2012/13 starts	14.021	10.614	(3.407)	14.021	10.614	(3.407)
2013/14 starts	2.013	1.770	(0.243)	2.013	1.770	(0.243)
2014/15 starts	9.903	8.566	(1.337)	9.903	8.566	(1.337)
<b>TOTAL pre 2015/16 starts</b>	<b>25.937</b>	<b>20.950</b>	<b>(4.987)</b>	<b>25.937</b>	<b>20.950</b>	<b>(4.987)</b>
2015/16 Starts	42.286	43.572	1.286	28.826	30.112	1.286
2016/17 Starts	20.454	20.454	0	0	0	0
2017/18 Starts	19.964	19.964	0	0	0	0
<b>Total of all Programmes within block</b>	<b>108.641</b>	<b>104.940</b>	<b>(3.702)</b>	<b>54.763</b>	<b>51.062</b>	<b>(3.702)</b>

### 4. TRANSPORT IMPROVEMENT Forecast outturn for 2015/16 and beyond over spend £1.580m

The main items are: Eaves Green Link Road £0.561m, Green Lane Link £1.150m and £4m forecast overspend on the Heysham to M6 Link Road.

In addition it should be noted that the Heysham to M6 Link Road project was included in the Council's capital programme at a value consistent with the amount of funding authorised in the

programme not the value of the contract spend authorised in separate Cabinet reports. The difference is £3.772m, which has been consistently flagged as a risk requiring further funding. It is now clear that this extra funding will be required, and the current proposal is to fund this from borrowing. This has therefore been included in the draft 2016/17 programme presented in the Cabinet Report to which this Appendix is attached.

<b>Capital Investment Programmes within block</b>	<b>Total budget 2015/16 and beyond £m</b>	<b>Total forecast outturn £m</b>	<b>Total forecast variance £m</b>	<b>2015/16 restated budget £m</b>	<b>2015/16 forecast outturn £m</b>	<b>2015/16 forecast variance £m</b>
Pre 2012/13 Starts	59.189	62.507	3.318	59.189	58.507	(0.682)
2012/13 starts	10.139	9.003	(1.136)	10.139	9.003	(1.136)
2013/14 starts	(0.779)	(0.779)	0.000	(0.779)	(0.779)	0.000
2014/15 starts	2.570	2.019	(0.551)	2.105	1.554	(0.551)
<b>TOTAL pre 2015/16 starts</b>	<b>71.119</b>	<b>72.750</b>	<b>1.631</b>	<b>70.654</b>	<b>68.285</b>	<b>(2.369)</b>
2015/16 Starts	9.135	9.084	(0.051)	4.710	3.909	(0.801)
2016/17 Starts	3.57	3.57	0	0	0	0
2017/18 Starts	3.32	3.32	0	0	0	0
<b>Total of all programmes within block</b>	<b>87.144</b>	<b>88.724</b>	<b>1.580</b>	<b>75.364</b>	<b>72.194</b>	<b>3.170</b>

## 5. WASTE and OTHER PROJECTS Forecast outturn for 2015/16 and beyond underspend £1.592m

This is due to an underspend on the completed ISSIS/Resolution service IT project.

Capital Investment Programmes within block	Total budget 2015/16 and beyond £m	Total forecast outturn £m	Total forecast variance £m	2015/16 restated budget £m	2015/16 forecast outturn £m	2015/16 forecast variance £m
Waste Management Infrastructure	7.807	7.807	0.000	0.000	0.000	0.000
Household Waste Community Recycling and Reuse Centre (CRRC) Garstang	0.059	0.059	0.000	0.059	0.059	0
Jameson Road	0.384	0.384	0.000	0.384	0.384	0.000
ISSIS Replacement / Resolution	1.942	0.350	(1.592)	1.942	0.350	(1.592)
Upgrade of Existing Fire Suppression Systems at Farington and Thornton Waste Recovery Parks	4.000	4.000	0.000	0.500	0.500	0.000
Mass spectrometer	0.082	0.082	0.000	0.082	0.082	0.000
<b>Total of all programmes within block</b>	<b>14.274</b>	<b>12.682</b>	<b>(1.592)</b>	<b>2.967</b>	<b>1.375</b>	<b>(1.592)</b>

## 6. ADULT SOCIAL CARE Forecast out turn for 2015/16 and beyond underspend £8.464m

Due to as yet un-programmed budget allocations for all the programmes showing an underspend in the table below.

Re: Learning Disability Daycare modernisation a project in East Lancashire is still to be identified, and re: Extra Care Housing the £5.573m shown in the table below (£0.573m left from 2013/14 DoH grant and £5m un-programmed LCC funding) is as yet unallocated due to a corporate review of this strategy. The £1.885m underspend relating to Libraries Regeneration work is a balance currently awaiting allocation to schemes.

<b>Capital Investment Programmes within block</b>	<b>Total budget 2015/16 and beyond £m</b>	<b>Total forecast out turn £m</b>	<b>Total forecast variance £m</b>	<b>2015/16 restated budget £m</b>	<b>2015/16 forecast out turn £m</b>	<b>2015/16 forecast variance £m</b>
Learning Disability Day Care Modernisation - East Lancashire	0.854	0.025	(0.829)	0.829	0.000	(0.829)
Improving Information Management for Social Care	0.270	0.270	0.000	0.225	0.225	0.000
Social care reform grants	0.552	0.552	0.000	0.350	0.350	0.000
General improvements 2012/13-14/15	0.073	0.130	0.057	0.069	0.128	0.059
EXTRA CARE housing - 13/14 Dept of Health grant allocated to Extra care	2.967	2.394	(0.573)	2.000	0.004	(1.996)
EXTRA CARE housing (LCC Funding)	5.000	0.000	(5.000)	0.000	0.000	0.000
Social Care Capital Grants. 15/16 Dept of Health grant (1.924m allocated to Extra Care and 1.149m allocated to Care act )	3.073	3.073	0.000	3.073	3.073	0.000
Libraries regenerate	3.653	1.768	(1.885)	3.061	0.495	(2.566)
Changing places for severely disabled adults-pilot schemes	0.481	0.111	(0.370)	0.316	0.111	(0.205)
Smaller projects	0.113	0.100	(0.013)	0.113	0.100	(0.013)
Care Home Maintenance	0.036	0.185	0.149	0.036	0.181	0.145

Disabled facilities grant	6.365	6.365	0	6.365	6.365	0.000
<b>Total of all programmes within block</b>	<b>23.437</b>	<b>14.973</b>	<b>(8.464)</b>	<b>16.437</b>	<b>11.032</b>	<b>(5.405)</b>

## 7. CORPORATE Forecast outturn for 2015/16 and beyond underspend £6.261m

As per the following table summarised as follows:

- Economic Development budget not yet allocated ££5.619 and a forecast underspend on Superfast Broadband Phase 1 of £1.2m. This was the forecast position as at 30<sup>th</sup> September 2015. Since then an additional scheme has been identified at Lomeshaye Industrial Estate , Pendle for £1.9m, and a contribution to the Transport block of the programme in respect of the £3.7m cost now identified as being required for Phase 2 of the Skelmersdale Rail Link study.
- Various under and overspends netting off to £0.558m overspend

Capital Investment Programmes within block	Total budget 2015/16 and beyond £m	Total forecast out turn £m	Total forecast variance £m	2015/16 restated budget £m	2015/16 forecast out turn £m	2015/16 forecast variance £m
Superfast Broadband Phase 1	6.000	4.800	(1.200)	6.000	4.800	(1.200)
Salmesbury Enterprise Zone	1.500	1.500	0.000	1.500	1.500	0.000
Preston Town Centre Initiative	0.100	0.100	0.000	0.100	0.100	0.000
Cuerden Strategic Site - Masterplan	0.250	0.250	0.000	0.250	0.250	0.000
Unallocated Ec Dev budget - pipeline	8.369	2.750	(5.619)	7.036	0.000	(7.036)
<b>Subtotal Economic Development</b>	<b>16.219</b>	<b>9.400</b>	<b>(6.819)</b>	<b>14.886</b>	<b>6.650</b>	<b>(8.236)</b>
Growing Places (Expenditure)	5.757	6.646	0.889	5.757	6.646	0.889
Marion Estate	0.079	0.032	(0.047)	0.079	0.032	(0.047)



