Money Matters
The County Council's Revenue and Capital Financial Position
2017/18 Outturn

Lancashire County Council

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Executive Summary

This report provides details for Cabinet on the County Council's 2017/18 revenue and capital outturn position.

2017/18 Revenue Budget

The report outlines the final revenue outturn position whilst also providing a comparison to the last reported position at Quarter 3. The final position at the end of the year is net expenditure of £703.924m, which represents an in year underspend of £20.896m which is 2.88% of the revenue budget.

It is important to note that the revenue position includes significant levels of support from reserves that have previously been agreed. **In 2017/18 the structural reserve funding totalled £58.890m, primarily covering the funding gap, and if this support had not been available then expenditure would have exceeded income by £37.994m.**

The most significant areas of over and underspend in 2017/18 are as follows:

- Childrens Social Care – **£6.017m overspend** (as a result of agency staffing costs and placement costs)

- Highways – **£4.758m underspend** (due to early delivery of savings)

- Waste Services – **£3.151m underspend** (due to a combination of factors including reduced waste arisings, reduced operating costs and additional income)

- Children and Family Wellbeing Service – **£3.786m underspend** (as a result of staff vacancies)

- Treasury Management - **£8.858m underspend** – (principally due to the sale of bonds and also reduced borrowing costs)

- Pension Liabilities - **£3.101m underspend** – (due to savings made from advanced contributions)

- The remaining underspend of £3.259m was made across a number of services across the County Council, with staff vacancies being the main reason for variances.

2017/18 Revenue Reserves

In the report to Full Council in February 2018 details were provided of the reserves position and the ability to support the revenue budget in future years whilst working towards achieving a sustainable financial position. This indicated that there would be sufficient funds remaining in reserves to support the 2018/19 and 2019/20 budgets, but there would be only £20.165m available to support the £118.138m financial gap in 2020/21, should the entire £68.410m forecast 2019/20 funding gap be fully covered from reserves.

A combination of the revenue underspend, a reduced need to draw down from reserves and also some new and significant contributions to reserves (e.g. Council Tax Collection Fund surplus) has led to the overall reserves position having improved. If the £68.410m forecast 2019/20 funding gap be fully covered from reserves this means that there is now forecast to be £32.296m to support the financial gap in 2020/21. It must be noted that this is still insufficient to cover the forecast gap in 2020/21 and additional savings must be identified to be able to achieve a financially sustainable budget in future years.

In light of the position outlined above work is progressing to identify additional savings aimed at reducing the reserves requirement in 2019/20 and beyond with the aim of achieving a financially sustainable position that is not reliant upon reserve funding.

2017/18 Capital Programme

The capital programme for 2017/18 totalled £171.908m with the programme delivering an outturn position of £121.434m, therefore resulting in a variance to budget of £50.474m.

The variance of £50.474m is due to the following:

- Decision to capitalise items previously charged to the revenue budget – £6.673m (additional cost)
- Net underspends on completed projects - £4.130m (7.23%)
- Delivery delays and advance delivery (net position) - £42.934m (75.1%)
- Not allocated to projects to be delivered – £10.083m (17.6%)

The slipped delivery is a mixture of financial delays eg. for retention amounts, but where the project is complete; delays due to changes to the work programmed and delays due to adverse weather which delayed completion or commencement of projects.

During the first 3 months of 2018/19 a comprehensive review of the delivery programme for 2018/19 will be undertaken by the Capital Board. The work undertaken will be as follows:

a) Updating the delivery programme for 2018/19 in light of the delivery performance in 2017/18.
b) A review of the level of funding available for unallocated budgets and the requirement for these to be continued to be carried forward.
c) Detailed monitoring of the delivery programme through 2018/19 to ensure slippage is reported in a timely manner and a robust level of challenge to both programme and portfolio managers by the Capital Board to ensure delivery remains on track through the year.
d) A suite of performance reports will be developed for the Capital Board to undertake this monitoring oversight and challenge.

Section A - The 2017/18 Revenue Budget

1. Executive Summary

This section of the report provides an update for Cabinet on the County Council's 2017/18 revenue financial position and contains a comparison to the previously reported financial position as at Quarter 3.

The final position for the end of the year is net expenditure of £703.924m, reflecting an in year underspend of £20.896m which represents 2.88% of the budget.

The narrative provides details as to progress on the achievement and delivery of the savings relating to each Head of Service. It is important to note that the revenue position includes significant levels of support from reserves that have previously been agreed. **In 2017/18 the structural reserve funding totalled £58.890m, primarily covering the funding gap, and if this support had not been available then expenditure would have exceeded income by £37.994m.**

Delivery of the savings programme continues to be a key risk area and the savings plans have been subject to detailed and regular scrutiny throughout 2017/18 by the Programme Office and Finance and will continue to be in future financial years.

2. Revenue Budget Outturn 2017/18 Summary Table

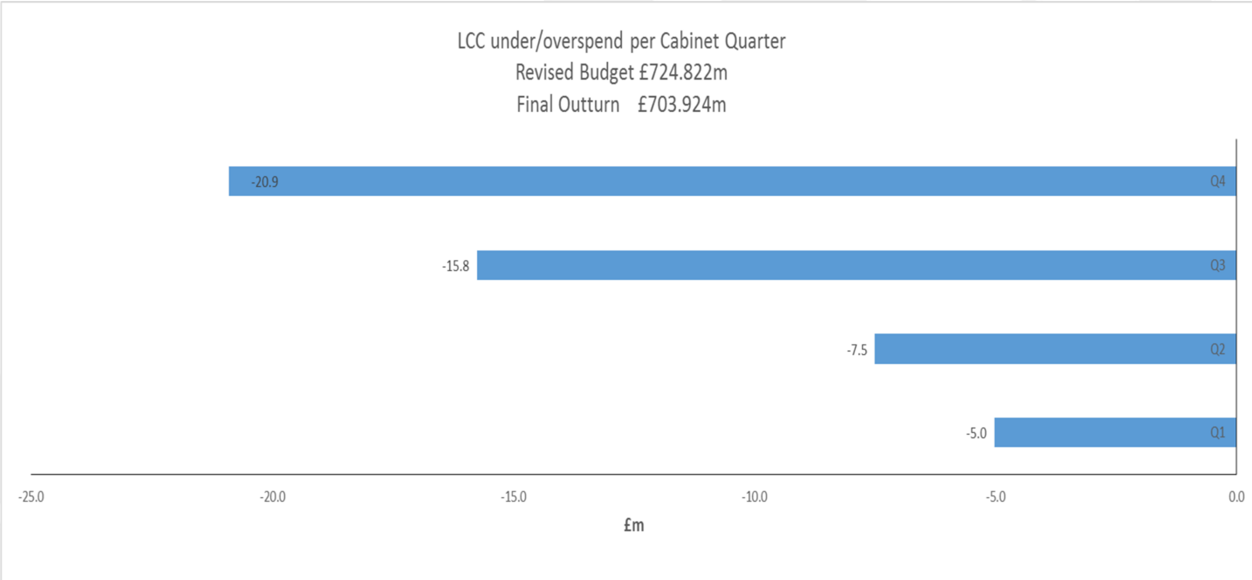
Ref	Service Area	Approved Budget £m	Outturn £m	Outturn Variance £m	Quarter 3 Forecast £m	Outturn Variance %
3.1	Adult Services	328.432	326.150	-2.282	-2.750	-0.69%
3.2	Education & Childrens Services	147.167	151.940	4.773	2.484	3.24%
3.3	Community Services	129.748	125.706	-4.042	-3.578	-3.12%
3.4	Public Health & Wellbeing	20.191	15.782	-4.409	-3.834	-21.84%
3.5	Economic Development & Planning	2.056	1.512	-0.544	-0.564	-26.46%
3.6	Programmes & Projects	6.062	5.460	-0.602	-0.181	-9.93%
3.7	Finance, Corporate & Property Services	77.950	77.148	-0.802	0.079	-1.03%
3.8	Chief Executive Services	13.214	0.226	-12.988	-7.414	-98.29%
	TOTAL	**724.822**	**703.924**	**-20.896**	**-15.758**	**-2.88%**

The final outturn position for 2017/18 is net expenditure of £703.924m, reflecting an in year underspend of £20.896m being 2.88% of the budget. The 2017/18 forecast has improved by £5.138m compared to the position reported to Cabinet as at the end of December 2017.

