

Lancashire County Council

Cabinet

Thursday, 14th July, 2016 at 2.00 pm in Cabinet Room 'B' - The Diamond Jubilee Room, County Hall, Preston

Supplementary Agenda

We are now able to enclose, for consideration at the next meeting of the Cabinet on Thursday, 14th July, 2016, the following information which was unavailable when the agenda was despatched.

Part I (Open to Press and Public)

No. Item

- 7. The County Council's Financial Position - 2015/16 (Pages 1 - 54)
Outturn**

I Young
Director of Governance,
Finance and Public Services

County Hall
Preston

Item 7

Cabinet

Meeting to be held on 14 July 2016

Report of the Director of Financial Resources

Electoral Divisions affected: All

The County Council's Financial Position - 2015/16 Outturn (Appendix 'A' refers)

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Executive Summary

This report provides a summary of the County Council's financial position at the end of 2015/16.

The County Council's final revenue outturn position is an underspend of £0.601m against an agreed cash limit budget of £726.675m.

The County Council's 2015/16 capital spending (excluding City Deal and non LCC funded schemes) in the year was £150.877m, which equates to 58.1% of the approved programme. The remaining balance reflects slippage due to a number of different factors detailed in Appendix A.

Although this overall position is favourable, it must be balanced by consideration of the significant pressures facing the Council in 2016/17 and beyond.

Recommendation

The Cabinet is asked to:

- (i) Approve the transfer of the 2015/16 underspend to reserves; and
- (ii) Approve that the Capital Programme for 2016/17 and onwards be increased by £108.778m to reflect the slippage in 2015/16.

Background and Advice

The detailed report at Appendix 'A' presents the County Council's financial position as at the 31st March 2016.

Overall, despite a range of pressures, the County Council's financial strategy has developed further over the course of the year in preparation for the challenging times ahead. The report includes the Director of Financial Resources conclusion on the County Council's financial standing at the end of the year.

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Risk management

The County Council's overall approach to managing financial risks continues to be to identify and acknowledge risks early and build their impact into financial plans while continuing to develop strategies which will minimise their impact. This approach operates in parallel with the identification and setting aside of sufficient resources to manage the financial impact of the change risks facing the organisation.

List of Background Papers

Paper	Date	Contact/Tel
Money Matters – The Financial Strategy for 2016/17 to 2020/21	21 st January 2016	Neil Kissock x34715

Reason for inclusion in Part II, if appropriate

N/A

Money Matters

The County Council's Financial Position

2015/16 Outturn

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Money Matters –The County Council's Financial Position as at 31st March 2016

1. Introduction

This report provides a summary of the County Council's financial position at the end of the 2015/16 financial year.

2. Summary Position

The overall financial health of the County Council is one of its greatest current risks. The small revenue underspend at the end of 2015/16 reflects a significant shift from the forecast position reported earlier in the year and leaves the County Council better placed to meet the major challenges ahead.

Section A of this report sets out the final position for the revenue budget for 2015/16 and highlights:

- £0.601m underspend on services.
- The availability of additional one-off resources from the government and council tax payments in 2015/16 of £6.390m. (see Section 3.10)

Section B of this report considers progress in relation to the Capital Programme. LCC (non LEP / City Deal) Capital spending in the year was £150.877m which equates to c58% of the programme.

Section C considers the significant movements in the County Council's reserves and provisions and requires Cabinet to review the level of reserves and balances currently totalling £314.647m along with school's reserves of £86.021m.

Section D sets out the Director of Financial Resources opinion on the overall financial health of the County Council.

2.1 Recommendations

Cabinet is asked to:

- a) Approve the transfer of the 2015/16 underspend to reserves.
- b) Approve that the Capital Programme for 2016/17 and onwards be increased by £108.778m to reflect slippage from 2015/16.

3. Section A – The 2015/16 Revenue Budget

3.1 The Overall Summary

In February 2015 the County Council approved a revenue budget of £726.675m.

The final position for the end of the year is spending of £726.074m, reflecting an in year underspend of £0.601m.

The 2015/16 financial position represents an improved position of £10.192m from the forecast overspend position reported to Cabinet in January (£9.591m overspend), which reflected the position at the end of quarter 3.

The 2015/16 outturn position reflects the new organisational structure that was implemented from 1st April 2015. Detailed budget monitoring has been undertaken at Head of Service level, but for reporting purposes each Head of Service's financial performance is presented as part of their Director (line manager's) area of responsibility.

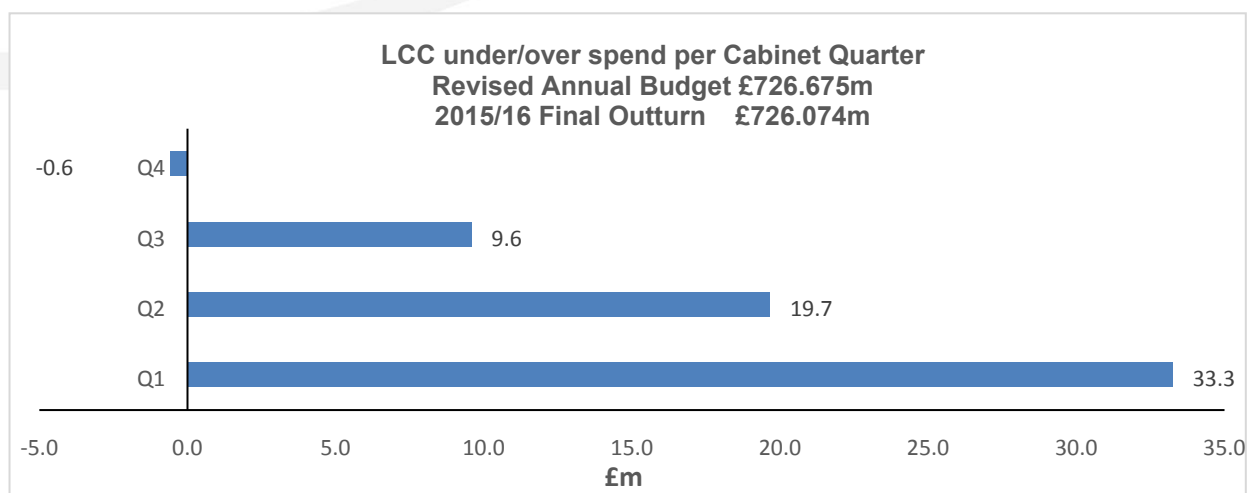
The 2014/15 outturn report which was considered by Cabinet on the 9th July 2015 contained some significant ongoing financial pressures where base budget provisions were inadequate to meet the cost of service provision. These totalled £27.3m and included areas such as learning disability and children in need, child protection and looked after children. Throughout the financial year these pressures were reviewed and regularly reported on to Cabinet. Action was taken to reduce the impact of 2014/15 brought forward pressures through tight control of all non-essential spending and maximising savings opportunities across the County Council, as identified in the body of the report, to deliver the final positive outturn position.

The residual impact of the ongoing financial pressures was factored into the medium term financial strategy (MTFS) agreed by Cabinet and Full Council. Subsequent to the MTFS being agreed, there was a significant increase in demand pressure on children's services agency placements which, if continuing, will represent an additional pressure over and above the level that has been included in the MTFS and will be reviewed in detail as part of the budget monitoring position and review of the MTFS in 2016/17.

The revenue position previously agreed by Cabinet and Full Council as part of the budget setting process identified a transfer to the transitional reserve of c£117m. This can now increase by £24m to increase the value of the transitional reserve to c£141m. This represents a significant reduction in the originally agreed reserve requirement in 2015/16 due to the significantly improved in-year financial position of the County Council. As a result some reserves were not required in 2015/16 where underspends were already being achieved and are then available to support the Council's financial position in future years. This available resource from reserves has been moved to the transitional reserve.

Ref	Service Grouping	Revised Annual Budget	2015/16 Final Outturn	2015/16 Variance	Variance reported to Cabinet QTR 3	Changes since last Cabinet
		£m	£m	£m	£m	£m
3.2	ADULTS SERVICES	291.837	308.814	16.977	19.144	-2.167
3.3	CHILDRENS SERVICES	103.645	105.024	1.379	2.810	-1.431
3.4	COMMUNITY SERVICES	168.535	163.961	-4.574	-4.322	-0.252
3.5	PUBLIC HEALTH & WELLBEING	29.870	30.650	0.780	1.738	-0.958
3.6	LANCASHIRE PENSION FUND	-1.842	-1.981	-0.139	0.050	-0.189
3.7	COMMISSIONING	37.844	40.783	2.939	-1.623	4.562
3.8	DEVELOPMENT AND CORPORATE SERVICES	35.222	39.329	4.107	4.749	-0.642
3.9	CHIEF EXECUTIVE	61.564	39.494	-22.070	-12.955	-9.115
	LCC (ALL) NARRATIVE TOTAL	726.675	726.074	-0.601	9.591	-10.192

The graph below shows how the variances have developed over the course of the financial year.



3.2 Operations and Delivery – Adult Services

Ref	Service Grouping	Revised Annual Budget	2015/16 Final Outturn	2015/16 Variance	Variance reported to Cabinet QTR 3	Changes since last Cabinet
		£m	£m	£m	£m	£m
3.2.1	ADULT SERVICES	0.163	0.142	-0.021	-0.021	0.000
3.2.2	DISABILITY	-4.099	-4.576	-0.477	-0.575	0.098
3.2.3	OLDER PEOPLE	8.355	7.049	-1.306	-0.391	-0.915
3.2.4	SAFEGUARDING	25.233	27.277	2.044	3.349	-1.305
3.2.5	SOCIAL CARE SERVICES	262.185	278.922	16.737	16.782	-0.045
	ADULTS SERVICES TOTAL	291.837	308.814	16.977	19.144	-2.167

The Adult Services final outturn position shows an overspend of £16.977m against its cash limit of £291.837m, which is a reduction in overspend of £2.167m from the previously reported position. The 2014/15 base budget pressure within this total overspend was £12.527m.

Overspending on commissioned social care services accounted for £13.997m of this total. With a further £2.189m relating to social care assessment, care management and support staff and £1.283m relating to direct payments to service users that allow individuals to arrange their own care. This is marginally offset by underspending of £1.783m on care services delivered in-house and a total overspending of £1.291m across a number of other service areas.

3.2.2 Disability Service

- This service underspent by £0.477m.
- Within this total day services underspent by £0.999m. This service is being reviewed and redesigned and as such the underspend has been used to off-set overspending in other areas as service plans are developed.
- Domiciliary care services overspent by £0.430m due to increased staffing costs.
- There are additional overspends totalling £0.092m which relate to other small variances across the service.

3.2.3 Older People – in-house care services

- Older People Care Services underspent by a total of £1.306m.
- Included within this total, the core service delivery budget delivering care through the operation of 17 care homes and 14 day centres underspent by £1.216m.
- With further underspending of £0.090m through active control of management /support costs.

3.2.4 Safeguarding

This service overspent by £2.044m, which is a reduction of £1.305m from the last reported position. The significant areas of variance are detailed below, in addition there are underspends totalling £0.126m which relate to other smaller variances across the service.

Mental Health - Residential

- Mental Health residential care overspent by £1.816m.
- The current year's overspend is largely due to the full year effect of the previous year's growth.
- The forecast overspend has reduced from the last reported position by £0.607m mostly due to increased recovery of income relating to joint funded packages of care.
- Since April 2014 there has been a 21% increase in the number of service users and a 7% increase in the average weekly cost of care packages over the same time period.

Mental Health – Home Care

- This service area previously reported an overspend of £1.277m to Cabinet at the end of quarter 3. This overspend has been reduced to an underspend of £0.163m through budget realignment within Adult Services. There are no significant changes in the underlying trends.

