Lancashire County Council

Cabinet

Thursday, 9th November, 2017 at 2.00 pm in Committee 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 to be held on Thursday, 9th November, 2017, the following information which was unavailable when the agenda was despatched

Part I (Open to Press and Public)

No.	Item	
4.	**Money Matters - 2017/18 Financial Position and Medium Term Financial Strategy**	(Pages 1 - 86)

Jo Turton
Chief Executive

County Hall
Preston

Lancashire County Council

Item 4

Report to the Cabinet
Meeting to be held on Thursday, 9 November 2017

Report of the Director of Financial Resources

Part I

Electoral Division affected: (All Divisions);

Money Matters - 2017/18 Financial Position and Medium Term Financial Strategy
(Appendices 'A', 'B', 'C' and 'D' refer)

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Executive Summary

This report provides an update of the forecast outturn Financial Position for 2017/18 on revenue as at 30 September 2017, and the County Council's updated Medium Term Financial Strategy for the period 2018/19 to 2021/22. The report also sets out budget proposals for Cabinet to consider.

Recommendation

The Cabinet is recommended to:

(i) Note the forecast underspend of £7.498m on the 2017/18 revenue budget.
(ii) Note the revised Medium Term Financial Strategy (MTFS) and funding gap of £161.218m covering the period 2018/19 to 2021/22.
(iii) Note the position in respect of the Council's reserves and to agree the transfers outlined in the report.
(iv) Approve the budget proposals set out within Appendix 'D' for the purposes of consultation, where necessary, with the recognised Trade Unions, the outcome of the consultation to be reported back to Cabinet at a future meeting.

Background and Advice

Financial Position as at 30 September 2017 (Appendix 'A')

An underspend is forecast for the County Council of £7.498m and represents a variance of 1.03% against the overall County Council revenue budget. This is subject to a number of assumptions around the anticipated profile of expenditure for the rest of the year which is difficult to predict in some demand led budget areas. The report identifies those areas where forecast pressures exist and will be subject to ongoing detailed review with a focus on controlling and reducing costs and the delivery of an improved financial position by year-end.

The 2017/18 revenue budget of £724.822m includes a significant savings requirement of c£54m. However, a significant proportion of savings will not be fully implemented until 2018/19 so it was agreed that these would be covered by the use of reserves to facilitate the transformation of services.

The narrative provides details as to progress on the achievement and delivery of the savings relating to each Head of Service. The level of reserves that were approved to be applied from the Transitional Reserve 2017/18 in support of the delivery of savings was £24.2m and the amount that is now forecast to be required is £16.5m. This is due to early delivery of some savings, particularly through staff vacancies and turnover, although this is partially offset by some budget savings that are delayed and will require reserve funding to cover the delay in implementation.

The forecast position includes £93.513m from reserves (net contribution) which includes the strategic investment reserve, downsizing reserve, risk management reserve, transitional reserve and specific service reserves. (Details can be found in Appendix 'C').

Delivery of the significant savings programme is a key risk area and the savings plans will continue to be subject to detailed regular scrutiny throughout 2017/18.

<u>The Medium Term Financial Strategy (Appendix 'B')</u>

A revised MTFS was presented to Cabinet in September with a reported funding gap of £167.132m.

This report provides an updated position for the rolling 4 year period and a review of the existing assumptions to reflect the most current information available. As a result of these reviews and despite the identification of £12.577m of new savings (the MTFS includes an assumption that all identified savings in Appendix 'D' will be agreed) the funding gap has decreased to £161.218m.

It is important to note that the funding gap is not evenly spread, with a gap of £64.765m forecast for 2018/19, £90.292m in 2019/20, £143.425m in 2020/21 and £161.218m in 2021/22.

<u>The County Council's Reserves Position (Appendix 'C')</u>

At Full Council in February 2017 the budget report included a forecast required commitment from the Transitional Reserve of £88.040m in 2018/19 to support the reported financial gap at that time. However, following a review of the MTFS for Cabinet in September 2017 based on the financial position at the end of June 2017 it was identified that the gap between forecast expenditure and funding in 2018/19 was £90.205m.

The updated MTFS based on the financial position at the end of September 2017 (Appendix 'B') identifies the gap between forecast expenditure and funding in 2018/19 as £64.765m.

The value of the uncommitted Transitional Reserve is currently £94.201m and whilst it is anticipated that further revenue savings for 2018/19 will be identified, Table 2 of this report shows the impact of utilising the Transitional Reserve to fund the £64.765m gap which would leave £29.436m available for use in 2019/20 based on current forecasts.

Table 1 also shows available balances in the Strategic Investment Reserve, Risk Management Reserve and Service Reserves where work is currently underway to review if there are further commitments or other conditions (such as grant requirements) that means that these funds cannot be transferred to the Transitional Reserve. The total of the balances under review is £9.425m.

The report indicates that there are sufficient funds within the Transitional Reserve to support the budget gap between forecast expenditure and available funding in 2018/19 but not then in 2019/20 and beyond. However this is dependent upon a number of key factors and risks which are as follows:

- All values within reserves that are currently reported to be available funds are transferred into the transitional reserves with no further commitments emerging in these areas now that the transfer has taken place.
- There is limited slippage on the agreed savings programme for 2018/19 and beyond. Any slippage will result in a requirement for funding from reserves.
- Further savings are identified and implemented from April 2018 to support achieving a balanced budget position.
- Impact of the in-year revenue position – a positive or negative outturn will impact on the level of reserves available from April 2018.

<u>Additional Savings 2018/19 – 2021/22 (Appendix 'D')</u>

As the County Council continues to have a significant and increasing financial gap over future financial years a detailed review has been completed of service budgets. This has resulted in savings totalling £12.577m (over the next 2 financial years) being included within this MTFS from 2018/19 onwards with the total value presented in Appendix 'D'.

It is anticipated that further savings proposals will be presented for approval at future Cabinet meetings, reflecting that there remains an estimated shortfall of £64.765m in 2018/19 should savings in this report be agreed and delivered.

Consultations

N/A

Equality and Cohesion

Cabinet must ensure that they comply with the requirements of the Public Sector

Equality Duty as set out in s.149 of the Equality Act 2010.

The budget proposals set out in Appendix 'D' which have a negative impact on any persons with protected characteristics will be the subject of Equality Analyses to be considered by Cabinet.

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.

The financial risks that could affect the position outlined in the report primarily cover the following:

- *Level of Future Resources from Central Government*
  Risks remain in relation to the level of resources the Council receives from the government in terms of Revenue Support Grant (RSG) and the impact of the statement by the Chancellor of the Exchequer regarding the retention of 100% business rates and the ending of RSG by the end of this Parliament. At this point in time there is insufficient detailed information regarding the changes to amend the funding assumptions within the MTFS.

- *Demand*
  There is continued pressure on the Council's budget, particularly around Adult and Children's social care, and the most up to date demand forecasts have been included. However any increase in demand above the current forecast will add additional pressure to future years.

- *Inflation*
  A significant level of additional resource has been included in the MTFS, primarily on contractual price increases and particularly on social care where there are nationally recognised funding issues in the residential and domiciliary care markets. In addition, the MTFS includes estimates of the cost of increases that would enable independent sector providers to meet the additional costs of meeting new national living wage levels for their employees.

- *Delivery*
  The MTFS assumes that c£54m of existing agreed savings (aside from those agreed as part of 2017/18 reports to Cabinet) will be delivered in the period 2017/18 to 2020/21 to ensure the current forecast gap does not increase. There are a significant number of factors, both internal and external which may impact upon delivery and the impact of these on new and existing budget proposals being taken forward will need to be clearly identified and minimised.

Legal

The immediate legal implications of the budget proposals to be considered by Cabinet are set out in Appendix 'D'.

List of Background Papers

Paper	Date	Contact/Tel
Money Matters 2017/18 Position – Quarter 1	14 September 2017	Neil Kissock/(01772) 536154
The County Council's Budget	9 February 2017	Neil Kissock/(01772) 536154

Reason for inclusion in Part II, if appropriate

N/A

Money Matters
The County Council's Financial Position
As at 30th September 2017

Lancashire County Council

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Money Matters – Update on the County Council's Financial Position for 2017/18

1. Introduction

This report provides an update for Cabinet on the County Council's 2017/18 revenue financial position.

2. Summary of the Financial Position

In February 2017 the County Council approved a revenue budget of £724.822m which includes a contribution from reserves of £57.106m to fund the shortfall between estimated expenditure levels and available funding.

The forecast final position for the end of the year is net expenditure of £717.324m, reflecting a predicted in year underspend of £7.498m which represents 1.03% of the budget.

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 report reflects the organisational structure with detailed budget monitoring undertaken at Head of Service Level and is summarised in the report up to their appropriate management line, e.g. the Director for Development and Corporate Services. All forecast variances +/- £0.1m are explained within the report along with any mitigating actions being put in place.

The 2017/18 budget of £724.822m includes a significant savings requirement of c£54m. However, a significant proportion of savings will not be fully implemented until 2018/19 so it was agreed that these would be covered by the use of reserves to facilitate the transformation of services.

The narrative provides details as to progress on the achievement and delivery of the savings relating to each Head of Service. The level of reserves that were approved to be applied from the Transitional Reserve 2017/18 in support of the delivery of savings was £24.2m and the amount that is now forecast to be required is £16.5m. This is due to early delivery of some savings, particularly through staff vacancies and turnover, although this is partially offset by some budget savings that are delayed and will require reserve funding to cover the delay in implementation.

The forecast position includes £93.513m from reserves which includes the strategic investment reserve, downsizing reserve, risk management reserve, transitional reserve and specific service reserves. (Details can be found in Appendix C).

Delivery of the significant savings programme is a key risk area and the savings plans will continue to be subject to detailed regular scrutiny throughout 2017/18.

3. Section A

Key Issues emerging are as follows:

Ref	Service Area	Approved Budget £m	Current Cabinet Forecast Qtr 2 £m	Current Cabinet Forecast Variance £m	Previous Period Forecast Variance Qtr 1 £m	Current Qtr 2 Forecast Variance %
3.1	ADULT SERVICES	327.368	325.787	-1.581	-0.141	-0.48%
3.2	CHILDREN'S SERVICES	145.958	148.178	2.220	-1.886	1.52%
3.3	COMMUNITY SERVICES	133.358	134.286	0.928	2.036	0.70%
3.4	PUBLIC HEALTH & WELLBEING	20.192	16.729	-3.463	-1.220	-17.15%
3.5	DEVELOPMENT AND CORPORATE SERVICES	43.524	46.107	2.583	3.533	5.93%
3.6	COMMISSIONING	40.511	37.742	-2.769	-2.027	-6.84%
3.7	CHIEF EXECUTIVE	13.911	8.494	-5.417	-5.316	-38.94%
	TOTAL	**724.822**	**717.324**	**-7.498**	**-5.021**	**-1.03%**

3.1 Operations and Delivery – Adult Services

Ref	HEAD OF SERVICE	Approved Budget £m	Current Cabinet Forecast Qtr 2 £m	Current Cabinet Forecast Variance £m	Previous Period Forecast Variance Qtr 1 £m	Current Qtr 2 Forecast Variance %
3.1.1	DISABILITY (adults)	-3.493	-3.935	-0.442	-0.133	12.65%
3.1.2	OLDER PEOPLE	1.239	2.137	0.898	0.772	72.48%
3.1.3	LEARNING DISABILITIES, AUTISM & MENTAL HEALTH	177.769	169.131	-8.638	-6.517	-4.86%
3.1.4	SOCIAL CARE SERVICES (adults)	151.853	158.453	6.600	5.737	4.35%
	TOTAL - ADULT SERVICES	**327.368**	**325.787**	**-1.581**	**-0.141**	**-0.48%**

The total net approved budget for Adult Services in 2017/18 is £327.368m. The service is forecast to underspend by £1.581m.

3.1.1 Disability Service (Adults)

The Disability (Adults) Service is forecasting a positive variance to budget of £0.442m. The 2017/18 variance to budget is mainly as a result of an underspend on staffing due to vacancies. This is consistent with staff vacancy levels in 2016/17 with the service being maintained despite staff turnover.

The forecast position compared to Quarter 1 Cabinet has improved by £0.309m due to further staff vacancies and additional income forecast.

3.1.2 Older People

The Older People Service is forecast to achieve a negative variance to budget of £0.898m. The service contains in-house care services in addition to care navigation and operational administration.

The majority of the variance relates to In-house Care Services who are forecasting to achieve a negative variance to budget of £0.945m. This variance is due to a forecast under achievement of income of £0.650m and a forecast overspend of £0.187m on staffing due to the short term utilisation of agency staff with further smaller variances across the service.

As part of the variances detailed above the service is forecasting an undeliverable saving in 2017/18 of £0.425m that was included within the Medium Term Financial Strategy reported to Cabinet at Quarter 1.

The forecast position compared to Quarter 1 Cabinet has deteriorated by £0.126m due to more robust forecasts across staffing costs, operational costs and income levels.

3.1.3 Learning Disability, Autism & Mental Health

Learning Disabilities

Learning Disability Services includes the provision of care service including residential and nursing care, but predominantly focusses on supported living and direct payments. Services are commissioned via a pooled fund arrangement with the six Lancashire CCGs. The LCC share of the service is forecast to underspend by £5.580m.

As part of revisions to the Medium Term Financial Strategy (MTFS) during 2016/17 a forecast level of demand of 3.7% was built in to the budget, however this is higher than the actual increases in demand that are being experienced in the year to date.

The service is experiencing relatively static levels of demand across residential and nursing care but is seeing increases to the costs of placements as a result of the impact of two particularly high cost placements (c£900 per week).

Domiciliary Care and Direct Payments (including supported living) are reporting slight increases in demand with increases in the cost of a package of care broadly in line with those built into the budget. The service is reporting a higher forecast than in 2016/17 due to the full year impact of agreed fee increases which have been built into the MTFS.

In addition an underspend is forecast relating to previously agreed TUPE costs of c£0.936m. This part of the budget relates to elements of staffing costs associated with the historic TUPE transfer of former PCT staff delivering the services to the external provider market; i.e. LCC's ongoing financial commitment to fund staffing enhancements for unsociable working hours and NHS pensions. This is a recurring underspend that has been reflected in the savings agreed by Cabinet in September 2017 and included in the MTFS from 2018/19.

A key contributor to increasing costs for this service are the transitions of service users from Children's Services to Adults Services, with these estimated to be in the region of £1.5m in 2017/18, which is a similar value to the 2016/17 costs.

The cost of rent/service void payments in 2016/17 totalled £0.866m, however, this is likely to exceed £1.000m in 2017/18, with £0.588m incurred to date. Work is being undertaken to investigate some properties where there are longstanding voids to see if the property can be sold or if a buy out from the Housing Management Agreement is possible. This work has been reflected in the savings agreed by Cabinet in September 2017 and included in the MTFS from 2018/19 with a reduction target of £0.500m over a two year period.

The budget for this service also includes savings of £1.200m from remodelling savings which are forecast to be achieved in 2017/18.

The forecast position compared to Quarter 1 Cabinet has improved by £0.466m due to a combination of income being £0.300m greater than anticipated earlier in the year and expenditure within domiciliary care still increasing but at a lower rate than that forecast at Quarter 1.

Mental Health Commissioned Care

The Mental Health Service is forecast to underspend by £1.566m. It is important to note that since Quarter 1 there has been a significant budget realignment across Mental Health and Physical Support to better reflect actual expenditure and, more particularly, income levels across both services. This makes comparisons to the Quarter 1 forecast slightly more difficult however the forecast outturn has remained broadly the same.