Area Offices/ Preston Offices originally now CCP/CHOB etc	2.530	2.530	0.000	2.475	2.409	(0.066)
Structural Maintenance & Demolition	2.073	2.147	0.074	1.999	1.796	(0.203)
Other smaller projects	0.306	0.184	(0.122)	0.306	0.184	(0.122)
Core Systems Transformation	7.990	7.754	(0.236)	7.990	5.631	(2.359)
<b>Total of all programmes within block</b>	<b>34.954</b>	<b>28.693</b>	<b>(6.261)</b>	<b>33.492</b>	<b>23.348</b>	<b>(10.144)</b>

#### 8. VEHICLES Forecast outturn for 2015/16 and beyond nil variance

Capital Investment Programmes within block	Total budget 2015/16 and beyond £m	Total forecast outturn £m	Total forecast variance £m	2015/16 restated budget £m	2015/16 forecast outturn £m	2015/16 forecast variance £m
Vehicle Replacement	3.004	3.004	0.000	3.004	3.004	0.000
Vehicle Replacement	9.600	9.600	0.000	3.200	3.200	0.000
<b>Total of all programmes within block</b>	<b>12.604</b>	<b>12.604</b>	<b>0.000</b>	<b>6.204</b>	<b>6.204</b>	<b>0.000</b>

## **Annex 3**

# **Risks, Important Issues and Funding Pressures associated with the Capital Programme**

## Risks, Important Issues and Funding Pressures

### 1. SCHOOLS

The BSF programme was approved on the basis of a funding package which included a specific Government grant, PFI funding arrangements, but also an expected amount of Capital receipts from the sale of surplus school sites. It is expected that receipts will be received equivalent to the expected amount, subject to specific developer interest being crystallised.

### 2. CHILDREN and YOUNG PEOPLE

No significant risks have been identified by the service.

### 3. HIGHWAYS and TRANSPORT

There will be a change in how the Department for Transport (DfT) Highway Maintenance allocation is calculated with effect from 2016/17. This is aimed at incentivising Local Authorities such that the allocation will be based on self-assessed rating over a range of parameters relating to management of assets (including Transport Asset Management Plan or TAMP). LCC are currently self-assessed as meeting Band 2 criteria but planned further improvements by Autumn 2015 should result in DfT agreeing Band 3 status. The table below sets out the financial implications (£millions), and shows that LCC should receive more than previously budgeted for.

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Previously expected	20.514	18.567	18.567	18.567
Band 2 self assessed now	21.101	19.486	19.224	18.960
Band 3 potential figure	21.166	19.880	19.880	19.880

The draft Capital Programme does not include Band 2 or 3 funding levels, as these have not yet been confirmed by DfT.

### 4. WASTE and OTHER PROJECTS

Infrastructure improvements required by Environment Agency have been identified at Rowley Closed Landfill site. A Cabinet report has been approved requesting funding of £0.500m from risk reserves to carry out these works in 2015/16. Further capital works of approximately £0.520m will be required at Rowley and other closed landfill sites over the next few years.

### 5. ADULT

The Extra Care strategy is currently under review which will determine how the so far un-programmed amount in the capital programme will be spent.

There is a risk that closure of the Museum of Lancashire may result in a clawback of grant from the Heritage Lottery Fund.

6. **CORPORATE**

**Core Systems Transformation Programme:** A risk has been identified that the original requirement for mobile devices may double, resulting in extra one off costs of £0.400m. Every effort will be made to try to contain this cost within the overall budget, however there is a risk that this may not be possible. The additional investment will however ensure that revenue savings through more efficient working can be maximised.

7. **VEHICLES**

A review of the annual level of spend on vehicle renewals, and the associated recharge to services has been suggested to possibly extend vehicles useful life.

8. **CITY DEAL**

**Preston Bus Station** As outlined in the Cabinet report approved on 6<sup>th</sup> November 2014, any shortfall in the Bus Station project is to be met from potential savings from within the 10 year City Deal programme and the possible use of an earmarked reserve already set aside.

9. **LCC BIDS FOR LEP "GROWTH DEAL" CAPITAL FUNDING**

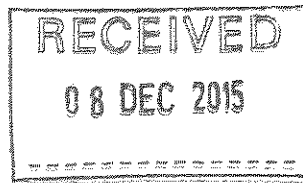
**Centenary Way Viaduct** major maintenance project has a total value estimated at £3.2m, of which an LCC. £0.350m contribution has been allocated from within the Highways Bridges programme. The balance would be sought from future Growth Deal funding.

**East Lancashire Strategic Cycle Network** project total value estimated £5.85m. LCC have agreed to fund £3.25m of this, with £1.4m already included in the February 2015 approved capital programme Transport block 2015/16 starts. The balance of £1.85m LCC contribution would come from the 2018/19 DfT LTP Transport grant, which at this time is still only an indicative total grant of £6.054m. The balance required of £2.6m would be sought from Growth Deal.

10. **FUTURE ECONOMIC DEVELOPMENT FUNDING BIDS INTO LOCAL GROWTH FUND**

**Skelmersdale Rail Link** is a programme of works included in the Capital programme authorised in February 2015, and is part of the West Lancashire Highways and Transport Masterplan. On the 1<sup>st</sup> June 2015 a Cabinet report was approved in which Cabinet were asked to note that the total cost of developing the brief and options report jointly with Network Rail will cost between £2.8m and £4m. The approved February 2015 capital programme includes £1m, phased equally over 2017/18 and 2018/19, and an additional revised sum of £3.7m has now been programmed against the Economic Development budget in the Corporate block of the capital programme, phased £0.5m in 2016/17 and £3.2m in 2017/18.

Should this scheme progress beyond the brief and options stage, the delivery of the project itself will depend on a future bid by the LEP for up to a 90% contribution from the Local Growth Fund. The estimated total cost at Autumn 2014 prices is £300m, and Local Growth Fund financed schemes require a minimum of 10% local contribution, hence this would amount to £30m.



Mr Mark Cullinan  
Chief Executive  
Lancaster City Council  
Town Hall  
Dalton Square  
LANCASTER  
LA1 1PJ

Please ask for: Jackie Harney  
Telephone: 01772 866908  
Email: jackieharney@lancsfireandrescue.org.uk  
Your Ref:  
Our Ref: Democratic Services  
Date: 07 December 2015

Mr Cullinan

### LANCASHIRE COMBINED FIRE AUTHORITY BUDGET CONSULTATION

At a Meeting of the Lancashire Combined Fire Authority held on the 7<sup>th</sup> December 2015, the Authority gave initial consideration to a report on the Capital Budget 2016/17-2020/21 and the Revenue Budget 2016/17-2019/20. Copies of the reports considered by the Authority are enclosed. The Authority having given consideration to its Budget has resolved as follows:

- i) Given initial consideration to the draft capital and revenue budgets as presented.
- ii) Approved consultation with representatives of non-domestic ratepayers and Trade Unions on the budget proposals.
- iii) To give further consideration to the capital and revenue budgets at their next meeting on 15<sup>th</sup> February 2016, in light of the consultation process.

In this regard it would be helpful if you could let me have any comments you wish to make on the Lancashire Combined Fire Authority budget proposals by no later than 31<sup>st</sup> January 2016. This will enable your views to be tabled for consideration by the Lancashire Combined Fire Authority at its budget setting meeting on 15<sup>th</sup> February 2016.

