**Money Matters**

**Financial Outlook for the County Council**

**Medium Term Financial Strategy & Reserves as at 30th September 2018**

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**Financial Outlook for the County Council: Medium Term Financial Strategy**

1. **Executive Summary**

At cabinet in September 2018 the medium term financial strategy (MTFS) set out a forecast funding gap of £135.300m by the end of the 4 year period (2019/20 – 2022/23). This report provides an updated position for the 4 year period covering 2019/20 - 2022/23 and a review of assumptions to reflect the most current information available.

The updated funding gap contained within the report has reduced to £46.090m by 2022/23 with a gap of £14.610m in 2019/20. The improved position primarily reflects £77.171m of savings proposals and management actions identified through the service challenge process, and contained within the report, along with the impact of increased funding provided within the autumn budget for adults and children's social care. The service challenges process is one of the four key priorities of the operational plan and has covered all service areas with 42 separate service challenges having been undertaken. Their aim has been to deliver better and sustainable services at a lower cost, particularly for services that have been identified as high cost in comparison to other county councils.

The reduction in the forecast funding gap identified represents a significant improvement. However it does not fully address the structural deficit which varies over each of the 4 years shown in Table 1 being at its highest in the first 2 years of the MTFS reflecting the implementation period required for many of the proposals. Phase two of the service challenge process will seek to address the ongoing deficit and will focus on a number of cross-cutting workstreams and areas for investigation and review identified in the initial phase but where further work is required to evidence a proposal. These further saving proposals will come forward for consideration at future Cabinet meetings.

The revised funding gap also makes assumptions about future funding levels and there remains significant uncertainty about this post 2019/20 with changes to be made in respect of business rates retention, the overall funding formula and the anticipated green paper on adult social care. Section 5 of this report covers primarily the risk linked to the financial assumptions contained within the report.

The value of the uncommitted transitional reserve is currently forecast to be sufficient to meet the identified funding gaps through to 2022/23. However the intention is to identify further savings and thereby reduce the call on the transitional reserve, for 2020/21 and beyond.

The table on page 4 provides a detailed analysis of movements between the previously reported financial gap and the revised financial gap:

***Table 1***

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|   | **2019/20** | **2020/21** | **2021/22** | **2022/23** | **Total** |
|   | **£m** | **£m** | **£m** | **£m** | **£m** |
| Forecast net budget requirement | 830.371 | 809.084 | 795.187 | 821.987 | **3256.629** |
| Funding | 769.775 | 758.982 | 783.554 | 809.018 | **3121.329** |
| **Spending Gap as reported to Cabinet** | **60.596** | **50.102** | **11.633** | **12.969** | **135.300** |
| Add change to forecast of spending: |   |   |   |   |   |
| Pay & Pensions | 0.198 | -6.316 | 0.123 | 0.288 | **-5.707** |
| Inflation and Cost Changes | 0.004 | 0.011 | 0.011 | 0.387 | **0.412** |
| Service Demand and Volume Pressures | 5.523 | 0.012 | 0.008 | 0.264 | **5.808** |
| Other | 5.971 | -1.029 | -7.005 | 0.265 | **-1.798** |
| Specific grants | 0.027 | 0.000 | 0.000 | 0.000 | **0.027** |
| Undeliverable Savings | 2.431 | 0.000 | 1.732 | 0.000 | **4.163** |
| Additional Savings | -37.195 | -29.600 | -7.875 | -2.501 | **-77.171** |
| **Total Change to Forecast of Spending** | **-23.041** | **-36.922** | **-13.006** | **-1.297** | **-74.265** |
|  |  |  |  |  |  |
| Change to forecast of resources: |   |   |   |   |   |
| Funding | -22.945 | 1.000 | 7.000 | 0.000 | **-14.945** |
|   |   |   |   |   |  |
| **Total Change to Forecast of Resources** | **-22.945** | **1.000** | **7.000** | **0.000** | **-14.945** |
|   |  |  |  |  |  |
| **Funding Gap** | **14.610** | **14.180** | **5.628** | **11.673** | **46.090** |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Aggregated Funding Gap** |  |  |  |  |
| **2019/20 (£m)** | 14.610 | 14.610 | 14.610 | 14.610 |
| **2020/21 (£m)** |   | 14.180 | 14.180 | 14.180 |
| **2021/22 (£m)** |   |   | 5.628 | 5.628 |
| **2022/23 (£m)** |   |   |   | 11.673 |
| **Total**  | **14.610** | **28.790** | **34.418** | **46.090** |
|  |   |   |   |   |
| **Previous position (£m)** | 60.596 | 110.699 | 122.332 | 135.301 |
| **Variance (£m)** | **-45.986** | **-81.909** | **-87.915** | **-89.211** |

