Lancashire County Council

Cabinet

Thursday, 8th December, 2016 at 2.00 pm in Cabinet Room 'B' - The Diamond Jubilee Room, County Hall, Preston

Agenda

Part I (Open to Press and Public)

No.	Item	
1.	**Apologies for Absence**	
2.	**Disclosure of Pecuniary and Non-Pecuniary Interests** Members are asked to consider any Pecuniary and Non-Pecuniary Interests they may have to disclose to the meeting in relation to matters under consideration on the Agenda.	
3.	**Minutes of the Meetings held on 26 September 2016 and 6 October 2016**	(Pages 1 - 6)
4.	**Executive Scrutiny Committee - Report of the Chair**	

Matters for Decision:

The Leader of the County Council - County Councillor Jennifer Mein

5.	**Pan-Lancashire Health and Wellbeing Board**	(To Follow)

The Deputy Leader of the County Council - County Councillor David Borrow

6.	**Money Matters - 2016/17 Financial Position and Medium Term Financial Strategy**	(Pages 7 - 146)

Matters for Information:

7.	**Report of Key Decisions taken by the Leader of the County Council, the Deputy Leader of the County Council and Cabinet Members**	(Pages 147 - 152)

Miscellaneous Matters:

8. **Urgent Business**

Lancashire County Council

An item of urgent business may only be considered under this heading where, by reason of special circumstances to be recorded in the Minutes, the Chair of the meeting is of the opinion that the item should be considered at the meeting as a matter of urgency. Wherever possible, the Chief Executive should be given advance warning of any Member's intention to raise a matter under this heading.

9. Date of Next Meeting

The next meeting of the Cabinet will be held on Thursday 19 January 2017 at 2.00 pm at County Hall, Preston.

10. Exclusion of Press and Public

The Cabinet is asked to consider whether, under Section 100A(4) of the Local Government Act, 1972, it considers that the public should be excluded from the meeting during consideration of the following items of business on the grounds that there would be a likely disclosure of exempt information as defined in the appropriate paragraph of Part 1 of Schedule 12A to the Local Government Act, 1972, as indicated against the heading to the item.

The Leader of the County Council - County Councillor Jennifer Mein

11. Updated Proposals for the Delivery of the Cuerden Strategic Development Site (To Follow)

Jo Turton
Chief Executive

County Hall
Preston

Lancashire County Council

Cabinet

Minutes of the Meeting held on Monday, 26th September, 2016 at 10.00 am in Cabinet Room 'B' - The Diamond Jubilee Room, County Hall, Preston

Present:

County Councillor Jennifer Mein — Leader of the Council (in the Chair)

Cabinet Members

County Councillor Azhar Ali
County Councillor David Borrow
County Councillor John Fillis
County Councillor Marcus Johnstone
County Councillor Tony Martin
County Councillor Matthew Tomlinson

County Councillors Geoff Driver CBE, Albert Atkinson and Bill Winlow were also in attendance under the provisions of Standing Order No. 19(4).

1. Apologies for Absence

None

2. Disclosure of Pecuniary and Non-Pecuniary Interests

There were no interests declared.

3. Scrutiny Committee Request to Reconsider a Decision - Property Strategy

Cabinet considered the request of the Scrutiny Committee made at its meeting on 22 September 2016 to reconsider the Cabinet decision of 8 September 2016 in relation to the Property Strategy.

Cabinet noted that the reasons provided by the Scrutiny Committee for the request to reconsider were that:

"Both the consultation and the Cabinet decision were based on incorrect financial information and the decision does not meet the Council's own priorities to support the needs of the residents of Lancashire, particularly the more deprived communities.

The Scrutiny Committee also sought assurances that the methodology was applied consistently and fairly across Lancashire"

Evidence was presented to the Cabinet from the S151 officer in relation to the accuracy of the financial information, and form the Head of Asset Management on the methodology. Copies of their evidence are attached to these minutes as appendices. In considering the evidence presented, Cabinet also noted the lengthy and detailed debates already held at the previous ESC, Cabinet and Scrutiny Committee meetings.

Cabinet noted that the briefing presented by the Director of Financial resources at Cabinet stated that the Conservative Group Budget amendment proposed at Full Council in 11th February 2016 would have been mainly funded through additional capital borrowing of £15.069m. Following a query on this figure, the Director of Financial resources confirmed that the actual additional level of capital borrowing proposed in the amendment was £17.519m. It was clarified that the £15.069m represented the net revenue impact of the cost of borrowing the £17.519m, taking into account an estimated 2 year revenue charge of £2.450m.

Following lengthy debate, and taking fully into account the information and evidence presented at the meetings of ESC, Cabinet and the Scrutiny Committee, Cabinet:

Resolved: That the decision of the cabinet on 8 September 2016 in relation to the Property Strategy be confirmed.

4. Urgent Business

There was no urgent business

5. Date of Next Meeting

Thursday 6 October, 2pm, County Hall, Preston

Jo Turton
Chief Executive

County Hall
Preston

Lancashire County Council

Cabinet

Minutes of the Meeting held on Thursday, 6th October, 2016 at 2.00 pm in Cabinet Room 'B' - The Diamond Jubilee Room, County Hall, Preston

Present:

County Councillor Jennifer Mein	Leader of the Council (in the Chair)

Cabinet Members

County Councillor Azhar Ali
County Councillor David Borrow
County Councillor John Fillis
County Councillor Marcus Johnstone
County Councillor Tony Martin
County Councillor Matthew Tomlinson
County Councillors Geoff Driver CBE and Bill Winlow were also in attendance under the provisions of Standing Order No. 19(4).

1. Apologies for Absence

Apologies were received from County Councillor Albert Atkinson

2. Disclosure of Pecuniary and Non-Pecuniary Interests

There were no interests declared

3. Minutes of the meeting held on 8 September 2016

Resolved: That the minutes of the meeting held on 8 September 2016 be confirmed as a correct record and signed by the Chair.

4. Executive Scrutiny Committee - Report of the Chair

County Councillor Bill Winlow, Chair of the Executive Scrutiny Committee, reported that the recommendations set out in the reports for consideration by Cabinet had been confirmed with no amendments or additional recommendations.

9. Flood & Water Management Act 2010 Section 19 Investigation - December 2015 Floods - Initial Report

Cabinet agreed that this item be moved on the agenda

A report on the Flood and Water Management Act 2010 Section 19 Investigation into the December 2015 floods across Lancashire was presented. It was noted that this was a statutory duty on the Council as the Lead Local Flood Authority.

It was noted that the report now presented discharged the statutory duty, and would be followed by further reports into the individual flood incidents at each identified location, based on detailed investigations undertaken.

It was additionally noted that since the publication of the investigation report representations area had been received from Burscough Parish Council. It was noted that a meeting had already been arranged with the Parish Council to discuss flooding in its area.

Resolved: That

i. the report at Annex 1 be approved as discharging the County Council's obligations under Section 19 of the Flood and Water Management Act 2010 in regard to the December 2015 floods
ii. the proposal for further reports and the means of progressing flood investigations, communications and risk management activities within affected communities identified in the report at Annex 1 be approved.

5. Statutory Services Budget Review - PwC report

Cabinet considered the independent Statutory Services Budget Review produced by PwC. In presenting the report, it was noted that Table 17 in the report contained a small error, and that the Savings for Highways and Transport should read £6m and £11m, not £17m and 0 respectively.

It was identified that the report validated the council's own analysis and financial assumptions, and highlighted the scale of the challenge facing the county council.

Resolved: That the report be noted.

6. Money Matters - The County Council's Re profiled Capital Programme for 2016/17 to 2018/19 and later years

Cabinet considered a report setting out the proposed re-profiling of the County Council's Capital Programme for 2016/17 to 2018/19 and where appropriate later years.

It was noted that, whilst the Capital Programme was affordable and within budget, the report did not set out the details of any options in relation to funding arrangements, and that these would be part of a subsequent report in December.

Resolved: That

i. the additions to the Capital Programme approved during quarters 1 and 2 of 2016/17 set out in section 2 of Table 1 in the main body of the report be noted
ii. the re-profiling of the County Council's Capital Programme for 2016/17 to 2018/19 and where appropriate for later years as set out in section 3 of Table 1 to the report be approved.

7. Property Strategy (Neighbourhood Centres) – Community Asset Transfer

Cabinet considered a report in relation to the business cases submitted by community organisations interested in in taking on the running of county council building where they were no longer required for the delivery of council services.

The report summarised the assessment of the bids to date and provided recommendations on the way forward. The report also clarified the approach to be taken regarding any further expressions of interest/business cases which may be received.

It was noted that further Expressions of Interests were still being received, and would continue to be considered. A number of representations were made in relation to specific buildings and cases, and it was confirmed these would be given full consideration.

Resolved: That

i. the recommendations set out in Tables 2, 3 and 4 of the report be endorsed
ii. individual reports be presented in due course to the Deputy Leader of the County Council for decision in relation to Business cases set out in tables 2 and 3 of the report,
iii. the business cases submitted in relation to Brierfield Library be taken into consideration as part of the ongoing assessment of service delivery options in that area, and
iv. further bids for Community Asset Transfer be determined on their merits on the basis of the Community Asset Transfer Policy but that new Expressions of Interest are not considered where Business Cases made in line with the Property Strategy Consultation process are still under consideration, or where Community Asset Transfer to another group has already been agreed.

8. Approval of the District of Lancaster Highways and Transport Masterplan for Publication

Cabinet received a report on the Lancaster Highways and Transport masterplan. It was noted that this was the final Masterplan for approval and would complete the picture across Lancashire.

The Masterplan and the proposals contained were welcomed as a positive plan for the area covered.

Resolved: That the District of Lancaster Highways and Transport Masterplan, as presented, be approved.

10. Report of Key Decisions taken by the Deputy Leader for the County Council and Cabinet Members

Resolved: That the report of Key Decisions taken by the Deputy Leader of the Council and Cabinet members be noted.

11. Urgent Business

There was no urgent business

12. Date of Next Meeting

It was noted that the next meeting of the Cabinet would be at 2pm on Thursday 10 November at county Hall, Preston.

Jo Turton
Chief Executive

County Hall
Preston

Report to the Cabinet
Meeting to be held on Thursday, 8 December 2016

Report of the Director of Financial Resources

Electoral Divisions affected:
All

Money Matters – 2016/17 Financial Position and Medium Term Financial Strategy
(Appendix 'A', 'B', 'C', 'D' and 'E' refer)

Contact for further information:
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Executive Summary

This report provides an update of the forecast outturn Financial Position for 2016/17 on revenue and capital as at 30th September 2016, and the County Council's updated Medium Term Financial Strategy for the period 2016/17 to 2020/21 including some additional efficiency savings for the County Council.

Financial Position as at 30th September 2016 (Appendix A)

An underspend is forecast for the County Council of £13.271m and represents a variance of c2.0% against the overall County Council 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.

However, it is important to recognise that the underlying position excluding the forecast impact of non-recurrent additional income arising from Treasury Management activities would be an overspend of £12.985m which would represent an increase of £1.718m from the previous report to Cabinet.

The 2016/17 budget of £713.020m includes a significant savings requirement of c£100m.However many savings will not be fully implemented until 2017/18 or 2018/19 and therefore it was agreed that these would be covered by the use of reserves.

The report provides details as to progress on the achievement and delivery of the savings relating to each Head of Service area. The level of reserves that were approved to be applied from the transitional reserve 2016/17 in support of the delivery of savings was £46.417m and the amount that is now forecast to be required is £36.265m, reflecting early delivery of some agreed savings, although this is partially

Lancashire County Council

offset by some budget savings that are delayed and will require reserve funding to cover the delay in implementation.

Delivery of the significant savings programme has been identified as a key risk area and the savings plans are subject to detailed regular scrutiny by the Programme Office and Finance.

The Medium Term Financial Strategy (Appendix B)

A revised MTFS was presented to Cabinet in September with a reported funding gap of £147.944m (cumulative gap of £397.900m).

This report considers the impact of budget decisions to be taken by Cabinet and updates other assumptions in light of the most current information available. The overall estimated funding gap has reduced to £146.133m, however the cumulative gap has increased to £411.207m as a result of an increasing gap in earlier years. Whilst this appears positive overall, this improved position predominantly relates to the identification of further savings of £12.320m for 2017/18 and following years, which are offset by a number of factors, the most significant being the continuing increasing demand in Children's Social Care. It remains critical that the vast majority of newly identified savings and previously agreed savings are delivered fully and on time, as any delay or under delivery will further increase the financial gap.

The financial commitment required to fund statutory demand-led services as they are currently delivered is almost certain to result in using up all the available resources available at a point within the timeframe covered by this financial strategy. It is not possible to be certain of the point at which funding may not cover statutory demand-led services as, for example, the resources available to the County Council have yet to be confirmed for future years, although there have been no changes to our resource assumptions following the Autumn Statement. However, indications from previous base budget review tied in with the outturn position delivered in 2015/16 and the recent report by PwC that suggest there will be insufficient resources to cover statutory services from 2018/19.

The County Council's Reserves Position (Appendix C)

The County Council by 31st March 2018 is expected to have reserves (excluding schools) of £115.767m, of which £36.000m County Fund will remain leaving a residual amount of £79.767m in service reserves. This does however include £8.354m school PFI expenditure and £5.084m which is not LCC money, meaning in effect the available balance of £66.329m.

If the County Council underspends in 2016/17 as currently forecast this will be a further contribution to reserves. This is not currently included within the forecast reserves position.

The report indicates that there are sufficient funds within reserves to deliver a balanced budget in 2017/18. However this is dependent upon a number of key factors:

- The forecast in year overspend is minimised.

- All values within reserves that are currently reported to be uncommitted funds are transferred into the transitional reserves with no further commitments emerging in these areas following the transfer.
- There is limited slippage on the agreed savings programme for 2017/18 and 2018/19. Any slippage is likely to result in a requirement for funding from reserves.

When reviewing the County Council's reserves in conjunction with the Medium Term Financial Strategy (Appendix C) the funding requirement to bridge the financial gap in 2018/19 would total £86.846m. Although there are reserves available at 31st March 2017 of £79.600m (if the currently forecast underspend is achieved) there are commitments in 2018/19 of £10.473m (excluding non LCC commitments) therefore the available balance to support the 2018/19 budget is £69.127m resulting in there not being sufficient funds within reserves to support the 2018/19 budget based on current assumptions.

Recommendations and Budget Adjustment Proposals arising from Zero Based Budget Reviews (Appendix D)

As part of the February 2016 budget strategy and budget setting process a Zero Based Budget Review (ZBBR) exercise was commenced, with a view to identifying any further efficiency savings and/or budget realignments within service and corporate budgets.

As a result of the ZBBR work undertaken, a total of £6.320m has been identified as proposed budget reductions for 2017/18. The report provides the detail of the ZBBRs undertaken and the recommendations and proposals arising from each review.

Capital Monitoring and Financing Position as at 30th September 2016 (Appendix E)

This report sets out the Quarter 2 capital monitoring position for 2016/17 against the re-profiled capital programme 2016/17 budget approved by Cabinet on 6th October 2016.

It also compares the 2016/17 Q2 monitoring position with the equivalent position in 2015/16 in order to give an understanding of the progress being made to date with regard to overall spend level.

An outline is also provided of the financing of the full multi-year re-profiled capital programme and the expected associated capital charges.

Recommendation

The Cabinet is asked to:

(i) Note the forecast underspend of £13.271m on the 2016/17 revenue budget;

(ii) Note the revised funding gap of £146.133m covering the period 2017/18 to 2020/21 (cumulative gap £411.207m);

(iii) Note the position in respect of the Council's reserves and to agree the transfers outlined in the report;

(iv) Note the position in respect of the Capital Programme in-year delivery and overall capital financing requirements covering the period 2016/17 – 2020/21;

(v) Approve the budget proposals set out within Appendix 'B' (Section 3.6) and Appendix 'D', authorise officers to proceed with their implementation and agree that the 2017/18 budget is based upon these revenue decisions;

Background and Advice

The detailed reports at Appendices 'A' and 'B' present the County Council's revenue position as at 30th September 2016 and an updated financial outlook and Medium Term Financial Strategy for the period 2017/18 – 2020/21.

2017/18 – 2020/21 Budget Strategy and Proposals

The County Council is facing an unprecedented challenge. The assumptions that have been made in the MTFS reported to Cabinet in September 2016 have been reviewed and updated to reflect the latest information available. The revised funding gap is now estimated to be £146.133m and a cumulative total of unavailable resources of £411.207m across the four year period.

The Base Budget review and the recent report from PwC have demonstrated that from April 2018 the Council will not have sufficient financial resources to meet its statutory obligations without additional financial support from Central Government. The report also indicated that in 2016/17 and 2017/18, the council will rely heavily on reserves in order to set a balanced budget. The latest reports also indicate that whilst there will be residual reserve balances in 2018/19, these will not be of sufficient value to set a balanced budget and therefore further budget savings will need to be identified for 2018/19.

The Financial Sustainability of the County Council

Lancashire County Council is not alone in this financial challenge. The whole of the public sector in Lancashire is facing severe financial conditions that give rise to fundamental questions as to the nature, scale and sustainability of public services in the county. Health and social care services in Lancashire are forecast to have a significant budget shortfall. The Police and Fire and Rescue Service face significant reductions in expenditure over this period, as do the district and unitary councils across Lancashire.

It is clear that the county council, in its present form, is not a financially sustainable organisation in the medium term.

PwC are assisting the council in scoping and undertaking the review prioritising development of a public services operating strategy which would enable the County Council to be sustainable within its forecast financial resource envelope by 2020/21. This work is progressing with the outcomes to be presented at future Cabinet meetings. The scale of any additional savings that are agreed arising from this review would then be included within a future update of the MTFS.

Adjustments to the Savings Programme

Within Appendix B (Section 3.6) and Appendix D are some additional efficiency savings that have been identified. These savings are largely an extension to current processes and activities that are being undertaken. These savings are as follows:

- Learning Disability (LD) Remodelling (£4.800m) – This is the continuation of an existing saving programme that is currently underway. This is a review process that looks at the need of the service users within shared supported living settings and remodels the service package they are receiving with a priority being encouraging independence. The team are expected to complete the remodelling process for c.40 tenancies per annum. This review activity has been in place for a number of years and it is anticipated that all remaining tenancies to be reviewed will be remodelled over the next 4 years.
- Financial Assessments (increased income) (£1.200m) – This is a process that the team undertake currently as resources permit, but was completed more comprehensively historically due to increased time and resources that the team had available to them. This process involves the financial assessment officer working with the service user to maximise the benefits that they are entitled to such as Attendance Allowance. Through the calculation of the financial assessment, which determines an individual's ability to contribute towards the cost of their care, this will result in a proportion of the additional benefits received meeting an additional contribution towards the cost of the care services commissioned by the County Council. It is anticipated that with more focus to this process the additional income levels can be achieved.

In Appendix D are details of further savings that have been identified as part of the Zero Based Budget Review (ZBBR) undertaken as part of the Council's agreed financial strategy. The savings identified as part of this exercise total £6.320m.

Equality and Cohesion

Cabinet must ensure that they comply with the requirements of the Public Sector Equality Duty contained in s.149 of the Equality Act 2010.

It is not considered that any of the budget proposals set out in the report will have any negative impact on any persons with protected characteristics as defined in s.149.

Implications:

Risk management

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

The financial risks 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 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 Adults and Children's social care, and the most up to date demand forecasts have been included. However any increase in demand over above that 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£148m of existing agreed savings will be delivered in the period 2016/17 to 2017/18 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.

List of Background Papers

Paper	Date	Contact/Tel

Appendix A

Money Matters
The County Council's Financial Position
As at 30th September 2016

Lancashire County Council

Contents	**Page**

Money Matters – Update on the County Council's Financial Position for 2016/17

1. Introduction

This report provides an update for Cabinet on the County Council's 2016/17 revenue financial position.

2. Summary of the Financial Position

This report provides a view on the Council's current financial performance and the anticipated position at the year end. The forecast is based on the information up to the end of September 2016. The report also contains a comparison to the previously reported financial position as at 30th June 2016. The current forecast outturn for the County Council is an underspend of £13.271m and represents a variance of c2% against the overall County Council 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.

However, it is important to recognise that the underlying position excluding forecast the impact of non-recurrent additional income arising from Treasury Management activities would be an overspend of £12.985m which would represent an increase of £1.718m from the previous report to Cabinet.

The 2016/17 budget of £713.020m includes a significant savings requirement of c£100m, however many savings will not be fully implemented until 2017/18 or 2018/19 and therefore it has previously been agreed that these would be covered by the use of reserves.

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 2016/17 in support of the delivery of savings was £46.417m and the amount that is now forecast to be required is £36.265m. 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.

In total the forecast includes £92.624m 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). In addition there are transfers between reserves and contributions to reserves that total £8.242m.

Delivery of the significant savings programme has been identified as a key risk area and the savings plans are subject to detailed ongoing scrutiny by the Programme Office and Finance.

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.

A significant budget realignment took place in relation to staffing budgets in Quarter 1 to enable post by post budget monitoring, this was a critical piece of work given the importance and value of staffing budgets within the County Council's overall budget. It is currently forecast that the overall staffing underspend will be £3.9m reflecting early delivery of savings, staff turnover and a number of services undergoing restructures and populating their agreed structures including the filling of agreed vacancies.

2.1 Recommendations

Cabinet are asked to:

- Note the current financial revenue forecast based on financial data at the end of September 2016.

3. Section A

The summary forecast outturn for 2016/17 is as follows:

Ref	Service Area	Approved Budget £m	Current Cabinet Forecast - QTR 2 £m	Current Cabinet Variance - QTR 2 £m	Previous Cabinet Variance - QTR 1 £m	Current Quarter Forecast Variance %
3.1	ADULT SERVICES	317.673	321.521	3.848	5.080	1%
3.2	CHILDREN'S SERVICES	119.422	130.403	10.981	9.433	9%
3.3	COMMUNITY SERVICES	134.240	138.325	4.085	2.282	3%
3.4	PUBLIC HEALTH & WELLBEING	28.886	30.793	1.907	1.859	7%
3.5	DEVELOPMENT AND CORPORATE SERVICES	35.098	35.297	0.199	0.083	1%
3.6	COMMISSIONING	46.776	45.941	-0.835	-0.831	-2%
3.7	CHIEF EXECUTIVE	30.926	-2.529	-33.456	-6.639	-108%
	TOTAL	**713.020**	**699.749**	**-13.271**	**11.267**	**-2%**

3.1 Operations and Delivery – Adult Services

Ref	HEAD OF SERVICE	Approved Budget £m	Current Cabinet Forecast - QTR 2 £m	Current Cabinet Variance - QTR 2 £m	Previous Cabinet Variance - QTR 1 £m	Current Quarter Forecast Variance %
3.1.1	ADULT SERVICES	0.135	0.152	0.017	0.015	13%
3.1.2	DISABILITY (adults)	-4.468	-4.402	0.066	-0.463	-1%
3.1.3	OLDER PEOPLE	0.629	0.212	-0.417	-0.424	-66%
3.1.4	LEARNING DISABILITY, AUTISM & MENTAL HEALTH	161.886	160.565	-1.321	0.303	-1%
3.1.5	SOCIAL CARE SERVICES (adults)	159.491	164.994	5.503	5.649	3%
	TOTAL - ADULT SERVICES	**317.673**	**321.521**	**3.848**	**5.080**	**1%**

The total net approved budget for Adult Services in 2016/17 is £317.673. The service is forecast to overspend by £3.848m.

This forecast includes the impact of the fee increases across homecare services, Learning Disabilities supported living and Physical Support over 65 residential and nursing services. Several further fee uplifts have also been included in the forecast position and future year impact has been highlighted as a risk as part of the MTFS review for Cabinet in December 2016. The forecast also incorporates budgeted savings of £13.223m. £6.651m of this budgeted savings figures relates to the Transformation work being undertaken with Newton Europe under the name of Passport to Independence which is considered to be part undeliverable in 2016/17 and therefore has been reconsidered as part of the Quarter 2 MTFS update in terms of re-profiling the timing of these savings. It is estimated that savings of £1.152m will be achieved in 2016/17.

3.1.2 Disability Service

The service is forecast to overspend by £0.066m

Net expenditure for day services and domiciliary services is largely in line with 2015/16 spend patterns.

The service have been able to manage the impact of the revised transport to day services policy through changes to staff rotas to extend opening hours where required, this policy change has seen positive results for the majority of service users. The domiciliary service has provided additional hours for provider failure, crisis hours and a supported living service on top of existing provision.

3.1.3 Older People – In-House Care Services

The Service is forecasting a positive variance to budget though an overachievement of income of £0.417m. This service delivers care through the operation of 17 care homes and 14 day centres across the County.

3.1.4 Learning Disability, Autism & Mental Health

The Service is due to underspend overall by £1.321m, the breakdown of this variance is detailed below. This section heading has changed from "Safeguarding" in Quarter 1 to reflect the new responsibilities of the Head of Service.

Adult Social Care staffing including Mental Health, Learning Disabilities and Autism are currently implementing their approved staffing restructure which is forecast to utilise £1.580m from agreed reserves.

Learning Disabilities

- Learning Disability services include the provision of care services including residential and nursing care, but predominantly supported living and direct payments. Services are commissioned via a pooled fund arrangement with the six Lancashire CCGs. The LCC share of the service is forecast to underspend by £1.087m.
- Increases in service user activity are forecast to increase spending in 2016/17 by £2.000m which includes the impact of transitions from Children's Services, however this is lower than the expected demand build into the budget.
- The forecast includes the impact of agreed fee increases for supported living and domiciliary care valued at £7.400m. Of this, £3.500m of this has been funded by reserves in 2016/17 as agreed with the future impacts built into the MTFS.
- The budget has been reduced by £1.000m to reflect the agreed savings relating to the remodelling packages of care, this saving is forecast be achieve £0.650m in year as the average saving per tenancy has reduced.

Mental Health – Residential

- Mental Health residential care is forecast to underspend by £1.148m
- Since April 2015 there has been a 4% decrease in the number of service users (April 2016 300; August 2016 – 288) however the average weekly cost of care packages have increased by 6%.
- There are currently 288 clients supported via this service.

Mental Health – Nursing

- Mental Health Nursing is forecast to overspend by £1.057m due to the average weekly package costs increasing at a rate higher than budgeted for and the number of nursing placements not reducing in line with the assumptions built into the MTFS.

Mental Health - Home Care

- Mental Health Home Care services are forecast to underspend by £0.231m
- In the year to date service user numbers have increased by 1.9% which is lower than anticipated.
- Average care package costs have increased by 5% in year

In addition there are other small variances across Mental Health that result in an additional overspend of £0.088m.

This budget has been reduced by £0.362m as a result of approved savings, however it was agreed that funding from the transitional reserve would fully support this saving in 2016/17. Due to natural turnover and disbandment of the Health Care Systems Development Team the funding is no longer required.

3.1.5 Social Care Services (Adults)

Changes in statutory reporting requirements has meant the previous client groups of 'Older People' and 'Physical Disability' have been combined to form the client group 'Physical Support'. People enter these services via from community settings but a significant proportion come as they are discharged from hospital

The total budget for this service area is £159.491m and is forecast to overspend by £5.503m, at the end of Quarter 2.

Since Quarter 1 the budget for Learning Disabilities has moved under the newly named Head of Service for Learning Disabilities, Autism & Mental Health and is detailed above in Section 3.1.4 to reflect more accurately the responsibilities of the Heads of Service in Adults Services.

The significant areas of variance are detailed below. Additionally, there are also a number of other variances forecasting an overspend of £1.118m in total across equipment and adaptations, reablement and carers and central expenses as spend is forecast to increase in these preventative areas.

Physical Support

The service is forecast to overspend by £5.452m. This is as a result of delayed achievement of savings.

This forecast also includes the drawdown of £1.700m from the Transitional Reserve to support an agreed uplift of residential and nursing home fees in 2016/17. The future year's impact above the level built into the current budget has been built into the MTFS in future years.

Social Care Service Central Costs

- This service is forecast to underspend by £0.695m through controlling costs on non-essential spending.

The forecast for 2016/17 includes £10.177m contributions from reserves, offsetting the expenditure in relation to the Newton's design and proposed implementation work estimated at £5.961m and £4.216m for the agreed repayment of outstanding CCG monies held on their behalf.

Supporting People

Supporting People services assist people to live as independently as possible. The range of services include supported and sheltered housing, refuges for women experiencing domestic violence, alarm services for elderly people, and ‘floating support’ where workers visit people in their own homes. The delivery of the service to Lancashire residents is facilitated by a large number of contracts with external providers and agencies directly providing these schemes.

- The remaining statutory service is currently forecast to underspend by £0.372m. A full assessment in conjunction with the service consultation is underway to review the ongoing budget requirement. Where required extensions to contracts have been granted during 16/17 to ensure appropriate support during the transition period, the service is working towards a reduced service aimed at providing accommodation for homeless 16/17 year olds. The remaining service has close links to the Prevention and Early Help Fund and the aims of this funding stream.

The forecast for 2016/17 includes £9.355m contributions from reserves, for the continuation of the non-statutory services up to the end of March 2017 as per the agreed savings. It was originally anticipated and approved that £10.150m would be drawn down from reserves to support the transitional arrangements of this budget option however the reduced amount is required due to early delivery of savings.

In addition to this a contribution from reserves of £0.080m has been forecast in relation to the Preventing Homelessness Grant for Rossendale which we are awaiting proposals for before making payment.

3.2 Operations and Delivery – Children's Services

Ref	HEAD OF SERVICE	Approved Budget £m	Current Cabinet Forecast - QTR 2 £m	Current Cabinet Variance - QTR 2 £m	Previous Cabinet Variance - QTR 1 £m	Current Quarter Forecast Variance %
3.2.1	CHILDREN'S SERVICES	-0.622	-0.616	0.006	-0.001	-1%
3.2.2	SEN & DISABILITY	15.690	14.203	-1.487	-0.847	-9%
3.2.3	SAFEGUARDING INSPEC & AUDIT	9.376	7.607	-1.769	-1.888	-19%
3.2.4	ADOPTION & FOSTERING RESIDENTIAL AND YOT	26.134	25.438	-0.696	-0.659	-3%
3.2.5	CHILDREN SOCIAL CARE	64.719	82.455	17.736	15.261	27%
3.2.6	SCHOOL IMPROVEMENT	6.825	6.158	-0.667	-0.250	-10%
3.2.7	TRADED SERVICES (START WELL)	-2.700	-4.842	-2.142	-2.185	79%
	TOTAL - CHILDREN'S SERVICES	**119.422**	**130.403**	**10.981**	**9.433**	**9%**

The total net approved budget for Children's Services in 2016/17 is £119.422m. As at the end of September 2016, the service is forecast to overspend by £10.981m. An additional £5.000m was included in the 2016/17 budget following the Ofsted inspection in mid-2015/16.

3.2.2 Special Education Needs and Disability (SEND)

SEN and Disability is forecast to underspend by £1.487m in 2016/17.