Yours sincerely

MARK NOLAN  
CLERK TO THE AUTHORITY  
Encs

#### Headquarters

Lancashire Fire & Rescue Service  
Garstang Road, Fulwood  
Preston  
PR2 3LH



**LANCASHIRE COMBINED FIRE AUTHORITY**

Meeting to be held on 7th December 2015

**CAPITAL BUDGET 2016/17-2020/21**

Contact for further information:

Keith Mattinson - Director of Corporate Services Tel No: 01772 866804

**Executive Summary**

The report sets out the draft capital programme for 2016/17-2020/21.

The draft programme allows for items included within various asset management plans, some of which still need to be finalised, such as the replacements of Mobile Fire Stations and Aerial Ladder Platforms.

At the time of writing the report capital funding was uncertain as we were awaiting the outcome of the Spending Review. This position will be updated at the meeting.

A final capital programme will be presented to the Authority in February, for formal approval.

**Recommendation**

The Combined Fire Authority is requested to: -

- (i) Give initial consideration to the draft capital budget as presented;
- (ii) Authorise consultation with representatives of non-domestic ratepayers and Trade Unions on the budget proposals;
- (iii) Give further consideration to the capital budget at their next meeting on 15 February 2016, in light of the consultation process.

**Capital Budget Strategy**

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

- assists in delivering the corporate objectives;
- supports 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;
- represents value for money.

## Capital Requirements

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.

A summary of all capital requirements is set out in the table below.

	2016/17	2017/18	2018/19	2019/20	2020/21	TOTAL
	£m	£m	£m	£m	£m	£m
Vehicles	1.370	1.645	1.810	2.909	0.933	8.666
Operational Equipment	1.000	0.220	-	1.250	-	2.470
Buildings	0.200	2.500	2.500	-	-	5.200
IT Equipment	0.200	2.115	0.310	0.470	0.210	3.305
<b>Total</b>	<b>2.770</b>	<b>6.480</b>	<b>4.620</b>	<b>4.629</b>	<b>1.143</b>	<b>19.641</b>

## 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:-

Type of Vehicle	No of Vehicles				
	2016/17	2017/18	2018/19	2019/20	2020/21
Pumping Appliance	5	6	6	6	3
Mobile Fire Stations (MFS)	-	1	1	-	-
Aerial Ladder Platform (ALP)	-	-	-	2	-
All Terrain Vehicle	-	-	-	1	-
Driver Training	2	-	-	-	-
Pod	1	-	1	1	-
Operational Support Vehicles	11	10	16	14	14
	19	17	24	24	17

The replacement programme has been adjusted to remove peaks in the number of vehicle replacements in any one year for a number of years now. This 'smoothing' has inevitably resulted in some vehicles being replaced marginally ahead of or behind schedule in the past, but provides a better basis for longer term replacement strategies, which is evident in the programme outlined above. As a result of this only two support vehicles which are due replacement in the period of the programme will be delayed by one year.

Driver Training vehicle replacements are currently under discussion with the Training and Operational Review department in terms of requirements, therefore are anticipated to be replaced in 2016/17.

The MFS replacements reflect the replacement of two vehicles at the end of their current asset life, however a review of requirements for these appliances is planned

to commence shortly, with the potential to replace with a different sort of vehicle according to requirements.

LFRS currently has several vehicles provided and maintained by CLG under New Dimensions (6 Prime Movers and 2 Incident Response Units), which under LFRS replacement schedules would be due for replacement during the period of the programme. However our understanding is that CLG 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, a grant from CLG 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**

The budget allows for the replacement of the Thermal Imaging Cameras (TIC) in 2017/18 at the end of their asset lives, at an estimated cost of £0.2m.

The budget allows for the replacement of the Breathing Apparatus (BA) and Telemetry equipment in 2019/20 at the end of their asset lives, at an estimated cost of £0.8m.

The budget also allows for the replacement of the current cutting and extrication equipment at the end of its useful life in 2019/20, at an estimated cost of £0.45m.

A review is currently underway of innovations in future fire fighting equipment, as previously highlighted at the Strategy Group, and whilst this is not yet complete a sum of £1.0m has been included in the capital programme to meet any costs arising from this.

### **Buildings**

The current level of backlog maintenance has reduced significantly, reflecting the investments the Authority has made in its building stock. Following completion of works budgeted during 2015/16, the Authority will only have Preston fire station classed as in poor condition. In addition, the Emergency Cover Review (ECR) planned for completion during 2017/18 may highlight the requirement to make changes to our stations, hence we have included a sum of £5m spread over two financial years to give scope for these changes once known.

In addition to this a further sum of £0.2m has been included in the programme to allow for the relocation of the Fleet workshop from its current site at Service HQ to Service Training Centre. This will enable the combination of the Fleet and Breathing Apparatus workshops into one central location, leading to the multi-skilling of engineers enabling one workshop to be responsible for the maintenance of all operational equipment. Furthermore this will provide scope and capacity to bring ladder maintenance in house, reducing our on-going maintenance costs by £35k.



	2016/17	2017/18	2018/19	2019/20	2020/21
	£m	£m	£m	£m	£m
Buildings	0.200	2.500	2.500	-	-
	<b>0.200</b>	<b>2.500</b>	<b>2.500</b>	-	-

## ICT

The sums identified for the replacement of various ICT systems are in line with the software replacement lifecycle schedule incorporated into the ICT Asset Management Plan.

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

Of particular note are the anticipated replacements for the operational communications assets most of which are affected by the national Emergency Services Mobile Communications Project (ESMCP) to deliver a replacement for Airwave (the wide area radio system currently used for mobilising by all blue light services). To date the national project has not yet completed awarding contracts, therefore the exact timing of the potential need, and the associated replacement costs remain uncertain. However, the project milestones of North West Fire Control go live in January 2017 and LFRS go live in August 2017 are reflected in the estimated budgets in the table below. As the national situation becomes clearer, forthcoming budget revisions will be updated.

	2016/17	2017/18	2018/19	2019/20	2020/21
	£m	£m	£m	£m	£m
<b>Replace Existing Systems</b>					
Vehicle specification crash recovery software		0.020			
Performance Management		0.100			
Geographic Information System (GIS) Risk Information		0.100			
Finance system		0.250			
Wide Area Network (WAN)		0.380			
Pooled PPE system			0.080		
Rota system (Retained Duty System)			0.050		
Rota system (Wholetime Duty System and officer cover)				0.050	
Hydrant Management system				0.020	
HR & Payroll system					0.150
Incident Command system					0.060
	-	<b>0.850</b>	<b>0.130</b>	<b>0.070</b>	<b>0.210</b>
<b>Operational Communications</b>					
ESMCP (Airwave) replacement (estimated)	0.200	0.800			
Station end mobilising system		0.400			
Alerters for RDS/DCP staff		0.065			
Incident Ground Radios			0.180		
Vehicle Mounted Data Systems				0.400	

(VMDS)					
	0.200	1.265	0.180	0.400	-
<b>Total ICT Programme</b>	<b>0.200</b>	<b>2.115</b>	<b>0.310</b>	<b>0.470</b>	<b>0.210</b>

### 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. In determining the level of borrowing, the Authority must prepare and take account of a number of prudential indicators aimed at demonstrating that the level and method of financing capital expenditure is affordable, prudent and sustainable. However, the Government has maintained reserve powers to limit any such borrowing if it believes the proposals to be unaffordable or in terms of national public spending constraint.

Since the 2010 Spending Review, supported borrowing is no longer available to the Fire Service, meaning any future borrowing will incur a financing charge against the revenue budget for the period of the borrowing.