The graph below demonstrates the drivers that make up the changes in the financial gap from £42m carried forward from 2018/19 to the cumulative position of £46m in the financial year 2022/23 as shown in the table above:

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**2. Funding**

The funding included within this report reflects the final settlement that was announced on 6th February 2018 and only covers the financial years up to and including 2019/20. Assumptions around funding levels have therefore been made for 2020/21 – 2022/23.

The updated MTFS also includes the additional funding that was announced as part of the Chancellor's Autumn Statement on 29th October 2018. Most notably, additional funds were announced in response to the pressures on adult and children's social care services and the additional funding has been included recurrently within the MTFS. This assumption reflects the acknowledgement of the social care funding challenges by government, the proposal to issue a green paper on adult social care and the shifting emphasis in the heath sector to prevention and population health. However, the actual position will be confirmed as part of future settlements.

It is currently anticipated that a new system of local government finance, the "fair funding formula", will be in place in 2020/21 which involves local government retaining 75% of the business rates and a review of the funding formula. However, details of the scheme and the impact on Lancashire are not known at this time, although further proposals and consultations are anticipated in coming weeks. Without any insight into the outcomes of this work, the MTFS assumes that the funding proposals will match the current business rates and grants structure in future years, with the exception that the revenue support grant will cease from 2020/21, in line with previous government announcements.

Since the last cabinet report at quarter 1, there is additional funding in relation to social care as announced in the budget and additional amounts included in 2019/20 and 2020/21 for anticipated capital receipts.

***Table 2***

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2019/20****£m** | **2020/21****£m** | **2021/22 £m** | **2022/23****£m** |
| Revenue Support Grant | 32.894 | 0.000 | 0.000 | 0.000 |
| Business Rates | 194.887 | 198.989 | 204.431 | 210.043 |
| Council Tax | 495.510 | 513.964 | 533.102 | 552.951 |
| New Homes Bonus | 3.472 | 3.019 | 3.010 | 3.010 |
| Better Care Fund | 40.014 | 40.014 | 40.014 | 40.014 |
| Capital receipts | 8.000 | 7.000 | 0.000 | 0.000 |
| Social Care Grant  | 14.945 | 14.945 | 14.945 | 14.945 |
| Collection Fund Surplus | 3.000 | 3.000 | 3.000 | 3.000 |
| **Total** | **792.722** | **780.931** | **798.502** | **823.963** |
|  |  |  |  |  |
| **Funding - Previous MTFS** | **769.777** | **758.986** | **783.557** | **809.018** |
| **Variance**  | **-22.945** | **-21.945** | **-14.945** | **-14.945** |
| **Impact on financial gap** | **-22.945** | **1.000** | **7.000** | **0.000** |

**2.1 Council Tax and Business Rates**

***2.11 Council Tax***

The MTFS currently reflects the following assumptions in relation to the county council's council tax increases as previously reported to cabinet, however this is a decision for full council to make each year when setting the budget.

***Table 3***

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Council Tax increase (without the requirement for a referendum) | Additional council tax flexibility | Adult Social Care Precept | Total council tax increase |
| 2019/20 | 1.99% | 1.00% | 1.00% | 3.99% |
| 2020/21 | 1.99% |  |  | 1.99% |
| 2021/22 | 1.99% |  |  | 1.99% |
| 2022/23 | 1.99% |  |  | 1.99% |

From 2020/21 onwards, it is assumed the maximum increase that the county council is able to apply to council tax, without a referendum, is 1.99%, as the option to raise an adult social care precept will no longer be available, and the additional 1% flexibility ceases after 2019/20. Any decisions not to increase council tax in line with the assumptions above would increase the financial gap; every 1% in council tax yields c£5m.

Analysis of Lancashire's tax base over recent years indicates an average annual council tax base increase of 1.7%, and this is included within the MTFS.

Council tax collection rates vary across Lancashire's district councils and are relatively low compared to other councils nationally. The county council is working with some district councils to look at how collection levels can be improved, as an improvement of just 1% overall would increase funding to the county council by c£5m each year and of course would yield a proportionate benefit to the district council.