Mental Health Residential Services have been experiencing increases in demand since March 2017 (3.8%) resulting in a forecast overspend of £1.578m, due to demand being higher than the level of increase built into the 2017/18 budget (3%). A number of measures have been taken to control the demand pressures through the Mental Health Complex Cases Forum and the use of Care Navigation, however, price is market driven by key providers. The 'stepping down and moving on' savings programme is due to commence in November for which a budget reduction has been made in 17/18. However, the delay in achieving this saving is also contributing to the overspend noted above (c£1.2m).

In contrast to this Mental Health Nursing Home placements are reporting, from March 2017, a reduction in average price (2.8%) and a reduction in demand (7.6%), from 79 to 73 service users, resulting in a forecast underspend of £0.102m.

Domiciliary Care is forecasting to underspend by £2.309m which, in the main, is due to the demand levels that the service is experiencing being significantly lower than those built into the 2017/18 budget. This has been addressed as part of the Quarter 1 MTFS presented to Cabinet. With the Complex Case Forum now in place, there is an effort to move towards the wider use of Domiciliary Care in the Mental Health Service which may result in a reduction in costs and better outcomes for the service users.

In addition Mental Health Direct Payments are forecasting to underspend by £0.627m due to reduced demand levels and increased income levels. This is under review by the service, alongside the increasing pressures of demand and price in Residential Services.

In addition there are other small variances across Mental Health day services, homecare and block contracts.

The forecast position compared to Quarter 1 Cabinet has improved by £0.997m partly due to a combination of factors including a budget realignment, review team activity, complex cases forum and increased usage of Care Navigation.

Learning Disability, Autism & Mental Health Staffing

The forecast underspend on Mental Health and Learning Disability and Autism staffing is £1.492m.

Mental Health staffing is forecast to underspend by £1.227m, which is largely due to 25 fte vacancies, out of a budgeted 229 ftes. These are expected to be filled throughout the year, however the service does generally expect vacancies due to the large numbers of staff and staff turnover.

Learning Disability and Autism staffing is forecasting an underspend of £0.265m.

The forecast position compared to Quarter 1 has improved by £0.658m due to budget realignments now reflecting accurately the level of income expected to be achieved to fund specific posts.

3.1.4 Social Care Services (Adults)

The Social Care Services (Adults) service forecast to overspend by £6.600m. The significant areas of variance are detailed below:

Prevention

Prevention includes services for carers, equipment and adaptations and reablement, and covers all of adult social care. Many of these services form part of and are funded via the improved Better Care Fund (iBCF).

The service has a forecast overspend for the year of £0.523m. £0.448m of the overspend relates to Carers services, with a significant rise in the numbers of carers accessing direct payments (5,927 as at September 2017 compared with 4,883 in March 2017, an increase of 21%). There has also been a significant increase in demand from service users for telecare (31%), which is expected to continue as there is a target of 7,000 service users utilising telecare by March 2018. This is part of the implementation of the Passport to Independence transformation programme with expected savings in other areas such as residential services.

The forecast position compared to Quarter 1 has deteriorated by £0.193m mainly due to the increase in the forecast on payments to carers spend.

Social Care Staffing

The staffing budgets across the service are forecasting a nil variance. A forecast contribution from reserves of £1.401m has been included within the forecast, as agreed, to support the interim staffing structure.

The forecast position compared to Quarter 1 Cabinet has not significantly changed. The new service structure came into place in July 2017 and budgets have been adjusted accordingly.

Physical Support

Service users within Physical Support are those that enter these services generally via community settings or acute settings as they are discharged from hospital. The service is currently forecasting an overspend of £6.351m.

The service are reporting a significant forecast overspend of £2.740m in long term nursing placements. This is due to increases in demand over the year to date - the number of placements has increased from 1,122 in March 2017 to 1,236 in September 2017, an increase of 10.2%. This is an unexpected rise with investigation and analysis taking place into these significant rises. Another factor contributing to the overspend is a reduction in the income forecast.

Overall the net forecast has increased by £0.905m compared with Quarter 1 due to continuing increases in demand combined with a reduced income forecast. Budget realignments have resulted in an increase to budget of £2.311m. The reported overspend has therefore decreased by £1.406m.

An underspend of £1.108m is forecast for long term residential placements. Demand has increased at a higher than budgeted level (1.92% increase) - the number of placements has increased from 3,324 in March 2017 to 3,424 in September 2017, an increase of 3.01%.The variance against budget is favourable due to a number of factors including a reduction in the bad debt provision, and the recovery of some prior year costs. Despite the favourable variance, investigation and analysis is underway to review the rise in demand as this would not be expected under the Passport to Independence transformation programme.

The net forecast has reduced by £1.014m, but budget realignments have resulted in an increase of £2.529m to the budget, resulting in an improvement of £3.543m to the reported position.

Direct Payments (including supported living) is forecasting an underspend of £1.947m. The number of Direct Payment service users has fallen by 2.03% since March 2017, compared with budgeted growth of 4.5% on average. Average weekly costs have increased by 1.47% in the same period compared with a budgeted increase of 0%.

Domiciliary service user numbers have shown a lower than budgeted increase of 0.68% since March 2017. Increases in package costs were 3.56% which is lower than the agreed uplifts of 4.37%. This has resulted in an underspend being forecast of £0.421m.

Other forecast underspends total £1.103m, including Day Care which is forecast to underspend by £0.720m

This service area contains the budget reductions generated by the Passport to Independence transformation programme. By the end of 2017/18 the service has cumulative budgeted savings of £8.437m, however the profiling of the saving has now been revised with an anticipated saving of £5.606m expected to be achieved by the end of 2017/18. This delayed delivery is contributing to the overspends above.

The forecast position compared to Quarter 1 has deteriorated by £0.662m. The main variances are due to the continued increase in residential and nursing numbers. There have been reductions in forecasts for day care, home care and supported living.

Social Care Service Central Costs

This covers central costs for all of Adult Social Care, and includes professional fees, insurance and Direct Payments support contracts. The service is forecasting an overspend of £0.134m for 2017/18.

The forecast position compared to Quarter 1 has not significantly changed.

Supporting People

The service is forecasting an underspend of £0.408m. Work is ongoing to finalise the 2017/18 commitments for domestic abuse refuges and homeless people with complex needs contracts which now form part of the £3.000m Prevention and Early Help Fund.

There is no change to the forecast position compared to that reported at Quarter 1 to Cabinet.

3.2 Operations and Delivery – Children's Services

Ref	HEAD OF SERVICE	Approved Budget £m	Current Cabinet Forecast - QTR 2 £m	Current Cabinet Forecast Variance - QTR2 £m	Previous Period Forecast Variance QTR 1 £m	Current QTR 2 Forecast Variance %
3.2.1	CHILDREN'S SERVICES	-1.220	-1.385	-0.165	-0.426	-13.52%
3.2.2	SEN & DISABILITY	16.790	15.644	-1.146	-1.259	-6.83%
3.2.3	SAFEGUARDING INSPEC & AUDIT	10.384	10.867	0.484	0.484	4.66%
3.2.4	ADOPTION & FOSTERING RESIDENTIAL AND YOT	27.955	26.285	-1.670	-1.927	-5.97%
3.2.5	CHILDREN SOCIAL CARE	91.405	95.669	4.264	1.028	4.66%
3.2.6	SCHOOL IMPROVEMENT	5.912	5.146	-0.766	-0.785	-12.96%
3.2.7	TRADED SERVICES (START WELL)	-5.267	-4.048	1.219	0.998	23.14%
	TOTAL - CHILDREN'S SERVICES	**145.958**	**148.178**	**2.220**	**-1.886**	**1.52%**

The total net approved budget for Children's Services for 2017/18 is £145.958m. As at the end of Quarter 1, the service is forecast to overspend by £2.220m. The 2017/18 budgets for Children's Social Care related services increased by £23.181m in 2017/18, of which £22.330m reflects growth in demand for placements and allowances.

3.2.1 Children's Services

Children's Services is forecast to underspend by £0.165m in 2017/18 mainly due to Premature Retirement Costs (PRC) for schools based staff. Expenditure is not anticipated to be as high as in 2016/17 which included the impact of a specific school closure.

The forecast position compared to Quarter 1 has deteriorated by £0.261m due to a small number of schools experiencing financial difficulty as a result of being over staffed and offering voluntary redundancy to reduce costs. These were approved in August and further significant costs are not anticipated in this financial year.

3.2.2 Special Education Needs and Disability (SEND)

Special Education Needs and Disability (SEND) is forecast to underspend by £1.146m in 2017/18.

The service is forecasting under and overspends across a number of areas. The most significant forecast underspend of £0.784m is due to staff vacancies within the service. The service are working to fill these vacancies, however there have been some difficulties due to the specific skills required. Other significant forecast underspends of £0.474m relate to Children with Disability Direct Payments due to clawback of previous payments and the implementation of tighter controls following a review of payments, which has been reflected in the MTFS at Quarter 2.

The forecast position has deteriorated by £0.113m compared Quarter 1 due to increased family support payments and under recovery of income within SEN Traded Services (£0.115m) which are offset by an increase in Direct Payment clawbacks.

3.2.3 Safeguarding, Inspection and Audit

Safeguarding, Inspection and Audit (SIA) is forecast to overspend by £0.484m in 2017/18, predominantly due to forecast staff overspends as a result of using agency staff to fill vacant posts.

The forecast position has not changed compared to Quarter 1.

3.2.4 Adoption, Fostering Residential and YOT

Adoption, Fostering, Residential and YOT is forecast to underspend by £1.670m in 2017/18.

The Adoption Service is forecast to underspend by £0.394m and Residential In-House Provision is forecast to underspend by £0.489m, both due to staff vacancies. It is important to note that the budget includes full year provision for the planned opening of The Bungalow, however, it is expected that the establishment will open during the latter half of 2017/18 therefore the forecast includes only part year costs.

The Fostering Service is forecast to underspend by £0.720m of £0.695m relates to foster care allowances. The budget was increased in 2017/18 based on increases in demand seen in previous years, however, at this point in the financial year the anticipated increase in demand has not materialised. Although it is expected that the increased demand will materialise in 2018/19. It is important to note that expenditure is forecast to be c£0.100m higher than 2016/17.

The forecast position has deteriorated by £0.257m compared to Quarter 1 due a reduction in staff vacancies and a small increase in foster care allowances.

3.2.5 Children's Social Care

Children's Social Care is forecast to overspend by £4.264m in 2017/18.

Significant pressures were experienced within 2016/17 relating to residential and fostering agency placements with additional budget built into the MTFS from 2017/18. Agency residential placements, including agency leaving care, is forecast to overspend by £1.703m in 2017/18, based on continuing increases in numbers of agency residential placements over and above that allowed for in the budget, with placements increasing to 263 in September 2017 compared to 206 in March 2017. This is offset by forecast underspends of £0.760m on agency fostering placements. Whilst placements have increased during the year, from 485 in March 2017 to 490 in September 2017, these increases are lower than those allowed for in the budget. Work is continuing to address the underlying reasons for increases in numbers of placements and to estimate potential future demand and the impact of this on the County Council's budget.

The service also continues to experience significant issues with recruitment and retention which results in posts being temporarily filled with agency staff (at a significant extra cost). The service is forecasting an overspend of £1.218m due to staffing pressures and £0.346m as a result of expenses arising as a result of work in response to the Ofsted inspection.

A further pressure within the Children's Social Care budget relates to family support and includes Special Guardianship Orders (SGOs), Child Arrangement Orders (CAOs) and assistance to families payments, which is forecast to overspend by £2.674m. This is an area in which costs continue to increase in Lancashire, as this prevents children from entering residential or fostering placements, and compared to other Local Authorities Lancashire's costs are high. This area of spend has been adjusted for within the Quarter 2 MTFS to meet the demand. Current year to date information calculates an average weekly cost of an SGO placement is around £155, compared to a weekly residential placement of £3,263. The County Council had 877 SGOs at the end of September 2017 compared to 755 at the end of March 2017, which is a 16.2% increase.

In addition forecast underspends of £0.158m relate to Leaving Care Allowances which is line with 2016/17 outturn and underspends of £0.487m relate to staying put placement costs. Whilst the budget assumes that the Staying Put Implementation Grant would not be received in 2017/18, it has been confirmed that the grant will be paid this year.

The forecast position has deteriorated by £3.236m compared to Quarter 1 due to agency residential and fostering placements (net £1.000m additional pressure), agency staffing (net £0.783m additional pressure), Special Guardianship Orders (SGO's) (£0.600m), and assistance to families payments (£0.750m).

3.2.6 School Improvement

School Improvement is forecast to achieve a positive variance compared to budget of £0.766m in 2017/18 predominantly as a result of staff vacancies.

The forecast position has not significantly changed compared to Quarter 1.

3.2.7 Learning and Skills Service (Traded Services - Start Well)

Learning and Skills Service (Traded Services – Start Well) is forecast to achieve a negative variance to budget of £1.219m in 2017/18.

School Catering is forecast to overspend by £0.669m in 2017/18. The budget reflects an additional increase in the income target of £2.000m as a result of the zero based budget review. The forecast reflects an increase in food costs which is linked to the value of sterling and the impact of Brexit, and the harsh winter has affected crops in parts of Europe thus reducing availability of supplies.

Outdoor Education is forecast to overspend by £0.223m as a result of the closure of Whitehough. Expenditure continued to be incurred prior to the completion of the asset transfer. Whilst costs across the service have reduced following the closure of the centre, the transfer of customers from Whitehough to other LCC outdoor education centres, which was assumed in the savings proposal, has not materialised and so the service is reviewing alternative actions to achieve the saving.

Learning Excellence is forecast to overspend by £0.193m. This is largely due to a decrease in income through the decline of course bookings from schools as a result of the closure of a conferencing centre. The service is working towards mitigating against this by meeting demand through venues located by area and district.

3.3 Operations and Delivery – Community Services

Ref	HEAD OF SERVICE	Approved Budget £m	Current Cabinet Forecast Qtr 2 £m	Current Cabinet Forecast Variance £m	Previous Period Forecast Variance Qtr 1 £m	Current Qtr 2 Forecast Variance %
3.3.1	CUSTOMER ACCESS	3.781	3.553	-0.228	-0.228	-6.03%
3.3.2	HIGHWAYS	18.054	15.077	-2.977	-2.926	-16.49%
3.3.3	LIBRARIES MUSEUMS CULTURE & REGISTRARS	5.777	8.320	2.543	2.607	44.02%
3.3.4	PUBLIC & INTEGRATED TRANSPORT	40.926	42.926	2.000	2.756	4.89%
3.3.5	WASTE MGT	64.820	64.410	-0.410	-0.173	-0.63%
	TOTAL - COMMUNITY SERVICES	**133.358**	**134.286**	**0.928**	**2.036**	**0.70%**

The total approved net budget for Community Services in 2017/18 is £133.358m. As at the end of Quarter 2 Community Services is forecast to overspend by £0.928m in 2017/18.

3.3.1 Customer Access

Customer Access is forecast to underspend by £0.228m in 2017/18. The underspend relates to staff vacancies as a result of delays in recruiting to vacant posts. There is an expectation within the service that a new rolling recruitment program will go some way to addressing this issue and this will be kept under review in 2017/18 as part of the budget monitoring process.

The forecast position has not changed from Quarter 1.

3.3.2 Highways

Highways is forecast to underspend by £2.977m in 2017/18.

Forecast underspends of £0.277m relate to permit scheme income across highways which includes traffic regulation orders and charges to utilities companies for breaching codes of practice, delays in work and road closures.

In addition a forecast underspend of £2.700m relates to a budgeted revenue contribution to capital (RCCO) of £2.700m for repairing structural defects. This amount will now be funded from borrowing.

The forecast position has not significantly changed compared to Quarter 1.

3.3.3 Libraries, Museums, Culture and Registrars

Libraries, Museums, Cultural Services and Registrars (LMCR) is forecast to overspend by £2.543m in 2017/18.