- Children with Disabilities (CwD) Family Support is forecast to underspend by £0.188m based on spend to date.
- CwD Placements, which includes in-house fostering payments and residential and foster care placements with external providers, is forecast to underspend by £0.403m. Of this forecast underspend, £0.294m relates to in-house fostering payments and is in line with the outturn in 2015/16 and £0.109m to agency residential placements.
- Forecast underspends of £0.300m relate to budgeted increases in charges for SLA's with Health for Occupational Therapy and Speech and Language Services which are not expected to materialise in 2016/17. This has been adjusted for within the MTFS for future years.
- Underspends of £0.660m are forecast across a number of teams of which £0.426m relates to staff costs and £0.234m to non-staff costs.
- Overspends of £0.064m are forecast across a number of areas including Carers Services and SEN Traded Services

The service reported underspends of £0.847m at the end of Quarter 1, compared to the current forecast underspend of £1.487m, an additional forecast underspend of £0.640m, which largely relates to staff costs.

This forecast reflects the achievement of approved budget savings of £0.301m in 2016/17.

3.2.3 Safeguarding, Inspection and Audit

Safeguarding Inspection and Audit (SIA) is forecast to underspend by £1.769m in 2016/17, which relates to staff costs across the service, and in particular vacant posts covered by agency staff for which the costs are included within Children's Social Care. The cost of all agency staff recruited to social work related posts following the Ofsted inspection in 2015/16 and non-staff costs incurred in response to the Ofsted inspection, are recorded against the Children's Social Care budget in order to identify and track additional costs arising from the inspection.

There is no significant change to the forecast underspend reported to Cabinet at the end of Quarter 1.

The forecast includes the application of non-recurrent funding of £0.100m from the Strategic Investment Reserve to support the Early Response Service and £0.031m from the Lancashire Safeguarding Children's Board Reserve.

3.2.4 Adoption, Fostering Residential and YOT

Adoption, Fostering, Residential and YOT is forecast to underspend by £0.696m in 2016/17.

- Adoption Service is forecast to underspend by £0.553m. Underspends of £0.279m relates to staff costs and vacant posts many of which are covered by agency staff for which the costs are included within Children's Social Care. Forecast underspends of £0.211m relate to adoption allowances although forecast spend is largely in line with spend in 2015/16. This is offset by forecast underspends of £0.063m which relate to non-staff costs.
- Overnight Short Breaks Service (ONSB) is forecast to overspend by £0.087m based on spend to date, which largely relates to staff and premises costs and represents a partial non-delivery of savings in 216/17.
- Residential In-house Provision is forecast to overspend by £0.095m, which largely relates to staff costs.
- In-house Foster Care Allowances are forecast to underspend by £0.131m based on current demand levels. Of this forecast underspends of £0.212m relate to the fact that budget includes expected increases in allowances, however, In-house Foster Care Allowances have not increased in 2016/17 in line with national minimum weekly allowances, offset by higher than expected payments of £0.080m. The forecast shows an increase of £0.646m from the outturn in 2015/16 which largely reflects an increase of 36 (6.2%) in-house foster care placements from 535 in August 2015 to 571 in March 2016. Whilst numbers of in-house foster care placements have fallen by 5 since March 2016 to 566 in September 2016 these are still 5.4% higher in September 2016 than at the same time in 2015/16.
- Net underspends of £0.194m are forecast across a number of teams, of which underspends of £0.286m relate to staff costs in the In-house Fostering Service, SCAYT and the Adoption, Fostering, Residential and YOT Management Team, (some of which relate to posts covered by agency staff for which the costs are included within Children's Social Care), are offset by overspends of £0.092m on non-staff costs.

There is no significant change to the forecast underspend reported to Cabinet at the end of Quarter 1.

The budget for Adoption, Fostering, Residential and YOT includes approved budget savings of £0.956m in 2016/17. The forecast reflects the fact that some of the £0.642m savings for YOT are offset by the approved application of non-recurrent funding of £0.320m from the Transitional Reserve. The forecast reflects non-delivery of £0.087m of savings on ONSB Service and non-delivery of £0.005m of savings on Residential In-house Provision in 2016/17.

The forecast also includes the application of non-recurrent funding of £0.010m from the YOT – General Youth Offending Reserve.

3.2.5 Children's Social Care

Children's Social Care (CSC) is forecast to overspend by £17.736m in 2016/17.

- Overspends of £5.914m are forecast across Social Work Staff and Management CSC.
    - Overspends of £4.539m relate to staff costs (including car allowances) which includes agency staff covering vacant posts, additional temporary agency staff required for 12 months over 2016/17 and 2017/18 to increase capacity in children's social care and temporary workstarts required for 3 months to provide business support to Project Accuracy, in order to implement agreed actions detailed in the Lancashire Children's Services Improvement Plan following the Ofsted inspection. Of this £2.442m is offset by underspends on staff within Safeguarding, Inspection and Audit Service and Adoption Fostering, Residential and YOT Service as referred to earlier in this report. It is anticipated that this overspend will reduce following a recent recruitment campaign and a further planned recruitment campaign later in the year, as vacant posts are filled by permanent staff reducing the need to cover posts with agency staff which are more expensive.
    - Forecast overspends of £1.404m relate to a number of other expenses arising as a result of work undertaken in response the Ofsted inspection. Of the additional £5.000m included in the budget in 2016/17 following the Ofsted inspection, circa £4.400m, was budgeted to cover staff costs, with the remaining amount, circa £0.600m, budgeted to cover various non-staff costs, consultant and professional fees. The forecast includes one-off spend of £1.760m for Children's Social Care Referral and Assessment Service Framework, £0.168m for children in need assessments undertaken by an external social work provider in 2016/17 and £0.109m for consultant and professional fees.
    - Forecast underspends of £0.029m relate to various non staff costs

- Forecast overspends of £9.354m relate to agency residential placements. Placements have increased by 86 (64%) from 135 in November 2015 to 221 in September 2016. The forecast is based on available financial and activity information and assumes that placements will increase by 3.4% per month for the remainder of the financial year based on average increases in the last 3 months. Work is continuing as part of the 0 – 25 Programme Board to review the underlying reasons for increases in numbers of placements and to estimate likely future demand and review the impact of the County Council's budget. The capacity of a number of in-house residential units is limited due to the placement of young people with increasingly complex needs that require high staff to child ratio's to support. Consequently young people who would otherwise have been placed in these units have been placed with external providers. As at 30th September 2016 there were 13 vacancies within in-house residential units, albeit that 2 units are now operating as 2-3 rather than 6 bed units. It is likely that demand has been effected by work undertaken following the Ofsted inspection, although the pathway diagnostic work has already identified some potential for efficiencies which could reduce costs in the future without affecting levels of service delivery.

- Forecast overspends of £2.267m relate to agency fostering placements. Placements have increased by 56 (14%) from 392 in October 2015 to 448 in September 2016. The forecast is based on available financial and activity information and assumes that placements will increase by 1.3% per month for the remainder of the financial year based on average increases in the last 6 months. Again work is continuing as part of the 0 – 25 Programme Board to review the underlying reasons for increases in numbers of placements and to estimate likely future demand and review the impact of the County Council's budget.

- Forecast overspends of £0.813m relate to numbers of Special Guardianship Orders (SGO's) which continue to increase which is offset by underspends of £0.267m on Child Arrangement Orders (CAO's).

- Forecast underspends of £0.296m relate to financial assistance for care leavers.

- Further underspends of £0.049m relate to a number of items including DBS costs.

The service reported overspends of £15.261m at the end of Quarter 1, compared to the current forecast overspend of £17.736m, an additional forecast overspend of £2.475m which largely relates to agency residential placements.

The budget for Children's Social Care includes approved budget savings of £0.504m in 2016/17. The forecast reflects the fact that delivery of these savings which relate to CSC Placements and Social Worker Teams are delayed due to demand pressures. The forecast includes the following planned application of non-recurrent funding.

- Contribution of £0.275m from the Risk Management Reserve to cover the cost of the LCC Children's Priority Reporting on LCS contract with Newton's (Project Accuracy).
- Contribution of £0.200m from the Transitional Reserve to fund the cost of the Transformation of Children's Services Pathways in Lancashire Assessment/Diagnostic based on payments made to date.
- Contribution of £0.240m from the Former CYP DFM General Reserve to fund risk assessment training and models and quality assurance, auditing and training costs.

3.2.6 School Improvement

The service is currently holding vacancies awaiting the approval of its new structure whilst maintaining income levels which is resulting in a forecast underspend of £0.667m.

This budget has been reduced by £0.657m with the forecast incorporating that this saving will be achieved.

3.2.7 Traded Services (Start Well)

Traded Services are forecast to achieve a positive variance of £2.142m in 2016/17. This relates primarily to the maintenance of income levels within the School Catering Service in line with the 2015/16 outturn position that the service achieved. This also incorporates a saving target that is being achieved of £0.037m.

All other traded services are reporting a nil variance to their budget, however it is important to note that this includes the achievement of savings of £0.387m and will be reviewed once new academic year underway as this will affect forecast income levels in the majority of the service areas.

3.2 Operations and Delivery – Community Services

Ref	HEAD OF SERVICE	Approved Budget £m	Current Cabinet Forecast - QTR 2 £m	Current Cabinet Variance - QTR 2 £m	Previous Cabinet Variance - QTR 1 £m	Current Quarter Forecast Variance %
3.3.2	CUSTOMER ACCESS	3.779	3.222	-0.557	-0.135	-15%
3.3.3	COMMUNITY SERVICES	0.126	0.126	0.000	0.000	0%
3.3.4	HIGHWAYS	21.268	21.095	-0.173	-0.291	-1%
3.3.5	LIBRARIES MUSEUMS CULTURE & REGISTRARS	9.698	10.014	0.316	0.377	3%
3.3.6	PUBLIC & INTEGRATED TRANSPORT	42.100	42.694	0.594	-0.111	1%
3.3.7	WASTE MGT	57.269	61.174	3.905	2.442	7%
	TOTAL - COMMUNITY SERVICES	**134.240**	**138.325**	**4.085**	**2.282**	**3%**

The total net approved budget for Community Services in 2016/17 is £134.240m. As at the end of September 2016 the service is forecast to overspend by £4.085m.

3.3.2 Customer Access

Customer Access is forecast to underspend by £0.557m in 2016/17. Forecast underspends of £0.398m relate to staff vacancies and £0.185m is attributable to the over recovery of income, offset by forecast overspends of £0.026m on non-staff costs. Delays in recruiting to vacant posts could lead to further underspends and these will be kept under review over the coming months.

The service reported underspends of £0.135m at the end of Quarter 1 compared to the current forecast underspend of £0.557m, an additional forecast underspend of £0.422m as a result of staff vacancies and increased income. The forecast reflects the achievement of approved budget savings of £0.234m in 2016/17.

3.3.4 Highways

The service is forecast to underspend by £0.173m.

- A positive variance is forecast due to additional income of £0.472m across highways on the permit scheme which includes traffic regulation orders and charges to utilities companies for breaching codes of practice, delays in work and road closures. Additional income was seen in the 2015/16 outturn position and as a result, part of the savings strategy was to increase these income targets in the 2016/17 budget. However, these targets are likely to be exceeded during the course of the year. This is largely due to fee increases and the fact that these fee increases have not resulted in a significant reduction in utilities companies' activity.

- This underspend has been partly offset by a £0.299m pressure on parking services due to a forecast reduction in parking income. This is being reviewed with the service as to the causes and whether this may represent a continuing pressure into future years.

- The service is forecast to spend the agreed highways maintenance and drainage budget within year.

- Staff time charged to capital schemes is significantly lower than expected however this is not shown as a pressure as it is believed the new time recording system has not been fully engaged with and therefore a catch up of actual chargeable time needs addressing by services using the system.

There is no significant change to the forecast underspend reported to Cabinet at the end of Quarter 1.

The budget for Highways includes approved budget savings of £3.210m in 2016/17, the forecast reflects the fact that these savings are on track to be delivered in full in 2016/17 therefore the approved application of non-recurrent reserve funding of £1.404m from the Transitional Reserve in 2016/17 to support the service as it works towards delivering these savings is not required.

3.3.5 Libraries, Museums, Culture and Registrars

Libraries, Museums, Cultural Services and Registrars (LMCR) is forecast to overspend by £0.316m in 2016/17.

- Cultural Services Museums is forecast to overspend by £0.505m. It is forecast that it will cost £0.608m to run Museums in 2016/17 after applying non-recurrent funding of £0.500m from the Transitional Reserve. It anticipated that the County Council will have to meet some full year costs for the 5 museums which closed from October 2016, retain collections staff to assist with the closure of museums and relocation of collections beyond October 2016 and will incur some one-off costs to prepare museums for transfer. Of the 5 museums which have closed negotiations are underway to transfer 3 of the museums to other organisations by 31st December 2016 and the future of 2 museums is still to be determined. Following the closure and transfer of all the 5 museums it is expected that the remaining museums will be self-financing, including covering costs associated with collections, with the exception of Gawthorpe Hall for which there is a recurring annual budget to cover running costs. Given that negotiations are ongoing to transfer 3 museums to other organisations and the future of 2 museums is still to be determined the forecast position may change over the coming months as further decisions are made and transfer arrangements confirmed.
- County Libraries is forecast to overspend by £0.128m which relates to non-delivery of previously agreed savings and is a reduction in the forecast overspend of £0.171m from that reported to Cabinet at the end of Quarter 1. The forecast includes the application of non-recurrent funding of £1.608m from the Transitional Reserve. The forecast reflects the closure of 22 libraries on 30th September 2016 and that these buildings will be cleared and/or transferred by 30th December 2016, and assumes the restructure will be implemented from February 2017. The future of a number of other libraries is still under consideration and the exact timescales for the closure, transfer and transition to satellites of a number of other libraries is still to be confirmed. Consequently the forecast for 2016/17 may change over the coming months as further decisions are made and closure, transfer and transition arrangements are confirmed.

- Underspends of £0.317m relate to the remainder of the service which includes Archives, Conservation, Heritage and Arts, Museum School Service, Support and Development and Registration Service. The forecast includes the application of non-recurrent funding of £0.487m from the Transitional Reserve. Underspends of £0.170m relate to staff costs and £0.154m to non-staff costs, offset by under-recovery of income of £0.007m.

Overall there is no significant change to the forecast underspend reported to Cabinet at the end of Quarter 1.

The budget for Libraries, Museums, Culture and Registrars includes approved budget savings of £5.808m in 2016/17. The forecast reflects the fact that £2.580m of savings have been achieved, £0.633m will not be achieved in 2016/17 and £2.595m of savings are offset by the approved application of non-recurrent reserve funding from the Transitional Reserve in 2016/17 (see below) to support the service as it transitions and works towards delivering these savings.

The forecast includes the following approved application of non-recurrent funding from the Transitional Reserve.

- Contribution of £0.500m from Transitional Reserve to cover the cost of operating 5 museums which closed on 30th September 2016.
- Contribution of £0.347m from Transitional Reserve to cover the continuation of Arts Grants to outside bodies within the Heritage and Arts Service.
- Contribution of £0.140m from the Transitional Reserve to cover staff costs within Cultural Services Support and Development.
- Contribution of £1.608m from the Transitional Reserve to fund transition costs as the County Library Service downsizes.

The forecast also includes the following planned application of non-recurrent funding from reserves.

- Contribution of £0.010m from the Queen St Engine Repair Fund.
- Contribution of £0.001m from the Lancaster City General Acquisitions Fund.
- Contribution of £0.011m from the Former Adults Directorate Grant Funded Reserve to fund a creative writing programme.
- Contribution of £0.020m from the Former Adults Directorate Grant Funded Reserve to fund a Borrowbox scheme.

3.3.6 Public & Integrated Transport

Public and Integrated Transport is forecast to overspend by £0.594m in 2016/17.

- Public Transport Initiatives is forecast to overspend by £0.879m. Of this overspends of £0.932m relate to lower than originally estimated sales from the Todmorden Curve New Rail Scheme. Whilst demand levels (passenger numbers) appear to be in line with the ramp up period predictions, revenues are lower than expected due to discounted fares with student rather than commuter full price fares accounting for the bulk of sales. The forecast is based on current levels of fare revenue and reflects the fact that franchised payments to Northern Rail are largely fixed. This is offset by underspends of £0.053m on Heysham Park and Ride which is due to open in October 2016 but for which there is a full year budget provision in 2016/17.

- Integrated Transport Travelcare is forecast to overspend by £1.279m. Savings of £2.499m were approved at Full Council in February 2016 in relation to ceasing the provision of free travel to day care from September 2016. It has been possible to redesign the service to deliver savings of £1.170m in 2016/17 from September 2016 and £2.006m in future years, resulting in a partial non-delivery of savings of £0.489m, of which £0.389m relates to staff costs and £0.100m to non-staff costs.

  Savings of £2.200m approved in previous years relate to transport for children and young people with special educational needs (SEN). Of these £0.500m of savings relating to staff have been achieved. Delivery of the remaining savings of £1.700m are delayed and these will not be delivered until September 2017 at the earliest. However, this is offset by additional income of £1.000m which has not been budgeted for in 2016/17 or previous years, resulting in an in year underspend. The budget has been adjusted for this additional income in the MTFS from 2017/18. Other overspends of £0.090m relate to a number of other smaller items across the service.

- Public Transport Concessionary Travel is forecast to underspend by £0.859m, due to changes in eligibility criteria relating to pensionable age (increased from 60 to 65) and a general decline in take up.

- Public Transport School Transport is forecast to underspend by £0.176m. The agreed saving of £0.282m in 2016/17 is not achievable in the way originally planned because denominational transport services cannot cease until September 2017 at the earliest. However, the impact of this has been off-set by actual price inflation being lower than estimated price inflation applied to the 2016/17 budget in the MTFS, lower forecast bus operator costs in real terms than in 2015/16 and an over accrual that took place at the end of 2015/16.

- Public Transport Bus Stations, Interchanges and Information Centres are forecast to underspend by £0.225m. The forecast underspend is non-recurring and relates to Accrington Bus Station. Whilst there is a budget for Accrington Bus Station (Pennine Reach) in 2016/17, this has now been superseded by the introduction of departure fees as the service moves towards all bus stations operated or supported by the County Council becoming self-financing in order to deliver agreed savings and therefore this budget has been removed in the MTFS from 2017/18. The forecast does, however, include the use of £0.587m of Bus Service Operators Grant (BSOG) which it was not anticipated the County Council would receive in 2016/17 following the cessation of the majority of tendered network bus services, to cover the in-year shortfall arising from the phased introduction of departure fees at bus stations over a 2 year period from 2016/17.

- Community transport and tendered network bus services are forecast to underspend by £0.246m, which relates to contracts with bus operators and recharges for Travelcare vehicles.

- Forecast underspends of £0.058m relate to other areas including Fleet Services.

The service reported underspends of £0.111m at the end of Quarter 1, compared to the current forecast overspend of £0.594m, which relates to a number of areas. An increase in forecast overspends of £0.790m relates to Integrated Transport Travelcare and SEN transport, £0.239m to concessionary travel and changes in forecast passenger numbers, and £0.106m to School Transport. This is offset by a decrease in forecast of £0.319m on community transport and tendered network bus services.

The budget for Public and Integrated Transport includes approved budget savings of £15.133m in 2016/17, whilst the forecast reflects the fact it is not anticipated that all savings will be made in year (as discussed above) and some savings are offset by the application of non-recurrent reserve funding of £0.836m from the Transitional Reserve in 2016/17 (see below) to support the service as it transitions and works towards delivering these savings.

The forecast includes the following planned application of non-recurrent funding from reserves.

- Contribution of £1.042m from the Transitional Reserve to fund the cost of transport to day centres.
- Contribution of £0.500m from the Strategic Investment Reserve to cover the travel costs for young people not in education, employment or training (NEET).
- Contribution of £0.089 from the Transitional Reserve to cover the naval architecture fees employed to carry out a feasibility study on and valuation of the Knott End Ferry and revenue costs in 2016/17 (as approved by Management Team).
- Contribution of £0.977m of Bus Service Operators Grant (BSOG) to transport reserves to be used to fund shortfalls in 2017/18 arising from the phased introduction of departure charges at bus stations.

3.3.7 Waste Management

Waste Management is forecast to overspend by £3.905m in 2016/17.

Forecast overspends of £1.841m can be attributed to assumptions made in the MTFS which have not materialised. In addition, an increase in residual waste arisings of 4% is being forecast (compared to increases of 1% previously assumed) resulting in forecast overspends of £1.762m and the forecast one-off cost of landfilling unprocessed residues after closure of the reactors (as required to deliver agreed savings) is £0.724m. These are offset by forecast savings of £1.760m from sending waste to be recycled at a lower cost and forecast underspends of £0.289m on green waste such as garden waste composting where work with district councils to remove food waste from garden waste collections has been completed allowing in year reductions in gate prices. Forecast overspends of £1.627m include the high cost of insurance premiums at the waste recovery parks which continue to put pressure on the waste budget.

The service reported overspends of £2.442m at the end of Quarter 1, compared to the current forecast overspend of £3.905m, an additional forecast overspend of £1.463m, which is in relation to the one-off cost of landfilling unprocessed residues from the reactors and a fall in anticipated tonnage of RDF offtakes.

The budget for Waste Management includes approved budget savings of £20.337m in 2016/17, whilst the forecast reflects the fact that some savings are offset by the approved application of non-recurrent funding of £10.258m from the Transitional Reserve to cover the costs of payments to District Councils under cost sharing arrangements and £7.750m also from the Transitional Reserve to cover transition costs associated with the transformation of the waste company.

The forecast also includes the planned application of non-recurrent reserves funding of £1.071m from the Waste Plant Rectification Reserve to cover part of Blackpool Council's contribution to waste costs and £0.114m from the Waste General Reserve.

3.3 Operations and Delivery – Public Health and Wellbeing Services

Ref	HEAD OF SERVICE	Approved Budget £m	Current Cabinet Forecast - QTR 2 £m	Current Cabinet Variance - QTR 2 £m	Previous Cabinet Variance - QTR 1 £m	Current Quarter Forecast Variance %
3.4.1	PUBLIC HEALTH & WELLBEING	-73.727	-71.783	1.944	1.949	-3%
3.4.2	PATIENT SAFETY & QUALITY IMPROVEMENT	4.832	4.591	-0.241	-0.189	-5%
3.4.3	HEALTH EQUITY WELFARE & PARTNERSHIPS	9.399	9.399	0.000	0.000	0%
3.4.4	WELLBEING PREVENTION & EARLY HELP	83.879	84.114	0.235	0.673	0%
3.4.5	EMERGENCY PLANNING & RESILIENCE	1.224	1.115	-0.109	-0.533	-9%
3.4.6	TRADING STANDARDS & SCIENTIFIC SERVICES	2.978	3.187	0.209	0.099	7%
3.4.7	DEPUTY DIR PUBLIC HEALTH & CONSULTANTS	0.301	0.170	-0.131	-0.140	-43%
	TOTAL - COMMUNITY SERVICES	**28.886**	**30.793**	**1.907**	**1.859**	**7%**

The total net revised budget for Public Health & Wellbeing Services in 2016/17 is £28.886m. As at the end of September 2016, the service is forecast to overspend by £1.907m.

3.4.1 Public Health & Wellbeing

The overspend reported at £1.944m is largely due to a reduction in the Public Health grant amounting to £1.925m. These grant reductions continue into 2017/18 and have been highlighted and adjusted for within the revised MTFS.

There is no significant change to the forecast underspend reported to Cabinet at the end of Quarter 1.

3.4.2 Patient Safety & Quality Improvement

This service is forecast to underspend by £0.241m as a result of staffing underspends and the delayed restructure of the service.

There is no significant change to the forecast underspend reported to Cabinet at the end of Quarter 1.

The budget for Patient Safety & Quality Improvement includes approved budget savings of £0.788m in 2016/17 which are on track to be delivered through contract reductions and staff restructuring.

The forecast includes the following planned application of non-recurrent funding:

- Contribution of £0.165m from the Public Health Reserve in relation to the Steady On falls prevention strategy.
- Contribution of £0.276m from the Transitional Reserve in relation to building resilience.

- Contribution of £0.153m from the Transitional Reserve utilising the Section 256 monies on agreed activities.

3.4.3 Health Equity, Welfare & Partnerships

There is no variance forecast against the service budget. There is no change to the forecast underspend reported to Cabinet at the end of Quarter 1.

The budget for Health Equity, Welfare & Partnerships includes approved budget savings of £2.852m in 2016/17 which are all on track for delivery.

The forecast includes the following planned application of non-recurrent funding.

- Contribution of £0.952m from reserves in relation to the Domestic Abuse strategy to continue this service up to the end of March 2017. This is part funded from the Crime and Disorder reserve £0.714m and part funded from the Transitional reserve £0.238m.
- Contribution of £1.000m to the Transitional Reserve in relation to the Prevention & Early Help Fund to facilitate services for care leavers and young people who are homeless into 2017/18 from the underspend of this £3.000m fund in 2016/17.

3.4.4 Wellbeing, Prevention & Early Help

An overall overspend of £0.235m has been forecast for the service.

- The Public Health General budget has experienced a delay in ceasing the Homestart contract £0.170m earmarked to end March 2016 as part of the agreed savings (BOP 48) however this activity aligns with the 0-19 service recommissioning and has therefore been extended to March 2017 to coincide with this full reprocurement of services. There has also been a delay in the substance misuse saving strategy causing an in year pressure of £0.911m. These pressures are partly offset by the early delivery of agreed savings (BOP 33) of £0.503m in year in Children's services as the service redesign moves forward and by underspends in the Sexual Health contract forecast currently at £0.343m.
- The Public Health Combined Offer budget is forecasting that the underspend seen in 2015/16 will continue into 2016/17 meaning a reduced requirement from reserves to fund the service in its transition year.
- Troubled Families is forecast to exceed its original income target, and this has again meant that the in-year requirement from reserves to fund the service in its transition year have reduced further. Payment by results income has now been built into the 2016/17 monitoring position against 320 families.

The service reported overspend of £0.673m at the end of Quarter 1, compared to the current forecast overspend of £0.235m, a reduction in the forecast overspend of £0.438m through additional savings in the Sexual Health and Children, Young People contacts.

The budget for Wellbeing, Prevention & Early Help includes budget reductions of £9.688m in 2016/17 but offsetting these savings is an approved drawdown from the transitional reserve of £4.755m. However due to early delivery of savings of the Public Health Combined Offer and the additional troubled families monies only £0.500m has been drawn down from the transitional reserve to support the Wellbeing & Prevention Service Offer.

The forecast includes the following planned application of non-recurrent funding amounting to £1.343m.

- Contribution of £0.500m from the transitional reserve to support ongoing CAMHS activities.
- Contribution of £0.126m from the Public Health reserve for Affordable Warmth payments agreed in 2015/16.
- Contribution of £0.111m from the Public Health reserve for small grants YPS
- Contribution of £0.079m from the Public Health reserve for Healthy Lifestyles project work.
- Contribution of £0.038m from the Public Health reserve for suicide prevention training.
- Contribution of £0.489m from the working together with families reserve for planned workforce development and transition work.

3.4.5 Emergency Planning & Resilience

An underspend of £0.109m has been forecast for the service.

This is due to the over-delivery of income against current targets for Health & Safety work. This income stream is being explored further as part of the services zero based budget review to ensure the fees and budget are set at the correct level going forward.

The service reported underspends of £0.533m at the end of Quarter 1, compared to the current forecast underspend of £0.110m, a reduction in the forecast underspend of £0.423m, this reduction is due to income surpluses from the previous year being transferred to reserves rather than reported in the revenue position.

The budget for Emergency Planning & Resilience includes approved budget savings of £0.088m as part of the Health and Safety traded service which are on track to be delivered.

3.4.6 Trading Standards & Scientific Services

An overspend of £0.209m has been forecast for the service.

- Overall, Scientific Services are reporting £0.195m shortfall on income levels made up of: a £0.085m reduction on FSA Foods grant, and £0.070m related to the transfer of the asbestos function from Design & Construction where there was no budget provision for the related costs of sampling this work. Design & Construction were able to absorb this pressure within their overall budget, however Scientific Services have no capacity to do this, and have inherited a pressure on their budget. The other income targets show a £0.040m pressure and the remaining small variance of £0.014m is in relation to increased rates at the Laboratory.

A variance of £0.099m was reported at the end of Quarter 1.

The budget for Trading Standards & Scientific Services includes approved budget savings of £0.363m to be achieved as part of the current restructure.

The forecast includes the following planned application of non-recurrent funding.

- Contribution of £0.060m from equipment renewal reserve for the purchase of food testing/analysis equipment for Scientific Services.
- Contribution of £0.057m from improved outcomes reserve reinvesting crime proceeds into local crime reduction initiatives delivered via the service.

3.4.7 Deputy Dir Public Health & Consultants

This service is forecast to underspend as a result of staffing savings of £0.131m within the management structure due to consultant vacancies and delayed utilisation of this funding in the service staffing redesign.

There is no significant change to the forecast overspend reported to Cabinet at the end of Quarter 1.

3.5 Development and Corporate Services

Ref	HEAD OF SERVICE	Approved Budget £m	Current Cabinet Forecast - QTR 2 £m	Current Cabinet Variance - QTR 2 £m	Previous Cabinet Variance - QTR 1 £m	Current Quarter Forecast Variance %
3.5.1	DEVELOPMENT AND CORPORATE SERVICES	0.171	0.171	0.000	0.000	0%
3.5.2	LANCASHIRE ADULT LEARNING	-0.075	-0.105	-0.030	0.000	-40%
3.5.3	CORPORATE SERVICES	0.108	0.108	0.000	0.000	0%
3.5.4	CORE BUSINESS SYSTEMS TRANSFORMATION	23.993	23.903	-0.090	-0.039	0%
3.5.5	FACILITIES MGT	5.350	6.218	0.868	0.591	16%
3.5.6	HUMAN RESOURCES	1.035	0.925	-0.110	0.000	-11%
3.5.7	ECONOMIC DEVELOPMENT	0.190	0.190	0.000	0.000	0%
3.5.8	BUSINESS GROWTH	0.080	0.080	0.000	0.000	0%
3.5.9	LEP COORDINATION	0.000	0.064	0.064	0.064	100%
3.5.10	STRATEGIC ECONOMIC DEVELOPMENT	0.235	0.080	-0.155	0.000	-66%
3.5.11	PROGRAMMES & PROJECT MGT	0.119	0.119	0.000	0.000	0%
3.5.12	DESIGN and CONSTRUCTION	-2.219	-2.150	0.069	-0.131	3%
3.5.13	ESTATES	1.552	1.552	0.000	0.000	0%
3.5.14	PLANNING AND ENVIRONMENT	1.459	1.189	-0.270	-0.402	-19%
3.5.15	PROGRAMME OFFICE	-0.073	-0.073	0.000	0.000	0%
3.5.16	SKILLS LEARNING & DEVELOPMENT	3.173	3.026	-0.147	0.000	-5%
	TOTAL - DEVELOPMENT AND CORPORATE	**35.098**	**35.297**	**0.199**	**0.083**	**1%**

The total net revised budget for Development and Corporate Services in 2016/17 is £35.098m. As at the end of September 2016 the service is forecast to overspend by £0.199m.