***2.12 Business Rates***

Business rates income is a significant portion of funding to local authorities. The baseline is an assessment of the business rate income required to meet service needs. For the county council, the amount anticipated to be received from the business rates collected in the area is less than its assessed need and therefore we receive a top up grant.

Business rates income for the county council is heavily dependent on cooperation from the district councils, and much will depend on the general economic performance of local areas. The collection rates across Lancashire present a mixed performance when compared nationally, and the county council is working with districts to improve this performance. In addition, a number of businesses have valuation appeals outstanding, some of which are on large value properties. If successful these will have a negative impact on the ability to generate business rates. With this in mind a minimal amount of growth has been built into our local share at 0.5%.

The county council is currently part of a business rates pool with 10 district councils across Lancashire.

***2.13 Business Rates Pilot***

On 25th September 2018 Lancashire county council, along with 11 district councils and the two unitary authorities of Blackburn and Blackpool, submitted a bid for a 75% business rates pilot which would see potentially a one off extra £10.8m retained across Lancashire. The money will be divided into three pots; £0.540m to cover potential appeals and losses, £2.500m for sustainability and growth projects and the remaining £7.800m will be divided between the pilot authorities as per the agreed percentage splits.

The outcome of the business rates pilot is expected to be announced as part of the provisional settlement in December 2018, therefore the possible additional funding has not been built into the MTFS at this stage.

**2.2 Capital Receipts**

In April 2016 the government introduced the flexibility for capital receipts to be used to fund revenue expenditure that is designed to generate ongoing revenue savings or service improvements. This flexibility is currently available until 2020/21.

Following a detailed review, capital receipts of £8m and £7m are estimated to be received over the next two years. As part of the service challenge process additional resources have been identified to support the transformation of services and delivery of the savings outlined in Section 3.5 and Appendix C and D of this report. The assumption within the MTFS is that there will be sufficient capital receipts to meet these transformation costs over the next 2 years and therefore they will not be a draw on reserves or increase the funding gap.

**3. Net Budget Requirement**

The MTFS covers spending pressures including pay increases, contractual inflation, increased demand for services and the impact of previously agreed and new savings measures.

**3.1 Pay and Pensions**

In December 2017 it was announced by the National Employers for Local Government Services that following negotiations a new pay offer covering the period 1 April 2018 and 31 March 2020 had been agreed. In 2019/20 the new pay offer proposes that local government organisations move to a new pay spine and this is reflected within the pay budget in the MTFS. A 2% increase has therefore been included in 2019/20 and an assumption of 1% included in later years until further information is known in relation to the pay spine and subsequent increases. A 1% pay award equates to an additional net annual cost of c£3m.

The employer pension contribution is reflected within the MTFS based on the latest information available in relation to the county council's estimated contribution rate and deficit contributions. This is reviewed, updated and confirmed every three years through the triennial valuation with employer minimum contribution levels being reset from 2020/21. Based on the current funding levels and reduction in the deficit a reduced annual employer contribution of £6.4m is estimated and included within the MTFS.

The table below presents the amounts built into the MTFS for pay and pensions:

***Table 4***

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **2019/20****£m** | **2020/21****£m** | **2021/22****£m** | **2022/23****£m** | **Total****£m** |
| Employee Costs | 9.238 | 4.263 | 4.006 | 3.848 | **21.355** |
| Pensions Costs | 0.374 | -6.026 | 0.374 | 0.374 | **-4.904** |
| Pension Prepayment Saving | -0.319 | 2.299 | 0.000 | 0.000 | **1.980** |
| Other pay related costs | 1.303 | 0.020 | 0.021 | 0.021 | **0.837** |
| **Revised Pay and Pension requirements** | **10.596** | **0.556** | **4.401** | **4.243** | **19.796** |
|  |  |  |  |  |  |
| **Pay and Pensions -previous MTFS** | **10.398** | **6.872** | **4.278** | **3.955** | **25.503** |
|  |  |  |  |  |  |
| **Impact on Financial Gap** | **0.198** | **-6.316** | **0.123** | **0.288** | **-5.707** |

**3.2 Price Inflation and Cost Changes**

Contractual price increases represent a significant cost pressure to the county council. The assumptions have been subject to regular review by services, with an incremental increase of £0.413m from the position at quarter 1 being forecast primarily relating to the final year of the current MTFS. The updated position is shown in table 5 below.