The most significant areas of change compared to the forecast presented to Cabinet at Quarter 3 are:

- Improved Treasury Management performance of £4.958m due to a combination of interest payable being lower than budgeted and gains made on the sale of bonds.
- An increased overspend in Children's Social Care due to placement costs of £1.239m.
- An increased underspend in Children and Family Wellbeing Service of £1.021m due to delays in recruitment pending the service redesign and the increased Payment by Results performance for the Troubled Families Unit.

The graph below shows how the variances have developed over quarterly Cabinet reporting during the financial year:



3. Revenue Budget Outturn Detailed Analysis

3.1 Adults Services

Ref	Head of Service	Approved Budget £m	Outturn £m	Outturn Variance £m	Quarter 3 Forecast Variance £m	Outturn Variance %
3.1.1	Disability (Adults)	-3.493	-3.985	-0.492	-0.542	14.09%
3.1.2	Older People	1.239	2.062	0.823	0.766	66.42%
3.1.3	Learning Disabilities, Autism & Mental Health	177.962	170.137	-7.825	-8.594	-4.40%
3.1.4	Social Care Services (Adults)	151.660	156.956	5.296	5.621	3.49%
3.1.5	Policy Information & Commissioning Age Well	0.521	0.436	-0.085	0.000	-16.31%
3.1.6	Policy Information & Commissioning Live Well	0.543	0.544	0.001	0.000	0.18%
	Total - Adult Services	**328.432**	**326.150**	**-2.282**	**-2.750**	**-0.69%**

The total net approved budget for Adult Services in 2017/18 is £328.432m with the service underspending by £2.282m in this financial year.

3.1.1 Disability (Adults) underspend of £0.492m is as a result of staff vacancies and additional income.

3.1.2 Older People Services has overspent by £0.823m in 2017/18. This overspend is due to the underachievement of income and the use of agency staff to cover vacancies in the short term. This partly reflects the impact of an undeliverable saving of £0.425m that has been built back into the MTFS from 2018/19 and will therefore not be a recurring pressure. This is largely in line with the forecast reported to Cabinet at Quarter 3.

3.1.3 Learning Disability, Autism and Mental Health service has an underspend of £7.825m in 2017/18 compared to a budget of £177.962m. The significant elements of this are detailed below:

- Learning Disabilities has underspent by £5.437m, which is mainly as a result of the service not experiencing the level of demand built into the LCC budget.

- The savings that needed to be achieved by the Remodelling Team of £1.200m in 2017/18 were exceeded by £0.044m. This is as a result of completing the remodelling of 52 supported living schemes.

- In 2017/18 the budget included a saving of £0.750m for reviews. This saving has not been fully achieved in this financial year. Review activity has saved £0.266m with a net pressure of £0.484m reported as part of the year end position. In addition, reassessment of financial contributions of service users in receipt of ILF (Independent Living Fund) has resulted in ILF refunds being made, causing an additional pressure of £0.472m.

- In addition, the final position for 2017/18 across the Learning Disability Service also includes £1.425m additional income contributions from health and service users.

- The Mental Health commissioned services budget has underspent by £1.010m in 2017/18. This includes most significantly, overspends in residential services of £1.365m and an offsetting underspend of £2.173m in domiciliary services.

- Mental Health and Learning Disability and Autism staffing has underspent by £1.378m in 2017/18, which is slightly higher than forecast at Quarter 3. These posts are actively being recruited to in 2018/19.

3.1.4 Social Care Services (Adults) has reported an overspend of £5.296m compared to a total budget for 2017/18 of £151.660m.

- Physical Support has overspent by £6.562m in 2017/18 compared to a budget of £163.464m. The service was previously forecasting an overspend of £6.271m at Quarter 3, therefore an improvement of £0.291m is reported as part of final outturn. The main reasons for the variance to budget are outlined below.

- Nursing care throughout the financial year has been forecasting to overspend, and at final outturn an overspend of c£2.7m has been reported due to a higher than budgeted increase in placement numbers (9.5%) and higher average weekly costs (8.6%). The increase in prices is as a result of higher value packages being commissioned in addition to an increase in dementia placements.

- The Passport to Independence Programme is a transformation agenda that will result in significant savings delivery over several years. The budget for 2017/18 includes savings of £8.437m relating to the programme, however the outturn reflects c£5.5m of achieved savings, with the delayed delivery resulting in an in year pressure of £2.9m. The savings profile has been updated and the revised profile has been included within the medium term financial strategy for 2018/19 onwards.

- A further pressure experienced in 2017/18 relates to a budget saving of £1.000m for a revised non-residential charging policy which has been delayed until 2018/19. This has now been through the consultation process and was agreed following consultation by Cabinet in April 2018. This is currently being implemented, therefore the saving will be achieved in 2018/19.

3.2 Children's Services

Ref	Head of Service	Approved Budget £m	Outturn £m	Outturn Variance £m	Quarter 3 Forecast Variance £m	Outturn Variance %
3.2.1	Children's Services	-1.217	-1.349	-0.132	-0.168	10.85%
3.2.2	Sen & Disability	16.797	16.519	-0.278	-1.231	-1.66%
3.2.3	Safeguarding Inspec & Audit	10.548	10.932	0.384	0.442	3.64%
3.2.4	Adoption & Fostering Residential & YOT	27.955	26.452	-1.503	-1.613	-5.38%
3.2.5	Children Social Care	91.295	97.312	6.017	4.778	6.59%
3.2.6	School Improvement	6.196	5.395	-0.801	-0.655	-12.93%
3.2.7	Learning & Skills	-5.001	-4.089	0.912	0.931	-18.24%
3.2.8	Policy Info & Commission Start Well	0.594	0.768	0.174	0.000	29.29%
	Total - Children's Services	**147.167**	**151.940**	**4.773**	**2.484**	**3.24%**

Children's Services overspent by £4.773m in 2017/18 against a budget of £147.167m. This is an increase of £2.289m from the forecast outturn reported to Cabinet at Quarter 3.

3.2.2 Special Education Needs and Disability (SEND) underspent by £0.278m in 2017/18, which is a reduction of £0.953m compared to the forecast at Quarter 3. This change is mainly due to a provision that has been created in respect of safeguarding costs incurred in a school. The service's underspends are mainly due to staff vacancies and the recovery of Direct Payments through clawback processes, with these offset by an overspend in family support and the additional costs of the provision to support a school.

3.2.3 Safeguarding, Inspection and Audit (SIA) overspent by £0.384m in 2017/18 and has not changed significantly from Quarter 3. This variance is predominantly due to the use of agency staff to fill vacant posts.

3.2.4 Adoption, Fostering, Residential and Youth Offending Team has underspent by £1.503m in 2017/18 which has not changed significantly from forecasts at Quarter 3. The service are experiencing underspends across staffing, fostering allowances and in the residential in-house provision.

3.2.5 Children's Social Care has reported an overspend position of £6.017m for 2017/18. This is an increased overspend as a result of additional placements costs compared to the forecast at Quarter 3. The overspend is due to overspends on staffing

(£2.397m), placement costs (net £2.228m), Special Guardianship Orders and Assistance to Families (£2.213m). There are underspends across areas such as staying put and leaving care allowances that partially offset these overspends.

3.2.6 School Improvement achieved a positive variance compared to budget of £0.801m in 2017/18 predominantly as a result of staff vacancies and additional income. This has improved compared to Quarter 3 due to additional income.

3.2.7 Learning and Skills Service (Traded Services – Start Well) achieved a negative variance of £0.912m in 2017/18 (i.e. overspent by £0.912m), which is broadly the same as the forecast at Quarter 3. The negative position is due to the following:

- School Catering pressures due to difficulties in fully achieving a £2.000m additional income target and increases in food costs.
- Outdoor Education is forecast to overspend as a result of the closure of Whitehough. 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 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 through use of other venues.

3.3 Community Services

Ref	Head of Service	Approved Budget £m	Outturn £m	Outturn Variance £m	Q3 Forecast Variance £m	Outturn Variance %
3.3.1	Highways	18.054	13.296	-4.758	-6.916	-26.35%
3.3.2	Libraries, Museums, Culture & Registrars	5.960	7.557	1.597	2.136	26.80%
3.3.3	Public & Integrated Transport	40.914	43.184	2.270	2.246	5.55%
3.3.4	Waste Mgt	64.820	61.669	-3.151	-1.043	-4.86%
	Total - Community Services	**129.748**	**125.706**	**-4.042**	**-3.577**	**-3.12%**

Community Services underspent by £4.042m in 2017/18. This is an improved positon of £0.465m compared to the forecast reported to Cabinet at Quarter 3.