#### Capital Grant

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

The Authority was successful in its bids for 2015/16, receiving a total allocation of £3m. To date no capital grant funding has been made available for 2016/17. Whilst it is possible that the Spending Review will include some it is difficult to see how this could be administered on a 'bidding' basis for 2016/17, given timeframes. As such we have not built in any allowance for future years pending the outcome of the Spending Reviews. There is potentially Government grant accessible in relation to ESMCP, however as we don't currently have any information regarding the potential timing or amount of grant which could be received by LFRS, we have not allowed for this in the programme as presented.

A verbal update will be provided at the meeting, following the Spending Review announcement, and incorporated into the final capital budget report for the February meeting.

#### Capital Receipts

Capital receipts are generated from the sale of surplus land and buildings, 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 currently holds £1.2m of capital receipts. In addition to this, we are anticipating capital receipts of £0.3m from the sale of surplus site at Chorley.

Note at the end of the five year programme capital receipts will have been fully utilised.

### 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. Following completion of the 2015/16 capital programme, the Authority expects to hold £7.4m of capital reserves. Over the life of the programme this will be fully utilised.

### 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 reduces over the life of the programme, reflecting the anticipated funding reductions. The ability to maintain this throughout the 5 year programme depends on affordability and in particular the outcome of the Spending review and subsequent Local Government Finance Settlement.

### Total Capital Funding

The following table details available capital funding over the five year period (note funding reflects the timing of funding):

	2016/17	2017/18	2018/19	2019/20	2020/21	TOTAL
	£m	£m	£m	£m	£m	£m
Capital Grant	-	-	-	-	-	-
Capital Receipts	-	1.487	-	-	-	1.487
Capital Reserves	0.020	3.243	3.120	2.166	-	8.549
Revenue Contributions	2.750	1.750	1.500	1.500	1.500	9.000
	<b>2.770</b>	<b>6.480</b>	<b>4.620</b>	<b>3.666</b>	<b>1.500</b>	<b>19.036</b>

### Summary Programme

Therefore the summary of the programme, in terms of requirements and available funding, is set out below:

	2016/17	2017/18	2018/19	2019/20	2020/21	TOTAL
	£m	£m	£m	£m	£m	£m
Capital Requirements	2.770	6.480	4.620	4.629	1.143	19.641
Capital Funding	2.770	6.480	4.620	3.666	1.500	19.036
<b>Surplus/(Shortfall)</b>	-	-	-	<b>(0.963)</b>	<b>0.357</b>	<b>(0.605)</b>

Over the next five years of the capital programme there is an overall shortfall of £0.605m, however it should be noted that the following assumptions could change:-

- 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;

- Capital grant may be made available in future years, in order to assist service transformation and greater collaboration;
- Replacement of both the Mobile Fire Stations and Aerial Ladder Platforms are subject to a review and vehicle requirements could be amended;
- New Dimensions vehicle replacements are expected to be carried out by CLG, however this position may change;
- The Thermal Imaging Camera replacements scheduled for 2017/18 and the Breathing Apparatus and Cutting Equipment replacements scheduled for 2019/20 are at estimated costs, and would be subject to proper costings nearer the time;
- ICT software replacements are based largely on the ICT asset management plan, and are subject to review prior to replacement, which has led in the past to significant slippage.

The programme shortfall occurs in 2019/20, therefore when looking at the three year programme, 2016/17 to 2018/19 is balanced, and as such be considered prudent, sustainable and affordable. Although it must be recognised that future funding levels, both in terms of revenue and capital, will inevitably impact upon the achievability of the programme as identified.

However 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.

### **Impact on the Revenue budget**

It is worth noting that the capital programme and its funding directly impacts on the revenue budget in terms of capital financing charges and in terms of the revenue contribution to capital outlay. The draft revenue budget allows for an on-going contribution to the capital programme, but it must be recognised that dependent upon the final extent of future funding cuts this maybe one area where additional savings could be delivered to offset some of the revenue funding gap. If that was the case we would need to reduce the capital budget accordingly, or alternatively we could take out new borrowing (or not pay off some of the existing borrowing) in order to deliver a balanced programme. This will impact on the revenue budget in the form of additional financing charges, albeit these will be spread over a longer time period, as opposed to the full cost be borne in one year as is the case with the current in-year revenue contribution.

### **Prudential Indicators**

The Authority is required to calculate various prudential indicators to demonstrate that the proposed capital programme is affordable, prudent and sustainable. These have not yet been calculated, but will be included in the Authority report in February.

### **Financial Implications**

The financial implications are set out on the report.

**Human Resources Implications**

None.

**Equality and Diversity Implications**

The capital programme in respect of replacement/refurbishment of existing property will include some element of adaptations to ensure compliance with the Disability Discrimination Act.

**Environmental Impact**

The environmental impact of decisions relating to the capital programme will be considered as part of the project planning process, and where possible we will look to minimise the environmental impact of this where it is considered practical and cost effective to do so.

**Business Risk Implications**

The capital programme is designed to ensure that the Service has the appropriate assets in order to deliver its services; as such it forms a key element in controlling the risk to which the Authority is exposed.

**Local Government (Access to Information) Act 1985  
List of Background Papers**

Paper	Date	Contact
None		
Reason for inclusion in Part II, if appropriate:		

**LANCASHIRE COMBINED FIRE AUTHORITY**

Meeting to be held on 7<sup>th</sup> December 2015

**REVENUE BUDGET 2016/17-2019/20**

Contact for further information: Keith Mattinson - Director of Corporate Services  
Telephone Number 01772 866804

**Executive Summary**

The report sets out the draft revenue budget for 2016/17-2019/20 and the resultant council tax implications.

The Spending Review announcement on 25 November 2015 did not provide any specific details relating to Fire. Hence we have continued to model two scenarios, a 26% cut based on estimates that have been derived from the Spending Review report and the Local Government Association analysis of this, and an assumed worst case scenario of a 40% funding cut, in line with the Government's initial savings targets.

In terms of council tax we have modelled two scenarios, one based on increasing council tax by 2% each year and one based on freezing council tax in 2016/17, and subsequently increasing it by 2% thereafter (no allowance has been made in respect of the council tax freeze grant as this is not mentioned in the Spending Review).

These models produce a variety of results ranging from a surplus of £0.4m to a deficit of £0.7m in 2016/17. However all scenarios result in a deficit in 2017/18 and beyond increasing up to a potential deficit of between £2m and £7m in 2019/20.

There may be scope to deliver further savings on top of those already identified, but inevitably the scope to do this without impacting on service delivery is limited.

Reserves are in a healthy position and could be utilised to bridge any shortfall and timing issues, however these only provide a short term solution, and eventually recurring savings must be identified to offset the final funding gap.

A final revenue budget will be presented to the Authority in February 2016, for formal approval.

**Recommendations**

The Authority is requested to: -

- (i) Give initial consideration to the draft revenue budget as presented;
- (ii) Authorise consultation with representatives of non-domestic ratepayers and Trade Unions on the budget proposals;
- (iii) Give further consideration to the revenue budget at their next meeting on 15 February 2016, in light of the consultation process.

## Information

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

- Maintaining future council tax increases at reasonable levels, reducing if possible;
- Continuing to deliver efficiencies in line with targets;
- Continuing to invest in improvements in service delivery;
- Continuing to invest in improving facilities;
- Setting a robust budget;
- Maintaining an adequate level of reserves.