***Table 5***

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **2019/20****£m** | **2020/21****£m** | **2021/22****£m** | **2022/23****£m** | **Total****£m** |
| Adults Services | 15.060 | 16.360 | 12.380 | 13.147 | **56.947** |
| Children's Services | 1.296 | 1.221 | 1.237 | 1.698 | **5.452** |
| Waste Services  | 0.177 | 2.353 | 3.215 | 3.295 | **9.040** |
| Other Services | 3.596 | 2.804 | 2.557 | 2.684 | **11.641** |
| **Revised price inflation requirements** | **20.129** | **22.738** | **19.389** | **20.824** | **83.080** |
|  |  |  |  |  |  |
| **Price inflation – previous MTFS** | **20.125** | **22.727** | **19.378** | **20.437** | **82.667** |
|  |  |  |  |  |  |
| **Impact on Financial Gap** | **0.004** | **0.011** | **0.011** | **0.387** | **0.412** |

**3.3 Demand Pressures**

All services have reviewed the demand pressures they face in future years and whilst they have reduced overall, increasing demand still remains a significant element of the funding gap. The MTFS at quarter 2 forecasts decreased requirement of £5.808m when comparing those years contained within the previous MTFS.

***Table 6***

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **2019/20****£m** | **2020/21****£m** | **2021/22****£m** | **2022/23****£m** | **Total****£m** |
| Adults Services | 15.049 | 15.831 | 9.473 | 10.163 | **50.516** |
| Children's Services | 7.139 | 3.056 | 1.668 | 1.415 | **13.278** |
| Waste Services | 1.764 | 1.824 | 1.931 | 2.058 | **7.577** |
| Other Services | 4.423 | 0.242 | 0.271 | 0.047 | **4.983** |
| **Revised Demand Requirements** | **28.375** | **20.953** | **13.343** | **13.683** | **76.354** |
|  |  |  |  |  |  |
| **Demand – previous MTFS** | **22.852** | **20.941** | **13.335** | **13.419** | **70.546** |
|  |  |  |  |  |  |
| **Impact on Financial Gap** | **5.523** | **0.012** | **0.008** | **0.264** | **5.808** |

Adult social care represents a large proportion of the demandpressures.Adult Social Care has long seen annual increases in the demand for services and the MTFS attempts to predict growth in future years largely based on reviewing current and past activity trends and also taking into account future population changes. From a social care perspective demand covers both increasing numbers of people eligible for support and the increasing complexity of those cases. All demand assumptions contained within this revised MTFS regarding adult social care have been reviewed based on the most up-to-date trend analysis.

The most significant increase at quarter 2 relates to a projected increase in insurance costs with an additional £4m built in recurrently into the MTFS from 2019/20. This reflects the outcome of an updated actuarial assessment of the council's current and future liabilities.

**3.4 Other**

This section of the MTFS contains forecast additional costs related to the implementation of the service challenge proposals presented in section 3.5. These costs are estimated to be £14.297m over the next 2 years and are planned to be met through current capital receipt flexibilities. These costs primarily relate to additional capacity required to deliver the changes (both temporary and permanent), the most significant service areas for investment being adult social care with a requirement for c£8m over the 2 years to support c£42m of savings delivery.

**3.5 Additional Savings**

In order to identify additional savings to deliver a financially sustainable position for the county council, all services have undertaken a service challenge. This has resulted in savings presented to Cabinet that total £77.171m over the period 2019/20 to 2022/23. These savings are either management action and are within the delegated powers of officers or policy decisions that require cabinet approval.

**Management Actions**

A considerable level of savings have been identified as management actions rather than policy decisions and are not expected to have a negative impact on service delivery. These savings total £26.841m. The most significant element of this relates to adult social care at £18.9m with the continuation and extension of the existing, and successful, passport to independence (P2I) programme with further additional savings targeted at further reductions in residential admissions from hospital and increased use and effectiveness of reablement. Management actions also include staffing efficiencies, changes to working practices and processes, increased income generation and removal of recurring underspends identified by services and confirmed through the revenue monitoring process. Annex 1 identifies the level of management action budget reductions identified via the service challenge process along with the estimated staffing impact.

**Policy Decisions**

The service challenges have identified proposed savings totalling £50.330m (over the next 4 years) that require a cabinet decision and these are set out in Appendices C and D. The figures presented within the revised MTFS from 2019/20 onwards are presented on the assumption that these budget proposals are agreed by cabinet, subject in the case of the budget proposals set out in Appendix C to the outcome of appropriate consultation which will be reported back to Cabinet for a final decision in due course.

