



Money Matters
The County Council's Financial Position
2014/15 Out-turn

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Money Matters - The County Council's Financial Position at 31 March 2015

1. Introduction

This report provides a summary of the County Council's financial position at the end of the 2014/15 financial year.

2. Summary Position

Overall, the County Council is in a healthy financial position, and is well placed to continue to meet the difficult financial challenges ahead.

Section A of this report sets out the final position for the revenue budget for 2014/15 and highlights:

- £6.498m underspend on services.
- £69.583m surplus relates to a one-off extraordinary financial position in the capital financing budget. This is a direct result of the risk management activity in response to the current economic volatility which has impacted on the financial markets.
- The availability of additional one-off resources from the government and council tax payments in 2014/15 of £3.956m (See Section 3.11).

Section B of this report considers progress in relation to the Capital Programme. Capital spending in the year was £178.015m which equates to 84% of the programme.

Section C considers the significant movements in the County Council's reserves and provisions and requires Cabinet to review the level of reserves and balances currently totalling £328.697m along with schools' reserves of £95.952m.

Section D sets out the Interim Director of Financial Resources opinion on the overall financial health of the County Council.

2.1 Recommendations

Cabinet is asked to:

- a) Approve the transfer of the 2014/15 underspend to earmarked reserves.
- b) Approve that the underspend within Care & Urgent Needs be transferred to the earmarked reserve.
- c) Approve that the Capital Programme for 2015/16 and onwards be increased by £27.826m to reflect the slippage from 2014/15, as these costs now fall in 2015/16.

3. Section A - The 2014/15 Revenue Budget

3.1 The Overall Summary

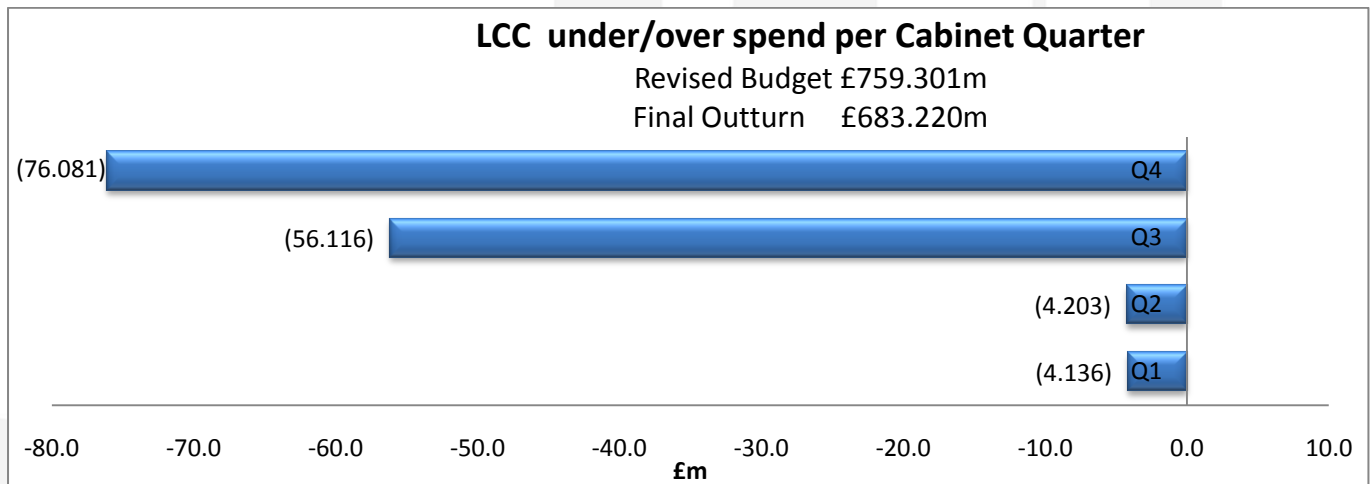
In February 2014 the County Council approved a revenue budget of 758.310m, which when adjusted for in year changes, results in a cash limit of £759.301m.

The final position for the end of the year is spending of £683.220m, reflecting an in year underspend of £76.081m, which is summarised in the table below:

Budget Area Spending on Services	2014/15 Budget £m	2014/15 Final Outturn £m	2014/15 Variance £m	December Variance reported to Cabinet £m	Changes since last Cabinet £m
Adult Services (Section 3.2)	327.505	328.282	0.777	0.276	0.501
Public Health (Section 3.2.8)	(1.202)	(1.543)	(0.341)	0.000	(0.341)
Children and Young People (Section 3.3)	147.164	148.792	1.628	2.442	(0.814)
Environment (Section 3.4)	168.846	154.524	(14.322)	(10.189)	(4.133)
Office of the Chief Executive (Section 3.5)	37.310	35.435	(1.875)	(0.787)	(1.088)
BT Lancashire Services (Section 3.5)	10.396	20.838	10.442	5.480	4.962
County Treasurer's (Section 3.6)	5.657	5.487	(0.170)	(0.167)	(0.003)
Lancashire County Commercial Group (LCCG) (Section 3.7)	(6.378)	(8.904)	(2.526)	(1.382)	(1.144)
Corporate including Care & Urgent Needs (Section 3.8)	38.426	36.568	(1.858)	(1.522)	(0.336)
Strategic Items (Section 3.9)	(6.265)	(4.518)	1.747	1.733	0.014
Services Sub Total	721.459	714.961	(6.498)	(4.116)	(2.382)
Capital Financing (Section 3.10)	37.842	(31.741)	(69.583)	(52.000)	(17.583)
Total	759.301	683.220	(76.081)	(56.116)	(19.965)

The Public Health budget shows the net budget position for this service. The gross budget for this service is £59.8m which is funded from a grant earmarked to Public Health.

The graph below shows how the variances has developed over the course of the financial year.



This report concentrates on changes from outturn to budget within the year, and any issues which have implications for the future financial health of the County Council.

The position set out above identifies resources available of £76.081m. As previously agreed by Cabinet, these resources will be allocated as follows:

- £69.583m to the Risk Management Reserve
- £6.498m to the Downsizing Reserve

These decisions will leave County Fund balance unchanged at £36m in line with the position when the 2014/15 budget was set.

If agreed, the Care and Urgent Needs Reserve would be created from the Downsizing Reserve and the distribution of reserves would be as follows:

- £69.583m to the Risk Management Reserve
- £4.893m to the Downsizing Reserve
- £1.605m to Care and Urgent Needs Reserve

The reasons for variations against each area of the budget are explained in more detail below.

3.2 Directorate for Adult Services, Health and Wellbeing Directorate

Service Grouping	2014/15 Budget £m	2014/15 Final Outturn £m	2014/15 Variance £m	December Variance reported to Cabinet £m	Changes since last Cabinet £m
Personal Social Care (Section 3.2.1)	256.442	255.698	(0.744)	2.514	(3.258)
Mental Health (Section 3.2.2)	23.827	26.209	2.382	(0.271)	2.653
In-House Adult Disability Services (Section 3.2.3)	(3.803)	(4.091)	(0.288)	(0.318)	0.030
Commissioning (Section 3.2.4)	23.646	25.931	2.285	0.685	1.600
Resources (Section 3.2.5)	11.064	7.588	(3.476)	(2.674)	(0.802)
Community Services (Section 3.2.6)	13.764	14.563	0.799	0.479	0.320
Public Protection (Section 3.2.7)	2.565	2.384	(0.181)	(0.139)	(0.042)
Total Adult Services	327.505	328.282	0.777	0.276	0.501
Public Health (Section 3.2.8)	(1.202)	(1.543)	(0.341)	0.000	(0.341)
Total Adult Services, Health and Wellbeing	326.303	326.739	0.436	0.276	0.160

The directorate's final outturn position shows an overspend of £0.436m against its cash limit compared to an overspend of £0.276m previously reported.

3.2.1 Personal Social Care

Personal Social Care is underspent by £0.744m in 2014/15. This underspend has risen due to:

	£m
Underspend on Older People Services	7.852
Underspend on Substance Misuse Service	<u>0.147</u>
	7.999
Offset by Overspend on:	
Learning Disability	2.982
Physical Disability Service	2.301
Personal Social Care Staff	<u>1.972</u>
	7.255
 Total net underspend	 0.744

The reason for these variations are:

- An underspend on Older People's Services of £7.852m. This is the result of a number of contributory factors including actively reducing the number of new admissions to residential

and nursing care, increased reablement activity which is reducing the ongoing care costs and increased levels of funding received from the NHS.

