

Money Matters
The County Council's Financial Position
As at 31st December 2016

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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 predominantly based on the information up to the end of November 2016 with adjustments made to reflect further information available in December (this is usual practice for Quarter 3 reports due to Cabinet deadlines). The report also contains a comparison to the previously reported financial position as at 30th September 2016. The current forecast outturn for the County Council is an underspend of £15.298m 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.

It is important to recognise that the forecast variance includes the impact of additional income arising from Treasury Management activities, with a surplus of c£26m now being forecast in this area. This, in great part, reflects opportunities in response to external events post Brexit and is an extremely positive position, however without these gains the County Council would be forecasting an overspend of £11.458m across service budgets. Therefore it is critical to note that there remains an underlying pressure within the forecast from service budgets.

The 2016/17 budget of £713.020m includes a significant savings requirement of c£100m and in addition there are further agreed savings of c£54m predominantly relating to 2017/18 although some of which will not be fully delivered until 2020/21. However, a significant proportion of savings will not be fully implemented until 2017/18 or 2018/19 and as it was 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 £34.231m. 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 £88.434m 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 £8.784m.

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 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 has taken place in relation to staffing budgets in Quarter 1 and enables post by post budget monitoring, this has been 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 £3.5m 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 Quarter 3.

3. Section A

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

Ref	Service Area	Approved Budget £m	Current Period Forecast Outturn £m	Current Period Forecast Variance £m	Q2 Cabinet Forecast Variance £m	Current Period Forecast Variance %
3.1	ADULT SERVICES	317.674	319.528	1.854	3.848	1%
3.2	CHILDREN'S SERVICES	119.421	132.729	13.308	10.981	11%
3.3	COMMUNITY SERVICES	134.239	137.044	2.805	4.085	2%
3.4	PUBLIC HEALTH & WELLBEING	28.860	28.867	0.007	1.907	0%
3.5	DEVELOPMENT AND CORPORATE SERVICES	35.574	35.408	-0.166	0.199	2%
3.6	COMMISSIONING	46.649	44.556	-2.093	-0.835	-3%
3.7	CHIEF EXECUTIVE	30.603	-0.410	-31.013	-33.456	-97%
	TOTAL	713.020	697.722	-15.298	-13.271	-2%

3.1 Operations and Delivery – Adult Services

Ref	HEAD OF SERVICE	Approved Budget £m	Current Period Forecast Outturn £m	Current Period Forecast Variance £m	Q2 Cabinet Forecast Variance £m	Current Period Forecast Variance %
3.1.1	ADULT SERVICES	0.135	0.152	0.017	0.017	13%
3.1.2	DISABILITY (adults)	-4.468	-4.399	0.069	0.066	-2%
3.1.3	OLDER PEOPLE	0.629	0.280	-0.349	-0.417	-55%
3.1.4	LEARNING DISABILITIES, AUTISM & MENTAL HEALTH	161.886	158.391	-3.495	-1.321	-2%
3.1.5	SOCIAL CARE SERVICES (adults)	159.492	165.104	5.612	5.503	3%
	TOTAL - ADULT SERVICES	317.674	319.528	1.854	3.848	1%

The total net approved budget for Adult Services in 2016/17 is £317.674. The service is forecast to overspend by £1.854m, a reduction in overspend of £1.994m compared with the previous Quarter 2 monitoring update to Cabinet.

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 considered as part of the MTFS review in Appendix B. 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's Europe under the name of Passport to Independence which is considered 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.

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.

3.1.2 Disability Service

The service is forecast to overspend by £0.069m.

Net expenditure for Day 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 undertook to provide 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 through an overachievement of its income of £0.349m. 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 forecast to underspend overall by £3.495m, compared with £1.321m last quarter. The main reason for the increase in underspend is additional forecast income of £1.446m relating to joint funded packages. The breakdown of the total variance is detailed below.

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 is lower than forecast.