Mental Health – 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 overspent by £0.843m.
- This overspend has increased by £0.420m from the last reported position due to budget realignment within Adult Services. There are no significant changes in the underlying trends.
- In the year to date average weekly cost has increased by 15%.

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 has underspent by £0.326m, largely due to longstanding vacancies released through Voluntary Redundancy.

3.2.5 Social Care Services (Adults)

The total budget for this service area is £262.185m, overspending in 2015/16 by £16.737m.

The base budget pressure from 2014/15 is £10.352m. The significant areas of variance are detailed below. Additionally, there are also a number of other variances amounting to £0.770m overspend in total across other service areas including equipment and adaptations.

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'.

Social Care – Staff

- The service has overspent by £2.786m in 2015/16 largely due to a base budget pressure from 2014/15.
- 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 has experienced significant demand pressure throughout 2015/16 due to the demand levels they have had to deal with which has prevented any reduction in staff numbers to deliver cost savings.

Physical Support – Direct Payments

- This service area had previously forecast a £3.124m overspend to Cabinet as at the end of quarter 3. This overspend has been reduced to £0.440m through budget realignment within Adult Services. There are no significant changes in the underlying trends.

Physical Support – Home Care

- This service area had previously forecast a £1.139m overspend to Cabinet as at the end of quarter 3. This overspend has been reduced to £0.097m through budget realignment within Adult Services. There are no significant changes in the underlying trends.

Physical Support – Residential & Nursing Care

- The budget has overspent by £1.438m, largely reflective of an increase in the amount of income from service users that is considered at significant risk of recovery.

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 overspent by £11.409m.

- The forecast overspend contains on-going demand pressure from 2014/15 of £5.733m.
- Increases in service user activity increased spending in 2015/16 by £1.962m.
- This budget was increased by a net £7.791m to allow for volume and price increases and other adjustments.
- The budget was reduced by £13.505m to reflect service offers and other savings agreed as part of the February 2014 budget. Approximately £2.000m of these savings are estimated to be achieved.

Purchasing General

- This service is forecast to underspend by £0.203m 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. The Council was to receive additional funding of £10.500m in 2015/16 (including a contribution from the Better Care Fund).

Of the £10.500m received, the outturn for Adult Services includes the application of £8.500m. The remaining £2.000m is planned to be used to support the reduction in waiting times for social care needs assessment.

3.3 Operations and Delivery – Children's Services

Ref	Service Grouping	Revised Annual Budget	2015/16 Final Outturn	2015/16 Variance	Variance reported to Cabinet QTR 3	Changes since last Cabinet
		£m	£m	£m	£m	£m
3.3.1	CHILDREN'S SERVICES	-0.285	-1.632	-1.347	-0.462	-0.885
3.3.2	ADOPTION & FOSTERING, RESIDENTIAL AND YOT	24.306	25.005	0.699	0.089	0.610
3.3.3	SAFEGUARDING, INSPEC. & AUDIT	5.383	5.636	0.253	0.195	0.058
3.3.4	CHILDREN SOCIAL CARE	54.198	63.768	9.570	5.911	3.659
3.3.5	SCHOOL IMPROVEMENT	7.250	5.670	-1.580	-0.306	-1.274
3.3.6	SEN & DISABILITY	15.946	12.833	-3.113	-1.503	-1.610
3.3.7	TRADED SERVICES (START WELL)	-3.153	-6.256	-3.103	-1.114	-1.989
	CHILDRENS SERVICES TOTAL	103.645	105.024	1.379	2.810	-1.431

The Children's Services final outturn position shows an overspend in 2015/16 of 1.379m against its cash limit of £103.645m, which is a reduction of £1.431m from the previously reported position. The 2014/15 base budget pressure within this total overspend was £4.461m.

3.3.1 Children's Services

- Children's Services underspent by £1.347m in 2015/16, which is a decrease of £0.885m from the last reported position.
- An underspend of £0.903m relates to Premature Retirement Costs and accounts for the majority of the change from quarter 3.
- An underspend of £0.322m relates to agreed savings delivered earlier than planned in 2015/16 rather than 2016/17.
- A combination of smaller underspends totalling £0.122m relate to reduced management costs and various other items of expenditure including the costs of DBS checks.

3.3.2 Adoption, Fostering, Residential and YOT

- Adoption, Fostering, Residential and YOT overspent by £0.699 in 2015/16, which is an increase of £0.610m from the last reported position.
- The Overnight Short Breaks (ONSB) Service overspent by £0.376m. The overspend represents a delay in the achievement of service offer savings relating to the timing of the merger and closure of a number of units.
- Mainstream Residential overspent by £0.265m predominantly relates to staff costs, offset by lower than budgeted non staff costs.

- In-house fostering allowances underspent by £0.215m.
- Adoption Services overspent by £0.373m. Whilst Adoption Allowances underspent by £0.211m as a result of a more consistent application of the County Councils approval process and qualification criteria, this is offset by overspends of £0.583m, the majority of which relates to interagency adoption fees. The increase from quarter 3 largely reflects non-application of grant funding to this budget as a result of the overall improvement to the financial position of the County Council.
- Underspends of £0.100m across a number of areas relate to staffing and some non-pay costs.

The outturn does include the application of non-recurrent funding of £0.059m from the Adoption Reform Grant carried forward and held on the Former CYP DFM General Reserve to fund staff costs. The position also includes the transfer of in year surpluses of £0.157m to the YOT – General Youth Offending Reserve.

3.3.3 Safeguarding, Inspection and Audit

- Safeguarding, Inspection and Audit overspent by £0.253m.
- Overspends of £0.317m relate to the MASH/CART/EDT Service, in particular the Emergency Duty Team. This is offset by net underspends of £0.064m across a number of other teams.

This financial position includes the application of non-recurrent funding of £0.087m from the Strategic Investment Reserve to support the Early Response Service. In addition £0.045m from the Adoption Reform Grant (held on the Former CYP DFM General Reserve) was applied to this budget and £0.015m from the Former CYP Directorate Grant Funded relating to funding from the Council for Disabled Children for Independent Advisory Support Services. This is offset by a transfer of in year surpluses of £0.052m to the Lancashire Safeguarding Children's Board Reserve.

3.3.4 Children's Social Care

- Children's Social Care overspent by £9.570m in 2015/16, which is an increase in of £3.659m from the last reported position.
- Agency placements (which includes fostering and residential placements with external providers) overspent by £6.665m.

The outturn reflects historical demand pressures and previous overspends, but does also take account of a fall in numbers of children in agency fostering placements between October 2014 and October 2015. However, the outturn has increased by £2.196m from the forecast outturn at the end of quarter 3 as a result of increases in agency residential and fostering placements (71 placements or 13% since October 2015), increases in high cost agency residential placements and backlog payments.

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 ratio's to support, and as at end of March 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. It is likely that demand has been effected by work being undertaken following the Ofsted inspection, although the pathway diagnostic work currently underway has already identified some potential for efficiencies which could reduce costs in the future without affecting levels of service delivery.

- Family support (which covers assistance to families, child arrangement orders, special guardianship orders and other payments) overspent by £1.573m.
- Overspends of £1.833m relate to staff costs and the recruitment of additional experienced social workers to support Children's Social Care following the Ofsted inspection. The financial position includes expenditure of £1.190m on agency staff and £0.451m for Skylakes to undertake additional assessments in 2015/16.
- Budget provision of £5.000m has been made in 2016/17 following approval of the Medium Term Financial Strategy by Cabinet in November 2015 to reflect estimates of the ongoing additional social worker capacity requirements of increasing demand and the impact of the Ofsted inspection. .
- Underspends of £0.292m relate to Leaving Care Allowances which reflects a fall in the payments made in 2015/16.
- Underspends of £0.209m on other expenditure largely relate to the cost of DBS checks and Staying Put.

The outturn includes the application of non-recurrent funding of £0.314m from Working Together with Families Grant carried forward and held on the Former CYP Directorate Grant Reserve to fund staff costs.

3.3.5 School Improvement

School Improvement delivered a positive variance against budget of £1.580m in 2015/16 which is an improved position of £1.274m from the last reported position.

- Underspends of £0.511m on staff costs and vacancies across a number of teams.
- Underspends of £0.377m relate to non-staff costs and is the result of not incurring some planned expenditure on areas such as publicity for Free Education for Two year Olds and developing the Early Years ICT systems.
- £0.692m relates to the achievement of additional income above budget and is an improvement of £0.767m from the last reported position reflecting additional early years training, a sharp rise in schools buying training for the new national Primary and Secondary Assessment Systems and data products which support the use of assessment, the sale of school improvement services to schools outside Lancashire and schools supporting newly arrived pupils, a sharp increase in fines for non-attendance of pupils and income from the Burnley Faith Centre.

The outturn includes the application of non-recurrent funding of £0.032m from the Former CYP DFM General Reserve for ongoing projects.

3.3.6 Special Education Needs and Disability (SEND)

SEND underspent by £3.113m in 2015/16, which is an improved position of £1.610m from the last reported position.

- SEND agency placements underspent by £1.216m which includes family support and residential and foster care placements with external providers. This is an increased underspend of £0.595m from the last reported position and largely relates to the non-recurrent benefit of previous year accruals.
- Non-recurrent underspends of £0.945m relate predominantly to staff costs and vacancies, with a £0.276m underspend due to continuing difficulties in recruiting specialist staff such as Education Psychologists.
- In-house fostering payments achieved an underspend of £0.286m, which is in line with spend in previous years.
- Underspends of £0.263m predominantly relate to increases in charges for SLA's with Health for Occupational Therapy and Speech and Language Services which did not materialise in 2015/16.
- Lancashire Break Time was £0.403m underspent in 2015/16. This a decrease of £0.333m from previously reported position with a significant part of this being due to the release of a provision made pending the outcome of a legal case settled in 2015/16 (£0.200m) that is no longer required.

The outturn includes a transfer of £0.091m of SEND Implementation Grant to reserves to fund the cost of implementing SEND reforms.

3.3.7 Traded Services (Start Well)

Traded Services Start Well delivered a positive variance against budget of £3.103m in 2015/16 which is an improvement of £1.989m from the previously reported position. The outturn represents a surplus before corporate overheads of £6.256 in 2015/16.

- Schools Catering and Residential Service achieved a positive variance against budget of £3.090m in 2015/16 of which £0.839m is non-recurring. The underspend relates to the delivery of additional income against budget of £3.292m largely due to increased demand in part due to the full year impact of the introduction of Universal Infant Free School Meals following its introduction from September 2014 and staff costs of £0.070m, offset by £0.272m relating to non-staff costs (which includes overspends of £1.111m offset by non-recurring underspends of £0.839m). This outturn is a decrease of £1.801m from the forecast outturn at the of quarter 3 of which £0.881m relates to reduced staff costs due to a loss of trading days following floods and the impact of differences in the number of trading days due to differing Easter holidays between schools not reflected in previous forecasts, £0.473m relates to non-staff costs including reduced expenditure on equipment and capital contributions toward the cost of kitchen upgrades, and £0.419m relates to increases in income despite losses of trading days.
- Governor Services underspent by £0.216m which relates to staff costs and vacancies, and additional income in the Autumn Term, and is a decrease of £0.114m from the forecast outturn at the end of quarter 3.
- The Outdoor Education Service overspent by £0.116m as a result of less bookings and lower income than anticipated. This means that the service did not make its intended surplus of £0.100m before the application of corporate overheads.
- Overspends of £0.087m relate to a number of other service areas

This outturn includes the application of non-recurrent funding of £0.020m from the Former CYP DFM General Reserve to cover the cost of ICT system developments and £0.135m from the Schools Catering Repair and Maintenance Reserve.