3.5.2 Lancashire Adult Learning

No significant variance from budget is forecast for Lancashire Adult Learning in 2016/17 and there is no significant change to the forecast reported to Cabinet at the end of Quarter 1.

The forecast includes the planned application of non-recurrent funding of £0.030m from the Lancashire Adult Learning Reserve to cover the cost of back dated pay awards for lecturer staff, £0.007 to cover the costs of Skills funding Agency grant clawback for ESF Programmes from 2007 to 2013 and £0.005m for costs relating to projects dating back to 2014/15.

3.5.4 Core Business Systems/Transformation

No significant variance from budget is forecast for Core Business Systems/Transformation in 2016/17 and there is no significant change to the forecast reported to Cabinet at the end of Quarter 1.

The budget for Core Business Systems/Transformation includes approved budget savings of £0.592m. The forecast reflects the achievement of savings and whilst £0.175m of non-recurrent funding from the Transitional Reserve in 2016/17 was approved, in year underspends has meant that this will not be required.

3.5.5 Facilities Management

The service is forecast to overspend by £0.868m in 2016/17.

- Forecast overspends of £0.457m relate to delays in delivering savings as a result of the impact of the property strategy and a number of properties transferred to Facilities Management for which there is insufficient budget.
- Forecast overspends of £0.334m relate to Staff and Civic Catering which are largely due to partial non-delivery of 2015/16 savings on Woodlands and non-delivery of 2015/16 and 2016/17 savings on Reflections. The financial position of both Woodlands and Reflections will need to be considered as part of the combined conferencing and catering service at County Hall once Woodlands closes.
- Forecast overspends of £0.077m relate to the non-delivery of service offer savings and changes to the opening hours of County Hall which will not now go ahead.

The service reported underspends of £0.591m at the end of Quarter 1 compared to the current forecast underspend of £0.868m, an additional forecast overspend of £0.277m, which relates largely to ongoing security costs for buildings which have closed and which were not reflected in previous forecast.

The budget for Facilities Management includes approved budget savings of £0.286m and progress in delivering savings is referred to above.

3.5.6 Human Resources

Human Resources is forecast to underspend by £0.110m in 2016/17.

A positive variance to budget of £0.350m relates to additional income following the transition to operate on a traded basis during 2015/16 and forecast underspends of £0.058m relate to staff costs. This is offset by overspends against budgeted use reserves and reflects the fact that in year underspends have reduced the need to draw down reserves.

No variance from budget was reported by the service at the end of Quarter 1, compared to the current forecast underspend of £0.110m.

The budget for Human Resources includes approved budget savings of £0.289m. Whilst £0.371m of non-recurrent funding from the Transitional Reserve in 2016/17 was approved, in year underspends has meant that this will not be required.

3.5.7 Economic Development

This service is forecast to break-even in 2016/17. This incorporates a saving of £0.650m that was approved, however it was also approved that this would be offset by funding from the transitional reserve of £0.650m in 2016/17.

3.5.12 Design and Construction

Design and Construction is forecasting a negative variance to budget of £0.069m in 2016/17 which relates to under recovery of income and is largely due to delays in on property related projects.

The service reported underspends of £0.131m at the end of Quarter 1 compared to the current negative variance of £0.069m, an additional £0.200m which relates to under recovery of income.

The forecast reflects the achievement of approved budget savings of £0.220m in 2016/17 and includes the planned application of non-recurrent reserves funding of £6.210m from the Schools Prop Reserve to cover the cost of schools repairs and maintenance.

3.5.13 Estates

No variance from budget is forecast for Estates in 2016/17 and there is no change to the forecast reported to Cabinet at the end of Quarter 1.

The forecast reflects the achievement of approved budget savings of £0.067m in 2016/17.

3.5.14 Planning and Environment

Planning and Environment is forecast to achieve a positive variance of £0.270m in 2016/17, which relates to overachievement of income by the Master Planning Team.

The service reported underspends of £0.402m at the end of Quarter 1 compared to the current positive variance of £0.270m, a reduction of forecast underspend of £0.132m.

The budget for Planning and Environment includes approved budget savings of £1.016m and the forecast reflects the approved application of non-recurrent funding of £0.305m from the Transitional Reserve to cover the cost of the phased reduction in countryside services.

The forecast also includes the planned application of non-recurrent funding of £0.022m from the Waste PFI Compensation Payments Reserve to recompense Farington residents for odour issues.

3.5.15 Programme Office

No variance from budget is forecast for Programme Office in 2016/17. The forecast includes savings of £2.590m with the planned application of non-recurrent reserves funding of £0.831m from the Transitional Reserve to cover staff costs.

3.5.16 Skills, Learning and Development

Skills, Learning and Development is forecast to underspend by £0.147m in 2016/17, which largely relates to the staff costs within the Employment Support Service.

No variance from budget was reported by the service at the end of quarter 1, compared to the current forecast underspend of £0.147m.

The budget for Skills, Learning and Development includes approved budget savings of £0.646m in 2016/17. Whilst £1.013m of non-recurrent funding from the Transitional Reserve in 2016/17 was approved, in year underspends and early deliver of savings has meant that this will not be required in 2016/17.

The forecast includes the following planned application of non-recurrent funding from reserves.

- Contribution of £0.287m from the Strategic Investment Reserve to cover the costs of the Ex Service Personnel Mentoring in Schools.
- Contribution of £0.304m from the Strategic Investment Reserves to cover the costs of promoting sustainable employment for young people.
- Contribution of £0.060m from the Former CYP DFM General Reserve to fund risk assessment training and models and quality assurance, auditing and training costs.
- Contribution of £0.050m from the Former Adults Directorate Grant Funded Reserve relating to North Lancashire Carers.
- Contribution of £0.177m from the Transitional Reserve to cover the cost of approved apprentices and graduates programme.

3.6 Commissioning Services

Ref	HEAD OF SERVICE	Approved Budget £m	Current Cabinet Forecast - QTR 2 £m	Current Cabinet Variance - QTR 2 £m	Previous Cabinet Variance - QTR 1 £m	Current Quarter Forecast Variance %
3.6.1	COMMISSIONING	0.163	0.163	0.000	0.000	0%
3.6.2	CORPORATE COMMISSIONING	0.136	0.136	0.000	0.000	0%
3.6.3	ASSET MGT	15.438	15.401	-0.037	0.000	0%
3.6.4	POLICY INFO & COMMISSION AGE WELL	0.528	0.528	0.000	0.000	0%
3.6.5	POLICY INFO & COMMISSION LIVE WELL	0.506	0.512	0.006	0.000	1%
3.6.6	POLICY INFO & COMMISSION START WELL	0.432	0.450	0.018	0.000	4%
3.6.7	PROCUREMENT	1.271	1.271	0.000	0.000	0%
3.6.8	BUSINESS INTELLIGENCE	0.809	0.809	0.000	0.000	0%
3.6.9	FINANCIAL RESOURCES	0.113	0.113	0.000	0.000	0%
3.6.10	EXCHEQUER SERVICES	2.530	2.230	-0.300	-0.300	-12%
3.6.11	FINANCIAL MGT (DEVELOPMENT AND SCHOOLS)	0.424	0.324	-0.100	-0.100	-24%
3.6.12	FINANCIAL MGT (OPERATIONAL)	1.793	1.743	-0.050	-0.050	-3%
3.6.13	OFFICE OF THE POLICE AND CRIME COMMISSIONER	-0.015	-0.015	0.000	0.000	0%
3.6.14	CORPORATE FINANCE	6.374	6.324	-0.050	-0.050	-1%
3.6.15	GOVERNANCE FINANCE & PUBLIC SERVICES	0.139	0.139	0.000	0.000	0%
3.6.16	CORONER'S SERVICE	2.472	2.790	0.318	0.095	13%
3.6.17	INTERNAL AUDIT	0.528	0.588	0.060	0.000	11%
3.6.18	LEGAL AND DEMOCRATIC SERVICES	13.034	12.334	-0.700	-0.426	-5%
3.6.19	LEGAL DEMOCRATIC & GOVERNANCE	0.101	0.101	0.000	0.000	0%
	TOTAL - COMMISSIONING	**46.776**	**45.941**	**-0.835**	**-0.831**	**-2%**

The total net revised budget for Commissioning Services in 2016/17 is £46.776m. As at the end of September 2016 the service is forecast to underspend by £0.835m.

3.6.3 Asset Management

No significant variance from budget is forecast for Asset Management in 2016/17 and there is no significant change to the forecast reported to Cabinet at the end of Quarter 1.

The budget for Asset Management includes approved budget savings of £0.391m in 2016/17 which is offset by the application of non-recurrent reserve funding of £0.341m from the Transitional Reserve. Whilst use of £0.341m was originally approved, vacancies and early delivery of savings has meant that this will not be required in 2016/17.

The forecast also includes a contribution from the Schools PFI Reserves of £0.070m and a contribution to the PFI BSF Reserve of £0.560m to fund BSF PFI costs over the life of the PFI contracts and the planned application of £0.727m from the Former OCE General Reserve to cover the cost of repairs and maintenance works.

3.6.4 Policy, Information and Commissioning Age Well
3.6.5 Policy, Information and Commissioning Live Well
3.6.6 Policy, Information and Commissioning Start Well

No significant variance from budget is forecast for the Policy, Information and Commissioning Teams for Start Well, Live Well and Age Well in 2016/17 and there is no significant change to the forecast reported to Cabinet at the end of Quarter 1.

The budget for Policy, Information and Commissioning includes approved budget savings of £1.337m in 2016/17 which is offset by the application of non-recurrent reserve funding of £0.856m from the Transitional Reserve. Whilst use £1.337m was originally approved, vacancies and early delivery of savings has meant that only £0.856m will be required.

3.6.7 Procurement

No variance from budget is forecast for Procurement in 2016/17 and there is no change to the forecast reported to Cabinet at the end of Quarter 1.

The budget for Procurement includes approved budget savings of £0.416m in 2016/17, which is offset by the application of non-recurrent reserves funding of £0.039m from the Transitional Reserve. Whilst use of £0.416m was originally approved, vacancies and early delivery of savings has meant that only £0.039m will be required in 2016/17.

3.6.8 Business Intelligence

No variance from budget is forecast for Business Intelligence in 2016/17 and there is no change to the forecast reported to Cabinet at the end of Quarter 1.

The budget for Business Intelligence includes approved budget savings of £0.555m in 2016/17, which is offset by the application of non-recurrent reserves funding of £0.271m from the Transitional Reserve. Whilst use of £0.472m was originally approved, vacancies and early deliver of savings has meant that only £0.271m will be required in 2016/17.

3.6.9 Financial Resources
3.6.10 Exchequer Services
3.6.11 Financial Management (Development and Schools)
3.6.12 Financial Management (Operational)
3.6.13 Office of the Police and Crime Commissioner Treasurer
3.6.14 Corporate Finance

Financial Resources (covering all of the above services) is forecast to underspend by £0.500m in 2016/17, which relates to staff vacancies.

There is no change to the forecast reported to Cabinet at the end of Quarter 1.

The forecast reflects the achievement of approved budget savings of £0.911m in 2016/17 and includes the application of £0.060m from the Former CYP DFM General Reserve to cover the cost of ICT developments and £1.830m of from the Former Corporate DFM Reserves.

3.6.16 Coroners

Coroners Service is forecast to overspend by £0.318m in 2016/17 which relates to SLA's with other Local Authorities, various fees for services provided (toxicology, pathology, mortuary fees, etc.) as a result of demand led pressures and coroner related staff costs.

The service reported overspends of £0.095m at the end of quarter 1 compared to the current forecast overspend of £0.318m, an additional forecast overspend of £0.223m.

3.6.17 Internal Audit

No significant variance from budget is forecast for Internal Audit in 2016/17 and there is no significant change to the forecast reported to Cabinet at the end of Quarter 1.

3.6.18 Legal and Democratic Services

Legal and Democratic Services is forecast to underspend by £0.700m in 2016/17.

- Member Grants is forecast to underspend by £0.156m which relates to members expenses and development.
- Legal Services is forecast to underspend by £0.429m of which £0.441m relates to staff costs and £0.066m to non-staff costs including printing and legal fees, offset by overspends of £0.078m relating to under recovery of income across a number of income streams.
- Underspends of £0.115m relate to the remainder of the service which includes Democratic Services and management staff and largely relates to staff costs.

The service reported underspends of £0.426m at the end of quarter 1 compared to the current forecast underspend of £0.700m, an additional forecast underspend of £0.274m which relates to a decrease in forecast legal fees based on spend to date and a number of other smaller changes across the service.

The budget for Legal and Democratic Services includes approved budget savings of £0.286m in 2016/17, which is offset by the application of non-recurrent reserves funding of £0.022m from the Transitional Reserve. Whilst use of £0.135m in 2016/17 was originally approved, vacancies and early delivery of savings has meant that only £0.022m will be required in 2016/17.

The forecast also includes the application of non-recurrent funding of £0.049m of SEND Implementation/Reform Grant held on the Former CYP Directorate Grant Funded Reserve to cover the cost of a temporary SEN solicitor and a contribution to the County Council Elections reserve of £0.400m to fund the cost of future local elections.

3.7 Chief Executive Services

Ref	HEAD OF SERVICE	Approved Budget £m	Current Cabinet Forecast - QTR 2 £m	Current Cabinet Variance - QTR 2 £m	Previous Cabinet Variance - QTR 1 £m	Current Quarter Forecast Variance %
3.7.1	CHIEF EXECUTIVE	0.876	-2.284	-3.160	0.069	-164%
3.7.2	SERVICE COMMUNICATIONS	0.791	0.791	0.000	0.000	0%
3.7.3	LARGE SPECIFIC GRANTS TO SUPPORT THE AUTHORITY	-14.589	-14.589	0.000	0.000	0%
3.7.4	NON SERVICE ISSUES CORPORATE BUDGETS	43.848	13.540	-30.308	-6.708	-73%
3.7.5	BUSINESS SUPPORT	0.000	0.013	0.013	0.000	0%
	TOTAL - CHIEF EXECUTIVE	**30.926**	**-2.529**	**-33.456**	**-6.639**	**-109%**

The total net revised budget for Chief Executive in 2016/17 is £30.926m. As at the end of September 2016 the service is forecast to underspend by £33.588m.

The budget includes approved budget savings of £0.065m which has reduced the former contingencies budget to nil and is therefore not shown in the table above.

3.7.1 Chief Executive

Chief Executive is forecast to underspend by £3.160m in 2016/17 which relates to staff costs.

The service reported overspends of £0.069m at the end of Quarter 1 compared to the current forecast underspend of £3.160m, an additional forecast underspend of £3.229m. This is primarily as a result of virements following the realignment of staffing budgets across the County Council. The underspend relates to additional budget being allocated to this service area with no costs and is reported within the overall staffing forecast underspend across the County Council.

The budget for Chief Executive includes approved budget savings of £0.930m in 2016/17, which is offset by the approved application of non-recurrent reserves funding of £0.930m from the Transitional Reserve to cover staff costs (specifically Executive Directors, Directors and Executive Support).

The forecast also includes the application of non-recurrent funding of £1.033m from the Transitional Reserve to cover the cost of work being undertaken by PwC.

3.7.2 Service Communications

No significant variance from budget is forecast for Service Communications and there is no significant change to the forecast reported to Cabinet at the end of Quarter 1.

The budget for Service Communications includes approved budget savings of £0.829m in 2016/17, which is offset by the approved application of non-recurrent reserves funding of £0.452m from the Transitional Reserve. Whilst use £0.760m was originally approved, early delivery of savings has meant that only £0.452m will be required in 2016/17.

3.7.4 Non Service Issues Corporate Budgets

Non Service Issues Corporate Budgets is forecast to underspend by £30.308m in 2016/17.

- Forecast underspends of £2.432m relate to inherited liabilities and central employers costs. This forecast is a continuation of underspends reported in 2015/16 albeit currently forecast to be higher than the previous year's underspend.
- Strategic is forecast to underspend by £1.620m. The strategic budget funds an annual contribution to the City Deal of £1.295m and receives a contribution from reserves and capital (see below).
- Treasury Management is forecast to underspend by £26.256m. Of this £0.572m relates to MRP resulting from changes in the 2016/17 capital programme, £1.854m relates to forecast interest payable being lower than budgeted and the level of borrowings (net of shared investment scheme) reducing along with more favourable interest rates which has thereby reduced interest payable. A further positive variance of £24.574m relates to a forecast surplus on interest receivable largely due to gains incurred for the sale of core bonds and the volatility of markets since BREXIT, offsetting the reduction in interest receivable on sold bonds which was reflected in the budget. The ability to make a surplus on the sale of bonds generally arises as bond prices rise in reaction to economic uncertainty and monetary policy. The impact of external events can be shown by the weekly gains with some £15m of the gains coming in just three weeks as follows:

    - Some £9.2m of the gains arose in 2 weeks in early August. This followed the Bank of England announcing a package of measures to stimulate the economy based on concerns on the impact on the economy of Brexit. These measures include the purchase of UK corporate and government bonds thereby increasing the price of GILTS in particular.

    - A further £5.5m was generated in early October when markets reacted to Government announcements on the Brexit timetable and the potential of a so called hard exit which may involve not having free access to trade.

The forecast only includes those gains actually realised. This is a prudent approach because there is no guarantee that market movement will provide the opportunity for future gains. It must also be taken into account that there is actually a potential for some loss. Although the level of investments are kept within approved levels there is a possibility that some of them will need to be sold for liquidity purposes. If this was to be the case then any gain or loss generated would be dependent upon the market at the time of sale.

The gains achieved in recent years may indicate that the budget should include an additional estimated level of gain. However, in addition to the difficulty in predicting future market conditions there are a couple of other factors which need to be considered. Firstly, the ability for the County Council to have an investment portfolio is based on holding reserves and other cash backed accounts on the Balance Sheet. It has been well documented that it is estimated that the County Council is anticipating a significant reduction in these balances over the next two years. The Investment Strategy will need to be altered to meet the changes and it is reasonable to assume that the investment portfolio will then be much smaller. This significantly reduces the ability to generate gains.

The service reported underspends of £6.708m at the end of Quarter 1 compared to the current forecast underspend of £32.165m, an additional forecast underspend of £24.457m which largely relates to Treasury Management.

The forecast includes the planned application of non-recurrent of £18.286m from the Transitional Reserve and relates to the agreed application funds to support the shortfall in the County Council's revenue budget. This forecast also includes an agreed contribution from capital receipts of £5.000m under new flexibilities to support the revenue budget.

Appendix B

Money Matters
Financial Outlook for the County Council
Medium Term Financial Strategy as at 30th September 2016

Lancashire County Council

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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 2017/18 to 2020/21. The County Council is experiencing an ongoing period of unprecedented financial pressure as a result of the Government's extended programme of austerity combined with significant increases in demand for public services.

In September 2016 Cabinet received a report outlining the latest financial position facing Lancashire Council which covered the period 2017/18 – 2020/21 and estimated an estimated in year funding gap of £147.944m by the end of the 4 year period. The Council being forecast to have a cumulative deficit of £397.900m by the end of 2020/21.

This report provides an updated position following a review of the existing assumptions to reflect the most current information available. As a result of these reviews the funding gap has reduced to £146.133m, however the cumulative gap has increased to £411.209m as a result of a larger gap in earlier years. Whilst this appears positive overall, this improved position predominantly relates to the identification of further savings of £12.320m for 2017/18 and following years, which are offset by a number of factors, the most significant being the continuing increasing demand in Children's Social Care. It remains critical that the vast majority of newly identified savings and previously agreed savings are delivered fully and on time, as any delay or under delivery will further increase the financial gap.

The savings that are included cover savings identified as part of Zero Based Budget Review (ZBBR) process totalling of £6.320m in areas such as Design and Construction, Emergency Planning and Resilience and Legal and Democratic Services. In addition it has been identified as part of the detailed review of Adults Services that further savings (over the 4 year period) can be found relating to Learning Disability Remodelling (£4.800m) and in Financial Assessments (increased income) (£1.200m) through benefits maximisation.

1.2 Financial Overview 2017/18 – 2020/21
Under a separate Money Matters report the County Council's financial position for 2016/17 as at 30th September has been outlined (£13.271m forecast underspend). This is a significant improvement compared to the financial position reported to Cabinet in September, but is primarily the result of Treasury Management activities and the underlying position reflects increasing pressures on demand led budgets, particularly Children's Social Care.

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

The table below provides a detailed analysis and movements between the previously reported financial gap and the revised financial gap:

	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	Total £m
Spending Gap as reported to Cabinet September 2016	47.978	35.922	34.178	29.866	**147.944**
Add change to forecast of spending:					
Pay and Pensions	-0.054	0.721	0.886	-0.017	**1.536**
Price Inflation and Cost Changes	-0.253	0.636	0.697	-0.526	**0.554**
Service Demand and Volume Pressures	7.901	-0.268	-0.430	-0.088	**7.115**
Other	-1.794	0.309	0.301	0.276	**-0.908**
Undeliverable Savings	2.211	0.000	0.000	0.000	**2.211**
Re-profiled Savings	12.479	-9.022	-3.400	-0.057	**0.000**
Additional Savings	-8.120	-1.800	-1.200	-1.200	**-12.320**
Total change to forecast of spending	**12.372**	**-9.425**	**-3.146**	**-1.612**	**-1.811**
Funding	0.000	0.000	0.000	0.000	**0.000**
Total change to forecast of resources	**0.000**	**0.000**	**0.000**	**0.000**	**0.000**
Revised funding gap	**60.350**	**26.497**	**31.032**	**28.254**	**146.133**

Aggregated Funding Gap					**Total £m**
2017/18 (£m)	60.350	60.350	60.350	60.350	**241.400**
2018/19 (£m)		26.497	26.497	26.497	**79.491**
2019/20 (£m)			31.032	31.032	**62.064**
2020/21 (£m)				28.254	**28.254**
Total	**60.350**	**86.847**	**117.879**	**146.133**	**411.209**

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

The recent PwC report presented to Cabinet validated the MTFS position previously reported and reiterates that the financial commitment required to fund statutory demand led services is above the County Council's resources, even if the lowest quartile benchmark for expenditure is achieved in each service area. Whilst we cannot be certain of the point at which funding may not cover statutory demand led services as, for example, the resources available to the County Council have yet to be confirmed for future years, indications from the previous base budget review tied in with the outturn position delivered in 2015/16 suggests that there will be insufficient resources to cover statutory services, as they are currently delivered, from 2018/19.

The County Council, in redesigning the services it provides to the public, faces the challenge of doing so whilst delivering significant savings, over and above those already agreed and the additional £12.320m identified in this report, of an estimated £142m over the next 4 years.

As part of the process of redesigning its services the County Council has previously explicitly recognised that it will need to utilise its reserves. Details on the reserves are detailed in the Money Matters report Appendix C. In this report it is noted that as at 1 April 2016 the County Council had £314.647m of reserves, some of which are already committed. Including the Funding Gap identified in this report, it has been identified that there is an estimated reserves requirement of £60.350m to support the revenue budget in 2017/18. Consequently, by 31st March 2018 it is anticipated that there will only be the £36.000m County Fund and a residual £79.767m of service reserves which includes £8.354m school PFI expenditure and £5.084m which is not LCC money, meaning in effect the available balance of £66.329m. This position is a forecast dependent upon a number of key factors that are detailed within Appendix C.

2. Resources
The MTFS includes government funding based on the Secretary of State's proposed allocations up to 2019/20.

The MTFS approved by Cabinet in September 2016 included the following forecast resources:

	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
Revenue Support Grant	81.508	56.979	32.894	26.928
Business Rates	180.861	186.141	192.038	197.255
Council Tax	430.627	452.288	475.036	498.932
New Homes Bonus	5.530	3.475	3.334	3.334
Better Care Fund	3.210	22.656	40.014	40.014
Transitional Grant	1.154	0.000	0.000	0.000
Capital receipts	12.500	5.000	0.000	0.000
Total	**715.390**	**726.539**	**743.316**	**766.463**

The figures above were based on a number of assumptions which have revisited as part of this report, however at the moment there is not any further information that would indicate that these figures should be revised. It is important to note that Council Tax has been increased by 3.99%, however this will be a Full Council decision when setting the budget for each financial year.

2.1 Autumn Statement

The Autumn Statement did not provide many proposals which will have a direct impact on the County Council and therefore there are no changes reflected in this MTFS. The Chancellor announced that departmental spending plans would remain unchanged from those estimates provided in 2015.

Key issue of the Statement was that the economy is still resilient but that forecasted economic growth is due to fall in 2017 and 2018.

The Chancellor has identified the productivity of the economy as a problem. To address this he announced a number of investments in research and development, housing, digital infrastructure and Transport some of which could impact on Lancashire, but this will only be known when further details are provided.

The announcement included an increase in the National Living Wage which has already been provided for the MTFS. There was also an announcement that employee and employer national insurance thresholds will be equalised from April 2017, although at the moment we require confirmation of the details of this change. If this ultimately represents a cost pressure to the County Council it will be reflected in a future MTFS.

2.2 Settlement Funding Assessment (SFA)

The Secretary of State announces a Settlement Funding Assessment (SFA) for each authority. This is an indication of the level of resources required by an authority which is to be met from business rates and RSG. In 2016/17 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. These were:

	2017/18 £m	2018/19 £m	2019/20 £m
Settlement Funding Assessment (SFA)	258.326	239.014	220.747
Funded by:			
Revenue Support Grant	81.508	56.979	32.894
Business Rate Baseline	176.818	182.035	187.853
Total	**258.326**	**239.014**	**220.747**
Reduction in SFA	-33.923	-19.312	-18.267

The Settlement for 2017/18 to 2010/21 was indicative but the Secretary of State offered local authorities the opportunity to apply for a four year finance settlement covering the Revenue Support Grant, Rural Services Delivery Grant and Transitional Grant. The County Council has not accepted the offer of a four year finance settlement as it has been evidenced, and validated by PwC, that there are not sufficient funds within the proposed settlement to support the Council's statutory services. As part of this forecast Revenue Support Grant is assumed to reduce each year until ultimately it is phased out completely by April 2021 at the latest.

The indicative figures that have been provided remain the best available forecast of Central Government's funding intentions. They have therefore been retained as the basis of this MTFS.

However, there is still significant risk associated with the figures include in the table above. At the time of the final settlement in February 2016 the forecast of economic growth was in the region of 2% per annum, however the Autumn Statement has now indicated a worsening position in 2017 (1.4%) and 2018 (1.7%). Since then economic conditions and uncertainty both at home and in the world economy have worsened, particularly following the United Kingdom's decision to leave the European Union. Most estimates of UK economic growth over the lifetime of this MTFS are now lower. This will have an impact on Government finances and could potentially result in further public sector expenditure reductions although the Chancellor has announced that the aim to generate a surplus by the end of parliament is no longer sustainable.

Business Rates

The business rates budget consists of:

- Business rate top up grant
- Business rate 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.

Unless there is change in the SFA due to the economic uncertainties referred to above; the level of the top up grant between 2017/18 and 2020/21 is the best basis of the forecast available for business rates figures in the MTFS. There is however some degree of discretion over the locally raised amounts.

It is also possible that business rate income could fall, although there is a safety net within the business rates retention system which ensures that no authority's income will fall by more than a set percentage of their original baseline funding level (and this level will be increased by RPI every year). The Safety Net percentage has been set at -7.5%.

In terms of the MTFS, whether or not to add additional income is difficult to assess. There is little local information 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.

The baseline data already assumes an increase in income derived from local business rates. Therefore given the economic uncertainty forecast income has been maintained at the baseline funding level.

In 2015/16 the Government compensated authorities for the cost of a number of measures introduced by the Government. These were the multiplier cap, the temporary doubling of small business rates relief, the temporary maintenance of small business rate relief when a second property is occupied, relief given to newly built properties whilst they are empty (herein after referred to as "new empty" property relief), relief given to long-term empty property brought into occupation ("long-term empty relief"), retail relief, flooding relief and payments made in lieu of transitional relief. Compensation is provided by means of a grant paid under Section 31 of the Local Government Act 2003 and the County Council has been notified that its S31 grant in 2016/17 is £3.992m. There is no information in respect of future years but the main elements of the grant relate to the multiplier cap and the doubling of the small business rate relief.

Assuming that the reliefs continue the impact of the multiplier cap is likely to rise with inflation as without the cap the income would have increased. Other reliefs are more likely to relate to the change in the business rate base. It has been assumed that the level of S31 grants is maintained at the current level.

The final aspect of the business rate forecast is the pooling arrangement. The 2016/17 budget includes an additional £0.400m due from the pooling arrangement. The pool is a one year arrangement. It is expected that this arrangement will continue, however until this has been confirmed this has not been built into the MTFS for 2017/18.

Council Tax

The MTFS presented to Cabinet in September included the assumption that Council Tax would increase by 3.99% per annum which is the current referendum limit; although it is important to note that this has not been confirmed for future years.

The MTFS last presented to Cabinet also assumed increased the tax base year on year by 1%, as this level of growth would seem to be reasonable given the economy is growing, and also with the City Deal impacting on the number of households that will be paying Council Tax.

Recent tax base data are:

	Tax base	% change
2010/11	382,201	
2011/12	383,227	0.27
2012/13	383,703	0.12
2013/14	331,648	-13.57
2014/15	336,050	1.33
2015/16	342,636	1.96
2016/17	348,980	1.85

The MTFS contains the following forecast income for Council Tax assumes a 3.99% increase in Council Tax along with a 1% increase in the tax-base.

	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
Council Tax Income	430.627	452.288	475.036	498.932

New Homes Bonus

The 2016/17 Local Government Finance Settlement included an actual New Homes Bonus figure for 2016/17 and indicative allocation for 2017/18 to 2019/20. These future years' form the basis of the MTFS. They are lower in later years to reflect a reduction in the total funding allocated. However, the New Homes Bonus System (NHB) is subject to change and actual allocations will depend upon the outcome of the consultation that was undertaken earlier in 2016 and also the impact of future local growth. At this stage it is still the best information available for NHB allocations.

Better Care Fund/ Transitional Grant

The MTFS is based on indicative data in the last Settlement and therefore represent the best estimate available.

Capital Receipts

As part of the Autumn Statement the Chancellor of the Exchequer announced that the rules for the use of capital receipts, which is the income received from the sale of the County Council's fixed assets, were to be amended to help local authorities deliver more efficient and sustainable services. Previously the use of capital receipts has been restricted to the funding of capital expenditure or the repayment of debt. From 1 April 2016 capital receipts can be used to fund revenue expenditure which meets qualifying criteria, which is that the revenue expenditure needs to be on any project which is designed to generate ongoing revenue savings or to transform the service so as to make savings or improve the quality of service provision.