Cultural Services Museums are forecast to overspend by £0.545m predominantly due to delays in delivering the agreed savings proposal which closed 5 museums and required the remaining museums (other than Gawthorpe Hall) to be self-financing. Given that negotiations to transfer museums are ongoing and the future of 2 of the museums is still to be determined, the forecast position may change over the remainder of the financial year as further decisions are made and transfer arrangements confirmed.

County Libraries are forecast to overspend by £1.944m which relates to non-delivery/delayed delivery of savings previously agreed. Additional budget has been included in the MTFS at Quarter 1 from 2018/19 which will address the existing budget pressure. This is in addition to budget included in the budget amendment in 2017/18 to fund the cost of reopening libraries closed during 2016/17.

The forecast position has not changed significantly compared to Quarter 1.

3.3.4 Public & Integrated Transport

Public and Integrated Transport is forecast to overspend by £2.000m in 2017/18.

The most significant forecast overspend within this service relates to transport for children and young people with special educational needs (SEN), which is forecast to overspend by £1.376m. This is as a result of delays in achieving the agreed savings target, which has been re-profiled in the MTFS at Quarter 2.

In addition the service is experiencing demand pressures across a number of areas such as travel to day care services, transport for excluded pupils and SEN college pupils resulting in forecast overspends of £1.205m. A review of these pressures is underway with provision being made in the MTFS to address this position in future years.

Forecast overspends of £1.140m have resulted from a review of regulations and clarification regarding eligible expenditure which can be funded from Dedicated Schools Grant. This has been adjusted for in the MTFS from 2018/19.

Non-recurrent overspends of £0.433m relate to taxi costs for the previous financial year which were not accrued for at the end of 2016/17 due to the assumptions made. This has been reviewed to ensure it does not occur again at the end of 2017/18.

Public transport initiatives is forecast to overspend by £0.388m. This relates to lower than budgeted income for the Todmorden Curve New Rail Scheme due to discounted fares for students rather than commuter full price fares accounting for the bulk of sales. The service is due to transfer to Northern Rail in June 2018 following which the County Council will cease to be financially liable for the service.

Community transport and tendered network bus services are forecast to underspend by £1.559m which relates to the receipt of Bus Service Operators Grant (BSOG) in 2017/18 which was not expected.

Concessionary travel is forecast to underspend by £0.516m due to a seasonal decline in passenger numbers and changes in eligibility criteria relating to pensionable age (increased from 60 to 65). The 2017/18 budget was reduced by c£1m due to a decline in passenger numbers seen in 2016/17 but this trend has continued into 2017/18.

Forecast underspends relating to home to school transport (c£0.250m) have also been identified due to efficiencies resulting from merging and retendering some services, and in fleet services (c£0.300m) due to additional income being received for vehicle sales.

The forecast position has improved by £0.756m compared to that reported at Quarter 1 largely due to underspends on concessionary travel, home to school transport and fleet services.

3.3.5 Waste Management

Waste Management is forecast to underspend by £0.410m in 2017/18.

The most significant area of volatility within the Waste Services budget is waste arisings. Based on year to date information the service are forecasting an underspend of £1.541m (3.2% increase for 2017/18). At the time of setting the budget, waste arisings was forecast to be 5.4% per annum, therefore the budget provided is not required due to the reduced forecast based on the last quarter of 2016/17 and the first quarter of 2017/18.

In contrast forecast overspends of £0.939m relate to lower than budgeted demand for Refuse Derived Fuel (RDF) supply and higher than budgeted prices for RDF diverted away from landfill. In addition a non-recurring overspend of £0.280m relates to anticipated costs during 2017/18 of preparing for the transfer of household waste recycling centres in-house from April 2018.

The Waste Management Service was given a savings target of £1.500m in 2017/18 which was however superseded by a further agreed budget saving relating to the Waste PFI (BOP 046) and is therefore undeliverable and has been built back into the MTFS at Quarter 1.

Additional underspends relate to the operating and lifecycle costs of the waste recovery parks (c£0.350m), insurance costs (c£0.400m), transfer stations (c£0.150m) and green waste (c£0.300m).

The current volatile market for recovered paper grades which has developed in response to the prohibition of importation of some grades of material into China and a significant reduction in demand for other grades, has resulted in an over-supply of paper in Europe and consequently a reduction in prices, creating a potential pressure on the Waste Management budget. This will be kept under review during the remainder of the financial year and any overspends arising reported as the position becomes clear.

The forecast position has improved by £0.237m compared to Quarter 1 due to increased underspends on green waste and an improved position on household waste recycling centres.

3.4 Operations and Delivery – Public Health and Wellbeing Services

Ref	HEAD OF SERVICE	Approved Budget £m	Current Cabinet Forecast Qtr 2 £m	Current Cabinet Forecast Variance £m	Previous Period Forecast Variance Qtr 1 £m	Current Qtr 2 Forecast Variance %
3.4.1	PUBLIC HEALTH & WELLBEING	-69.709	-69.832	-0.123	-0.014	-0.18%
3.4.2	PATIENT SAFETY & QUALITY IMPROVEMENT	4.592	4.890	0.298	0.019	6.49%
3.4.3	HEALTH EQUITY WELFARE & PARTNERSHIPS	66.754	66.076	-0.678	-0.029	-1.02%
3.4.4	WELLBEING PREVENTION & EARLY HELP	14.696	11.908	-2.788	-1.059	-18.97%
3.4.5	HEALTH, SAFETY & RESILIENCE	1.036	0.636	-0.400	-0.256	-38.61%
3.4.6	TRADING STANDARDS & SCIENTIFIC SERVICES	2.822	3.050	0.228	0.119	8.08%
	TOTAL - PUBLIC HEALTH	**20.192**	**16.729**	**-3.463**	**-1.220**	**-17.15%**

The total net revised budget for Public Health & Wellbeing Services in 2017/18 is £20.192m. The service is forecast to underspend by £3.463m.

3.4.1 Public Health and Wellbeing

Public Health and Wellbeing is forecasting to underspend by £0.123m as a result of staff vacancies.

3.4.2 Patient Safety & Quality Improvement

Patient Safety & Quality Improvement is forecasting to overspend by £0.298m.

The variance is predominantly as a result of additional budgetary pressure on the staffing budget through the use of Agency Staff.

The forecast position compared to Quarter 1 has deteriorated by £0.279m due to use of Agency Staff to temporarily fill vacancies within the service.

3.4.3 Health Equity, Welfare & Partnerships

Health Equity, Welfare & Partnerships is forecasting to underspend by £0.678m.

The budget for Health Equity, Welfare & Partnerships includes approved budget savings of £3.910m, of this, £1.300m is forecast not to be achieved in 2017/18 and is an in-year pressure off-set by other service area underspends. The service are forecasting to achieve the £1.300m saving in 2018/19. This is an in-year pressure off-set by other service area underspends on contracts of £0.825m, including Oral Health at £0.323m and dispensing fees contract at £0.300m, general budget underspends of

£0.229m, staffing £0.378m and tight control on all non-essential spending on public health general resulting in a £0.546m underspend.

The forecast position compared to Quarter 1 has improved by £0.649m due to underspend on contracts, staffing and a review of all non-essential spending on public health general expenditure.

3.4.4 Wellbeing, Prevention & Early Help

Wellbeing, Prevention and Early Help is forecast to underspend by £2.788m.

Staffing is forecast to underspend by £1.789m, due to staff vacancies. Out of 552 ftes in total, there are 67 ftes vacant which the service have indicated are planned to be filled by January 2018. This results in 26 fte posts remaining vacant for the remaining part of the year (with the intention of these being filled as soon as possible in 2018/19), plus operational costs underspends of £1.000m.

The forecast position compared to Quarter 1 has improved by £1.729m due to delays in recruitment, along with reduced spend on operational costs.

3.4.5 Health, Safety & Resilience

Health, Safety & Resilience is forecast to underspend by £0.400m due to over recovery of income £0.196m and underspends on operational costs of £0.205m, through none essential spending.

The forecast position compared to Quarter 1 has improved by £0.144m due to generating additional income for Health & Safety, Educational Visits and Emergency Planning services along with a continued tight control of non-essential spending on operational costs.

3.4.6 Trading Standards & Scientific Services

Trading Standards & Scientific Services is forecast to overspend by £0.228m. The variance is predominantly as a result of a shortfall in grant levels for Scientific Services that has been included within the MTFS from 2018/19 and increased operational costs in Trading Standards Service.

The forecast position compared to Quarter 1 has deteriorated by a further £0.109m due to anticipated reduction in income levels, some of which is due to the closure of the existing calibration laboratory and the re-opening of the new laboratory.

3.5 Development and Corporate Services

Ref	HEAD OF SERVICE	Approved Budget £m	Current Cabinet Forecast Qtr 2 £m	Current Cabinet Forecast Variance £m	Previous Period Forecast Variance Qtr 1 £m	Current Qtr 2 Forecast Variance %
3.5.1	CORE BUSINESS SYSTEMS TRANSFORMATION	22.735	23.977	1.242	1.216	5.46%
3.5.2	FACILITIES MGT	16.010	17.789	1.779	1.978	11.11%
3.5.3	HUMAN RESOURCES	0.972	0.656	-0.316	-0.316	-32.51%
3.5.4	ECONOMIC DEVELOPMENT	0.276	0.400	0.124	-0.045	44.93%
3.5.5	BUSINESS GROWTH	0.274	0.192	-0.082	0.005	-29.93%
3.5.6	LEP COORDINATION	0.000	0.000	0.000	0.000	N/A
3.5.7	STRATEGIC ECONOMIC DEVELOPMENT	0.000	0.000	0.000	0.003	N/A
3.5.8	DESIGN and CONSTRUCTION	-1.989	-1.635	0.354	0.938	17.80%
3.5.9	ESTATES	0.526	0.526	0.000	0.000	0.00%
3.5.10	PLANNING AND ENVIRONMENT	1.506	1.008	-0.498	-0.386	-33.07%
3.5.11	PROGRAMME OFFICE	-0.022	0.242	0.264	0.423	1200.00%
3.5.12	SKILLS LEARNING & DEVELOPMENT	3.234	2.951	-0.283	-0.283	-8.75%
	TOTAL - DEVELOPMENT AND CORPORATE	**43.524**	**46.107**	**2.583**	**3.533**	**5.93%**

The total net approved budget for Development and Corporate Services in 2017/18 is £43.524m. As at the end of Quarter 1 Development and Corporate Services is forecast to overspend by £2.583m.

3.5.1 Core Business Systems/Transformation

Core Business Systems/Transformation is forecast to overspend by £1.242m in 2017/18. This variance is as a result of under achievement of £0.545m of savings against the £2.000m savings target in 2017/18 (which once implementation and delivery timescales are identified this forecast overspend will reduce) and also due to the under recovery of income for payroll services and income relating to printing and mail charges as a result of a drive to reduce printing activity and costs.

The forecast position compared to Quarter 1 has not significantly changed.

3.5.2 Facilities Management

Facilities Management is forecast to overspend by £1.779m in 2017/18.

Overspends of £1.979m are based upon having centralised property running costs budgets under Facilities Management. It also includes the transfer of repair and maintenance and land not in operational use budgets into Facilities Management.

There is a specific budget saving of £5.000m to be saved on the property portfolio which is partly offset in 2017/18 by the approved application of non-recurrent funding of £2.000m from the Transitional Reserve in 2017/18. It has been identified that the overspend reported above is an undeliverable saving and has therefore was built in to the MTFS at Quarter 1.

The service is holding some staffing vacancies due to an impending restructure and in addition has identified efficiencies in service delivery resulting in a reduction in overtime costs. These vacancies are forecast to result in an underspend of £0.199m in 2017/18.

The forecast position compared to Quarter 1 has improved by £0.200m which relates to the projected staffing underspend.

3.5.3 Human Resources

Human Resources is forecast to underspend by £0.316m in 2017/18. The underspend position is predominantly the result of additional income generation against budget with less significant underspends achieved due to staff vacancies and other expenditure budgets.

The forecast position has not changed compared to Quarter 1.

3.5.8 Design and Construction

Design and Construction is forecast to overspend by £0.354m in 2017/18.

Contributing to the forecast position is an under recovery of income for property work of £0.982m which relates to a number of different factors including a reduction in the amount of work done for schools under the Prop scheme. There has been a reduction in the number of schools buying into the scheme and those that are still in the scheme are contributing less towards planned work. Schools have also reduced the amount of their Devolved Formula Capital (DFC) funding that they are using for property related work.

In addition the under recovery of income relating to property work is partly offset by projected under spends of £0.508m relating to a combination of staff, staff related expenditure and agency staff underspends. The service flexes staff resources, particularly the use of agency staff depending on the projects that are being delivered. In 2017/18 there are a higher number of smaller projects being delivered which tend to require a greater degree of staff involvement so whilst there is a reduction in staff costs it is not a similar level to the reduction in income.

The forecast position compared to Quarter 1 has improved by £0.584m due to a combination of an improved position on income for property work and underspends on staff related budgets.

3.5.10 Planning and Environment

The Planning and Environment Service is forecast to underspend by £0.498m in 2017/18 due to the overachievement of income, staffing underspends and a non-recurring underspend as a result of an over accrual in 2016/17.

The forecast position compared to Quarter 1 has improved by £0.112m due to further staffing underspends identified.

3.5.11 Programme Office

The Programme Office is forecasting to overspend by £0.264m in 2017/18. The service aims to operate with a model of staff recovering income for the project work they complete, however the staff are still engaged in work that does not generate income therefore resulting in an overspend.

The forecast position compared to Quarter 1 has improved due to further staff vacancies.

3.5.12 Skills, Learning and Development

Skills, Learning and Development is forecast to underspend by £0.283m in 2017/18 due to staff vacancies, underspends on training costs and a small over recovery of income.

The forecast position compared to Quarter 1 Cabinet has not changed.

3.6 Commissioning Services

Ref	HEAD OF SERVICE	Approved Budget £m	Current Cabinet Forecast Qtr 2 £m	Current Cabinet Forecast Variance £m	Previous Period Forecast Variance Qtr 1 £m	Current Qtr 2 Forecast Variance %
3.6.1	ASSET MGT	9.873	8.052	-1.821	-1.796	-18.44%
3.6.2	POLICY INFO & COMMISSION AGE WELL	0.521	0.521	0.000	0.000	0.00%
3.6.3	POLICY INFO & COMMISSION LIVE WELL	0.543	0.543	0.000	0.000	0.00%
3.6.4	POLICY INFO & COMMISSION START WELL	0.594	0.594	0.000	0.000	0.00%
3.6.5	PROCUREMENT	1.547	1.332	-0.215	-0.005	-13.90%
3.6.6	BUSINESS INTELLIGENCE	0.903	0.864	-0.039	-0.063	-4.32%
3.6.7	EXCHEQUER SERVICES	2.778	2.232	-0.546	-0.212	-19.65%
3.6.8	FINANCIAL MGT (DEVELOPMENT AND SCHOOLS)	0.261	0.183	-0.078	0.000	-29.89%
3.6.9	FINANCIAL MGT (OPERATIONAL)	1.820	1.680	-0.140	-0.100	-7.69%
3.6.10	OFFICE OF THE POLICE AND CRIME COMMISSIONER TRES	-0.010	-0.010	0.000	0.000	0.00%
3.6.11	CORPORATE FINANCE	4.933	4.886	-0.047	0.000	-0.95%
3.6.12	CORONER'S SERVICE	2.878	2.768	-0.110	0.155	-3.82%
3.6.13	INTERNAL AUDIT	0.694	0.665	-0.029	-0.018	-4.18%
3.6.14	LEGAL AND DEMOCRATIC SERVICES	13.177	13.432	0.255	0.012	1.94%
	TOTAL - COMMISSIONING	**40.511**	**37.742**	**-2.769**	**-2.027**	**-6.84%**

The total net approved budget for Commissioning Services in 2017/18 is £40.511m with the service forecasting a £2.769m underspend.

