

Medium Term Financial Strategy and Reserves

January 2024



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1. Executive summary

The Council has a strong track record of effective financial management and regularly reviews its long-term financial health and sustainability.

At Cabinet in November 2023 the medium-term financial strategy set out the forecast funding gap. A further detailed review of the medium-term financial strategy has been undertaken. The review has taken into account:

- A review of existing assumptions made on key drivers affecting the Council budget (e.g. pay award, inflation, interest rates).
- A review of the changes in demand for Council services (which is to a large extent difficult for the Council to directly control and increasing demand often reflects pressures common to local government as a whole) – e.g. Adults and Childrens Social Care including home to school transport
- The impact of the Provisional Local Government Finance Settlement that was announced on 18th December 2023.
- Mitigations for consideration by Cabinet.

A summary of all of the assumptions made within the medium-term financial strategy is attached as Appendix B. The table below shows the latest position and changes since the last report to members.



Table 1

	2024/25	2025/26	2026/27	Report Section
	£m	£m	£m	
Spending Gap as reported to November 2023 Cabinet	14.505	17.877	18.294	
Add change to forecast of spending:				
Pay & Pensions	-6.865	-6.648	-6.325	3.1
Inflation and Cost Changes	6.630	7.419	7.774	3.2
Service Demand and Volume Pressures	12.458	15.093	15.656	3.3
Other	0.365	0.387	0.390	3.4
Additional Grant	-5.244	-3.389	-3.389	3.5
Total change to forecast spending	7.344	12.862	14.107	
Change to forecast income:				
Funding (Council Tax, Business Rates and Government Grants)	-11.261	-18.225	-22.353	2
Total change to forecast of resources	-11.261	-18.225	-22.353	
Provisional Funding Gap	10.588	12.514	10.048	
Less mitigations:				
Use of Capital Receipts	-5.000	0.000	0.000	2
Additional Savings	-2.680	-4.700	-14.940	3.6
Total mitigations	-7.680	-4.700	-14.940	
Funding Gap	2.908	7.814	-4.892	

As a consequence, following the first review of the position, the forecast funding gap for 2024/25 had reduced to £10.588m, with a slightly reduced deficit position of £10.048m by 2026/27. The movement is the result of a number of factors:

- Reduction in estimated pay award in 24/25 to 3%, resulting in a reduction in the budget required of £8.4m. This is based on reduced inflationary levels and benchmarking information across other authorities. This is offset by an increase in the Foundation Living Wage rate for 2024/25 - the previous medium-term financial strategy assumed a 5% increase, whereas it has been confirmed that the increase for 2024/25 will be 10% (£12 per hour). This has resulted in additional pay costs of £1.5m in 2024/25.



- Inflation – Reviews of inflationary assumptions have taken place across all services, with an additional £6.6m included in the updated medium term financial strategy for 2024/25. The largest increase relates to Adult Social Care payments to provider fees, with the increase in the National Living Wage resulting in additional pressures on the budget forecast. The majority of this additional expenditure is however funded from additional social care related grants. Further changes relate to children's social care (Special Guardianship Orders and family support), with some of the additional amount included relating to a "catch up" from a higher than anticipated inflation level for 2023/24.

There are other smaller inflationary increases included for energy costs, sea fisheries and waste management.

- Demand – Increased costs of c£12.5m are included for 2024/25, £4m relating to continuing increased demand for home to school transport, particularly Special Educational Needs related, and £2.5m of additional investment in the Special Educational Needs and Disability Service to meet the growth in demand and address capacity issues. In addition, there are increased values included for adult social care mental health services (£2m in 2024/25 and £1m in 2025/26) to address recurrent pressure across domiciliary care services. Additional funding of c£2m has been included for digital services to reflect the changing nature of ICT systems as they become 'cloud based' (this means that licensing costs in particular are now funded from the revenue budget and not capital).
- Additional savings – A considerable level of savings were identified by Directorates during the summer through a detailed review and challenge of their budgets. In the previously updated medium term financial strategy c£23m of management action savings were included within the forecast. The management actions include staffing efficiencies and increased productivity, changes to working practices and processes, increased income generation, disestablishing vacant posts identified as no longer required, improved demand management and removal of recurring underspends identified by services.
- Funding – the updated medium term financial strategy includes the impact of the Provisional Financial Settlement, which was provided on 18th December 2023. This has resulted in a number of changes across funding projections with the main changes being to business rates, council tax and specific grants such as the Services Grant and Social Care Grant. Details of the changes are outlined in Section 2 of this report. This resulted in additional funding of £11.2m in 2024/25 and £22.3m by 2026/27, mainly due to increased council tax flexibilities and business rates.