- There is also a small underspend of £0.147m on Substance Misuse Services reflecting the impact of integrated procurement activity with Public Health who also commission services across this area.
- The overspend of £2.982m on Learning Disability Services and £2.301m on Physical Disability Services reflects the continuing pressures from previous years on both Learning Disability Services and for Physical Disabilities direct payments and domiciliary care. The position on Learning Disabilities Services has also been exacerbated by the under-delivery of savings budgeted as being delivered from the supporting living remodelling review and the crystallisation of additional pressures brought about following the Winterbourne review.

The Winterbourne Review resulted from the Department of Health Winterbourne Concordat. This is a programme of action requiring health and social care commissioners to review all current hospital placements and support everyone inappropriately placed in hospital to move to community-based support as quickly as is safe and practicable to do so. A significant element of those costs then being picked up by local authorities.

- Personal Social Care Staff is overspent by £1.972m, reflecting an under-delivery of budgeted savings resulting from the delays in replacing the Integrated Social Services Information System (ISSIS). Additional costs are also starting to crystallise as a result of the new responsibilities resulting from the Deprivation of Liberty Safeguards (DOLS) Supreme Court ruling.

3.2.2 Mental Health

Mental Health is overspent by £2.382m. This relates to increased demand for residential services as the number of service users rise, offset by smaller underspends on Mental Health staff achieved via a combination of voluntary redundancies and effective vacancy management across the Mental Health Network, and former In-house Mental Health Services now delivered by Lancashire Care NHS Foundation Trust (LCFT).

3.2.3 In-House Adult Disability Services

In-house Adult Disability Services has an overall underspend of £0.288m the majority of which relates to In-house Day Services which has an underspend of £0.872m. This has been achieved through effectively managing the cost of delivery for the current level of demand for these services. Recent months have started to see an increase in demand for these services from people with learning disabilities, although the additional cost has been offset by commissioning services from the independent sector.

The Social Inclusion Service is overspent by £0.388m, largely on staff costs and the In-house Domiciliary Service is overspent by £0.164m on staff costs as past savings targets have not been achieved on time.

3.2.4 Commissioning

Commissioning is overspent by £2.285m.

£1.537m related to reablement services which has seen increased investment in recent years with a view to minimising the need for long term social care support and pressure on the Councils' social care budgets.

£1.078m relates to Adult Social Care Transport. The transport budget has reduced significantly between 2013/14 and 2014/15 and the overspend is due to anticipated savings which have not been achieved.

Other smaller overspends relate to staff costs offset by an underspend of £0.452m on Carers Services.

3.2.5 Resources

Resources is underspent by £3.476m. Of this, £2.978m relates to savings achieved across a number of previously grant funded services through a combination of service reviews and scope for planned underspending plus smaller underspends on a number of central charges. In addition Business Support Services underspent by £0.686m. This was achieved predominantly through vacancies and reduced staff costs. This is offset by an overspend of £0.171m on the Emergency Duty Team.

3.2.6 Community Services

Community Services is overspent by £0.799m across libraries and museums. This relates to under delivery of savings in the service.

3.2.7 Public Protection

Public Protection, which covers the registration and coroners services underspent by £0.181m. This largely relates to an underspend of £0.356m on Registration Services achieved through a combination of voluntary redundancies (VR) and effective vacancy management in addition to meeting challenging income targets, offset by an overspend of £0.171m on Coroners Service largely relating to mortuary charges paid to health authorities.

3.2.8 Public Health

The Public Health budget funded by a specific grant. The grant has a managed underspend of £3.300m which has been transferred to the Public Health ring-fenced grant reserve as per the grant conditions. Of this, £2.100m has been set aside for potential prescribing fees relating to 2013/14 and 2014/15 for the sexual health and stop smoking services outside out the main contracts. The liability of these costs are still in dispute and therefore monies have been held back for this purpose. The remaining £1.2m is to be utilised for the purposes of delivering Public Health transformation within the County Council.

The balance remaining on revenue of £0.341m is an underspend which mainly relates to £0.165m underspend on Health Watch. This is earmarked for the Public Health transformation programme in 2015/16.

The £3.300m Public Health grant funded underspend which has been transferred to the reserve related to the following areas:

- Sexual Health Underspend - £0.582m – this is made up of £0.800m underspend due to prescribing costs offset by £0.200m increased contract spend. This is mainly out of area costs which have occurred when a resident outside Lancashire is registered with a GP within the county and receives services.
- Health Check contract - £1.753m underspend – in this first year, only pilot scheme costs have been incurred and not the cost of the full contract as was initially budgeted for. The costs of equipment and health check interactions was also overestimated.
- Tobacco Locally Enhanced Services (LES) - Underspend £0.429m due to agreement costs of £0.300m already budgeted for elsewhere and £0.100m project related underspends.
- Substance Misuse - £0.201m overspend due to increased accommodation costs not included in East Lancashire contract.
- Mental Health contract underspend by £0.187m as scheme were introduced on a pilot basis to be further developed to a countywide offer in 15/16.
- Various staffing underspends of £0.550m across Public Health are due to vacant posts, these have been removed as part of the phase 2 restructure.

3.3 Directorate for Children and Young People

Service Grouping	2014/15 Budget £m	2014/15 Final Outturn £m	2014/15 Variance £m	December Variance reported to Cabinet £m	Changes since last Cabinet £m
Permanence and Protection (Section 3.3.1)	105.121	110.609	5.488	3.680	1.808
Early Help and Prevention (Section 3.3.2)	38.610	35.967	(2.643)	(1.367)	(1.276)
County Schools (Section 3.3.3)	28.791	26.860	(1.931)	(0.780)	(1.151)
Outside of core delivery (Section 3.3.4)	(25.358)	(24.644)	0.714	0.909	(0.195)
Total	147.164	148.792	1.628	2.442	(0.814)

The directorate's final outturn position shows an overspend of £1.628m against its cash limit compared to an overspend of £2.442m previously reported, an improvement of £0.814m.

3.3.1 Permanence and Protection

	£m
Overspend on Children in Need, Child Protection & Looked After Children	9.626
Offset by underspend on:	
Fostering and Adoption Service	0.241
Inclusion & Disability Support	3.850
Other	<u>0.047</u>
	4.138
Total net overspend	5.488

Children in Need, Child Protection & Looked after Children shows an overspend of £9.626m. The major elements of overspend can be identified as follows:

- Agency placements overspend of £8.481m with additional detail shown below.
- Residence Orders and Special Guardianship Orders overspend of £1.252m with additional detail shown below.
- Legal fees overspend of £0.262m.
- Staffing costs overspend of £0.200m.

The main compensating areas of underspend are:

- Fewer remand episodes than budgeted giving an underspend of £0.241m.
- Underspends on transport costs of £0.129m.
- Tighter controls on internal non-allowance related fostering provision of £0.199m.

The majority of the overall overspend is the result of placement spend with external providers continuing to increase. Although the number of looked after children has started to stabilise in the last 6 months, spend is high due to:

- Experiencing the full year financial effect of the placement increase in 2013/14.
- Shifts in placement mix e.g. the homeless 16/17 year old protocol has led to an increase in more complex, higher cost placements.
- A short-term need to commission residential placements externally whilst in-house homes are supporting complex young people.
- External market pressures, including the challenge of recruiting in-house foster carers.

Fostering and Adoption Service has an overall underspend of £0.241m.

- The Service have maintained in-house foster placements at a fairly static level with the reduction experienced through carers seeking a permanent Special Guardianship option being offset by new recruitment. Competition from agency providers continues to be challenge growth targets and has contributed to an underspend of £0.383m.

- The adoption service is reporting an overspend of £0.142m resulting primarily from the non-achievement of a circa £0.100m target for income from the use of spare in-house foster carers by other authorities. Lancashire has a greater number of children awaiting adoption than it has available adopters and has been successful in seeking - rather than 'selling' - prospective adopters from external organisations, placing more quickly and reducing longer terms costs.