3.6.1 Asset Management

Asset Management is forecast to underspend by £1.821m in 2017/18.

The most significant area of forecast underspend is street lighting energy (£0.783m). The County Council contributed a £5.000m of capital investment along with the DfT Challenge Fund grant to undertake a large scale replacement of existing less efficient sodium vapour lanterns with LED energy efficient lanterns which has resulted in reductions in energy consumption.

In addition forecast underspends of £0.500m relate to the Asset Management of Properties including Building Schools for the Future (BSF). This is partly due to some capital funding being available to cover some expenditure and a review of the demands which has confirmed a recurring underspend.

Further underspends are reported in highways asset management (c£0.300m) and utility recharges to schools (c£0.200m) due to invoice timing.

The forecast position compared to Quarter 1 has not significantly changed.

3.6.5 Procurement

Procurement is forecast to underspend by £0.215m in 2017/18 due to staff vacancies and underspends now forecast across operational costs.

This is an improved position compared to that reported at Quarter 1 due to a small budget realignment and a reduction in forecast operational costs.

3.6.7 Exchequer Services
3.6.8 Financial Management (Development and Schools)
3.6.9 Financial Management (Operational)
3.6.10 Office of the Police and Crime Commissioner Treasurer
3.6.11 Corporate Finance

Financial Resources (covering all of the above services) is forecast to underspend by £0.811m in 2017/18, which relates to mainly to staff vacancies and small underspends across operational costs.

The forecast position compared to Quarter 1 has improved by £0.499m due to increased levels of staff vacancies and underspends identified across operational costs.

3.6.12 Coroners

The Coroner's Service is currently forecasting an underspend of £0.110m in 2017/18.

The forecast position compared to Quarter 1 has improved by £0.265m. Lancashire took full responsibility for Blackburn with Darwen coroner's service since the start of July 2017 which has generated cost reductions compared to the historic position.

3.6.14 Legal & Democratic Services

Legal & Democratic Services are currently forecasting to overspend by £0.255m in 2017/18.

The forecast position compared to Quarter 1 has deteriorated by £0.243m. This is due to a forecast reduction in income (c£0.100m), plus increases in general legal fees and the costs of agency staff covering vacancies.

3.7 Chief Executive Services

Ref	HEAD OF SERVICE	Approved Budget £m	Current Cabinet Forecast Qtr 2 £m	Current Cabinet Forecast Variance £m	Previous Period Forecast Variance Qtr 1 £m	Current Qtr 2 Forecast Variance %
3.7.1	CHIEF EXECUTIVE SERVICES	0.149	-0.070	-0.219	-1.083	-146.98%
3.7.2	SERVICE COMMUNICATIONS	0.830	0.687	-0.143	-0.143	-17.23%
3.7.3	LARGE SPECIFIC GRANTS TO SUPPORT THE AUTHORITY	-7.784	-7.985	-0.201	0.000	-2.58%
3.7.4	NON SERVICE ISSUES CORPORATE BUDGETS	20.716	15.861	-4.855	-4.090	-23.44%
3.7.5	BUSINESS SUPPORT	0.000	0.000	0.000	0.000	N/A
	TOTAL - CHIEF EXECUTIVE	**13.911**	**8.494**	**-5.417**	**-5.316**	**-38.94%**

The total net approved budget for Chief Executive Services in 2017/18 is £13.911m with the service forecasting a £5.417m underspend.

3.7.1 Chief Executive Services

Chief Executive Services is forecast to underspend by £0.219m in 2017/18.

The underspend relates to a small surplus on staff budgets across the authority as a result of a move to budgeting for actual staff in post and only including vacancies for which there was approval to recruit.

The forecast position compared to Quarter 1 has deteriorated due to budget allocations for approved support to staffing budgets that have had approved business cases.

3.7.2 Service Communications

The Service Communications budget is forecast to underspend by £0.143m in 2017/18 with the variance as a result of underspends on staffing and other expenditure budgets.

The forecast position has not changed compared to the position reported at Quarter 1.

3.7.3 Large Specific Grants to Support the Authority

Large Specific Grants to Support the Authority is forecast to underspend by £0.201m in 2017/18 due to additional Education Services Grant received. This is the only change to the forecast compared to Quarter 1 as previously a nil variance was reported.

3.7.4 Non Service Issues Corporate Budgets

The Non Service Issues Corporate Budget is forecast to underspend by £4.855m in 2017/18. The most significant area of forecast underspend is due to a recent prepayment of the County Council's pensions contributions which is forecast to save £2.186m in 2017/18. The saving has been generated by a reduction in the cost of employer's contributions.

Treasury management is forecast to underspend by £1.700m due to a combination of interest payable being lower than budgeted and gains made on the sale of bonds.

Further savings are forecast within the strategic budget, apprentice levy and inherited pension liabilities.

The forecast position compared to Quarter 1 has improved by £0.765m largely due to the forecast underspends on Treasury Management.

Appendix B

Money Matters
Financial Outlook for the County Council
Medium Term Financial Strategy as at 30th September 2017

Financial Outlook for the County Council: Medium Term Financial Strategy

1. Executive Summary

1.1 Introduction

This report outlines the financial position facing Lancashire County Council over the period 2018/19 to 2021/22. The County Council is experiencing an ongoing period of unprecedented financial pressure as a result of the Government's extended programme of austerity combined with significant increases in demand for public services.

In September 2017 Cabinet received an updated medium term financial strategy (MTFS) summary outlining the latest financial position facing Lancashire Council which covered the period 2018/19 – 2021/22 as at 30th June 2017 (Quarter 1) and estimated an in year funding gap of £167.132m by the end of the 4 year period.

This report provides an updated position for the period 2018/19 - 2021/22 and a review of the existing assumptions to reflect the most current information available. As a result of these reviews, increases to the level of capital receipts and the identification of £12.577m of new savings the funding gap has reduced to £161.218m. Offsetting these improvements are demand and inflationary pressures.

It is important to note that the funding gap is not evenly spread, with a gap of £64.765m forecast for 2018/19, £90.292m in 2019/20, £143.425m in 2020/21 and £161.218m in 2021/22.

1.2 Financial Overview 2018/19 – 2021/22

Under a separate Money Matters report the County Council's financial position for 2017/18 as at 30 September 2017 has been outlined (£7.498m forecast underspend), although this is based on a revenue budget heavily supported by reserves.

The assumptions made in the original MTFS have been reviewed and been updated to reflect the latest information available.

The table on the next page provides a detailed analysis of movements between the previously reported financial gap and the revised financial gap:

	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	Total £m
Spending Gap as reported to Cabinet Q1	**90.205**	**8.432**	**51.858**	**16.637**	**167.132**
Add change to forecast of spending:					
Pay & Pensions	0.049	0.100	0.358	0.657	**1.164**
Inflation and Cost Changes	-0.248	0.074	0.076	0.068	**-0.030**
Service Demand and Volume Pressures	3.259	-0.003	-0.063	-0.010	**3.182**
Other	-7.967	8.030	1.064	0.730	**1.857**
Undeliverable Savings	0.490	0.000	0.000	0.000	**0.490**
Additional Savings	-10.799	-1.778	0.000	0.000	**-12.577**
Reprofiled Savings	0.801	-0.352	-0.160	-0.289	**0.000**
Total Change to Forecast of Spending	**-14.415**	**6.070**	**1.275**	**1.156**	**-5.914**
Change to forecast of resources:					
Funding	-11.025	11.025	0.000	0.000	**0.000**
Total Change to Forecast of Resources	**-11.025**	**11.025**	**0.000**	**0.000**	**0.000**
Funding Gap	**64.765**	**25.527**	**53.133**	**17.793**	**161.218**

Aggregated Funding Gap					**Total £m**
2018/19 (£m)	64.765	64.765	64.765	64.765	**259.061**
2019/20 (£m)		25.527	25.527	25.527	**76.581**
2020/21 (£m)			53.133	53.133	**106.265**
2021/22 (£m)				17.793	**17.793**
Total	**64.765**	**90.292**	**143.425**	**161.218**	**459.701**

1.3 Conclusion

Lancashire County Council continues to face, as previously stated, an unprecedented period of financial constraint during the period covered by this MTFS.

The previous MTFS presented to Cabinet in September 2017 forecast a financial gap totalling £167.132m by 2021/22. The revised position reported in this MTFS indicates an improved financial gap of £161.218m by 2021/22. This revised position has changed predominantly as a result of the inclusion of new savings proposals offset by increasing demand (particularly within Children's Social Care).

As part of the process of redesigning its services the County Council has previously explicitly recognised the need to utilise its reserves. Details on the updated reserves position are provided in the Money Matters report Appendix C.

When reviewing the County Council's Reserves (Appendix C) in conjunction with the Medium Term Financial Strategy the funding requirement to bridge the financial gap in 2018/19 would total £64.765m. This position is a forecast dependent upon a number of key factors that are detailed within Appendix C. It is important to note that reserves are a one off resource, which excluding County Fund, based on the current forecast will be exhausted by 2019/20, and then not available to support a financial gap thereafter.

2. Funding

The MTFS includes government funding as announced in the Final Settlement in February 2017. It is important to note that the proposed allocations issued from the Government only cover the period up to 2019/20 and assumptions have had to be made for 2020/21 – 2021/22. It is currently anticipated that a new system of Local Government finance will be in place in 2020/21 which involves Local Government retaining all of the business rates and a review of the funding formula. However, details of the scheme and the impact on Lancashire are not known at this time therefore the current business rates and grants structure has been forecast for future years.

The Secretary of State offered Local Authorities the opportunity to apply for a four year financial settlement covering the Revenue Support Grant, Rural Services Delivery Grant and Transitional Grant. The County Council declined this offer as there was evidence to suggest that the proposed settlement did not provide sufficient funding to support the Council's statutory services.

The MTFS approved by Cabinet in September 2017 included the following forecast level of resources:

	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m
Revenue Support Grant	56.979	32.894	0.000	0.000
Business Rates	187.206	193.788	198.989	204.431
Council Tax	458.371	483.810	500.839	518.468
New Homes Bonus	3.727	3.713	3.207	3.207
Better Care Fund	22.656	40.014	40.014	40.014
Capital receipts	5.000	0.000	0.000	0.000
Total	**733.939**	**754.219**	**743.049**	**766.120**

The figures above were based on a number of assumptions which have been revisited as part of this report and the latest information available has been included. It is important to note that these figures show Council Tax increasing by 3.99% up to 2019/20 and 1.99% thereafter, however this will be a decision made by Full Council each year when setting the budget.

The revised resources position incorporating the details set out below is as follows:

	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m
Revenue Support Grant	56.979	32.894	0.000	0.000
Business Rates	187.206	193.788	198.989	204.431
Council Tax	458.371	483.810	500.839	518.468
New Homes Bonus	3.727	3.713	3.207	3.207
Better Care Fund	22.656	40.014	40.014	40.014
Capital receipts	16.025	0.000	0.000	0.000
Total	**744.964**	**754.219**	**743.049**	**766.120**

2.1 Settlement Funding Assessment (SFA)

The Settlement Funding Assessment (SFA) is an indication of the level of resources required by an authority which is to be met from business rates and Revenue Support Grant (RSG). On 20th February 2017 the Secretary of State announced details of proposed support for the next 3 years, i.e. up to 2019/20 and the MTFS has been based on this Settlement. Assumptions have been made that the funding follows a similar pattern in 2020/21. In the MTFS an assumption has been made that there will not be a Revenue Support Grant from 2020/21 as a result of the latest information available following the final financial settlement in February 2017.

	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m
SFA Funded by:				
Revenue Support Grant	56.979	32.894	0.000	0.000
Business Rate Baseline	182.642	189.138	194.249	199.597
Total	**239.621**	**222.032**	**194.249**	**199.597**
Reduction in SFA	-18.835	-17.589	-27.783	5.348

As the County Council opted not to accept the four year settlement offered in 2016/17, the decision could result in future years grant being subject to change. As part of this forecast Revenue Support Grant is assumed to reduce each year until ultimately it is phased out completely by April 2020 at the latest. It is hoped that, as part of the new funding formula and 100% business rates retention the County Council will be compensated for the removal of RSG and the new scheme that is put in place will be cost neutral. This will become clearer as more information becomes available.

The forecast of economic growth at the time of the Budget was 2% for 2017 but a worsening position was forecast in 2018 (1.6%). The uncertainty following the United Kingdom's decision to leave the European Union, will undoubtedly have an impact on Government finances and could potentially result in further public sector expenditure reductions.

2.2 Business Rates

Business Rates income consists of:

- Business Rates Top Up Grant
- Business Rates income from District Councils
- Section 31 Grants

As shown in the table above detailing the SFA the business rate income is a significant portion of funding to local authorities. The baseline is an assessment of the business rate income required to meet service needs. For the County Council, the amount anticipated to be received from the business rates collected in the area is less than its assessed need, therefore it receives a top up grant. There are no changes to the forecast income from Business Rates at Quarter 2.

Business Rates income for the County Council is heavily dependent upon cooperation from the District Councils, and much will depend on the general economic performance of local areas. In addition, there are valuation appeals outstanding, some of which are on large value properties. If successful these will have a negative impact on the ability to generate business rates. With this in mind a minimal amount of growth has been built into the local share.

The baseline data from the government already assumes an increase in income derived from local business rates. Therefore given the economic uncertainty, no further growth has been built in on top of this.

The Government compensates authorities for the cost of a number of measures which they have introduced via Section 31 grant such as small business rates relief and the multiplier cap. Some of these reliefs are likely to rise with inflation as without the measure introduced, the income would have increased, whereas the other reliefs are more likely to relate to the change in the business rate base. It is assumed that the level of these reliefs is maintained at the current level.

<u>The Lancashire Business Rates Pool</u>

The final aspect of the business rate forecast is the pooling arrangement. The 2017/18 budget includes an additional £0.407m due to the continuation of the Lancashire Pool. This is agreed on an annual basis, therefore the additional income has not been included past 2017/18.

It is important to note that due to Lancashire County Council being part of a pooling arrangement it has forfeited the right to a safety net payment should our business rates income decline significantly, by more than 7.5%.

2.3 Council Tax

In the Provisional Financial Settlement in December 2016, in recognition of the pressures facing Local Authorities responsible for Adult Social Care, the Secretary of State announced that Local Authorities could bring forward the Adult Social Care Precept, moving from a limit of 2% to 3%, but with a maximum of 6% over the three year period (2017/18 – 2019/20). It was also announced that there would be no Adult Social Care Precept in 2020/21.

The MTFS presented to Cabinet in September included the assumption that Council Tax would increase by 1.99% per annum which is the current referendum limit, plus a 2% Adult Social Care Precept increase in 2018/19 and 2019/20. It is possible that the County Council could take the decision to raise a 3% Adult Social Care Precept in 2018/19 and therefore a 1% increase in 2019/20 due to the flexibilities offered by the Government, which would result in £4.4m of income being generated earlier, but by 2019/20 the cumulative position of income raised through Council Tax would be similar to the current MTFS projections. From 2020/21 onwards, it is assumed the maximum increase will revert back to 1.99%, as the option to raise an Adult Social Care precept will no longer be available. These assumptions continue to be reflected within this iteration of the MTFS. It is important to note that these increases would be subject to a Full Council decision each year when setting the budget, but any decisions taken not to increase council tax as per the assumptions above would increase the financial gap.

Tax Base

Analysis of Lancashire's tax base over recent years indicates an average council tax base increase of 1.7% therefore, in the MTFS at Quarter 1 a prudent tax base increase of 1.5% was built in to the figures. This will continue to be discussed further with District Councils throughout the year, and amended in future MTFS reports if required.