3.3.1 Highways has underspent on revenue by £4.758m in 2017/18 due to funding changes rather than any real underspend on expenditure. The main factor relates to borrowing to fund structural defects, traffic signal repairs, streetlighting maintenance and drainage maintenance rather than using a budgeted revenue contribution (£5.636m). This is budgeted revenue expenditure that has been funded in year from capital reflecting the agreed budget saving. Further factors contributing to the overall revenue position include additional income under Highway Regulation & Inspection (£1.338m), and an offsetting overspend of £1.969m relating to severe weather, mainly due to the prolonged spells of cold and wet weather which has meant the highways network has required regular gritting. This overspend is the main reason for a variation compared to the forecast at Quarter 3.

3.3.2 Libraries, Museums, Culture and Registrars (LMCR) has overspent by £1.597m. This is largely due to undeliverable savings within libraries which have previously been reported to Cabinet and built back in to the MTFS from 2018/19. This is a slightly improved position compared to Quarter 3 due to reduced staff costs.

3.3.3 Public and Integrated Transport has overspent by £2.270m which is similar position to that reported at Quarter 3. This is predominantly due to delayed delivery of savings within Special Educational Needs (SEN) Transport and additional demand within the service. Both these issues have been addressed as part of the MTFS from 2018/19.

3.3.4 Waste Management has underspent by £3.151m due to a combination of factors, the most significant of which is a reduction in waste arisings during the year (0.9% increase rather than the budgeted 5.4%). The underspend position has significantly increased since Quarter 3 as a result of higher underspends on landfill and transport costs as a result of reductions in waste arisings, reduced operating and lifecycle costs of the waste recovery parks and some additional income.

3.4 Public Health and Wellbeing

Ref	Head of Service	Approved Budget £m	Outturn £m	Outturn Variance £m	Quarter 3 Forecast Variance £m	Outturn Variance %
3.4.1	Public Health & Wellbeing	-69.709	-69.815	-0.106	-0.135	0.15%
3.4.2	Patient Safety & Quality Improvement	4.592	4.784	0.192	0.171	4.18%
3.4.3	Health Equity Welfare & Partnerships	66.754	66.069	-0.685	-0.935	-1.03%
3.4.4	Children And Family Wellbeing Service	14.696	10.910	-3.786	-2.765	-25.76%
3.4.5	Health, Safety & Resilience	1.036	0.348	-0.688	-0.488	-66.41%
3.4.6	Trading Standards & Scientific Services	2.822	3.486	0.664	0.320	23.53%
	Total - Public Health & Wellbeing	**20.191**	**15.782**	**-4.409**	**-3.834**	**-21.84%**

Public Health and Wellbeing has underspent by £4.409m in 2017/18. The forecast has improved by £0.575m compared to Quarter 3 figures.

3.4.1 Public Health and Wellbeing outturn position is an underspend by £0.106m as a result of staff vacancies.

3.4.2 Patient Safety & Quality Improvement has overspent by £0.192m predominantly as a result of additional budgetary pressures on the staffing budget through the use of agency staff, offset by additional income.

3.4.3 Health Equity, Welfare & Partnerships has underspent by £0.685m due to contracts and staffing underspends. This is a reduced underspend compared to Quarter 3, due to some additional contract costs that have been incurred in Quarter 4.

3.4.4 Children and Family Wellbeing Service outturn position has reported an underspend of £3.786m for 2017/18. This relates to staffing vacancies and underspends on operational costs. The underspend has increased compared to Quarter 3 mainly due to additional staffing underspends.

3.4.5 Health, Safety & Resilience outturn position is an underspend of £0.688m due to underspends on operational costs, staffing and income. This has slightly improved compared to Quarter 3 mainly due to underspends on operational costs.

3.4.6 Trading Standards & Scientific Services has overspent by £0.664m for 2017/18 mainly due to a shortfall in grants and income received.

3.5 Economic Development and Planning

Ref	Head of Service	Approved Budget £m	Outturn £m	Outturn Variance £m	Quarter 3 Forecast Variance £m	Outturn Variance %
3.5.1	Economic Development	0.005	-0.153	-0.158	-0.166	-3160.00%
3.5.2	Business Growth	0.545	0.587	0.042	0.097	7.71%
3.5.3	LEP Coordination	0.000	0.004	0.004	0.003	0.00%
3.5.4	Strategic Economic Development	0.000	0.000	0.000	0.000	0.00%
3.5.5	Planning & Environment	1.506	1.074	-0.432	-0.498	-28.69%
	Total - Economic Development and Planning	**2.056**	**1.512**	**-0.544**	**-0.564**	**-26.46%**

Economic Development and Planning Services have underspent by £0.544m. The overspend at final outturn has decreased by £0.020m compared to Quarter 3.

3.5.1 Economic Development has underspent by £0.158m in 2017/18. This is the result of a one off business investment return to the service within its operational costs, with the service continuing to secure significant external funding to support the delivery of shared priorities.

3.5.5 Planning and Environment has underspent by £0.432m in 2017/18 largely due to income generation activities, staffing underspends and an over accrual in 2016/17.

3.6 Programmes and Project Management

Ref	Head of Service	Approved Budget £m	Outturn £m	Outturn Variance £m	Quarter 3 Forecast Variance £m	Outturn Variance %
3.6.1	Core Business Systems Transformation	4.292	4.518	0.226	-0.002	5.27%
3.6.2	Design & Construction	-1.989	-1.960	0.029	0.096	-1.46%
3.6.3	Programme Office	-0.022	0.257	0.279	0.264	-1268.18%
3.6.4	Customer Access	3.781	2.645	-1.136	-0.538	-30.04%
	Total - Programmes And Projects	**6.062**	**5.460**	**-0.602**	**-0.181**	**-9.93%**

Programmes and Project Management have underspent by £0.602m in 2017/18. The final outturn position has improved by £0.421m compared to the Quarter 3 position reported to Cabinet.

3.6.1 Core Business Systems/Transformation has overspent by £0.226m in 2017/18. One-off costs of £0.280m relate to additional work completed for the apprentice levy and the Egress secure mail system.

3.6.3 Programme Office has overspent by £0.279m in 2017/18 due to under recovery of income. There has not been a significant change in position compared to the position reported to Cabinet at Quarter 3.

3.6.4 Customer Access has achieved an underspend of £1.136m in 2017/18, mainly due to staffing underspends caused by staff vacancies and additional income generation.

3.7 Property, Finance and Corporate Services

Ref	Head of Service	Approved Budget £m	Outturn £m	Outturn Variance £m	Quarter 3 Forecast Variance £m	Outturn Variance %
3.7.1	Asset Management	9.873	9.082	-0.791	-1.395	-8.01%
3.7.2	Facilities Management	15.756	17.056	1.300	1.779	8.25%
3.7.3	Estates	0.526	0.495	-0.031	0.000	-5.89%
3.7.4	Procurement	1.547	1.287	-0.260	-0.215	-16.81%
3.7.5	Exchequer Services	3.088	2.674	-0.414	-0.546	-13.41%
3.7.6	Financial Management (Development & Schools)	0.261	0.061	-0.200	-0.078	-76.63%
3.7.7	Financial Management (Operational)	1.820	1.626	-0.194	-0.140	-10.66%
3.7.8	Office of the Police & Crime Commissioner Treasurer	-0.010	-0.003	0.007	0.000	-70.00%
3.7.9	Corporate Finance	4.968	4.831	-0.137	-0.047	-2.76%
3.7.10	Internal Audit	0.694	0.617	-0.077	-0.064	-11.10%
3.7.11	Skills Learning & Development	2.827	2.395	-0.432	-0.263	-15.28%
3.7.12	BTLS	18.670	19.735	1.065	1.336	5.70%
3.7.13	Coroner's Service	2.878	2.560	-0.318	-0.116	-11.05%
3.7.14	Legal & Democratic Services	13.177	13.258	0.081	0.236	0.61%
3.7.15	Human Resources	0.972	0.663	-0.309	-0.316	-31.79%
3.7.16	Business Intelligence	0.903	0.811	-0.092	-0.092	-10.19%
	Total – Property, Finance & Corporate Services	**77.950**	**77.148**	**-0.802**	**0.079**	**-1.03%**

Property, Finance and Corporate Services have underspent by £0.802m in 2017/18. The final outturn position has improved by £0.881m compared to the Quarter 3 position reported to Cabinet.