3.4 Operations and Delivery – Community Services

Ref	Service Grouping	Revised Annual Budget	2015/16 Final Outturn	2015/16 Variance	Variance reported to Cabinet QTR 3	Changes since last Cabinet
		£m	£m	£m	£m	£m
3.4.1	COMMUNITY SERVICES	0.272	0.304	0.032	0.000	0.032
3.4.2	CUSTOMER ACCESS	3.726	2.857	-0.869	-0.730	-0.139
3.4.3	PUBLIC & INTEGRATED TRANSPORT	55.256	50.656	-4.600	-2.947	-1.653
3.4.4	LIBRARIES, MUSEUMS, CULTURE & REGISTRARS	15.053	14.553	-0.500	-0.154	-0.346
3.4.5	HIGHWAYS	23.378	18.521	-4.857	-1.682	-3.175
3.4.6	WASTE MGT	70.221	76.433	6.212	1.191	5.021
3.4.7	NON SERVICE ISSUES CORPORATE BUDGETS	0.629	0.637	0.008	0.000	0.008
	COMMUNITY SERVICES TOTAL	168.535	163.961	-4.574	-4.322	-0.252

The Community Services final outturn position shows an underspend in 2015/16 of £4.574m against its cash limit of £168.535m, which is an increase in the underspend of £0.252m from the previously reported position. The 2014/15 base budget pressure within this total overspend was £1.350m.

3.4.2 Customer Access

- Customer Access underspent by £0.869m, of this £0.613m relates to staff costs, vacancies and maternity leave and £0.243m relates to non-pay costs and £0.013m relates to over recovery of income.

3.4.3 Public & Integrated Transport

- Public & Integrated Transport overall has underspent by £4.600m which is an increased underspend of £1.653m from the last reported position.
- Community transport underspent by £0.609m. 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 £0.109m saving is due to lower vehicle running costs.
- Concessionary Travel has underspent by £1.599m with a fall in overall passenger numbers of 7% since 2014/15.

- Bus Stations have underspent by £0.232m, this mainly relates to Preston Bus Station which has underspent by £0.170m due to reduced running costs (electricity, water and gas) and additional rental income these actual costs have been reflected in the departure charge review currently taking place.
- Additional staffing underspends of £1.020m, mainly related to Local Sustainable Transport Fund grant funding being received to fund posts.
- A further underspend of £1.140m has been achieved in relation to the costs of out of county transport for non-maintained schools which is an ongoing revenue saving.

The financial position for 2015/16 includes a £0.025m planned application of non-recurrent reserve funding in relation to the CIVINET network, as well as an additional £0.050m contribution to reserves for the replacement of NoWcards due every 5 years (2017).

3.4.4 Libraries, Museums, Culture & Registrars

- The service has underspent by £0.500m, this is an increase of £0.346m from the last reported position.
- Reductions have been made in Libraries and Cultural services running costs, project spend and staffing levels giving a revised underspend of £0.343m.
- The registration service has reduced their running costs and is attracting new business income resulting in an underspend of £0.386m, which is likely to recur in future years.
- These underspends are partly offset by a pressure of £0.229m in the Heritage Service resulting from previous savings allocated to this service not being fully delivered in-year. These budget reductions will be addressed in a realignment of 16/17 budget across the whole service.

The 2015/16 outturn includes £0.131m application of non-recurrent reserve funding which is mainly investment in additional book stock.

3.4.5 Highways

- The service has underspent by £4.857m which is an increased underspend of £3.175m from the last reported position.
- An underspend of £2.002m has resulted from additional income 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.
- The newly introduced highways permit scheme has generated higher revenues than initially expected due to charges incurred for delays in works resulting in additional income of £0.594m.
- Staffing vacancies and increased time charged to capital has resulted an additional underspend of £1.361m.
- Additional net income of £0.231m has also been achieved through highway charges to utilities companies in the main for breaching codes of practice, delays in work and road closures.
- Additional Section 38 income of £0.178m has been achieved due to increased developer activity.

- There have been efficiencies within the traffic signal contract and traffic management service of £0.141m.
- There are additional underspends amounting to £0.350m relating to DEFRA one off funding in relation to the setting up costs of consultee work, increased recovery on damages and reduced street lighting spend due to capital investment.
- Recent flooding events have cost highways services in the region of £0.600m however this has been offset against underspends on highways drainage and cyclic maintenance work as the flooding meant planned work could not be carried out due to the weather conditions and that staff were deployed to the priority flooding sites.

The financial position for 2015/16 includes £0.280m contributions to reserves, relating to Parking services and the conditions of the parking legislation that any surpluses should be earmarked for investment in the highways as well as a contribution for a flood alleviation study.

3.4.6 Waste Management

Whilst the service has overspent by £6.212m which is an increased overspend of £5.021m from last reported position to Cabinet at the end of quarter 3, this does not reflect in any way a worsening financial performance from the service. The significant movement is due to the loss of £5.990m PFI grant which was originally forecast to be funded from reserves but has been offset by underspends elsewhere. In net terms, the underlying financial position of the service has actually improved since the last reported position at quarter 3.

Waste had previously highlighted forecast pressures of £10.190m which have increased at outturn to £10.810m.

- The cost of disposing of excess green waste, previously picked up by GRLOL (Global Renewables Lancashire Operations Limited) directly, has overspent by £0.804m.
- Recyclate income has dropped considerably against the level originally budgeted resulted in an overspend of £2.216m.
- 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. Going forward this cost 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 have achieved a £1.907m saving in year.
- The decision to review processes at the waste treatment plant has also reduced costs by c£0.500m in year.
- Cost reductions have been seen in the Household Waste Recycling Centres with an additional £0.481m saving for the year being achieved through 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.

- The costs of landfill have also reduced by £0.369m due to improved diversion rates and cheaper options for offtakes.
- Transport costs have also reduced by £0.285m due to the cost of transport for diverted waste being borne by those customers.
- Lifecycle savings of £0.200m relating to 14/15 which have been confirmed as part of GRLOL final accounts sign off and £0.416m saving after re-profiling the lifecycle programme.
- There are additional underspends totalling £0.440m which relate to other small variances across the service, including reductions in staff costs, clinical waste, odour measurements and waste minimisation projects.

The outturn includes £0.111m planned contribution to reserves.

3.5 Operations and Delivery - Public Health & Wellbeing

Ref	Service Grouping	Revised Annual Budget	2015/16 Final Outturn	2015/16 Variance	Variance reported to Cabinet QTR 3	Changes since last Cabinet
		£m	£m	£m	£m	£m
3.5.1	DEPUTY DIR PUBLIC HEALTH & CONSULTANTS TOTAL	0.508	0.517	0.009	0.024	-0.015
3.5.2	PUBLIC HEALTH & WELLBEING TOTAL	-68.718	-64.441	4.277	4.279	-0.002
3.5.3	EMERGENCY PLANNING & RESILIENCE TOTAL	1.267	1.168	-0.099	-0.319	0.220
3.5.4	HEALTH EQUITY, WELFARE & PARTNERSHIPS TOTAL	5.709	5.057	-0.652	-0.600	-0.052
3.5.5	PATIENT SAFETY & QUALITY IMPROVEMENT TOTAL	3.848	2.997	-0.851	-0.740	-0.111
3.5.6	TRADING STANDARDS & SCIENTIFIC SERVICES TOTAL	3.174	3.184	0.010	0.091	-0.081
3.5.7	WELLBEING, PREVENTION & EARLY HELP TOTAL	84.082	82.168	-1.914	-0.997	-0.917
	PUBLIC HEALTH & WELLBEING TOTAL	29.870	30.650	0.780	1.738	-0.958

The Public Health & Wellbeing Services final outturn position shows an overspend in 2015/16 of £0.780m against its cash limit of £29.870m, which is a decreased overspend of £0.958m from the previously reported position.

3.5.2 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 of £4.277m has occurred due to the confirmed loss of grant amounting to £4.261m. Reserves have not been applied to contain this risk in year. This reduction in grant has been built into the MTFS going forward however we have since received the Public Health grant settlement for 16/17-17/18 which confirms a further pressure over the two year period of £3.6m. This poses a significant pressure for the service going forward.

3.5.4 Health Equity, Welfare & Partnerships

- The service has underspent by £0.652m.
- The majority of the underspend (£0.437m) was achieved in relation to employee costs across the service. These underspends were considered in development of the forthcoming restructure. The balance relates to the delivery of additional income.

This includes the application of non-recurrent Public Health reserve funding of £0.050m in support of the Domestic Abuse strategy.

3.5.5 Patient Safety & Quality Improvement

- This service has underspent by £0.851m, which is due to vacant posts within the current staffing structure amounting to £0.512m and controlling costs by reducing non-essential spending amounting to £ 0.339m.

This includes the planned application of non-recurrent Public Health reserve funding of £0.084m in relation to the Steady On falls prevention strategy.

3.5.6 Trading Standards & Scientific Services

- The service has overspent by £0.010m including the planned application of non-recurrent reserve funding of £0.121m, £0.086m from the improved partnership reserve for one-off project spend, working with communities to address tobacco and alcohol issues in addition to equipment renewals reserve spend of £0.035m.

3.5.7 Wellbeing, Prevention & Early Help

- The service underspent by £1.914m in 2015/16, which is an increased underspend of £0.917m from the last reported position.
- Reductions in public health contract spend of £0.524m represents continued efforts to reduce spend and redesign service provision wherever possible to manage the grant inflation pressure previously built into the budget.

- Savings have been identified under Children and Youth Centres amounting to £2.176m following the directive to hold back on filling vacancies and cut non-essential spending, 70% of this saving related to staffing. These savings form part of the redesign of services in 2016/17 onwards.
- Working Together With Families Grant is £0.786m lower than budget (resulting in an overspend), due to delays in the programme this grant should be received in later years in line with the payment by results criteria.

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

The financial position for 2015/16 includes a £0.202m contribution to reserves and £0.368m funding one off spend, for small grants and early support services offset by £0.570m for workforce development and transformation grant as part of the future working together with families' agenda.

3.6 Lancashire Pension Fund

Ref	Service Grouping	Revised Annual Budget	2015/16 Final Outturn	2015/16 Variance	Variance reported to Cabinet QTR 3	Changes since last Cabinet
		£m	£m	£m	£m	£m
3.6.1	LANCASHIRE PENSION FUND	-0.028	0.020	0.048	0.000	0.048
3.6.2	CHIEF INVESTMENT OFFICER	-0.046	-0.017	0.029	0.000	0.029
3.6.3	DEPUTY CHIEF INVESTMENT OFFICER	-0.033	0.000	0.033	0.000	0.033
3.6.4	INVESTMENT PORTFOLIO MANAGER	-0.092	-0.117	-0.025	0.000	-0.025
3.6.5	YOUR PENSION SERVICE	-1.588	-1.842	-0.254	0.050	-0.304
3.6.6	POLICY & COMPLIANCE	-0.055	-0.025	0.030	0.000	0.030
	LANCASHIRE PENSION FUND TOTAL	-1.842	-1.981	-0.139	0.050	-0.189

The Lancashire Pension Fund final outturn position shows an underspend in 2015/16 of £0.139m against its cash limit of -£1.842m, which is an improved position of £0.189m

from the previously reported position, and largely relates to income not previously included in the forecast outturn.

Your Pension Service includes the application of non-recurrent funding of £0.089m from the downsizing reserve to meet costs arising from the increase in demand for VR estimates and payments as a result of the County Council's Transformation Programme.