2.4 New Homes Bonus

As part of the provisional settlement, the Secretary of State announced that payments would be received for 5 years from 2017/18 and 4 years in future years. In addition no New Homes Bonus will be given for the first 0.4% of growth. These changes have been made to wholly fund the 2017/18 Adult Care Support Grant which resulted in a net gain for Lancashire overall (County Council, District Council and Unitary Councils) benefitting by £4.033m. This is one off funding that is within the 2017/18 budget.

2.5 Better Care Fund

The provisional allocations of the Better Care Fund remain unchanged from those reported to Cabinet in September 2017. It is important to note that provisional funding information has only been provided up to 2019/20 therefore the MTFS assumes that this funding will continue into future years and/or be replaced by alternative funding at the same level.

2.6 Capital Receipts

From 1st April 2016 the Government introduced the flexibility for capital receipts to be used to fund revenue expenditure which meets certain criteria. To meet the qualifying criteria the revenue expenditure needs to relate to activity which is designed to generate ongoing revenue savings or to transform a service which results in revenue savings or improvements in the quality of provision.

The MTFS has been updated to reflect additional capital receipts that the County Council is forecast to achieve. The MTFS previously reported a value of £5.000m was included for capital receipts to support the revenue budget. In this revision of the MTFS £16.025m is now included. Any amounts over the amount forecast can be carried over towards the following year.

2.7 Improved Better Care Fund (iBCF)

At the 2017/18 Budget announcement a total of £2.021bn was announced as supplementary funding to the improved Better Care Fund (iBCF). This was to recognise that all local authorities face pressure on the provision of adult social care.

This resulted in Lancashire County Council receiving the following allocations:

- 2017/18 – £24.886m
- 2018/19 - £15.736m
- 2019/20 - £7.799m

The grant is non-recurrent and may only be used for the purposes of meeting adult social care needs, reducing pressure on the NHS including supporting more people to be discharged from hospital when they are ready and in ensuring that the local social care provider market is supported. Lancashire Health and Wellbeing Board on 7th August 2017 agreed spending plans that were put forward with regard to the grant for 2017/18 and 2018/19. The agreed schemes will now progress into implementation and future money matters reports will identify the financial impact of these activities.

3. Net Spending Pressures

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

3.1 Pay and Pensions

In the July 2015 Budget the Chancellor announced a 4 year restriction on public sector pay increases at 1% per year. This assumption was built into the current MTFS and remains unchanged, however a full review of the current staffing cohort and future savings that may impact on staffing has been included. The pay requirement also includes a provisional amount for additional holiday pay to staff which is required as a result of a court case which determined that holiday pay should include the payment of regular allowances which therefore form part of "normal pay". The Council's approach has yet to be determined by the Employment Committee.

As part of the review of the MTFS a resource requirement has been built in to fund the cost of increments that will be paid to staff as they progress up their respective grades.

In March 2017 Cabinet agreed to a re-profiling of the Council's pension contributions resulting in a saving over a 3 year period. This is reflected within the MTFS based on the latest information available in relation to the County Council's estimated contribution rate and deficit contributions.

The Chancellor has previously announced that an apprenticeship levy would be introduced to help fund employer apprenticeship schemes and "invest in Britain's future." The levy was introduced in April 2017 at a rate of 0.5% of an employer's pay bill, therefore an estimate of £1.500m was been included in the MTFS. This was reviewed at Quarter 1 based on payments to the levy and the 2018/19 budget provision was slightly reduced. There have been no further adjustments at Quarter 2.

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

	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	Total £m
Pay and Pensions previous MTFS	3.158	5.481	7.844	5.264	**21.747**
Revised Pay and Pension requirements	3.207	5.581	8.202	5.921	**22.911**
Impact on Financial Gap	**0.049**	**0.100**	**0.358**	**0.657**	**1.164**

3.2 Price Inflation and Cost Changes

Contractual price increases represent a significant cost pressure to the County Council. The assumptions have been subject to regular review by services with a very small reduction of £0.030m identified when comparing the values within the previous MTFS reported to Cabinet in September 2017.

	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	Total £m
Price inflation – previous MTFS	24.511	19.774	25.916	21.662	**91.863**
Revised price inflation requirements	24.263	19.848	25.992	21.730	**91.833**
Impact on Financial Gap	**-0.248**	**0.074**	**0.076**	**0.068**	**-0.030**

Some of the key areas of price pressure are:

- A significant part of the price pressures shown in the above table relate to inflationary pressures within Adults Services. This is calculated using the best estimates of inflationary levels that are forecast within social care based on 2016/17 fee increases that were agreed. It is forecast that a budget requirement of £64.122m over the MTFS period is required for payments to external providers of social care and it is important that the County Council keeps up with increases in the price of resources for suppliers to ensure the required service provision is delivered.

  The price/inflationary increases for Adults Services incorporates the National Living Wage as this is generally included within price increases that the service experiences.

  The price inflation included in the MTFS for Adults Service is profiled as follows:
    - 2018/19 - £15.723m
    - 2019/20 - £16.161m
    - 2020/21 - £18.442m
    - 2021/22 - £13.796m

  There are no changes to the forecast price increases across Adults Services at Quarter 2.

- Waste Disposal continues to require significant budget to meet inflationary commitments over the next four years. In total the budget requirement for the service is £6.946m. There are no changes to the forecast price increases across Waste Services at Quarter 2.

- Children's Social Care is a further significant area that requires price inflation within its budget. In total the budget requirement for the service is £5.815m. This includes items that will inflate such as agency payments, residence orders, foster and other allowances and payments to health. There are no changes to the forecast price increases across Children's Social Care at Quarter 2.

- A further significant inflationary increase that is included in the MTFS relates to premises running cost budgets which were included at Quarter 1. As charges such as energy costs increase estimates of price rises have been included within this MTFS with 2018/19 including 2 years inflation as no provision was made in the 2017/18 budget. The total budget requirement is £3.992m over the 4 year period of the MTFS.

- Other smaller areas of price inflation include transport costs, concessionary travel, highways, winter maintenance, energy and legal fees.

3.3 Demand Pressures

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

In total it is estimated that the demand pressures are now £80.763m. This is an increase of £3.182m when comparing those years contained within the previous MTFS reported to Cabinet in September 2017.

	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	Total £m
Demand – previous MTFS	19.721	23.197	20.680	13.982	**77.580**
Revised Demand Requirements	22.980	23.194	20.617	13.972	**80.763**
Impact on Financial Gap	**3.259**	**-0.003**	**-0.063**	**-0.010**	**3.182**

- Adult Social Care represents a large proportion of the demand pressures. Adult Social Care has long seen annual increases in the demand for services and the MTFS attempts to predict growth in future years largely based on reviewing current and past activity trends but also taking into account future population changes From "a social care perspective" demand covers both increasing numbers of people eligible for support and the increasing complexity of those supported reflected in higher average costs per service user.

All demand assumptions contained within this revised MTFS regarding Adult Social Care have been reviewed based on the most up-to-date trend analysis. There are no changes to the forecast price increases across Adults Services at Quarter 2.

The demand included in the MTFS for Adults Service is profiled as follows:

- 2018/19 – £11.922m
- 2019/20 - £14.642m
- 2020/21 - £17.055m
- 2021/22 - £10.834m

- The cost of Children's Social Care continues to experience increasing demand and has been increased again as part of this update of the MTFS. The forecast requirement is £19.120m over the next 4 years. This is in addition to significant additional budget that the service has been given to support improvements following the Ofsted inspection in both 2016/17 and 2017/18, but an assumption is also made that demand will plateau in future years, with a reducing demand increase built into future years' budgets. In previous MTFS reports an increase has only been included for the next financial year, whereas in this revision 4 years of forecast demand levels has been included. This forecast is based on current demand levels and uses benchmarking information from other County Council's and national data in relation to Children Looked After (CLA) budgets to project future funding requirements.

  The increase that has been included in the MTFS at Quarter 2 specifically relates to additional levels of demand relating to Special Guardianship Orders (SGOs). This has resulted in increased demand of £2.062m being included in 2018/19. It would be expected that an increase in SGOs would result in lower placement costs in other placements (such as residential). However, due to increases in numbers of Children Looked After we are not able to reflect this offsetting reduction as part of this MTFS. This will continue to be monitored and reviewed.

  The demand included in the MTFS for Children's Social Care is profiled as follows:

  - 2018/19 - £9.984m
  - 2019/20 – £6.502m
  - 2020/21 - £1.237m
  - 2021/22 - £1.397m

  A Finance Sub-Group has been established to specifically focus on the cost drivers, unit costs and financial analysis of the costs and demand levels being experienced in Children's Social Care, with their findings being reported back to the 0-25 Board (now renamed the Improvement and Accountability Board).

- The revised MTFS continues to include a significant amount in relation to Waste Services demand pressures, however this has reduced as a result of decreased forecasts for residual waste arisings with 3.2% currently being forecast (compared to a previously assumed 5.4%). The budget requirement for waste is forecast to be £4.937m over the next 4 years, and has remained unchanged from the Quarter 1 MTFS.

3.4 Other

This section of the MTFS has seen an increased budget requirement of £1.857m over the next 4 years compared to the requirement forecast within the MTFS at Quarter 1. The majority of this relates to an increase in the capital financing budget as a result of revised borrowing estimates within the capital programme (an additional £3.016m has been included over the period of the MTFS). In addition, a Cabinet report relating to support for Marketing Lancashire that was agreed at Cabinet in September has been included at Quarter 2 (£0.400m) with an offsetting adjustment for the reintroduction of the Bus Service Operators Grant (BSOG) (£1.559m).

3.5 Undeliverable Savings

The savings previously agreed are constantly under review with the current remaining programme totalling c£54m in 2017/18 and beyond. Whilst the majority of savings are being delivered within the timeframes identified, and in some cases earlier than planned, at Quarter 2 there is an additional budget pressure where it has now been identified that the saving for bus stations relating to the charging of departure fees, and is not fully deliverable which totals £0.490m in 2018/19.

3.6 Additional Savings

As the County Council continues to have a significant and increasing financial gap over future financial years a detailed review has been completed of service budgets. This resulted in initial savings totalling £45.628m (over the next 3 financial years) being included and agreed as part of the MTFS reported to Cabinet in September 2017.

This was the first phase of savings that will be put forward with further phases to follow at future Cabinet meetings. These savings are deliverable from 1st April 2018, with some savings reflecting work that is already underway within services. Many of these savings are relatively straightforward to deliver with some already being shown as underspending areas within 2017/18 budget monitoring. These savings primarily cover efficiencies, recurrent underspends, income generation and service changes which are not expected to have a negative impact on front line service delivery.

The MTFS at Quarter 2 includes additional savings totalling £12.577m.

A saving relating to applying a 2% vacancy factor across the County Council's staffing budget has been included in Appendix D and the MTFS, which would result in a saving of £6.380m. Staff are currently budgeted for based on a full establishment, however many services are currently forecast to underspend on staffing as a result of staff turnover. A detailed analysis of turnover levels across services supports the introduction of a 2% vacancy factor being introduced across service staffing budgets. As most services are currently operating with vacancies on a day to day basis it is not expected that this will impact upon current levels of service delivery.

A saving of c£1m has been included in relation to the proposal contained in Appendix D that the Council consider ceasing the current commitment to Foundation Living Wage (FLW) pay rates for Council staff. If agreed, it is proposed that implementation would be phased, with members of staff currently paid the FLW rate having their current hourly rate effectively frozen until annual increases in the National Living Wage (NLW) lead to it meeting and ultimately exceeding the current FLW rate. This would result in a saving over 2018/19 and 2019/20 until the NLW rate meets and exceeds the FLW rate in April 2020.

Appendix D also includes a proposal to include a saving of £5.000m in relation to changes in terms and conditions of employment for staff. Given that the overall Council staffing budget is c£319m (a very significant proportion of the overall County Council budget) and in the context of the serious financial challenge that the Council is facing, it is necessary to look at ways of reducing staff costs in ways which, wherever possible, reduce the risk of redundancy. If the proposal is agreed, discussions would be held with the recognised Trade Unions regarding development of proposals which would deliver the £5m saving.

Appendix D provides further details of these proposals.

A further additional saving of £0.154m has been included from 2018/19 to reflect the decision taken by Employment Committee to end the funding of Trade Union representatives within the Council's Facilities Agreement.

3.7 Re-profiled Savings

Following further detailed work in relation to savings for SEN Transport have been re-profiled due to some delays in being able to implement parts of the savings programme. This results in a savings value of £0.801m moved from 2018/19 into 2019/20 onwards in the MTFS.

4. Future Risks

In addition to the economic uncertainty post-Brexit outlined earlier in the report, the following are key future risks, the full impact of which is not known at this stage:

4.1 Agreed Savings Plans Delivery

The scale of agreed savings is hugely significant given both the scale and areas covered, and there are inherent risks in their delivery (2017/18 – 2020/21 c£54m). Any significant under-delivery of agreed savings will create an additional funding gap and impact on the ongoing and longer-term financial health of the Council. This has been identified as one of the highest level risks in the Risk and Opportunity Register. There are comprehensive arrangements in place to track delivery of financial savings and take corrective actions where required.

4.2 Identification of Further Savings Opportunities

As detailed earlier in this report, additional potential savings options have been prepared for every area of the Council's expenditure. In the report agreed by Cabinet at Quarter 1, c£50m of savings were agreed to be implemented with further savings proposals to be considered at future Cabinet meetings, reflecting that there still remains an estimated shortfall of £64.765m in 2018/19 even if the savings in this report are agreed and delivered in the timeframes identified.

4.3 Business Rates Retention / Changes to Funding Formula

In 2015 the Chancellor announced that local government as a whole would be able to keep 100% of business rates by 2020. Using Office for Budget Responsibility (OBR) forecasts the Government has estimated that additional business rates kept by councils will be c£13bn by 2020/21 with the intention to transfer new responsibilities to local government to ensure cost neutrality overall of the funding changes. There is currently a system of redistribution (top-ups and tariffs) to reflect there are councils with relatively higher needs but lower income from business rates and vice versa. The Secretary of State for Communities and Local Government has also announced a full review of needs and redistribution which will be used as the starting point for the new system when it comes into force.

The County Council currently receives a top-up grant, primarily as a result of having Adult Social Care responsibilities, and although work is progressing nationally with a number of complete and planned consultations regarding the changes, there is currently insufficient information available to model what the financial impact of the changes will be and the financial impact on the County Council.

It is important to note that although the recent General Election may have caused some delays in progressing the scheduled timetable surrounding 100% business rates retention and funding formula review a representative from DCLG recently stated that: "Ministers remain committed to local government taking greater control of their income, as outlined in the Manifesto. We [DCLG] are engaging Ministers on the options for future reform without an immediate Bill and we will be in touch once we are in a position to resume working with you on the future of local government finance reform".

4.4 Children's Social Care

Children's Social Care demand levels are currently forecast to continue to increase, particularly within agency residential placements, agency fostering placements and also Special Guardianship Orders. The establishment of the 0-25 Programme Board (now renamed as the Improvement and Accountability Board) and a supporting Finance Sub Group are critical in analysing the current and future levels of demand and working to develop demand management across the service.

Significant additional budget was allocated to Children's Social support improvements and demand pressures following the Ofsted inspection in both 2016/17 and 2017/18 An assumption is also made that demand will plateau in future years, with a reducing demand increase built into future year's budget. This MTFS is based on current demand levels and uses benchmarking information from other County Councils and national data in relation to Children Looked After budgets to project future funding requirements and will continue to be regularly reviewed.

Appendix C

Money Matters
Update on the County Council's Reserves Position as at 30th September 2017

Lancashire County Council

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Money Matters – Update on the County Council's Reserves Position for 2017/18

1. Executive Summary

1.1 Introduction

As at 1st April 2017 the County Council had total reserves of £343.048m. Of this, £79.209m was held for schools and its use is restricted.

