



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

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

1. Introduction

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

2. Summary of the Financial Position

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

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

Detailed budget monitoring has been undertaken at Head of Service level, but for reporting purposes each Head of Service's financial performance is presented as part of their Director (line manager's) area of responsibility.

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

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

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

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

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

3. Section A

Key Issues emerging are as follows:

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

3.1 Operations and Delivery – Adult Services

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

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

3.1.1 Disability Service (Adults)

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

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

3.1.2 Older People

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

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

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

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

3.1.3 Learning Disability, Autism & Mental Health

Learning Disabilities

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

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

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

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

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

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

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

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

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

Mental Health Commissioned Care

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

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

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

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

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

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

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

Learning Disability, Autism & Mental Health Staffing

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

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

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

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

3.1.4 Social Care Services (Adults)

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

Prevention

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

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

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

Social Care Staffing

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

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

Physical Support

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

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

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

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

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

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

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

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

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

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

Social Care Service Central Costs

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

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

Supporting People

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

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

3.2 Operations and Delivery – Children's Services

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

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

3.2.1 Children's Services

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

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

3.2.2 Special Education Needs and Disability (SEND)

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

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

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

3.2.3 Safeguarding, Inspection and Audit

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

The forecast position has not changed compared to Quarter 1.

3.2.4 Adoption, Fostering Residential and YOT

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

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

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

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

3.2.5 Children's Social Care

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

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

The service also continues to experience significant issues with recruitment and retention which results in posts being temporarily filled with agency staff (at a significant extra cost). The service is forecasting an overspend of £1.218m due to

staffing pressures and £0.346m as a result of expenses arising as a result of work in response to the Ofsted inspection.

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

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

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

3.2.6 School Improvement

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

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

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

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

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

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

Learning Excellence is forecast to overspend by £0.193m. This is largely due to a decrease in income through the decline of course bookings from schools as a result

of the closure of a conferencing centre. The service is working towards mitigating against this by meeting demand through venues located by area and district.

3.3 Operations and Delivery – Community Services

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

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

3.3.1 Customer Access

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

The forecast position has not changed from Quarter 1.

3.3.2 Highways

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

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

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

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

3.3.3 Libraries, Museums, Culture and Registrars

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

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

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

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

3.3.4 Public & Integrated Transport

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

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

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

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

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

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

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

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

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

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

3.3.5 Waste Management

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

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

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

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

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

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

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

3.4 Operations and Delivery – Public Health and Wellbeing Services

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

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

3.4.1 Public Health and Wellbeing

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

3.4.2 Patient Safety & Quality Improvement

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

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

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

3.4.3 Health Equity, Welfare & Partnerships

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

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

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

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

3.4.4 Wellbeing, Prevention & Early Help

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

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

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

3.4.5 Health, Safety & Resilience

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

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

3.4.6 Trading Standards & Scientific Services

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

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

3.5 Development and Corporate Services

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

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

3.5.1 Core Business Systems/Transformation

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

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

3.5.2 Facilities Management

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

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

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

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

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

3.5.3 Human Resources

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

The forecast position has not changed compared to Quarter 1.

3.5.8 Design and Construction

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

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

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

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

3.5.10 Planning and Environment

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

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

3.5.11 Programme Office

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

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

3.5.12 Skills, Learning and Development

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

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

3.6 Commissioning Services

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

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

3.6.1 Asset Management

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

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

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

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

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

3.6.5 Procurement

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

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

3.6.7 Exchequer Services

3.6.8 Financial Management (Development and Schools)

3.6.9 Financial Management (Operational)

3.6.10 Office of the Police and Crime Commissioner Treasurer

3.6.11 Corporate Finance

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

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

3.6.12 Coroners

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

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

3.6.14 Legal & Democratic Services

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

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

3.7 Chief Executive Services

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

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

3.7.1 Chief Executive Services

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

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

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

3.7.2 Service Communications

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

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

3.7.3 Large Specific Grants to Support the Authority

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

3.7.4 Non Service Issues Corporate Budgets

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

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

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

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