Following a review of the provisional financial gap, further analysis was undertaken and an extended review of assumptions. This resulted in mitigations totalling £7.6m in 2024/25 and £15m by 2026/27 being included in the final position that is forecast. The mitigations were as follows:

- The government permits the flexible use of capital receipts within the revenue budget to support transformation related expenditure. The revised medium term financial strategy includes £5m of capital receipts in 2024/25.
- This medium-term financial strategy includes c£15m of savings proposals over the next 3 years that require a Cabinet decision. These cover a range of services with a summary table and details of each saving included in Section 3.6.

The Council has established a transitional reserve to support the strategic delivery of a sustainable balanced budget position, including facilitating modernisation and transformation so that services can remain the best in class. The phasing of the introduction of the savings needed allows the Council to minimise the impact on residents and service users through the development of fully thought through proposals, with the transitional reserve supporting the budget whilst these are implemented.

The value of the uncommitted transitional reserve is currently forecast to be sufficient to meet the forecast funding gap for the lifetime of the medium-term financial strategy, based on current assumptions.

Table 2

	2024/25	2025/26	2026/27
	£m	£m	£m
Opening Balance	165.198	163.231	158.124
Gap funding	-2.908	-7.814	4.892
Commitments	0.941	2.707	3.680
Closing balance	163.231	158.124	166.696

However, by identifying further savings and/or delivering savings earlier than currently planned the county council would seek to address the financial gap sooner and ensure reserves are maintained for further service transformation and improvement.

Supporting Details

The following sections of the report provide the supporting information behind the numbers in Table 1.

Table 3 provides a detailed analysis of forecast additional budget required across key elements of the council's budget and Table 2 presents the movements between the previously reported financial gap and the revised financial gap:

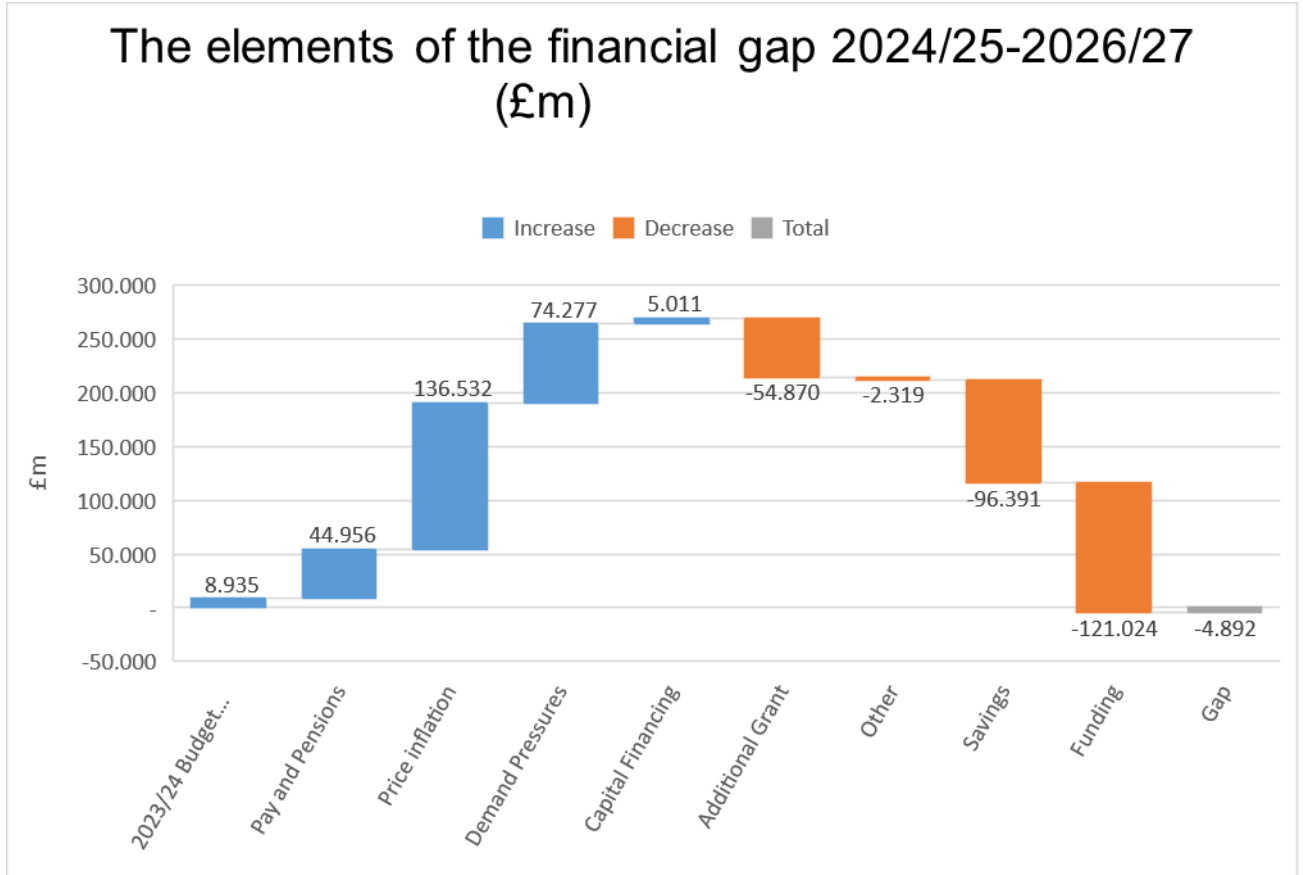


Table 3

	2024/25 £m	2025/26 £m	2026/27 £m
Baseline Expenditure	1,047.981	1,113.586	1,120.057
Pay & Pensions	20.756	13.597	10.603
Inflation and Cost Changes	52.701	48.610	35.221
Service Demand and Volume Pressures	39.003	19.064	16.210
Additional Grant	-15.392	-39.478	0.000
Savings	-34.423	-36.556	-25.412
Capital Financing	5.368	1.180	-1.537
Other	-2.409	0.054	0.037
Budget Requirement	1,113.586	1,120.057	1,155.179
Funding (Council Tax, Business Rates and Government Grants)	1,110.677	1,112.242	1,160.070
Updated Budget Gap	2.908	7.814	-4.892



The graph below demonstrates the drivers and complexity that make up the changes in the financial deficit of £8.935m carried forward from 2023/24 to the cumulative position of surplus of £4.892m in the financial year 2026/27 shown in the table above:



The graph highlights that over the 3 years of the medium-term financial strategy period, additional cost pressures totalling c£260m will be incurred and sets out the proposed solutions to addressing these.



2. Funding (Overall position and changes to the forecast reported to November Cabinet)

The Provisional Local Government Financial Settlement was published on 18th December 2023. In the Final Settlement for 2023/24, the government announced that details were provided for the next two years, however, estimates of grant values had to be made, the recent announcement provides confirmed values, but subject to consultation and the final settlement in February 2024.

In addition, from reviewing OBR fiscal forecasts in relation to funding levels for local government, it is clear that an assumption has been made that the additional core council tax will have continued flexibility of an additional 1% (maximum increase of 2.99%) and there will continue to be the flexibility offered to apply an adult social care precept of 2%.

The key assumptions and changes to the medium-term financial strategy for funding levels are outlined below:

- Council tax increases of 4.99% (2.99% core and 2% adult social care) included for each year of the medium term financial strategy. This represents an additional c£6m in 2025/26 and 2026/27 compared to the previous forecast. Any decisions not to increase council tax in line with the assumptions above would increase the financial gap; every 1% in council tax yields circa £6m.
- Business rates – Additional funding of £12.2m included in 2024/25. The Autumn Statement and Provisional Settlement included changes to how the level of top up grant and compensatory Section 31 Grants are calculated and this has resulted in higher grant levels than previously forecast. In addition, the inflationary factor used as part of calculations (commonly called the multiplier) was applied to the top up grant, which in previous years had been frozen.
- A slight reduction in RSG has been included as CPI is slightly lower than at the time of the previous forecast.
- A reduction of £6.457m in Services Grant in 2024/25. This grant has unexpectedly reduced significantly in the Provisional Settlement, with some of the reduction being used to fund increases to other settlement grants and equalisation of the adult social care precept".
- New Homes Bonus - there has been uncertainty surrounding future of this grant, with grant reducing over recent years and removal of legacy payments. The MTFs assumed that this would be phased out over 2024/25 and 2025/26, with no grant forecast from 2025/26 onwards. The provisional settlement includes the grant at almost the same level as 2023/24, with our professional partners indicating there could be a final year of new homes bonus in 2025/26. This has therefore resulted in an increase in funding of c£0.7m in



2024/25 and £1.4m in 2025/26. It is still assumed that there will be no further New Homes Bonus grant from 2026/27.