This report sets out the reserves position in line with the current budget monitoring report.

1.2 Summary

As part of the process of redesigning its services the County Council has previously explicitly recognised that it will need to significantly utilise its reserves to support the budget.

At Full Council in February 2017 the budget report included a forecast required commitment from the Transitional Reserve of £88.040m in 2018/19 to support the reported financial gap at that time. However, following a review of the Medium Term Financial Strategy (MTFS) for Cabinet in September 2017 based on the financial position at the end of June 2017 it was identified that the gap between forecast expenditure and funding in 2018/19 was £90.205m.

The updated Medium Term Financial Strategy (MTFS) based on the financial position at the end of September 2017 (Appendix B) identifies the gap between forecast expenditure and funding in 2018/19 as £64.765m.

The value of the uncommitted Transitional Reserve is currently £94.201m and whilst it is anticipated that further revenue savings for 2018/19 will be identified, Table 2 of this report shows the impact of utilising the Transitional Reserve to fund the £64.765m gap which would leave £29.436m available for use in 2019/20 based on current forecasts. Table 2 demonstrates the funds that are forecast to be available to support the budget gap in 2018/19 and part of 2019/20. However, in order to set a legal budget further savings will need to be made.

Table 1 also shows available balances in the Strategic Investment Reserve, Risk Management Reserve and Service Reserves where work is currently underway to review if there are further commitments or other conditions (such as grant requirements) that means that these funds cannot be transferred to the Transitional Reserve. The total of the balances under review is £9.425m.

The budget monitoring position for the financial year 2017/18 (Appendix A) is reporting a forecast underspend of £7.498m. **Please note that this is not currently included within the forecast reserves position in this report.**

In summary, this report indicates that there are sufficient funds within the Transitional Reserve to support the budget gap between forecast expenditure and available funding in 2018/19 but not in 2019/20 and beyond. However this is dependent upon a number of key factors and risks which are as follows:

- All values within reserves that are currently reported to be available funds are transferred into the transitional reserves with no further commitments emerging in these areas now that the transfer has taken place.
- There is limited slippage on the agreed savings programme for 2018/19 and beyond. Any slippage will result in a requirement for funding from reserves.
- Further savings are identified and implemented from April 2018 to support achieving a balanced budget position.
- Impact of the in-year revenue position – a positive or negative outturn will impact on the level of reserves available from April 2018.

2. Reserves

Table 1 illustrates the summary forecast position in respect of the Council's reserves:

Table 1

Reserve Name	Approved at Full Council Feb 2017	2017/18 Forecast Spend	2017-18 transfers to / from other reserves	2017/18 Forecast Closing Balance	2018-19 Forecast Spend	2019-20 Forecast Spend	Total as at 31 March 2020
	£m	£m	£m	£m	£m	£m	£m
County Fund (2.1)	-36.000	3.276	0.000	-32.724	0.000	0.000	-32.724
SUB TOTAL - COUNTY FUND	**-36.000**	**3.276**	**0.000**	**-32.724**	**0.000**	**0.000**	**-32.724**
Strategic Investment Reserve (2.2)	-4.446	1.350	0.037	-3.059	1.240	0.410	-1.409
Downsizing Reserve (2.3.1)	-18.913	8.422	1.431	-9.060	9.060	0.000	0.000
Risk Management Reserve (2.3.2)	-10.439	3.939	3.001	-3.499	3.499	0.000	0.000
Transitional Reserve (2.4)	-159.014	71.328	-8.259	-95.945	1.744	0.000	-94.201
To facilitate the transition of services (2.4.1)	-3.000	0.000	3.000	0.000	0.000	0.000	0.000
Service Reserves (2.5)	-13.038	3.760	0.723	-8.556	0.534	0.006	-8.016
SUB TOTAL - LCC RESERVES	**-208.850**	**88.800**	**-0.068**	**-120.118**	**16.076**	**0.416**	**-103.626**
Schools/Non-LCC Service Reserves (2.6)	-18.989	1.437	0.010	-17.542	1.011	-0.687	-17.218
SUB TOTAL SCHOOLS/NON LCC RESERVES	**-18.989**	**1.437**	**0.010**	**-17.542**	**1.011**	**-0.687**	**-17.218**
GRAND TOTAL	**-263.839**	**93.513**	**-0.058**	**-170.384**	**17.087**	**-0.271**	**-153.568**

Table 1 demonstrates the available balance of the Transitional Reserve of £94.201m to support the financial gap/shortfall. Table 2 shows that this balance could support 2018/19 budget gap and part of the 2019/20 budget. This would result in the only remaining balance on reserves being County Fund (£32.724m), non LCC reserves (£17.218m) and other reserve balances totalling £9.425m which are subject to further review to determine if they can be transferred to the Transitional Reserve. This reserves position is not sufficient to cover the financial gap post 2018/19.

Table 2

	2018-19 £m	2019-20 £m	
MTFS Funding Gap	*64.765*	*90.292*	
Available reserves to support financial gap	64.765	29.436	94.201

2.1 County Fund Balance

The County Fund is the balance set aside to cover the authority against a serious emergency situation (e.g. widespread flooding); a critical and unexpected loss of income to the authority and for general cash flow purposes. In considering these various factors the County Council is forecast to hold a County Fund balance at £32.724m by the end of 2017/18.

Part of this reserve has been used to support the budget amendment agreed by Full Council in July 2017 totalling £3.995m in 2017/18. As part of budget monitoring at Quarter 2 it is forecast that a reduced balance of £3.276m is required due to capitalisation of some expenditure and some delays in implementing some elements of the budget amendment.

This reduction to the County Fund balance was on the basis that this is still a prudent and reasonable amount to keep in the County Fund for emergency situations as described above with benchmarking of other Local Authorities completed to support the reduction.

2.2 Strategic Investment Reserve

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

On 1st April 2017 this reserve held a balance of £4.446m. Of this balance, £1.350m is forecast to be spent in 2017/18, £0.037m transferred to the Transitional Reserve and a further £1.650m forecast to be spent by the end of 2019/20 leaving a balance of £1.409m. The element of this balance relating to Economic Development (Boost) is required post 2019/20 to support a future funding bid agreed by Cabinet.

Details of the commitments are shown in Annex A.

2.3 Reserves held to deliver Organisational Change

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

2.3.1 Downsizing Reserve

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

On 1st April 2017 this reserve held a balance of £18.913m. In 2017/18 spend against the reserve is forecast to be £8.422m; this is committed for estimated redundancy costs. Additionally £1.431m uncommitted funds within this reserve is to be transferred to the Transitional Reserve. Expenditure of £9.060m is forecast to be spent in 2018/19; leaving a nil balance on the reserve.

Details of the commitments are shown in Annex B.

2.3.2 Risk Management Reserve

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

This reserve had a balance of £10.439m on 1st April 2017. It is forecast that £3.939m will be spent in 2017/18 in addition to £3.001m uncommitted reserves transferring to the Transitional Reserve. It is forecast that a further £3.499m is committed in 2018/19 leaving a nil balance at the end of 2018/19.

Details of the commitments are shown in Annex B.

2.4 Transitional Reserve

A Transitional Reserve was created for 2016/17 to provide a source of funding for those plans that were agreed by Cabinet to be heavily supported from reserves, including agreed savings and the financial gap/shortfall that the County Council was reporting.

This reserve had a balance of £159.014m on 1st April 2017. It is forecast that £78.559m will be spent in 2017/18, with transfers into the reserve of £7.231m and transfers from other reserves of £8.259m. It is forecast that a further £1.744m is committed in 2018/19 leaving a balance of £94.201m at the end of 2019/20.

Details of the commitments are shown in Annex C.

2.4.1 Reserve to facilitate the transition of services

At Full Council on 11th February 2016 a budget amendment was approved that requested a £3.000m contingency be made available from reserves to facilitate the transition of services. This has previously been set aside from the Transitional Reserve because of this specific nature of the approval. It was agreed at Cabinet on the 14 September 2017 for this reserve to be combined with the Transitional Reserve and any future funding requirements of this type to be funded from the Transitional Reserve.

Details are shown in Annex C.

2.5 Service Reserves

The County Council holds numerous reserves for specific service provision.

As at 1st April 2017 service reserves totalled £32.027m, of which £18.989m are non LCC Reserves.

There are forecast costs of £5.197m in 2017/18, transfers to the Transitional Reserve totalling £0.790m and transfers into the service reserve from the balance sheet totalling £0.058m; this gives a net transfer out of the service reserve of £0.732m. Spend from these reserves of £0.864m in later years to leave a balance of £25.233 at the end of 2019/20. However of this balance only £8.016m are LCC Reserves.

Details of the Service Reserves are shown in Annex D.

2.6 Schools

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

3. Transfers between Reserves

TRANSFERS BETWEEN RESERVES	£m	Transfer from	Transfer to	Reason
Risk Mgt - Liquid Logic - Children's Services	-0.001	Risk Management Reserve	Transitional Reserve	Balance no longer required in Risk Management Reserve
Strategic Investment - GAMMA	-0.017	Strategic Investment Reserve	Transitional Reserve	Balance no longer required in Strategic Investment Reserve
Strategic Investment - Early Support	-0.020	Strategic Investment Reserve	Transitional Reserve	Balance no longer required in Strategic Investment Reserve
Risk Management Reserve - Fairness Commission	-3.000	Risk Management Reserve	Transitional Reserve	Balance no longer required in Risk Management Reserve
Transition of services reserve	-3.000	Transition of Services Reserve	Transitional Reserve	Balance no longer required in Transition of Services Reserve
Service Reserves - roundabout sponsorship	-0.031	Services Reserve	Transitional Reserve	Balance no longer required in Services Reserve
Service Reserves - capital funding (Non-LCC)	-0.010	Services Reserve	Transitional Reserve	Balance no longer required in Services Reserve
Service Reserves - County hall refurbishment	-0.727	Services Reserve	Transitional Reserve	Balance no longer required in Services Reserve
Review for Adult Social Care (Newtons)	-1.431	Downsizing Reserve	Transitional Reserve	Balance no longer required in Downsizing Reserve
Service Reserves – Cultural Services Reserve	-0.022	Services Reserve	Transitional Reserve	Balance no longer required in Services Reserve
TOTAL	**-8.259**			

Annex A – Strategic Investment Reserve

STRATEGIC INVESTMENT RESERVE	Approved at Full Council Feb 2017	2017/18 Forecast Spend	2017-18 transfers to / from other reserves	2017/18 Forecast Closing Balance	2018-19 Forecast Spend	2019-20 Forecast Spend	Total as at 31 March 2020
	£m	£m	£m	£m	£m	£m	£m
Economic Development - GAMMA	-0.017	0.000	0.017	**0.000**	0.000	0.000	**0.000**
Economic Enterprise Zone Strategic Development	-0.500	0.000	0.000	**-0.500**	0.500	0.000	**0.000**
Economic Development - Exertis	-0.500	0.000	0.000	**-0.500**	0.500	0.000	**0.000**
Economic Development - Boost Continuation	-1.269	0.450	0.000	**-0.819**	0.000	0.350	**-0.469**
Armed Forces Apprentice Costs	-1.483	0.243	0.000	**-1.240**	0.240	0.060	**-0.940**
Early Action /Early Response	-0.020	0.000	0.020	**0.000**	0.000	0.000	**0.000**
Core Systems Transformation	-0.657	0.657	0.000	**0.000**	0.000	0.000	**0.000**
Total on Strategic Investment Reserve	**-4.446**	**1.350**	**0.037**	**-3.059**	**1.240**	**0.410**	**-1.409**

Annex B – Downsizing and Risk Management Reserves

DOWNSIZING & RISK MANAGEMENT RESERVES	Approved at Full Council Feb 2017	2017/18 Forecast Spend	2017-18 transfers to / from other reserves	2017/18 Forecast Closing Balance	2018-19 Forecast Spend	2019-20 Forecast Spend	Total as at 31 March 2020
Downsizing Reserve	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Redundancy provision	-17.482	8.422	0.000	**-9.060**	9.060	0.000	**0.000**
Review for Adult Social Care (Newtons)	-1.431	0.000	1.431	**0.000**	0.000	0.000	**0.000**
Total on Downsizing Reserve	**-18.913**	**8.422**	**1.431**	**-9.060**	**9.060**	**0.000**	**0.000**

Risk Management Reserve	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Adults Remodelling Reserve	-0.784	0.519	0.000	**-0.265**	0.265	0.000	**0.000**
Provision to mitigate against risk DoLS- Deprivation of Liberty Safeguards	-2.900	0.224	0.000	**-2.676**	2.676	0.000	**0.000**
DOLS Grant	0.000	0.000	0.000	**0.000**	0.000	0.000	**0.000**
Impact of Fairness Commission Report Council Welfare Provision and the Care and Urgent Needs	-3.000	0.000	3.000	**0.000**	0.000	0.000	**0.000**
Social Work Dedicated Review Team	-2.454	1.896	0.000	**-0.558**	0.558	0.000	**0.000**
Liquid Logic - Children's Services	-0.001	0.000	0.001	**0.000**	0.000	0.000	**0.000**
Payment of additional allowances when staff are on leave	-1.300	1.300	0.000	**0.000**	0.000	0.000	**0.000**
Total on Risk Management Reserve	**-10.439**	**3.939**	**3.001**	**-3.499**	**3.499**	**0.000**	**0.000**

Annex C – Transitional Reserve & Transition of Services Reserve

TRANSITIONAL RESERVE	Approved at Full Council Feb 2017	2017/18 Forecast Spend	2017-18 transfers to / from other reserves	2017/18 Forecast Closing Balance	2018-19 Forecast Spend	2019-20 Forecast Spend	Total as at 31 March 2020
	£m	£m	£m	£m	£m	£m	£m
SPEND FROM THE TRANSITIONAL RESERVE							
Use of reserves in future years as per 26th Nov Cabinet paper - revised in Feb 16 (BoP) 16/17 & 17/18 spend	-17.187	16.513	0.000	**-0.674**	0.000	0.000	**-0.674**
Use of reserves in future years to cover revenue shortfall	-57.106	57.106	0.000	**0.000**	0.000	0.000	**0.000**
Apprentices & Graduate salaries	-2.778	1.100	0.000	**-1.678**	1.678	0.000	**0.000**
Young Person's Travel	-0.500	0.500	0.000	**0.000**	0.000	0.000	**0.000**
Prevention and Early Help Fund	-1.000	1.000	0.000	**0.000**	0.000	0.000	**0.000**
Children Centre provision WPEH	-0.658	0.613	0.000	**-0.045**	0.000	0.000	**-0.045**
Lancs Enterprise Advisor Network	0.000	0.143	0.000	**0.143**	0.066	0.000	**0.209**
Compensation Payments	-1.235	0.478	0.000	**-0.757**	0.000	0.000	**-0.757**
Museums - One off Contribution to Regimental Consortium	0.000	0.207	0.000	**0.207**	0.000	0.000	**0.207**
Economic Development - Marketing Lancashire and LEP Support	0.000	0.650	0.000	**0.650**	0.000	0.000	**0.650**
Additional investment to support savings implementation	0.000	0.250	0.000	**0.250**	0.000	0.000	**0.250**
Remaining Balance	-84.782	0.000	0.000	**-84.782**	0.000	0.000	**-84.782**
TRANSFERS INTO THE TRANSITIONAL RESERVE							
Council Tax Collection Fund surplus in 2016/17	7.720	-7.720	0.000	**0.000**	0.000	0.000	**0.000**
Business Rates Collection Fund Surplus 2016/17	-1.488	1.488	0.000	**0.000**	0.000	0.000	**0.000**
Business Rates Pooled Fund, Surplus 2016/17	0.000	-0.512	0.000	**-0.512**	0.000	0.000	**-0.512**
Additional 2017/18 Funding (Business Rates and New Homes Bonus)	0.000	-0.487	0.000	**-0.487**	0.000	0.000	**-0.487**
Transfer to/from other reserves	0.000	0.000	-8.259	**-8.259**	0.000	0.000	**-8.259**
Total on Transitional Reserve	**-159.014**	**71.328**	**-8.259**	**-95.945**	**1.744**	**0.000**	**-94.201**