Inclusion & Disability Support has an underspend of £3.850m. The major elements of this underspend are analysed in more detail below:

- Aids and adaptations £0.166m underspend is mainly due to timing differences in applications and the allocation of funding for aids and adaptations.
- Agency placement and family support spend £1.630m. Alternative support packages such as shared lives arrangement, and the support offered through the Lancashire Break Time programme have contributed to the underspend.
- In-house fostering £0.278m due to fewer placements than anticipated within the budget.
- Lancashire Break Time £0.504m underspend relating to reducing provision to meet demand.
- Staffing costs £0.434m vacancies within the service resulting largely from the difficulty in recruiting specialised staff such as Educational Psychologists.
- SEN grant funding £0.504m underspend is due to receipt of additional funding.
- Learner Support £0.188m underspend due to additional income for learner support teaching.

3.3.2 Early Help and Prevention

	£m
Underspend on Early Years and Children's Centres	0.728
Underspend on Community Safety	0.131
Underspend on Working Together With Families	0.327
Underspend on Young People's Service	0.889
Underspend on Health Service to Children and Young People	<u>0.568</u>
Total net underspend	2.643

Early Years and Children's Centres have an underspend of £0.728m primarily resulting from:

- Vacancies which were managed within the integrated service team of £0.140m.
- Savings identified in year to offset overspend within in the directorate £0.577m.

Community Safety has an underspend of £0.131m primarily resulting from:

- In year agreed efficiencies of £0.102m to offset overspend within in the directorate.

Working Together With Families has an underspend of £0.327m:

- Underspend of £0.150m resulting from release of an element of the reserve to "repay" LCC for the initial pump priming resources put in to the project.
- Children's Trusts: underspend of £0.178m identified within year by DLT as efficiencies that could be made without compromising service delivery.

Young People's Service has an underspend of £0.889m as a result of:

- Savings identified by the service both at the beginning of the financial year and within year as part of DLT action to address the general overspend.

Health Service to Children and Young People has an underspend of £0.568m resulting from:

- Staffing vacancies managed with no loss of service delivery and lower than anticipated demand for the services.

3.3.3 County Schools

	£m
Underspend on Resource, Management & Planning	0.831
Underspend on Alternative & Complementary Education & Residential Service	0.048
Underspend on Capital Development and Asset Management	0.084
Underspend on Business Support	0.112
Underspend on School Improvement Service	<u>1.077</u>
	2.152
Offset by Overspend on:	
Planning including Pupil Access	0.216
Other	<u>0.005</u>
	0.221
Total net underspend	1.931

Resource, Management & Planning has an underspend of £0.831m:

- School staffing related Termination of Employment costs that are not allowable against the school budget and Dedicated Schools Grant £0.771m.

Alternative and Complementary Education and Residential Service has an underspend of £0.048m made up primarily of:

- An underspend on the Overnight Short Break Service resulting from some staff reductions and the curtailment of some weekend overnight provision.
- £0.235m offset against an overspend on transport of £0.203m.

Capital Development and Asset Management has an underspend of £0.084m.

Business Support has an underspend of £0.112m as a result of identified in year savings.

School Improvement Service has an underspend of £1.077m primarily relating to in year agreed savings of £0.330m and income from trading above budget of £0.741m.

Planning including Pupil Access has an overspend of £0.216m which is due to:

- An underspend relating to the Children Missing Education service of £0.166m and identified efficiency savings relating to overheads.
- Offset against a £0.383m overspend on transport.

Other minor variances make up the balance.

3.3.4 Outside of Core Delivery

Outside of Core Delivery has an overspend of £0.714m which is mainly the result of the following:

- Learning Excellence, which encompasses some of the traded services within the CYP Directorate (and now renamed as Traded Services) and which excludes trading undertaken within Special Educational Needs and School Improvement under achieved their budgeted surplus by £0.621m. The two main areas concerned are:
- The Lancashire Music Service recovered the actual costs of service provision but did not fully achieve its target.
- Delayed opening of Tower Wood and resultant loss of income contributed to Outdoor Education not fully achieving its target by £0.324m.

The remainder is made up of a number of other smaller movements.

3.4 The Environment Directorate

Service Grouping	2014/15 Budget £m	2014/15 Final Outturn £m	2014/15 Variance £m	December Variance reported to Cabinet £m	Changes since last Cabinet £m
Lancashire Highway Services (Section 3.4.1)	34.047	32.497	(1.550)	0.138	(1.688)
Transport and Environment (Section 3.4.2)	41.376	35.954	(5.422)	(3.240)	(2.182)
Waste (Section 3.4.3)	89.306	83.112	(6.194)	(6.313)	0.119
Directorate Overheads (Section 3.4.4)	4.117	2.961	(1.156)	(0.774)	(0.382)
Total	168.846	154.524	(14.322)	(10.189)	(4.133)

The directorate's final outturn position shows an underspend of £14.322m, which has increased by £4.133m since the last cabinet.

3.4.1 Lancashire Highway Services

	£m
Underspend on Highways operations	1.461
Underspend on Highways Public Realm	0.838
Underspend on Local Network Management	0.835
Underspend on General staff vacancies	<u>0.408</u>
	3.542
Offset by Overspends	1.992
Total net underspend	1.550

Underspend £1.461m on Highways Operations due to:

- £0.500m underspend on highway operations plant and transport through cost efficiencies and improved utilisation of vehicles.
- £0.700m underspend on labour-on-costs again through improved productivity i.e. less sickness and down time etc. This suggests the rate may have been too high and will be reviewed in 2015/16.
- £0.500m underspend due to reduced running costs of the Quantity Surveyors and Stores Team.
- £0.120m increased scrap metal income.
- £0.200m additional income relating to profit on outside highways work from bodies such as other Local Authorities, NHS, Schools.
- £0.750m reduced charge for materials costs.
- Offset by a £1.3m reduction in management overheads charged to capital and £0.009m miscellaneous overspends.

Underspend on Highways Public Realm by £0.838m:

- Two main factors have resulted in a reduction in carriageway and footway defects and the associated repair costs. Firstly, the increased capital investment due to the additional £7.2m funding provided by the Department of Transport has helped improve the general condition of the network. This additional funding has been allocated in line with the new Transport Asset Management Plan principles to carry out preventative resurfacing work targeted on the most sensitive A, B & C roads. In addition, the relatively mild winter has resulted in less damage to the network usually caused by severe weather conditions.

Underspend of £0.835m Local Network Management:

- An upturn in developer activity has resulted in an increased number of adoptions of new highway infrastructure through Section 38 agreements. The additional income generated from these agreements has significantly exceeded the current budget provision.

Underspend of £0.408m general staff vacancies savings across the service.

This is offset by overspends:

- Additional insurance costs of £0.261m have been reapportioned to highways as a result of the decision by schools to opt out of LCC's corporate insurance arrangements.
- Street Lighting overspend of £1.686m - previous data supplied by the energy provider, EDF, stated that energy prices were to increase on average by approximately 11% over budget for the period July 14 to March 15 which would equate to an overspend of approximately £0.800m due to a combination of price and consumption.
- £0.045m other small combined Highways overspend.

3.4.2 Transport and Environment

	£m
Underspend on Public Bus	2.829
Underspend on Bus and Supported Transport	0.692
Underspend on Concessionary Travel	1.001
Underspend on Sustainable Transport	0.354
Underspend on Staff Vacancies	0.419
Additional income generation	<u>0.323</u>
	5.618
 Offset by Overspends on Public Transport Initiative	 0.196
 Total net underspend	 5.422

Underspend of £2.829m on Public Bus. The subsidised bus services budget has underspent by £2.600m due to a number of contributing factors namely:

- The expenditure budget was inflated by 2.1% for 2014/15 but the actual payments to bus operators have been lower than this due to the significant fall in fuel prices throughout the year.
- Contract payments have also been falling due to some bus operators not increasing their tender prices to recover the £1.7m central government Bus Service Operators Grant now paid by the Department of Transport to LCC. Previously this grant was paid direct to the bus operators.
- Efficiencies have also been realised due to improved route and service planning which has helped minimise service costs and maximise fare income.
- Section 106 income, which in this case relate to developer contributions for future revenue consequences of new housing developments, has also exceeded budget by £0.200m.