3.7.1 Asset Management has underspent by £0.791m in 2017/18 primarily due to underspends on street lighting energy and various smaller items such as Building Schools for the Future funding. The position has deteriorated compared to Quarter 3 due to a lower than anticipated utility recharge that will be recovered and included in the 2018/19 income for the service.

3.7.2 Facilities Management has overspent by £1.300m in 2017/18 predominantly due to undeliverable savings across property budgets which have been previously reported to Cabinet and built into the MTFS from 2018/19. The position has slightly improved compared to Quarter 3 due to some reduced staffing costs.

3.7.5 – 3.7.9 Financial Services have underspent by £0.938m in 2017/18, which relates to mainly to staff vacancies and small underspends across operational costs.

3.7.11 Skills, Learning and Development has underspent by £0.432m in 2017/18 due to staff vacancies, underspends on training costs and additional income.

3.7.12 BTLS/Client has overspent by £1.065m in 2017/18, which is an improved position to that reported at Quarter 3. The overspend is primarily due to delayed delivery of the agreed savings (£0.524m), with further savings expected to be realised in 2018/19. In addition there was a net overspend across other areas relating to reduced income and computer equipment underspends.

3.7.13 Coroner's Service has underspent by £0.318m in 2017/18, an improvement of £0.202m compared to the Quarter 3 position reported to Cabinet. The underspend and improved position is due to savings that have been made as part of new arrangements and reduced activity levels.

3.7.15 Human Resources has underspent by of £0.309m 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 outturn position is not significantly different to the forecast presented to Cabinet at Quarter 3.

3.8 Chief Executive

Ref	Head of Service	Approved Budget £m	Outturn £m	Outturn Variance £m	Quarter 3 Forecast Variance £m	Outturn Variance %
3.8.1	Chief Executive Services	-0.226	-0.203	0.023	0.075	-10.18%
3.8.2	Service Communications	0.830	0.642	-0.188	-0.143	-22.65%
3.8.3	Large Specific Grants to support the Authority	-7.784	-8.045	-0.261	-0.201	3.35%
3.8.4	Non Service Issues Corporate Budgets	20.394	7.832	-12.560	-7.145	-61.59%
	Total - Chief Executive	**13.214**	**0.226**	**-12.988**	**-7.414**	**-98.29%**

Chief Executive Services have underspent by £12.988m. The underspend has increased by £5.574m compared to Quarter 3 Cabinet monitoring as a result of an improved Treasury Management positon reflecting positive investment activity over the quarter.

3.8.4 Non Service Issues Corporate Budgets underspent by £12.560m. A significant part of this related to the Treasury Management budget which shows a net underspend of £8.858m with the income received in the year being £8.064m higher than initially anticipated within the budget. This was principally due to the gains made on the sale of bonds of £6.6m. The ability to make these gains arose as the markets saw some volatility in the year as a result of changing economic and political circumstances. The movements in the market and the level of volatility are difficult to predict and therefore no provision for surplus on sale of assets was included in the budget. Other income received varied due to changes in the level of balances invested and interest rates received. Similarly, interest paid was £0.748m lower than anticipated with lower than anticipated borrowing and interest rates paid, due primarily to slippage within the capital delivery programme for 2017/18.

The table below shows the variations in more detail:

	Approved Budget £m	Outturn £m	Outturn Variance £m
Minimum Revenue Provision (MRP)	21.383	21.337	-0.046
Interest Paid	22.758	22.010	-0.748
Interest Received/Surplus on Sale	-7.183	-15.247	-8.064
Grants Received	-0.240	-0.240	0.000
	36.718	**27.860**	**-8.858**

The remaining underspend on non-service issues corporate budgets of £4.130m relates to a combination of underspends on advanced payment of pension contributions, strategic budget and inherited pension liabilities.

3.9 Areas outside Cash-Limit Revenue Budgets

3.9.1 Additional One-Off Income

During the year additional net income of £15.402m was received from Central Government, council tax and business rates payments. This consists of:

- £7.732m additional Council Tax Collection Fund surplus 2016/17
- £0.940m additional Business Rates Income
- £0.083m Further Grant Income (New Homes Bonus and Lead Local Flood Authority Grant)
- £0.513m 2016/17 Business Rates Pooled Fund Surplus
- £0.958m Lancashire Workforce Development Partnership
- £0.841m Kiddivouchers Corporate National Insurance Saving
- £6.563m Waste PFI Settlement

The above additional income was offset by deficits on capital receipts and business rates totalling £2.228m.

In line with the previous position taken by the Cabinet on one off resources, these amounts were added to the Transitional Reserve.

3.9.2 Schools Spending

The final outturn position against schools delegated budgets at 31 March 2018 is an overspend of £1.131m. This means that school balances have decreased by £1.131m in 2017/18, to a total of £44.150m. The tables below show analysis of school balances by phase at the end of the financial year 2017/18.

2017/18 School Balances - In-Year Movement of Balances by Phase

Phase	Balance Brought Forward as at 1 April 2017	Less Net Expenditure 17/18	Balance Carried Forward as at 31 March 18
	£m	**£m**	**£m**
Nursery	0.800	-0.334	0.466
Primary	34.003	1.174	35.177
Secondary	5.119	-1.352	3.766
Special	4.802	-0.812	3.989
Short Stay	0.557	0.194	0.751
Total	**45.281**	**-1.131**	**44.150**

The outturn position shows a reduction in the aggregate level of school balances at 31 March 2018 to £44.150m. Continued reductions in the level of aggregate balances held by schools is indicative of the ongoing pressure on school funding. Dedicated Schools Grant (DSG) income has, for a number of years, been cash flat, or has not kept pace with inflation. Considerable reductions in balances in the nursery and secondary school sectors reflects the significant financial challenges confronting these phases. Financial pressures, particularly on special and short stay schools are expected to increase in 2018/19, as the savings that are required on the High Needs Block of the Dedicated Schools Grant impact.

2017/18 School Balances –In-Year Movement Count of Schools by Phase

Phase	Count of deficit in year	Count of surplus in year
Nursery	15	9
Primary	220	254
Secondary	30	30
Special	14	15
Short Stay	3	6
Total	**282**	**314**

282 schools (47%) operated an in year deficit in 2017/18, spending funding from reserves. The significant numbers of schools, across all phases, using reserves in order to balance their budgets demonstrates the persistent financial pressures in the

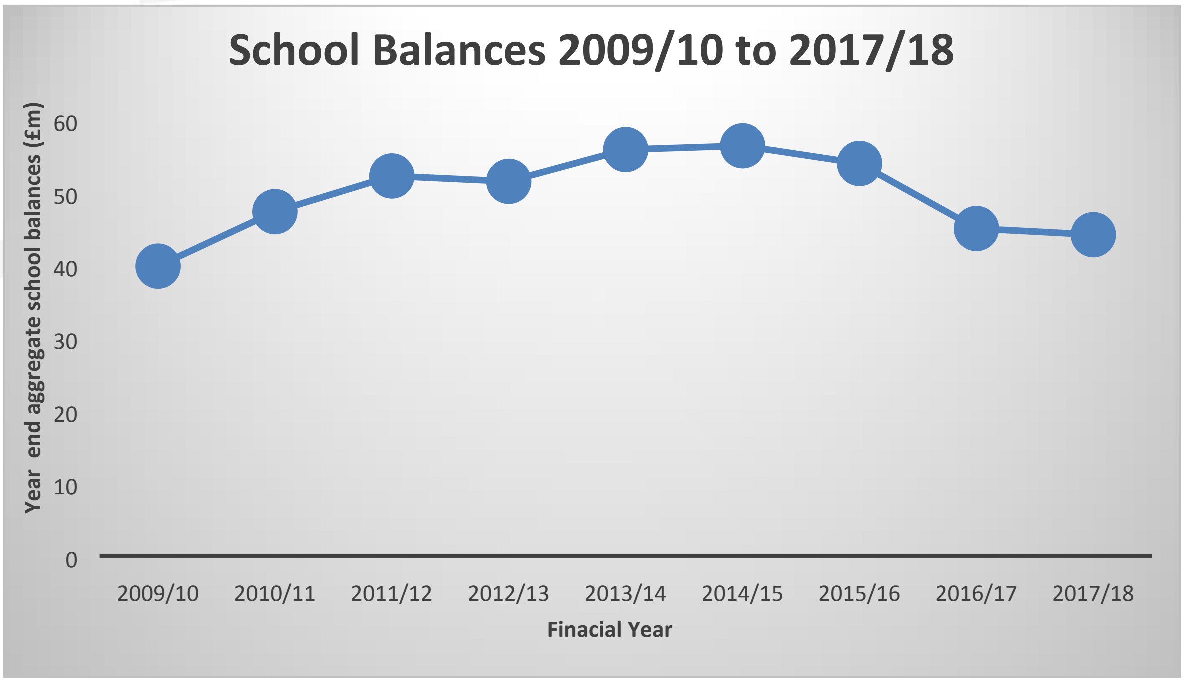
school sector. The number of schools operating an in year deficit is the second highest on record, compared to 368 schools in 2016/17; 276 schools in 2015/16 and 256 in 2014/15.