Mental Health – Residential

- Mental Health residential care is forecast to underspend by £2.535m, a further underspend of £1.387m compared to last quarter. Within this an additional £0.690m of income for joint funded packages has been forecast.
- Since April 2016 there has been a 2% increase in the number of service users (April 2016 290; November 2016 296) and the average weekly cost of care packages has increased by 10% from £796 to £875.
- There are currently 296 clients supported via this service.

Mental Health – Nursing

- Mental Health Nursing is forecast to overspend by £0.675m, a reduction of £0.382m compared to Quarter 2 monitoring. Within this additional income of £0.249m has been forecast.
- The overspend is 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 £0.641m, a further underspend of £0.410m compared with Quarter 2 monitoring.
- An additional £0.507m of income has been forecast.
- In the year to date service user numbers have increased by 5% (April 2016 472; November 2016 495) which is lower than anticipated.

- Average care package costs have increased by 7% in year.

In addition there are other small variances across Mental Health that result in an additional overspend of £0.093m.

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 £159.492m. The forecast overspend is £5.612m, an increase of £0.109m compared with last quarter.

The significant areas of variance are detailed below. Additionally, there are also a number of other variances which amount to an overspend of £1.912m 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 £4.738m, a decrease of £0.714m compared to the Quarter 2 update to Cabinet. The forecast overspend 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 £0.698m 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 £0.340m. A full assessment in conjunction with the service consultation has been carried out to review the ongoing budget requirement in 2017/18. 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 £8.355m 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.

3.2 Operations and Delivery – Children's Services

Ref	HEAD OF SERVICE	Approved Budget £m	Current Period Forecast Outturn £m	Current Period Forecast Variance £m	Q2 Cabinet Forecast Variance £m	Current Period Forecast Variance %
3.2.1	CHILDREN'S SERVICES	-0.623	-0.642	-0.019	0.006	3%
3.2.2	SEN & DISABILITY	15.690	13.975	-1.715	-1.487	-11%
3.2.3	SAFEGUARDING INSPEC & AUDIT	9.376	7.731	-1.645	-1.769	-18%
3.2.4	ADOPTION & FOSTERING RESIDENTIAL AND YOT	26.134	24.989	-1.145	-0.696	-4%
3.2.5	CHILDREN SOCIAL CARE	64.719	84.425	19.706	17.736	30%
3.2.6	SCHOOL IMPROVEMENT	6.785	6.158	-0.627	-0.667	-9%
3.2.7	TRADED SERVICES (START WELL)	-2.660	-3.907	-1.247	-2.142	47%
	TOTAL - CHILDREN'S SERVICES	119.421	132.729	13.308	10.981	11%

The total net approved budget for Children's Services in 2016/17 is £119.421m. As at the end of November 2016, the service is forecast to overspend by £13.308m. 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 £1.715m 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 £0.346m. Of this forecast underspend, £0.294m relates to in-house fostering payments and is in line with the outturn in 2015/16 and £0.052m to agency fostering placements.
- CwD Direct Payments is forecast to underspend by £0.250m as a result of clawback.
- 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 £0.673m are forecast across a number of teams of which £0.439m relates to staff costs, £0.214m to non-staff costs and £0.020m to over recovery of income.
- Overspends of £0.042m are forecast for SEN Traded Services.

The service reported underspends of £1.487m at the end of Quarter 2, compared to the current forecast underspend of £1.715m, an increase in forecast underspend of £0.228m, which largely relates to an improved position on direct payments.

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 £1.645m in 2016/17, of which £1.562m 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, and £0.143m relates to over recovery of income, offset by £0.061m of overspends on non-staff costs. 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.

The service reported underspends of £1.769m at the end of Quarter 2, compared to the current forecast underspend of £1.645m, an increase in forecast of £0.124m, which relates to a number of budget areas across the service.

The forecast includes the application of non-recurrent funding of £0.100m from the Strategic Investment Reserve to support the Early Response Service and £0.079m 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 £1.145m in 2016/17.