Underspend £0.692m Bus & Supported Transport:

- The additional £0.500m investment into Community Transport provided as part of the 2014/15 budget was not spent in year. This was due to commissioning delays caused by
- the undertaking of a review of service provision and the difficulties faced in relation to tendering of this service which was due for 1 Sep 2014. Retendering was not completed in September as had originally been planned and prices were extended until 31 March 2015. The process has now been completed and new arrangements have been running since 1st April.

Underspend £1.001m Concessionary Travel:

- The general trend observed earlier in the year for reductions in NoW Card passenger numbers has continued in the final quarter of the year. Overall passenger journeys are down by 3.2% for 2014/15 in comparison with 2013/14 and the main factor for this decrease is considered to be the central government policy change in relation to the eligibility age for concessionary travel. This involves the eligibility age rising from 60 to 65 over a staggered period resulting in fewer applications for NoW cards. The other key factor contributing to this underspend is the lower than budgeted fare increases applied by bus operators. The budget was increased by 5% to allow for specific inflation, especially on fuel in 14/15 but the average increase in fare prices has only been 2.8%. The low fuel prices experienced throughout the year is considered to be the main reason for this. Both of these issues have resulting in lower than anticipated payments to bus operators.

Underspend £0.354m Sustainable Transport:

- The Lancashire Road Safety Partnership will now use its own speed awareness training income to fund all of its ongoing activities and so will not require additional funding from the County Council as has been the case in previous years.
- A surplus of income over expenditure was achieved in 2014/15 in relation to the provision of Road Safety Driver Training courses. This was largely due to an increase in Speed Awareness Course attendees in comparison with original forecast numbers.

Underspend £0.419m General staff vacancies savings across the service.

Underspend £0.323m resulting from additional General income generation.

The remaining underspend largely consists of a number of smaller increases on income collection in relation to college bus services, speed awareness course provision and scientific services food sampling.

Overspend £0.196m on Public Transport Initiatives:

- An increase in LCC's contribution to Blackpool Tramway maintenance costs has been negotiated at £0.280m per annum. The current budget of £0.073m is insufficient to cover this higher contribution and will cause an on-going budget pressure if maintained in future years.

3.4.3 Waste

The waste budget has underspent by £6.194m. Savings have been generated in year as a result of the financing and company structure changes implemented as part of the negotiated termination of the Waste PFI contract for the operation of the Leyland and Thornton Waste Treatment Facilities. The bank debt has been settled and refinanced and shareholder debt has been written off creating significant savings. Also, the requirement for the contract to operate under a dual company structure (Global Renewables Lancashire Ltd & Global Renewables Lancashire Operations Ltd) as determined by the PFI agreement has now been removed and only the operating company remains. Contractor payments have been reduced to reflect this overall reduction in running cost.

3.4.4 Directorate Overheads

The underspend of £1.156m is made up of two main areas.

- Underspend £0.370m. Resources previously set aside to cover potential severe weather maintenance overspend now not required due to relatively mild winter.
- An underspend of £0.767m on staff vacancies savings across the service and an allocation of apprentices costs to capital activity such as the City Deal, has resulted in the underspend against the staffing budget.

3.5 Directorate for The Office of the Chief Executive including BT Lancashire Services (BTLS)

Service Grouping	2014/15 Budget £m	2014/15 Final Outturn £m	2014/15 Variance £m	December Variance reported to Cabinet £m	Changes since last Cabinet £m
Accommodation Management Service	5.937	5.937	0.000	0.141	(0.141)
Business Services	1.879	1.736	(0.143)	(0.035)	(0.108)
County Benefits	2.859	2.702	(0.157)	(0.134)	(0.023)
Office of the Chief Executive	0.438	0.398	(0.040)	(0.004)	(0.036)
Client Management	0.115	0.093	(0.022)	(0.022)	0.000
Communications	0.494	0.767	0.273	(0.041)	0.314
County Secretary and Solicitors Group	2.417	2.479	0.062	0.178	(0.116)
Customer Access	4.792	4.490	(0.302)	(0.172)	(0.130)
Document and Records Management Service	1.244	1.241	(0.003)	0.000	(0.003)
Economic Development	3.204	3.204	0.000	(0.019)	0.019
Human Resources	0.031	(0.170)	(0.201)	(0.200)	(0.001)
Information Governance	0.158	0.070	(0.088)	(0.088)	0.000
Transition Fund	1.478	0.569	(0.909)	(0.137)	(0.772)
Learning and Development	2.589	2.495	(0.094)	(0.040)	(0.054)
Pensions	(1.566)	(1.566)	0.000	(0.044)	0.044
Procurement (Including Accounts Payable)	2.703	2.704	0.001	0.001	0.000
Business Intelligence	0.970	1.042	0.072	0.000	0.072
Corporate Property Group (including Repair and Maintenance)	6.985	6.829	(0.156)	0.000	(0.156)
Web	0.583	0.415	(0.168)	(0.171)	0.003

Total Office of the Chief Executive (Section 3.5.1)	37.310	35.435	(1.875)	(0.787)	(1.088)
ICT (excluding Westfield and Cumbria and Lancashire Education Online)	13.734	20.602	6.868	0.427	6.441
Westfield	-2.069	-3.245	-1.176	0.336	-1.512
Cumbria and Lancashire Education Online (CLEO)	-2.808	1.616	4.424	4.420	0.004
Payroll	1.539	1.865	0.326	0.297	0.029
Total BT Lancashire Services (Section 3.5.2)	10.396	20.838	10.442	5.480	4.962
Office of the Chief Executive (including BT Lancashire Services)	47.706	56.273	8.567	4.693	3.874

3.5.1 The Office of the Chief Executive

The Office of the Chief Executive shows an underspend of £1.875m compared to the previously reported underspend of £0.787m.

The areas of underspend are as follows:

- £0.143m in business services relates to reduction in staffing costs.
- £0.156m in corporate Property group has increased its income from capital and recharging other directorates.
- £0.772m the savings as identified in the OCL/BTLS renegotiation cabinet report have been achieved.
- £1.171m relates to all services returned from OCL; including human resources, customer access, procurement, information governance, learning and development have reported underspends due to staff vacancies.
- £0.040m relates to other small variances.

The areas of overspend are as follows:

- £0.062m County Secretary & solicitors group reported an overspend due to increase in agency costs.
- £0.273m Media and print services have under recovered income compared to budget figures. This remains a pressure in 2015-16 and onwards when schools opt for media only option for advertising.
- £0.072m Business Intelligence received less income from Public Health than was budgeted.

3.5.2 BT Lancashire Services (BTLS)

The reported position for BTLS reflects pressure of £10.442m. This is due to Cumbria Lancashire Education Online (CLEO), payroll and ICT income levels being below budget, with external clients

reducing services. This represents an increase of £4.962m from the previous period and consists of the following full year variances:

There is an overspend of £6.868m on ICT (excluding Westfield and CLEO) mainly relating to under performance against income targets, which include:

- Under-recovery of income within the Strategic Partnership budget because of reduced use of printing and copying devices. This will have a compensating underspend in directorate budgets.
- Benefits of the shared incentive procurement scheme have not fully materialised. These were the TNT and Xerox contracts which had a savings sharing target attached to them. Work is ongoing to crystalize them.
- Under achievement of the income target for chargeable ICT work to directorates. This was a budget created at the inception of the contract and is for chargeable work on directorate systems. This work is no longer commissioned as legacy systems are replaced by corporate solutions.
- Under recovery of other income within ICT services. This is now reflected in an increased underspend for Westfield because of a reclassification of ICT hardware income.
- Increases costs in service charges within the ICT services. These are being analysed and where appropriate will be passed on as part of the service costs to BTLS.

Westfield has an underspend of £1.176m is due to more income being received than budgeted within this service.