## Draft Budget

In order to determine the future budget requirement, the Authority has used the approved 2015/16 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:-

	2016/17	2017/18	2018/19	2019/20
	£m	£m	£m	£m
Preceding Years Draft Budget Requirement	56.7	54.0	53.5	53.5
Inflation	0.8	0.8	0.7	0.7
Other Pay Pressures	(0.5)	0.3	(0.1)	-
Committed Variations	(0.3)	(1.0)	(0.5)	0.1
Efficiency Savings	(3.2)	(0.2)	(0.1)	0.1
Additional staff costs	0.5	(0.4)	-	-
Budget Requirement	54.0	53.5	53.5	54.4

## Inflation

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

	2016/17	2017/18	2018/19	2019/20
	£m	£m	£m	£m
A 1% allowance has been built in for all future pay-awards based on the Governments budget proposals in which they confirmed their desire to continue to restrict public sector pay increases to this figure.	0.4	0.4	0.4	0.4
Non-pay inflation, average of 2.5% each year	0.4	0.4	0.3	0.3
	0.8	0.8	0.7	0.7

## Other Pay Pressure

	2016/17	2017/18	2018/19	2019/20
	£m	£m	£m	£m
Pay recosting, including the following:- <ul style="list-style-type: none"> <li>• timing of public holidays;</li> <li>• mix of personnel in development and competent rates of pay;</li> <li>• mix of staff in pension schemes.</li> </ul>	(0.3)	0.1	(0.1)	-
At the time of setting the budget last year we were still awaiting final details of employer's pension's contributions in respect of the Firefighters Pension Scheme. An increased allowance was built in to the budget taking account of previous actuarial valuations. However when the final figures were published in March these were lower than anticipated resulting in the budget being overstated by £1.0m. Hence the 2016/17 budget needs to be reduced.	(1.0)	-	-	-
As a result of the Government amending the state pension and abolishing the National Insurance Contribution rebate in respect of contracted-out pension services the Authority will incur additional employer contributions.	0.8	-	-	-
The government will introduce the apprenticeship levy in April 2017 set at a rate of 0.5% of an employer's pay bill.	-	0.2	-	-
	(0.5)	0.3	(0.1)	-

## Committed Variations

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

	2016/17	2017/18	2018/19	2019/20
	£m	£m	£m	£m
In order to balance the draft capital programme the Revenue Contribution to Capital Outlay was increased in 2015/16, hence the reduction brings this back in line with future requirements, as reflected in the draft capital programme.	(0.1)	(1.0)	(0.2)	-
Reduction in restructuring costs, reflecting the level of earmarked reserves currently set aside.	(0.2)	-	(0.3)	-
New Burdens funding in respect of the increased costs associated with the national Fire Link project, Airwave, has been extended, hence the budget allows for the removal of this in January 2020.	-	-	-	0.1
	(0.3)	(1.0)	(0.5)	0.1



## Efficiency Savings

The Authority has a good track record of delivering efficiency savings. In February 2013 the Authority set a target of an additional £10m of savings to be delivered by March 2017, on top of the £5.5m previously identified since 2011. By the end of 2015/16 we anticipate having delivered £8.5m of this target, and have already identified a further £3.2m of savings in 2016/17, meaning we will have exceeded our original £10m target by £1.7m. Furthermore we have identified a further £0.2m of savings in the following two years, bringing our overall identified savings to £11.9m:-

	2016/17	2017/18	2018/19	2019/20
	£m	£m	£m	£m
Anticipated savings arising from the Emergency Cover Review, reported elsewhere on this agenda.	(1.4)	-	-	-
Reduction in staff identified in the review of prevention and protection services, as reported elsewhere on the agenda.	(0.7)	-	-	-
Savings identified from reviewing non-pay budgets: <ul style="list-style-type: none"> <li>• Fleet;</li> <li>• Property;</li> <li>• Area;</li> <li>• Other.</li> </ul>	(0.7)	-	-	-
Reduction in LGPS Employer Contributions reflecting payment made to offset part of deficit.	-	(0.1)	-	-
Revised Capital Financing charges reflect anticipated level of debt required to fund the draft capital programme, forecast interest rates, and the anticipated Minimum Revenue Provision.	(0.3)	(0.1)	(0.1)	0.1
Removal of the contribution to GMC in respect of their USAR team which previously provided resilience support for our own dedicated team. As a result of the move to introduce USAR facilities at both Chorley and Bamber Bridge the support from GMC is no longer required.	(0.1)	-	-	-
	(3.2)	(0.2)	(0.1)	0.1

Based on the above by the end of 2018/19 we anticipate having delivered in excess of £17m of savings since the 2010 Spending Review, over 25% of our 2010/11 budget.

## Additional Staff Costs

The gross budget assumes that all reductions in establishment are matched by reductions in staffing numbers. Due to reliance on natural wastage this is unlikely to be the case in 2016/17 and hence the gross budget has been adjusted to take account of the retirement profile within the Service, reflecting the additional staffing costs incurred. (Note the retirement profile is based on staff only leaving once they accrue full pension benefits, and does not include any allowance for those who resign, are dismissed or retire early). No adjustment is required in 2017/18 and beyond as, based on changes identified in the draft budget; staffing levels will reduce below forecast establishment in these years. In effect this will create an opportunity to deliver further efficiencies in those years:-

	2016/17	2017/18	2018/19	2019/20
	£m	£m	£m	£m
Removal of preceding years additional staff cost	0.1	(0.4)	-	-
Anticipated in year additional staff costs	0.4	-	-	-
Net change to additional staff costs	0.5	(0.4)	-	-

### Net Budget Requirement

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

	2016/17	2017/18	2018/19	2019/20
	£m	£m	£m	£m
Draft Budget Requirement	54.0	53.5	53.5	54.4
Budget (Decrease)/Increase	(4.8%)	(1.0%)	-	1.6%

### Grant Funding

As a major precepting authority the Authority receives funding in the form of:-

<b>2015/16</b>	
<b>Settlement Funding Assessment (Grant)</b>	
Revenue Support Grant, direct from the Government	£15.2m
Individual Authority Business Rates Baseline	£4.6m
Business Rates Top-Up, from the Government	£9.6m
Section 31 Grant - Business Rates Capping	£0.2m
	<b>£29.6m</b>
<b>Council Tax</b>	
Council Tax	£26.6m
Council Tax collection fund surplus	£0.5m
	<b>£27.1m</b>
<b>Total Funding</b>	<b>£56.7m</b>

Since 2010 grant funding has fallen and this trend is set to continue. The Spending Review showed Revenue Support Grant being reduced by 53% by 2019/20, and being phased out completely by 2020/21. However the Review went on to say "the settlement includes reductions to local government grant of £6.1billion by 2019/20, though given forecast increases to other sources of local government income, overall local government spending will be higher in cash terms in 2019/20 than in 2015/16." However the situation is extremely complicated as these numbers include forecast increases in council tax receipts, including the new Social Care precept, the £1.5 billion increase to the Better Care Fund, forecast increases in business rates etc., and it is impossible to accurately strip these out.

Helpfully the Local Government Association has produced some further analysis and this shows a reduction of 19% in core government funding over the four year period. But this includes the additional £1.5billion Better Care Fund and if we strip this out the total reduction is 26% over the period. The phasing of this reduction is also difficult to identify as no details of the timing of the additional Better Care Fund are available, hence we have assumed that is phased evenly throughout the 4 year period, which would result in a slight front loading of the overall reduction.