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

Current estimates of the capital receipts to be generated are:

	2016/17 £m	**2017/18 £m**	**2018/19 £m**
Capital receipts generated	5.000	12.500	5.000

An estimated £22.500m has previously been agreed to be applied to the revenue budget. It should be noted that the receipts are one-off resources and there is a possibility that the level of receipts to be generated from the sale of assets will not be maintained at these levels for a sustained period of time. The actual receipts received in any one year will fluctuate in line with local property markets and the type of asset available for sale. Therefore, there is a risk that in any given year the receipts actually received will be less than assumed and therefore the situation will be monitored closely. This report does not assume any variation from the existing assumptions.

The funding gap shown in section 1.1 already assumes the use of these receipts in supporting the revenue budget under the new flexibilities which Councils can apply.

3. Net Spending Pressures

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

3.1 Pay

In the July 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. This also incorporates a separate calculation for the National Living Wage which the County Council is committed to paying its employees as an accredited member of the Living Wage Foundation. The pay requirement also includes a provisional amount for additional holiday pay to staff.

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. The staffing budgets have undergone a full realignment in 2016/17 with budgets being allocated on specific grade points at the start of 2016/17, with the staffing data being regularly reviewed as changes occur, particularly in relation to service restructures.

The pension's element of the pay budget has seen a reduction in this MTFS due to an over provision in the previous MTFS in relation to the County Council's estimated contribution rate and deficit contributions, with updated information recently received. There was previously £4.445m included for pensions in the MTFS for 2017/18, but this has now been revised to £1.390m in 2017/18.

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 will be introduced in April 2017 at a rate of 0.5% of an employer’s pay bill, therefore an estimate of £1.500m has been included in this MTFS.

The table below presents the amounts already built into the MTFS for pay and the impact of the revised calculation:

	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	Total £m
Pay (including Pensions) – Previous MTFS	**9.891**	**5.130**	**5.132**	**5.689**	**25.842**
Pay requirement (1% increase and Living Wage)	4.422	2.933	3.518	4.229	**15.102**
Incremental Pressure	2.525	2.308	1.828	1.443	**8.104**
Pensions Costs	1.390	0.610	0.673	0.000	**2.673**
Apprentice Levy	1.500	0.000	0.000	0.000	**1.500**
Revised Pay Budget Requirement	**9.837**	**5.851**	**6.018**	**5.672**	**27.378**
Impact on Financial Gap	**-0.054**	**0.721**	**0.886**	**-0.017**	**1.536**

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 an increase of £5.212m identified over the 4 year period.

	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	Total £m
Price inflation – previous MTFS	20.037	13.652	15.855	18.481	**68.025**
Revised price inflation requirements	19.784	14.288	16.552	17.955	**68.579**
Impact on Financial Gap	**-0.253**	**0.636**	**0.697**	**-0.526**	**0.554**

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 a model designed by Lang and Buisson which is commonly used to estimate inflation within social care. It is forecast that a budget requirement of £45.419m over the MTFS period is required for payments to external providers of social care (excluding the impact of the National Living Wage) 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 inflation included in the MTFS for Adults Service is profiled as follows:
    - 2017/18 – £14.232m
    - 2018/19 - £9.668m
    - 2019/20 - £10.395m
    - 2020/21 - £11.124m

  The inflationary pressures included in this MTFS for Adults Services reflects a reduction of £2.537m following the realignment of budgets and some slight amendments to demand figures based on the most up to date information available. The County Council has a legal responsibility to demonstrate the suppliers are able to deliver services with the fees paid to them. This figure also incorporates recent fee increases of £5.200m that were agreed by the Cabinet Member which is the main reason behind the additional requirement in 2017/18.

- Waste Disposal continues to require significant budget to meet inflationary commitments over the next four years. In total the total budget requirement for the service is £9.055m. The requirement within the previous MTFS was £7.262m with the revised position incorporating the increased demand budget that will then require inflation to be applied to it.

- Children's Social Care is the final significant area that required price inflation within its budget. In the previous MTFS a total of £6.086m was included for items that will inflate such as agency payments, residence orders, foster and other allowances and payments to health. The revised requirement in this MTFS over the four year period is £7.344m with the increased pressure linked to the increased demand that will have an inflationary pressure applied to it.

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

In total it is estimated that the demand pressures are now £87.599m. This is an increase of £2.457m from the previous MTFS over this time period.

	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	Total £m
Demand – previous MTFS	29.981	15.448	18.498	21.214	**85.141**
Revised Demand Requirements	37.882	15.180	18.068	21.126	**92.257**
Impact on Financial Gap	**7.901**	**-0.268**	**-0.430**	**-0.088**	**7.115**

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.

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

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

	2017/18	2018/19	2019/20	2020/21
Total Older People Population Projection Growth	1.92%	2.52%	3.07%	3.57%

The percentages presented above are those that were used within the previous MTFS, and still reflect the best estimate of population increases and have therefore continued to be used within this MTFS.

All other demand assumptions contained within this revised MTFS regarding Adult Social Care have been reviewed based on the most up-to-date trend analysis and also incorporated budget realignments that are reflected within the revenue monitoring report. The previous MTFS contained £59.105m additional budget requirement for demand over the next four years, whereas this MTFS now contains £56.493m.

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

- 2017/18 – £10.775m
- 2018/19 - £12.540m
- 2019/20 - £15.336m
- 2020/21 - £17.842m

- The cost of Children's Social Care continues to experience increasing demand and has been significantly increased again as part of this iteration of the MTFS (and can be linked to the budget monitoring positon for Children's Social Care). In the previous MTFS the total demand requirement for this service area was £12.324m. The forecast is now anticipating costs of £21.420m. This is in addition to significant additional budget that the service has been given to support improvements following the Ofsted inspection (c£16m).

  The particular area of concern is in relation to Agency Residential placements as demand seems to be particularly high in this area. The forecast is based on available financial and activity information and assumes that placements will continue to increase by 3.4% (the current average monthly increase in the number of children placed in Agency Residential) until the end of the financial year and then after that will increase as per child population increases. Work is underway to review the underlying reasons for increases in numbers of placements and is an area that is being kept closely under review by the 0-25 Board.

  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. This analysis and action is vital as the current demand levels represent a significant risk to the MTFS assumptions, as there are only currently population increases (c£0.300m - £0.400m) included in each year from 2018/19 – 2020/21 which are significantly below the current demand levels.

  The additional budget requirement of £9.096m in 2017/18 for Children's Social is included within the revised MTFS. This reflects the overspend that is being reported as part of budget monitoring in 2016/17 and continues to anticipate a growing population of children looked after in 2017/18 and beyond with an overall £22.361m included from 2017/18 – 2020/21.

- The revised MTFS for 2017/18 continues to include a significant amount in relation to Waste Services demand pressures as a result of increases in residual waste arisings with 4% currently being forecast (compared to a previously assumed 1%) and some additional green waste costs. In the previous MTFS the budget requirement for waste was £9.946m with the revised position in this MFTS being a requirement of £11.204m due to slightly increasing demand.

3.4 Other

This section contains adjustments in relation to the National Living Wage assumptions anticipated additional income for the Mental Health service and other minor adjustments to service budgets.

3.5 Undeliverable Savings

The savings to be achieved are constantly under review. This has resulted in some savings plans being identified as now not being fully deliverable or delayed.

Within this MTFS the previously savings contained within the budget for Adults Services have been re-profiled and adjusted to reflect the transformation work, "Passport to Independence" that the service is undertaking with Newton Europe. This results in a significant although largely temporary additional budget requirement of £14.256m in 2017/18, as in future years the budgets are reduced to reflect the correct timing of the achievement of the savings.

However, there is a net £1.777m that may not be achieved and has been built back into the MTFS.

Other areas where savings are deemed to be undeliverable are mainly facilities management, where items such as the revised plans for Woodlands and the decision not to reduce opening hours means that savings totalling £0.434m will not be achieved and have been adjusted for in the MTFS.

3.6 Adjustments to Savings Programme

As part of last year's budget strategy and budget setting process a Zero Based Budget Review (ZBBR) process was commenced to identify any further efficiencies and budget savings within service and corporate budgets. As a result of the work undertaken a total of £6.320m has been identified as potential budget reductions for 2017/18 in areas such as Design and Construction, Emergency Planning and Resilience and Legal and Democratic Services. Further details of the ZBBR outcomes can be found in Appendix D.

In addition it has been identified as part of the detailed review of Adults Services that further savings (over the 4 year period) can be found in the following areas:

- Learning Disability (LD) Remodelling (£4.800m) – This is the continuation of an existing saving programme that is currently underway. This is a review process that looks at the need of the service users within shared supported living settings and remodels the service package they are receiving with a priority being encouraging independence. The team are expected to complete the remodelling process for c.40 tenancies per annum. This review activity has been in place for a number of years and it is anticipated that all remaining tenancies to be reviewed will be remodelled over the next 4 years.
- Financial Assessments (increased income) (£1.200m) – This is a process that the team undertake currently as resources permit, but was completed more comprehensively historically due to increased time and resources that the team had available to them. This process involves the financial assessment officer working with the service user to maximise the benefits that they are entitled to such as Attendance Allowance. Through the calculation of the financial assessment, which determines an individual's ability to contribute towards the cost of their care, this will result in a proportion of the additional benefits received meeting an additional contribution towards the cost of the care services commissioned by the County Council. It is anticipated that with more focus to this process the additional income levels can be achieved.

3.7 Re-profiled Savings

Following further detailed work with Newton Europe surrounding the Adults Saving programme the saving has been re-profiled. This results in reduced savings in 2017/18 but the savings are achieved in later years.

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 yet 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. 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

Cabinet has previously agreed a financial strategy based on:

- Setting an expenditure target for service expenditure levels to move in line with the lower quartile of the most appropriate group of local authorities for individual services.

- Stage 3 of the base budget review being the zero base with a fundamental review of all expenditure within services to ensure the best value for money. The outcome of this work is included on this agenda as a separate report and the impact included within this report.

- PwC are assisting the council in scoping and undertaking the review prioritising development of a public services operating strategy for the County Council to enable it to be sustainable within its forecast financial resource envelope by 2020/21. This is ongoing with the outcomes from this work to be presented at future Cabinet meetings. The scale of any additional savings that are agreed arising from this review would then be included within a future update of the MTFS.

- Transformational work across Adult Social Care aimed at both improving systems and processes and delivering significant financial savings. The overall scale and phasing of benefits from the review has now been finalised and included in the revised position within this report.

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 use 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 there is insufficient information currently, although work is progressing nationally with a number of complete and planned consultations regarding the changes, to model what the financial impact of the changes will be and the financial impact on the County Council.

4.4 STP

Since 2015 the County Council has been a partner organisation in the Better Care Fund planning and pooled budget arrangements with Clinical Commissioning Groups (CCG's). Building on this is the requirement for every part of the NHS to have a locally led Sustainability and Transformation Plan (STP) in place by 2017. This is within the context of the substantial financial challenges for the health and social care system in Lancashire and will necessarily involve the development of new delivery models and ways of working to minimise the impact of funding reductions and provide a better offer for patients and service users.

4.5 Children's Social Care

Children's Social Care is currently reporting an overspend of £17.736m with demand levels continuing to increase, particularly within agency residential placements. The establishment of the 0-25 Programme Board in addition to 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. However if demand levels are not controlled then there will be substantial additional costs to the County Council that are not currently reflected within this MTFS.

4.6 Procurement

The MTFS includes general inflationary price increases across impacted areas which are generally based around national statistics such as RPI. It also includes any contractual or other price pressures that are known about. However, there are a number of significant procurement exercises that the County Council (e.g. homecare) will be undertaking over the timeframe of the MTFS (with some over the next 12 months) and any additional price increases will be built into future MTFS revisions.

Appendix C

Money Matters
Update on the County Council's Reserves Position as at 30th September 2016

Lancashire County Council

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Money Matters – Update on the County Council's Reserves Position for 2016/17

1. Executive Summary

1.1 Introduction

As at 1st April 2016 the County Council had total reserves of £400.669m. Of this, £86.022m 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 over the next 2 financial years.

At Full Council in February 2016 the revenue budget included an approved commitment from the Transitional Reserve of £46.518m in 2017/18 to support the reported financial gap at that time. However, following a review of the Medium Term Financial Strategy (MTFS) for Cabinet in September 2016 it was identified that a revised value of £47.978m was required in 2017/18 which resulted in an additional £1.460m added into the MTFS.

A further quarterly review of the MTFS has taken place (Appendix B) it is now identified that £60.350m is required in 2017/18 (an additional £12.372m compared to September 2016 figures reported to Cabinet). The additional requirement **has been included within the reserves forecast detailed within this report.**

The budget monitoring position for the financial year 2016/17 (Appendix A) is reporting a forecast underspend of £13.271m. **Please note that this <u>is not</u> currently included within the forecast reserves position in this report.**

In summary, by 31st March 2018 it is expected that there will only be the £36.000m County Fund and a residual £79.767m of service reserves which includes £8.354m school PFI expenditure and £5.084m which is not LCC money, meaning in effect the available balance of £66.329m. All other reserves will have been spent. If the additional contribution from revenue is available of £13.271m (budget monitoring forecast underspend), this will result in a balance of service reserves being available as at 31st March 2018 of £79.600m.

When reviewing the County Council's reserves in conjunction with the Medium Term Financial Strategy (Appendix C) the funding requirement to bridge the financial gap in 2018/19 would total £86.846m. Although there are reserves available at 31st March 2017 of £79.600m (if the currently forecast underspend is achieved) there are commitments in 2018/19 of £10.473m (excluding non LCC commitments) therefore the available balance to support the 2018/19 budget is £69.127m resulting in there not being sufficient funds within reserves to support the 2018/19 budget.

In summary, this report indicates that there is potentially sufficient funds within reserves to deliver a balanced budget in 2017/18. However this is dependent upon a number of key factors:

- The forecast in year overspend is minimised.
- 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 2017/18 and 2018/19. As any slippage will result in a requirement for funding from reserves.

3. Reserves

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

Reserve Name	Opening Balance as at 1 April 2016	2016-17 Forecast Spend	2016-17 Transfers to / from other reserves	2016-17 Forecast Closing Balance	2017-18 Forecast Spend	2018-19 Forecast Spend	2019-20 Forecast Spend	Total as at 31 March 2020
	£m	£m	£m	£m	£m	£m	£m	£m
County Fund (3.1)	-36.000	0.000	0.000	-36.000	0.000	0.000	0.000	-36.000
Strategic Investment Reserve (3.2)	-10.971	2.351	5.194	-3.426	1.543	0.883	0.060	-0.940
Downsizing Reserve (3.3.1)	-64.841	14.171	28.462	-22.208	13.148	9.060	0.000	0.000
Risk Management Reserve (3.3.2)	-15.784	3.939	4.872	-6.973	6.973	0.000	0.000	0.000
Transitional Reserve (3.4.1)	-141.837	62.443	-55.146	-134.539	82.530	0.530	0.000	-51.480
To facilitate the transition of services (3.4.2)	0.000	0.000	-3.000	-3.000	0.000	0.000	0.000	-3.000
Service Reserves (3.5)	-45.214	9.719	11.375	-24.120	10.305	-0.340	-0.683	-14.838
TOTAL	**-314.647**	**92.624**	**-8.242**	**-230.266**	**114.499**	**10.133**	**-0.623**	**-106.257**

Note 1: the Service Reserves reflect the inclusion of the actual income and committed expenditure for the Growth Deal of £52.825m. This cannot be seen in the table above as these are funds that come into reserves and are spent during the year and therefore have a net nil impact.

Note 2: £0.415m has transferred from Service Reserves to Schools Reserves which are not included in this report.

3.1 County Fund Balance

The County Fund is the balance set aside to cover the authority against a serious emergency situation (e.g. widespread flooding); a critical and unexpected loss of income to the authority and for general cash flow purposes. In considering these various factors the County Council holds a County Fund balance at £36.000m. It is proposed this balance is retained as a prudent safeguard against any unexpected financial pressures.

3.2 Strategic Investment Reserve

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

On 1st April 2016 this reserve held a balance of £10.971m. £2.351m is forecast to be spent in 2016/17, £5.194m is being transferred to the Transitional Reserve and another £2.486m is forecast to be spent by 2019/20 leaving a balance of £0.940m.

Details of the commitments are shown in Annex A.

3.3 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.

3.3.1 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 2016 this reserve held a balance of £64.841m. In 2016/17 spend against the reserve is forecast to be £14.171m of which £8.210m is committed for estimated redundancy costs. As part of this report the profile of redundancy payments have been revised, based on the most recent available information resulting in revised commitment estimates of £12.109m in 2017/18 and £9.060m in 2018/19, resulting in £21.470m being transferred to the Transitional Reserve as it is no longer required.

In addition, as part of the review of this reserve a further uncommitted amount of £6.992m has been transferred to the Transitional Reserve.

Details of the commitments are shown in Annex B.

3.3.2 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 has a balance of £15.784m on 1st April 2016. It is forecast that £3.939m will be spent in 2016/17 in addition to £4.872m uncommitted reserves transferring to the Transitional Reserve. It is forecast that a further £6.973m is committed in 2017/18 leaving a nil balance at the end of 2019/20.

Details of the commitments are shown in Annex B.

3.4 Transitional Reserve

The plans announced at 26th November Cabinet for the period 1st April 2016 until 31st March 2018 are heavily supported by reserves. A Transitional Reserve has been created to provide a source of funding for these plans and the balance at the 1st April 2016 was £141.837m. Cabinet plans have specifically identified £145.503m use of reserves during the period which includes the funding gap identified in the Medium Term Financial Strategy (MTFS) for 2016/17 and 2017/18 of £78.636m. After additional net transfers in from other reserves and transfer in of surplus balances on the 2015/16 council tax, business rates, new homes, a Prevention and Early Help underspend and a VAT repayment this totals £55.146m as the forecast balance on the reserve at the end of 2019/20 is a surplus of £51.480m.

Details of the commitments are shown in Annex C.

3.4.1 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 been set aside from the Transitional Reserve because of this specific nature of the approval.

Details are shown in Annex C.

3.5 Service Reserves

The County Council holds numerous reserves for specific service provision.

As at 1st April 2016 service reserves totalled £45.214m. There are forecast costs of £9.719m in 2016/17, transfers to the Transitional Reserve of £10.960m, and a transfer to the schools reserve of £0.415m. There is forecast spend from these reserves of £9.282m in later years to leave a balance of £14.838m at the end of 2019/20. £9.065m of this balance relates to long term PFI programmes and £4.974m is not LCC money, with the only remaining truly LCC reserve being for county council elections (£0.800m as at 31st March 2020).

Details of the Service Reserves are shown in Annex D.

3.6 Schools

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

Reserve Name	Opening Balance as at 1 April 2016	YTD actual 2016/17	Forecast Closing Balance as at 31 March 2017
	£m	£m	£m
School Reserves	86.022	-5.794	80.228

4. Impact of 2016/17 Outturn Forecast

The current monitoring report is showing an underspend of £13.271m. Any underspend at the year-end can be transferred to the Transitional Reserve.

5. Transfers between Reserves

In the previous report to Cabinet in September the transfers below were included between reserves:

TRANSFERS BETWEEN RESERVES	£m	Transfer from	Transfer To	Reason
Young Person's Travel	-0.194	Strategic Investment Reserve	Transitional Reserve	Additional spend needed
School Crossing Patrols	-1.500	Risk Management Reserve	Transitional Reserve	Not needed
Delay in Wellbeing & Prevention Service Offer	-3.000	Risk Management Reserve	Transitional Reserve	Additional spend needed
Unallocated surplus	-4.664	Dow nsizing Reserve	Transitional Reserve	Not needed
Schools Forum money	-0.415	Service Reserves	1093306 Schools DSG Reserve	Surplus transferred back to Schools
Schools Forum money	-0.884	Service Reserves	Transitional Reserve	Unused
Adult fee increases	-1.365	Service Reserves	Transitional Reserve	Uncommitted balance in Adult Social Care for w ork being funded from Transitional Reserve
To facilitate the transition of services	-3.000	Transitional Reserve	Facilitate of transition of services	To keep separate from Transitional Reserve

A further review of reserves held has identified areas where there are no commitments or reasons that a reserve can be released, therefore the following additional transfers between reserves that have been included in this report are:

TRANSFERS BETWEEN RESERVES	£m	Transfer from	Transfer To	Reason
Green Energy Fund	-5.000	Strategic Investment Reserve	Transitional Reserve	Capital expenditure to be funded from borrow ing
Transitional costs associated w ith Transformation Programme	-2.328	Dow nsizing Reserve	Transitional Reserve	Not needed
Redundancy Provision	-21.470	Dow nsizing Reserve	Transitional Reserve	Not needed
Occupational Health	0.003	Risk Management Reserve	Transitional Reserve	Not needed
Liquid Logic - Children's Services	-0.125	Risk Management Reserve	Transitional Reserve	Not needed
Liquid Logic - Adult Social Care	-0.250	Risk Management Reserve	Transitional Reserve	Not needed
Children's Services Reserve	-2.143	Service Reserves	Transitional Reserve	Troubled families reserve not needed
Mvs Acc Purcexh Fund	-0.002	Service Reserves	Transitional Reserve	Not needed
Lancashire Adult Learning Reserve	-0.350	Service Reserves	Transitional Reserve	Not needed - includes some capital expenditure that w ill be funded from borrow ing
Former Adults Directorate Grant Fund	-0.072	Service Reserves	Transitional Reserve	Not needed
UK & Ireland Civinet Netw ork	-0.013	Service Reserves	Transitional Reserve	Not needed
Waste PFI Comp Payments Reserve	-0.312	Service Reserves	Transitional Reserve	Not needed
Equipment Renew al Reserve	-0.271	Service Reserves	Transitional Reserve	Not needed
Parking Reserve Fund	-0.144	Service Reserves	Transitional Reserve	Not needed
Building Design & Construction Reserve	-0.020	Service Reserves	Transitional Reserve	Not needed
Energy Surveys Reserve	-0.066	Service Reserves	Transitional Reserve	Not needed
Priorities Contingencies Reserve	-0.010	Service Reserves	Transitional Reserve	Not needed
Waste Plant Rectification	-5.000	Service Reserves	Transitional Reserve	Not needed - capital expenditure that w ill be funded from borrow ing
Finance & Information Dfm	-0.060	Service Reserves	Transitional Reserve	Not needed
Cap Funding Reserve - Resou	-0.147	Service Reserves	Transitional Reserve	Not needed
NoWCard Renew al Reserve	-0.100	Service Reserves	Transitional Reserve	Not needed

Annex A – Strategic Investment Reserve

STRATEGIC INVESTMENT RESERVE	Opening Balance as at 1 April 2016	2016-17 Forecast Spend	2016-17 Transfers to / from other reserves	2016-17 Forecast Closing Balance	2017-18 Forecast Spend	2018-19 Forecast Spend	2019-20 Forecast Spend	Total as at 31 March 2020
	£m	£m	£m	£m	£m	£m	£m	£m
Promoting Sustainable Employment for Young People	-0.304	0.304	0.000	**0.000**	0.000	0.000	0.000	**0.000**
Young Person's Travel	-0.194	0.000	0.194	**0.000**	0.000	0.000	0.000	**0.000**
Economic Development - GAMMA	-0.017	0.017	0.000	**0.000**	0.000	0.000	0.000	**0.000**
Economic Enterprise Zone Strategic Development	-0.500	0.500	0.000	**0.000**	0.000	0.000	0.000	**0.000**
Economic Development - Exertis	-0.500	0.500	0.000	**0.000**	0.000	0.000	0.000	**0.000**
Economic Development - Boost Continuation	-1.929	0.643	0.000	**-1.286**	0.643	0.643	0.000	**0.000**
Armed Forces Apprentice Costs	-1.770	0.287	0.000	**-1.483**	0.243	0.240	0.060	**-0.940**
Early Action /Early Response	-0.100	0.100	0.000	**0.000**	0.000	0.000	0.000	**0.000**
Green Energy Fund	-5.000	0.000	5.000	**0.000**	0.000	0.000	0.000	**0.000**
Core Systems Transformation	-0.657	0.000	0.000	**-0.657**	0.657	0.000	0.000	**0.000**
Total on Strategic Investment Reserve	**-10.971**	**2.351**	**5.194**	**-3.426**	**1.543**	**0.883**	**0.060**	**-0.940**

Annex B – Downsizing and Risk Management Reserves

DOWNSIZING & RISK MANAGEMENT RESERVES	Opening Balance as at 1 April 2016	2016-17 Forecast Spend	2016-17 Transfers to / from other reserves	2016-17 Forecast Closing Balance	2017-18 Forecast Spend	2018-19 Forecast Spend	2019-20 Forecast Spend	Total as at 31 March 2020
Downsizing Reserve	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Redundancy provision	-50.849	8.210	21.470	**-21.169**	12.109	9.060	0.000	**0.000**
Transitional costs associated with Transformation Programme	-2.328	0.000	2.328	**0.000**	0.000	0.000	0.000	**0.000**
Review for Adult Social Care (Newtons)	-7.000	5.961	0.000	**-1.039**	1.039	0.000	0.000	**0.000**
Unallocated surplus	-4.664	0.000	4.664	**0.000**	0.000	0.000	0.000	**0.000**
Total on Downsizing Reserve	**-64.841**	**14.171**	**28.462**	**-22.208**	**13.148**	**9.060**	**0.000**	**0.000**
Risk Management Reserve	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Occupational Health	0.003	0.000	-0.003	**0.000**	0.000	0.000	0.000	**0.000**
Adults LD Remodelling Reserve	-0.784	0.784	0.000	**0.000**	0.000	0.000	0.000	**0.000**
Provision to mitigate against risk DoLS-Deprivation of Liberty Safeguards	-2.900	0.424	0.000	**-2.476**	2.476	0.000	0.000	**0.000**
Impact of Fairness Commission Report Council Welfare Provision and the Care and Urgent Needs	-3.000	0.000	0.000	**-3.000**	3.000	0.000	0.000	**0.000**
School Crossing Patrols	-1.500	0.000	1.500	**0.000**	0.000	0.000	0.000	**0.000**
Social Work Dedicated Review Team	-2.653	1.156	0.000	**-1.497**	1.497	0.000	0.000	**0.000**
Liquid Logic - Children's Services	-0.400	0.275	0.125	**0.000**	0.000	0.000	0.000	**0.000**
Liquid Logic - Adult Social Care	-0.250	0.000	0.250	**0.000**	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	**0.000**
Transfer to Transitional Reserve for Wellbeing	-3.000	0.000	3.000	**0.000**	0.000	0.000	0.000	**0.000**
Total on Risk Management Reserve	**-15.784**	**3.939**	**4.872**	**-6.973**	**6.973**	**0.000**	**0.000**	**0.000**

Annex C – Transitional Reserve & Transition of Services Reserve

TRANSITIONAL RESERVE	Approved at 1st April 2016	2016-17 Forecast Spend	2016-17 transfers to / from other reserves	2016-17 Forecast Closing Balance	2017-18 Forecast Spend	2018-19 Forecast Spend	2019-20 Forecast Spend	Total as at 31 March 2020
	£m	£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	-65.856	35.765	0.000	**-30.091**	18.431	0.000	0.000	**-11.659**
Use of reserves in future years to cover revenue shortfall	-64.804	18.286	0.000	**-46.518**	60.350	0.000	0.000	**13.832**
Delay in Wellbeing & Prevention Service Offer	-4.755	0.500	0.000	**-4.255**	0.000	0.000	0.000	**-4.255**
Children's New tons + Skylake	-0.200	0.200	0.000	**0.000**	0.000	0.000	0.000	**0.000**
To fund shortfall on domestic abuse contracts (C&D)	-0.238	0.238	0.000	**0.000**	0.000	0.000	0.000	**0.000**
To facilitate the transition of services	-3.000	0.000	3.000	**0.000**	0.000	0.000	0.000	**0.000**
Pw C Consultancy packages	0.000	1.033	0.000	**1.033**	0.000	0.000	0.000	**1.033**
Older People's Residential & Nursing Homes	0.000	1.700	0.000	**1.700**	0.000	0.000	0.000	**1.700**
Repayment of funds held for East Lancs CCG	0.000	0.544	0.000	**0.544**	0.000	0.000	0.000	**0.544**
Supported Living and Domiciliary Care Fees for 2016/17	0.000	3.500	0.000	**3.500**	0.000	0.000	0.000	**3.500**
Apprentices & Graduate salaries	0.000	0.177	0.000	**0.177**	2.248	0.530	0.000	**2.955**
Young Person's Travel	0.000	0.500	0.000	**0.500**	0.500	0.000	0.000	**1.000**
Unallocated Balance on Transitional Reserve	-2.984	0.000	0.000	**-2.984**	0.000	0.000	0.000	**-2.984**
TRANSFERS INTO THE TRANSITIONAL RESERVE								
Council Tax Collection Fund surplus 2015-16	0.000	0.000	-7.037	**-7.037**	0.000	0.000	0.000	**-7.037**
Returned New Homes Bonus 2015-16	0.000	0.000	-0.399	**-0.399**	0.000	0.000	0.000	**-0.399**
Business Rates Collection Fund Deficit 2015-16	0.000	0.000	2.334	**2.334**	0.000	0.000	0.000	**2.334**
VAT Repayment	0.000	0.000	-2.556	**-2.556**	0.000	0.000	0.000	**-2.556**
Prevention and Early Help Underspend	0.000	0.000	-1.000	**-1.000**	1.000	0.000	0.000	**0.000**
Transfer from other Reserves	0.000	0.000	-49.488	**-49.488**	0.000	0.000	0.000	**-49.488**
Total on Transitional Reserve	**-141.837**	**62.443**	**-55.146**	**-134.539**	**82.530**	**0.530**	**0.000**	**-51.480**

TRANSITION OF SERVICES RESE	Approved at 1st April 2016	2016-17 Forecast Spend	2016-17 transfers to / from other reserves	2016-17 Forecast Closing Balance	2017-18 Forecast Spend	2018-19 Forecast Spend	2019-20 Forecast Spend	Total as at 31 March 2020
	£m	£m	£m	£m	£m	£m	£m	£m
To facilitate the transition of services	0.000	0.000	-3.000	**-3.000**	0.000	0.000	0.000	**-3.000**