Cumbria Lancashire Education Online (CLEO) has an overspend of £4.424m relating to the non-achievement of budgeted income following the change of charging policy by BTLS. This has been reported through the year and was planned to be financed from reserves for 2014/15 and 2015/16. This pressure will be addressed as part of the 2016/17 budget setting process.

The Payroll overspend of £0.326m relates to a combination of reduced income with some schools withdrawing from the service and also one off development costs relating to implementing changes in the payroll system.

3.6 The County Treasurer's Directorate

Service Grouping	2014/15 Budget £m	2014/15 Final Outturn £m	2014/15 Variance £m	December Variance reported to Cabinet £m	Changes since last Cabinet £m
Management, Planning and Technical	1.443	1.276	(0.167)	(0.046)	(0.121)
Treasury Management	(0.228)	(0.224)	0.004	(0.015)	0.019
Business Partners Teams	0.996	0.984	(0.012)	0.004	(0.016)
Financial Support	2.723	2.721	(0.002)	(0.140)	0.138
Internal Audit	0.723	0.730	0.007	0.030	(0.023)
Total	5.657	5.487	(0.170)	(0.167)	(0.003)

The directorate's final outturn position shows an underspend of £0.170m compared to the previously reported position of an underspend of £0.167m. The year-end position has been realised largely as a result of holding vacant posts within the Directorate.

3.7 Lancashire County Commercial Group

Service Grouping	2014/15 Budget £m	2014/15 Final Outturn £m	2014/15 Variance £m	December Variance reported to Cabinet £m	Changes since last Cabinet £m
Catering (Section 3.7.1)	(0.920)	(1.754)	(0.834)	(0.101)	(0.733)
Care Section 3.7.2)	(0.447)	(1.215)	(0.768)	(0.524)	(0.244)
Operations Section 3.7.3)	(5.011)	(5.935)	(0.924)	(0.757)	(0.167)
Total	(6.378)	(8.904)	(2.526)	(1.382)	(1.144)

The Lancashire County Commercial Group (LCCG) has delivered an underspend of £2.526m compared to the £1.382m previously reported to Cabinet, an improvement of £1.144m. This is due to continued operational efficiencies and effective control of costs in relation to expenditure whilst maintaining income levels.

All services are performing well against budget, ensuring operations are as efficient as possible. Costs are being effectively controlled whilst maximising external income where possible.

3.7.1 Catering

The underspend of £0.834m relates to uptake of free schools meals in Key Stage 1. The uptake has been higher than budgeted and has not seen the expected drop off in the second term. However, costs have been controlled in the service by holding vacancies and reducing service overheads.

3.7.2 Care

The underspend of £0.768m is due to increases in income from self-funders, new block contracts and winter pressure beds whilst controlling staff and other service costs, as well as higher than budgeted occupancy levels in most homes.

3.7.3 Operations

The underspend of £0.924m relates to income from contracts that have been maintained or increased without increasing expenditure, service overheads have been reduced from budget by managing vacancies and controlling costs.

3.8 Corporate Budget

Service Grouping	2014/15 Budget £m	2014/15 Final Outturn £m	2014/15 Variance £m	December Variance reported to Cabinet £m	Changes since last Cabinet £m
Precepts and Levies	0.817	0.818	0.001	0.000	0.001
Contribution to Election Reserve	0.400	0.400	0.000	0.000	0.000
Civic Hospitality	0.135	0.080	(0.055)	(0.070)	0.015
Democratic Costs	1.808	1.616	(0.192)	(0.079)	(0.113)
Central Gateway Grant and Local Initiative Fund	0.766	0.766	0.000	0.000	0.000
Subscriptions and Fees	0.569	0.531	(0.038)	(0.099)	0.061
Local Members Grant Scheme	0.168	0.168	0.000	0.000	0.000
Other Expenditure/Income	0.213	0.161	(0.052)	(0.054)	0.002
Community Use of Premises	0.273	0.164	(0.109)	(0.053)	(0.056)
Carbon Reduction	0.900	0.900	0.000	0.000	0.000
Pensions	29.282	29.724	0.442	0.578	(0.136)
Hardship Fund	0.250	0.000	(0.250)	(0.250)	0.000
Capital Financing	2.850	2.850	0.000	0.000	0.000
Care and Urgent Needs (Section 3.8.2)	(0.005)	(1.610)	(1.605)	(1.495)	(0.110)
Total Corporate including Care and Urgent Needs	38.426	36.568	(1.858)	(1.522)	(0.336)

The Corporate budget is underspend by £1.858m which is an improvement of £0.336m since the last Cabinet report. The main reasons for the underspend are:

- £0.408m relates to a reduction in costs in Civic Hospitality, Member related costs, Community Use of Premises.

- £0.250m on Hardship Fund is no longer budgeted to be spent.
- £0.039m relates to other variances below £0.100m.
- £0.442m Increased liability on Pensions based on the Consumer Price Index (CPI) increase and actual outturn in 13-14.
- The £1.605m Care and Urgent Needs service underspend relates to the number of claimants being lower than anticipated. In response to the Fairness Commission, it is recommended that a specific earmarked reserve be set up and the underspend set aside to cover potential demand and funding pressures in future years.

3.9 Strategic Items

Service Grouping	2014/15 Budget £m	2014/15 Final Outturn £m	2014/15 Variance £m	December Variance reported to Cabinet £m	Changes since last Cabinet £m
Contribution to/from Reserves and Provisions	(4.081)	(4.532)	(0.451)	(0.451)	0.000
Total Strategic Budget	(6.265)	(4.518)	1.747	1.733	0.014

This element of the budget contains various technical items and budgets relating to savings and growth which were not allocated against service cash limits. In total there is some £2.200m of these savings in relation to Business Intelligence (£1m) and the Accommodation Review (£1.2m). These have been allocated to service budgets as part of the financial strategy in 2015/16 as appropriate. The £0.451m represents variation in the movements in reserves.

3.10 Capital Financing Costs

Service Grouping	2014/15 Budget £m	2014/15 Final Outturn £m	2014/15 Variance £m	December Variance reported to Cabinet £m	Changes since last Cabinet £m
Minimum Revenue Provision (Section 3.10.1)	34.298	30.157	(4.141)	(2.305)	(1.836)
Interest Paid (Section 3.10.2)	22.475	22.033	(0.442)	0.220	(0.662)
Interest /income Received (Section 3.10.3)	(18.631)	(83.628)	(64.997)	(49.915)	(15.082)
Grant Monies (Section 3.10.3)	(0.300)	(0.303)	(0.003)	0.000	(0.003)
Total Net Capital Financing	37.842	(31.741)	(69.583)	(52.000)	(17.583)

The capital financing outturn is £69.583m under budget due to increased income. Since last cabinet, the position has improved by £17.583m mainly due to gains realised following the sale of bonds.

3.10.1 Minimum Revenue Provision (MRP)

Underspend of £4.141m. The MRP is a charge made to revenue to repay borrowing taken out for capital expenditure. The MRP is lower than anticipated following the review of the MRP calculation and inherent assumptions. This resulted in the PFI liability being replaced by borrowing with adjustments in the budget for capital financing costs and waste as the financing of the borrowing now forms part of the treasury management activities of the authority.

3.10.2 Interest Paid

Interest paid is underspent by £0.442m as interest rates over the year have been lower than anticipated.

3.10.3 Interest/Income received/Grant Monies

The net position is £65m better than the budget. This is a result of additional income being received from realising market value increases in bonds and gains from the UK Treasury redemption of war loan bonds of which the Council was a holder. These gains are considered to be extraordinary and therefore will be a one-off gain.

3.11 Areas outside Cash-Limit Revenue Budgets

3.11.1 Additional One-Off Income

During the year additional income of £3.956m was received from Central Government and council tax payments. This consists of:

- £1.619m S31 Grant and Small Business Rates Relief.
- £4.276m additional Council Tax payments collected.
- £0.239 additional New Homes Bonus grant.
- £2.178m reduction in the collection of Business Rates.

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

3.11.2 Schools Spending

Collectively the schools funded via the County Council, increased their accumulated individual reserves by £0.520m from £55.854m to £56.374m.