2017/18 School Balances – No of Schools in Surplus/Deficit by Phase

Phase	Count of deficit close balance	Count of surplus close balance
Nursery	6	18
Primary	19	455
Secondary	15	45
Special	4	25
Short Stay	3	6
Total	**47**	**549**

Data around the number of schools ending the year in deficit also shows the worsening real terms position around school funding, with 47 schools ending the year in deficit. This is the largest number of schools in deficit ever experienced in Lancashire, and includes schools from every phase. The 2017/18 year end position compares to 40 schools in deficit at 31 March 2017, 25 schools at 31 March 2016 and 18 schools at 31 March 2015.

Aggregate School Balances by Year



The graph demonstrates the trend in aggregate school balances over recent years. Balances at 31 March 2018 are at their lowest level since 2009/10 and show a continued decline in aggregate school balances, from a peak in 2014/15, as schools utilise their reserves to set balanced budgets.

Schools Reserves**

	Open Balance 1 April 17	In Year Changes	Closing Balance as at 31 March 18
	£m	**£m**	**£m**
Individual Schools Reserves	45.281	-1.131	44.150
Other Schools Reserves	27.525	-6.612	20.913

** The School Reserves are ring-fenced to schools and are used at schools' discretion.

Under the Education Reform Act, schools are given most of their budgets to directly control. If a school does not spend its entire budget, it is held as a reserve for them to use in the future. These reserves cannot be used for any other purpose.

Section B – The 2017/18 Capital Programme

Capital Programme Outturn 2017/18 Summary Table

The capital programme agreed at February 2017 Full Council was a programme of £126.182m, this included previous years' slippage of £38.131m. In addition to this Cabinet have approved £46.524m additions to the programme and agreed re-profiling of £0.798m, leading to a final capital delivery programme for 2017/18 of £171.908m.

Table 1 shows that of this delivery programme spend of £121.434m was achieved. This variance from expected delivery of £50.474m represents 29% of the programme.

The outturn position for capital by block is shown below:

Table 1: Outturn position 2017/18

Service Area	2017/18 Full Year Programme of Delivery £m	2017/18 Full Year Outturn £m	Actual Variance £m	Actual Variance as a Percentage of Delivery Programme %
Schools (Excluding DFC)	28.159	21.266	-6.893	-24%
Schools DFC	4.893	2.767	-2.126	-43%
Children & Young People	5.846	7.984	2.138	37%
Highways	50.554	42.204	-8.350	-17%
Transport	38.194	17.658	-20.536	-54%
Waste & Other	6.435	1.965	-4.470	-69%
Adult Social Care	14.070	12.675	-1.395	-10%
Corporate	20.977	12.645	-8.332	-40%
Vehicles	2.780	2.270	-0.510	-18%
Total	**171.908**	**121.434**	**-50.474**	**-29%**

The variance to budget is summarised in Table 2, this splits the variance between

- Underspends on the delivery of completed projects.
- Overspends on completed projects.
- Slipped delivery budgets where delivery has been delayed in part or full to future years.
- Advanced Delivery where expenditure on a project has been incurred this year where the budget is in partly or full in a future year.
- Unallocated budgets which are contingency budgets or unallocated funds within the in-year delivery programme that have not yet been allocated to named projects and as such are available for potential carry forward to future years.

Table 2: Breakdown of Variances

Service Area	Forecast Variance £	Under-spend	Over-spends £	Revenue Capital-isation £	Slipped Delivery £	Advance Delivery £	Unalloc-ated £
Schools (inc DFC)	-9.019	-1.588	0.797		-7.179	0.659	-1.709
Children and Young People	2.138	-0.143	0.122		-0.296	4.000	-1.545
Highways	-8.350	-1.343	0.000	6.673	-13.680	0.000	0.000
Transport	-20.536	0.000	0.000		-15.914	0.000	-4.622
Waste and Other	-4.470	-2.791	0.000		-1.632	0.000	-0.047
Adults Social Care	-1.395	0.000	0.000		-1.037	0.000	-0.358
Corporate	-8.332	0.000	0.500		-7.063	0.000	-1.769
Vehicles	-0.510	0.000	0.000		-0.510	0.000	0.000
Totals	-50.474	-5.865	1.419	6.673	-47.312	4.659	-10.050
Total (%)		-11%	3%	13%	-94%	9%	-20%

The slipped delivery is a mixture of financial delays, e.g. for retention amounts, but where the project is complete, delays due to changes to the work programmed and delays due to adverse weather which delayed completion or commencement of projects.

Capital Programme next steps:
During the first 3 months of 2018-19 a comprehensive review of the delivery programme for 2018-19 will be undertaken by Capital Board. The work undertaken will be as follows:

a) Updating the delivery programme for 2018/19 in light of the delivery performance in 2017/18.
b) A review of the level of funding available for unallocated budgets and the requirement for these to be continued to be carried forward.
c) Detailed monitoring of the delivery programme through 2018/19 to ensure slippage is reported in a timely manner and a robust level of challenge to both programme and portfolio managers by Capital Board to ensure delivery remains on track through the year.
d) A suite of performance reports will be developed for the Capital Board to undertake this monitoring oversight and challenge.

4. Capital Programme Outturn Detailed Analysis

The outturn variances by block from the budget for delivery in 2017/18 are as follows:

4.1 Schools & Schools DFC

Basic Need Programme

This programme delivers works to increase capacity in school place provision across the county.

The Basic Need programme has incurred a total of £3.475m of slipped delivery in 2017/18 across 19 projects. 9 of these are completed and in the defects and liabilities period and 3 are completed and in the final stage of pre-closure tasks. This means that 12 of the 19 schemes are build complete and the slippage relates to financial payment only (£0.751m) rather than delivery delays.

A small number of projects have incurred delivery delays. The Euxton Balshaw Lane project is currently under construction and has slipped by £1.500m against the profiled budget. Although slipped delivery had previously been forecast on this scheme, this was further exacerbated by bad weather conditions during the winter months resulting in lower valuation claims by contractors which created a further £0.950m underspend. It is expected that the slipped value will be invoiced quickly in the first few months of 2018/19.

The Langho and Billington St Leonard's project is also under construction and has slipped by £0.630m. Work on site was delayed due to the necessity of both a value engineering exercise in order to reduce the costs of the scheme and a further cabinet approval for funding in order to reach an Agreed Maximum Cost with the contractor.

The Ribblesdale High School project is under Technical Design and has slipped by -£0.314m as previously forecast due to delays incurred on agreeing the extent to the inclusion of sprinkler systems.

The remaining projects still under construction have incurred smaller slipped delivery variances totalling £0.280m.

Advanced Delivery against future years' budget has been achieved on 6 Basic Need projects totalling £0.647m. Most significantly, the Lancaster Stepping Stones project is spending ahead of profile by £0.242m and the Preston Larches project by £0.179m. Smaller advanced delivery variances totalling £0.226m are observed across the other 4 projects.

Several Basic need projects were completed as at 31st March 2018 generating underspends totalling £0.855m. Particularly, the Ormskirk Acorns projects has completed at £0.144m under budget and Chorley Southlands at £0.092m. Smaller underspends across 14 other projects equates to an underspend totalling £0.250m.

A further saving of £0.370m was made against the provision for School Planning and Design team contributions which were met from elsewhere in the programme. A number of completed projects which commenced in prior years incurred overspends in 2017/18 totalling £0.194m.