- Adoption Service is forecast to underspend by £0.914m. Underspends of £0.368m relate to staff costs and vacant posts some of which are covered by agency staff for which the costs are included within Children's Social Care, and £0.163m to various non-staff costs. Forecast underspends of £0.211m relate to adoption allowances (although forecast spend is in line with spend in 2015/16). Forecast underspends of £0.234m relate to inter-agency adoption fees and the extension of grant funding from October 2016 to March 2017, as well as a number of adoption placements for which grant has been received in line with grant conditions but no fees are payable to other organisations.
- Residential In-house Provision is forecast to overspend by £0.120m, which relates to staff costs.
- In-house foster care allowances are forecast to underspend by £0.078m based on current demand levels. Of this forecast underspend, £0.212m relates to expected increases in allowances that have not increased in 2016/17 (which is in line with national minimum weekly allowances), offset by higher than expected payments of £0.134m. The forecast shows an increase of £0.699m 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. Numbers of in-house foster care placements are 1.6% higher in November 2016 than at the same time in 2015/16.
- Net underspends of £0.273m are forecast across a number of teams, of which underspends of £0.319m 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) and £0.023m to over recovery of income, offset by overspends of £0.069m on non-staff costs.

The service reported underspends of £0.696m at the end of Quarter 2, compared to the current forecast underspend of £1.145m, an additional forecast underspend of £0.449m. Of this £0.361m relates to the Adoption Service, in particular the extension of interagency fee grant funding from October 2016 to March 2016, a number of adoption placements for which grant has been received in line with grant conditions but no fees are payable to other organisations, and non-staff costs. Additional forecast underspends of £0.088m relate to a number of other budgets across the service.

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 £0.041m from the Transitional Reserve, however, whilst use of £0.320m was originally approved, only £0.041m is expected to be required in 2016/17. The forecast reflects non-delivery of £0.006m 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 £0.131m from the YOT – General Youth Offending Reserve to cover the cost of projects approved by the Youth Justice Board.

3.2.5 Children's Social Care

Children's Social Care (CSC) is forecast to overspend by £19.706m in 2016/17.

- Overspends of £7.283m are forecast across Social Work Staff and Management CSC.
 - Overspends of £4.415m relate to staff costs (including car allowances) which includes agency staff covering vacant posts, additional temporary staff required for 12 months over 2016/17 and 2017/18 to increase capacity in children's social care and to support the development and implementation of a single operating model across Children's Services being trialled in Fylde and Wyre, 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 £2.249m 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 recruitment campaigns in 2016/17 as vacant posts are filled by permanent staff reducing the need to cover posts with agency staff which are more expensive.
 - Forecast overspends of £2.915m relate to a number of other expenses arising as a result of work undertaken in response to 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 £3.218m 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 £0.162m for consultant and professional fees.

- Forecast underspends of £0.047m relate to various non staff costs.
- Forecast overspends of £9.729m relate to agency residential placements. Placements have increased by 90 (67%) from 135 in November 2015 to 225 in November 2016. The forecast is based on available financial and activity information and assumes that placements will continue to increase for the remainder of the financial year. 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 the impact of this on 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 28th October 2016 there were 12 vacancies within in-house residential units (based on 6 10-bed 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 £2.264m relate to agency fostering placements. Placements have increased by 62 (16%) from 392 in October 2015 to 454 in November 2016. The forecast is based on available financial and activity information and assumes that placements will increase for the remainder of the financial year. 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 the impact of this on the County Council's budget.
- Forecast overspends of £1.042m 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.
- Forecast underspends of £0.049m relate to a number of items including DBS costs.

The service reported overspends of £17.736m at the end of Quarter 2, compared to the current forecast overspend of £19.706m, an additional forecast overspend of £1.970m. Of this £0.229m relates to SGO's and £0.375m to agency residential placements both of which reflect continuing increases in placements, £1.490m to non-staff costs in particular the Children's Social Care Referral and Assessment Service Framework, offset by a reduction in forecast of £0.124m relating to staff costs.

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 £0.200m 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 £0.627m. The income levels for the service are forecast to achieve the target within their budget, however there is potential for this to increase and will be kept under review.

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 forecasting a positive variance to budget through the overachievement of income of £1.247m 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.