A full report on the outturn for the Schools Budget will be made to the meeting of the Schools Forum on 7 July 2015 and subsequently to the Cabinet Member for Children, Young People and Schools. This report will reflect recommendations in relation to the implementation of the previously agreed claw back policy in relation to schools with excessive balances. This will affect 14 schools and result in £0.145m being recycled within the schools budget.

The overall picture on individual schools balances is shown below:

	Balance as at 1 April 2014 £m	Net Change in balances £m	Balances as at 31 March 2015 £m
Nursery	1.011	(0.105)	0.906
Primary	32.073	4.515	36.588
Secondary	15.595	(3.060)	12.535
Special	6.043	(1.272)	4.771
Short stay Primary	0.257	0.098	0.355
Short stay Secondary	0.875	0.344	1.219
Total	55.854	0.520	56.374

Whilst the largest total movement has been in the primary sector, the secondary sectors have the greater mean change per school.

During 2014/15 no schools have converted to academies. Out of 602 schools, 256 schools had an in year deficit and at 31 March 2015, 18 schools had deficit balances.

4. Section B – Capital Programme 2014/15

4.1 Capital Programme Summary 2014/15

The Capital Programme for 2014/15 to 2016/17 agreed by the County Council in February 2015 reflected a revised Capital Programme for 2014/15 of £211.731m which was £13.056m more than the original approved programme. Final spending in the year was £178.015m which can be summarised as follows:

Directorates Capital Programme *	2014/15 Programme £m	2014/15 Outturn £m	2014/15 Variance £m
Children and Young People (Section 4.1.1)	45.950	44.576	(1.374)
Environment (Section 4.1.2)	106.379	96.042	(10.337)
Adult Services, Health and Wellbeing (Section 4.1.3)	1.633	1.496	(0.137)
Corporate (including vehicle replacement) (Section 4.1.4)	36.127	25.431	(10.696)
Non LEP LCC Programme Subtotal	190.089	167.545	(22.544)
LCC funding contributions to City Deal (Section 4.1.5)	3.130	3.352	0.222
Programmes delivered by LCC, but funded from within LEP funding envelope (Section 4.1.7)	11.217	7.118	(4.099)

LCC Capital Programme including LEP LCC Funding and delivery Subtotal	204.436	178.015	(26.421)
LEP Programmes not funded or delivered by LCC (Section 4.1.8)	7.295	-	(7.295)
Total	211.731	178.015	(33.716)

*as revised in Feb 2015 to reflect expected spend

4.1.1 Children and Young People underspend £1.374m

- £1.019m schools overspend is mostly due to two major schemes progressing faster than anticipated, using funds brought forward from future years. These are Preston Sir Tom Finney Community High School and Nelson Lomeshaye Junior School.
- £2.256m underspend is due to non-schools slippage or delay.
- £0.137m non-schools underspend on general improvements.

4.1.2 Environment underspend £10.337m

- £9.543m underspend due to slippage / delay on Highway Maintenance projects of which £3.052m relates to assorted 2012/13 and 2013/14 starts; the balance £6.491m relates to 2014/15. Within 2014/15 the largest slippage are on the following schemes: Priority Neighbourhoods (£0.600m), Bridges (£0.880m), Structural defects (£1.500m) and Flood Defence schemes (£0.765m).
- £0.473m underspend due to slippage on Transport Improvement schemes.
- £0.321m underspend due to slippage on Waste Infrastructure projects.

4.1.3 Adult Social Health and Wellbeing underspend £0.137m

- £0.455m overspend on improved management information for social care with resources being brought forward from later years.
- £0.178m underspend due to delays on Libraries Regenerate.
- £0.137m underspend on General Improvements.
- £0.150m underspend on Extra Care Housing.
- £0.110m underspend on Changing Places for severely disabled adults.
- £0.017 assorted small projects underspend.

4.1.4 Corporate underspend £10.696m

- £4.191m underspend due to slippage of Superfast Broadband resulting from review of BT's delivery timescales and subsequent change to the contract.
- £1.409m underspend due to slippage on Property repair projects (includes £0.900m re Preston Accommodation review).
- £0.603m underspend due to slippage on ISSIS/ Resolution projects.
- £0.304m underspend due to slippage on vehicle replacement.
- £4.125m underspend on loans paid out to businesses from Growing Places grant are less than forecast in respect of two major schemes. The schemes are Blackburn Cathedral Quarter where the developer delayed draw down of this grant and "Innovation Drive" / "On The Banks" where the delay in draw down was due to the valuations which inform the scale and nature of the security package required by the County Council, on behalf of the LEP.
- £0.064m underspend on Pensions software and Strategic Partnership Improvement Plan.

4.1.5 City Deal delivered or funded by LCC

- LCC contribution £0.222m overspend due to increased spend on Fishergate scheme although this is covered by increased European Regional Development Fund (ERDF) funding.

4.1.6 Lancashire Enterprise Partnership (LEP)

LCC acts as the Accountable Body for the LEP, and as such has a duty to provide the LEP with financial reporting covering the full portfolio of LEP projects.

As the LEP is a separate legal entity from LCC and has governance over a wide portfolio of projects, some of which are delivered by LCC and some which are not, clarity of presentation has been enhanced to show the three elements of LEP activity which are as follows:

- Those funded by LCC contribution.
- Those delivered by LCC.
- Those which are purely LEP's responsibility i.e. £7.295m for schemes on motorways and district infrastructure not funded or delivered by LCC.

4.1.7 City Deal delivered by LCC

Programmes delivered by LCC, but funded from within LEP funding envelope variance £4.099m due to slippage are reported within the City Deal LEP framework, the key variances referenced above are:

- A582 South Ribble Western Distributor - Reduction of forecast expenditure by £2.485m in 2014/15 which has slipped into 2015/16.

- LCC element of Broughton scheme slipped into future years £1.530m due to re-profiling.

Other variances to schemes; including community provision for each district re-profiled to future years and reduced interest on capital £ 0.084m.

4.1.8 LEP Projects not funded or delivered by LCC

This variance of £7.295m reflects inclusion in the programme of a budget but no spend for schemes which are to be delivered, funded and accounted for by LEP not LCC. The schemes are the M55 junction and M6 works which are paid for and carried out by Highways England.

A review of how this element of the programme should be reported within the LCC Capital programme is required in 2015/16.

4.2 Capital Programme as approved by Full Council 12th February 2015

The table below shows the Capital Programme for future years as approved at Full Council on 12 February 2015, as adjusted for the 2014/15 slippage of £27.826m.

Capital Programme	2014/15 slippage £m	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 onwards £m	Total £m
Schools	0.000	44.661	4.346	3.580	0.000	52.587
Children & Young People`s Services	2.256	11.733	3.225	0.002	0.000	17.216
Highways Maintenance	9.543	32.733	20.454	19.964	0.000	82.694
Transport Improvement Schemes	0.473	70.861	5.695	5.870	0.000	82.899
Waste & other Environment projects	0.321	1.339	0.500	7.307	0.000	9.467
Adult Social Care	0.438	16.454	6.787	0.213	0.000	23.892
Corporate Programmes excluding vehicles	10.392	15.777	12.962	0.000	0.000	39.131
Vehicle Replacement Programme	0.304	5.900	3.200	3.200	0.000	12.604
City Deal	4.099	42.094	75.128	26.974	177.646	325.941
Total Programme	27.826	241.552	132.297	67.110	177.646	646.431

Therefore the total programme to be delivered for 2015/16 onwards is £646.431m of which City Deal forms £325.941m.

The above investment programme represents the phased allocations required to complete schemes to be started in 2015/16 or prior years. No new starts beyond 15/16 for any programmes were included in the above approved programme.

The above approved programme and financing took account of the following points:

- All Central Government resources announced as at 12th February 2015 for all years were allocated to the relevant programmes.
- The over programming of £15.359m over four years (2.4%) falls within the LCC Prudential Indicators.
- The programme included changes to support delivery of the Preston Bus Station scheme in order to incorporate the Youth Zone.