- Capital Receipts – The provisional settlement announced that the existing flexibility to use capital receipts to support specific elements of the revenue budget relating to transformation has now been extended until 2030. In the updated medium term financial strategy an additional £5m of capital receipts are included in funding for 2024/25.
- Social Care Grant – this grant has increased by a net £2.9m, with increases and decreases across the different elements that make up this grant.
- Levy/Safety Net Account – this is an account held by the government from the business rates levy and is generally used to fund safety net payments. In the past, the government has released funds from this account to local authorities. The position for this year has not yet been announced, however as part of the medium-term financial strategy an assumption has been made the Council will receive £2m in 2024/25 and £1m 2025/26 and 2026/27. This will not be confirmed until the final settlement in February.

Other assumptions included within funding forecasts are as follows:

- A 1.7% increase in council tax base is assumed for each of the 3 years in the strategy.
- Council tax and Business Rate collection fund position is assumed to return to a surplus in 2024/25, with a £5m net surplus across the 2 collection funds built into each year of the strategy.
- Business Rates Funding continues at current levels with inflationary uplifts applied.
- Assumption that the new model for business rates is implemented in 2025/26, but currently assuming the impact is cost neutral, however this does include 0.5% growth in all future years.
- Revenue support grant assumed to continue for the duration of this strategy with further inflationary increases applied in future years.
- Social care grant will continue for the duration of this strategy, including additional grant announced as part of Spending Review 2021 and the 2022/23 final settlement.
- Additional grants received for Social Care, including repurposed Adult Social Care reforms funding and new monies to support various aspects of Adults Social Care such as discharges and working with providers. Whilst additional funding is shown in the table below, there are offsetting costs included within the expenditure side of the medium-term financial strategy. It has been assumed that these grants are recurrent.



- Services Grant – It has been assumed that this grant continues until 2025/26 and then no further funding is received following the grant rolling into the revenue support grant.



Table 4 below reflects the updated assumed funding position.

Table 4

	2024/25 £m	2025/26 £m	2026/27 £m
Revenue Support Grant	40.737	40.836	41.675
Business Rates	253.174	255.396	258.399
Council Tax	645.364	689.086	735.770
New Homes Bonus	1.492	1.492	0.000
Improved Better Care Fund	47.145	47.145	47.145
Social Care Support Grant	111.558	72.081	72.081
Collection Fund	5.000	5.000	5.000
Services Grant	1.206	1.206	0.000
Capital Receipts	5.000	0.000	0.000
Total	1110.676	1112.242	1160.070
Forecast – November 2023	1094.416	1094.017	1137.717
Variance	16.260	18.225	22.353



3. Spending Pressures (Overall position and changes to the forecast reported to November Cabinet)

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

This section focuses on the areas where updates have been included as part of this iteration of the medium-term financial strategy.

3.1 Pay and Pensions

The assumptions for increases in pay over the next 3 years included in the medium-term financial strategy are as follows:

- 2024/25 3.00%
- 2025/26 3.00%
- 2026/27 2.00%

The percentage increase forecast for 2024/25 has been revised to 3% (reduction of £8.4m) as part of this revised medium term financial strategy to reflect reducing levels of inflation and is also based on some updated benchmarking information from other county councils. However, if the actual pay award agreed is higher in 2024/25 than the 3% assumed the additional cost would be funded from the transitional reserve in-year and increase costs in subsequent years.

The change to the projected position reflects the recent announcement of the increase to the Foundation Living Wage. The previous medium-term financial strategy assumed a 5% increase, whereas it has been confirmed that the increase for 2024/25 will be 10% (£12 per hour). This has resulted in additional costs of £1.5m in 2024/25.



3.2 Price inflation and cost changes

Table 5

	2024/25 £m	2025/26 £m	2026/27 £m	Total
Adults Services	37.898	45.038	26.890	109.826
Children's Services	6.138	4.001	3.614	13.753
Waste Services	5.204	-2.183	2.755	5.776
Highways Services	0.717	0.448	0.462	1.627
Transport Services	3.190	2.003	2.144	7.337
Property and Energy Costs	-1.899	-1.339	-1.319	-4.557
Other Services	1.453	0.642	0.675	2.770
	52.701	48.610	35.221	136.532
Previous MTFS total	46.071	47.821	34.866	128.758
Variance	6.630	0.789	0.355	7.774

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

The largest part of the inflationary calculations relates to Adult Social Care with payments to 3rd parties being subject to increases each year to reflect cost increases and the impact of increases in the national living wage. The increase in the national living wage was recently announced and was higher than had been assumed in earlier calculations. The increase in costs will be met from additional grant funding for adult social care, such as funding related to the delayed reforms and the market sustainability and improvement fund; both of which allow authorities to attribute inflation and fees to the grant.