It is anticipated that further savings proposals will be presented for approval at future cabinet meetings, reflecting that there remains an estimated shortfall of £14.610m in 2019/20 should all savings in this report be agreed and delivered.

**4. Reserves**

***Table 7***



The county fund shown at the top of Table 7 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 is forecast to maintain its County Fund balance at £23.437m.

The value of the uncommitted transitional reserve is currently forecast to be £127.755m by the end of March 2021 if there was no requirement for structural funding support from reserves to the 2019/20 or 2020/21 budgets. This represents a slightly improved position from the £125.009m that was previously reported to cabinet in September due to some higher than previously forecast income.

The transitional reserve is forecast to be sufficient to meet the identified funding gaps through to 2022/23 as set out in table 8 below. However, the intention is to identify further savings to reduce the gap, and hence the call on reserves, for 2020/21 and beyond.

***Table 8***

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2019/20** | **2020/21** | **2021/22** | **2022/23** |
| **Opening Balance** | 128.385 | 113.338 | 84.354 | 49.937 |
| **Gap funding** | 14.610 | 28.790 | 34.418 | 46.090 |
| **Commitments** | 0.437 | 0.194 | 0.000 | 0.000 |
| **Closing balance** | **113.338** | **84.354** | **49.937** | **3.846** |

**5. Future Risks and Opportunities**

The following are key future risks, the full impact of which is not known at this stage:

**5.1 Savings Delivery**

The scale of additional savings agreed is significant on top of over £40m of previously agreed savings still to be delivered in 2019/20 and future years. There are inherent risks in the delivery of any savings programme of this scale, particularly where they are directly linked to reducing the future demand for services. However, there is a strong track record of delivery of the vast majority of previous savings plans. Furthermore, a number of services have properly identified the need to invest in both temporary and recurrent resources to provide additional capacity needed to deliver the savings proposed.

Any significant under-delivery or slippage to delivery timeframes will create an additional funding pressure and impact on the ongoing and longer-term financial health of the council. This has been identified as one of the highest risks in the risk and opportunity register. There are comprehensive arrangements in place to track delivery of financial savings and take corrective actions where required. Where services are experiencing a potential negative variance in their savings plans, managers are actively seeking to meet any shortfalls through other activities within their service area.

**5.2 Further Savings Opportunities – Service Challenge**

This report presents the conclusion of the initial service challenge process, with each service across the county council presenting opportunities for further savings. A benchmarking exercise across all county councils (and other councils where appropriate) identified that there are some service areas where Lancashire is high cost. The service challenge process was targeted at understanding the reasons for this and designing the delivery of better services at lower (median county council) cost. This process has resulted in the identification of c£77m from 42 individual service challenge reviews. There remain a number of areas where further, more detailed analysis and investigation is required and phase two of the service challenge process will progress this work as well as look more strategically at some cross-cutting issues that could provide the potential for additional savings proposals to come forward to future cabinet meetings for consideration.

As noted in section 5.1 this is a significant additional programme of savings and is therefore subject to the same risks and mitigations. As part of the identification of the savings a significant validation and project management exercise has been undertaken for each proposal and detailed monitoring and review will take place on all proposals agreed for implementation.

**5.3 Business Rates Retention / Changes to Funding Formula**

As previously explained, the future funding arrangements to be established by government post a risk to the council as they may reduce funding below that assumed in the MTFS. Conversely there is equally an opportunity that additional resources are made available through this process. The outcome of the business rate pilot expected to be announced alongside the 2019/20 settlement also presents an opportunity for one off resources to Lancashire and would reduce the funding gap.

**5.4 Children's Social Care**

Children's social care demand levels are forecast to continue to increase, particularly within agency residential placements, agency fostering placements and also special guardianship orders. Although the rate of growth is quite volatile, over recent months it has slowed down slightly.

Significant additional budget was allocated to children's social support improvements and demand pressures over the past 3 years. An assumption within this MTFS is made that demand will plateau in future years, with a reducing demand increase has been built into future year's budget.

**5.5 Troubled Families Funding**

The county council currently receives funding towards working with troubled families. Within the MTFS funding levels that we have received written confirmation for are included, but post 2019/20 there is no information available as to whether this funding will continue. It is assumed that funding levels will remain at 2019/20 levels. If the funding does cease this will result in a pressure on the budget of £2.1m. Given the lack of clarity we have discussed this with other Local Authorities in a similar position, as to the approach they are taking, and they have confirmed that they are also forecasting the funding to continue, but this will be closely monitored as announcements relating to funding are made in the Autumn and outcomes reflected in future MTFS reports.