3.7 Commissioning Services

Ref	Service Grouping	Revised Annual Budget	2015/16 Final Outturn	2015/16 Variance	Variance reported to Cabinet QTR 3	Changes since last Cabinet
		£m	£m	£m	£m	£m
3.7.1	COMMISSIONING	0.166	0.163	-0.003	-0.007	0.004
3.7.2	CORPORATE COMMISSIONING	0.137	0.138	0.001	0.000	0.001
3.7.3	ASSET MGT	10.286	8.378	-1.908	-2.208	0.300
3.7.4	PROCUREMENT	1.856	1.778	-0.078	0.241	-0.319
3.7.5	AREA PUBLIC SERVICE INTEGRATION	0.529	0.495	-0.034	0.000	-0.034
3.7.6	POLICY, INFO. & COMMISSION START WELL	0.545	0.569	0.024	0.035	-0.011
3.7.7	POLICY, INFO. & COMMISSION LIVE WELL	0.852	0.798	-0.054	0.000	-0.054
3.7.8	POLICY, INFO. & COMMISSION AGE WELL	0.659	0.475	-0.184	-0.204	0.020
3.7.9	BUSINESS INTELLIGENCE	1.022	1.321	0.299	0.357	-0.058
3.7.10	GOVERNANCE, FINANCE & PUBLIC SERVICES	0.140	0.143	0.003	0.000	0.003
3.7.11	FINANCIAL RESOURCES	0.101	0.201	0.100	0.000	0.100
3.7.12	OFFICE OF THE POLICE AND CRIME COMMISSIONER TRES	-0.016	-0.013	0.003	0.000	0.003
3.7.13	FINANCIAL MGT (OPERATIONAL)	2.237	2.388	0.151	-0.481	0.632
3.7.14	FINANCIAL MGT (DEVELOPMENT AND SCHOOLS)	0.346	0.089	-0.257	-0.109	-0.148
3.7.15	CORPORATE FINANCE	0.824	6.478	5.654	-0.110	5.764
3.7.16	EXCHEQUER SERVICES	4.168	3.371	-0.797	-0.498	-0.299
3.7.17	LEGAL, DEMOCRATIC & GOVERNANCE	0.101	0.106	0.005	0.000	0.005
3.7.18	LEGAL AND DEMOCRATIC SERVICES	13.194	13.440	0.246	1.361	-1.115
3.7.19	INTERNAL AUDIT	0.697	0.465	-0.232	0.000	-0.232
	COMMISSIONING TOTAL	37.844	40.783	2.939	-1.623	4.562

The Commissioning Services final outturn position shows an overspend in 2015/16 of £2.939m against its cash limit of £37.844m, which is an increase of £4.562m from the previously reported position, changing from a forecast underspend to an overspend of £2.939m.

3.7.3 Asset Management

- Asset Management underspent by £1.908m in 2015/16.
- The underspend relates to street lighting energy costs. Following a review of bills received from EDF late in 2014/15 it became apparent that EDF overcharged the Authority in 2014/15 by £0.746m and therefore the service has shown one-off reduced spend in 2015/16 as a result of overcharges being refunded. In addition to this the street lighting budget has shown a further underspend due to a 6% reduction from 2014/15 on energy consumption due to the programme of LED lantern fitting which has the effect of reducing energy consumption as well as the other energy saving measures include extending the dimming period and reducing the period of operation. There has also been an 11% reduction from 2014/15 on the cost of energy through the re-procurement of this contract.

The outturn includes the application of non-recurrent funding of £0.043m from the energy survey work reserve to cover the costs of meeting statutory requirements to Display Energy Certificates and Advisory Reports required by the government in all buildings accessed by Public. The outturn also includes a net contribution to the CYP PFI reserves of £0.490m to fund PFI costs over the life of the contract, and the application of £0.497m from the Capital Funding Reserve – CYP to cover PFI related ICT costs.

3.7.8 Policy, Information and Commissioning Age Well

- Policy, Information and Commissioning Age Well underspent by £0.184m in 2015/16 relating to staff vacancies.

3.7.9 Business Intelligence

- Business Intelligence overspent by £0.299 in 2015/16 due to staff costs.

The outturn includes a transfer of £0.006m to the MADE Reserve.

3.6.11 Financial Resources

- Financial Resources overspent by £0.100m in 2015/16. This relates to the additional in year costs of the Interim Director of Financial Resources originally agreed to be covered from reserves but subsequently has been offset by underspends across financial resources.

3.7.13 Financial Management (Operational)

- Financial Management (Operational) overspent by £0.151m in 2015/16 reflecting non-application of reserves.

The outturn includes the transfer to reserves of £1.830m of Local Councils Roads Investment Group (LCRIG) funding received late in 2015/16.

3.7.14 Financial Management (Development and Schools)

- Financial Management (Development and Schools) underspent by £0.257m in 2015/16 and relates to staff costs and vacancies.

3.7.15 Corporate Finance

- Corporate Finance overspent by £5.654m in 2015/16 which is an increase of £5.764 from last reported position. The majority of the overspend, specifically £5.560m, relates to severance costs not needing to be funded from reserves following the improvements to the overall financial position.

3.7.16 Exchequer Services

- Exchequer Services underspent by £0.797m in 2015/16 and is as a result of staff vacancies and lower than budgeted demand for Care and Urgent Needs Support Scheme.

3.7.18 Legal and Democratic Services

- Legal and Democratic Services overspent by £0.246m in 2015/16, which is a decrease of £1.115m from the last reported position.
- Coroners Service overspent by £0.279m 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. This is a decrease of £0.106m from the forecast outturn at the end of quarter 3 and relates to the finalisation of payments made to Blackpool Borough Council and Blackburn with Darwen Council at the end of the financial year.
- Democratic Services overspent by £0.269m in 2015/16, largely as a result of additional costs incurred resulting from the shale gas public inquiry.
- Overspends of £0.051m relates to staff, agency costs and legal fees within Legal Services resulting from increases in numbers of child protection cases. This has been offset by £0.450m from the release of a provision for the guaranteeing of loans held on properties owned by LCC which is no longer required.
- Further underspends of £0.353m across the remainder of the service relate to staff vacancies, expenditure for official visitors and member related expenditure.

The outturn includes a contribution to the County Council Elections reserve of £0.400m, and £0.025m to the Local Member and Gateway Grant Reserve. It also includes the application of non-recurrent funding of £0.006m from reserves.

3.7.19 Internal Audit

- Internal Audit underspent by £0.232m in 2015/16 which is due to income from Lancashire Pension Fund and Cumbria County Council not previously included in the forecast outturn.

3.8 Development and Corporate Services

Ref	Service Grouping	Revised Annual Budget	2015/16 Final Outturn	2015/16 Variance	Variance reported to Cabinet QTR 3	Changes since last Cabinet
		£m	£m	£m	£m	£m
3.8.1	BUSINESS GROWTH	0.081	0.081	0.000	-0.002	0.002
3.8.2	CORE BUSINESS SYSTEMS/TRANSFORMATION	14.350	16.031	1.681	2.358	-0.677
3.8.3	CORPORATE SERVICES	0.099	0.112	0.013	0.000	0.013
3.8.4	DESIGN and CONSTRUCTION	2.950	3.298	0.348	1.390	-1.042
3.8.5	DEVELOPMENT AND CORPORATE SERVICES	0.172	0.232	0.060	0.000	0.060
3.8.6	ECONOMIC DEVELOPMENT	1.317	1.452	0.135	0.000	0.135
3.8.7	ESTATES	1.847	0.919	-0.928	-0.741	-0.187
3.8.8	FACILITIES MGT	4.699	5.764	1.065	0.919	0.146
3.8.9	HEALTH & CARE SYSTEMS DEVELOPMENT	0.730	1.539	0.809	0.051	0.758
3.8.10	HUMAN RESOURCES	1.175	1.292	0.117	-0.195	0.312
3.8.11	LEP COORDINATION	0.081	0.046	-0.035	-0.035	0.000
3.8.12	LANCASHIRE ADULT LEARNING	-2.485	-0.024	2.461	2.563	-0.102
3.8.13	PLANNING AND ENVIRONMENT	2.684	2.760	0.076	0.000	0.076
3.8.14	PROGRAMME OFFICE	2.586	1.209	-1.377	-0.511	-0.866
3.8.15	PROGRAMMES & PROJECT MGT	0.117	0.117	0.000	0.000	0.000
3.8.16	SKILLS, LEARNING AND DEVELOPMENT	4.738	4.424	-0.314	-1.045	0.731
3.8.17	STRATEGIC ECONOMIC DEVELOPMENT	0.081	0.077	-0.004	-0.003	-0.001
	DEVELOPMENT AND CORPORATE TOTAL	35.222	39.329	4.107	4.749	-0.642

The Development and Corporate Services final outturn position shows an overspend in 2015/16 of £4.107m against its cash limit of £35.222m, which is an improved position of £0.642m from the previously reported position. The 2014/15 base budget pressure within this total overspend was £6.500m.

3.8.2 Core Business Systems/Transformation

- The Core Business Systems and Transformation Service achieved a negative variance against budget of £1.681m in 2015/16, which is an improved position of £0.677m from the last reported position.
- The outturn includes the application of non-recurrent funding of £6.700m from the Risk Management Reserve. Previous reports 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 overspent by £1.993m in 2015/16. This is a decrease of £0.673m in the forecast outturn at the end of quarter 3 and relates to the agreement of LCC's share of Xerox savings for 2014/15 and 2015/16 and higher than expected print, copy and mail income.
- Non BTLS elements of the Core Business Systems and Transformation Service underspent by £0.312m and relates to staff costs and vacancies offset by asset management programme charges not budgeted for.

3.8.4 Design & Construction

- Design and Construction has overspent by £0.348m in 2015/16, which is decrease of £1.042m from the forecast outturn reported to Cabinet at the end of quarter 3.
- This is partly due to a £0.239m overspend on R&M as the budgeted savings target of £0.500m has not been fully achieved as a result of delays in the property rationalisation programme.
- The service has reduced income fees of £0.780m largely due to an over forecast in outstanding fees for 2014/15.
- These overspends have been partly offset by a number of staffing vacancies within the design and construction buildings management team, amounting to £0.329m as well as increased capital fee charges on highways design of £0.342m.

The outturn includes a contribution to reserves of £0.149m in relation to the PROP scheme.

3.8.6 Economic Development

- Economic Development overspent by £0.135m in 2015/16. The overspend relates predominantly to the recovery of overpayments of European Social Fund (ESF) Grant by the Skills Funding Agency (SFA) for Skills Support for the Workforce (LEP) in 2015/16, following reconciliation of the County Council's contract.

The outturn includes a contribution from the Strategic Investment Reserve of £0.196m and a contribution from the Economic Development Reserve of £0.329m to fund the costs of a number of work streams to develop employment opportunities across Lancashire, and a contribution of £1.296m from the City Deal reserve. The outturn also

includes a contribution to the LEP reserve of £0.373m and a contribution to the Growth Deal reserve of £21.496m.

3.8.7 Estates

- Estates underspent by £0.928m in 2015/16.
- The service undertook a full review of budgets in 2015/16 and as a result identified a number of underspends including £0.328m on staffing, £0.110m in relation to a lease extension which is non-recurring, £0.135m relating to increased property management income chargeable to capital, £0.060m in relation to rents and £0.115m across a number of other areas.

The outturn includes the application of non-recurrent funding of £0.027m from the Lancashire Adult Learning reserve to contribute to Alston Hall running costs.

3.8.8 Facilities Management

- Facilities Management overspent by £1.065m.
- During 2015/16 there was a financial pressure of £0.721m resulting from delays in delivery of 2015/16 service offer savings linked to the property rationalisation review. Only part of the Woodlands savings has been achieved to date resulting in an additional pressure of £0.145m. Remaining pressures of £0.199m relating 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.