An overspend variance is shown against the Leyland St Mary's project of £0.519m. This spend will be repaid from the insurers, and will be received in the spring of 2018.

Condition Led Programme

This programme delivers works to improve the condition of existing schools, with the majority of the works being undertaken during the school holidays to minimise disruption to the education provision.

During 2017/18 several projects started in previous years were completed, closing with a combined underspend of £0.732m and an unallocated contingency remaining of £0.700m. A small number of projects overspent by £0.084m to be funded from this contingency. There is an estimated £0.125m of final retention payments due that will fall in 2018/19. The net underspend on the programme is therefore anticipated to be £1.473m which will be reallocated in future years for other schools condition projects.

Projects started in 2017/18 will continue to be delivered into 2018/19. The 2017/18 delivery budget at 31st March was £11.260m. 87% delivery was achieved with £1.453m slipped delivery which will be delivered in 2018/19.

There is advanced delivery on projects due to start in 2018/19 of £0.012m as design work has commenced to ensure works can be delivered in school holiday period Summer 2018.

Contingency Budgets

During the year and once projects are complete there is a mixture of under and overspends on individual projects, at closure of the projects these remaining budget allocations are taken to or from the contingency pot (unallocated budgets) within the programme to be available to fund contingency items on other projects as required over time. As at March 2018 the balance on these unallocated budgets is £1.708m taking into account funding of advanced delivery of future years budgeted projects.

Schools DFC

A spend less than budget of £2.126m is reported at year end due to a change in accounting treatment on advice from CIPFA, whereby expenditure reported in the accounts should be the capital spend made by schools rather than the capital amount transferred to schools.

4.2 Children and Young People

The 2017/18 delivery budget for the CYP block of the capital programme was £5.846m. Outturn expenditure was £7.984m, representing expenditure greater than budget of £2.138m due to projects that were re-profiled in the October 2016 Cabinet report to future years but have now been delivered, in full this year.

- Advance delivery of £4.046m due to expenditure on several projects (including contribution to Chorley Youth Zone) during 2017/18 where budget was profiled for future years, this will lead to reduced spend against future years budgets.

- Advanced delivery of £0.543m where budgets were profiled to future years but there has been some expenditure, primarily design work, in this year.
- Slippage of £2.330m in the Residential Redesign budget
- Underspends on completed projects of £0.121m in Lancashire Break Time and General Improvements programmes.

4.3 Highways

The 2017/18 delivery budget for the Highways block of the capital programme was £50.554m. Outturn expenditure was £42.204m, representing expenditure less than budget of £8.350m.

Key items to note in certain programmes are:

Footways – expenditure was £1.560m lower than programmed**.** 34 of the 38 schemes programmed for delivery have been completed from a delivery perspective although final invoices totalling £0.990m have yet to be settled. The remaining 4 schemes were delayed due to adverse weather and budget of £0.343m will need to be slipped to 2018-19 to deliver these.

Of the completed schemes underspends of £0.305m were achieved due to efficiencies including the need for less expensive treatments at a number of locations whilst 10 schemes had overspends totalling £0.115m. There is currently £0.037m unallocated within the programme.

Bridges Programme has spend less than budget of £0.900m. Slippage of £0.400m has materialised due to delivery delays on several schemes. In addition, £0.500m of the 2017/18 allocation for the 2017/18 delivery programme relating to Greyhound Viaduct will be slipped into 2018/19 due to a successful bid for DfT Challenge funding being awarded. This award will be utilised before County Council resources.

Street Lighting has spend less than budget of £1.031m**.** This can be split as follows:

- Invest to Save slippage of £2.700m. This programme is a combination of externally funded Challenge Fund project which was completed as at March 2018 and spent to budget, and the internally funded Energy Reduction Programme with has seen slippage of £2.700m due to maximising the utilisation of the Challenge fund monies. The county council programme will be completed in 2018/19. The programme was delayed due to procurement exercise to secure lower unit costs which then resulted in less spend against the programme, both in time to deliver and efficiencies due to unit costs. There is likely to be significant underspends once the programme is complete due to these efficiencies.
- Street Lighting maintenance programme overspent by £1.669m. This is mainly due to the timing of the decision to capitalise £1.573m of street lighting defects which extend asset life following the 2018/19 revenue budget process.

Structural Defects spend greater than budget of £5.330m. £2.400m of this is due to the decision to capitalise structural defects and a further £2.700m of agreed expenditure which represents additional spend as a result of revenue budget decisions during the 2018/19 budget process to capitalise areas of expenditure previously funded from revenue which have been implemented in 2017/18. These items have been built into the budgets for 2018/19 onwards.

DfT funding for Flood Damaged Roads and Bridges – slippage of £1.657m. There were insufficient funds available to deliver a completely new structure therefore an options study was required to explore replacement solution that could fit within the available budget. However the environmental constraints of working in the river and a delay in the tender process means the works are now expected to start May 2018, subject to the Environment Agency (EA) agreeing the working methods with the contractor.

Drainage – spend less than budget of £0.416m**.** 11 schemes have been completed with underspends totalling £0.050m due to efficiencies found on site. 4 schemes have overspends totalling £0.067m. Due to the need to complete negotiations with landowners, localised adverse weather and some resourcing needed to be temporarily diverted to flooding incidents in July and November 2017,18 schemes with a budget of £0.238m have slipped delivery into 2018-19. Further slippage of £0.195m has arisen as a result of 6 schemes being delayed due to working with partners or requiring specialist input. These schemes will now be delivered in 2018-19.

DfT Incentive Fund – has slippage of £0.869m. A substantial amount of the variance is due to several schemes in Wyre and the Ribble Valley needing to be programmed for delivery during the school holidays because of their location, these will be delivered in 2018/19.

Roads programme has spend less than budget in 2017/18 of £4.800m. In July 2017 an additional £5m was approved for Highway Maintenance. Of this £5m, Cabinet agreed that £3m should be allocated to address deterioration to residential roads in line with the County Council's Transport Asset Management Plan and £1m be allocated to a Responsive Fund to address minor works. In order to allow consultation with members on the development of these programmes work was finalised in January 2018 for delivery in 2018/19. A further £1m was allocated to carry out preventative defect repairs and £0.200m has been spent in 2017/18 with the remainder being slipped to be programmed for delivery in 2018/19.

Tawd Valley Cycle Way – Slippage of £0.440m has occurred in 2017/18 due to time delays on agreement of design to be delivered. The scheme is scheduled to complete in 2018/19.

There is a further £2.007m slippage within Highways which covers variations of budget across c130 schemes in other programmes including Public Rights of Way, Local Neighbourhood Priorities, Flood Risk Schemes, Road Surfacing, Strategic Prevention and Road Safety.

4.4 Transport

The 2017/18 delivery programme budget for the Transport block of the capital programme was £38.194m. Outturn expenditure was £17.658m, representing expenditure less than budget of £20.536m. This is £15.914m of slippage and £4.622m of amounts which at 31st March 2018 were not allocated to projects, although this has been allocated to projects in 2018/19.

At December monitoring, slippage of £5.845m was reported with a risk of further slippage of £12.865m due to budgets not yet allocated to projects, as at March 2018 these have still not been spent.

Significant in year variances at 31st March 2018 are:-

Burnley Pendle Growth corridor – in year slippage of £2.043m. Actual expenditure in year is £4.284m against a delivery programme of £6.327m. The delays have been due to time taken to consult on design of various stages and work is still ongoing with third parties to resolve land access issues and delivery will be slipped into 2018/19 and later years. This £13m multiyear programme of works, which is underpinned by £8m funding from Lancashire's Growth Deal, is a scheme of alterations to junctions on the M65 corridor and surrounding road networks due to fully complete by March 2020.

Prior years have seen the improvements at Junction 12, Junction 7, Dunkenhalgh Way and improvements to Rosegrove Station. In 2017/18 improvements to M65 Junction 13 and works on Hyndburn Road have been completed. Further works that have already commenced are due to complete by May 2018, whilst other later stages are currently at design or planning stage. Works costs to date have been accommodated within the programme budget. Further stages will be designed to ensure the programme remains within budget.