**5.6 MTFS Assumptions and Scenario Analysis**

In preparing the MTFS a range of assumptions are made and to assess the level of risk inherent in the decisions being taken some of these have been stress tested against alternative scenarios.

The key assumption that has been analysed and tested relate to maintaining the additional social care funding announced by the Chancellor over the full period of the MTFS.

Alternative scenarios reflect the impact of this funding being removed;

* option "a" shows the best case scenario assuming an addition £2m reduction on employer pension contributions and no provision made for undeliverable savings
* option "b" shows the position if the winter pressures funding was removed, and
* option "c" presents the position if all the additional social care monies were removed.

Option "a" demonstrates an improved position from the MTFS presented in this report and show that the council would have sufficient reserves to manage through to 2023/24 when further saving would need to be made. Options "b" and "c" show a less favourable position that the MTFS and would see reserves running out during 2022/23. This stress testing gives confidence that the council can continue to live within its means for a number of years even in adverse circumstances. This does not however diminish or negate the need to make further savings but does demonstrate that the council continues to have sufficient resilience to deliver them in a measured and structured way.

***Option a)***

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Aggregated Funding Gap** |  |  |  |  |
| **2019/20 (£m)** | 12.179 | 12.179 | 12.179 | 12.179 |
| **2020/21 (£m)** |   | 12.180 | 12.180 | 12.180 |
| **2021/22 (£m)** |   |   | 3.896 | 3.896 |
| **2022/23 (£m)** |   |   |   | 11.673 |
| **Total**  | **12.179** | **24.359** | **28.255** | **39.927** |
|  |   |   |   |   |
| **Previous position (£m)** | 60.596 | 110.699 | 122.332 | 135.301 |
| **Variance (£m)** | **-48.417** | **-86.340** | **-94.078** | **-95.374** |

***Transitional Reserve Funding:***

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2019/20** | **2020/21** | **2021/22** | **2022/23** |
| **Opening Balance** | 128.264 | 115.648 | 91.095 | 62.841 |
| **Gap funding** | 12.179 | 24.359 | 28.255 | 39.927 |
| **commitments** | 0.437 | 0.194 |   |   |
| **Closing balance** | **115.648** | **91.095** | **62.841** | **22.913** |

***Option b)***

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Aggregated Funding Gap** |  |  |  |  |  |
| **2019/20 (£m)** | 14.425 | 14.425 | 14.425 | 14.425 | **57.699** |
| **2020/21 (£m)** |   | 18.318 | 18.318 | 18.318 | **54.955** |
| **2021/22 (£m)** |   |   | 5.678 | 5.678 | **11.355** |
| **2022/23 (£m)** |   |   |   | 11.673 | **11.673** |
| **Total**  | **14.425** | **32.743** | **38.421** | **50.093** | **124.009** |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2019/20** | **2020/21** | **2021/22** | **2022/23** |
| **Opening Balance** | 128.264 | 113.402 | 80.465 | 42.045 |
| **Gap funding** | 14.425 | 32.743 | 38.421 | 50.093 |
| **Commitments** | 0.437 | 0.194 |   |   |
| **Closing balance** | **113.402** | **80.465** | **42.045** | **-8.049** |

***Option c)***

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Aggregated Funding Gap** |  |  |  |  |  |
| **2019/20 (£m)** | 14.425 | 14.425 | 14.425 | 14.425 | **57.699** |
| **2020/21 (£m)** |   | 27.745 | 27.745 | 27.745 | **83.236** |
| **2021/22 (£m)** |   |   | 5.678 | 5.678 | **11.355** |
| **2022/23 (£m)** |   |   |   | 11.673 | **11.673** |
| **Total**  | **14.425** | **42.170** | **47.848** | **59.520** | **152.290** |

***Transitional Reserve funding:***

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2019/20** | **2020/21** | **2021/22** | **2022/23** |
| **Opening Balance** | 128.264 | 113.402 | 71.038 | 23.191 |
| **Gap funding** | 14.425 | 42.170 | 47.848 | 59.520 |
| **commitments** | 0.437 | 0.194 |   |   |
| **Closing balance** | **113.402** | **71.038** | **23.191** | **-36.330** |

**ANNEX 1**