Although inflation has started to reduce, when comparing to the values that were used in the last medium term financial strategy, the inflation forecasts are slightly higher, therefore forecasts have increased across all services.

In the previous medium term financial strategy significant adjustments were made to energy costs, as updated rates had been provided. We are now in a position where our energy has been advance purchased for the next 12 months and therefore rates are confirmed. These are slightly higher than the estimate, with an increase of 4.6% for electricity and a decrease of 9.5% on gas. It is assumed that energy process will return to lower levels in the next 3 years, so any increases are removed from the budget equally across 2025/26 and 2026/27. This assumption is subject to regular review given the inherent difficulties in forecasting the cost of energy over the medium term with any certainty in the current economic environment.



Further changes relate to children's social care (Special Guardianship Orders and family support), with some of the additional amount included relating to a "catch up" from a higher than anticipated inflation level for 2023/24.

Further small increases are included for waste management and sea fisheries levies following reviews of the charges.

3.3 Demand pressures

Table 6

	2024/25 £m	2025/26 £m	2026/27 £m	Total
Adults Services	13.851	12.320	11.850	38.021
Children's Services	9.701	2.563	1.182	13.446
Highways Services	0.028	0.180	0.031	0.239
Transport Services	11.316	3.994	3.145	18.455
Other Services	4.107	0.007	0.002	4.116
Revised Demand Requirements	39.003	19.064	16.210	74.277
Demand – previous MTFS	26.545	16.429	15.647	58.621
Variance	12.458	2.635	0.563	15.656

All services have reviewed the demand pressures they face in future years and increasing demand still remains a significant element of the funding gap.

The most significant change relates to Home to School Transport, with an overspend of c£6m forecast for 2023/24. This is a national issue being felt by every upper tier authority in the country and further work is being actively undertaken within the council to implement mitigations, however, the increase in costs needs to be reflected within the medium-term financial strategy at this stage.

Adult social care represents a large proportion of the demand pressures. Adult social care has long seen annual increases in the demand for services and the medium-term financial strategy attempts to predict growth in future years largely based on reviewing current and past activity trends and also taking into account future population changes, particularly with regard to the ageing population. From a social care perspective demand covers both increasing numbers of people eligible for support and the increasing complexity of those cases.

As part of this updated medium term financial strategy a detailed review has taken place across the service, looking at the current financial position, demand pressures and future savings and opportunities. As part of the review it was recognised that domiciliary care in the mental health service has seen a significant increase in demand post pandemic (service user numbers have increased by 35% for domiciliary care) and an additional £2m is included in 2024/25 and a further £1m in



2025/26. The service is reporting an overspend of c£3m for this aspect of the service in 2023/24.

The level of demand included for this service area for the three years to 2026/27 is c£38m. This will continue to be monitored and figures may be updated in future medium term financial strategy reports.

Children's social care continues to experience demand pressures across the service, particularly in relation to placement demand due to the number of looked after children in Lancashire and the type of service provision. Our assumptions follow a detailed review with the service and are based on the average increases over the past 6/12 months for different types of placements (in the current financial year), with the medium-term financial strategy reflecting half this demand in 2024/25 and no additional demand in future financial years.

The SEND service is experiencing high demand levels due to the level of referrals received across the service relating to education, health and care plans. The service has seen increased demand of 70% for new assessments since 2022. The number of Education Health and Care Plans have increased from 166 per 10,000 of population aged 0-24 to 246 in 2022 which mirrors trends seen both in the northwest and nationally. The service requires additional funding to meet this and an additional £2.5m has been included recurrently in the 2024/25 budget.

Further additional funding of c£2m has been included for digital services to reflect the changing approach to the provision of ICT systems. A majority of replacement systems are now cloud based and licenses need to be paid for from the Council's revenue budget (previously capital expenditure and funded from the capital programme).

3.4 Other

Additional costs are included in this section mainly relate to additional members allowance costs as were recently agreed at Full Council.

3.5 Additional Grant

The changes in this section relate to adult social care related grants that were announced as part of the Provisional Settlement. The income is shown as a grant, with the additional expenditure to be incurred included within price and demand calculations earlier in the report.

3.6 Savings

As a county council we have a strong track record in identifying and delivering savings, however the impact of the pandemic has resulted in some savings being delayed and Directorates continue to prioritise delivery of these in conjunction with their Finance Monitoring Boards to ensure savings are delivered and offsetting cost reductions found to offset any delays in their planned delivery profile.