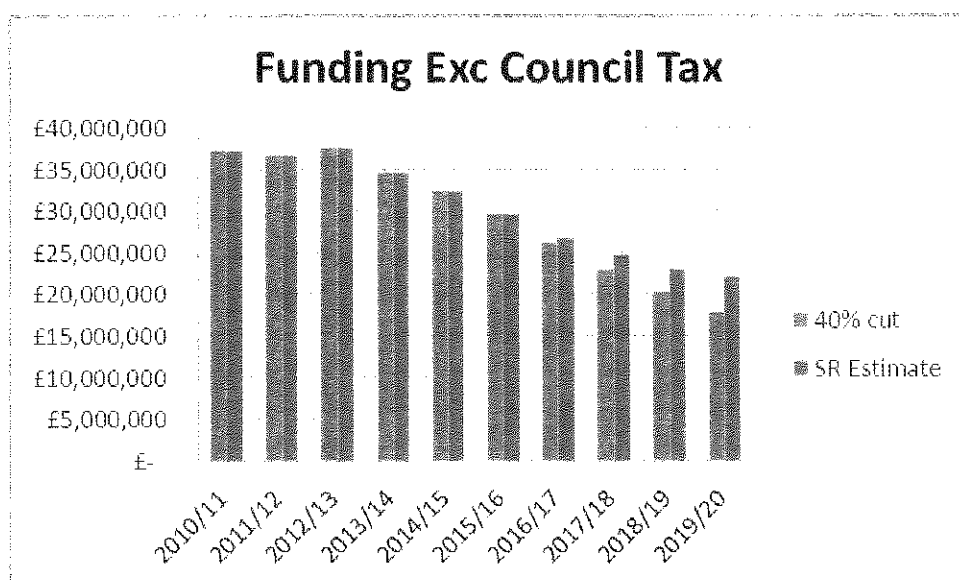
Given how many assumptions are included in the above statement, a second scenario has been included in the report showing a 40% reduction over the next four years, based on the Chancellors initial maximum reduction target, which I have assumed is spread evenly across the period.

Based on the above the projected Settlement Funding Assessment (RSG and Business Rates) is as follows:-

	26% reduction	40% reduction
2015/16	£29.6m	£29.6m
2016/17	£26.7m	£26.1m
2017/18	£24.7m	£23.0m
2018/19	£23.0m	£20.2m
2019/20	£22.1m	£17.8m

This shows a total reduction of between £7.5m and £11.8m. This is in addition to the funding cuts of £7.7m implemented since 2010/11. (In 2010/11 our equivalent funding was £37.3m.).

The Spending Review also confirmed that by 2020/21 Local Authorities will retain 100% of business rates, but no details are available as to how this will work and what the impact on the fire sector is, and hence for the purpose of financial planning we have assumed that this will be cost neutral.

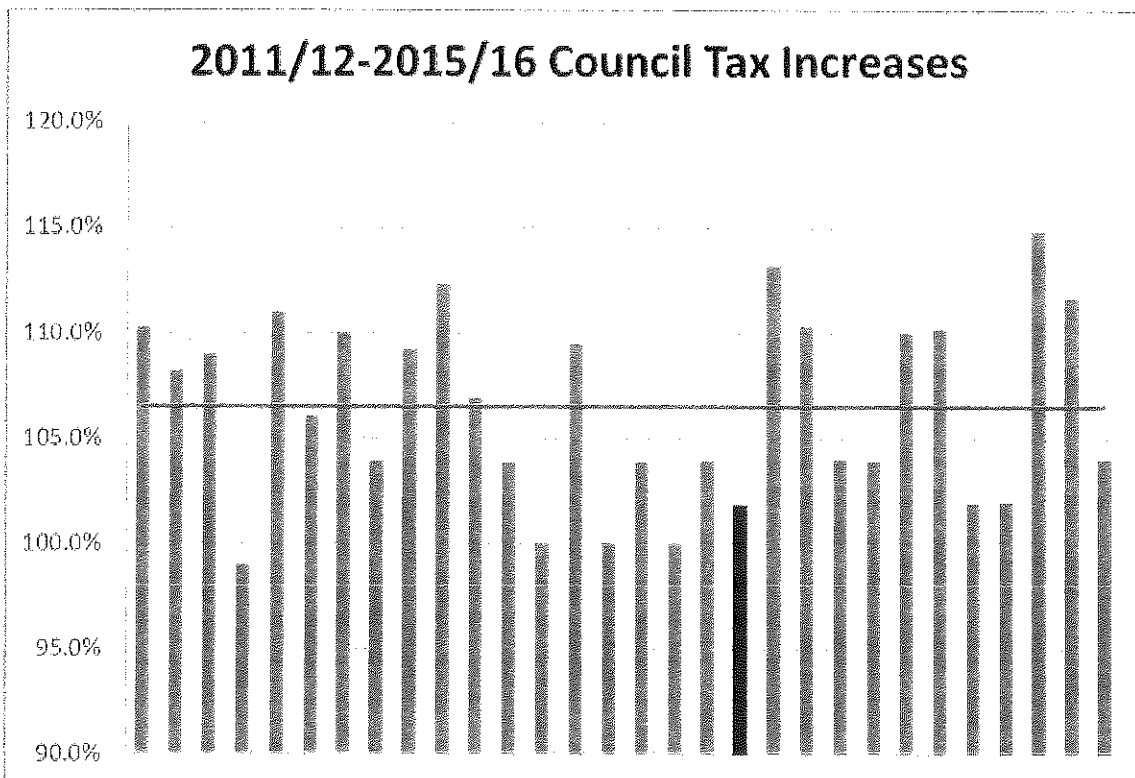
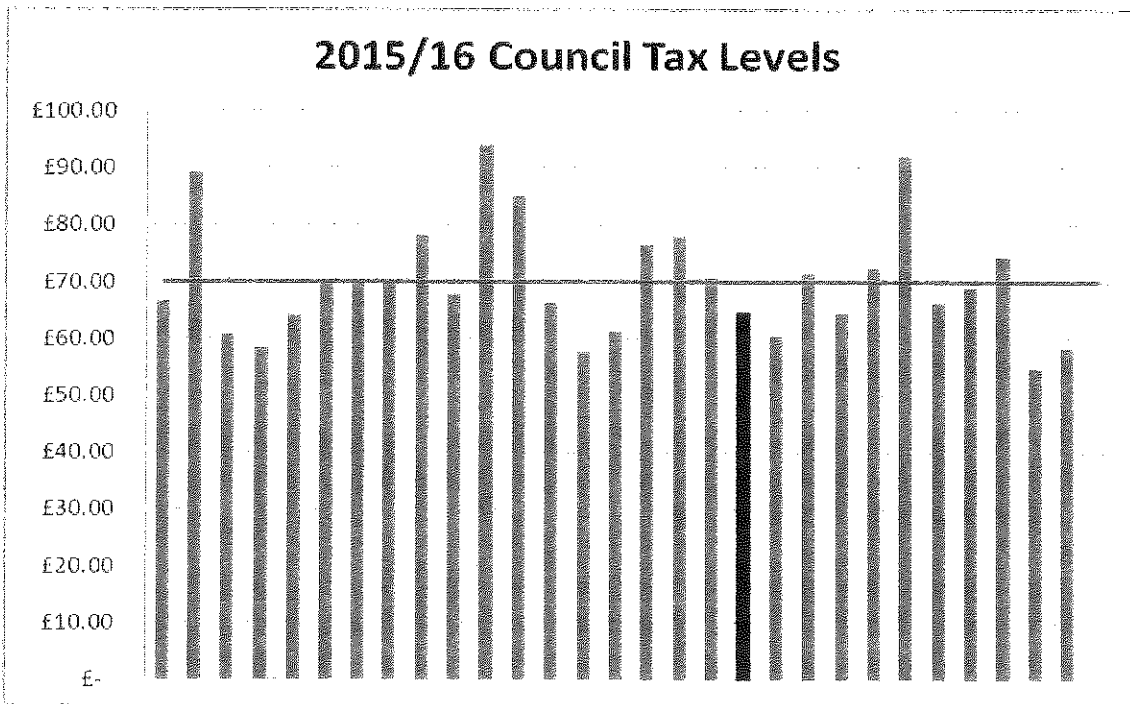


Funding projections will be updated once the Local Government Finance Settlement provides further details which are anticipated in December, and as Billing Authorities provide more detail re: business rates.

### 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, culminating in a council tax freeze between 2011/12-2014/15 and a 1.90% increase last year. Our council tax of £64.86 is still below the national average of £70.00, and our increase of just 1.90% over the last 5 years compares with an average increase of 6.50% over the same period and is the fifth lowest of any Fire Authority.