TRANSITION OF SERVICES RESERVE	Approved at Full Council Feb 2017	2017/18 Forecast Spend	2017-18 transfers to / from other reserves	2017/18 Forecast Closing Balance	2018-19 Forecast Spend	2019-20 Forecast Spend	Total as at 31 March 2020
	£m	£m	£m	£m	£m	£m	£m
To facilitate the transition of services	-3.000	0.000	3.000	**0.000**	0.000	0.000	**0.000**

Annex D – Service Reserves

Reserve Name	Approved at Full Council Feb 2017	2017/18 Forecast Spend	2017-18 transfers to / from other reserves	2017/18 Forecast Closing Balance	2018-19 Forecast Spend	2019-20 Forecast Spend	Total as at 31 March 2020
	£m	£m	£m	£m	£m	£m	£m
Children's Services Reserve	-1.534	-0.038	0.000	**-1.572**	0.000	0.000	**-1.572**
SEN Reform/Implementation Grant	-2.493	0.249	0.000	**-2.244**	0.000	0.000	**-2.244**
Cultural Services Reserve	-0.305	0.000	-0.036	**-0.341**	0.341	0.000	**0.000**
Homelessness Grant	-0.080	0.080	0.000	**0.000**	0.000	0.000	**0.000**
Adult Social Care - Transitional Res	-2.469	0.000	0.000	**-2.469**	0.000	0.000	**-2.469**
Better Care Fund Reserve	-1.368	0.160	0.000	**-1.208**	0.000	0.000	**-1.208**
Bus Stations Reserve	-0.853	0.756	0.000	**-0.097**	0.097	0.000	**0.000**
Roundabout Sponsorship Inco	-0.031	0.000	0.031	**0.000**	0.000	0.000	**0.000**
Improved Outcomes Partnership	-0.006	0.006	0.000	**0.000**	0.000	0.000	**0.000**
Waste General Reserve	-0.178	0.020	0.000	**-0.158**	0.020	0.020	**-0.118**
Equipment Renew al Reserve	-0.005	0.000	0.000	**-0.005**	0.000	0.000	**-0.005**
County Hall Refurbishment Work	-0.727	0.000	0.727	**0.000**	0.000	0.000	**0.000**
Economic Development	-0.027	0.000	0.000	**-0.027**	0.000	0.000	**-0.027**
Champions Funds	-0.004	0.004	0.000	**0.000**	0.000	0.000	**0.000**
Local Member & Gatew ay Gran	-0.166	0.166	0.000	**0.000**	0.000	0.000	**0.000**
NoWCard Renew al Reserve	-0.300	0.300	0.000	**0.000**	-0.060	-0.060	**-0.120**
Public Health Grant	-1.788	1.553	0.000	**-0.234**	0.017	0.000	**-0.217**
Emergency Planning	-0.137	0.025	0.000	**-0.112**	0.046	0.046	**-0.021**
Financial Investigations Reserve	-0.045	0.045	0.000	**0.000**	0.000	0.000	**0.000**
Public Transport Consortium	-0.371	0.329	0.000	**-0.042**	0.042	0.000	**0.000**
LMCR Grant	-0.042	0.010	0.000	**-0.032**	0.032	0.000	**0.000**
Support Fund for Shale Gas	-0.020	0.020	0.000	**0.000**	0.000	0.000	**0.000**
Syrian Refugee Reserve	-0.077	0.077	0.000	**0.000**	0.000	0.000	**0.000**
RDPE Reserve	-0.011	0.011	0.000	**0.000**	0.000	0.000	**0.000**
Political Admin Set Up Costs	0.000	-0.013	0.000	**-0.013**	0.000	0.000	**-0.013**
LCC Reserves Sub Total	**-13.038**	**3.760**	**0.723**	**-8.556**	**0.534**	**0.006**	**-8.016**
School PFI							
Schools - Fleetw ood High School PFI Earmarked	-0.938	0.079	0.000	**-0.859**	0.070	0.080	**-0.709**
Schools – Private Finance Initiative - Building Schools for the Future Phases 1, 2, 2a & 3	-8.557	-0.850	0.000	**-9.407**	-0.490	-0.370	**-10.267**
Not LCC Reserves							
Youth Offending Team Reserve	-0.946	0.018	0.000	**-0.928**	0.103	0.000	**-0.825**
Lancs Safeguarding Children Board Reserve	-0.443	0.018	0.000	**-0.425**	0.000	0.000	**-0.425**
Queen St Engine Repair Fund	-0.199	0.000	0.000	**-0.199**	0.099	0.000	**-0.099**
Lancaster City Gen Acqsts Fund	-0.009	0.000	0.000	**-0.009**	0.003	0.003	**-0.003**
Health Services - Earmarked	-0.674	0.665	0.000	**-0.008**	0.008	0.000	**0.000**
LEP reserve	-1.862	0.076	0.000	**-1.786**	0.000	0.000	**-1.786**
Cap Funding Reserve (Non LCC)	-0.010	0.000	0.010	**0.000**	0.000	0.000	**0.000**
DfT Funding for P/Ship (not LCC monies)	-0.802	0.000	0.000	**-0.802**	0.000	0.000	**-0.802**
School Catering Repair And	-1.827	0.090	0.000	**-1.737**	1.617	0.000	**-0.120**
JSNA reserve	-0.104	0.000	0.000	**-0.104**	0.000	0.000	**-0.104**
MADE reserve	-0.053	0.000	0.000	**-0.053**	0.000	0.000	**-0.053**
CC Election Reserve	-1.599	1.341	0.000	**-0.258**	-0.400	-0.400	**-1.058**
Waste Plant Rectification	-0.966	0.000	0.000	**-0.966**	0.000	0.000	**-0.966**
Non- LCC Reserves Sub Total	**-18.989**	**1.437**	**0.010**	**-17.542**	**1.011**	**-0.687**	**-17.218**
GRAND TOTAL	**-32.027**	**5.197**	**0.732**	**-26.097**	**1.545**	**-0.681**	**-25.233**

Appendix D

Money Matters - Additional Savings 2018/19 – 2020/21

Lancashire County Council

CORP001 – VACANCY FACTOR

Service Name:	LCC Wide – Staffing Budgets
Which 'start year' does this option relate to 2018/19, 2019/20 or 2020/21	2018/19
Gross budget 2017/18	£319.042m
Income 2017/18	N/A
Net budget 2017/18	£319.042m

Savings Target and Profiling (discrete year):

2018/19	2019/20	2020/21	Total
£m	**£m**	**£m**	**£m**
-6.381	0.000	0.000	-6.381

FTE implications:

2018/19	2019/20	2020/21	Total
0.00	*0.00*	*0.00*	*0.000*

Decisions needed to deliver the budgeted savings	Agree to apply a 2% vacancy factor to the staffing budget of the County Council.
Impact upon service	This decision may impact on some service capacity, however the current position in 2017/18 is a forecast underspend on staff budgets of c£5m with services continuing to deliver services. A review of those services for which a vacancy factor may not be appropriate will need to be undertaken.
Actions needed to deliver the target savings	Process to be developed to review how recruitment requests are put forward and authorised if a vacancy occurs within a service.

	Regularly monitor the vacancy position across the County Council and regularly review the budget monitoring position of staffing budgets.

CORP002 – FOUNDATION LIVING WAGE

Service Name:		LCC Wide – Foundation Living Wage	
Which 'start year' does this option relate to 2018/19, 2019/20 or 2020/21		2018/19	
Gross budget 2017/18		£319.042m	
Income 2017/18		N/A	
Net budget 2017/18		£319.042m	
Savings Target and Profiling (discrete year):			
2018/19	**2019/20**	**2020/21**	**Total**
£m	**£m**	**£m**	**£m**
-0.515	-0.528	0.000	-1.043
FTE implications:			
2018/19	**2019/20**	**2020/21**	**Total**
0.00	*0.000*	*0.00*	*0.00*
Decisions needed to deliver the budgeted savings	Lancashire County Council ceases being a Foundation Living Wage (FLW) employer, and pays National Living Wage (NLW) rates instead. The current FLW rate paid would be frozen until NLW rate overtakes it – currently forecast to be in 2020/21. The 2017/18 Foundation Living Wage is £8.45 per hour and the National Living Wage is £7.50 per hour.		
Impact upon service	• Potential increase in staff turnover • Potential reduction in staff morale		
Actions needed to deliver the target savings	Communication to staff and consultation with the Trade Unions. An initial Equality Analysis is set out below. This will be		

	updated following consultation and provided to Cabinet for them to consider to ensure that they are complying with the public Sector Equality Duty as set out in s.149 of the Equality Act 2010. No longer pay to be an accredited Foundation Living Wage employer. If Cabinet were to recommend that the Council cease to be a Foundation Living Wage employer this would need to be agreed by Full Council.

What does this service deliver?

A number of services across the Council will have staff affected by this option. The highest numbers of employees currently paid Foundation Living Wage deliver services within Facilities Management, Traded services (catering), Older People and Public and Integrated Transport.

Section 4

Equality Analysis Toolkit

For Decision Making Items

November 2017

Lancashire County Council

What is the Purpose of the Equality Decision-Making Analysis?

The Analysis is designed to be used where a decision is being made at Cabinet Member or Overview and Scrutiny level or if a decision is being made primarily for budget reasons. The Analysis should be referred to on the decision making template (e.g. E6 form).

When fully followed this process will assist in ensuring that the decision- makers meet the requirement of section 149 of the Equality Act 2010 to have due regard to the need: to eliminate discrimination, harassment, victimisation or other unlawful conduct under the Act; to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and to foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

Having due regard means analysing, at each step of formulating, deciding upon and implementing policy, what the effect of that policy is or may be upon groups who share these protected characteristics defined by the Equality Act. The protected characteristic are: age, disability, gender reassignment, race, sex, religion or belief, sexual orientation or pregnancy and maternity – and in some circumstance marriage and civil partnership status.

It is important to bear in mind that "due regard" means the level of scrutiny and evaluation that is reasonable and proportionate in the particular context. That means that different proposals, and different stages of policy development, may require more or less intense analysis. Discretion and common sense are required in the use of this tool.

It is also important to remember that what the law requires is that the duty is fulfilled in substance – not that a particular form is completed in a particular way. It is important to use common sense and to pay attention to the context in using and adapting these tools.

This process should be completed with reference to the most recent, updated version of the Equality Analysis Step by Step Guidance (to be distributed) or EHRC guidance at
http://www.equalityhumanrights.com/private-and-public-sector-guidance/public-sector-providers/public-sector-equality-duty

This toolkit is designed to ensure that the section 149 analysis is properly carried out, and that there is a clear record to this effect. The Analysis should be completed in a timely, thorough way and should inform the whole of the decision-making process. It must be considered by the person making the final decision and must be made available with other documents relating to the decision.

The documents should also be retained following any decision as they may be requested as part of enquiries from the Equality and Human Rights Commission or Freedom of Information requests.

Specific advice on completing the Equality Analysis and advice, support and training on the Equality Duty and its implications is available from the County Equality and Cohesion Team by contacting Jeanette Binns (Equality and Cohesion Manager) at

Jeanette.binns@lancashire.gov.uk

Name/Nature of the Decision

The decision will mean that Lancashire County Council will cease being a Foundation Living Wage (FLW) employer, and will pay National Living Wage (NLW) rates instead. The current FLW rate paid would be frozen until NLW rate overtakes it – currently forecast to be in 2020/21. The frozen rate would be applied to both existing and new employees.

What in summary is the proposal being considered?

Lancashire County Council, as an employer, pays the Foundation Living Wage which is a higher minimum rate of pay to its directly employed staff. The Foundation Living Wage rate exceeds the Government's National Living Wage and forms part of the Lancashire Pay Spine. The Foundation Living Wage is a voluntary hourly rate that is set independently, updated annually and calculated by the Living Wage Foundation. When the Council became a Living Wage employer in 2014, it agreed to adopt the Living Wage Foundation rate and to uplift its rate within six months of their annual review.

Being a Foundation Living Wage employer is a decision taken by the authority and this proposal is driven by budgetary rather than legal requirements.

Is the decision likely to affect people across the county in a similar way or are specific areas likely to be affected – e.g. are a set number of branches/sites to be affected? If so you will need to consider whether there are equality related issues associated with the locations selected – e.g. greater percentage of BME residents in a particular area where a closure is proposed as opposed to an area where a facility is remaining open.

The decision will affect employees of Lancashire County Council who are in posts currently paid at the Foundation Living Wage

Could the decision have a particular impact on any group of individuals sharing protected characteristics under the Equality Act 2010, namely:

- Age
- Disability including Deaf people
- Gender reassignment
- Pregnancy and maternity
- Race/ethnicity/nationality
- Religion or belief
- Sex/gender
- Sexual orientation
- Marriage or Civil Partnership Status

In considering this question you should identify and record any particular impact on people in a sub-group of any of the above – e.g. people with a particular disability or from a particular religious or ethnic group.

It is particularly important to consider whether any decision is likely to impact adversely on any group of people sharing protected characteristics to a disproportionate extent. Any such disproportionate impact will need to be objectively justified.

Tables covering as many of the protected characteristics as we have data for are included on the following pages. The decision to cease FLW will have a disproportionate adverse impact on female part-time workers considerably more than any other group.

If you have answered "Yes" to this question in relation to any of the above characteristics, – please go to Question 1.

If you have answered "No" in relation to all the protected characteristics, please briefly document your reasons below and attach this to the decision-making papers. (It goes without saying that if the lack of impact is obvious, it need only be very briefly noted.)