In line with the Councils pro-active approach to financial management work was undertaken by Directorates to identify financial savings and efficiency during the early part of this year in recognition of the remaining budget gap. This resulted in "management action" savings totalling c£23m being included in the previously

reported medium term financial strategy. These savings cover aspects of the budget such as removal of budgets for vacant posts no longer required, more efficient ways of working, recurring underspends (following a review of the 2022/23 outturn), improved demand management and increasing levels of income. Work is continuing across Directorates to identify further savings proposals to achieve a balanced budget position.

As part of this updated medium term financial strategy savings proposals that require policy decisions are included totalling c£15m over the next 3 years. The inclusion of these savings will increase the total planned savings built into the 3-year medium term financial strategy to £96.391m.



Table 7

Template Ref	Directorate	Service Area	Brief Description	2024/25 £	2025/26 £	2026/27 £
ECS001	Education and Children's Services	Education Improvement	Additional income from consultation and advisory work	-492,000	-400,000	-300,000
ECS002	Education and Children's Services	Children's Social Care	Children and Young People's Joint Funding	-800,000	-800,000	-800,000
ECS012	Education and Children's Services	Cultural Services	Using Collection HQ technology to improve collection management and performance	-200,000	-200,000	-200,000
GET005	Growth Environment and Transport	Highways	Walking and Cycling Routes - Budget Reduction	-150,000	-150,000	-150,000
GET007	Growth Environment and Transport	Highways	Pay & Display Income	1,950,000	-794,000	-794,000
GET008	Growth Environment and Transport	Transport	Young Persons Travel - Budget Removal	-155,000	-155,000	-155,000
GET009	Growth Environment and Transport	Transport	Discretionary Concessionary Travel - Budget Removal		-239,000	-239,000
GET011	Growth Environment and Transport	Waste	Anaerobic Digestion - Processing of Food Waste		2,500,000	-6,300,000
GET015	Growth Environment and Transport	Planning & Environment	Service Review of Transport Group plus Additional Planning Application Fee Income	-176,000	-176,000	-176,000
GET019	Growth Environment and Transport	Transport	Introduce Pay & Display Charges at Lancaster Park & Ride	50,000	-10,000	-10,000
RES001	Resources	Strategy and Performance	Save 10% on property running costs	-250,000	-550,000	-1,590,000
RES002	Resources	Strategy and Performance	Facilities Management - operational changes	-145,000	-470,000	-470,000
ASC004	Adult Services	Learning, Disabilities and Autism	Enablement – Enhanced	-890,000	-1,662,000	-1,662,000



Template Ref	Directorate	Service Area	Brief Description	2024/25 £	2025/26 £	2026/27 £
ASC006	Adult Services	All Adult Services	Offer a chargeable brokerage service for full cost payers	-250,000	-250,000	-250,000
ASC007	Adult Services	All Adult Services	Full cost payers moving to self-funding rates rather than LCC rates.	-172,000	-344,000	-344,000
ASC009	Adult Services	Older People Care Services	Reduction in net cost of in-house residential homes	0	0	-500,000
ASC010	Adult Services	All Adult Services	Full application of charging policy	-1,000,000	-1,000,000	-1,000,000
			TOTAL	-2,680,000	-4,700,000	-14,940,000



ECS001

The Consultancy/Advisory services offer a broad range of leadership and support advice to headteachers and senior school leaders on recruitment/performance management processes, senior leader briefings/meetings and provide access to a wealth of resources to support schools. This enables the council to monitor the performance of a school and fulfil our statutory functions to intervene if a school is causing concern.

It is important the Council ensures this valuable service is covering its costs and an increase in charges (the first in 3 years) is needed to support this.

It is proposed to introduce a 10% price increase on consultancy/advisory services sold to schools by the council generating a further £300k towards costs. This includes services from Lancashire Professional Development Services (LPDS) and Governor Services.

ECS002

Some children and young people may have very complex health needs and the review is intended to ensure that children and young people get the right support, appropriately funded, from all partners involved in their care.

Care packages will be reviewed to ensure care needs are funded appropriately and that the council is not inappropriately delivering funded care and support to children and young people where funding should be the responsibility of the NHS.

It is anticipated this would generate a further contribution of £800k from the NHS.

ECS012

New Technology exists to allow efficient management of the Councils 'book stock'. The reduction can be made thanks to the careful management of the existing book stock, and the consolidation of the eBook and eAudio collections from 2 providers to a single provider when the contracts expire in summer 2024.

It is anticipated this would generate efficiencies of £200k.

GET005

We are proposing a saving of £150k in the cost of clearing vegetation from walking and cycling routes across Lancashire through the implementation of more effective and efficient working practices.