Annex D – Service Reserves

Reserve Name	Opening Balance as at 1 April 2016	2016-17 Forecast Spend	2016-17 transfers to / from other reserves	2016-17 Forecast Closing Balance	2017-18 Forecast Spend	2018-19 Forecast Spend	2019-20 Forecast Spend	Total as at 31 March 2020
	£m	£m	£m	£m	£m	£m	£m	£m
Children's Services Reserve	-5.902	1.179	3.442	**-1.281**	1.281	0.000	0.000	**0.000**
SEN Reform/Implementation Grant	-1.852	0.049	0.000	**-1.803**	1.803	0.000	0.000	**0.000**
C&D Domestic Abuse	-0.714	0.714	0.000	**0.000**	0.000	0.000	0.000	**0.000**
Mvs Acc Purcexh Fund	-0.002	0.000	0.002	**0.000**	0.000	0.000	0.000	**0.000**
Lancashire Adult Learning Reserve	-0.429	0.079	0.350	**0.000**	0.000	0.000	0.000	**0.000**
Former Adults Directorate Grant Fund	-0.537	0.141	0.072	**-0.324**	0.324	0.000	0.000	**0.000**
Adult Social Care - Transitional Res	-4.004	0.050	1.365	**-2.589**	2.589	0.000	0.000	**0.000**
Better Care Fund Reserve	-1.368	0.000	0.000	**-1.368**	1.368	0.000	0.000	**0.000**
Bus Stations Reserve	0.000	-0.977	0.000	**-0.977**	0.600	0.377	0.000	**0.000**
Roundabout Sponsorship Inco	-0.048	0.048	0.000	**0.000**	0.000	0.000	0.000	**0.000**
Improved Outcomes Partnership	-0.057	0.057	0.000	**0.000**	0.000	0.000	0.000	**0.000**
UK & Ireland Civinet Netw ork	-0.030	0.017	0.013	**0.000**	0.000	0.000	0.000	**0.000**
Waste PFI Comp Payments Reserve	-0.482	0.136	0.312	**-0.033**	0.033	0.000	0.000	**0.000**
Equipment Renew al Reserve	-0.331	0.060	0.271	**0.000**	0.000	0.000	0.000	**0.000**
Parking Reserve Fund	-0.144	0.000	0.144	**0.000**	0.000	0.000	0.000	**0.000**
Building Design & Construction Reserve	-0.020	0.000	0.020	**0.000**	0.000	0.000	0.000	**0.000**
Energy Surveys Reserve	-0.066	0.000	0.066	**0.000**	0.000	0.000	0.000	**0.000**
Priorities Contingencies Reserve	-0.010	0.000	0.010	**0.000**	0.000	0.000	0.000	**0.000**
Waste Plant Rectification	-7.500	2.009	5.000	**-0.491**	0.491	0.000	0.000	**0.000**
Finance & Information Dfm	-0.060	0.000	0.060	**0.000**	0.000	0.000	0.000	**0.000**
R&M Planned Property Review Works	-0.727	0.727	0.000	**0.000**	0.000	0.000	0.000	**0.000**
Economic Development	-0.027	0.027	0.000	**0.000**	0.000	0.000	0.000	**0.000**
Grow th Deal Reserve	0.000	0.000	0.000	**0.000**	0.000	0.000	0.000	**0.000**
Champions Funds	-0.003	0.000	0.000	**-0.003**	0.003	0.000	0.000	**0.000**
Local Member & Gatew ay Gran	-0.083	0.000	0.000	**-0.083**	0.083	0.000	0.000	**0.000**
Cap Funding Reserve - Resou	-0.147	0.000	0.147	**0.000**	0.000	0.000	0.000	**0.000**
NoWCard Renew al Reserve	-0.400	0.000	0.100	**-0.300**	0.300	0.000	0.000	**0.000**
CC Election Reserve	-1.251	-0.400	0.000	**-1.651**	1.651	-0.400	-0.400	**-0.800**
Public Health Grant	-0.628	0.520	0.000	**-0.108**	0.108	0.000	0.000	**0.000**
School PFI								
Schools - Fleetw ood High School PFI Earmarked	-1.014	0.070	0.000	**-0.944**	0.060	0.070	0.080	**-0.734**
Schools – Private Finance Initiative - Building Schools for the Future Phases 1, 2, 2a & 3	-6.311	-0.560	0.000	**-6.871**	-0.600	-0.490	-0.370	**-8.331**
Not LCC Reserves								
Youth Offending Team Reserve	-1.024	0.010	0.000	**-1.014**	0.210	0.103	0.000	**-0.701**
Lancs Safeguarding Children Board Reserve	-0.449	0.031	0.000	**-0.418**	0.000	0.000	0.000	**-0.418**
Queen St Engine Repair Fund	-0.204	0.010	0.000	**-0.194**	0.000	0.000	0.000	**-0.194**
Lancaster City Gen Acqsts Fund	-0.008	0.001	0.000	**-0.007**	0.000	0.000	0.007	**0.000**
Health Services - Earmarked	-4.100	4.100	0.000	**0.000**	0.000	0.000	0.000	**0.000**
LEP reserve	-1.553	0.000	0.000	**-1.553**	0.000	0.000	0.000	**-1.553**
DfT Funding for P/Ship (not LCC monies)	-1.830	1.830	0.000	**0.000**	0.000	0.000	0.000	**0.000**
School Catering Repair And	-1.743	-0.210	0.000	**-1.953**	0.000	0.000	0.000	**-1.953**
JSNA reserve	-0.104	0.000	0.000	**-0.104**	0.000	0.000	0.000	**-0.104**
MADE reserve	-0.051	0.000	0.000	**-0.051**	0.000	0.000	0.000	**-0.051**
TOTALS	**-45.214**	**9.719**	**11.375**	**-24.120**	**10.305**	**-0.340**	**-0.683**	**-14.838**

Note: included in the LCC Waste Plant Rectification reserve at 31st March 2017 is a forecast £0.491m held for Blackpool Borough Council.

Appendix D

Money Matters - Recommendations and Budget Adjustment Proposals arising from Zero Based Budget Reviews

Lancashire County Council

Recommendations and Budget Adjustment Proposals arising from Zero Based Budget Reviews

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1. Executive Summary

As part of the February 2016 budget strategy and budget setting process a Zero Based Budget Review (ZBBR) exercise was commenced, with a view to identifying any further efficiency savings and/or budget realignments within service and corporate budgets.

The ZBBR work has been led by Commissioning with close liaison with finance and service colleagues. The work plan has been overseen by the ZBBR Board, which consists of members of Management Team.

It was agreed that the exercise should be undertaken to ensure that scrutiny of budgets across the council is maintained and efficiency savings continue to be identified and taken wherever possible, being mindful not to duplicate review and savings exercises already underway in many service areas.

In addition to identifying further efficiencies and budget realignments within service budgets, the reviews have also looked at how services compare with lower quartile benchmark costs and whether alternative service delivery models, within the context of the overall current operating model, could result in lower cost services.

As a result of the ZBBR work undertaken, a total of **£6.320m** has been identified as proposed budget reductions for 2017/18.

This report provides the detail of the ZBBRs undertaken and the recommendations and proposals arising from each review. Cabinet are requested to note the proposals, which will form part of the overall Medium Term Financial strategy and budget proposals that will come forward for Full Council approval in February 2017.

2. Recommendations

The Cabinet is recommended to note the following proposals in relation to the council's budget for 2017/18:

1. Corporate budgets – remove the £1.295m revenue contribution to City Deal and capitalise the payment. This will incur additional borrowing costs in the order of £0.080m pa which will be netted off the revenue saving. In addition the corporate fees and subscriptions budget can be reduced by £0.030m;

2. Design and Construction – reduction in the overall net budget for the service by £0.322m, from a combination of a staffing restructure saving £0.243m, additional income and reductions in non staffing costs of £0.107m and the introduction of a fee for repair and maintenance work of £0.357m, offset by a reduction in Prop scheme income of £0.204m and a reduction in the corporate fee charged to capital of £0.181m;

3. Trading Standards – increase the income budget for the service by £0.033m, by the direct employment of an Accredited Financial Investigator;

4. Health, Safety and Resilience – reduce the net budget overall by £0.182m, from a reduction in the non-staffing budgets by £0.025m to reflect recurring underspends, and increase the income budget by net £0.157m to reflect a new health and safety related service for schools;

5. Legal and Democratic services – reduce the overall net budget by £0.344m. This is made up of a combination of recurring underspends and a reduction in external legal costs totalling £0.656m, offset by a pressure on the Coroners budget and other legal cost increases totalling £0.312m;

6. Operational income and recharges review - a total of £1.890m budget reductions have been identified from a review of the operational income and recharges budgets. Of this total £0.305m is in relation to additional income from streetworks activities and £1.585m relates to the recalculation of overhead charges resulting in revenue budget reductions of £1.585m.

7. Estates – a net saving of £0.304m can be achieved from the Estates budget from a combination of recurring underspends and increases in income.

8. Traded services and School Improvement – this review focussed on the disaggregation of the various services and determination of their individual contributions to corporate overheads. The review concluded that overall the service contributes c £6.5m towards corporate overheads, with the school's catering service contributing c£4.8m of that total (based on 2015/16 outturn). Based on current year monitoring the base budget for the service can be reduced by £2m overall, to reflect additional income generation, primarily from the school catering service.

3. Background

The zero based budget review (ZBBR) work commenced as a Commissioning led activity early in the new year of 2016. The work has been governed and overseen by a ZBBR Board, consisting of members of Management Team.

The purpose of the ZBBRs has been to undertake a detailed and thorough review of services with a view to:

- understanding and challenging all aspects of spend (operational and staffing) to identify any potential budget reductions arising from further service efficiencies and/or budget realignments;

- undertaking appropriate benchmarking and unit cost comparisons to identify any areas of potential 'high spend' for investigation;

- reviewing current operating models and where appropriate investigating alternative service delivery models.

It was agreed that the reviews should be undertaken to ensure that services and budgets are kept under scrutiny, and efficiency savings continue to be identified and taken wherever possible, being mindful not to duplicate the reviews and savings exercises already underway in many service areas.

As part of the reviews, benchmarking with other similar authorities has been undertaken, alongside research into alternative service delivery models to identify any further potential cost savings, within the context of the council's current operating model.

4. Completed Reviews – Conclusions and Recommendations

a) Corporate Budgets

This review analysed a number of elements which make up the council's 'costs of being business'. Most of the costs are fixed, for example pension liabilities and treasury management/MRP (debt) payments, however the ability to capitalise the £1.295m revenue contribution currently made towards the City Deal has been identified as a potential revenue budget reduction that can be made. This (fixed sum) payment is due annually until 2023/24. The capitalisation of this amount would incur additional borrowing costs in the order of £0.080m which will be netted off the revenue saving. The corporate subscriptions and fees budget can also be reduced by £0.030m, based on previous years' outturn underspend positions.

Please see Appendix 1 for details.

b) Design and Construction

This review was the first service based ZBBR undertaken and focussed on the non-highways aspects of the service. It involved a detailed 'unpicking' of each element of service, including a line by line analysis and realignment of each budget element, detailed analysis of staff time spent across all service areas, a review of current and future capital programmes to determine the appropriate level of fee income and a review of the 'Prop' scheme to ensure full cost recovery.

The review concluded that a revised staffing structure should be implemented, incorporating fewer manager posts, more permanent posts than at present to reduce the reliance on agency, and a change to the mix of grades. The review also concluded that the service should charge a fee for Repair and Maintenance work and realign income budgets to more accurately reflect actual deliverable income.

The combination of these changes resulted in overall net budget savings for the service for 2017/18 of £0.322m, and confirmation that the service overall makes a positive contribution to corporate overheads of c. £1.9m per annum. The net savings of £0.322m are derived from a combination of cost reductions, offset by some additional pressures. The staffing restructure for the service results in savings of £0.243m, additional net savings are derived from additional income and reductions in non-staffing costs of £0.107m and the introduction of a fee for repair and maintenance work of £0.357m. The savings are offset by reductions in income in relation to the Prop scheme of £0.204m and a reduction in the corporate fee charged to capital of £0.181m.

Directly comparable benchmarking of this service was difficult however a review of different service delivery models, for example, 'buying in' some elements of the service were not considered to be cost effective and would reduce the significant positive contribution made by this service to corporate overheads.

Please see Appendix 1 for the details of this review.

c) Trading Standards

This review focussed on the opportunities that the service can develop in order to reduce its overall net costs. The review concluded that although the service has higher than lower quartile benchmark comparator gross costs (when closed landfill and scientific services are included in the analysis), the service achieves higher quartile income levels, resulting in an overall lower quartile net position for the service. The service has significantly reduced its headcount in recent years whilst maintaining a flexible approach to service delivery and maintaining high levels of income generation. The service is part of regional and national network groups and maintains a regular review of its operational efficiency and methods of service delivery.

As part of the ZBBR an opportunity to generate additional income was identified from the direct employment of an Accredited Financial Investigator (AFI), and an additional net income budget of £0.033m can be included in the service budget for 2017/18. This is made up of additional income of £0.075m, offset by additional staffing costs of £0.042m. It is proposed to employ the AFI initially on a temporary 2 year basis to assess the achievement of the anticipated income levels.

Please see Appendix 2 for the details of this review.

d) Health, Safety and Resilience

This review identified a relatively small amount of recurring underspends, which enable the reduction of non-staffing budgets in the service by £0.025m, together with a more significant increase in the service's income budget by a net overall total of £0.157m due to a new health and safety management and advice service for schools. The income from the new scheme is anticipated to generate £0.350m, offset by staff costs of £0.193m.

Again, this service is difficult to directly benchmark against however the review concluded that the current operating model is cost effective due to the significant income that the service generates from providing services to external parties, combined with recent reductions in headcount and a flexible approach to service delivery.

Please see Appendix 3 for the details of this review.

e) Legal and Democratic Services
The review of legal and democratic services has identified an overall reduction to the net budget of £0.344m. This is made up of a combination of recurring underspends offset by some cost pressure increases. Recurring underspends for areas of the non-staffing budget such as agency and official visitors have been identified totalling £0.306m. In addition, the budget for external legal costs can be reduced by £0.350m to reflect the new structure for the service which has less reliance on external staff. Offsetting these savings is a pressure on the Coroners budget of £0.163m. In recent years the Coroners service has not been able to contain costs within the base budget. This reflects the current operating model for the Coroners service which is currently under review and a new operating model for the future may result in lower costs beyond 1st April 2017. In addition there are pressures on the general legal services budget £0.149m.

Direct benchmarking of this service is difficult however a review of the unit costs of the various aspects of the service suggest that the service is not excessive in terms of the costs of provision and recent restructures have taken significant resource out of democratic services in particular.

Please see Appendix 4 for details of this review.

f) Operational Income and Recharges
A total of £1.890m budget reductions have been identified from a review of operational income and recharges. Of this total, £0.305m additional income can be achieved from streetworks activities, arising from a combination of the newly introduced permit scheme and higher than anticipated fees for general streetworks inspections and licences. In addition a review of the overhead calculation and resulting charge to revenue will achieve an additional revenue budget reduction of £1.585m, arising from a reapportionment of the overhead charges between revenue and capital. This is due to an increase in the amount of operational work now funded from the capital programme and less operational work funded from the revenue budget, which enables the recharge budget within revenue to be reduced.

Please see Appendix 5 for details of this review.

g) Estates
This service is responsible for delivering a significant saving in respect of the

corporate Property Rationalisation and it is acknowledged that there is a degree of risk around the timeframes for delivering the running cost savings, however the service does generate significant income through charging of fees for services and the review focussed on the degree to which additional income could be built into the base. Upon investigation the degree of risk in terms of the timing of various activities such as the ability to sell or hand back surplus properties, the timeframes for maintaining assets no longer in service use, lead to the conclusion that it would not be prudent to build any further income targets or cost reductions into the budget for 2017/18. However, the service will continue to review its performance and expects to be able to reduce its costs from 2020 when the majority of the activity in relation to the Property Strategy has been completed.

A number of relatively small recurring underspends and some additional income has been recommended as budget savings to the net value of £0.304m. This comprises of £0.035m of recurring savings in the non-pay budgets, £0.018m increase to the LCDL income budget, £0.201m increase to the capital recharge budget, and £0.050m additional income from charging for surveyor time in relation to property sales.

Again, directly comparable benchmarking of this service was difficult however a review of different service delivery models, for example, 'buying in' some elements of the service were not considered to be cost effective and would reduce the significant positive contribution made by this service to corporate overheads. There may be opportunities to review and change the current operating model as part of wider organisational changes.

Please see Appendix 6 for details of this review.

h) Traded Services and School Improvement
This review focussed on the disaggregation and detailed analysis of the various individual services which form part of Traded Services and School Improvement services, in order to understand the contribution each service makes to corporate overheads. The review concluded that (based on the 2015/16 outturn) all of the individual services, with the exception of the Outdoor Education service, do make a positive contribution to corporate overheads, and overall the total contribution was c£6.5m. The service which contributed the most to this position was School Catering, which has seen a significant increase in turnover. In 2015/16 the service generated c£4.8m towards corporate overheads. The position of the Outdoor Education service will improve as a result of the budget decision made in February 2016 to close the Whitehough outdoor education facility, which was not recovering its operational costs.

The review also considered the benchmarked position of the services, and concluded that Lancashire's costs for education (non-schools) and children's social care services are significantly below the average of our benchmark neighbours. Additional investment in a number of children's services is currently being made.

Following the conclusion of the review, an analysis of the current year monitoring position for the service has concluded that the service overall will generate a £2m surplus from additional income recovery, primarily in relation to the School Catering service. The recommendation therefore is to reduce the overall base budget for the service by £2m by increasing the service income target.

i) Other Services
A number of other high level assessments were also undertaken and concluded that at this present time no further efficiencies could be identified beyond the savings already being delivered through numerous existing service re-design exercises in the context of the council's current operating model. These services include Wellbeing Prevention and Early Help, Transport, Health, Equity and Partnerships, Patient Safety and Safeguarding, Waste, Countryside, Libraries, Museums, Culture and Registrars services, Scientific Services, Core Systems, Asset Management, Facilities Management, Communications, Customer Access, Commissioning, Programme Office, Finance, HR, Procurement, Audit and Business Intelligence.

3. Next Steps
Following on from the ZBBR work, the proposed next steps are to undertake a review of all services to determine what further savings could be made based on lowest quartile cost services. This will include a review of current policy and service standards across all services, and consideration of alternative service delivery models. This work will be undertaken as part of the council's review of its overall service delivery model. The work will also incorporate an assessment of the impact of moving to lowest quartile cost services on the council's ability to maintain minimum levels of statutory service provision.

Appendix 1

Zero Base Budget Review (ZBBR) – Design and Construction (Buildings)
February 2016

1.1 Background

This review considered the Design and Construction (Buildings) element of the Design and Construction service. It involved the rigorous financial challenge of the cost and contribution of the service to the council through the detailed analyses of the service budget, taking account of all expenditure and income. There was a particular challenge of income generation and cost recovery against the budget, taking account of staff resources and the reported under recovery of income.
The current business model for the service is based on in-house delivery of design, programme and project management with construction and maintenance works delivered through contracts and framework agreements. Income is generated through the recovery of fees for both internal and external projects. The business model for each work stream was reviewed to challenge it's appropriateness for the Authority.

The ZBBR demonstrated that the Design and Construction (Buildings) business model is sound and makes a significant contribution to the County Council overhead, without excessive or uneconomical re-charges to capital. It has established that there are significant benefits to the authority in delivering this service through in-house resources. The total value of work delivered through the services annually is £50 – £70m.

The review resulted in the implementation of a new staffing structure and the identification of a total of £0.322m net budget savings to be realised in full in 2017/18. The net savings of £0.322m are derived from a combination of cost reductions, offset by some additional pressures. The staffing restructure for the service results in savings of £0.243m, additional net savings are derived from additional income and reductions in non-staffing costs of £0.107m and the introduction of a fee for repair and maintenance work of £0.357m. The savings are offset by reductions in income in relation to the Prop scheme of £0.204m and a reduction in the corporate fee charged to capital of £0.181m.

1.2 Financial Summary

1.21 2015/16 Final Position

The service final outturn position in 2015/16, including the budget for grade 11+ managers, resulted in a £0.365m overspend against its net income target. However, it should be noted that within this figure there is a non-recurring issue which is distorting the true operating position for the year. Income of £0.451m relating to 2015/16 was incorrectly included in the 2014/15 financial year through a year-end accounting adjustment. This resulted in an income shortfall in 2015/16.

The final position restated to remove the effect of this error results in a total underspend of £0.086m. This restated position provides a £1.715m net surplus of income over expenditure for the service which makes a significant contribution to the cost of corporate overheads.

1.22 Review of Fees & Non-Staffing Budget

The costs incurred by the Design and Construction (Buildings) service in relation to the repair and maintenance of county buildings will be recharged to the repair and maintenance budget held in Asset Management. These costs are not currently recovered and sit as a cost within the overall Building Design and Construction (BDC) budget. A fee rate of 9.8% will be applied to all repair and maintenance works costs. The 9.8% rate is consistent with the charging policy applied when this recharge was carried out in previous years

This will generate additional fee income for the BDC service of approximately £0.357m based on a total repair and maintenance budget of £4.000m. There will be no increase to the total repair and maintenance budget as this represents the correct accounting allocation of costs to services and will be absorbed within existing budget provision.

Other budgeted fees in relation to Capital and the PROP scheme have been reduced to reflect a more realistic income target position. The Corporate Fee charged to Capital to recover non direct costs associated with the development, procurement and monitoring of the Capital Programme has been recalculated to reflect current costs. This has resulted in a £0.181m reduction in the recharge to Capital. The PROP scheme fee charged in 15/16 included income generated due to the additional work arising from flood damage in schools. This additional income is not expected to be recurring and the budget has been reduced by £0.204m, largely to reflect this.

Analysis and realignment of the other fee income streams and non-staffing costs contained with this budget also resulted in a net saving of £0.107m.

1.23 New Staffing Structure

As described above the Design and Construction (Buildings) service is structured to incorporate a set of professional disciplines required to deliver a comprehensive design and project delivery service. This is a significant establishment with a total staff cost (inc Agency) in 2015/16 of around £5.200m.

The new structure as approved by management team reduces the management cohort and introduces a number of additional permanent posts to better balance the proportion of staff to Agency.

Whilst the new structure provides a level of resource which will be sufficient to manage a workload and capital programme similar to 2015/16 there will be periods when additional capacity is required. Where there is a peak increase in required capacity, either in the short term or as is likely to occur in 2017/18 due to increased Basic Need Allocation, this increase will be managed through the engagement of agency staff and framework consultants as required, working alongside the in-house staff.

A comparison between the 2015/16 actual staff cost and the cost of the new structure is provided in the table below.

	Staff (£m)	Agency (£m)	Total (£m)
Current Personnel Resource Costs for 2015/16 inflated at 2016/17 cost	3.862	1.300	5.162
New Personnel Resource Costs 2016/17	4.569	0.350	4.919
Net Saving			**0.243**

The staffing and income budgets prior to the ZBBR are based on a historical capital programme value which was significantly higher than current levels. To correct this issue the budgets would have been realigned to reflect the current position and this would have reduced the staffing budget down to £5.162m as outlined in the table above. This would have been mirrored by a corresponding reduction in the recharge to capital budget with a 'net nil' effect on the total budget. As such, the new structure cost of £4.919m represents a £0.243m saving against the realigned budget position.

1.3 Design and Construction (Buildings) Work streams

There are nine principal work streams delivered through the service. These include both fee earning and none fee earning works:

Fee earning:

- Capital Programme
- Pooled Resources Operational Plan (PROp)
- Other Schools – including Service Level Agreements
- Grounds and Cleaning
- Care Services – marginal fee recovery
- Other – external works

Non-fee earning:

- Repair and Maintenance
- Sports Ground Safety Inspections – Statutory responsibility
- Chronically Sick and Disabled People – modest support provided through Building Services

A brief outline of each work stream is outlined below, including a financial summary position illustrating the service expenditure, income and net surplus or deficit based on the restated position as referred to above. Further background information providing more detail of the services provided through Design and Construction (Building) is included within the Service Overview section below.

1.31 Capital Programme

This programme delivers the principal planned capital programme for the County Council. This programme is developed through the Asset Team and includes works in response to Education Basic Needs; Condition Led works and other works delivered on retained buildings.

Table 1: Capital Programme:

	£m	Comment
Expenditure (above the line)	2.349	
Income	-3.918	
Net	**-1.569**	Net surplus: 67%
CDS/Recharge (below the line)	0.191	
Net of all Expenditure	**-1.378**	Net surplus after CDS: 59%

A review of fees across other public and private sector providers has demonstrated that the fee structure in place is consistent and therefore not over-recovering through the capital programme. However it is recommended that an annual review of fees is introduced to take account of the capital programme and the size and nature of projects included within it.

1.32 Pooled Resources Operational Plan (PROp)

This is a non-profit making, traded, building and maintenance scheme for all Primary, Nursery, Special Schools and ACERS/PRU, whether community, aided or academy schools. This is an opt-in service offered to schools, there are other alternatives available to schools in the market. The scheme helps schools manage their estate in an organised and compliant way, to ensure construction and Health and Safety regulations are met.

The Projects income stream detailed below has been used to identify those projects which mainly arise out of the relationship with schools through the PROp agreement. The PROp agreement encourages schools to set aside monies for revenue planned maintenance works which are typically up-to a value of £10k with minimal design input and these attract the agreed 8% fee (such as new carpet , redecoration) . However the school is able to pool this money and supplement it with additional funding such as Devolved Formula capital (DFC) and schools own funding in order to undertake more substantial works, these works would typically attract a greater fee as greater design input and appropriate approvals are generally required i.e. planning approvals, building regulations.

Whilst not formally part of the PROp scheme there is a co-dependence between these works. They have therefore been considered together, but their financial position has also been reported separately below:

Table 2: PROp Planned, Reactive and SLA Scheme

	£m	Comment
Expenditure (above the line)	1.090	
Income	-1.604	
Net	**-0.514**	Net surplus: 47%
CDS*/Recharge (below the line)	0.100	
Net of all Expenditure	**-0.414**	Net surplus after CDS: 38%

**CDS – Central Departmental Services*

Table 3: Schools Projects

	£m	Comment
Expenditure (above the line)	0.940	
Income	-0.937	
Net	**0.003**	Net deficit: 0%
CDS*/Recharge (below the line)	0.081	
Net of all Expenditure	**0.084**	Net deficit after CDS: 9%

**CDS – Central Departmental Services*

The combined effect of these two work streams is a net surplus of £0.330m or 16% before contribution to corporate overheads. As this is a contract let on the basis of it being a non-profit making building and maintenance scheme for schools this level of recover was concluded to be appropriate.

In addition to the benefits already noted for the schools, it should also be recognised that the direct involvement of the service in the maintenance of the schools asset is benefit for the county council. This helps ensure that buildings are properly maintained and remain compliant, thus protecting the county council in its function as employer for the majority of schools on PROp.

The participation in the scheme has been consistently high with a very low proportion of schools leaving the scheme. 387 schools have been with the scheme for the full five years of operation, equating to a 95% customer retention rate. There are 422 schools within the scheme for 15/16 which is the highest participation rate since it began in its current form in 2011.

The scheme is funded through a schedule of fees that have been agreed as part of the three year contract (2014/15 – 2016/17). The current contract is currently in its second year and will end on 31st March 2017. Whilst levels of satisfaction are high and cost recovery is appropriate it is recommended that the agreement is reviewed again ahead of its next iteration. This should include further consultation with the Schools Forum as well as a review of fee levels.

1.33 Other Schools

This includes the provision of service level agreements with secondary and other schools which are not eligible for PROp. Rather than funding being made available as a pooled resource as in PROp each school forms its own agreement with Lancashire County Council, using an established standard set of fees across the various professional service packages available. Projects and services are funded by the school as they call on them.

Table 4: Other Schools and Service level Agreements

	£m	Comment
Expenditure (above the line)	0.063	
Income	-0.073	
Net	**-0.010**	Net surplus:15%
CDS/Recharge (below the line)	0.006	
Net of all Expenditure	**-0.004**	Net surplus after CDS: 6%

It is recommended that SLAs continue to be offered under this model, but that fees are kept under annual review, as with other workstreams.

1.34 Grounds and Cleaning Services

This traded service offers premises managers advice and support in relation to grounds and cleansing needs and requirements. A range of different packages are available and can be selected to enable a tailored suit of services to be developed for each schools requirements:

- Building cleaning standard package including school site supervision and caretaking.
- Building cleaning enhanced package.
- Grounds and sports-field maintenance.
- Swimming pool water balance testing
- Play equipment inspection service that complies with the current BS and EN standards

Table 5: Grounds and Cleaning Services

	£m	Comment
Expenditure (above the line)	0.410	
Income	-0.767	
Net	**-0.356**	Net surplus: 87%
CDS/Recharge (below the line)	0.039	
Net of all Expenditure	**-0.317**	Net surplus after CDS: 77%

This is a popular service with schools which generates a significant level of return for the County Council. It is appreciated that there are potentially links between this traded service and those offered through Traded Services (Start Well). The outcome of the work done to explore the benefits of locating this service within Traded Services is that there are greater benefits to it remaining within Design and Construction (Buildings) allowing a single property maintenance for schools to be offered through one service area.

It is recommended that this service continue to be delivered within Design and Construction (Buildings) to the same business model.

1.35 Care Services

This programme provides a service to maintain kitchens in care homes, although this generates a very modest income, this does not recover the full cost of delivering this service.

Table 6: Care Services

	£m	Comment
Expenditure (above the line)	0.151	
Income	-0.028	
Net	**0.123**	Net deficit: 81%
CDS/Recharge (below the line)	0.013	
Net of all Expenditure	**0.136**	Net deficit after CDS: 90%

The delivery of this service through Design and Construction (Buildings) takes advantage of the various professional skills and experience within the team. However it is recommended that budgetary and accounting adjustments are made to ensure the whole cost of this function is captured in their entirety against the correct service, Adult Services. This will ensure that the costs that are currently hidden within the overall bottom line for Design and Construction (Building) are recharged to the appropriate budget and that the true surplus of this service can be easily identified.

1.36 Other

Design and Construction (Buildings) provide a service for external organisations. Currently work is carried out for Lancaster City Council, some non-Lancashire schools and Lancashire Police. This is a small element of the work programme due to the resources available, this could be enhanced in the future, but would need to be resourced accordingly.

Table 7: Other Works

	£m	Comment
Expenditure (above the line)	0.219	
Income	-0.233	
Net	**-0.014**	Net surplus: 6%
CDS/Recharge (below the line)	0.021	
Net of all Expenditure	**0.007**	Net deficit after CDS: 3%

As stated previously the fee structure used by the service is consistent with other public and private sector organisations providing these services. This should be kept under annual review to ensure it remains consistent.

However, there may also be opportunity with this type of work to introduce a model whereby fees are developed on a project by project basis, as they would be in the private sector. This could enable managers to take account of workloads and other influencing factors at that point in time.

1.37 Repair and Maintenance

This includes the professional support and delivery of repair and maintenance works delivered across the county council retained properties. The total value of works within this work stream is approximately £5.200m.

Table 8: Repair and Maintenance

	£m
Expenditure (above the line)	0.551
Income	0.000
CDS/Recharge (below the line)	0.048
Net of all Expenditure	**0.599**

Whilst the delivery of this work stream is appropriate for the Design and Construction (Building) Service, as this is where the relevant professional skills and experience are located, it is recommended that budgetary and accounting adjustments are made to ensure the whole cost of this function is captured in their entirety against the correct service, Asset Management. This will ensure that the costs that are currently hidden within the overall bottom line for Design and Construction (Building) are recharged to the appropriate budget and that the true surplus of this service can be easily identified.

1.38 Sports Grounds Safety Inspections
This is a statutory function and it is not permitted to generate income from the function. The authority is required to inspect sports grounds and issue safety certificates as appropriate. There are currently 12 grounds which require this function, with a further 47 which may fall in to the required definition if they change their requirements or secure a significant fixture.