East Lancs Cycle Way – In year slippage of £1.000m. This £6m multiyear programme of works, which is supported by £2.6m from Lancashire's Growth Deal, is a partnership project enhancing existing and creating 30km of cycle way in East Lancashire and Blackburn to improve access to employment, places of education and other services and provide leisure, health and tourism opportunities. The works were originally due to be completed by November 2018. There have been budget pressures identified in delivering the delivery of programme, mainly due to changes to design and intended treatments following public consultations for which additional funding and project timescales were agreed. Highways England were due to deliver some sections of the cycleway adjacent to the A56, and have mostly completed their designs. However, Highways England has now asked whether the County Council could deliver these sections instead (with full funding from Highways England) because of capacity problems they are experiencing. This means the timescale for the scheme needs to be extended, and in May 2018 Cabinet approved the programme to be extended by 12 months until March 2020.

Skelmersdale Rail link and associated project - In year slippage of £2.742m. The overall multi-year programme budget of £6.48m includes £5.1m funding to develop the station business case and £1.38m to demolish Glenburn College campus in the years 2016/17 to 2018/19. The expected delivery programme for the whole scheme in 2017/18 was £3.380m, although only £0.638m has been spent in year. The works at the Glenburn College Campus are expected to be completed by July 2018 and Network Rail delays in contracting with consultants has delayed the spend on the business case, but this is expected to catch up in 2018/19. The business case for the station is progressing through the GRIP stages with the GRIP 2 study being refreshed and GRIP 3a targeted by March 2020.

***National Productivity Investment Fund* -** Unallocated budget at 31st March of £4.622m. In January 2017, the Department for Transport (DfT) confirmed that the county council would receive a direct grant award of £4.655m in 2017/18 from a national allocation of £185 million, to fund local highway and transport improvements that aim to reduce congestion at key locations, upgrade or improve maintenance of local highway assets, improve access to employment and housing or develop economic and job creation opportunities. Approval of a programme of work was held back until January 2018 until the outcome of competitive bids to the NPIF Fund process. A programme was then approved by Cabinet in January 2018 and will be delivered mainly in 2018/19. Towards the end of 2017/18 two business cases totalling £0.020m have been funding using the award; A business case for Design of M65 Growth Corridor Improvements at J8, 9, 10, 13 & North Valley Rd / Vivary Way has been allocated £0.200m, a small amount of work on design had started by the end of 17/18 with completion due in 2018/19.

Cycling Safety programme – In-year slippage of £0.578m. The scope of the programme and design has changed to fit with the wider local cycling strategy/plan. Some projects have been cancelled as after further investigation they are no longer required, some have been delayed for delivery into 2018/19 resulting in an underspend of against the expected delivery programme in 2017/18.

Ormskirk Congestion Relief – In year slippage of £0.739m. A programme of work has not yet been developed and is awaiting the outcome of the Ormskirk Movement Strategy this is likely to be in 2021/22. This has given an opportunity to repurpose part of the allocation to future 2018/19 priorities as discussed at Cabinet on the 18th January 2018.

***North Valley Road* modelling**- in year slippage of £0.300m. The scope of the scheme has now changed resulting in a project that requires less budget. In addition, further NPIF funding has been secured which will allow some of the original budget to be repurposed. The remaining budget will be slipped into 2018/19 for delivery.

Eaves Green Lane Link – in year slippage of £0.250m. Due to a decision made in February 2018 this is not now a priority scheme within the transport programme and the budget is now being slipped into future years for delivery.

Health Initiatives funding - £0.385m still remains unprogrammed and will be slipped into future years delivery.

Master Planning works (West Lancs, East Lancs and Lancaster) - The budget for these works was added in 2016 to the 2017/18 programme for development activities across the county totalling £4.725m. Forecast expenditure has been reprofiled to align the co-funding of the scheme propositions with local partners, and as a result, this has now slipped into 2018/19 for delivery.

4.5 Waste/Other

The 2017/18 delivery budget for the Waste block of the capital programme was £6.435m. Outturn expenditure was £1.965m, representing expenditure less than budget of £4.470m. This includes slippage of £1.632m, £0.047m not allocated to projects and £2.791m underspend.

Key items are as follows:

- Fire Suppression Systems at Thornton and Farrington – An underspend of £2.579m on completion of the project over the sites has occurred due to the scope of the projects changing. This money is available for repurposing in 2018/19.
- Works Jameson Road HWRC has a slippage amount of £0.344m which is due to be spent in 2018/19.
- Rowley Landfill Site - the underspend of £0.212m reflects the total tender price coming in under the original budgeted price agreed in 2016/17. This money is available for repurposing in 2018/19.
- The relocation of Metrology Service has a slippage amount of £0.051m for delivery in 2018/19.
- There is also an un-programmed amount of £0.047m due to be programmed for delivery in 2018/19.
- HWRC in-house has slipped spend of £0.372m into 2018/19 due to delays in the delivery of the works programme.
- Slippage on the ICT budget of £0.865m in 2017/18. Work is to be undertaken in 2018/19 to ascertain the level of budget still required for this piece of work and any amount available for repurposing will be reported in 2018/19.

4.6 Adults Social Care

The 2017/18 delivery budget for the Adults block of the capital programme was £14.070m. Outturn expenditure was £12.675m, representing expenditure less than budget of £1.395m.

This can be summarised as follows:

- Projects have been identified to be funded from the Social Care Capital grant but work is not expected to start until 2018/19. This causes a slippage amount of £1.000m.
- Changing places for severely disabled adult's pilots has slipped by £0.182m work in the year has commenced over both sites at Preston Bus Station and Preston Chapel Yard, although completion of Preston Chapel Yard has now slipped into 2018/19 due to delivery delay. This accounts for 0.037m of the slippage with the remaining slippage being unallocated budgets within the programme carried forward from previous years.

- £0.213m on the Libraries Regenerate due to monies not yet allocated to projects. This will be spent on the Libraries Regenerate programme in future years as projects are brought forward, and will be managed within the Property Portfolio within the corporate block of the programme from 2018/19 onwards.

4.7 Corporate

The 2017/18 delivery budget for the Corporate block of the capital programme was £20.977m. Outturn expenditure was £12.645m, representing expenditure less than budget of £8.332m made up of slippage of £7.063m, overspends of £0.500m and unallocated budgets of £1.769m. Significant items to note include:

- £1.769m of the Economic Development was unallocated at 31st March 2018. £1.500m has been allocated to the Lomeshaye industrial estate project - a major strategic development opportunity in East Lancashire, though expenditure has been delayed until 2018/19 to enable local partners to complete agreed planning matters. The remainder of the budget allocation will be drawn-down in 2018/19 to support the delivery of agreed development priorities. This represents total slippage in year of £3.269m.
- An over spend of £0.500m on the Core System Transformation projects. This is due to the increased costs of the Oracle modules and other spend on projects to completion in 2017/18 which had no available budget.
- The Superfast Broadband project has slipped £1.118m of the 2017/18 expected delivery into future years.
- Slippage of £4.445m on a range of other projects including the property programme, green energy programme, contributions to Brierfield Mill and several ICT projects are due to delays in planned expenditure and are now forecast to be spent in future years.

4.8 Vehicles

The total underspend of £0.510m represents slipped delivery due to delayed delivery of the vehicles which are subject to long delivery lead times.

Section C – County Fund Balance, Reserves, Provisions and Capital Receipts

5. Revenue Reserves as at 31st March 2018

Table 1 below shows the summary position for revenue reserves as at 31st March 2018:

Table 1

Reserve Name	Approved at Full Council Feb 2017	2017/18 Net Expenditure	2017/18 transfers between reserves	2017/18 Closing Balance	2018/19 Forecast Spend	2019/20 Forecast Spend	Total as at 31 March 2020
	£m	£m	£m	£m	£m	£m	£m
County Fund	-36.000	2.563	10.000	-23.437	0.000	0.000	-23.437
SUB TOTAL - COUNTY FUND	**-36.000**	**2.563**	**10.000**	**-23.437**	**0.000**	**0.000**	**-23.437**
Strategic Investment Reserve	-4.447	0.645	0.037	-3.764	1.267	0.410	-2.087
Downsizing Reserve	-18.913	3.591	1.431	-13.891	3.762	0.000	-10.129
Risk Management Reserve	-10.439	2.036	3.001	-5.402	4.970	0.000	-0.432
Transitional Reserve	-162.014	27.134	-6.945	-141.826	-1.503	0.578	-142.751
Service Reserves	-13.136	-8.398	2.357	-19.177	3.944	0.483	-14.751
Treasury Management Reserve	0.000	0.000	-10.000	-10.000	0.000	0.000	-10.000
SUB TOTAL - LCC RESERVES	**-208.949**	**25.007**	**-10.119**	**-194.060**	**12.440**	**1.471**	**-180.149**
Schools/Non-LCC Service Reserves	-17.117	0.534	0.119	-16.464	1.011	-0.687	-16.140
SUB TOTAL SCHOOLS/ NON LCC RESERVES	**-17.117**	**0.534**	**0.119**	**-16.464**	**1.011**	**-0.687**	**-16.140**
GRAND TOTAL	**-262.066**	**28.105**	**0.000**	**-233.960**	**13.451**	**0.784**	**-219.726**

The County Fund shown at the top of Table 1 is the balance set aside to cover the authority against a serious emergency situation (e.g. widespread flooding); a critical and unexpected loss of income to the authority and for general cash flow purposes.