3.8.9 Health and Care Systems

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

3.8.10 Human Resources

- Human Resources overspent by £0.117m in 2015/16, which is due to staff vacancies and achievement of more income than budgeted.

The forecast outturn at the end of quarter 3 included the planned application of non-recurrent funding of £0.392m from the former CYP DFM general reserve contributed by Lancashire Schools Forum to provide transitional support for services which were not traded as they moved to a traded basis. However, due to delays in Schools Forum approving the application of this amount it has not been drawn down from reserves in 2015/16, and is the main reason from the change in the outturn from that forecast at the end of quarter 3. The outturn does, however, include the application of non-recurrent funding of £0.030m from the downsizing reserve to meet costs arising from the increase in trade union issues as a result of the County Council's Transformation Programme.

3.8.12 Lancashire Adult Learning

- Lancashire Adult Learning overspent by £2.461m.
- The overspend is due to the non-achievement of budgeted income targets and agreed savings, particularly in light of the 2014/15 OFSTED report and resulting reduction in Adult Skills funding.

The outturn includes a contribution to the Lancashire Adult Learning reserve of £0.317m in academic year 2014/15 and the application of £0.022m from the same reserve relating to clawback of the Adults Learner Loans Bursary Grant in academic year 2014/15.

3.8.13 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.

3.8.14 Programme Office

- Programme Office is underspent by £1.377m in 2015/16, which is a decrease of £0.866m and relates predominantly to staff cost and vacancies. The change relates to the capitalisation of £0.810m of staff costs at the end of the financial year.

3.8.16 Skills, Learning and Development

- Skills, Learning and Development underspent by £0.314m in 2015/16.
- Learning and Development including the Employment Support Service underspent by £0.533m predominately relating to staff vacancies and non-staff costs including external training expenses.
- Underspends of £0.179m across Skills budgets predominantly relate to staff vacancies, underspends of £0.629m relate to internal charges and recharges no longer required following the phase 1 restructure and underspends of £0.051m relate to training expenses.
- Overspends of £0.376m relate to staff costs and vacancies, and reduced grant income within the Social Inclusion Service.
- Overspends of £0.701m relate to 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. Much of the change from the forecast outturn at the end of quarter 3 reflects these costs being funded from budget provision rather than reserves.

The outturn includes the transfer of £0.969m of ESF funding to the former CYP DFM General Reserve, which may be required to cover potential clawback and projects, and

underspends of £0.240m on the CYP training budget to fund post Ofsted training costs in 2016/17.

3.9 Chief Executive Services

Ref	Service Grouping	Revised Annual Budget	2015/16 Final Outturn	2015/16 Variance	Variance reported to Cabinet QTR 3	Changes since last Cabinet
		£m	£m	£m	£m	£m
3.9.1	CHIEF EXECUTIVE	0.274	6.092	5.818	0.000	5.818
3.9.2	SERVICE COMMUNICATIONS	1.583	1.291	-0.292	-0.215	-0.077
3.9.3	BUSINESS SUPPORT	0.000	0.000	0.000	0.000	0.000
3.9.4	CONTINGENCIES	0.625	0.006	-0.619	-0.625	0.006
3.9.5	NON SERVICE ISSUES CORPORATE BUDGETS	74.948	48.252	-26.696	-11.868	-14.828
3.9.6	LARGE SPECIFIC GRANTS TO SUPPORT THE AUTHORITY	-15.866	-16.147	-0.281	-0.247	-0.034
	CHIEF EXECUTIVE TOTAL	61.564	39.494	-22.070	-12.955	-9.115

The Chief Executive Services final outturn position shows an underspend in 2015/16 of £22.070m against its cash limit of £61.564m, which is an improved position of £9.115m from the previously reported position.

3.9.1 Chief Executive

- Chief Executive overspent by £5.818m in 2015/16, which is an increase of £5.818m from the last reported position. Both the overspend and change reflects a decision not to draw non-recurrent funding from the downsizing reserve to cover the in-year cost of staff displaced during phase 1 of the County Council's Transformation Programme as originally planned.

3.9.2 Service Communications

- Service Communications underspent by £0.292m in 2015/16, which relates predominantly to staff costs and vacancies.

3.9.4 Contingencies

- Contingencies underspent by £0.619m in 2015/16, which is almost unchanged from the forecast outturn reported to Cabinet at the end of quarter 3 and is as a result of expected underspends on various contingency budgets.

3.9.5 Non Service Issues Corporate Budgets

- Non Service Issues Corporate Budgets underspent by £26.696m in 2015/16, which is an increased underspend of £14.828m from the last reported position. The financial position is made up of the following elements:

Former CYP Centrally Managed Projects

- Former CYP Centrally Managed Projects overspent by £0.689m.
- 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.
- Remaining overspends of £0.194m relate predominantly to school closure costs.

Pensions – Inherited Liability and Central Employers Contribution

- Underspends of £0.519m relate to inherited liability and central employers pension contribution.

Strategic

- The Strategic budget overspent by £4.102m, reflecting the improved overall financial position which removed the necessity to apply the £5.464m of non-recurrent Risk Management Reserve funding originally agreed to support the base budget in 2015/16.

Treasury Management

	Budget 15/16 £m	Outturn 15/16 £m	Surplus (-) /Deficit £m
MRP	37.085	19.446	-17.639
Interest Paid	22.308	25.584	3.276
Interest Received	-12.710	-29.331	-16.621
Grants	-0.280	-0.280	0.000
Total	46.403	15.419	-30.984

- The capital financing budget underspent by £30.984m in 2015/16, which is an increased underspend of £18.983m from the last reported position.
- The Minimum Revenue Provision (MRP) achieved an underspend/surplus of £17.639m. 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 has been lower than anticipated throughout the year due to a lower than anticipated level of borrowing used to finance the Capital Programme. In addition this year has seen the crystallisation of additional savings of c£11m following the agreement of a new Minimum Revenue Provision Policy at Full Council on the 11th February 2016.
- The Interest Paid budget overspent/deficit of £3.276m. Interest paid overspend is largely due to the agreed contribution towards the Todmorden Curve Rail Project (£2.1m). There was additional interest payable due to an increase in interest rates which was higher than the budgeted interest rates. There was also an increase in brokers' fees.
- The Interest Receivable Budget achieved an underspend/surplus of £16.621m. The surplus on interest received has arisen 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 £9.858m. There have also been additional gains of £6.257m resulting from sales on the traded bond portfolio along with additional investment interest of £0.506m in the year.

3.9.6 Large Specific Grants to Support the Authority

- Large specific grants underspent by £0.281m and relates to higher than budgeted Education Services Grant (ESG). Actual ESG received varies dependent on conversions to academies during the year.

3.10 Areas outside Cash-Limit Revenue Budgets

3.10.1 Additional One-Off Income

During the year additional income of £6.390m was received from Central Government, council tax and business rates payments. This consists of:

- £5.400m additional Council Tax payments collected.
- £0.564m additional New Homes Bonus grant.
- £0.426m in additional Business Rates.

In line with the previous position taken by the Cabinet on one off resources, these amounts were added to the Risk Management Reserve.

3.10.2 Schools Spending

The overall underspend on the Schools Budget is covered in the 2015/16 outturn report presented elsewhere on the agendas of the Early Years Block, High Need Block and Schools Block Working Groups.

This report concentrates on the position in relation to schools delegated budgets.

The final outturn against schools delegated budgets at 31 March 2016 is an overspend of £2.427m. In essence this means that school balances have decreased by £2.427m in 2015/16, to a total of £53.947m. The table below shows the movement on school balances by phase at the end of the financial year 2015/16 compared to 2014/15.

	Open Balance 1st April 2015	In Year Movement 2015/16	Close Balance 31st March 2016	Deficit In Year	Surplus In Year
	£m	£m	£m	£m	£m
Nursery	0.906	-0.059	0.847	-0.287	0.228
Primary	36.588	0.477	37.065	-4.754	5.231
Secondary	12.535	-1.955	10.580	-3.910	1.955
Special	4.771	-0.281	4.490	-0.711	0.430
Short Stay	1.574	-0.609	0.965	-0.678	0.069
Total	56.374	-2.427	53.947	-10.340	7.913

In summary, during 2015/16:

- 276 schools operated an in year deficit, spending funding from reserves (256 operated an in year deficit in 2014/15);
- 326 schools operated an in year surplus increasing the reserves they hold (346 operated an in year surplus in 2014/15);
- At 31 March 2016, 25 schools had deficit balances (18 schools had deficit balances at 31 March 2015).

As can be seen, the number of schools operating an in-year deficit is higher in 2015/16 than was the case in 2014/15 and 7 more schools have ended the year with a deficit balance. In year movement of balances in 2015/16 shows a reduced level of balance at 31 March 2016 in all phases, except the primary school sector.

This balances position may be evidence of the cost pressures faced by schools during 2015/16, particularly around staffing overheads. As members will be aware, the cost pressures are even more significant in 2016/17, with the full year effect of the Teachers' Pension rise, a higher Living Wage rate and increased employers' National Insurance contributions.

4. Section B – Capital Programme 2015/16

4.1 The Overall Position – Capital Programme

The overall Capital Programme for the three years 2015/16 to 2017/18 agreed by the County Council in February 2015 contained an allocation for 2015/16 of £241.552m, £199.458m relating to LCC (non-LEP) activity.

During 2015/16, the total LCC programme for 2015/16 for several reasons was the subject of an in year increase in value of £60.197m (circa 30%), with the final value for monitoring purposes being £259.655m. By way of comparison, the increase between the final 2014/15 capital programme and the original 2015/16 capital programme was circa 5%.

Table 1 below tracks the increase in the capital programme over the last two years.

Table 1	Final 2014/15 programme	Original 2015/16 programme approved February 2015	Additions during 2015/16	Final 2015/16 programme
	£m	£m	£m	£m
SCHOOLS	37.829	44.661	0.418	45.079
CHILDREN AND YOUNG PEOPLES SERVICE	8.121	11.733	2.256	13.989
HIGHWAYS MAINTENANCE	37.292	32.733	31.238	63.971
TRANSPORT IMPROVEMENT	68.677	70.861	6.140	77.001
WASTE AND OTHER PROJECTS	0.410	1.339	2.128	3.467
ADULT SOCIAL CARE	1.633	16.454	-0.017	16.437
CORPORATE	32.982	15.777	17.730	33.507
VEHICLE REPLACEMENT PROGRAMME	3.145	5.900	0.304	6.204
TOTAL LCC	190.089	199.458	60.197	259.655
CITY DEAL	14.347	42.094	(26.325)	15.769
LEP PROGRAMMES NOT FUNDED OR DELIVERED BY LCC	7.295	0.000	14.078	14.078
TOTAL	211.731	241.552	47.950	289.502

The 2015/16 in year increase in the capital programme of £60.197m can be broken down into the following areas:

- £5m DfT grant for the M65.
- £6.5m for street lighting.
- £5m for flood damaged roads and bridges.
- core system transformation project with a budget of £7.9m.
- a large number of smaller projects making up the balance of £35.797m.

In the outturn report for 2014/15 a potential carry forward of slippage of £22.544m was identified, of which £20.803m was actually carried forward and included in the 2015/16

capital programme as £1.741m was identified as not being required. The majority of this, £1.353m, related to the Core Systems project which was transferred to reserves.

Table 2 below shows the overall allocation for 2015/16, the actual spend for 2015/16 across all blocks of the programme, and the forecast budget and spend for the three years 2015/16, 2016/17 and 2017/18.