Table 9: Sports Grounds

	£m
Expenditure (above the line)	0.039
Income	0.000
CDS/Recharge (below the line)	0.003
Net of all Expenditure	**0.042**

The relevant professional skills and expertise lie within the Design and Construction (Building) service to deliver this function. However it is recommended that the necessary budgetary and accounting adjustments be put in place to ensure the whole cost of functions are captured in their entirety against the correct service. This function primarily addresses a public health protection issue, and a recharge to this service area should be explored to establish the most appropriate budget to charge this against. This will ensure that the costs that are currently hidden within the overall bottom line for this service are recharged to the appropriate budget and that the true surplus of this service can be easily identified.

1.39 Chronically Sick and Disabled People (CSDP)
This programme installs and maintains equipment in the homes of Lancashire residents who are Chronically Sick and Disabled, enabling them to remain at home rather than require residential care.

Table 10: CSDP

	£m
Expenditure (above the line)	0.031
Income	0.000
CDS/Recharge (below the line)	0.003
Net of all Expenditure	**0.034**

The delivery of this service through Design and Construction (Buildings) takes advantage of the various professional skills and experience within the team. However it is recommended that budgetary and accounting adjustments are made to ensure the whole cost of this function is captured in their entirety against the correct service, Adult Services. This will ensure that the costs that are currently hidden within the overall bottom line for Design and Construction (Building) are recharged to the appropriate budget and that the true surplus of this service can be easily identified.

1.4 Business Model

The Design and Construction (Building) service operates a business model combining the in-house delivery of design and programme management with externally procured and contracted physical works, with income generation and cost recovery achieved through an established fee recovery system. The service is delivered through a professional structure of discrete disciplinary teams including Architects, Building Surveyors, Mechanical and Electrical specialists, Quantity Surveyors and Structural Engineers (see Service Overview Section below).

Capital work is delivered through an agreed programme of capital projects ranging from multi-million pound new school developments, school extensions, retained building improvements and depot development through to relatively small scale refurbishments. The responsibility for the development of the approved capital programme sits within the Asset Management Team. The capital programme development process is currently being reviewed within Asset Management to establish opportunities to provide information on the programme earlier in the preceding year, to allow services greater opportunity to plan and programme work, taking account of the full school year.

Income is recovered through the use of an industry standard fee process, whereby a fee is established at the outset of the project, based on the value of the project and the nature of work required to deliver it. There is an established and standard set of fees that are applied to all projects delivered by the Design and Construction (Building) service. Due to the amount of work that is undertaken for external bodies, including schools, there is an expectation that the service works in this way to replicate what would be seen in the market place.
This is a fundamentally different delivery model to the Design and Construction (Highways) model, where re-charges are made based on a record of actual time spent on a project, together with the application of a multiplier, currently 2.55.

A survey of other local authorities was undertaken as part of this ZBBR to establish the models used to deliver similar services across the UK. A brief survey was circulated and 24 returns were received. This has shown that the majority (20) of authorities responding to the survey use the same or similar model to the County Council.

Other models have been introduced by a small number of authorities in recent years, including the development of joint ventures and out sourcing through the engagement of a commercial company to deliver the design element of the service. These models do not provide the authorities with the same opportunity to generate income, or contribute to overheads, and all require an element of in-house expertise to manage the 'client' role.

1.5 Conclusion

When taking account of the income generated through the service, the contribution to overheads and the established and recognised business model used to deliver these services it is recommended that the Design and Construction (Building) service continues to operate within the current model.

There are a number of recommendations detailed below which would help to ensure that the service continues to improve its delivery, maximising income generation and improving efficiency:

- Continue to deliver Design and Construction (Buildings) service to the current model.
- Continue to provide services to schools through PROp and SLAs. Review fees and level of support provided ahead of next contract 31st March 2017.
- Introduce annual review of fee structure alongside capital programme.
- Introduce budgetary and accounting adjustments to ensure the whole cost of non-fee earning functions is captured in their entirety against the correct service.
- Deliver early adjustments to management structure as soon as practicable and review whole service structure to be in place by 31st March 2017.
- Include 'Work in Progress' within financial monitoring to take account of the fee recovery process.
- Continue the delivery of Grounds and Cleaning Services to the current service model and retain within Design and Construction (Buildings).

Appendix 2

Zero Base Budget Review (ZBBR) –Trading Standards
October 2016

2.1 Background

The Trading Standards (TS) service is made up of ten specialist teams, with a total FTE of 53. The ethos of the service is collaborative working to provide an evidence based, intelligence led support and enforcement service to Lancashire's businesses, protecting Lancashire citizens from illegal, and or unsafe trading practices.

The service model has developed active partnerships with local businesses, offering advice focussed on prevention reducing the need for time consuming and costly non-compliance related interventions. The Service also has significant and well developed partnership working arrangements with other agencies, district councils and the TS regional and national framework.

The review concluded that the net costs of the Trading Standards service are within the lower quartile benchmark comparator costs, in particular the service recovers higher than average income levels (the recent PwC SSBR report showed Trading Standards services as higher than lower quartile, however the analysis focussed on gross expenditure, and also included the management of closed landfill sites and delivery of Scientific services, which the comparator figures for other authorities does not include).

The ZBBR has focussed on a review of the current service, and comparisons have been made with practices carried out by TS services across other areas of the country.

The review has detailed a number of options for change for consideration by the Service and the Board.

2.2 The overall budget position

Financial Year/Position	**Total**
2010/11: Net budget	£3,223,000
2015/16:	
Net budget	£1,611,000
Outturn	£1,648,960
Variance (overspend)	£37,960
Trading Income	£300,577
2016/17:	
Net budget	£1,673,145
Variance between 2015/16 outturn & 2016/17 budget	£24,185

The Service has significantly reduced its cost base in recent years, the table above showing a 48% net budget reduction over the 5-year period to 2015/16.

The Service presented an offer that was incorporated in the Budget approved by Full Council in February 2015, reducing the budget by £0.370m by 2016/17. The majority of the reduction (£0.331m) was taken in 2015/16 and was achieved through efficiencies realised by adopting a single management structure approach to the wider scientific services and trading standards service and by significant reductions to the number of posts within the TS Service and further efficiencies. Actual net spend in that year was £0.278m (14%) lower than in the previous year. The £0.038 overspend in 2015/16 was due to the Safe Trader Scheme, which was previously funded as part of Help Direct, being, as agreed, delivered for the year without budgetary provision. Without this unbudgeted cost (C.100k), the Service would have achieved a surplus, due to overachievement on income targets and delivered efficiencies.

Given the size of the reductions experienced to date and the BOP/BSI savings to be achieved from the approved restructure in 2016/17, upon examination, there are no recurring underspends and no further opportunities, currently, to reduce the net budget for the service.

Following subsequent discussions with the Service the review concludes that:

- The Service has identified and delivered significant savings in recent years (including £0.331m service offer savings in 2015/16);

- Benchmarking indicates that at current expenditure levels of £1.82/head TS already sits in the lowest quartile of spend per head of population compared with the 15 nearest neighbour group authorities;
- Benchmarking data suggests that Lancashire is one of the highest achieving income generating TS services in the country. External (non-grant) income increased by 14% to £0.301m in 2015/16 and the Service has further increased its income target to £0.447m in 2016/17;
- An interim staffing structure has been approved that reduces the establishment by 2.0 fte's and removes layers, including management grade 11 posts. The structure retains specialist skills whilst still allowing for flexibility across functions according to demand;
- A number of the options presented in the ZBBR have been further considered with the Service as part of the review. These are detailed in the sections below.

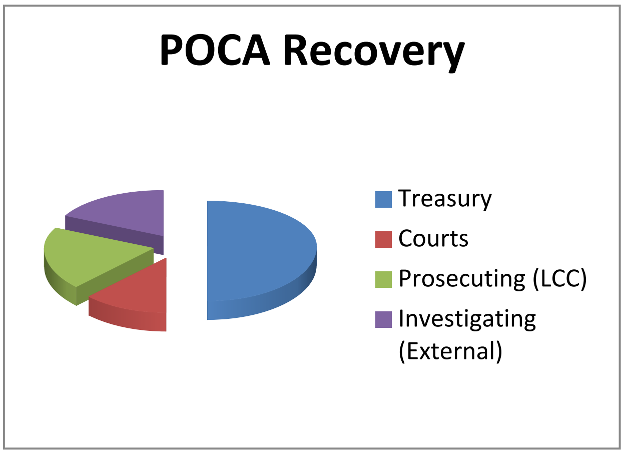
2.3 Proposals for further consideration

2.31 Accredited Financial Investigator (AFI)

This report proposes the establishing an AFI post. This would offer the Authority the opportunity to recover a higher level of incentivisation allocations under the Proceeds of Crime Act (POCA).

Home Office Incentivisation Scheme

As a means of encouraging enforcement authorities to instigate confiscation under POCA the Home Office splits any confiscation awards, with the Home Office receiving 50% and the rest being split between the courts (12.5%), the prosecuting authority (18.75%) and the investigating authority (18.75%).



Without an AFI, in relation to the financial element of investigations, Lancashire is currently only able to act in the capacity of prosecuting authority, however by appointing an AFI it would also become the investigating authority

With an AFI resource the Service will have the opportunity to investigate more cases, including those which we may currently not pursue because of the cost/lack of availability of an external resource. Importantly, an in-house AFI could restrain bank accounts at the time that warrants are executed, therefore, when confiscations are awarded, any financial gains have not been dissipated.

Employing an AFI would act as a deterrent and would contribute to a more efficient and effective Trading Standards investigation service.

Current Budget: 2016/17

Expenditure: £8,000
Income: £25,000
Net surplus: £17,000

Proposed Budget 2017/18
Expenditure: £50,000
Income: £100,000
Net surplus: £50,000

As well as the income received covering the costs of the AFI post and delivering an additional surplus, the costs of employing an external AFI would also be avoided.

It is recommended that an AFI post should be established on a 2-year fixed term contract basis to assess the viability of these assumptions. It is anticipated that employment of an AFI in house would quickly generate increased financial benefit. There will be no additional funding for the post, it is expected to fully recover costs, and regular monitoring of progress will be undertaken.

2.32 Charging for Business Advice – Including Primary Authority Partnerships
Outside of Primary Authority (PA) arrangements there is an option for Lancashire TS service to introduce charging for providing business advice over and above statutory minimum levels however this carries significant operational and reputational risks. Resource would be diverted from statutory functions and businesses could be deterred from seeking support, leading to non-compliance and higher enforcement costs.

It is recommended that, instead of introducing a charge, the Service investigate any options e.g. automated systems, on-line training/resources and wider signposting that may facilitate a greater level of self-service (where appropriate) thereby allowing current resources to focus on higher risk activities.

2.33 Safe Trader scheme
Lancashire's in-house Safe Trader scheme (c.1300 businesses) benefits both local businesses and consumers by providing a trusted trader service.

Continuance of the scheme was approved on a full cost recovery basis and a charge of £99/annum has been introduced from April 2016, which is considered appropriate based on consultation feedback.

Some authorities have adopted nationally-recognised schemes, moving away from an in-house resource. The Service considered the national Checkatrade scheme but felt that it was more appropriate for authorities that didn't successfully operate their own scheme and that adopting a national scheme would actually not be in the best interest of Lancashire citizens and businesses. The annual cost of the national scheme to Lancashire traders would be significantly higher than Safe Trader therefore deterring small local traders, and higher scheme fees could be passed on to consumers.

If Safe Trader is unable to recover costs in full the Service will reconsider alternative options.

2.34 Regional Partnerships

Joint working can bring significant benefits such as shared expertise, resources and associated cost savings. However whilst there appear to be successful arrangements in place in some parts of the country, there is evidence that formalising partnerships isn't effective in some areas as local decision making can be weakened and local resource can be diminished.

There may be opportunities to consider wider partnership working arrangements for TS as part of the current review of the Council's operating model. The Service does already have very strong links with all NW Trading Standards Services and beyond, as a result of the regional and national framework that exists for Trading Standards. It also has well developed partnership arrangements with other enforcement agencies and the district councils in order to ensure efficient and effective delivery.

Appendix 3

Zero Base Budget Review (ZBBR) – Health Safety and Resilience Service
July 2016

3.1 Executive Summary

- The service has reduced its cost base considerably in recent years and is achieving previously agreed savings targets
- The service has recently restructured and as a result will be making further staffing reductions and savings
- The ZBBR has identified some recurring underspends which amount to £25,000 which can be taken as further budget reductions
- The service has recently implemented a new SLA with schools. The additional income that will be achieved is not currently reflected in the base budget for 16/17. The recommendation is that £157,000 income should be reflected in the base (this is the net income position after allowing for staff costs)
- Benchmarking evidence suggests that the service is operating at an efficient level and will be within lowest quartile following the latest restructure
- There are some potential opportunities for further service development

3.2 Financial Position

2015/16 outturn position

- Net Budget - £1,267,000
- Actual - £1,150,245
- Variance - -£116,755

The 2016/17 net budget is £1,072,404 and the variance between the 2015/16 outturn and the 2016/17 net budget is -£77,841

3.21 Outturn variance budget savings

From the 2015/16 outturn variance of -£116,755 following work with finance and treasury colleagues, a total of £25,000 has been identified as a potential budget reduction consisting of:

- £5,000 on conferences which was not spent in 2015/16 and no longer required
- £20,000 underspend on subscriptions in 2015/16 that is not anticipated to be needed, largely because of the shift from print to digital.

The remainder of the underspend is deemed to be required going forward and is made up of:

- £34,756 overhead general is generally subject to fluctuation dependent on the scale of new legislation in the year and includes a £9,000 ERG (Emergency Response Group) training budget for volunteers which was unspent as no manager was in post. This will be appointed to in the new structure.
- £32,756 other income: the service has previously operated on a principle of transferring any surplus income generated 'in year' to a reserve as

appropriate. The decision has been taken to stop this transfer to reserve and any income surplus or deficit will now remain as an 'in year' revenue budget variance. As a result the cumulative surplus balance on the reserve at the end of 14/15 has been cleared and transferred to the revenue budget in 15/16. This transfer accounts for the majority of the additional income variance in 15/16 and therefore is not recurring.

- £20,455 staff-training is subject to fluctuation, savings have already been made via a reduction in training and associated costs for venues/facilities
- £17,525 public health grant: this income has been coded here in respect of work carried out by the service funded from the public health grant. The service has no budget for either the income or expenditure related to this activity as it is held outside of the Emergency Planning service. This results in a 'net nil effect' between additional income and expenditure and doesn't present an ongoing savings opportunity.
- The traded service costs are now superseded by the new schools SLA.

3.22 Savings already achieved

- A staff budget saving of £225,000 has been taken from the revenue budget, following the decision to fund the Employee Support provision from reserves
- A £64,000 saving arising from the Base Budget Review
- A pre service offer saving of £24,000 has been made

3.23 New income generating service - Schools SLA

Under the SLA, some former budget lines will become redundant. However, there will be additional income from this new arrangement for 2016/17. This is estimated to be approximately £350,000.

From this sum, approximately £193,000 will be required to cover the staffing costs of the 5 allied Grade 8 Health and Safety FTEs. There is a suggested £157,000 in additional income above expenditure forecast for 2016/17.

It should be acknowledged that the projected income figure of £350,000 is in all likelihood at a maximum and can be expected to reduce in the future. There is a wish to retain some surplus funds to ensure the costs of the 5 Grade 8s are covered so as to avoid losing skilled and experienced staff one year and potentially having to re-recruit.

3.3 Understanding the Service

The Emergency Planning & Resilience Service was formed in April 2015 by the amalgamation of former services, Emergency Planning, Health Safety & Quality (former Environment), Corporate Health & Safety (former OCE), Health & Safety (former LCCG) along with the creation of two new teams, Employee Support and Health Protection. The service sits in the Public Health and Wellbeing portfolio.
The service operates within a wealth of legislation and internal policy that protects the wellbeing of Lancashire County Council staff by providing a safe and supportive work environment. Similarly, It supports and protects the wellbeing of the population of Lancashire by ensuring robust plans (and resilient responses) are in place to help

mitigate the effects of natural and man-made incidents and large scale outbreaks of disease.

The most recent structure sees the service renamed as the Health, Safety & Resilience Service. The service enables the County Council to demonstrate its legal, moral and economic commitment to the Health, Safety and Wellbeing of all employees and its population.

There are 4 key elements of service provision
1. Emergency Planning
2. Health Protection
3. Health and Safety
4. Employee Support

3.31 Emergency Planning
This provides a comprehensive and effective resilience and emergency planning service to the County Council thus ensuring the ability to respond to emergencies, manage business continuity and enhance levels of resilience within the community.

The service objectives are to:

- Meet and deliver statutory obligations and duties under civil protection legislation
- Assess the risk of emergencies occurring to inform contingency planning and resource allocation
- Review emergency planning and business continuity response arrangements and produce detailed plans outlining external and internal responses to emergencies
- Provide an effective duty officer service (24/7/365)
- Develop resilience with individuals and communities to be better prepared and more self-reliant during emergencies
- Maintain the integral role as a member of the Lancashire Resilience Forum

The Emergency Planning provision is delivered to
- All managers within LCC who have responsibilities for producing business continuity arrangements
- LCC staff and managers to support response, to and recovery from, an emergency
- Industrial establishments under civil protection legislation (e.g. Control of Major Accident Hazards – COMAH, Radiation Emergency and Public Information Regulations – REPPIR and Pipeline Safety Regulations – PSR)
- Lancashire Resilience Forum partners.

3.32 Health Protection
Health Protection responsibilities transferred to the local authority in April 2013 as part of the transfer of Public Health functions. The local authority, together with the Director of Public Health have a duty to ensure that plans are in place to protect the

health of Lancashire's population from threats ranging from relatively minor outbreaks to full scale emergencies.

The service objectives are to:

- Meet and deliver statutory duties and obligations are met under relevant legislation
- Ensure that plans are in place to protect the population of Lancashire from infectious diseases, outbreaks, major incidents and hazards that threaten health and wellbeing
- Be able to respond to emergencies and assist in the recovery phase as and when required
- Develop and maintain a professional emergency response group, trained and able to deliver roles required to meet the needs of those affected by emergencies
- Improve levels of resilience across Lancashire so that individuals and communities are better prepared, more self-reliant and confident in the event of a major incident
- Ensure that LCC are able to continue their own critical activities in the event of internal disruption and quickly return to normal services

Through comprehensive planning and partnership work with key stakeholders and agencies, the service seeks to prevent or reduce the harm to human health caused by a wide range of incidents and emergencies such as outbreaks of infectious diseases, environmental hazards and contamination from chemical or radiation, significant disruption to utilities, major transport accidents and extreme weather events.

This provision is delivered to:

- The people and communities of Lancashire including LCC colleagues and Elected Members
- The 12 Lancashire district authorities
- The 2 unitary authorities
- Lancashire Resilience Forum
- The six Lancashire CCGs.

3.33 Health and Safety

This provision enables LCC to demonstrate its legal, moral and economic commitment to the health, safety and wellbeing of all employees and fulfil legal obligations, as per Health and Safety legislation. In addition, the reputation of LCC is safeguarded by the maintenance of health, safety and quality systems that may be a requirement for bidding for external contracts.

The service objectives are to:

- Demonstrate LCC commitment to health, safety and wellbeing of employees and those who may be affected by the work of the county council

- Evidence LCC compliance with all aspects of health and safety legislation
- Provide advice, guidance and support to managers and Head teachers regarding health, safety and quality systems and occupational health requirements
- Maintain external accreditation to health and safety and quality based systems as necessary

This provision is delivered to all LCC managers, including those externally accredited to 18001 and all educational establishments currently subscribed to the schools SLA.

3.34 Employee Support

This provision is in place to support and work both with managers and employees across the county council where personal and/or employment issues are affecting the capability and capacity of employees to effectively undertake their roles. The service supports the emotional, health and general psychological wellbeing of employees.

The service objectives are:

- Prevention – raising manager's awareness in recognising and responding to warning signs thereby reducing the risk of employees suffering work related illnesses, accidents and absenteeism.
- Promotion – identify and prioritise initiatives to assist the promotion of the wellbeing and resilience of employees
- Rehabilitation – to support the reintegration of an individual back into the workplace
- Staff development – to identify and raise awareness of themes to feed into the development of a range of proactive, educational and training programmes.

3.4 Cost Recovery

The Service is able to charge industry to ensure that the required plans are in place in line with legislation/guidance (COMAH, REPPIR and PSR). Currently, Lancashire has 2 nuclear sites, 8 chemical sites and 4 pipeline industries within the County.

Unfortunately, full cost recovery with regard to such plans was not being realised. This has subsequently been reviewed and full cost recovery is now in place.

Nationally, there is no standard rate, with appropriate bodies somewhat reluctant to issue any such guidance to local authorities. Similarly, there is also reluctance from local authorities to publically share their respective rates with peers. A new Lancashire rate of £55 per officer per hour has been agreed and this is viewed to be appropriate by comparison with other authorities, according to information that is available. The current, September 2015, service delivery plans**,** offer a useful overview of team/individual activity. Once the new structure is populated, an early task will be to produce the new service plan in September 2016.

There are extensive reporting lines regarding performance and the meeting of legislative duties and compliance and details all plans across the service areas,

together with a rigorous associated reporting and performance monitoring processes. These cover the whole service and are RAG rated
A unit cost for each of the contingency plans has been considered, but deemed not to be feasible given that all of the plans are live documents and as such are variable, being respectively dependent on risk factors and live events.

3.5 Benchmarking
The approaches of other local authorities have been explored (Essex, Nottinghamshire, Warwickshire, Derbyshire, Devon and Kent). All seemingly adopting similar approaches to Lancashire, with common plans and links to their resilience forum. Warwickshire have developed a single unified team across the three local authority areas of Warwickshire, Coventry and Solihull. Officers work equally across these 870 square miles, compared to 1,189 square miles in Lancashire. Devon offers health and safety services to other not for profit organisations on a subscription basis, with similarities to the recently adopted Lancashire schools SLA approach.

3.6 Traded Services
A new 'Emergency Planning and Resilience Team Health, Safety and Quality Service Level Agreement' (SLA) has been developed and implemented from 1st April 2016 for Lancashire Schools, including Nursery Schools and Pupil Referral Units. Under the agreement, schools can receive advice, guidance and support in relation to the management of Health and Safety, utilising LCC officer skills and experience within this area.

Schools are charged on a sliding scale depending on type and size, paying an appropriate annual fee of between £600 and £1,200 per year. In addition, there is an optional, extensive list of activities available for schools to purchase as required from the LCC commissioned Occupational Health Service, OH Assist.
Respective fees for educational establishments;

Voluntary Aided schools, Academies, Free schools, Foundation Schools and Foundation Special schools:

School type	Size	Annual Fee
Nursery/Primary	Below 100 pupils	£700
	Above 100 pupils	£800
Primary Academy		£800
Secondary	Below 600 pupils	£900
	Above 600 pupils	£1,200
Special/Short Stay		£800
Secondary Academy		£1,200

Community schools, Voluntary Controlled schools, Community Special Schools, Maintained Nurseries and Pupil Referral Units:

School type	Size	Annual Fee
Nursery/Primary	Below 100 pupils	£600
	Above 100 pupils	£700
Secondary	Below 600 pupils	£800
	Above 600 pupils	£1,100
Special/Short Stay		£700

Thus far, schools take up of the offer has been very good, as detailed below. However, schools are currently only signed up for one year and there is some risk that schools might decide to purchase these services from external providers in the future.

	Total no. of schools	Total no. bought in	% bought in
Nursery	24	23	95.8
Primary	475	416	87.6
Secondary	62	51	82.2
Special	30	29	96.6
Short stay	9	8	88.9
Academy	30	10 (18)	33.3 (60)

Income received from the SLA is currently funding the full cost recovery of 5 grade 8 Health and Safety Officer FTEs within the new/current structure.

It should be recognised that this arrangement offers a new and significant income for LCC.

3.7 Contracts

As an employer, LCC have requirements under the Health and Safety at Work Act to ensure the health, safety and welfare of all employees. Additionally, under LCC attendance management policy, it is required that reasonable steps are taken to ensure that employees are supported to return to work in a timely manner following periods of sickness/absence.

The County Council has had a contract for the provision of occupational health services for over 10 years. Since April 2013, this has been provided by OH Assist. Management Team have approved an extension of this current contractual arrangement to March 2017.

The total spend for this contract was:

- £441,370 in 2015/16
- £444,358 in 2016/17

The provider offers electronic referrals with further facility to provide telephone and face to face appointments by appropriate medical staff as well as more specialist health assessments as required. LCC (and subscribing schools under the new SLA arrangement) only pay for the work requested and it is considered to offer best value as it is delivered on a 'pay as you go' basis. A new service specification is currently in development following Management Team approval to tender for a new contract starting April 2017. Consideration was given to options for providing Occupational Health services in-house. The County Council only pays for the work that the contractor carries out on its behalf, rather than paying for a certain number of hours work by occupational health professionals and therefore running the risk of paying for time that is not being used.

Appendix 4

Zero Base Budget Service Review - Legal and Democratic Services

July 2016

4.1 Executive Summary

- The service has received growth in its budget provision to deal with increasing demand for services, in particular in relation to children's services legal caseloads.
- Legal Services has seen an increase to its staffing budget to reflect a new structure which incorporates additional permanent roles in order to reduce the reliance on agency.
- An element of 'double counting' in the base budget for the service has been identified. This has arisen as a result of growth added to the agency budget prior to the restructure. This review therefore recommends a £0.350m saving to remove an element of this additional growth.
- There are also recurring underspends in other elements of the service which can be removed. This review concludes that these underspends total £0.306m.
- To offset these savings there is an ongoing pressure on the general legal services costs budget and this review recommends an increase to the base budget of £0.149m.
- The base budget for the Coroners service is insufficient to cover actual costs. This review therefore recommends an increase in the base budget for Coroners of £0.163m.
- The overall net reduction in the base budget recommended for the service is **£0.344m.**
- Elements of the service have been significantly remodelled and staff numbers have been reduced in recent years.
- Benchmarking is difficult but comparisons suggest the service is not excessive in terms of costs or provision.
- Opportunities to further reshape service delivery have been explored for further savings.

4.2 Financial Position

Year/Position	Total
2015/16:	
Net Budget	£13,295,220
Outturn	£13,994,319
Variance	£699,099
2016/17:	
Net Budget	£15,766,913
Variance between 2015/16 outturn & 2016/17 net budget	£1,772,594

4.3 Key Issues Arising from the Analysis of the Budget Position

4.31 Cost Base

At a subjective level the main elements of the gross cost base for the service – as seen in individual line items for the 2015/16 revised gross budget – are as follows:

Rank	Subjective Description	Cost Centre Description	Cost (£m)	% of total spend
1.	Services	CIN, CP &LAC – Countywide Legal Costs	3.918	26.1
2.	Coroners	Combined areas	2.016	13.5
3.	Members Allowances	Members	1.408	9.4
4.	Other Staff Group	Child Protection	1.079	7.2
5.	Other Staff Group	Democratic Services	1.074	7.2
6.	Other Staff Group	HoS Legal and Dem Services	0.724	4.8
7.	Grants to Voluntary Organisations	Central Gateways Grants Scheme	0.673	4.5
8.	Other Staff Group	Complaints	0.430	2.9
9.	Other Staff Group	Litigation & Employment	0.416	2.8
10.	Contribution to Earmarked Reserves	CC Election Reserves	0.400	2.7
11.	Other Staff Group	Highways ENV & Property	0.361	2.4
12.	Other Staff Group	Social Care & Education	0.335	2.2
13.	Other Staff Group	Commercial & Procurement	0.326	2.2
14.	Other Staff Group	Information Governance	0.315	2.1
15.	Other Pay Related	Child Protection	0.121	0.8

Table 2: Top 15 budget line items of the 2015/16 revised gross budget for Legal & Democratic Services by rank. Figures have been rounded.

These 15 areas account for 90.8% of the total gross budget with the remainder accounted for by miscellaneous services and supplies, travel expenses, etc.

4.32 Employee Budgets

The service has a total employee budget in 2016/17 of £6.754m – an increase of £1.107m from the 2015/16 budget of £5.647m. The service's new structure includes £0.928m of approved vacancies for additional legal services staff.

Any potential future savings from staff-related underspends in 2015/16 have been superseded by new staffing structures approved during the production of this report. However, the 2016/17 employee budget needs to be viewed in light of the previous growth that has been provided in the non-staffing budget in 2016/17 (see below).

4.33 Legal Services

- Net Outturn for Legal Services (legal costs) in 2015/16 was approximately £4.3 million.

- The net budget for Legal Services (legal costs) in 2016/17 is approximately £5.4 million.

In August 2015 Legal Services was granted an additional £1.36m to meet anticipated demand pressures on the agency budget. This was added as growth in the non-staffing budget for 2016/17. Demand for legal services – driven specifically by demand on the Child Protection team – has increased dramatically and the growth that was added to the legal services budget was to recognise the anticipated increase in agency costs to deal with the additional pressure. This growth was added to the non staff budget in advance of the new staffing structure for the service, which (see above) has now been increased to deal with the additional pressures on a more permanent basis, and to reduce the reliance on agency.

2016/17 budget monitoring indicates that, based on the six months to September 2016, actual external legal costs will not increase by the full amount added to the budget as growth and the full amount is therefore not required. The latest forecast suggests that the Legal Services outturn for 2016/17 will be just over £5m and the recommendation from this review is therefore to reduce the non-staff legal services budget by **£0.350m**.

4.34 Non-staff budgets

Major or "structural" overspends are overwhelmingly staff-related and are historic and demand-led, and have been addressed as part of the new structures. This review has therefore focussed on non-staffing variances in terms of identifying sustainable savings year-on-year.

Identified recurrent non-staffing under-spends:

- Child Protection has a budget of £118,000 for *Agency Staff*. Bearing in mind the significant increases in establishment staffing numbers, the service will likely no longer require the use of any agency staff in this area.

- A £130,773 under-spend in Members costs, including underspends in *car allowances*, *travelling expenses*, *communication and computing*, and *printing, stationery and general office*. While the election of new members next year could see some additional costs, the overall budget can be reduced in the future. Even with the exclusion of members' allowances, this budget item still underspent by £93,343.

- Official Visitors recorded a £41,602 underspend which is anticipated to recur due to the reduction in the number of official visitors to the council.

- The Chairman's budget recorded an under-spend of £17,661 which is anticipated to recur.

- Information Governance recorded a total underspend of £13,149 which is anticipated to recur.

- The Co-opted Members budget shows an under-spend of £8,868 which is anticipated to recur (a combination of reductions in *car* and *member allowances*).

- Members Conferences budget saw an under-spend of £6,027 which is anticipated to recur.

- Corporate Management budget saw an under-spend of £4,000 on *subsistence and conference* which is anticipated to recur.

- **Independent Members** show an under-spend of £3,995 due to reduced expenditure on *car* and *members allowances* which is anticipated to recur.

  The items detailed above total **£0.306m** and the recommendation therefore is to reduce the service's non staffing budgets by this amount.