GET007

A saving of £794k is proposed through the introduction of on street Pay and Display across the county. Delivery of the saving will require one-off investment of £1.950m in pay and display machines. The Traffic Regulation Order process will include a statutory consultation process for the public.



GET008

A saving of £155k is proposed through the withdrawal of the Young Persons Travel scheme. The scheme is not well used and its removal will release resources that will be reassigned to support other services delivering school transport and Bus Service Improvement Plan objectives.

GET009

A saving of £239k is proposed through the withdrawal of the £1 concessionary travel fare option for those with a disabled person's NoWcard, English National Concessionary travel pass, who travel by bus before 9.30 Monday to Friday.

GET011

A saving of £6.3m is proposed by reducing the cost of treating collected food waste compared to existing waste disposal methods. This will be done through the installation and modification of facilities at Farington Waste Recovery Park. The change will also have the benefit of producing electricity which can be used to offset energy costs. This proposal is the subject of a more detailed report on this agenda.

GET015

A saving of £176k is proposed by disestablishing a number of vacant posts within the planning and transport service and increasing the income target from planning application fees.

GET019

Introduce pay and display parking machines at Lancaster Park and Ride. This will require an initial investment to cover the cost of installation (£60k) but will save the authority an estimated £10k each year.

RES001

Scope exists for the Council to review the use of its property estate reflecting a number of factors including its financial position, working with partners to co-locate and provide customer focussed services, adapting to post covid working practices that should be less building reliant.

The review would look at optimisation of use of properties and the release of any surplus properties and it is estimated should generate a further £1.74m.

RES002

We are proposing savings of £490k through a range of changes involving the operation and use of council buildings. Measures include securing a tenant for office space in the County Hall complex, reducing hours of operation to save on energy



consumption and ceasing manned security guards at Lancashire House in Accrington.

ASC004

We are proposing a saving of £1.93m over the next three financial years, through an investment in additional staffing resource to expand the current Enablement Service.

By investing in more staff (8.0 fte), we will be able to increase the number of people seen by the service which will result in a reduction in the overall cost of care through appropriate support given at the right time, therefore improving an individual's ability to live more independently at an earlier stage. This will reduce the cost of care packages and avoid higher levels of care being arranged early on.

This proposal will deliver on going long-term benefits by enabling the management of more referrals, preventing the need for formal paid care and reducing existing packages of care through an increase in the size of the enablement team.

ASC006

We are proposing a saving of £280k by introducing a care arrangement fee for individuals who pay the full cost of their care.

The number of full cost-payers who ask us to arrange their care is expected to increase over the coming years and introducing an arrangement fee to cover our costs will ensure we can deliver this service in the future.

ASC007

A saving of £344k is proposed through the introduction of a top up fee which will raise the charge paid by people with residential places commissioned by LCC (who have assets above the financial threshold) up to the level of charge paid by private funders.

Residents who choose to pay privately usually have assets that are above the financial thresholds, and most residents who have places commissioned by the authority hold assets below the financial threshold and therefore don't pay for their care.

This fee will be applied to new residents of commissioned places where a financial assessment finds assets above the threshold, ensuring equality between people who approach us privately and people who are placed by the authority.

ASC009

A £500k saving is proposed through reducing the net cost of our in-house residential care homes through a combination of increasing occupancy and service efficiencies.



ASC010

We propose a saving of £1.3m through the full application of the Adult Social Care charging policy.

By centralising the sourcing of all adult social care placements and packages of care within the integrated commissioning service, we will be able to meet our Care Act duties by offering residents one offer of reasonably priced care. Should Lancashire residents choose an alternative provider or care home, they will be required to top up the difference in cost.