3.2 Operations and Delivery – Community Services

Ref	HEAD OF SERVICE	Approved Budget £m	Current Period Forecast Outturn £m	Current Period Forecast Variance £m	Q2 Cabinet Forecast Variance £m	Current Period Forecast Variance %
3.3.1	CUSTOMER ACCESS	3.779	3.233	-0.545	-0.557	-15%
3.3.2	COMMUNITY SERVICES	0.126	0.126	0.000	0.000	0%
3.3.3	HIGHWAYS	21.268	20.267	-1.001	-0.173	-5%
3.3.4	LIBRARIES MUSEUMS CULTURE & REGISTRARS	9.698	10.063	0.365	0.316	4%
3.3.5	PUBLIC & INTEGRATED TRANSPORT	42.100	42.232	0.133	0.594	0%
3.3.6	WASTE MGT	57.269	61.122	3.854	3.905	7%
	TOTAL - COMMUNITY SERVICES	134.239	137.044	2.805	4.085	2%

The total net approved budget for Community Services in 2016/17 is £134.239m. As at the end of December 2016 the service is forecast to overspend by £2.805m.

3.3.1 Customer Access

Customer Access is forecast to underspend by £0.545m in 2016/17. Forecast underspends of £0.398m relate to staff vacancies and £0.175m is attributable to the over recovery of income, offset by forecast overspends of £0.028m 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.

There is no significant change to the forecast underspend reported to Cabinet at the end of Quarter 2. The forecast reflects the achievement of approved budget savings of £0.234m in 2016/17.

3.3.3 Highways

The service is forecast to underspend by £1.001m.

- This is due to additional income forecast of £1.264m 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 have been 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 £0.263m 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 that this is due to some initial issues relating to the new time recording system.

There has been a change to the forecast underspend reported to Cabinet at the end of Quarter 2 of £0.828m predominantly resulting from increased fees for traffic regulation orders.

The forecast includes the approved application of non-recurrent funding from the roundabout sponsorship reserve of £0.048m relating to previous years income generation and subsequent reinvestment in specific public realm schemes.

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 16/17 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.

3.3.4 Libraries, Museums, Culture and Registrars

Libraries, Museums, Cultural Services and Registrars (LMCR) is forecast to overspend by £0.365m in 2016/17.

- Cultural Services Museums is forecast to overspend by £0.586m. Following the closure of 5 museums from October 2016 it is expected that the remaining 6 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 (of £0.104m in 2016/17) to cover running costs. It is forecast that it will cost £0.690m to run Museums in 2016/17 after applying non-recurrent funding of £0.500m from the Transitional Reserve. Of the 5 museums which have closed negotiations are underway to transfer 3 of the museums to other organisations by 31st March 2017 and the future of 2 museums is still to be determined. The forecast reflects the fact that the County Council will incur care and maintenance costs following the closure of museums particularly in respect of Helmshore Textile Mill and Queen Street Mill, one-off costs to prepare museums for transfer and will be required to retain collections staff to assist with the work associated with collections held in museums prior to transfer. Given that negotiations are ongoing and the future of 2 museums is still to be determined, the forecast position may change over the remainder of the financial year as further decisions are made and transfer arrangements confirmed.
- County Libraries is forecast to overspend by £0.216m which relates to non-delivery of previously agreed savings. 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 LMCR 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.

- Registration Service is forecast to underspend by £0.122m of which £0.146m relates to over recovery of income offset by overspends of £0.024 on staff costs.
- Underspends of £0.314m relate to the remainder of the service which includes Archives, Conservation, Heritage and Arts, Museum School Service, and Support and Development. The forecast includes the application of non-recurrent funding of £0.487m from the Transitional Reserve. Underspends of £0.199m relate to staff costs and £0.155m to non-staff costs, offset by under-recovery of income of £0.040m.

There is no significant change to the forecast underspend reported to Cabinet at the end of Quarter 2.

The budget for Libraries, Museums, Culture and Registrars includes approved budget savings of £5.808m in 2016/17. The forecast reflects the fact that £2.411m of savings have been achieved, £0.802m 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.