Financed by:	2014/15 Slippage £m	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 onwards £m	Total £m
Borrowing	1.283	41.262	21.207	0.000	0.000	63.752
Capital Receipts	10.212	11.085	4.289	8.638	0.000	34.224
Revenue contributions	0.000	14.643	4.925	4.966	0.000	24.534
Single Capital Pot Grant	0.000	71.944	28.886	22.390	14.999	138.219
Other grants & contributions	16.331	68.381	29.236	41.058	212.680	367.686
City Deal	0.000	25.520	43.754	(16.584)	(50.033)	2.657
Total	27.826	232.835	132.297	60.468	177.646	631.072

Over-programming	0.000	8.717	0.000	6.642	0.000	15.359
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Over programming:

Decisions have been taken to programme a greater value of schemes than financial resources identified, based on the recognition that slippage on such a large capital programme is reasonable and funds actually required will probably not be as much in year as the programme value.

4.3 Changes since 12 February 2015 requiring adjustment to February 2015 approved Capital Programme

The tables below restates the Capital Programme and its financing to show the effect of significant changes that have occurred since February. The detail of these changes totalling £26.655m for 2015/16 is listed below.

Capital Investment Programme	2014/15 Slippage £m	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 onwards £m	Total £m
Schools	0.000	43.361	4.346	3.580	0.000	51.287
Children & Young People`s Services (Section 4.3.1)	2.256	11.733	3.225	.002	0.000	17.216
Highways Maintenance (Section 4.3.2)	9.543	59.133	20.454	19.964	0.000	109.094
Transport improvement schemes (Section 4.3.3)	0.473	70.861	5.695	5.870	0.000	82.899
Waste & other Environment projects	0.321	1.594	0.500	7.307	0.000	9.722
Adult Social Care	0.438	16.454	6.787	0.213	0.000	23.892
Corporate Programmes excluding vehicles	10.392	15.777	12.962	0.000	0.000	39.131
Vehicle Replacement Programme	0.304	5.900	3.200	3.200	0.000	12.604
City Deal (Section 4.3.4)	4.099	43.394	75.128	26.974	177.646	327.241
Total Programme	27.826	268.207	132.297	67.110	177.646	673.086

Financed by:	2014/15 slippage £m	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 onwards £m	Total £m
Borrowing	1.283	41.262	21.207	0.000	0.000	63.752
Capital Receipts	10.212	11.085	4.289	8.638	0.000	34.224
Revenue contributions	0.000	14.898	4.925	4.966	0.000	24.789
Single Capital Pot Grant	0.000	70.644	28.886	22.390	14.999	136.919
Other grants & contributions (includes Growth & City Deals)	16.331	94.781	29.236	41.058	212.680	394.086
City Deal Temporary Resources	0.000	26.820	43.754	(16.584)	(50.033)	3.957
Total sources of finance	27.826	259.490	132.297	60.468	177.646	657.727

Over-programming	0.000	8.717	0.000	6.642	0.000	15.359
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4.3.1 Children & Young People - Schools reduction in grant £1.300m

Final 2015/16 Single capital pot grant allocation for Schools confirmed to be £1.300m which was lower than anticipated in setting the programme.

4.3.2 Environment Highway Maintenance total addition £26.400m (£19.900m funded from grant, £1.500m from contributions and £5.000m from LCC Downsizing Reserve)

On 5th March 2015 the Cabinet Member for Highways & Transport approved £1.500m to be added to the programme to bring in funding from Burnley BC for the Burnley Town Centre Project to add to the £1.5m already in the programme.

On 21st May 2015 the Cabinet Member for Highways & Transport considered reports to bring a total of £19.900m grant from the Department for Transport Challenge Fund into the programme. This consists of £5.100m to fund the replacement of vehicle restraint and communication systems on the M65 and £14.800m to fund a major programme of street lighting column and lantern replacement, plus provision of low emission vehicle charging points. A £5m capital contribution from LCC Downsizing reserve, as match funding for the street lighting bid, has already been agreed. The total increase in the Capital Programme will be £24.900m.

4.3.3 Environment other addition £0.255m funded from Environment Directorate revenue underspend 2014/15

On 9th April 2015 the Cabinet Member for Highways & Transport approved £0.255m to be added to the programme for improvements to Singleton Depot, including a new salt dome, to be funded from the Environment Directorate's 2014/15 revenue budget underspend. Note that £0.424m has already been allocated to this project within the approved programme, hence the total value of the scheme will be £0.679m.

4.3.4 City Deal total addition £1.300m

The Cabinet Member for Highways & Transport approved a report on 31 March 2015 to add £1.300m to the programme to bring in the Growth Deal funding for 90% of the construction works cost for major maintenance of Centenary Way Viaduct, Burnley, subject to such funding being secured by the LEP from Growth Deal funds. The other 10% of works cost, and all design and supervision costs are already contained within the approved Highways Bridges maintenance programme. This has been added into the City Deal element of the programme for consistency of presentation, but as this is a Growth Deal scheme, it is subject to the Capital reporting review to take place in 2015/16.

5. Section C - County Fund Balance, Reserves and Provisions

The council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. All reserves have been reviewed to ascertain whether the need for them remains and whether their scale continues to be appropriate. This led to a number of smaller reserves being closed and their balances transferred to the Risk Management reserve as part of the 2015/16 budget setting process in February 2015.

Consequently the balances remaining within Directorate balance sheets are held for specific identified purposes.

Reserve Name	Opening Balance as at 1 April 2014 £m	In Year Changes £m	Closing Balance as at 31 March 2015 £m
Reserves held to meet spending pressures			
County Fund	(36.000)	0.000	(36.000)
Business Rates Volatility Reserve	(5.000)	0.000	(5.000)
	(41.000)	0.000	(41.000)
Reserves held to deliver corporate priorities			
Strategic Investment Reserve	(26.819)	5.428	(21.391)
Modern Apprentices	(0.140)	0.140	0.000
Local Welfare Reserve	(1.000)	1.000	0.000
	(27.959)	6.568	(21.391)
Reserves held to deliver organisational change			
Downsizing Reserve	(99.233)	18.627	(80.606)
Risk Management	0.000	(82.020)	(82.020)
	(99.233)	(63.393)	(162.626)
Reserves held to pay for expenditure commitments			
Equal Pay Review Reserve	(0.500)	0.500	0.000
Election Reserve	(0.451)	(0.400)	(0.851)
Funding of Capital Projects	(17.040)	4.537	(12.503)
	(17.991)	4.637	(13.354)

Reserves held to meet service priorities

Children and Young People Directorate

YOT - General Youth Offending	(1.274)	0.407	(0.867)
DFM* General	(3.911)	0.213	(3.698)
CYP Directorate Grant Funded	(5.427)	0.100	(5.327)
Contingency For Children's Social Care	(0.758)	0.744	(0.014)
Crime & Disorder	(1.458)	(0.178)	(1.636)
Schools – Fulwood High School Private Finance Initiative Earmarked Reserve	(1.153)	0.069	(1.084)
Schools – Private Finance Initiative - Building Schools for the Future Wave 1	(4.899)	(0.851)	(5.750)

Adult Services, Health and Wellbeing Directorate

Exhibitions Reserve	(0.058)	0.006	(0.052)
Museum Acquisition Fund	(0.068)	(0.004)	(0.072)
Archives Development Fund	(0.022)	0.019	(0.003)
Queen Street Steam Engine Repair .Fund.	(0.240)	0.004	(0.236)
Lancaster City General Acquisitions Fund	(0.020)	0.009	(0.011)
Lancaster Adult Learning HQ General	(1.628)	1.263	(0.365)
Arts Development Fund	(0.024)	0.000	(0.024)
Adults - Early Intervention	(4.757)	0.000	(4.757)
Adults Directorate Grant Funded	(20.993)	18.156	(2.837)
Adult Social Care - Transit	(1.365)	0.000	(1.365)
Health Services	0.000	(7.924)	(7.924)
Extra Care Fund Reserve	0.000	(3.000)	(3.000)
Better Care Fund Reserve	0.000	(4.368)	(4.368)
Learning Disability Remodelling Reserve	(2.152)	2.152	0.000