To offset these underspends, current year monitoring is showing a recurring pressure on the general legal services non staffing budget to the value of **£0.149m.** It is recommended to increase the base budget for the service by this amount.

4.35 Coroners
The county-wide Coroners service over-spent in 2015/16. The service also over spent in previous years. This review has identified a number of service remodelling opportunities which may reduce the historical variance in spend for this service. However, these opportunities, while they remain viable, cannot be realised before the setting of the 2017/18 budget due to the complexity and nature of the discussions that are required. Therefore it is recommended that the Coroner's budget should be increased by £0.163m to reflect the pressure on this budget. As and when appropriate, the budget can be reduced to reflect a revised service.

4.4 Understanding the Service(s)

4.41 Introduction
The vast majority of expenditure for the entire service is employee-related. This is a "people-driven" service with a huge cost base dedicated to staff and administration. It is likely that there is an opportunity to rationalise or centralise administrative systems, either through cross organisational efficiencies and/or expanding electronic systems, to reduce costs in this area, especially within Democratic Services. This report has not looked at this in detail due to the ongoing work to review the organisation's overall operational model.

The large amount of combined expenditure on all of our grant programmes remains a substantial element of the service's budget. This area is covered separately later in this section.

4.42 Complaints & Appeals

Complaints
The number of complaints received by the council increased by 95% from 2014/15 to 2015/16. As with Legal Services, the team's new structure is designed to work more

closely with operational colleagues in social care to manage demand and reduce the level of complaints.

The team has significantly reduced staffing levels over the last 12 months and its newly-approved structure both reduces grade levels and combines appeals and complaints functions rather than retaining specialised roles. Any further reductions in staff mean the council may risk failing to fulfil its statutory duties as complaints must be acted upon within strict legal time limits.

Appeals
Appeals volumes increased 32% between 2014/15 and 2015/16. The team has been significantly re-designed and new staffing structures recently approved by the council's Management Team reflect acceptance of both the significant demand pressure on the service and the continued need to retain a degree of specialist management and technical skills. The service operates under a number of statutory duties.

Appeals generated income last year of £177,382 (against a target of £175,000). Finance are currently examining whether our current charges are in line with rates at comparative local authorities. Even if this review concludes that the council is not recovering all relevant costs from schools relative to other local authorities, the overall amount is likely to be negligible.

The indicative unit cost for each complaint and/or appeal (cost divided by output) is £92.16.

4.43 Coroners

The Preston and West Lancashire Coronial area (PWL) is a complex jurisdiction with a number of institutions (four prisons, two teaching hospitals two district general hospitals, an elective orthopaedic centre, numerous mental health facilities and major sections of the transport network) which contribute to the types of deaths with which the Coroner must deal.

The PWL service area dealt with 2,437 deaths in 2014 (the most recent statistics available), 1,278 of which required a post-mortem and 391 went on to inquest. In comparison Manchester City Council's coronial area dealt with just over 600 more deaths. The PWL Coroner employs a full-time Area Coroner and three Assistant Coroners on a casual basis who generally deal with less complex cases or cover for periods of annual leave or sickness.

The East Lancashire Coroner is a part-time senior coroner due to the lower relative number of deaths dealt in the area. In 2014 the Coroner dealt with 631 deaths of which 346 required a post mortem and 103 went on to inquest. The nature of the work is not as complex

This service has historically overspent due to the acute demand-led nature of the service. While some delicacy is required here, it is clear that demand is purely a function of the number of deaths that occur in the county.

In 2015/16 the service overspent by a net amount of £0.163m. Some of the larger overspends included *Other Local Authorities* (£155,331), involving payments to Blackburn BC, Blackpool and the county police authority. *Staffing costs* represented another significant over-spend (£162,820) as did *Toxicology*, *mortuary storage*, and *Consultancy fees*.

There were also a number of variances related specifically to office costs (e.g. computer hardware, rent, electricity, rates) which highlights the need to look at consolidating the service (*see Opportunities* below).
There are also a number of underspends, although these are widely different for each Coroner's office (Central and East) and may indicate different arrangements between the two offices. Some staff re-structuring has already occurred to reduce costs.

Given that demand cannot be "managed", structural opportunities are the best prospect to reducing costs.

4.44 Democratic Services
Performance data supplied by the service indicates there has been an overall increase (9.9%) in raw output[1] over the last two years (2014/15 – 2015/16). This is broken down as follows and is subject to certain caveats:

- Executive Decision making – 14.4% reduction
- Non-Executive Decision making – 7% increase
- Companies – 14.1% increase
- Grants – 8.3% decrease in the number of applications received and processed.
- Financial transactions excluding grants – 12.8% increase
- Other Decision-Making – 21% increase

The service has provided explanations related to service demand:

- Executive Decision making: A new Scheme of Delegation to the Heads of Service will partly account for a reduction in the number of decisions now being made.
- Companies: Activity is increasing because of the creation of new LEP committees and work involved in the winding-up of other companies. This one-off activity means that demand in this service area will not necessarily continue to increase.
- Other Decision-Making: The level of activity undertaken for the Chairman is a function of the individual holding office; some are more active than others.
- There has also been a number of working groups and new scrutiny arrangements around children's services following the recent Ofsted report.

For the purposes of this report, it has been assumed that the number and purpose of all current meetings will remain the same – i.e. the county council will continue to support meetings that we currently support, whatever their frequency or relevance to the council's core business or objectives.

[1] "Outputs" cover a range of activity – number of meetings supported, presentations, training sessions, site visits, Decision-Making sessions, Key Decisions, cancelled meetings, financial transactions, etc. Data is available upon request.

Taking non-essential output (like financial transactions) out of the equation shows that overall output has declined in the last year by 6%. Staffing levels have also been significantly reduced (a reduction of seven FTE staff up to March 2015 and a further planned reduction of two staff due to VR and the non-filling of four vacant posts, equating to an overall reduction of 13 posts). The current proposed staffing structure for the service sees a reductions in posts to the minimum level. The service has also made a number of efficiencies in recent years to deliver the service in its simplest form, including innovations around IT and modern.gov.

It must be further acknowledged that Democratic Service "outputs" are a pure function of the number of committees, panels, working groups and other meetings the service is requested to support.

4.45 Grants

Grants are a significant spend within the overall service and have been subject to a number of reviews in recent years. However, grants are not a statutory service and are not currently aligned with any of the council's strategic priorities, nor are they evaluated in light of any objectives desired by the county council.

The number of grant applications received and processed declined by 8% from 2014/15 to 2015/16.

There will no longer be a specific grants team under the proposed new structure. Instead, Grants functions will combine with Decision Making to provide flexibility and potentially create service efficiencies.

4.46 Information Governance

Performance data for the service shows that the number of information security incidents and the number of incidents deemed to break the Data Protection Act 1988 are trending downwards. The number of Section 7 Data Protection, Freedom of Information (FOI) and Environmental Information (EIR) requests completed within the mandatory timescales are trending upwards. Approximately three-quarters of these requests are completed on time, varying between 73-90% depending on the quarter assessed. This snapshot suggests that the team is effective at managing demand, which remains significant and is broadly trending upwards.

The team also undertakes a number of other tasks that are not, on the face of it, subject to mandatory or statutory deadlines. For example, Police Information Sharing & Disclosure Requests (approximately 200 are received each quarter, 893 total in 2015) are trending upwards. The service reports that "this is the fastest growing area of work" and may represent an area where the service can delay or reduce its response in order to (a) reduce staffing levels overall or (b) ensure sufficient capacity is retained to deal with statutory demand.

The current proposed structure reflects the Information Commissioner's recent recommendations on the role of the service.

4.47 Legal Services

All of the performance data gathered for the purpose of this report indicates that there is significant demand pressure on the service. For example, the number of cases referred annually to the Child Protection (CP) Legal Team (the largest team within Legal Services) continue to increase well above the national trend year on year. 2015/16 figures broken down by local authority area from the Children and Family Court Advisory and Support Service (CAFCASS) place Lancashire first in the nation in terms of issued public law cases[2].

The overall number of cases opened by the CP Legal Team saw an increase from 1,389 in 2014 to 1,557 in 2015. The total number of cases referred to CP Legal in January 2016 was 163. If this increase in case referrals was to continue throughout the year the team would open 1,956 new cases in 2016.

The service reports that its new structure is designed "to try and prevent cases going to court" and are "investing heavily to prevent demand occurring at the pre-proceedings stage". CP are working with Children's Social Care to implement new protocols, prevent future problems before the courts and reduce overall demand.

An overarching programme board (the 0-25 Programme Board) is driving and managing improvements to children's services, and includes the Director of Legal, Democratic and Governance. Children's Services, working through the Board, are reviewing systems and processes to help reduce demand. This will include close cooperation with CP Legal Team.
Efforts to reduce demand in this area must be monitored going forward.
Recent third-party reviews of other aspects of Legal Services (such as claims-handling) have concluded that the service performs to a relatively high standard. A more detailed review of current demand and performance is available if required.

4.5 Benchmarking

4.51 Introduction

National efforts to benchmark municipal Legal & Democratic Services have concluded that there is significant variance in relative expenditure and a substantial difference in the size of functions on an FTE basis between comparably-sized authorities.

The recent LG Futures Financial Intelligence Toolkit 2015/16 report for Lancashire states that within "central services" (which includes a number of different service areas) Lancashire is a relatively low spender on the "Corporate and Democratic Core", ranking 11th out of 16 authorities with a spend 35% below the average.
The report also concluded that Lancashire's costs for "Coroners Court Services" are almost 25% above average and rank 6th out of 16 authorities (e.g. we spend £1.92 per unit compared with a group average of £1.54 – this may represent a target figure for any remodelling of the service).

According to CIPFA's Finance and General Estimates Statistics for 2015/16 (as reported in the Expenditure Benchmarking Project Phase 2 Summary Report, September 2015) the average shire county spends three-quarter of its central

[2] See https://www.cafcass.gov.uk/leaflets-resources/organisational-material/care-and-private-law-demand-statistics/care-demand-statistics.aspx

services budget on the "Corporate and Democratic Core": Lancashire ranks 14th with spending 25% below the average.
A sampling of other council's expenditure on Legal & Democratic Services indicates that provision in Lancashire is, broadly speaking, in line with the county's relative size and responsibilities.[3]

4.52 Complaints & Appeals
The *level* of appeals and complaints in Lancashire is significantly higher than those in other county councils we sampled. Lancashire is broadly in line with *provision* for appeals and complaints. As previously stated, Lancashire has already reduced and remodelled staffing levels for this service.

For example, Hertfordshire (which has population similar to Lancashire) handled 1,486 school appeals last year, compared with 2,816 in Lancashire. It spends more than Lancashire (£447,000 to £397,314) and employs 11 FTE to our 15 but does not combine roles with Complaints, as Lancashire does. Hertfordshire handled 1,486 complaints last year compared with 1,495 in Lancashire.

4.53 Democratic Services
For example, Surrey County Council's Democratic Services budget is £1,678,675 – more than half a million pounds more than Lancashire. There are approximately 19 non-business support FTEs in the team compared with 24 FTEs in our service. Staffordshire's service supported 235 executive and non-executive meetings last year; Lancashire's supported a total of 354 meetings. Staffordshire also spent significantly more on its service.

4.54 Grants
Hertfordshire operates a Member Locality Budget Scheme – a councillor grant scheme which allocates £10,000 a year for councillors to allocate to organisations in their electoral division. The scheme is administered by 2 FTE situated in the Corporate Policy Team with an overall budget of £770,000 (Lancashire's budget for its comparative grant scheme was £168,000 in 2015/16). The team process approximately 1,200 grants a year, which is in line with provision in Lancashire. In Staffordshire, a total of 676 grants were awarded in 2015/16 under the Council's "Staffordshire Local Community Fund", the council's main grant programme.

4.55 Information Governance
Lancashire's current structure for IG proposes 9 FTEs. Staffordshire employs 13.03 FTE and spent £290,000 last year on its IG team; Lancashire spent £300,851.

4.56 Legal Services
Lancashire's new Legal Services structure has 85 legally-trained staff compared with:

- 76 FTE "Fee Earners" in Hertfordshire's Legal Services Team
- 91 FTE in Staffordshire County Council's Legal Services Unit
- 65 FTE in Surrey's Legal Services Team

[3] Information was received from the relevant departments at Staffordshire, Surrey, East Sussex, Hertfordshire and Somerset county councils. The full benchmarking report based on these findings is available. Case studies are also available.

Hertfordshire and Surrey's total legal services budget is broadly similar to Lancashire's.

4.6 Opportunities

4.61 Coroners
A range of service remodelling opportunities have been identified in terms of the Coroner's Service, which the county council part-funds. Although the county council is responsible for paying for this service it does not employ the Coroners, which presents a degree of challenge in terms of remodelling the service. However discussions are taking place and the possibility of a remodelled service, at lower cost, is being pursued.

4.62 Democratic Services
Member remuneration: A review of all remuneration levels could potentially take place, subject to various considerations.

Meeting support: The council could review and reduce meetings (net total for 2015/16 = 344) – but a review was only recently conducted. It is not clear whether another review would reach other conclusions.

Income streams: Examine opportunities to charge fees for support traditionally provided by the county council (e.g. Lieutenancy, public room bookings, etc.)

4.63 Legal Services
A Combined Authority for Lancashire offers the possibility of shared delivery of legal services, which could lead to a reduced cost service in the future

Zero Base Budget Review Report - Operational Income and Recharges
October 2016

5.1 Executive Summary
A total of £1.890m budget reductions have been identified which have no effect on front line service delivery or jeopardise the achievability of savings already approved. Of this total reduction £0.305m relates to areas of the budget that achieved additional income in 2015/16 and a review of the overhead calculation has resulted in an additional budget reduction of £1.585m.

A further programme of work around the service delivery model, severe weather activity, staffing overhead and fees and charges is recommended to identify further saving opportunities.

5.2 Scope of the Review
This review covered all aspects of the highways service including highway operations, highway management (public realm, network management etc.), street lighting, parking services, flood management, strategic highways and traffic, streetworks and regulation and highway safety inspection and developer support.

5.3 Budget Breakdown & Cost Base
Table 1 below outlines the net cost of the highways service and provides a high level summary of the expenditure, recharges and income that the 2016/17 budget consists of. The headings include the following transactions:

- Employees: all highways operations and non-highways operations staff costs.
- Premises: running costs for the highway depots currently in operation.
- Transport: hire of external plant, fuel costs and car allowances
- Supplies & Services: highway works stock, materials and equipment, external contractors, general office consumables and services
- Third Party & Transfer Payments: public realm payments to district councils, gritting salt contract payments, traffic management system contract payments.
- Financing & Reserve Movements: Revenue contribution to capital spend on carriageway and footway repairs, North West Regional Flood Levy payment and contributions to parking and roundabout sponsorship reserves.
- Charges: 'Inter highways' recharges from highway operations to highways function budgets (public realm, drainage, street lighting, etc.), insurance claim cost recharges and vehicle fleet recharges.
- Recharges: 'Inter highways' recharges from highway operations to highways function budgets (public realm, drainage, street lighting, etc.), & recharges to capital.
- Income: PCN charge, pay & display income, street works permits, licences and defective reinstatement charges, rechargeable works, land search charges, TRO cost recovery.

Table 1: Summary of 2016/17 Highways Budget

Expenditure/Income	Subjective Category	16/17 Budget	% of Exp/Inc
EXPENDITURE	EMPLOYEES	22,569,032	25%
	EMPLOYEE RELATED COSTS	13,100	0%
	PREMISES	1,029,848	1%
	TRANSPORT	4,654,614	5%
	SUPPLIES & SERVICES	33,599,809	38%
	THIRD PARTY AND TRANSFER PAYMENTS	3,607,431	4%
	FINANCING AND RESERVE MOVEMENTS	3,284,189	4%
	CHARGES	20,821,210	23%
TOTAL EXPENDITURE		**89,579,233**	**100%**
INCOME/RECHARGES	RECHARGES	-59,570,484	87%
	INCOME	-8,703,267	13%
TOTAL INCOME/RECHARGES		**-68,273,751**	**100%**
Grand Total		**21,305,482**	

5.4 2015/16 Outturn position analysis

The final outturn position in 2015/16 reported an underspend of £4.849m.

Analysis has been carried out to understand the cause of each variance and to establish the impact of these factors on future budget requirements. A number of the underspend variances present recurring budget reduction opportunities and these are listed below:

- Highway operations plant and transport expenditure: £0.908m underspend – this underspend was caused by reductions in fuel costs and more efficient use of the vehicle fleet. This expenditure is recharged to capital (80%) and revenue (20%) maintenance based on the cost estimate at the beginning of the year. This level of underspend is not anticipated to be repeated in 2016/17 to a significant degree due to the realignment of costs from elsewhere in the budget and a forecast increase in fuel prices. The reduction in costs has been reflected by also reducing the recharge rates accordingly.
- Highway streetworks income: £0.863m underspend – this over recovery of income has been generated through a combination of the newly introduced highways permit scheme and higher than anticipated fees for general streetworks inspections, licences etc. The estimated income surplus for 16/17 results in a **£0.305m recurring savings opportunity.**

A number of large underspends in 2015/16 do not present recurring saving opportunities and include:

- Employees: £0.730m – this budget has been replaced as part of the staff mapping exercise which has brought the 2016/17 budget in line with the proposed structure.
- Environment Directorate General: £0.356 – this budget was previously used as a contingency for the Environment Directorate and in particular highways as well as covering an element of apprentice's costs. The budget was removed in 16/17 as part of the staff mapping exercise.
- STREM Recharges: £1.053m – A review of the overhead multiplier applied to capital design and supervision staff hours is likely to reduce it from its present rate of 2.55. This will reduce the amount chargeable to capital and it's estimated that the revised recharge will be similar to the 2016/17 budget level.
- Drainage Maintenance: £0.254m – Due to the severe flooding events resources were deployed away from routine drainage work resulting in an underspend against drainage maintenance and an overspend against the severe weather budget.
- Developer Support Income: £0.180m – This budget over-recovered on its income target by £0.180 in 2015/16. £0.300 has been added to this budget in 2016/17 as part of previous Service Offer and Base Budget Review savings so no further over recovery is expected.
- Highway Depot Premises Costs: £0.099m – This budget was reduced in 2016/17 by £0.090m to reflect a Base Budget Review saving and as a consequence no underspends are anticipated in future years.

5.5 Further savings identified

5.51 Overhead Charge to Revenue
A full review has been undertaken of the overhead calculation to restate the position for 16/17. This overhead calculation excludes direct labour (including non-productive on cost), direct materials and plant/machinery costs which are included in the schedule of costs and charged direct to the appropriate revenue or capital codes. The overhead charge is calculated using the budgeted expenditure for the areas identified below and apportioned across revenue and capital based on the estimated value of capital and revenue work at the start of the year.

The overhead calculation includes the proportion of non-direct staffing and non-staff costs deemed to be relevant to Highway Operations as follows:

- Highways Staff: Direct staff managers, Grade 11+ managers, Quantity Surveying Team, Programme Liaison & Support Team, Highway Stores Team, Health & Safety Team, Public Realm & Network Management Teams and Business Support & Customer Services Team.
- Non-Highway Staffing: Highway Depots premises and management costs, Insurances, General Operations and Delivery overheads and Central Departmental Charges.

The revenue overhead charge budget for 15/16 was £3.686m and has been adjusted to £3.645m for 16/17. The value of the overall highway revenue maintenance budget for 16/17 has reduced significantly due to over £3m of Service Offer and Base Budget Review savings. In addition to this the value of the Capital programme continues to increase and these two factors result in a shift in the proportion of Highway Operations work delivering the capital programme as opposed to revenue work. In line with this a larger proportion of the overhead will now be charged to Capital in 16/17 and only £2.061m will be charged to revenue. This presents a **recurring savings opportunity of £1.585m.** It should be noted that any further shifts in the balance between capital and revenue work may impact on the certainty of achieving this saving in future years beyond 17/18.

5.6 Recommendations for further work

The report recommends that work continues on a number of service areas to identify further saving opportunities. Research has already begun to gather sufficient evidence to evaluate why the County Council, when benchmarked against other authorities, appears to be more expensive. The key areas currently under review are:

- Service Delivery Model – Review of lowest quartile spend authorities to assess internal vs external delivery and benchmarking of works costs.
- Severe Weather – Analysis of the key severe weather budget variables and benchmarking with lowest quartile spend authorities to assess the Council's position on policy, efficiency and cost of resources.
- Staffing Overhead – Activity analysis has been undertaken to understand the cost of each revenue function carried out within the teams included within the overhead calculation. Whilst this has been successful to a point in assigning costs at a higher level more work is needed to drill down further to a lower level of activity.
- Fees & Charges - Some work has been done to benchmark our fees and charges with other authorities but this needs expanding to align these fees with the true cost incurred in generating this income. Full cost recovery needs to be illustrated for all the fees and charges levied by the Highways team and this will build from the activity analysis referred to previously.

Appendix 6

Zero Base Budget Service Review Report - Estates
October 2016

6.1 Executive Summary

- Through the ZBBR process, a number of recurring underspends and some additional income has been recommended as budget savings to the value of **£0.304m** from 2017/18; this comprises of £201k increase to the capital recharge budget, £53k recurring underspend (£35k across non-pay budgets and £18k increase to the LCDL income budget) and £50k cost recovery from charging of surveyor time in relation to property sales.

- Upon investigation, the degree of risk in terms of the timing of various activities such as the ability to sell or hand back surplus properties and the timeframes for maintaining assets no longer in service use, lead to the conclusion that it would not be prudent to build any further income targets or cost reductions into the budget for 2017/18, however, the service will continue to review its performance and expects to be able to reduce its costs from 2020 when the majority of the activity in relation to the Property Rationalisation has been completed. It is important to note that corporately, there are emerging priority workstreams around the Combined Authority and One Public Estate and the extent of the work that this will generate for the Estates Service is unknown at present. All staff resources are currently deployed to deliver current priorities, but dependant on future demand, there could be the potential to explore income generation options post- 2020, as it is envisaged that there could be capacity within the current team resource to undertake additional workstreams at that time.

- Expenditure and income for Land Not In Operational Use (LNIOU) are difficult to predict and the review of funding required for LNIOU will continue to be undertaken as part of the Medium Term Financial Strategy process.

- Directly comparable benchmarking of this service is difficult however a review of different service delivery models, for example, 'buying in' some elements of the service were not considered to be cost effective and would reduce the significant positive contribution made by this service to corporate overheads. There may be opportunities to review and change the current operating model as part of wider organisational changes.

- The conclusion of the review is that it is recommended that the priorities of the team are to deliver the significant savings targets already agreed in relation to the Property Rationalisation which includes capital receipt and revenue savings target; supporting capital programme delivery, especially in terms of transport schemes and building programmes by way of land acquisition/compensation; day to day property management of the commercial, operational and schools portfolio, along with assisting in delivery of one off projects such as Cuerden/Enterprise Zones.

6.2 Financial Position

6.21 2015/16 outturn position

- Net Budget - £1,787,000
- Actual - £859,318
- Variance - -£927,682

The 2016/17 net budget is £1,552,045, which is £692,727 higher than 2015/16 outturn.

A review of the outturn position for 2015/16 has identified that the following areas of underspend are either (1) not deemed to be recurring, or (2) will result in adjustments to Estates and other budgets but will not deliver savings for the Authority as a whole:

- £341,000 staffing underspend (£429,000 internal staff costs partly offset by £88,000 agency staffing). This is non-recurring following a budget reduction that re-based 2016/17 budget to fund the actual cost of staff in post plus agreed vacancies. Three grade 9 posts were established on a temporary basis until March 2018. The Service anticipates generating enough additional income during the rationalisation phase to manage the additional cost of the posts within the overall budget, but have agreement that any shortfall will be met from the Transformation Reserve.

- £147,000 underspend across the three traveller site budgets. The budget has been set at £131,000 for a number of years and this significant underspend resulted from earlier year accounting accrual adjustments. Actual charges have reduced from £91,000 in 2013/14 to £73,000 and £70,000 in 2014/15 and 2015/16 respectively. The reduction in spend reflects the reduction in the maintenance regime undertaken by Districts, in particular the communal blocks. The Lancaster site requires £0.100m of work (not all essential immediately) and a further £0.025m of work is essential at the Preston site. There is no additional provision set aside in the 2016/17 but to mitigate the risk of overspend the Service will limit the maintenance work to stay within budget this year, and complete the work in 2017/18, again within the allocated budget. (Note, in the past there has been grant funding available but at present there are no opportunities to bid for funding).

The Base Budget Review highlighted that the Authority has no statutory obligation to either provide or to maintain traveller sites - but neither is there an obligation for District councils to maintain the sites. However, as long as the county council owns the sites, it has a statutory obligation to maintain them. The current arrangements are long-standing but in the current financial climate a review of the council's position could be considered. Section 225 of the Housing Act 2004 places legal responsibility on local housing authorities to identify and provide suitable and appropriate gypsy/traveller accommodation; housing services are a District and not a County Council function, however, Section 124 of the Housing and Planning Act 2016 removes the duty on local authorities under the Housing Act 2004 to assess the accommodation needs of Gypsies and Travellers in their area as a distinct category. Instead, it specifies that local housing authorities should consider the needs of people "residing in or resorting to their district with respect to the provision of sites on which caravans can be stationed, or places on inland waterways where houseboats can be moored".

- £186,000 underspend in respect of the Land Not in Operational Use (LNIOU) budget. The gross expenditure budget of £826,000 funds property maintenance, utility charges and other professional fees, and in 2015/16 there was an underspend of £114,000 against expenditure budgets. In the short term the costs in relation to LNIOU will increase as a result of the property rationalisation programme.

- Rental income is generated under the LNIOU budget from properties at sites that have been purchased for capital development. The budget for 2015/16 was £48,000 but actual income was £53,000 higher than budget. This was due to a building at Moor Lane (a surplus building previously a day centre for adults with learning difficulties) being rented for the full year to UCLAN rather than sold as was originally planned. The intention is to agree a 3-year lease arrangement with UCLAN from November 2016 but to market the properties for sale (with tenancy) in the meantime.

Expenditure and income for LNIOU are difficult to predict and the review of funding required for LNIOU will continue to be undertaken as part of the Medium Term Financial Strategy process.

6.22 Outturn variance budget savings

The review of the 2015/16 outturn position has identified £254,000 of recurring underspend. It is proposed that budgets from 1st April 2017 reflect the following:

- **£201,000** increase to the capital recharge budget. In 2015/16 the Service charged £469,000 to capital schemes, reporting an over-recovery of £295,000. This represented an increase of £117,000 from the 2014/15 recharge of £352,000. Supporting the capital programme will continue to be a key priority for the Service and so it is proposed that from April 2017 the budget is increased from £174,000 to £375,000 to better reflect the costs recoverable. It is acknowledged that the priorities of the Service can change and the position will continue to be monitored. Any future changes that will impact on the capital recharge will be reflected in the Medium Term Financial Strategy.

- **£35,000** reduction across non-pay budgets, including £20,000 subscriptions and £5,000 conference/subsistence. The remaining £10,000 is split across various supplies & services budget lines;

- **£18,000** increase in the income budget for LCDL estates management services to reflect the actual cost of staff time recharged.

6.3 Cost Recovery

The key areas of cost recovery relate to the work undertaken on capital projects, the delivery of the estates management function for LCDL, and some external contracts.

Capital works – transport programmes: From July 2016 Estates will charge staff time through PPMS, at cost, directly to the capital programme. An increase in the recharge budget to £375,000 - detailed above - is more reflective of the resource directed to supporting capital works.

Property / site disposals – As of April 2016 the DCLG allow the flexible use of capital receipts and the Authority has reflected £22.0m of capital receipt income in the revenue budget over the three years to 2018/19.

Sales at auction incur an additional charge on the purchaser for surveyor time, over and above the purchase price. This income is currently reflected in the Estates budget. The same should be applied to sales by tender / private treaty (excluding community asset transfers and smaller site sales).

The Service estimate charging c£50,000 per annum and it is proposed that a budget for this income be established from 1st April 2017.

LCDL: The Service recover staff time based on set rates and actual time recorded. The current income budgets are not representative of the real cost and an increase in the budget to recover the anticipated costs in full has been proposed above.

SLA – Police: The income budget of £0.017m is currently recovering only the direct salary cost of 0.2 fte for two employees. Going forward the Service should be recovering a contribution to other service costs and overheads, and intend to negotiate a revised fee from April 2017, although the increase will be minimal.

6.4 Savings already taken

The Service has previously agreed savings in 2016/17 – 2017/18 of £5.119m, of which £0.119m related to staff costs and £5.000m represents the property rationalisation target saving (BSI001).

A review of the BSI001 reported that the Service has delivered the 2015/16 staff savings. The 2016/17 savings have been achieved through re-basing of the budget. Whilst the property rationalisation saving is 'held' within the Estates Service the actual property running cost budgets are with the services that operate from the properties. As properties are vacated the saving (equivalent to the running costs) is transferred to the relevant service. To date running costs have been reduced by c.£0.860m.

BOP001 highlights the risk in 2017/18 of non-delivery of the property rationalisation savings and sets aside a provision of £2.000m in that year to fund delays, and if non-delivery becomes certain the budget will be re-based to reflect this.

6.5 Benchmarking

The 2016/17 gross expenditure budget for the Estates Service is £2.490m. 97% of the budget is represented by three elements:

- Staff costs £1.426m (58%)
- Land not in operational use £0.862m (34%)
- Traveller Sites £0.131m (5%)

There is no comparator unit cost information readily available for Estates services. The Revenue Outturn published figures do not include a specific category for Estates, and the Statutory Services Budget Review (SSBR) undertaken by PWC categorises Estates Land Not In Operational Use under 'Corporate Services' alongside many other service areas. PWC found Corporate Services overall to be a high gross spend area, with Lancashire needing to reduce spend by £23.1m to meet lowest quartile comparator. No comparator income information is provided and so it is difficult to assess whether in net terms the Estates Service is high cost.

A high proportion of staff are experienced and this is reflected in salaries being generally at, or close to, top of scale.

Nationally, the majority of local authorities are implementing property rationalisation strategies to reduce the size of their estates and revenue running costs. Estates is one example where shared services can work, e.g. with neighbouring authorities, Health and other public-funded bodies and this will be explored through the Combined Authority and One Public Estate work.

6.6 Summary of budget savings identified

The review has identified that through a combination of cost reduction and recharging of costs the budget can be **reduced by £304,000** from 1st April 2017. Further savings opportunities are difficult to estimate at this stage. The cost drivers are predominantly (1) the size of property portfolio and (2) the size of the capital programme, since staffing and LNIOU represent 92% of the budget. Whilst there are plans to reduce certain elements of the property portfolio by c.50%, the overall portfolio will reduce by a much smaller proportion. With added uncertainties around things such as the direction of academisation it is difficult at this stage to predict what the reduced portfolio and therefore a reduced establishment could look like post-2020.

Other opportunities to redesign the Service include:

- Exploration of a shared service model, partnering with neighbouring authorities / combined authority footprint. This need to be considered in the context of the wider Corporate strategic agenda, e.g. around One Public Estate;

- Adopting a commercial approach, capitalising on the skill base of the team to generate more external chargeable work (at market rates rather than full cost recovery).