Table 2	TOTAL PROGRAMME 2015/16 – 2017/18			CURRENT YEAR (2015/16)		
	Budget 2015/16 and Beyond	Forecast Outturn	Forecast Variance	Budget	Outturn	Variance
	£m	£m	£m	£m	£m	£m
SCHOOLS	53.091	53.850	0.759	45.079	23.608	-21.471
CHILDREN AND YOUNG PEOPLES SERVICE	17.216	10.071	-7.145	13.989	4.565	-9.424
HIGHWAYS MAINTENANCE	118.979	115.375	-3.604	63.971	40.462	-23.509
TRANSPORT IMPROVEMENT	92.481	96.907	4.426	77.001	50.584	-26.417
WASTE AND OTHER PROJECTS	15.294	5.876	-9.418	3.467	0.880	-2.587
ADULT SOCIAL CARE	23.437	12.003	-11.434	16.437	7.946	-8.491
CORPORATE	34.969	27.902	-7.067	33.507	18.412	-15.095
VEHICLE REPLACEMENT PROGRAMME	12.604	10.820	-1.784	6.204	4.420	-1.784
TOTAL LCC	368.071	332.804	-35.267	259.655	150.877	-108.778
CITY DEAL (2014/15 – 2023/24)	388.631	388.631	0.000	15.769	21.122	5.353
NON LCC SCHEMES FUNDED BY GROWTH DEAL	113.770	113.770	0.000	14.078	14.078	0.000
TOTAL	870.472	835.205	-35.267	289.502	186.077	-103.425

Over the three year programme the forecast currently shows an overall underspend of £35.267m against the total LCC allocation of £368.071m. This represents circa 9% of the programme and comprises of several projected underspends and projects which continue to have capital funding allocated to them. Further work on re-profiling the capital programme will be presented to Cabinet in September and will provide a revised forecast.

In the financial year 2015/16, £150.877m of work was delivered (excluding City Deal and non LCC schemes funded by Growth Deal).

The table shows that in 2015/16 the LCC spend was less than the 2015/16 planned programme allocation by £108.778m. This is analysed in more detail in section 4.2 and is summarised as follows:

- Unprogrammed allocation as at 31st March 2016 - £40.754m.
- Net savings against completed projects - £0.657m.
- Net under spends in year against ongoing multi-year projects - £8.372m.
- Legal or contract delays - £11.542m.
- Schemes operationally completed delays relating to receipt of final invoice or payment - £7.939m.
- Schemes where re-profiling to later in the programme is required - £36.853m.
- Other delays (including weather) - £6.323m.

The above is balanced with £3.662m additional income which is receivable relating to Section 106/278 schemes.

Further work is currently being undertaken to re-profile elements of the capital programme to minimise future slippage. Proposals will be presented in the quarter 1 2016/17 monitoring report in September.

4.2 Capital Outturn Variance Analysis

In this section more details are provided on the specific areas of the programme.

Schools

During the year the actual spend was £23.608m, the following was delivered:

- The completion of significant basic need projects, to expand Primary Schools (PS) at:
 - Lytham, Heyhouses.
 - Lancaster, Moorside.
 - Trumacar.
- The commissioning of a new building for Weeton PS, at Weeton Barracks and a new Infant school building for Trinity PS on the Buckshaw Village site, Chorley.
- The commissioning of a number of capital projects to facilitate the regularising of planned admission numbers, where they do not reflect a full or ½ form of entry, at:
 - Ingol PS.
 - Balshaw Lane PS.
 - Grange PS.
 - St Georges PS.
- The completion of the new Sir Tom Finney High School, in Preston and an Intensive Support Centre at Kirkham Pear Tree Special School, to increase capacity in Lancashire Special Schools.
- Two substantial new builds on the Burnley Campus site, part of Lancashire's building schools for the future programme, to meet the demands of an expanding pupil population in Barden PS and Holly Grove Special School.
- Commissioning of a phased programme of condition projects at over 50 schools.

The reasons for the spend being less than the allocation for 15/16 are set out below:

- £5.771m slippage into 2016/17 split between £4.271m due to delay in agreeing maximum fixed prices with contractors, and £1.5m due to delay on PFI legal agreement concerning the Burnley campus.
- £5.2m unused Devolved Formula Capital two years annual allocation. This funding is held on behalf of Community Schools; decisions on how and when it is spent lies with the individual schools and their Governing Bodies.
- £10.5m slippage into 2016/17 of Condition budget due to review of capital programme. Work has been programmed for summer of 2016/17.

Children and Young People's Services

During the year the actual spend was £4.565m, the following was delivered:

- Completion of a new Children's home on Bowerham Road in Lancaster.
- Completion of Farrington Lynhurst Residential Home, a new 6 bed overnight short break unit.

The reasons for spend being less than the allocation for 2015/16 are set out below:

- £5.355m Youth Zones budget to be carried forward to 2016/17, of which £1.865m has now been earmarked for Preston Bus Station / Youth Zone.
- £4.069m as yet unprogrammed budget allocations comprising: Residential Children's Homes Redesign £0.504m, Residential redesign overnight short break £2.839m, Lancashire Break time £0.726m.

Highways Maintenance

During the year the actual spend was £40.462m, the following was delivered:

- 60 Roads schemes.
- 132 schemes relating to pothole/ defects/ pre patching/ surface dressing.
- 57 Bridges schemes.
- 15 Drainage schemes.
- 122 Footway schemes.

The reasons for spend being £23.509m less than the allocation for 2015/16 are set out below:

a) Net underspends on a variety of projects total £3.918m

A Cabinet report was approved on 10th November 2015 to utilise £2.5m of these underspends to fund the 2016/17 Local Priorities Response Fund programme

b) Main schemes total slippage £12.336m

- £3.398m relates to Rawtenstall Bus Station scheme which forms part of a wider regeneration scheme involving the LEP and Rossendale Borough Council, overall funding arrangements to be finalised.
- £0.995m relates to the M65 crash barriers due to delay in receiving invoices.

- £4.707m relates to DfT Flood Damaged Roads and Bridges grant received 7th March 2016 and full allocation included in 15/16 capital programme, however to be profiled over 2016/17 and 2017/18.
- £1.427m relates to s106 schemes.
- £1.809m relates to s278 schemes. S278 work is developer led. Whilst schemes have been included in the 2015/16 capital allocation the actual undertaking of the works are predominantly developer led and therefore subject to external factors which influence the carting out of works.

c) Other schemes total slippage £7.225m

- £1.492m – approved phasing for future years.
- £1.315m – The Flood Risk Management team prioritised statutory duty workload including responding to planning applications as a statutory consultee, land drainage consents and progressing flood investigations. Resources issues are being addressed by 2 new proposed posts in highways and increased use of Jacobs.
- £1.156m – weather related. Storms occurred at end of Q3 but slippage only identified in Q4.
- £0.711m – approved re-phasing for future years identified in year but shown in report in 15/16.
- £0.667m – works completed but final invoices to be paid in Q1 2016/17.
- £0.589m – contractual delay / issues with 3rd parties.
- £0.616m other unforeseen events (not weather related) identified in Q4 2015/16.
- £0.709m – works not completed.

Transport Improvement

During the year the actual spend was £50.584m, the following was delivered:

- £36m of works on Heysham to M6 Link.
- £1.5m of works on Burnley Pendle Growth Corridor.
- £6.152m works re new Accrington Bus Station and surrounding highways infrastructure within the Pennine Reach project.
- £0.928m of works on Burnley Town Centre improvement.
- The balance of £6m has been spent on 127 schemes which are either completed (23) or underway (104).

The reasons for the spend being less than the allocation for 2015/16 are set out below:

- £19.064m slippage for the Heysham to M6 Link Road is due to significant delay on construction of the new Lune Bridge (failure in temporary works during the placement of the bridge deck) and unusually heavy rainfall in December 2015. Completion is now due in late autumn 2016. Whilst there is in-year slippage, there is a current forecast overspend on this scheme overall, over and above the £130m already approved by Cabinet, of £6.5m, which is due to three elements: significant numbers of compensation events, significant cost pressure due to delay, and the recently identified requirement for motorway communications. In addition to the £6.5m forecast overspend, there are potential further risks above

and beyond currently identified mitigation factors which are being reviewed, and any financial impact will be reported at future Cabinet meetings.

- £2.681m for the Blackpool Tramway (delayed final payment).
- £2.024m for the Burnley Pendle Growth Corridor (scheme has commenced but has been delayed due to ownership and acquisition issues).
- £1.868m for the East Lancashire Strategic Cycle Network (scheme underway but budget needs to be reprofiled).
- £0.700m for the North Valley Road traffic model and business case (scheme still under development and budget needs to be reprofiled).
- £1.090m relating to Green Lane Link is provisionally programmed for 2019/20.
- The above are offset by underspends on other schemes totalling £1.01m.

Waste and Other Projects

During the year the actual spend was £0.880m, the following was delivered:

- Completion of the Liquid Logic project (£0.282m).
- Improvements at the closed Rowley landfill site on-going (£0.215m).
- Fees incurred relating to the sprinkler systems at the waste recovery parks (£0.180m).
- £0.202m on other projects.

The reasons for the spend being less than the allocation for 2015/16 budget are as follows:

- £1.660m underspend for the completed Liquid Logic IT project.
- £0.371m slippage for Jameson Road household waste site relating to drainage works.
- £0.285m slippage re Rowley Closed Landfill site.
- £0.320m slippage relating to works at waste recovery parks.
- £0.054m overspend on Garstang Community Recycling and Reuse Centre.
- £0.103m relates to a number of other small **over** spends on schemes.

Adult Social Care

During the year the actual spend was £7.946m, the following was delivered:

- IT project to link LCC 's Social Care Database with the NHS (£0.6m).
- £6.4m Disabled Facilities Grant passported to the District Councils to spend on aids and adaptation.
- Refurbishment of Bacup and Bolton Le Sands Libraries as part of the Libraries Regenerate. (£0.6m).
- £0.346m relating to Changing Places and other general improvements.

The main reasons for spend being £8.491m less than the allocation for 2015/16 are as follows:

- Schemes to be committed (i.e. currently unprogrammed) including Libraries Regenerate (£2.461m), Learning Disability Daycare Modernisation (£0.829m)

and Changing Places for Severely Disabled People (£0.249) and various smaller projects £0.051m.

- Social Care capital grants allocated to Extra Care totalling £5.028m, of which £1.149m has been approved to be spent on Better Care related IT in 16/17, £1.924m and £0.470m committed to ongoing schemes in Fleetwood and Preston, leaving £1.485m as yet unprogrammed/ uncommitted.
- These are offset by a net overspend on IT related projects £0.127m.

Corporate

During the year the actual spend was £18.412m, the following was delivered:

- Phase 1 of the Lancashire Superfast Broad Band project completed.
- County Hall office complex refurbishment is ongoing.
- Core Systems transformation - Property Asset Management System (PAMS) and Project and Programme Management System (PPMS) are now live.

The reasons for the spend being less than the allocation for 2015/16 are as follows:

- £1.017m relates to agreeing with BT final payment for Superfast Broadband (resulting from review of BT's delivery timescales and subsequent change to the contract).
- £1.990m relates to Property repair projects, including County Hall complex refurbishment which will continue into 2016/17.
- £2.078m relates to the Core Systems Transformation project, which will be completed in 2016/17.
- £7.536m relating to Economic Development initiatives, which are programmed for deliver as follows:

	2016/17	2017/18	Total
	£m	£m	£m
Brierfield Mill (approved by Cabinet)	1.500	0.000	1.500
Salmesbury Enterprise Zone	0.436	0.000	0.436
Contribution to Skelmersdale Rail Link	0.500	3.200	3.700
Other projects which include support for Lancashire Adult Learning to relocate to Brierfield Mill, potential support for expansion of Lomeshaye Industrial Estate	1.900	0.000	1.900
Total	4.336	3.200	7.536

- £2.479m relating to Growing Places.