In considering these various factors the County Council has a County Fund balance of £23.437m at the end of 2017/18.

Part of this reserve has been used to support the budget amendment agreed by Full Council in July 2017 totalling £3.995m in 2017/18, which has required a reduced balance of £2.563m due to some delays in implementation and reduced costs. In addition £10.000m has been set aside within a reserve to mitigate possible risks within the Treasury Management investment portfolio.

This reduction to the County Fund balance during 2017/18 was on the basis that this is still a prudent and reasonable amount to keep in the County Fund for emergency situations as described above with benchmarking of other Local Authorities completed to support the reduction.

The table above shows that the forecast value of the uncommitted Transitional Reserve following the 2017/18 outturn is £142.751m. This is an improved position compared to that reported to Cabinet at Quarter 3, due to the higher underspend within the revenue budget and also the inclusion of funds received as part of a settlement in relation to the Waste PFI.

Whilst it is anticipated that further revenue savings for 2018/19 and beyond will be identified, the impact of utilising the Transitional Reserve to fund the £42.045m gap would leave £68.410m available for use in 2019/20 based on current forecasts. Table 2 within the report demonstrates the funds that are forecast to be available to support the budget gap in 2018/19 and 2019/20. However, in order to set a legal budget further savings will need to be made.

	2018-19 £m	**2019-20**	**2020-21 £m**	
MTFS Funding Gap	*42.045*	*68.410*	*118.138*	
Available reserves to support financial gap	42.045	68.410	32.296	142.751

6. Provision for Bad and Doubtful Debts

In addition to general provisions against known liabilities the Council maintains a provision against bad and doubtful debts.

	Opening Balance as at 1 April 2017 £m	In Year Changes £m	Closing Balance as at 31st March 2018 £m
Corporate Bad Debt Provision	-13.916	-2.190	-16.107

The provision for bad debt has increased during 2017/18 due to increased debts over 2 years old. These debts are currently under review with plans being developed to reduce debt levels and more particularly those over 2 years old as these present the greatest risk. In addition a review of the provision has already commenced to incorporate a new accounting requirement (IFRS 9) which must be adhered to from 2018/19.

7. General Provisions

General Provisions which are set aside for specifically quantified liabilities such as insurance claims. Movements in general provisions are summarised in the table below:

	Opening Balance as at 1 April 2017 £m	In Year Changes £m	Closing Balance as at 31st March 2018 £m
Adult Services - Safeguarding	-0.500	0.000	-0.500
Adult Services – Learning Disability	0.000	-0.564	-0.564
Children's Services – Special Educational Needs	-0.101	-0.603	-0.704
Financial Resources	-1.359	0.412	-0.947
Parking Reserve Fund	-0.867	0.867	0.000
Teachers Pensions	-0.245	0.000	-0.245
Business Rates Appeals	-4.241	-0.203	-4.444
Municipal Mutual Insurance (MMI) Provision	-2.549	-0.201	-2.749
Insurance Provision	-18.770	-3.488	-22.257
PFI Payments	0.000	-0.815	-0.815
Grand Total	**-28.631**	**-4.594**	**-33.225**

8. Capital Receipts

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

As part of the Provisional Settlement in December 2017 it was announced that flexibility to use capital receipts to help meet the revenue costs of transformation programmes will continue for a further three years.

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

As part of the 2017/18 revenue budget agreed by Full Council a total of £12.500m was built into the budget. The table below shows the amount that was expected to be spent in each service area and how much was spent as part of the 2017/18 outturn:

Service Area	2017/18 Budget (£m)	2017/18 Expenditure (£m)	2017/18 Variance (£m)
Children's Social Care	4.728	3.998	-0.730
Waste Services	0.500	0.274	-0.226
Exchequer Services	0.200	0.192	-0.008
Human Resources	0.884	0.862	-0.022
Programme Office	0.400	0.279	-0.121
Policy, Information and Commissioning	0.736	0.874	0.139
Procurement	0.630	0.643	0.014
Financial Management (Operational)	0.802	0.813	0.012
Corporate Finance	0.121	0.228	0.107
Estates	0.308	0.261	-0.047
Facilities Management	0.193	0.198	0.005
Asset Management	1.120	1.067	-0.053
Core Business Systems Transformation	1.068	1.839	0.771
Adults Services	0.812	0.972	0.160
Grand Total	**12.500**	**12.500**	**0.000**

In 2017/18 actual receipts totalled £7.299m and with the balance carried forward from 2016/17 the total receipts achieved totalled £11.760m. This resulted in a shortfall in the budgeted level of receipts in year. The short fall was as a result of a reclassification of a c£0.500m receipt that could not be recognised at this stage in the development process and a small shortfall due to delays in completion of sales. It is expected that the actual receipts received in any one year will fluctuate in line with local property markets and the type of asset available for sale. The shortfall of £0.740m has been met from the Transitional Reserve, as this was outlined as the required action if there was a shortfall.

The funding shown above has been used to support the following projects:

- Transformation activity to support the delivery of £54m of savings that were previously agreed and included within the 2017/18 budget and beyond.
- Development of £81m of further savings that have been agreed as part of the 2018/19 budget and medium term financial strategy.
- Additional investment in Children's Social Care to transform and improve the services following inspection outcomes.
- Support the Passport to Independence Transformation Programme in Adults Services.

At Full Council in February each year the County Council's prudential indicators are reviewed and approved. As part of the Treasury Management Strategy, that is requesting approval at this Full Council meeting, the level of indicators incorporate the budgeted level of capital receipts that will be used to support the revenue budget rather than the capital programme. The indicators are reviewed on a regular basis and reported to Members on a quarterly basis.

Section D – Conclusion on the County Council's Financial Health

Whilst the revenue outturn position for 2017/18 presented within the report is positive in headline terms, the revenue budget was supported significantly by reserves to meet the structural funding gap. The underlying outturn position, excluding the structural application of reserves, was an overspend of c£38m and a forecast funding gap of £144m by 2021/22 remains.

The agreed use of reserves represents the continuation of reserve funding of the revenue budget over recent years, whilst proposals to reduce the gap have been developed. These have been a combination of efficiencies, demand management, income generation, reduction in some services and reducing the level of revenue funding of the capital programme.

The availability of reserves to support recent revenue budgets has been enabled by strong financial stewardship. The council has a track record of delivering positive outturn positions in most years through strong financial management, including delivering the majority of savings that have been agreed in budget cycles.

Positively this has continued in 2017/18 with the revenue underspend resulting in a much lower net reduction in reserves than originally budgeted for. A significant proportion of the underspend reflects early delivery of savings now agreed as part of the 2018/19 budget, but detailed work is being undertaken to determine the extent to which any of the underspending areas represent structural underspends not yet adjusted for within the MTFS for future years, e.g. continuing strong treasury management performance.

The proportion of the council's revenue budget spent on adult social care continues to increase and remains a massive challenge as a result of the ageing population and increasing demand, despite the receipt of non-recurrent grant funding and the application of the adult social care precept. The other most significant area of concern is children's social care, which overspent last year despite a significant amount of growth built into the budget over the last two years reflecting the continued increasing demand for services. This remains a key area of focus moving forward to track and determine whether, based on current demand, sufficient growth has now been built into the MTFS for 2018/19 and future years.

The remaining reserves are forecast to be insufficient to enable a balanced budget to be set by 2020/21, and therefore it is critical that further proposals are developed to address the funding gap. This is an integral element of the operational plan with individual service challenges being undertaken along with reviewing the extent to which commercial activities can be maximised and grants and taxation income increased.