3.3.5 Public & Integrated Transport

Public and Integrated Transport is forecast to overspend by £0.133m 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 opened in November 2016 but for which there is a full year budget provision in 2016/17.

- Integrated Transport Travelcare is forecast to overspend by £0.919m. Savings of £2.499m were approved at Full Council in February 2016 in relation to entirely ceasing the provision of free travel to day care from September 2016. However, it has been possible to redesign the service to continue to provide a free service by reconfiguring the transport arrangements and still 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 cost have been achieved. Delivery of the remaining savings of £1.700m is 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. Underspends of £0.320m relates to the impact in 2016/17 of an over accrual in 2015/16, offset by overspends of £0.050m relating to a number of other smaller items across the service.
- Public Transport Concessionary Travel is forecast to underspend by £1.027m, due to a seasonal decline in passenger numbers and changes in eligibility criteria relating to pensionable age (increased from 60 to 65).
- 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 £0.180m, which relates to contracts with bus operators and vehicle costs.
- Forecast underspends of £0.057m relate to other areas including Fleet Services.

The service reported overspends of £0.594m at the end of Quarter 2 compared to the current forecast overspend of £0.133m a decrease in forecast overspends of £0.461m which largely relates to Integrated Transport Travelcare and concessionary travel.

The budget for Public and Integrated Transport includes approved budget savings of £15.133m in 2016/17, and 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 £0.836m from the Transitional Reserve to fund the cost of transport to day centres.
- Contribution of £0.500m from the Transitional 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 architect 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.

3.3.6 Waste Management

Waste Management is forecast to overspend by £3.854m 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 5.4% is forecast (compared to increases of 1% previously assumed) resulting in forecast overspends of £1.768m, and the forecast one-off cost of landfilling residues from emptying of the composting halls, following cessation of processing activities (as required to deliver agreed savings), is £0.692m. These are offset by forecast savings of £1.703m from diverting waste from landfill to alternative treatment facilities and forecast underspends of £0.328m 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 £1.584m relate to the high cost of insurance premiums at the waste recovery parks which continue to put pressure on the waste budget.

There is no significant change to the forecast reported to Cabinet at the end of Quarter 2.

The budget for Waste Management includes approved budget savings of £20.337m in 2016/17, and 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 Councils contribution to waste costs, £0.100m from the Waste General Reserve for payment of a Lendlease invoice which was in dispute at the end of 2015/16 and £0.014m also from the Waste General Reserve to cover costs relating to Ingol Reuse Shop.

3.3 Operations and Delivery – Public Health and Wellbeing Services

Ref	HEAD OF SERVICE	Approved Budget £m	Current Period Forecast Outturn £m	Current Period Forecast Variance £m	Q2 Cabinet Forecast Variance £m	Current Period Forecast Variance %
3.4.1	PUBLIC HEALTH & WELLBEING	-73.727	-71.783	1.944	1.944	-3%
3.4.2	PATIENT SAFETY & QUALITY IMPROVEMENT	4.832	4.591	-0.240	-0.241	-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	82.494	-1.385	0.235	-2%
3.4.5	EMERGENCY PLANNING & RESILIENCE	1.224	0.835	-0.389	-0.109	-32%
3.4.6	TRADING STANDARDS & SCIENTIFIC SERVICES	2.951	3.160	0.208	0.209	7%
3.4.7	DEPUTY DIR PUBLIC HEALTH & CONSULTANTS	0.301	0.170	-0.131	-0.131	-43%
	TOTAL – PUBLIC HEALTH	28.860	28.867	0.007	1.907	0%

The total net revised budget for Public Health & Wellbeing Services in 2016/17 is £28.860m. As at the end of quarter 3, the service is forecast to overspend by £0.007m.

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 overspend reported for Quarter 2.

3.4.2 Patient Safety & Quality Improvement

This service is forecast to underspend by £0.240m as a result of staffing underspends and the delayed restructure of the service.

There is no significant change to the forecast underspend reported for Quarter 2.

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 Health Reserve in relation to building resilience.
- Contribution of £0.153m from the Health 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 Quarter 2.