Vehicle Replacement Programme

The budget for the year was £6.204m, spend was £4.420m and therefore £1.784m less than budget.

During the year the actual spend was £4.420m, and delivered the replacement of 38 heavy commercial road maintenance vehicles including 15 tippers, 9 gritters,

7 hoists and a gully and drain jet cleaner. In addition 20 transit vans were replaced to support road maintenance, and 22 specialised minibuses were replaced within the county council's travelcare service. In addition, 4 JCB loadalls, a grit spreader and a paver were also purchased.

The reasons for the spend being less than the allocation for 2015/16 was due to a delay in new framework contract arrangements.

City Deal

The City Deal budget approved in February 2015 was £42.094m. This budget was subsequently reduced to £15.769m as a result of three programmes being reprofiled within the overall delivery timetable. These schemes were the Preston Bus Station (£8.119m), the A582 Dual Link Road (£10.000m) and the Penwortham Bypass (£8.206m). However, accelerated delivery of £5.353m meant that the total value of works delivered was £21.122m

City Deal is administered by LCC as the Accountable body for the LEP. In 2015-16 the City Deal Infrastructure fund (IDF) collected resources totalling £26.489m including £3.452m from LCC capital, and expended £21.122m. This in year surplus is added to the City Deal reserve as surpluses' to date are held to offset the expected deficits in years 3-15 of the City Deal, with LCC underwriting the cumulative position over the life of the deal.

4.3 Capital Programme Financing

The extract below sets out how the 2015/16 capital programme was proposed to be funded within the 12th February 2015 Full Council submission and how it was actually funded within year:

Table 3 Finance Type	As at Full Council February 2015 (£m)	Outturn (£m)
Borrowing	41.262	0.000
Capital Receipts	11.085	26.502
Revenue contributions	8.738	6.850
Internal loan	5.905	0.000
Single Capital Pot grant	71.944	50.796
Other grants and contributions	68.381	101.929
City Deal temporary resources	25.520	0.000
Over programming	8.717	0.000

TOTAL	241.552	186.077
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The table above shows the expected financing of the capital programme approved by Full Council in February 2015 which identified a borrowing requirement of £41.262m. The table also shows how the actual programme was financed. It can be seen that no actual borrowing was required.

Proposals for the reprofiling of the capital programme will be presented with the Quarter 1 monitoring report. These may affect the quantum and timing of borrowing in 2016/17 and future years.

5. Section C - County Fund Balance, Reserves and Provisions

The County Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. All reserves have been extensively reviewed to ascertain whether the need for them remains and whether their scale continues to be appropriate. This led to many reserves being closed or significantly reduced and their balances transferred to the new Transitional Reserve as part of the 2016/17 budget setting process in February 2016.

Reserve Name	Opening Balance as at 1 April 2015	In Year Changes	Closing Balance as at 31 March 2016
	£m	£m	£m
Reserves held to meet spending pressures			
County Fund	(36.000)	0.000	(36.000)
Business Rates Volatility Reserve	(5.000)	5.000	0.000
	(41.000)	5.000	(36.000)
Reserves held to deliver corporate priorities			
Strategic Investment Reserve	(21.391)	10.420	(10.971)
	(21.391)	10.420	(10.971)
Reserves held to deliver organisational change			
Downsizing Reserve	(80.606)	15.765	(64.841)
Risk Management	(82.020)	66.236	(15.784)
Transitional Reserve	0.000	(141.836)	(141.836)
	(162.626)	(59.835)	(222.461)
Reserves held to pay for expenditure commitments			
Election Reserve	(0.851)	(0.400)	(1.251)
Funding of Capital Projects	(12.503)	12.355	(0.148)
	(13.354)	11.955	(1.399)
Reserves held to meet service priorities			
YOT - General Youth Offending	(0.867)	(0.157)	(1.024)
Children's DFM* General	(3.698)	(2.205)	(5.903)
Former CYP Directorate Grant Funded	(5.327)	3.475	(1.852)
Contingency For Children's Social Care	(0.014)	0.014	0.000
Crime & Disorder	(1.636)	0.922	(0.714)
Fulwood High School PFI reserve	(1.084)	0.070	(1.014)
Building Schools for the Future Wave 1 PFI reserve	(5.750)	(0.561)	(6.311)

LSCB Reserve	0.000	(0.449)	(0.449)
Exhibitions Reserve	(0.052)	0.052	0.000
Museum Acquisition Fund	(0.072)	0.070	(0.002)
Archives Development Fund	(0.003)	0.003	0.000
Queen Street Steam Engine Repair Fund	(0.236)	0.032	(0.204)
Lancaster City General Acquisitions Fund	(0.011)	0.003	(0.008)
Lancashire Adult Learning HQ General	(0.365)	(0.064)	(0.429)
Arts Development Fund	(0.024)	0.024	0.000
Adults - Early Intervention	(4.757)	4.757	0.000
Adults Grant Funded	(2.837)	2.300	(0.537)
Adult Social Care – Transition	(1.365)	(2.639)	(4.004)
Health Services	(7.924)	3.824	(4.100)
Extra Care Fund Reserve	(3.000)	3.000	0.000
Better Care Fund Reserve	(4.368)	3.000	(1.368)
Lancashire Road Safety Partnership	(0.767)	0.767	0.000
Roundabout Sponsorship Income	(0.231)	0.183	(0.048)
Improved Outcomes Partnership	(0.137)	0.080	(0.057)
UK & Ireland Civinet Network	(0.055)	0.025	(0.030)
Waste PFI Compensation Payments Reserve	(0.387)	(0.095)	(0.482)
Equipment Renewal Reserve	(0.801)	0.470	(0.331)
Joint Service Needs Assessment Reserve	(0.104)	0.000	(0.104)
Multi Agency Data Exchange Reserve	(0.045)	(0.006)	(0.051)
Parking Reserve Fund	(0.690)	0.546	(0.144)
Building Design & Consultancy Reserve	(0.097)	0.077	(0.020)
NoW Card Renewal	(0.380)	(0.020)	(0.400)
Energy Surveys	(0.109)	0.043	(0.066)
Priorities Contingencies Reserve	(0.235)	0.225	(0.010)
Waste Plant Rectification	(20.000)	12.500	(7.500)
Finance & Information DFM General	(0.335)	0.275	(0.060)
Former OCE General Reserve	(0.727)	0.000	(0.727)
Former OCE DFM General	(0.378)	0.378	0.000
Economic Development Reserve	(0.493)	0.466	(0.027)
Lancashire Enterprise Partnership (LEP) Reserve	(1.179)	(0.374)	(1.553)
City Deal	(6.951)	6.951	0.000
Development Services Reserve	(2.964)	2.964	0.000
Champions Funds	(0.004)	0.001	(0.003)

Vehicle Excess Reserve - LCC	(0.259)	0.259	0.000
Buildings Repair & Renewals Reserve	(1.103)	1.103	0.000
Corporate DFM Schemes	(0.315)	(1.515)	(1.830)
Local Member & Gateway Grant	(0.059)	(0.024)	(0.083)
Public Health Grant Reserve	(6.215)	5.587	(0.628)
School Catering Repair And Maintenance	(1.878)	0.135	(1.743)
Civic Catering Repair And Maintenance	(0.039)	0.039	0.000
	(90.327)	46.511	(43.816)
Schools Reserves**			
Individual Schools Reserves	(56.374)	2.661	(53.713)
Other Schools Reserves	(33.517)	7.419	(26.098)
Centrally managed PROP Schools Maintenance Reserve	(6.061)	(0.149)	(6.210)
	(95.952)	9.931	(86.021)
Total Revenue Reserves	(424.650)	23.982	(400.668)

* DFM – Devolved Financial Management.

** The School Reserves are ringfenced to schools and are used at schools' discretion.

The County Council's revenue reserves for balances held as at 31 March 2016 are described as follows:

5.1 Reserves held to meet spending pressures

County Fund:

The County Fund balance remains at £36.000m at the end of the financial year. The County Fund exists to cover the authority against any serious emergency situation (e.g. widespread flooding); a critical and unexpected loss of income and for general cash flow purposes. The reserve is set at approximately 5% of the County Council's net budget. It is proposed the balance is maintained as a prudent safeguard against any unexpected financial pressures.

Business Rates Volatility Reserve:

This reserve was set aside to mitigate any adverse impact upon the council's funding due to a shortfall in Business Rates income. Following a review of this reserve in 2015-16, it was felt that the provision could be met from the County Fund and the balance was transferred to the Transitional Reserve.

5.2 Reserves held to deliver corporate priorities

Strategic Investment Reserve:

The County Council previously agreed a programme of investment in areas including economic development, green energy, increasing employment opportunities and the development of apprenticeship programmes. The Strategic Investment Reserve will continue to deliver the funding for this investment programme.

5.3 Reserves held to deliver organisational change

Downsizing Reserve:

This reserve is set aside to support the County Council paying the associated redundancy costs as it continues to downsize to deliver its agreed savings in 2015/16 and beyond.

Risk Management Reserve:

Due to the authority's ongoing exposure to demand and funding risk, it was agreed at February 2015 Full Council that this reserve be set up to help the authority manage risk going forward. The value on this reserve has been significantly reduced in 2015-16, with funds being reprioritised to the Transitional Reserve.

Transitional Reserve:

This reserve was approved by Cabinet in November 2015. It was to be created by re-prioritising existing reserves and replacing capital reserves with borrowing. A review of all reserves was undertaken to meet the dual requirements of funding the lead-in time for the savings programme in 2016/17 and 2017/18 as well as providing the resources necessary to cover the funding shortfall in those two years until further budget savings could be identified. It was initially estimated that over £117m could be made available to this reserve. Due to better than anticipated financial performance in 2015/16, over £140m was ultimately set aside in this reserve at the 31st March 2016.

5.4 Reserves held to pay for expenditure commitments

Election Reserve:

This reserve is for a contribution from revenue year on year to fund the cost of the local elections.

Funding of capital projects:

This reserve comprises of revenue monies earmarked to support committed capital projects in the County Council capital programme. The majority of the funding has been transferred to the Transitional Reserve, whilst the capital activities can continue funded by borrowing.

5.5 Reserves held to meet service priorities

These earmarked reserves consist of amounts carried forward for specifically agreed projects within services.

YOT - General Youth Offending Reserve:

This reserve is made up of partner organisation contributions for YOT contingencies and monies earmarked for one off projects. The majority of this reserve is not available for other purposes.

Children's DFM General Reserve:

This reserve is for a wide range of agreed projects including School Support Services and European Social Fund (ESF) grant funding. These projects will be funded in 2015/16 and beyond.

Former CYP Directorate Grant Funded Reserve:

This reserve was created from unutilised grant funding monies and is earmarked for various agreed projects including Special Educational Needs (SEND), Adoption and Working Together With Families (WTWF).

Contingency For Children's Social Care:

The balance of the funding was transferred to the Transitional Reserve.

Crime & Disorder Reserve:

This reserve is for earmarked to deliver the domestic abuse strategy.

Fulwood High School Private Finance Initiative (PFI) Reserve:

This Private Finance Initiative (PFI) Reserve is to cover future costs that are not funded by central government as part of the PFI scheme. This reserve was created as directed by our external auditors.

Building Schools for the Future Wave 1 PFI Reserve:

This PFI Reserve is for future commitments created as directed by our external auditors.

LSCB Reserve:

This reserve comprises contributions from funding partners e.g. LCC, Police, CCGs, Probation & Police. It is envisaged that some of this reserve will need to be used in 2016-17 to manage an estimated increase in revenue expenditure on serious case reviews. Additionally, the Safeguarding Board are considering using the reserve to fund work around Childhood Sexual Exploitation, the Continuum of Need and Routine Enquiry into Adverse Childhood Experiences (REACH).