The Spending Review makes no mention of the council tax freeze grant, hence for the purposes of the draft budget we have assumed that this does not carry on. (Note as the funding forecasts are based on total available funding, these will already include the freeze grant, if it exists, and hence if it does continue in its current form then we will have to revisit the funding assumptions to take account of that fact).

Nor does the review explicitly state that the referendum limit will remain at 2%, but it does reference the current limit on several occasions, hence for the purpose of planning we have assumed the 2% limit will continue to apply in future years.

## Council Tax-Base

Members will recall that 2013/14 saw the introduction of a new localised scheme for council tax support, funded by specific grant, with any gap between the final schemes adopted and the level of grant provided being shared between billing authorities and major preceptors. As part of the introduction each billing authority consulted with all the major preceptors on their proposed scheme. Any billing authority which is proposing to amend its current scheme is again required to consult with major preceptors and whilst this consultation is currently taking place at the present time there are no major changes proposed which would have a significant impact on the Authority.

Until such time as final decisions on revised schemes are taken by each billing authority the actual tax base will not be known, hence for the purpose of the draft budget I have assumed the tax base will increase by 1% each year.

In terms of the council tax collection fund we are still awaiting draft figures from billing authorities. As such we have included an allowance for a £300k surplus each year. (Note this is in line with the last 2 years, but is significantly higher than previous trends).

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

## Draft Council Tax Requirements

Two different funding assumptions have been modelled:-

### Assuming a 26% cut

Assuming a 26% funding cut, in line with the Spending Review analysis, the draft budget identified results in a marginal council tax increase of 0.5% in 2016/17, but with larger increases in future years:-

	2016/17	2017/18	2018/19	2019/20
	£m	£m	£m	£m
Draft Budget Requirement	54.0	53.5	53.5	54.4
Less Total Grant	(26.7)	(24.7)	(23.0)	(22.1)
Council Tax Collection Surplus	(0.3)	(0.3)	(0.3)	(0.3)
Equals Precept	27.0	28.5	30.2	32.0
Estimated Number of Band D equivalent properties	414,661	418,807	422,996	427,225
Equates to Council Tax Band D Property	£65.18	£67.94	£71.51	£74.99
Increase in Council Tax	0.5%	4.2%	5.3%	4.9%

(For information, a 1% change to the council tax equates to £0.250m.)

As the increases in future years exceed the assumed referendum level two scenarios have been modelled, a 2% increase each year, and a freeze in 2016/17 followed by 2% increases in subsequent years, which gives the following in year surplus/(deficits).

	2016/17	2017/18	2018/19	2019/20
	£m	£m	£m	£m
2% increase - Surplus/(Deficit)	0.4	(0.2)	(1.1)	(2.1)
A council tax freeze in 2016/17 and a 2% increase thereafter - Surplus/(Deficit) NB council tax freeze grant would add a further £0.25m of funding to the position if it is maintained in its current format and had not already been included in our grant projections)	(0.1)	(0.8)	(1.7)	(2.6)

Assuming a 40% cut

Assuming a 40% funding cut the draft budget identified results in a council tax increase of 2.8% in 2016/17, but with large increases in future years:-

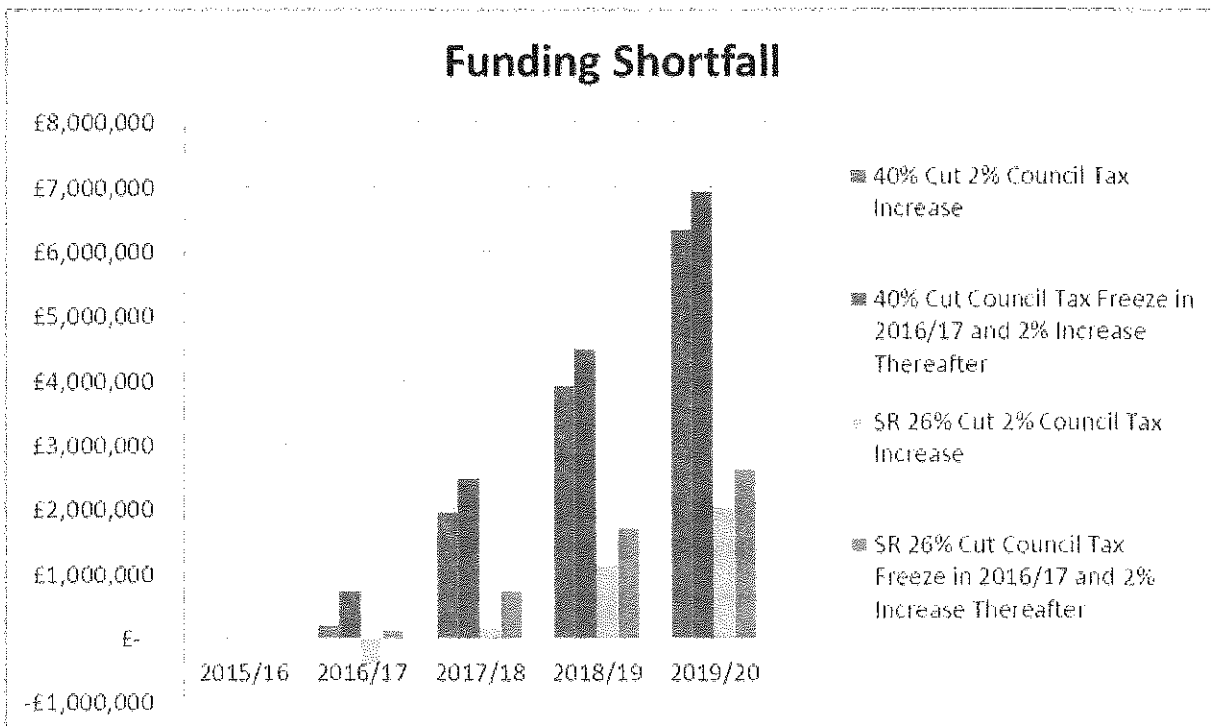
	2016/17	2017/18	2018/19	2019/20
	£m	£m	£m	£m
Draft Budget Requirement	54.0	53.5	53.5	54.4
Less Total Grant	(26.1)	(23.0)	(20.2)	(17.8)
Council Tax Collection Surplus	(0.3)	(0.3)	(0.3)	(0.3)
Equals Precept	27.6	30.2	33.0	36.3
Estimated Number of Band D equivalent properties	414,661	418,807	422,996	427,225
Equates to Council Tax Band D Property	£66.65	£72.12	£78.10	£85.04
Increase in Council Tax	2.8%	8.2%	8.3%	8.9%

(For information, a 1% change to the council tax equates to £0.250m.)

As the increases exceed the assumed referendum level two scenarios have been modelled, a 2% increase each year, and a freeze in 2016/17 followed by 2% increases in subsequent years, which gives the following in year surplus/(deficits)

	2016/17	2017/18	2018/19	2019/20
	£m	£m	£m	£m
2% increase - Surplus/(Deficit)	(0.2)	(1.9)	(3.9)	(6.3)
A council tax freeze in 2016/17 and a 2% increase thereafter - Surplus/(Deficit) NB council tax freeze grant would add a further £0.25m of funding to the position if it is maintained in its current format and had not already been included in our grant projections)	(0.7)	(2.5)	(4.5)	(6.9)

Regardless of the level of funding cuts and which council tax option is chosen, and despite the Authority identifying over £17m of efficiency savings, we will still face a significant funding shortfall compared with the draft budget in future years:-



Under both scenarios the level of funding shortfall in the next two years can be achieved by a combination of a drawdown of reserves and/or additional savings. The real challenge arises in the latter two years, particularly if funding is cut by 40%, which would present as extremely challenging positions.

### 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.

We have not yet had time to carry out an accurate review of future reserve requirements. As such this will be undertaken, and reported on at the CFA budget setting meeting in February.

