

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

<b>Contents</b>	<b>Page</b>
Introduction	2
Section A – The 2016/17 Revenue Budget	4

# 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 30<sup>th</sup> 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%
	<b>TOTAL</b>	<b>713.020</b>	<b>699.749</b>	<b>-13.271</b>	<b>11.267</b>	<b>-2%</b>

### 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%
	<b>TOTAL - ADULT SERVICES</b>	<b>317.673</b>	<b>321.521</b>	<b>3.848</b>	<b>5.080</b>	<b>1%</b>

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 to be achieved £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%
	<b>TOTAL - CHILDREN'S SERVICES</b>	<b>119.422</b>	<b>130.403</b>	<b>10.981</b>	<b>9.433</b>	<b>9%</b>

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%
	<b>TOTAL - COMMUNITY SERVICES</b>	<b>134.240</b>	<b>138.325</b>	<b>4.085</b>	<b>2.282</b>	<b>3%</b>

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 30<sup>th</sup> September 2016 and that these buildings will be cleared and/or transferred by 30<sup>th</sup> 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%
	<b>TOTAL - COMMUNITY SERVICES</b>	<b>28.886</b>	<b>30.793</b>	<b>1.907</b>	<b>1.859</b>	<b>7%</b>

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 procurement 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%
	<b>TOTAL - DEVELOPMENT AND CORPORATE</b>	<b>35.098</b>	<b>35.297</b>	<b>0.199</b>	<b>0.083</b>	<b>1%</b>

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%
	<b>TOTAL - COMMISSIONING</b>	<b>46.776</b>	<b>45.941</b>	<b>-0.835</b>	<b>-0.831</b>	<b>-2%</b>

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%
	<b>TOTAL - CHIEF EXECUTIVE</b>	<b>30.926</b>	<b>-2.529</b>	<b>-33.456</b>	<b>-6.639</b>	<b>-109%</b>

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.