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 underspend of £1.385m 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 coincide with this full procurement of services. There has been a delay in the substance misuse saving strategy causing an in year pressure of £0.911m. These pressures have been partly offset by the early delivery of agreed savings in year of £0.503m in Children's services as the service redesign moves forward.
- Further underspends have been highlighted this quarter in relation to the recommissioned Sexual Health and Healthy lifestyles contracts which now work on a tariff payment mechanism of £1.232m. Data has now been provided to suggest lower uptake than expected in this first year of these new commissions.
- The Public Health Combined Offer budget is forecasting that the underspend seen in 2015/16 will continue into 2016/17 in addition to this as the restructure takes shape staff turnover will mean there is no 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 has been eliminated. Payment by results income has now been built into the 2016/17 monitoring position against 320 families. Providing an additional £0.731m underspend overall in the area.

There has been a significant change to the forecast overspend reported to Cabinet in Quarter 2 due to early delivery of the revised early help service model and the realisation of in year savings on the tariff structured public health contracts.

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 the drawn down

from the transitional reserve to support the Wellbeing & Prevention Service Offer has not been needed.

The forecast includes the following planned application of non-recurrent funding amounting to £0.374m.

- Contribution of £0.111m from the Public Health reserve for small grants YPS
- Contribution of £0.263m from the working together with families reserve for planned workforce development and transition work.

3.4.5 Emergency Planning & Resilience

An underspend of £0.389m 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 has been explored further as part of the services zero based budget review to ensure the fees and budget are set at a sustainable level going forward.

There has been a change £0.280m to the forecast underspend reported to Cabinet at the end of Quarter 2 as a result of more Schools purchasing the Health & Safety services and efficiencies within running costs across the services.

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.

There is no significant change to the forecast overspend reported to Cabinet at the end of Quarter 2.

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 underspend reported to Cabinet at the end of Quarter 2.

3.5 Development and Corporate Services

Ref	HEAD OF SERVICE	Approved Budget £m	Current Period Forecast Outturn £m	Current Period Forecast Variance £m	Q2 Cabinet Forecast Variance £m	Current Period 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	-0.030	40%
3.5.3	CORPORATE SERVICES	0.108	0.108	0.000	0.000	0%
3.5.4	CORE BUSINESS SYSTEMS TRANSFORMATION	23.993	23.784	-0.209	-0.090	-1%
3.5.5	FACILITIES MGT	5.625	6.047	0.422	0.868	8%
3.5.6	HUMAN RESOURCES	1.035	0.925	-0.110	-0.110	-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	-0.155	-66%
3.5.11	PROGRAMMES & PROJECT MGT	0.119	0.119	0.000	0.000	0%
3.5.12	DESIGN and CONSTRUCTION	-2.019	-1.951	0.068	0.069	-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	-0.270	-19%
3.5.15	PROGRAMME OFFICE	-0.073	-0.073	0.000	0.000	-0%
3.5.16	SKILLS LEARNING & DEVELOPMENT	3.173	3.228	0.055	-0.147	2%
3.5.17	HEALTH & CARE SYSTEMS DEVELOPMENT	0.000	0.000	0.000	0.000	0%
	TOTAL - DEVELOPMENT AND CORPORATE	35.574	35.408	-0.166	0.199	2%

The total net revised budget for Development and Corporate Services in 2016/17 is £35.574m. As at the end of December 2016 the service is forecast to underspend by £0.166m.

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 2.

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

Core Systems is forecast to underspend by £0.209m in 2016/17 which largely relates to vacancies and staff costs.

The service reported underspends of £0.090m at the end of Quarter 2 compared to the current forecast underspend of £0.209m, an increase in forecast underspends of £0.119m.

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

Facilities Management is forecast to overspend by £0.422m in 2016/17.

- Forecast overspends of £0.394m 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 £0.404m relate to staff and civic catering which are largely due to non-delivery of 2015/16 savings 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 when 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.
- Forecast underspends of £0.331m relating to electricity consumption on retained County Buildings.
- Forecast underspend of £0.122m relate to staff costs.