However, in order to give an overview of this area, we identified a minimum uncommitted reserve requirement of £4.0m last year, and as at 1 April 2015 we held £10.7m of these. If these requirements remain unchanged we have scope to utilise approx. £6.7m of reserves. These can be used to smooth out some of the savings requirements, enabling time to effectively plan changes, as well as providing scope to meet any upfront costs associated with revising organisational structures over and above the £0.25m allowed for in the revenue budget.

## On-going Reviews

The Authority has continued to target in-year savings in order to enhance the overall financial position. As part of this the service has imposed a vacancy freeze, which will not only result in an in-year saving, but will also provide greater flexibility to meet future staffing changes which will be required.

Reviews completed to date have identified nearly £12m of savings:-

	To Date	16/17	17/18	18/19	19/20	Total
ECR	£2.5m	£1.4m	-	-	-	£3.9m
Specials	£0.4m	-	-	-	-	£0.4m
Flexi officers	£0.6m	-	-	-	-	£0.6m
Functional	£0.6m	-	-	-	-	£0.6m
Admin	£0.8m	-	-	-	-	£0.8m
P&P Review	-	£0.7m	-	-	-	£0.7m
Other	£0.2m	£0.1m	£0.1m	-	-	£0.4m
Financing Charges	£0.1m	£0.3m	£0.1m	£0.1m	(£0.1m)	£0.5m
Non-Pay	£3.3m	£0.7m			-	£4.0m
	£8.5m	£3.2m	£0.2m	£0.1m	(£0.1m)	£11.9m

The Authority could commission further reviews to identify the scope for delivering further efficiency savings. Our retirement profile continues to show an average of 30 personnel retiring each year, providing scope to deliver up to an additional £1m of savings in each of 2017/18, 2018/19 and 2019/20. (Note the 2016/17 budget already takes account of our anticipated retirement profile.) However in order to realise this the Authority will need to identify savings opportunities which result in a reduction in establishment in line with this, hence the outcome of the next Emergency Cover Review will be key to achieving this.

In addition we can review opportunities to reduce the cost of support functions, but as previously highlighted the scope to do this is fairly limited.

Non-pay costs are reviewed on an annual basis and they could deliver savings to offset some of the future funding gap. As highlighted in the capital budget report the revenue contribution to the capital, programme could be replaced with borrowing, which would deliver a short term saving but obviously comes at a cost in terms of future interest charges and repayment schedules spread out over the long term.

Savings identified from these reviews will feed the budget setting process in future years in order to reduce the funding gap previously identified.

## Budget Scenarios

The previous sections of the report outlined various issues surrounding budget requirement, government funding, council tax funding, and reserves usage. Based on these the Authority will determine whether the budget is affordable or whether a funding gap exists, and if so the Authority will have to review options to eliminate this.

It is clear that there remain various uncertainties surrounding future funding predictions, in terms of both Government funding and council tax funding, hence the following scenarios are designed to show the impact in terms of affordability, potential use of reserves and additional savings requirements:-



**Option 1 – Spending Review 26% Funding Cut & 2% Council Tax Increase Each Year**

	2016/17	2017/18	2018/19	2019/20
	£m	£m	£m	£m
Deficit as identified earlier	0.4	(0.2)	(1.1)	(2.1)
Drawdown of Reserves	(0.4)	0.2	1.1	2.1
Revised Deficit	-	-	-	-

Under this scenario the entire deficit could be met from drawing down £3.0m of reserves, reducing our balance to £7.7m, within our target range. Alternatively this could be met from a combination of both a drawdown of reserves and additional savings.

This still leaves a recurring funding gap of £2.1m which ultimately will have to be met from identifying recurring savings.

**Option 2 – Spending Review 26% Funding Cut & Council Tax Freeze in 2016/17 and 2% Increase Thereafter**

	2016/17	2017/18	2018/19	2019/20
	£m	£m	£m	£m
Deficit as identified earlier	(0.1)	(0.8)	(1.7)	(2.6)
Drawdown of Reserves	0.1	0.8	1.7	2.6
Revised Deficit	-	-	-	-

Under this scenario the entire deficit could be met from drawing down £5.2m of reserves, reducing our balance to £5.5m, within our target range. Alternatively this could be met from a combination of both a drawdown of reserves and additional savings.

This still leaves a recurring funding gap of £2.6m which ultimately will have to be met from identifying recurring savings.

**Option 3 - 40% Funding Cut & 2% Council Tax Increase Each Year**

	2016/17	2017/18	2018/19	2019/20
	£m	£m	£m	£m
Deficit as identified earlier	(0.2)	(1.9)	(3.9)	(6.3)
Whole-time Savings Opportunity	-	-	1.0	2.0
Additional Savings Target	-	0.3	0.9	1.4
Drawdown of Reserves	0.2	1.6	2.0	2.9
Revised Deficit	-	-	-	-

The significant increase in funding cuts produces a completely different position whereby reserves alone are not sufficient to meet the funding gap and hence additional savings are essential.

This scenario shows the Authority delivering £3.4m of recurring savings but still having to utilise £6.7m of reserves, reducing our reserve balance to £4.0m, in line with our minimum target level. We would still be looking at a recurring funding gap of £2.9m by the end of 2019/20 which will be extremely challenging.

**Option 4 - 40% Funding Cut & Council tax Freeze in 2016/17 and 2% Council Tax Increase Thereafter**

	2016/17	2017/18	2018/19	2019/20
	£m	£m	£m	£m
Deficit as identified earlier	(0.7)	(2.5)	(4.5)	(6.9)
Whole-time Savings Opportunity	-	0.5	1.5	2.0
Additional Savings Target	0.5	0.7	1.2	1.5
Drawdown of Reserves	0.2	1.3	1.8	3.4
Revised Deficit	-	-	-	-

Again this scenario is very similar to the previous one, but the council tax freeze in 2016/17 means that the position is even worse, requiring £3.5m of recurring savings and a £6.7m drawdown of reserves over the same period, reducing our reserve level to £4.0m, our current minimum target level, but the recurring funding gap will increase to £3.4m.

**Summary**

The draft budget shows the Authority being able to set a balanced budget in 2016/17, based on the latest estimates of future funding, however full details of this will not be known until the Local Government Finance Settlement in December.

From a medium term financial perspective a council tax increase of 2.0% per annum remains a more desirable financial option compared with freezing council tax due to the higher level of funding and the recurring basis of this. An increase of 2% would result in a band D council tax of £66.15, an increase of just £1.29 per annum. But this needs to be considered in the context of the impact on local council tax payers and in light of final medium term funding.

Even if the overall funding cuts are 40% we will still be able to set a balanced budget in 2017/18 by identifying either additional savings or by drawing down reserves of up to £2.5m or a combination of both, and this is considered deliverable.

The real financial pressure comes in 2018/19 and beyond; however even in those years we remain in a reasonable position given our current level of reserves and our track record of delivering savings at the earliest opportunity.

The main concern remains the on-going need to utilise reserves to meet recurring costs and how to bridge this gap once reserves are depleted, something that could occur by 2020/21.

**Financial Implications**

As outlined in the report.

**Human Resource Implications**

None.

**Equality & Diversity Resource Implications**

The budget as set should enable the Authority to continue to make progress against its equality and diversity targets.

**Environmental Implications**

The budget as set takes account of the need to invest in environmental issues.

**Business Risk**

The final approved budget forms a key element of the Authority's risk management process, as it is designed to minimise any financial risks, which the Authority may face.

The Treasurer feels that the budget has been prepared in a robust manner and that the level of reserves held is sufficient to meet any potential risks.

**Local Government (Access to Information) Act 1985  
List of Background Papers**

Paper	Date	Contact
Spending Review	November 2015	Keith Mattinson - Director of Corporate Services
Reason for inclusion in Part II, if appropriate:		