			Age Profile									Part Time/Full Time						
Head of Service	*** FTE affected**	**No. of people affected**	**Under 20**	**20-29**	**30-39**	**40-49**	**50-59**	**60-69**	**70-79**	**80 +**	**Total**	**Fulltime**	**Part-Time**	**Casual/Supply**	**Flexible Working/ V-time**	**Variable Hours**	**Annualised Hours**	**Total**
ADOPTION & FOSTERING RESIDENTIAL AND YOT	3.54	102	0	8	29	28	31	6	0	0	102	1	5	96	0	0	0	102
CORE BUSINESS SYSTEMS TRANSFORMATION	13.00	13	0	7	0	2	3	1	0	0	13	13	0	0	0	0	0	13
DESIGN and CONSTRUCTION	2.00	2	0	1	0	0	0	1	0	0	2	2	0	0	0	0	0	2
DISABILITY (adults)	35.52	643	0	93	116	144	196	86	8	0	643	3	58	582	0	0	0	643
ESTATES	2.00	2	0	0	0	1	0	1	0	0	2	2	0	0	0	0	0	2
EXCHEQUER SERVICES	4.00	4	0	4	0	0	0	0	0	0	4	3	1	0	0	0	0	4
FACILITIES MGT	224.64	832	7	87	89	142	307	166	31	3	832	26	617	187	0	2	0	832
HEALTH EQUITY WELFARE & PARTNERSHIPS	65.02	376	0	12	24	60	116	100	60	4	376	1	347	28	0	0	0	376
HEALTH, SAFETY & RESILIENCE	-	26	0	1	2	7	6	7	2	1	26	0	0	26	0	0	0	26
HIGHWAYS	11.00	38	0	11	0	0	3	8	16	0	38	11	0	27	0	0	0	38
LEGAL AND DEMOCRATIC SERVICES	2.00	5	0	1	1	0	0	3	0	0	5	2	0	3	0	0	0	5
LIBRARIES MUSEUMS CULTURE & REGISTRARS	18.65	78	2	8	13	10	23	11	10	1	78	4	23	48	0	2	1	78
OLDER PEOPLE	401.60	983	8	164	124	219	321	121	25	1	983	5	686	290	1	1	0	983
PLANNING AND ENVIRONMENT	1.00	1	0	1	0	0	0	0	0	0	1	1	0	0	0	0	0	1
POLICY INFO & COMMISSION LIVE WELL	1.00	1	0	1	0	0	0	0	0	0	1	1	0	0	0	0	0	1
PROCUREMENT	2.00	2	0	2	0	0	0	0	0	0	2	2	0	0	0	0	0	2
PUBLIC & INTEGRATED TRANSPORT	317.81	832	1	14	11	85	309	296	112	4	832	3	654	175	0	0	0	832
SAFEGUARDING INSPEC & AUDIT	-	101	0	18	35	22	22	4	0	0	101	0	0	101	0	0	0	101
SCHOOL IMPROVEMENT	0.42	3	1	0	1	1	0	0	0	0	3	1	1	1	0	0	0	3
SEN & DISABILITY	19.94	23	2	9	2	2	6	2	0	0	23	13	9	0	1	0	0	23
SKILLS LEARNING & DEVELOPMENT	2.08	3	0	3	0	0	0	0	0	0	3	1	2	0	0	0	0	3
SOCIAL CARE SERVICES (adults)	0.59	2	0	0	0	0	2	0	0	0	2	0	1	1	0	0	0	2
TRADED SERVICES (START WELL)	553.74	1736	5	119	393	547	507	154	11	0	1736	16	1361	269	0	90	0	1736
WELLBEING PREVENTION & EARLY HELP	2.88	12	0	0	2	1	6	2	1	0	12	0	10	2	0	0	0	12
	1,684.44	**5,820.00**	**26**	**564**	**842**	**1,271**	**1,858**	**969**	**276**	**14**	**5,820**	**111**	**3,775**	**1,836**	**2**	**95**	**1**	**5,820**
% of total			**0.4%**	**9.7%**	**14.5%**	**21.8%**	**31.9%**	**16.6%**	**4.7%**	**0.2%**	**100.0%**	**1.9%**	**64.9%**	**31.5%**	**0.0%**	**1.6%**	**0.0%**	**100.0%**

* FTE affected includes casual/supply as a zero FTE

	Female							Male					
	Annualised Hours	Casual/Supply	Flexible Working/V-time	Fulltime	Part-Time	Variable Hours	Female Total	Casual/Supply	Fulltime	Part-Time	Variable Hours	Male Total	Grand Total
Under 20		11		2	8		21	3	1	1		5	26
20-29		209		14	200	2	425	65	35	39		139	564
30-39		263		7	448	21	739	56	4	43		103	842
40-49	1	316	1	4	791	38	1,151	60	8	52		120	1,271
50-59		392	1	10	1,142	26	1,571	115	15	157		287	1,858
60-69		188			545	7	740	82	11	135	1	229	969
70-79		34			140		174	39		63		102	276
80 +		2			6		8	1		5		6	14
Grand Total	1	1,415	2	37	3,280	94	4,829	421	74	495	1	991	5,820
% of gender	0.0%	29.3%	0.0%	0.8%	67.9%	1.9%	100.0%	42.5%	7.5%	49.9%	0.1%	100.0%	
% of grand total	0.0%	24.3%	0.0%	0.6%	56.4%	1.6%		7.2%	1.3%	8.5%	0.0%		100.0%

Disability	Female				Male				
	N	Unknown	Y	Female Total	N	Unknown	Y	Male Total	Grand Total
Under 20		21		21		5		5	26
20-29	32	392	1	425	10	128	1	139	564
30-39	170	566	3	739	36	66	1	103	842
40-49	529	617	5	1,151	48	72		120	1,271
50-59	1,024	530	17	1,571	123	159	5	287	1,858
60-69	532	204	4	740	113	113	3	229	969
70-79	158	15	1	174	76	25	1	102	276
80 +	7	1		8	6			6	14
Grand Total	2,452	2,346	31	4,829	412	568	11	991	5,820
% of gender	50.8%	48.6%	0.6%	100.0%	41.6%	57.3%	1.1%	100.0%	
% of grand total	42.1%	40.3%	0.5%		7.1%	9.8%	0.2%		100.0%

Ethnicity	Female															Male													
	Any Other	Asian Bangladeshi	Asian Indian	Asian Other	Asian Pakistani	Black Caribbean	Black Other	Chinese	Mixed	Unknown	White British English	White British Other	White Irish	White Other	Female Total	Any Other	Asian Bangladeshi	Asian Indian	Asian Other	Asian Pakistani	Black African	Mixed	Unknown	White British English	White British Other	White Irish	White Other	Male Total	Grand Total
Under 20										21					21								5					5	26
20-29			1							403	4	17			425								130	3	6			139	564
30-39		1	1	1	4				1	603	3	125			739	1	1	1	1	3		1	73	2	18	2		103	842
40-49	6		6	2	5				1	677	5	447	1	1	1,151				2		1	1	81	2	32		1	120	1,271
50-59	4		11	1	5	3	1		3	641	4	896	1	1	1,571	1		1	1			1	182	4	94	2	1	287	1,858
60-69	2		5		3			1	2	268	2	451	5	1	740	2		3	2				132		90			229	969
70-79										37		136	1		174								47		55			102	276
80 +										1		7			8								2		4			6	14
Grand Total	12	1	24	4	17	3	1	1	7	2,651	18	2,079	8	3	4,829	4	1	5	6	3	1	3	652	11	299	4	2	991	5,820
% of gender	0.2%	0.0%	0.5%	0.1%	0.4%	0.1%	0.0%	0.0%	0.1%	54.9%	0.4%	43.1%	0.2%	0.1%	100.0%	0.4%	0.1%	0.5%	0.6%	0.3%	0.1%	0.3%	65.8%	1.1%	30.2%	0.4%	0.2%	100.0%	
% of grand total	0.2%	0.0%	0.4%	0.1%	0.3%	0.1%	0.0%	0.0%	0.1%	45.5%	0.3%	35.7%	0.1%	0.1%		0.1%	0.0%	0.1%	0.1%	0.1%	0.0%	0.1%	11.2%	0.2%	5.1%	0.1%	0.0%		100.0%

Question 1 – Background Evidence
What information do you have about the different groups of people who may be affected by this decision – e.g. employees or service users (you could use monitoring data, survey data, etc to compile this). As indicated above, the relevant protected characteristics are:

- Age
- Disability including Deaf people
- Gender reassignment/gender identity
- Pregnancy and maternity
- Race/Ethnicity/Nationality
- Religion or belief
- Sex/gender
- Sexual orientation
- Marriage or Civil Partnership status (in respect of which the s. 149 requires only that due regard be paid to the need to eliminate discrimination, harassment or victimisation or other conduct which is prohibited by the Act).

In considering this question you should again consider whether the decision under consideration could impact upon specific sub-groups e.g. people of a specific religion or people with a particular disability. You should also consider how the decision is likely to affect those who share two or more of the protected characteristics – for example, older women, disabled, elderly people, and so on.

32% of the affected workforce are aged 50-59, however there are considerable numbers of staff affected across other age ranges.

41% of the affected workforce have identified as being white British and the remainder are either unknown or another ethnicity.

49% of the affected workforce have identified themselves as not having a disability and 50% is unknown, only 1% have declared a disability.

The level of unknown entries for both disability and ethnicity makes it difficult to draw a clear view of the potential impact on these protected characteristic groups.

The decision to cease FLW will have a disproportionate adverse impact on female part-time workers considerably more than any other group.

A significant number are casual/supply workers.

Question 2 – Engagement/Consultation
How have you tried to involve people/groups that are potentially affected by your decision? Please describe what engagement has taken place, with whom and when.

(Please ensure that you retain evidence of the consultation in case of any further enquiries. This includes the results of consultation or data gathering at any stage of the process)

It is intended to follow normal consultation procedures if the proposal is agreed in principle. At this stage, there has been no consultation with the groups potentially affected by this option.

Question 3 – Analysing Impact
Could your proposal potentially disadvantage particular groups sharing any of the protected characteristics and if so which groups and in what way?

It is particularly important in considering this question to get to grips with the actual practical impact on those affected. The decision-makers need to know in clear and specific terms what the impact may be and how serious, or perhaps minor, it may be – will people need to walk a few metres further to catch a bus, or to attend school? Will they be cut off altogether from vital services? The answers to such questions must be fully and frankly documented, for better or for worse, so that they can be properly evaluated when the decision is made.

Could your proposal potentially impact on individuals sharing the protected characteristics in any of the following ways:

- Could it discriminate unlawfully against individuals sharing any of the protected characteristics, whether directly or indirectly; if so, it must be amended. Bear in mind that this may involve taking steps to meet the specific needs of disabled people arising from their disabilities

- Could it advance equality of opportunity for those who share a particular protected characteristic? If not could it be developed or modified in order to do so?

- Does it encourage persons who share a relevant protected characteristic to participate in public life or in any activity in which participation by such persons is disproportionately low? If not could it be developed or modified in order to do so?

- Will the proposal contribute to fostering good relations between those who share a relevant protected characteristic and those who do not, for example by tackling prejudice and promoting understanding? If not could it be developed or modified in order to do so? Please identify any findings and how they might be addressed.

If the proposal goes ahead it would be achieved by not increasing the FLW for staff in posts affected until the NLW reached the same level (estimated to be in 2020/21). This is likely to impact on female employees as they form the vast majority of employees in posts affected. Although, at this time, rises in the FLW exceed those

for other LCC employees. Should the proposal take effect it is estimated that these employees would not receive any increase in pay until 2020/21. This would inevitably impact on their income and so impact adversely on advancing equality of opportunity for this group of employees.

Question 4 –Combined/Cumulative Effect

Could the effects of your decision combine with other factors or decisions taken at local or national level to exacerbate the impact on any groups?

For example - if the proposal is to impose charges for adult social care, its impact on disabled people might be increased by other decisions within the County Council (e.g. increases in the fares charged for Community Transport and reductions in respite care) and national proposals (e.g. the availability of some benefits) . Whilst LCC cannot control some of these decisions, they could increase the adverse effect of the proposal. The LCC has a legal duty to consider this aspect, and to evaluate the decision, including mitigation, accordingly.

If Yes – please identify these.

Depends on what other options go forward. If there are options which impact on pay and conditions there will potentially be a cumulative impact on this group.

There are also some broader national factors such as rises in inflation/cost of living which could also combine to increase the impact of the proposal.

Question 5 – Identifying Initial Results of Your Analysis

As a result of your analysis have you changed/amended your original proposal?

Please identify how –

For example:

Adjusted the original proposal – briefly outline the adjustments
Continuing with the Original Proposal – briefly explain why
Stopped the Proposal and Revised it - briefly explain

Continuing with the original proposal - The County Council is experiencing an ongoing period of unprecedented financial pressure as a result of the Government's extended programme of austerity combined with significant increases in demand for public services. This proposal has emerged as part of the need for the County Council to reduce its spending due to an estimated funding gap of £161.218 million by 2021/22.

Question 6 – Mitigation

Please set out any steps you will take to mitigate/reduce any potential adverse effects of your decision on those sharing any particular protected characteristic. It is important here to do a genuine and realistic evaluation of the effectiveness of the mitigation contemplated. Over-optimistic and over-generalised assessments are likely to fall short of the "due regard" requirement.

Also consider if any mitigation might adversely affect any other groups and how this might be managed.

There might be some mitigation for example by excluding this group from some other proposals relating to pay and conditions which might have a detrimental impact.

Question 7 – Balancing the Proposal/Countervailing Factors
At this point you need to weigh up the reasons for the proposal – e.g. need for budget savings; damaging effects of not taking forward the proposal at this time – against the findings of your analysis. Please describe this assessment. It is important here to ensure that the assessment of any negative effects upon those sharing protected characteristics is full and frank. The full extent of actual adverse impacts must be acknowledged and taken into account, or the assessment will be inadequate. What is required is an honest evaluation, and not a marketing exercise. Conversely, while adverse effects should be frankly acknowledged, they need not be overstated or exaggerated. Where effects are not serious, this too should be made clear.

It is acknowledged that the proposal will adversely impact on employees currently paid at the Foundation Living Wage and that many of these employees are in part time posts and a disproportionate number are female.

The Living Wage is an informal benchmark, not a legally enforceable minimum level of pay, like the national minimum wage. The basic idea is that the Living Wage is a minimum pay rate needed to let workers lead a decent life. The Foundation Living Wage rate exceeds the Government's National Living Wage and forms part of the Lancashire Pay Spine. The national minimum wage is set by the Chancellor of the Exchequer each year on the advice of the Low Pay Commission. It is enforced by Her Majesty's Revenue and Customs (HMRC).

The County Council is experiencing an ongoing period of unprecedented financial pressure as a result of the Government's extended programme of austerity combined with significant increases in demand for public services. This proposal has emerged as part of the need for the County Council to reduce its spending due to an estimated funding gap of £161.218 million by 2021/22.

Living Wage is not the result of the national pay negotiations for local government staff and have to date been at a rate in excess of that reflected in the national agreements which are reflected in the County Council's financial planning framework.

Question 8 – Final Proposal
In summary, what is your final proposal and which groups may be affected and how?

Freeze pay grades for Foundation Living Wage (FLW) until National Living Wage (NLW) reaches the same level then pay the National Living Wage (NLW).

The decision will affect employees of Lancashire County Council who are in posts currently paid at the Foundation Living Wage

Question 9 – Review and Monitoring Arrangements
Describe what arrangements you will put in place to review and monitor the effects of your proposal.

There is an annual Equality Information report produced to meet the Public Sector Equality Duty's requirements which, from March 2018, will include information on the Gender Pay Gap. This may form one monitoring option although consideration may need to be given to whether more detailed information is needed to assess the affected posts against the benchmark data included in this analysis.

Equality Analysis Prepared By
Position/Role
Equality Analysis Endorsed by Line Manager and/or Service Head
Decision Signed Off By
Cabinet Member or Director

Please remember to ensure the Equality Decision Making Analysis is submitted with the decision-making report and a copy is retained with other papers relating to the decision.

For further information please contact
Jeanette Binns – Equality & Cohesion Manager
Jeanette.binns@lancashire.gov.uk
Thank you

CORP003 – TERMS AND CONDITIONS

Service Name:	LCC Wide – Staffing Budgets
Which 'start year' does this option relate to 2018/19, 2019/20 or 2020/21	2018/19
Gross budget 2017/18	£319.042m
Income 2017/18	N/A
Net budget 2017/18	£319.042m

Savings Target and Profiling (discrete year):

2018/19	2019/20	2020/21	Total
£m	**£m**	**£m**	**£m**
-3.750	-1.250	0.000	-5.000

FTE implications:

2018/19	2019/20	2020/21	Total
0.00	*0.00*	*0.00*	*0.000*

Decisions needed to deliver the budgeted savings	Review staff terms and conditions across the County Council and enter into formal consultations with the recognised Trade Unions to achieve at least a £5m saving.
Impact upon service	This may result in low staff morale and increased staff turnover.
Actions needed to deliver the target savings	The Council would be required to serve a Notice under s.188 of the Trade Union and Labour Relations (Consolidation) Act 1992 on the recognised trade unions which would trigger a formal consultation of not less than 90 days. The purpose of the consultation would be to try to reach a collective agreement to introduce proposed

	changes to employment terms and conditions. The Notice is required as if a collective agreement cannot be reached then the Council could only introduce the changes legally by dismissing staff and at the same time offering re-engagement on the basis of the new terms and conditions An Equality Analysis will be undertaken for Cabinet to consider to comply with the Public Sector Equality Duty when the outcome of the consultation is reported back to Cabinet.