The service reported overspends of £0.868m at the end of Quarter 2 compared to the current forecast overspend of £0.422m, a decrease in forecast overspends of £0.446m which largely relates to electricity consumption and staffs costs.

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.

Forecast underspends of £0.351m relate to the over recovery of income from schools following the transition to operating on a traded basis during 2015/16 and £0.056m to staff costs, whilst forecast overspends of £0.008m relate to non-staff costs. This is offset by forecast overspends of £0.289m against budgeted use reserves and reflects the fact that in year underspends have reduced the need to draw down reserves.

There is no change to the forecast reported to Cabinet at the end of Quarter 2.

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

No significant variance is forecast for Design and Construction in 2016/17 and there is no significant change to the forecast reported to Cabinet at the end of Quarter 2.

The forecast reflects the partial achievement of £0.110m of approved budget savings of £0.220m in 2016/17, although it is anticipated that savings will be achieved in 2017/18. The forecast 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 2.

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 underspend by £0.270m in 2016/17, which relates to over achievement of income by the Master Planning Team.

There is no change to the forecast reported to Cabinet at the end of Quarter 2.

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 General 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 £0.369m from the Transitional Reserve to cover staff costs. It was originally approved that £0.831m would be required to support the 16/17 budget saving, however the service only now require the figure stated above.

3.5.16 Skills, Learning and Development

No significant variance from budget is forecast for Skills, Learning and Development in 2016/17 and there is no significant change to the forecast reported to Cabinet at the end of Quarter 2.

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 £0.050m 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 Period Forecast Outturn £m	Current Period Forecast Variance £m	Q2 Cabinet Forecast Variance £m	Current Period 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	15.430	14.436	-0.995	-0.037	-6%
3.6.4	POLICY INFO & COMMISSION AGE WELL	0.528	0.527	-0.001	0.000	0%
3.6.5	POLICY INFO & COMMISSION LIVE WELL	0.513	0.511	-0.002	0.006	0%
3.6.6	POLICY INFO & COMMISSION START WELL	0.432	0.462	0.030	0.018	7%
3.6.7	PROCUREMENT	1.271	1.270	-0.001	0.000	0%
3.6.8	BUSINESS INTELLIGENCE	0.809	0.810	0.001	0.000	0%
3.6.9	FINANCIAL RESOURCES	0.113	0.113	0.000	0.000	0%
3.6.10	EXCHEQUER SERVICES	2.530	2.126	-0.404	-0.300	-16%
3.6.11	FINANCIAL MGT (DEVELOPMENT AND SCHOOLS)	0.424	0.207	-0.217	-0.100	-51%
3.6.12	FINANCIAL MGT (OPERATIONAL)	1.572	1.353	-0.219	-0.050	-14%
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	6.374	0.000	-0.050	0%
3.6.15	GOVERNANCE FINANCE & PUBLIC SERVICES	0.139	0.139	0.000	0.000	0%
3.6.16	CORONER'S SERVICE	2.472	2.714	0.242	0.318	10%
3.6.17	INTERNAL AUDIT	0.623	0.593	-0.031	0.060	-5%
3.6.18	LEGAL AND DEMOCRATIC SERVICES	13.034	12.536	-0.497	-0.700	-4%
3.6.19	LEGAL DEMOCRATIC & GOVERNANCE	0.101	0.101	0.000	0.000	0%
	TOTAL - COMMISSIONING	46.649	44.556	-2.093	-0.835	-4%

The total net revised budget for Commissioning Services in 2016/17 is £46.649m. As at the end of December 2016 the service is forecast to underspend by £2.093m.

3.6.3 Asset Management

Asset Management is forecast to underspend by £0.995m in 2016/17.

- Forecast underspends of £0.965m relates to street lighting. The County Council contributed a £5.000m of capital investment along with the DfT Challenge Fund grant to undertake a large scale replacement of existing less efficient sodium vapour lanterns with LED energy efficient lanterns which has resulted in reductions in energy consumption. In addition the MTFS included price and volume increases within the street lighting budget which have not materialised.
- Forecast underspends of £0.037m relate to Building Schools for the Future (BSF).
- Forecast overspends of £0.007m relate to non-staff costs.