Exhibitions:

The reserve was used to provide top up funding for exhibitions produced by Cultural Services. The balance of this reserve was transferred to the Transitional Reserve in 2015-16.

Museum Acquisition Fund:

The fund was used to contribute to the cost of purchasing / acquiring new collections, commonly through sale by owners or finds by metal detectorists via the Portable Antiquities Scheme. The majority of this reserve was transferred to the Transitional Reserve in 2015-16.

Archives Development Fund:

This was a development fund for assisting in the purchase of archive collections. The balance of this reserve was transferred to the Transitional Reserve in 2015-16.

Queen St Steam Engine Repair Fund:

LCC received £0.209m from the Ellison to be used for the upkeep of the Lancashire Looms at Queen Street Mill. The County Council funded element previously sat on this reserve has now been transferred to the Transitional Reserve.

Lancaster City General Acquisitions Fund:

The Lancaster City General Acquisitions Reserve fund was in existence prior to the County Council running Lancaster City Museums. Each year Lancaster City Council

put an amount into the fund to pay for collection care materials or purchasing items for the collection. The funds are ring fenced for this purpose.

Lancashire Adult Learning HQ General:

This is a specific reserve for the Lancashire Adult Learning Service.

Arts Development Fund:

This reserve was set up to support Arts Development. The balance of this reserve was transferred to the Transitional Reserve in 2015-16.

Adults - Early Intervention:

This reserve covered invest-to-save funding for Shared Lives, reablement and telecare. The balance of this reserve was transferred to the Transitional Reserve in 2015-16.

Adults Grant Funded:

This reserve was created from unutilised grant funding monies and a proportion was earmarked for the downsizing of the Supporting People programme. The remainder was transferred to the Transitional Reserve in 2015-16.

Adults Social Care – Transition:

The reserve is to cover the costs of changes to Personal Social Care staffing and improvements to domiciliary services.

Health Services:

This reserve consists of health funding received from Clinical Commissioning Groups (CCG's); including contributions towards joint programmes agreed under a Section 256 framework agreement. A proportion of this reserve was transferred to the Transitional Reserve in 2015-16.

Extra Care Fund:

This reserve was approved in 2014 to provide capital funding towards supported accommodation for vulnerable adults. The balance of this reserve was transferred to the Transitional Reserve in 2015-16, with the funding to be replaced by borrowing.

Better Care Fund:

This is a specific reserve for Better Care Fund (BCF) designed to help mitigate the financial risks to partner organisations should the financial outcomes of the Better Care Fund plan not be fully delivered. There are contributions from both Health the County Council in this reserve.

Lancashire Road Safety Partnership:

This reserve is made up of partnership monies held on behalf of the County Council, Blackpool and Blackburn with Darwen to be spent on new digital traffic cameras.

Roundabout Sponsorship Income:

This reserve is generated from roundabout sponsorship schemes. The majority of this reserve has been redirected into the Transitional Reserve in 2015-16.

Improved Outcomes Partnership:

This reserve consists of funds from external partners (e.g. NHS) to be spent on Trading Standards Projects.

UK & Ireland Civinet Network:

The reserve consists of the residual balance on the scheme's bank account plus the surplus from the Euro project. The reserve is used to pay for continued membership of the wider UK and Ireland network.

Waste PFI Compensation Payments Reserve:

This reserves was created to fund a tree planting initiative and the Farrington Reserve (money available to residents in Farrington to compensate for Waste plant located there).

Equipment Renewal Reserve:

The reserve is for various equipment purchases including highways video survey and scientific services equipment.

Joint Services Need Assessment Reserve:

This reserve is for the authority to fulfil its statutory duty to deliver a 'Joint Strategic Needs Assessment' based on requirements in the 2012 Health Act. This reserve has all been spent in 2015-16.

Multi Agency Data Exchange Reserve:

The reserve is for the County Council to fulfil its statutory duties according to the Crime and Disorder Act.

Parking Reserve Fund:

This fund was to be used for improvements to parking signs, road markings and parking ticket machines. The majority of the balance on this reserve has been transferred to the Transitional Reserve in 2015-16.

Building Design and Consultancy Reserve:

The balance on this reserve has been transferred to the Transitional Reserve in 2015-16.

NoW Card Renewal:

This reserve is used to build up the balance to £0.400m by 2017 when the NoW Card renewal is due. NoW Card is renewed every 5 years.

Energy Surveys:

This reserves was created to cover the costs of conducting energy surveys which are all to be completed by 2016/17. It is a statutory requirement to display Energy Certificates and Advisory Reports in all buildings accessed by the public.

Priorities Contingencies Reserve:

This reserve of is used to fund agreed highways work and has largely been spent in 2015-16.

Waste Plant Rectification:

This reserves is set aside for rectification works at the Farrington and Thornton Waste Treatment plants or for works to resolve environmental issues. Part of the reserve is partnership funding which cannot be used for any other purpose. A significant proportion of the reserve has been redirected to the Transitional Reserve.

Finance & Information DFM General:

This Finance reserve is for projects including an Oracle Business Intelligence Reporting Tool. A significant part of this reserve was transferred to the Transitional Reserve in 2015-16.

Former OCE General Reserve:

The balance on this reserve has been transferred to the Transitional Reserve in 2015-16.

Former OCE DFM General:

The balance on this reserve has been transferred to the Transitional Reserve in 2015-16.

Economic Development Reserve:

These are funds committed to ongoing economic development projects. The majority of this reserve has now been spent in 2015-16.

Lancashire Enterprise Partnership (LEP) Reserve:

This reserve is used to support the ongoing objectives of the LEP to direct economic growth and drive job creation. The reserve is ring fenced to LEP and cannot be used for any other purpose.

City Deal:

The County Council holds the grant funding for the Preston and South Ribble City Deal capital infrastructure project. These funds are purely for use on this project and cannot be used for any other purpose.

Development Services Reserve:

This reserves was set aside for funding economic development activities and LEP project match funding. This reserve has been spent this year with the majority transferred to the Transitional Reserve.

Champions Funds:

These are balances carried forward for Champion Members to provide funding to local organisations within their remit.

Vehicle Excess Reserve:

The balance on this reserve has been transferred to the Transitional Reserve in 2015-16.

Buildings Repair & Renewals Reserve:

The balance on this reserve has been transferred to the Transitional Reserve in 2015-16.

Corporate DFM Schemes:

This reserve is set aside for Member's development.

Local Member & Gateway Grant:

Funding carried forward to future years for Member's awards and local initiatives.

Public Health Grant Reserve:

This reserve was planned to support the £4m reduction in Public Health Grant in 2015/16, £2.1m prescribing fees & remainder on transformation work/TUPE costs. The majority of this reserve has been re-prioritised to the Transitional Reserve in 2015-16.

School Catering Repair and Maintenance:

These are funds held on behalf of schools relating to maintenance and development of school kitchens. The funds are ring fenced to schools and cannot be used for any other purpose.

Civic Catering Repair and Maintenance:

The balance on this reserve has been transferred to the Transitional Reserve in 2015-16.

5.6 Schools Reserves

Under the Education Reform Act, schools are given most of their budgets to directly control. If a school does not spend its entire budget, it is held as a reserve for them to use in the future. These reserves cannot be used for any other purpose.

5.7 Provision for Bad and Doubtful Debts

In addition to general provisions against known liabilities the Council maintains a provision against bad and doubtful debts. During 2015/16 the various directorate provisions were merged into a large overall bad debt provision for the County Council. The table below shows the movement in-year:

	Opening Balance as at 1 April 2015 £m	In Year Changes £m	Closing Balance as at March 2016 £m
Corporate Bad Debt Provision	(11.304)	(3.728)	(15.032)

5.8 General Provisions

General Provisions which are set aside for specifically quantified liabilities such as insurance claims. Movements in general provisions are summarised in the table below:

Directorate/Head of Service	Opening Balance as at 1 April 2015 £m	In Year Changes £m	Closing Balance as at March 2016 £m
Adult Services - Safeguarding	(0.416)	(0.092)	(0.508)
Children's Services – Special Educational Needs	(0.451)	0.327	(0.124)
Children's Social Care	(0.003)	0.003	0.000
Legal Services	(0.450)	0.450	0.000
Financial Resources	(11.451)	7.499	(3.952)
Total	(12.771)	8.187	(4.584)

6. Section D – Conclusion on the County Council's Financial Health

The overall financial health of the County Council at the end of 2015/16 is one of the County Council's highest current risks in respect of the ongoing longer-term financial viability of the County Council. The Medium Term Financial Strategy (MTFS) presented to Cabinet on 21st January 2016 noted that there is a strong likelihood that the Council will, during the course of this financial strategy period (up to 2020/21) be in the position of being unable to set a budget to meet the cost of statutory services as they are currently delivered. The assessment of statutory services followed a detailed base budget review undertaken earlier in the year.

The budget approved at Full Council was based upon £129m of savings being delivered in 2016/17 and 2017/18 and the use of c£117m of reserves to support the revenue budgets in these years. Despite this, there remains a funding gap of c£200m by 2020/21 reflecting reducing resources and increasing demand for services, particularly social care as a result of demographic changes including an increasingly ageing population and also the increased cost of commissioning and delivering those services, a financial pressure further impacted by the introduction of the National Living Wage from 1st April 2016 at £7.20 per hour and which will rise to at least £9 per hour in 2020. The additional financial pressures on Adult Social Care budgets are only partially mitigated by the ability to raise the 2% Adult Social Care Precept.

Budget reports to Cabinet during the year identified several strands to seeking to address the future financial challenge facing the County Council. This includes a continuous review of efficiency, with a Zero Based Budget Review being undertaken in 2016/17 of every service within the Council's current operating model to identify the potential for removing any non-essential expenditure. These reviews have reference

to benchmark unit costs with the intention of moving towards the lowest quartile of the most appropriate comparator group.

The outcome of these reviews is unlikely to deliver a sustainable financial position in the medium term and therefore the November budget report identified the need for a review of the Council's operating and business model and proposed that external consultants be appointed to assist the Council in scoping and undertaking the review of its operating model. It is anticipated that this review will be undertaken during 2016/17 with the key aspect being to enable the Council to be sustainable, within its forecast financial resource envelope, by 2020/21. This review is likely to involve looking at opportunities across all public services in Lancashire as the County Council is not alone in this financial challenge, with Health and Adult Social Care Services across Lancashire forecast to have a budget shortfall of over £800m by 2020/21.

Whilst the scale of the financial challenge is a hugely significant one, the Council has delivered a small underspend in 2015/16 through strong financial arrangements and actions taken to address a significant overspend forecast earlier in the year.

Outturn pressures and 2016/17 delivery will be monitored with appropriate contingencies and proposals being tabled to ensure effective service delivery within the financial envelope.

Despite the difficult environment the Council has continued to demonstrate:

- Strong financial management, through the delivery of a detailed budget risk assessment, including deliverability of previously agreed savings, and a small overall underspend which demonstrates the ability to address forecast service overspends in-year.
- Innovation through the strong performance of traded services.
- Commitment to improving services with additional investment in Children's Services following the Ofsted Inspection.
- Flexibility through redeploying resources and working collaboratively across functions to deliver significant pieces of work such as the base budget review which inform the financial strategy.

All of these are characteristics of organisations with well managed finances. At the same time the County Council has maintained a strong balance sheet and has set resources aside to mitigate identified risks.

It is vital that strong financial management is maintained across the County Council in 2016/17 and beyond in order to ensure that the County Council can maintain an effective approach to the financial challenge ahead.