6.7 Understanding the Service

The Estates Service is responsible for the provision of a professional estates management service for Lancashire County Council's property portfolios (including schools) and other external partners' property portfolios, where there are contractual arrangements in place. The current priority areas of work for the service to deliver aspects of the Corporate Strategy are:

- Estates contribution to delivery of the corporate property rationalisation
- Major capital schemes, acquisitions, compulsory purchase orders, compensation
- Disposal of surplus properties/other property interests to maximise capital receipts and minimise expenditure
- Estates management of the property portfolio being operational, surplus or commercial until decisions are made on the future portfolio

Income is generated through the recovery of fees for both internal and external projects/work.

The Service is currently facing increasing levels of demand, due to the rate and scale of change within the Local Authority across the priority areas of work described above, including the Combined Authority and One Public Estate. The full impact of the of the property rationalisation programme on current and future workload is still not fully known in terms of which properties are to be disposed of; decisions are still not confirmed and timescales keep moving out, although 2020 is the current anticipated timeframe. Demand for the Service is dependent on both finances and political steer and at the present time, it is believed that the Service level of delivery is appropriate to the authority's legal duty for holding property and carrying out schemes.

Further organisational reviews and restructures as a result of the Statutory Service Budget Review and review of the council's operating model currently being undertaken by Price Waterhouse Cooper may highlight links with other parts of the organisation or wider public sector that may bring about further efficiencies and further reduce costs.

6.71 Estates Workstreams

The current principle workstreams of the Estates Service are:

- Contributing to capital programme delivery
- Acquisitions
- Compulsory Purchase Orders (CPO) the majority of the capital works in major transport schemes are underpinned by CPO powers; the work of the Legal, Estates and Highways team are intertwined to deliver the CPO requirements

The Estates service currently contributes to the delivery of the following major schemes:

- Pennine Reach
- Heysham-M6 Link
- Broughton By-pass
- Penwortham By-pass
- Preston Western Distributor and E-W Link
- A582 Dualling
-

Estates input is required in other capital schemes to a greater or lesser extent, e.g. Preston Bus Station and schools major capital projects, along with bridge schemes and other highways programmes.

- Estates management of Lancashire County Council's entire property portfolio (operational and surplus)
- Corporate Landlord function - statutory function; the ownership of property and the responsibility for its management, maintenance and funding are to be transferred from service departments to a centralised corporate model
- Swimming pools - currently out for expressions of interests for community asset transfer
- Travellers sites held by LCC and currently managed on a day to day basis by the districts
-

There is a statutory obligation that goes with owning or leasing property that as a responsible body, the County Council must adhere to until decisions are reached on the changing shape of the portfolio.

1. Estates management of Schools portfolio:
The Estates service has a range of different inputs within the schools portfolio with the County Council having various property legal interests and is subject to key legislation under both the Academies Act 2010 and the School Standards and Frameworks Act 1998. The acadamies position is very dependent on central government and the up take in Lancashire which is currently low but could accelerate dramatically impacting on the transfer of the property interests of the county council on a case by case basis.

2. Managing Lancashire County Developments Limited (LCDL) commercial property portfolio:
   The Estates service manages the Lancashire County Developments Limited (LCDL) commercial property portfolio at:
   - Whitecross, Lancaster
   - Rising Bridge, Accrington
   - Lancashire Business Park, Leyland
   -

The portfolio comprises of 170 tenants, approximately £3.5m annual rent roll across one million sqft.

3. Contribution to property rationalisation
   The Estates service contributes to the property rationalisation and management of the wider operational, surplus and commercial portfolios in estate management terms, whether as freeholder, lessee or lessor. There is a statutory obligation that goes with owning or leasing property that as a responsible body, the County Council cannot ignore; this can cover public liability, health and safety, occupier's liability, duty of care, through to Landlord and Tenant Legislation - Granting and Surrender of Leases, Best Value and the Corporate Landlord Function.

4. Disposals
   Complying with legislation to dispose of property and the priority of obtaining maximum capital receipts, whilst reducing revenue. The costs for this area of work will be recovered from the capital receipts going forwards, which is governed by finance regulations. Under Section 123 of the Local Government Act 1972: Disposal of land by principal councils, the County Council must be able to effectively sign off that when disposing of land/property, they are getting the market value for the property that they should be; this workload will increase as a result of property rationalisation.

5. Land Not In Operational Use (LNIOU) - management of vacant and surplus property
   Although the LNIOU budget is not technically statutory, it is a budget that cannot be reduced, as the authority has a legal obligation to maintain empty properties of which it has ownership. The budget is used to maintain property acquired for capital highways schemes/surplus property in the main. There is an element of maintaining the property as a responsible authority and therefore statutory, being security, asbestos, health and safety etc, which would have to come out of the Repairs and Maintenance budget (which currently sits with the Asset Management service), were the LNIOU budget not to exist. Additionally, there is the element of increasing the value of property assets through demolitions/planning applications etc, as a form of invest to save, which is not statutory, but increases the capital receipt.

6. Statutory asset valuations (and rating valuation)
   From a financial perspective, the County Council could be challenged if the financial value of its assets were not made available to the Accounts Commission; the Estates Service has responsibility for maintaining the list of assets and carry out the valuations in line with statutory guidelines.

7. Travellers sites
   The County Council currently owns and maintains three travellers' sites in Lancaster, Hyndburn and Preston, which are managed on LCC's behalf by the relevant District Councils (see further narrative in 2015/16 outturn section).

8. Lancaster City Collaboration
   This joint working arrangement with Lancaster City Council is seen as appropriate in respect of the combined authority discussions.

9. Estates service to Police
   Providing an estates service to Lancashire Constabulary through a light touch collaboration.

10. Ratings advice to Lancashire schools, funded by the Schools Forum
    Ratings advice to the Lancashire schools is funded by the Schools Forum devolved budget, with any savings on the rates liability returning to the County Council as part of its statutory finance role.

11. Combined Authority and One Public Estate
    Estates is one example where shared services can work, e.g. with neighbouring authorities, reducing management and running costs.

Appendix E

Money Matters - Capital Monitoring and Financing Position as at 30th September 2016

Lancashire County Council

Contents	**Page**

Money Matters – Capital Monitoring and Financing Position as at 30th September 2016

1. Executive Summary

This report sets out the Quarter 2 capital monitoring position for 2016/17 against the re-profiled capital programme 2016/17 budget approved by Cabinet on 6th October 2016. It also compares the 2016/17 Q2 monitoring position with the equivalent position in 2015/16 in order to give an understanding of the progress being made to date with regard to the overall spend level (Table 1).

In addition, it contains an analysis of spend in Q2 between spend on actual in-year project delivery, as distinguished from spend on purely financial matters e.g. passporting of a grant or payment of a final invoice. (Table 2)

Details of progress on some of the larger projects within the programme are provided (Table 3). The full delivery schedule of projects was presented within the 6th October Cabinet report appendices.

An outline is provided of the financing of the full multi-year re-profiled capital programme and the expected associated capital charges. (Tables 4 and 5).

2. Quarter 2 Monitoring

Table 1 below shows capital expenditure up to the end of September 2016 on the major blocks of the capital programme, with the equivalent 2015/16 figures for comparison.

					2015/16 Q2 ACTUALS		2016/17 Q2 ACTUALS	
Table 1	**2016/17 full year re-profiled approved budget**	**2016/17 full year Forecast out turn**	**Forecast Variance (under budget)/ over budget**	**Forecast Variance as a percentage of budget**	**2015/16 spend to end Q2**	**% of budget spent at Q2**	**2016/17 spend to end Q2**	**% of budget spent at Q2**
	£m	**£m**	**£m**		**£m**	**%**	**£m**	
Schools (excluding Devolved Formula Capital DFC)	27.318	27.407	0.089	0.33%	10.363	50.7%	14.676	53.7%
Schools DFC	2.545	2.545	0.000	0.00%	0.065	2.0%	0.562	22.1%
Children and Young People	1.491	1.491	0.000	0.0%	2.986	65.4%	0.198	13.3%
Waste and Other	6.091	6.091	0.000	0.00%	0.388	44.1%	0.723	11.9%
Adult Social Care	12.537	12.537	0.000	0.00%	0.646	8.1%	11.523	91.9%
Corporate	13.251	13.091	-0.160	-1.21%	5.733	31.1%	3.904	29.0%
Vehicle Replacement	1.934	1.884	-0.050	-2.59%	0.363	8.2%	0.022	1.0%
Transport	35.280	35.125	-0.155	-0.44%	30.133	59.6%	20.049	57.0%
Highways	51.063	50.093	-0.970	-1.89%	11.484	28.4%	14.441	28.0%
Total	**151.510**	**150.264**	**-1.246**	**-0.82%**	**62.161**	**41.2%**	**66.098**	**43.6%**

Direct comparison between one year and another is difficult given that capital projects and their profiles of expenditure will vary to some degree from year to year. However, spend in the year to date is greater than at the same point last year and 2015/16 outturn was very similar in scale to the size of the 2016/17 programme.

The above table shows that it is currently anticipated that 99% of the £151.510m budget for 2016/17 will be spent.

Forecast variances in excess of £0.100m are analysed below:

- Corporate block forecast spend is less than budget by £0.160m due to delay in Tulketh High School demolition project caused by issues with asbestos, ecology and relocation of telecoms mast.

- Transport block forecast spend is less than budget by £0.155m mainly due to delay in Ormskirk Town Centre scheme now to be slipped into 2017/18.

- Highways block forecast spend is less than budget by £0.970m due to three schemes forecasting to underspend, two schemes with retention monies being re-profiled, two schemes with forecast slippage due to bad weather, five s106 schemes with forecast slippage as a result of resource issues and one scheme delayed due to ongoing cost negotiations.

3. Analysis of Quarter 2 spend total between project delivery and financial transactions only

Table 2 below shows the analysis of Quarter 2 spend in each block between project delivery and financial transactions such as grants passported to third parties, or payment of final invoices.

Table 2	2016/17 spend to end Q2	Passported grant	Non –delivery costs eg. final invoice payments	Project delivery in Q2
	£m	£m	£m	£m
Schools (excluding Devolved Formula Capital DFC)	14.676	0.000	0.000	14.676
Schools DFC (Bank account schools only- other schools reimbursed at year end)	0.562	0.562	0.000	0.000
Children and Young People	0.198	0.000	0.000	0.198
Waste and Other	0.723	0.000	0.000	0.723
Adult Social Care	11.523	11.477	0.000	0.046
Corporate	3.904	0.000	0.000	3.904
Vehicle Replacement	0.022	0.000	0.000	0.022
Transport	20.049	0.000	0.610	19.439
Highways	14.441	0.000	1.662	12.779
Total	**66.098**	**12.039**	**2.272**	**51.787**

At Q2 the percentage of spend comprised of project delivery was 78.3%. For 2015/16 the comparable figure was 89.7%. This is mostly due to the doubling in value of the Disabled Facilities Grant passported in this period.

4. Delivery of Outputs on larger projects

Table 3 below illustrates progress on some of the larger projects within the re-profiled 2016/17 capital programme.

*Figures for the half year budget are simply 50% of the full year budget, which in some cases may not be a relevant comparator.

Table 3	Projects	Full Year Budget 2016/17	Half year Budget 2016/17*	Spend Half Year 2016/17	Actual physical delivery
		£m	£m	£m	
Schools (excluding DFC)	15/16 Condition	8.297	4.148	2.838	22 projects of which half are operationally complete.
	15/16 Basic Need	9.981	4.990	2.570	
	Pre-15/16 Basic Need	9.486	4.743	2.026	
Schools DFC	15/16 DFC	2.545	1.272	0.560	
Children and Young People	Chorley Youth Zone	1.000	N/A	0.000	Contribution agreed but not paid by end of Q2.
Waste and Other	Fire suppression upgrade	2.268	1.134	0.000	Works due to commence late November 2016.
	Asset preservation	3.492	1.746	0.000	£0.670m spend to Q2 in Waste company to be invoiced to LCC in Q3. Waste company has profiled full budget to be spent by 31.3.17.
Adult Social Care	16/17 Disabled Facilities Grant	11.477	N/A	11.477	Passported to Districts in full April 2016.
	Chorley Extra Care	1.000	N/A	0.000	Contribution agreed but not paid by end of Q2.
Corporate	Superfast Broadband	3.470	1.735	0.469	Delivery on track but some delays in evidencing claims for payment.
	Brierfield Mill /(Northlight)	1.280	0.640	0.000	New programme.
	Core Systems	2.078	1.039	0.719	Delay in Highways Asset Management system implementation
	Customer Access Core Systems	1.419	0.710	0.000	£0.6m spent coded to revenue will be journaled in October.
	County Hall refurb	3.000	1.500	1.552	
Vehicle Replacement	Ongoing vehicle replacement	1.934	0.967	0.022	A new procurement framework has resulted in vehicle orders being placed in the latter part of the year. Projected 16/17 spend is £1.884m.
Transport	Heysham to M6 Link	20.800	10.400	15.200	Road opening took place on 31 October 2016, with outstanding work on landscaping and motorway communications scheduled for completion by Mar 17.
	Blackpool				

	Tramway	2.681	1.340	0.610	Final Invoice expected in 16/17.
	Burnley Pendle Growth Corridor	3.166	1.583	1.690	Substantive programme to be completed by Mar 2018, but one project has been delayed due land acquisition issues, so this may not complete until Mar 2019.
	Pennine Reach	1.327	0.663	0.751	Majority of work completed. A bus lane, off road parking and Statutory Quality Bus Partnership to be completed.
	Burnley Town Centre	1.522	0.761	0.770	Scheme delivery on programme. Manchester Road complete. The Mall and Curzon Street south substantially complete and St James's Street started. Advanced preparation work ahead of programme.
	East Lancs Strategic Cycle Network	2.668	1.334	0.142	Delivery has been delayed due to five factors • Objection to tarmac surfacing • Negotiations with land owners • Objections to upgrade from PROW to Bridleways • Resolution of issues raised by flooding last December • Awaiting decision re Highways England potential delivery of 4 sections
	Contribution to City Deal	2.500	0.000	0.000	Annual contribution at year end.
Highways	Asset maintenance several years starts **excluding** Bridges and Local Priorities Response Fund (LPRF)	23.574	11.787	8.722	Delivery on target as spend to date excludes work in progress of c£4.5m not yet reflected in Oracle.
	LPRF	2.500	1.250	0.187	
	Bridges	2.000	1.000	1.037	
	Rawtenstall Bus Station	3.910	1.955	0.000	Planning permission secured. Commuted sum approved to fund future maintenance. A legal agreement is being drawn up which will enable a transfer of monies to Rossendale Borough

					Council in 16/17.
	DfT grant funded Flood projects	3.796	1.898	1.280	The total DfT grant received in 15/16 was £5m, of which £0.293m was spent in 15/16, £3.796m is forecast to be spent in 16/17 and £0.911 is phased to be spent in 17/18. 65 projects have been completed to date and 27 are due to be completed in 17/18 due to issues re site investigation, land access and underwater surveys.
	DfT Street Lighting Challenge Fund	6.750	3.375	2.774	To ensure the optimum balance between reduction in revenue energy cost and minimum contractor price, procurement was delayed in order to secure a 25% procurement saving

5. Financing of the Re-profiled Approved Programme

Table 4 below sets out the sources of finance available over the life of the programme, and compares their profiling to the re-profiled expenditure, in order to present the resulting expected borrowing requirement in each year of the re-profiled programme.

The total borrowing requirement over the life of the programme is expected to be £157.518m, and for 2016/17 it is expected to be £52.359m. These figures exclude cashflow support to City Deal.

It should be noted however that the mix of borrowing and external funding in each individual year is subject to change in line with factors such as changes in awards from funding bodies, changes in timing of external funding, and changes to programmed spend.

Table 4	**2016/17**	**2017/18**	**2018/19**	**2019/20 and 2020/21**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**
Total re-profiled programme	151.510	118.383	94.993	26.081	390.967
Funding per Table 5	**-99.151**	**-95.949**	**-35.870**	**-2.479**	**-233.449**
Borrowing requirement	**52.359**	**22.434**	**59.123**	**23.602**	**157.518**

Table 5 below shows the various sources of funding totalling £233.449m.

The grants receivable section includes both confirmed and indicative amounts in the year for which they are allocated and paid to the authority by national government. There is currently no indication from the Education Funding Authority (EFA) of any allocation for 2018/19, hence for prudence, no estimate for this year is included in the funding table below, and no expenditure for this allocation is included in the Schools profiled spend.

Table 5 – Capital Programme Funding	**2016/17 £m**	**2017/18 £m**	**2018/19 £m**	**Later Years £m**	**Total £m**
Grants Receivable					
DfT Street Lighting Challenge Fund	-5.000	-4.800			-9.800
DfT Annual Highways Maintenance Grant	-21.154	-20.514	-18.567		-60.235
DfT Highways Maintenance Incentive Funding 2016/17	-1.293				-1.293
DfT Pothole Action Fund	-1.241				-1.241
DfT LTP/Integrated Transport Block annual grant	-6.054	-6.054	-6.054		-18.162
DfE School Basic Need	-8.891	-29.006	-2.580		-40.477
DfE Schools Condition annual grant	-11.209	-11.209			-22.418
Disabled Facilities Grant	-11.477				-11.477
Schools Devolved Formula Capital	-2.545	-2.634	-2.634		-7.813
Growing Places				-2.479	-2.479
DEFRA re Preesall Flood Alleviation Scheme	-0.070				-0.070
Sub Total	**-68.934**	**-74.217**	**-29.835**	**-2.479**	**-175.465**
Contributions from Developers					
Highways s278 Schemes Q1 additions	-0.901				-0.901
Highways s106 schemes Q1 additions	-0.425				-0.425
Sub Total	**-1.326**				**-1.326**
Grants unapplied Balances as at 31st March 2016					
DfT Heysham grant received in advance	-2.348				-2.348
DfT Flood Damage Funding received in 2015/16	-3.796	-0.911			-4.707
DEFRA funding to be applied to ongoing projects	-0.372				-0.372
Schools specific funding	-0.036				-0.036
Highways and Transport	-2.111				-2.111

specific funding					
CYP specific funding	-0.211				-0.211
Waste specific funding	-0.120				-0.120
non specific funding	-3.617				-3.617
Adult Social Care grant	-0.187	-2.386			-2.573
Short Breaks for Disabled Children	-1.449				-1.449
School DfE grants brought forward	-10.557	-11.690			-22.247
Sub Total	**-24.804**	**-14.987**			**-39.791**
	Growth Deal Funding				
Burnley Pendle Growth Corridor		-4.000	-4.000		-8.000
East Lancs Cycle Network			-1.550		-1.550
Sub Total		**-4.000**	**-5.550**		**-9.550**
	District Contributions				
Burnley Town Centre	-0.700	-0.550			-1.250
Burnley Pendle Growth Corridor	-0.832		-0.485		-1.317
Blackpool Borough Council contribution to Waste projects (held in designated reserve)	-0.720	-0.194			-0.914
Sub Total	**-2.252**	**-0.744**	**-0.485**		**-3.481**
	Contributions from Other External Bodies				
Nelson and Colne College (Northlight)	-0.100				-0.100
BDUK re SFBB Phase 2	-1.735	-0.965			-2.700
Sub Total	**-1.835**	**-0.965**			**-2.800**
Capital Receipts					
Funding for School Playing Field programme from sale of school approved via Cabinet report		-1.036			-1.036
Sub Total		**-1.036**			**-1.036**
Total Funding	**-99.151**	**-95.949**	**-35.870**	**-2.479**	**-233.449**

6. Capital Finance Charges

The County Council has a current debt level of approximately £1bn which has been incurred over a number of years and consists of debt incurred under the current Prudential System as well as under the previous credit control system. Prior to the introduction of the Prudential Code in April 2004 the County Council were given credit approvals from central government. This was a limit on the amount the County Council could borrow and the government included provision for the financing of the debt within the RSG settlements. Traditionally the County Council borrowed up to the maximum permitted. The introduction of the Prudential Code removed these limits enabling authorities to borrow at a level they deem as affordable. It is accepted that all authorities would have a different basis on the concept of affordability based on their differing priorities and the need for capital expenditure.

As at the 31/3/2016 since the inception of the Prudential Code the County Council has incurred £135m of capital expenditure funded from borrowing to meet its capital priorities These prior decisions mean that there is a long term budget commitment in terms of both Minimum Revenue Provision (MRP), which is effectively a charge for the principal repayment, and interest charges. Under the current MRP policy the charge for the debt prior to the introduction of the Prudential Code is £8.887m per annum. In addition, the MRP to cover since the implementation of the Prudential Code is in the region of £10.5m. This is forecasted to rise to £10.9m by 2020/21.

The loans, and therefore interest charges, are not tied to specific expenditure but are managed as a pool. To fund the outstanding debt the interest charges are in the region of £18m per annum although this will vary as interest rates and MRP payments change. Therefore without any additional borrowing being incurred there is a commitment in future years' budgets of some £37m by 2020/21. In addition the current Capital Programme includes borrowing of c£158m over the period of the Programme. By 2020/21 estimated increases in borrowing on the capital financing charges equates to an additional MRP charge of £6.3m per annum and interest of £2.4m. This would give a total capital financing requirement of £45.6m. The current MTFS has built in sufficient resources to cover the impact of the Programme.

Table 6 below shows the borrowing costs for the existing programme and new re-profiled programme, totalling £45.6m.

TABLE 6	2016/17	2017/18	2018/19	2019/20	2020/21
Borrowing costs of existing and new capital programmes	£m	£m	£m	£m	£m
MRP					
Current Debt	19.398	19.318	19.098	19.476	19.868
New Capital Programme	0.000	2.094	2.991	5.356	6.300
Interest					
Current Debt	18.442	18.135	17.809	17.458	17.076
New Capital Programme	0.393	0.953	1.565	2.186	2.363
Total					
Current Debt	37.840	37.453	36.907	36.934	36.944
New Capital Programme	0.393	3.047	4.556	7.542	8.663
Grand total borrowing costs old and new programmes	**38.233**	**40.500**	**41.463**	**44.476**	**45.607**

Under the CIPFA Prudential Code consideration must be given as to the affordability of the Capital Programme. A budget of £45.7m represents approximately 6.5% of the estimated resources available to the County Council in 2020/21 (excluding potential Council Tax increases); although once investment income is taken into account the net budget represents 5.6% of revenue. There is no guidance on what is considered to be a reasonable proportion of the revenue budget is used for capital financing purposes. This is a matter for individual authorities and reflects their different aims. It should be noted that financing capital expenditure from borrowing does represent a long term commitment in the revenue budget. If the revenue budgets were to fall then the percentage committed to capital financing would increase.

The National Audit Office produced a report in June 2016 which expressed concern about the levels of debt currently serviced by local authorities. The NAO said: “If authorities cannot reduce their debt servicing costs, this will place further pressure on revenue spending.” It added that minimising the revenue cost of capital programmes is the “primary challenge facing authorities.” The NAO report does not refer to individual authorities' data however the DCLG has recently published information on borrowing at 31/3/16 which shows that Lancashire has the second highest level of borrowing of all the shire Counties. By head of population Lancashire has the highest level of borrowing. There is currently little information on the financing costs. The CIPFA 2014/15 actuals show that the principal repayment and interest charges represent on an average of 8.5% of the budget requirement. Lancashire's figure was shown as 9.8%, which was the 8th highest.

It should be noted that the figures quoted for 2019/20 show that capital financing budget represents a lower proportion of the budget than shown by the CIPFA statistics. This is the result of the change in MRP policy in 2015/16 which has seen significantly lower MRP charges. Excluding any potential Council Tax increases it is estimated that the net capital financing charges will increase to 5.6% of the budget in 2020/21 from 4.33% in 2016/17. Therefore the available statistics suggest that the County Council is facing an increase in financing and that it is starting from a relatively high debt base. It is therefore potentially one of those authorities who face the problem identified by the National Audit Office and future borrowing requests should be subject to detailed scrutiny and appraisal of costs and benefits.

Item 7

Report to the Cabinet
Meeting to be held on Thursday, 8 December 2016

Report of the Legal and Democratic Services

Electoral Division affected: (All Divisions);

Report of Key Decisions taken by the Leader of the County Council, the Deputy Leader of the County Council and Cabinet Members

Contact for further information:
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Executive Summary

Key Decisions taken by the Leader of the County Council, the Deputy Leader of the County Council and Cabinet Members, since the previous meeting of Cabinet. The key decisions set out below were considered by the Executive Scrutiny Committee at it's meetings on 4 October 2016 and 8 November 2016.

Recommendation

Cabinet is recommended to note the decisions detailed below.

1) **Key Decision taken by the Leader of County Council and the Cabinet Member for Adult and Community Services**

   The following decision was taken by Leader of the County Council on 10 October and the Cabinet Member for Adult and Community Services on 11 October.

   Procurement Report - Request for Approval to Commence Procurement Exercises

   The Leader of the County Council approved the commencement of the procurement exercise in respect of:

   (i) Occupational Health Services.

   The Cabinet Member for Adult and Community Services approved the commencement of the procurement exercises in respect of:

(ii) The framework for the provision of Home Care Services across Lancashire for older people with physical disabilities, people with learning disabilities/autism and people with mental health problems; and
(ii) Extra Care Services.

2) Key Decisions taken by the Deputy Leader of the County Council

The following decision was taken on 10 October 2016:

Disposal of Land at Bluebell Way Preston

The Deputy Leader of the County Council approved the recommendation as set out in the full report.

This decision was implemented immediately for the purposes of Standing Order 34(3) as any delay could adversely affect the execution of the County Council's responsibilities. The reason for this is that any delay could risk losing the highest bidder and to demonstrate a firm intention to proceed.

This report was dealt with under Part II. The full report is not available for publication as it contains exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972. The report contains information relating to the financial or business affairs of any particular person (including the authority holding that information). It is considered that in all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

The following decision was taken on 11 October 2016:

Disposal by way of formal tender Residential development land at Liverpool Road Hutton Preston

The Deputy Leader of the County Council approved the recommendation as set out in the full report.

This decision was implemented immediately for the purposes of Standing Order 34(3) as any delay in giving notice to the successful purchaser of the site would delay completion of the contract. It will further mean that there will be a delay in returning the deposits of successful bidders.

This report was dealt with under Part II. The full report is not available for publication as it contains exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972. The report contains information relating to the financial or business affairs of any particular person (including the authority holding that information). It is considered that in all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

3) **Key Decision taken by the Deputy Leader of the County Council and the Cabinet Member for Health and Wellbeing**

The following decision was taken by the Deputy Leader on 10 November 2016 and the Cabinet Member for Health and Wellbeing on 9 November 2016.

Primary Care Commissions

The County Councillor Azhar Ali, the Cabinet Member for Health and Wellbeing and County Councillor David Borrow, Deputy Leader of the County Council approved the recommendations as set out in the full report.

This report was dealt with under Part II. The full report is not available for publication as it contains exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972. The report contains information relating to the financial or business affairs of any particular person (including the authority holding that information). It is considered that in all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

4) **Report of Key Decisions taken by the Cabinet Member for Environment, Planning and Cultural Services**

The following decision was taken on 14 September 2016:

Water and Environment Management Framework

The Cabinet Member for Environment, Planning and Cultural Services approved the use of the Environment Agency's Water and Environmental Management (WEM) Framework to procure specialist consultants, contractors and technology for flood related investigations and works.

The following decision was taken on 11 October 2016:

Award of Contracts for the Acceptance and Composting of Green Waste Arising in the Administrative County of Lancashire and Blackpool

The Cabinet Member for Environment, Planning and Cultural Services approved the recommendations as set out in the full report.

This report was dealt with under Part II. The full report is not available for publication as it contains exempt information as defined in Paragraph 3, of Part 1 of Schedule 12A to the Local Government Act 1972. The report contains information relating to the financial or business affairs of any particular person (including the authority holding that information). It is considered that in all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

5) Key Decisions taken by the Cabinet Member for Highways and Transport

The following decisions were taken on 6 October 2016:

Proposed Speed Limit Orders, and Restricted Road Status (30mph) on various roads in Fylde Borough and Wyre Borough

The Cabinet Member for Highways and Transport approved the proposed speed limits described in the report.

Speed Limit Order 2016 Ribble Valley, Hyndburn and Preston - Various Speed Limits and Associated Revocations

The Cabinet Member for Highways and Transport approved the making and sealing of a Speed Limit Order to cover the work that has been advertised in the proposed order.

Proposed Traffic Regulation Order introducing Waiting Restrictions and including Revocations at various locations in Fylde Borough

The Cabinet Member for Highways and Transport approved the introduction of the above Traffic Regulation Order.

Proposed No Waiting and No Loading and Unloading at Various Locations in Wyre Borough

The Cabinet Member for Highways and Transport approved the introduction of the above Traffic Regulation Order.

The following decision was taken on 11 November 2016:

Review of Tendered Bus Services in Ribble Valley

The Cabinet Member for Highways and Transport:

(i) Approved the proposed revisions to the tendered bus service network in Ribble Valley
(ii) Requested that officers undertake the necessary contract variation process to allow the service revisions to commence on 5 December 2016.

This decision was be implemented immediately for the purposes of Standing Order 34(3) as any delay could adversely affect the execution of the County Council's responsibilities. The reason for this is to ensure that the revised tendered bus service network would commence on 5 December 2016.

6) **Key Decisions taken by the Cabinet Member for Adult and Community Services**

The following decisions were taken on 11 October 2016:

Implementation of the Care Act 2014 - Approval of revised Adult Social Care Policies and Procedures, incorporating Telecare and Protection of Property

The Cabinet Member for Adult and Community Services:

(i) Approved the following revised Adult Social Care Policies:
   a. Protection of Property
   b. Telecare

(ii) Noted that recommendation (ii), as set out in the report, was unnecessary and had been withdrawn as the Council's Constitution already permitted the cabinet member and officers to undertake the proposed action, and the matter had also been covered in an earlier report to the cabinet member dated 9 March 2016

Award of a Flexible Agreement relating to the provision of supported living services - Transforming Care: Pan Lancashire

The Cabinet Member for Adult and Community Services approved the recommendation as set out in the full report.

This report was dealt with under Part II. The full report is not available for publication as it contains exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972. The report contains information relating to the financial or business affairs of any particular person (including the authority holding that information). It is considered that in all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

The following decision was taken on 9 November 2016:

Approval to Award Contracts for Care and Support Services in Lancashire Prisons

The Cabinet Member for Adult and Community Services approved the recommendation as set out in the full report.

This report was dealt with under Part II. The full report is not available for publication as it contains exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Local Government Act 1972. The report contains information which is likely to reveal the identity of an individual. It is considered that in all the circumstances of the case the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

List of Background Papers

Paper	Date	Contact/Tel
Reports of key decisions taken by the Leader of the County Council, the Deputy Leader of the County Council and Cabinet Members	10 September 2016 – 16 November 2016	Janet Nuttall (01772) 533110

Reason for inclusion in Part II, if appropriate

N/A