The service reported underspends of £0.037m at the end of Quarter 2 compared to the current forecast underspend of £0.995m, an increase in forecast underspends of £0.958m which largely relates to street lighting costs.

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 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 2.

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 significant variance from budget is forecast for Procurement in 2016/17 and there is no significant change to the forecast reported to Cabinet at the end of Quarter 2.

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 £0.029m from the Transitional Reserve. Whilst use of £0.416m was originally approved, vacancies and early delivery of savings has meant that only £0.029m will be required in 2016/17.

3.6.8 Business Intelligence

No significant variance from budget is forecast for Business Intelligence in 2016/17 and there is no significant change to the forecast reported to Cabinet at the end of Quarter 2.

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 £0.840m in 2016/17, which relates to staff vacancies.

The change to the forecast reported to Cabinet at the end of Quarter 2 of £0.340m is as a result of further staff vacancies.

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 £0.242m 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.

There is no significant change to the forecast reported to Cabinet at the end of Quarter 2.

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 2.

3.6.18 Legal and Democratic Services

Legal and Democratic Services is forecast to underspend by £0.497m 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 £0.246m of which £0.526m relates to staff costs offset by overspends of £0.113m on non-staff costs including legal fees, and £0.166m relating to under recovery of income across a number of income streams.
- Underspends of £0.094m 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 £0.700m at the end of Quarter 2 compared to the current forecast underspend of £0.497m, an decrease in forecast underspends of £0.203m which largely relates to an increase in forecast in legal fees 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. Whilst use of £0.135m in 2016/17 was originally approved,

vacancies and early delivery of savings has meant that this will not 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.

Chief Executive Services

Ref	Cost Centre Description LEVEL D	Approved Budget £m	Current Period Forecast Outturn £m	Current Period Forecast Variance £m	Q2 Cabinet Forecast Variance £m	Current Period Forecast Variance %
3.7.1	CHIEF EXECUTIVE	0.553	-0.567	-1.120	-3.160	-202%
3.7.2	SERVICE COMMUNICATIONS	0.791	0.790	-0.001	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	13.937	-29.911	-30.308	-68%
3.7.5	BUSINESS SUPPORT	0.000	0.019	0.019	0.013	0%
	TOTAL - CHIEF EXECUTIVE	30.603	-0.410	-31.013	-33.456	-101%

The total net revised budget for Chief Executive in 2016/17 is £30.603m. As at the end of December 2016 the service is forecast to underspend by £31.013m.

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 £1.120m in 2016/17 which relates to staff costs.

The service reported underspends of £3.160m at the end of Quarter 2 compared to the current forecast underspend of £1.120m, an increase in forecast of £2.040m as a result of cleansing of staffing budgets and forecasts.

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 change to the forecast reported to Cabinet at the end of Quarter 2.

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 £0.434m from the Transitional Reserve. Whilst use £0.760m was originally approved, early delivery of savings has meant that only £0.434m will be required in 2016/17.

3.7.4 Non Service Issues Corporate Budgets

Non Service Issues Corporate Budgets is forecast to underspend by £29.911m in 2016/17.

- The inherited liabilities provision and centralised employers liability have been reviewed and as a result are forecast to underspend by £0.283m which is 0.9% of the total budget.
- Strategic is forecast to underspend by £2.915m. This service area was previously forecast to underspend by £1.620m with the movement in forecast in this report being as a result of borrowing for the annual contribution to the City Deal of £1.295m rather than charging this amount to the revenue budget. This was identified as a saving as part of the zero based budget review.
- Projects is forecast to overspend by £0.043m relating to school closure costs for which there is no budget. Budget of £0.060m has been added in the MTFS from 2017/18.
- Treasury Management is forecast to underspend by £26.756m. Of this £0.572m relates to MRP resulting from changes in the 2016/17 capital programme, £1.954m 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 £24.974m 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 around 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 £30.308m at the end of Quarter 2 compared to the current forecast underspend of £29.911m a decrease in forecast underspends of £0.397m which relates to pension costs and the strategic budget.

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.