4. Reserves

Table 8

Reserve Name	Opening balance 2023/24	2023/24 Expenditure	2023/24 Closing Balance	2024/25 Forecast Exp	2025/26 Forecast Exp	2026/27 Forecast Exp	Forecast closing balance 31 March 2027
	£m	£m	£m	£m	£m	£m	£m
County Fund	-23.437	0.000	-23.437	0.000	0.000	0.000	-23.437
SUB TOTAL - COUNTY FUND	-23.437	0.000	-23.437	0.000	0.000	0.000	-23.437
Strategic Investment Reserve	-0.453	0.072	-0.381	0.253	0.000	0.000	-0.128
OCE General Reserve	-6.826	4.276	-2.550	1.422	1.005	0.000	-0.123
Downsizing Reserve	-5.344	0.077	-5.267	1.756	1.756	1.755	0.000
Risk Management Reserve	-3.183	0.244	-2.939	0.000	0.000	0.000	-2.939
Transitional Reserve	-166.731	1.533	-165.198	-0.941	-2.707	-3.680	-172.526
Business Rates Volatility Reserve	-5.000	0.000	-5.000	0.000	0.000	0.000	-5.000
LCC Service Reserves	-128.098	33.275	-94.823	32.497	20.460	9.525	-32.341
Treasury Management Valuation Reserve	-36.317	9.000	-27.317	0.000	0.000	0.000	-27.317
SUB TOTAL - LCC RESERVES	-351.952	48.477	-303.475	34.987	20.514	7.600	-240.374
Non LCC Service Reserves	-24.747	2.840	-21.907	6.611	0.444	0.025	-14.827
SUB TOTAL - NON LCC RESERVES	-24.747	2.840	-21.907	6.611	0.444	0.025	-14.827
GRAND TOTAL	-400.136	51.317	-348.819	41.598	20.958	7.625	-278.638

As part of any MTFs review it is important that the level of reserves are considered as part of the review.

It is key that the Council holds an appropriate level of reserves to meet known future commitments and also an appropriate level to mitigate against unforeseen future events.

It is however also important that the Council doesn't hold higher than necessary level of reserves at the expense of service delivery.

The Councils Chief Finance officer has a duty to report on the level of reserves as part of the annual budget report.

The County Fund shown at the top of Table 7 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 is forecast to maintain its County Fund balance at £23.437m, equating to circa 2.25% of net budget.



The value of the uncommitted transitional reserve is currently forecast to be £165.198m by the end of March 2024 but this will also be impacted directly by the value of any final over or underspend for the current financial year. This will be sufficient to meet the currently forecast funding gap as shown in Table 9. This is also the reserve that would be available for investing in modernising, streamlining and transforming council services moving forward.

Table 9

	2024/25	2025/26	2026/27
	£m	£m	£m
Opening Balance	165.198	163.231	158.124
Gap funding	-2.908	-7.814	4.892
Commitments	0.941	2.707	3.680
Closing balance	163.231	158.124	166.696

However, by identifying further savings and/or delivering savings earlier than currently planned the county council would seek to address the financial gap sooner and ensure reserves are maintained for further service transformation and improvement.



5. Future risks and opportunities

The MTFS is based on a number of key assumptions affecting the Council over a period of years into the future. They are also set against a considerable level of external uncertainty and high levels of demand for Council services.

There are therefore inevitably some inherent risks and opportunities associated with these assumptions.

The following are areas of future risk/uncertainty, the full impact of which is not known at this stage. The impact of changes could be both positive or negative on the current forecast:

Table 10

Funding	Future funding arrangements are under review nationally. Collection rates and tax base growth may not remain at the levels assumed.
Savings Delivery	Savings programme of £164m in place prior to additional savings seeking approval in this report. Whilst the county council has a good track record of delivering savings there will inevitably be delivery challenges with a programme of that size.
Demand and Inflation	Demand and Inflation assumptions could fluctuate from the forecast included within the report.
Further Savings Identification and Delivery	Further savings will need to be found to set a balanced budget in future years.
Children's Social Care	Demand pressure and challenges in predicting future demand.
High Needs Block	Forecast to have pressures in future years, although Lancashire is better placed than many other councils nationally.
Adult Social Care	Delayed reforms could present future financial pressure, additional funding will be required to support implementation.
Health Income	ICB has a very challenging financial position with the potential risk to their aspirations to work in partnership and their ability to meet their funding commitments.
SEND & Home to School Transport	Assumptions made could fluctuate as this area is volatile and difficult to forecast. Every 1% change equates to £350k.

In addition, the medium-term financial strategy contains assumptions across services for funding growth, demand, inflation and pay levels. The table below shows the impact of any increase or decrease of 1% over these key elements of the projected budget requirement.



Table 11

	Potential Full - Year Impact of 1% movement (£m)
Funding - Council Tax	+/- 6.044
Pay	+/- 4.183
Price Inflation	+/- 8.161
Demand	+/- 5.175
Interest on borrowing	+/- 5.000

6. Related Strategies

The medium-term financial strategy report, whilst focussing on the Councils revenue budget is considered alongside other significant areas affecting the Councils financial affairs including:

- The developing Capital Programme
- The Treasury Management Strategy
- The Councils position with regard to high needs within Childrens services
- The Councils commitments to major projects

7. Next Steps

The contents of this medium-term financial strategy report are the basis on which the Council will need to consider and set its budget that will come before Cabinet and Full Council in February.