Environment Directorate

Lancashire Road Safety Partnership	(0.817)	0.050	(0.767)
Speed Awareness	(0.492)	0.492	0.000
Waste DFM Reserve	(0.697)	0.697	0.000
Roundabout Sponsorship Income	(0.217)	(0.014)	(0.231)
Improved Outcomes Partnership	(0.108)	(0.029)	(0.137)
UK & Ireland Civinet Network	(0.024)	(0.031)	(0.055)
Waste PFI Compensation Payments Reserve	(0.391)	0.004	(0.387)
Equipment Renewal Reserve	(0.692)	(0.109)	(0.801)
Joint Service Needs Assessment Reserve	(0.116)	0.012	(0.104)
Multi Agency Data Exchange Reserve	(0.040)	(0.005)	(0.045)
Parking Reserve Fund Reserves	(0.328)	(0.362)	(0.690)
Building Design & Consultancy Reserve	(0.109)	0.012	(0.097)
NoW Card Renewal	(0.380)	0.000	(0.380)
Energy Surveys	(0.083)	(0.026)	(0.109)
Priorities Contingencies Reserve	(0.246)	0.011	(0.235)

Waste Plant Rectification	0.000	(20.000)	(20.000)
County Treasurer's Directorate			
Finance & Information DFM General	(0.350)	0.015	(0.335)
Office of the Chief Executive			
OCE General Reserve	0.000	(0.727)	(0.727)
DFM General	(0.118)	(0.260)	(0.378)
Economic Development Reserve	(0.736)	0.243	(0.493)
Lancashire Enterprise Partnership (LEP) Reserve	(0.454)	(0.725)	(1.179)
Occupational Health Unit Reserve	(0.084)	0.084	0.000
City Deal	0.000	(6.951)	(6.951)
Development Services Reserve	0.000	(2.964)	(2.964)
Property DFM Balances	(0.225)	0.225	0.000
Corporate			
Champions Funds	(0.007)	0.003	(0.004)
Vehicle Excess Reserve - LCC	(0.327)	0.068	(0.259)
Buildings Repair & Renewals Reserve	(1.103)	0.000	(1.103)
DFM Schemes	(3.308)	2.993	(0.315)
Local Member & Gateway Grant	(0.349)	0.290	(0.059)
Community Support Reserve	(0.250)	0.250	0.000
Public Health			
Public Health Grant Reserve	(2.927)	(3.288)	(6.215)
Lancashire County Commercial Group			
LCCG Appropriation Account	(0.150)	0.150	0.000
School Catering Repair And Maintenance	(1.637)	(0.241)	(1.878)
Civic Catering Repair And Maintenance	(0.077)	0.038	(0.039)
Vehicle Financing Reserve	(1.428)	1.428	0.000
	(68.477)	(21.850)	(90.327)
Schools Reserves**			
Individual Schools Reserves	(55.854)	(0.520)	(56.374)
Other Schools Reserves	(31.120)	(2.397)	(33.517)
Centrally Managed PROP Schools Maintenance Reserve	(4.239)	(1.822)	(6.061)
	(91.213)	(4.739)	(95.952)
Total Revenue Reserves	(345.873)	(78.776)	(424.649)

* DFM – Devolved Financial Management.

** The School Reserves are ringfenced to schools and up to the Schools to manage. See item 5.5.

The County Council's revenue reserves for balances held as at 31 March 2015 are described as follows:

5.1 Reserves held to meet spending pressures

County Fund:

- The County Fund balance remains at £36m at the end of the financial year.
- This is the main revenue fund used to provide county council services. Income to the fund consists of the county precept of council tax and business rates, government grants and other income.
- In line with previous practice all reserves have been reviewed to determine whether the need for them remains and whether their scale continues to be appropriate. This work has led to the closure of a number of smaller reserves where their purpose overlaps with the Downsizing Reserve and proposals to transfer a range of balances no longer required to the Downsizing Reserve.
- There are also a number of ring fenced reserves such as the Public Health Reserve and the Centrally Managed PROP Schools Maintenance Reserve where there are specific restrictions on the use of funding.

Business Rates Volatility Reserve:

- This reserve is set aside to mitigate any adverse impact upon the council's funding due to volatility in the Business rates Retention Scheme.

5.2 Reserves held to deliver corporate priorities

Strategic Investment Reserve:

- The council agreed a programme of investment in areas including the provision of residential and respite care, economic development, libraries regeneration, further development of Youth Zones, increasing employment opportunities and the development of apprenticeship programmes. The Strategic Investment Reserve will deliver the funding for this investment.

5.3 Reserves held to deliver organisational change

Downsizing Reserve:

- This reserve is set aside to support the county council as it continues to deliver its agreed savings in 2015/16, and develops its strategy to reduce costs over the following three years.
- The Downsizing Reserve takes account of a range of transfers from various directorate earmarked reserves which are no longer required for their original purpose. The breakdown of how this reserve has built up is shown below:

	£m
Opening Balance as at 31 March 2014	(99.233)
One off resources previously agreed	(3.956)
Transfers to other reserves agreed during the year	14.999
Voluntary redundancy costs	12.146
Transfers to revenue to support transformation	1.936
Transfer from revenue underspend	(6.498)
Closing balance as at 31 March 2015	(80.606)

Risk Management Reserve:

- Due to the authority's ongoing exposure to demand and funding risk, it was agreed at February 2015 Full Council that this reserve be set up to help the authority manage risk going forward. The balance is made up of the year end surplus on Capital Financing and £12.437m following a review of other reserves.

5.4 Reserves held to pay for expenditure commitments

Election Reserve:

- This reserve is for a contribution from revenue year on year to fund the cost of the local elections which are now stand alone.

Funding of capital projects:

- This reserve comprises of revenue monies earmarked to support committed capital projects in the county council capital programme.

5.5 Schools Reserves

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

5.6 Reserves held to meet service priorities (Directorate Reserves)

These earmarked reserves consist of amounts carried forward for specifically agreed projects within directorates.

5.6.1 Children and Young People Directorate

YOT - General Youth Offending:

- This reserve of £0.867m is made up of partner organisation contributions for YOT contingencies and monies earmarked for one off projects.

DFM General:

- This £3.698m reserve is for a wide range of agreed projects including School Support Services and European Social Fund (ESF) grant funding. These projects will be funded in 2015/16 and beyond.

Grant Funded CYP Directorate:

- This £5.327m reserve is from unutilised grant funding monies and is earmarked for various agreed projects including Special Educational Needs (SEND), Adoption and Working Together With Families (WTWF). These are to be funded in 2015/16 and beyond.

Contingency For Children's Social Care:

- This £0.014m reserve is to pay for grant applications for one off projects relating to children's social care.

Crime & Disorder Reserve:

- This £1.636m reserve is for earmarked to deliver the domestic abuse strategy.

Fulwood High School Private Finance Initiative Earmarked Reserve:

- £ 1.084m This Private Finance Initiative (PFI) Reserve is for future commitments created as directed by our external auditors.

Schools - PFI Building Schools for the Future Wave 1:

- £5.750m This PFI Reserve is for future commitments created as directed by our external auditors.

5.6.2 Adult Services, Health and Wellbeing Directorate

Exhibitions:

- The exhibition programme is planned up to 3 years in advance as a number of exhibitions are part funded by external grants. This £0.052m reserve is the key source of LCC funding that provides a top up in order to produce well designed exhibitions that are fit for purpose.

Museum Acquisition Fund:

- £0.072m fund used to contribute to the cost of purchasing / acquiring new collections commonly through sale by owners or finds by metal detectorists coming through the Portable Antiquities Scheme.

Archives Development Fund:

- A £0.003m development fund primarily for assisting in the purchase of archive collections.

Queen St Steam Engine Repair Fund:

- £0.236m used to fund maintenance of original working steam engine used to power the looms at Queen Street Mill (grade I listed building). For the most part this has been a fairly small reserve, however, LCC recently received £0.209m from the Ellison Legacy with a specific requirement that this legacy be used for the upkeep of the Lancashire Looms at Queen Street Mill which has been transferred to this reserve.

Lancaster City General Acquisitions Fund:

- The £0.011m Lancaster City General Acquisitions Reserve fund was in existence prior to the County Council running Lancaster City Museums. Each year Lancaster City Council put an amount in to the fund to pay for collection care materials or purchasing items for the collection.

Lancaster Adult Learning HQ General:

- A £0.365m specific reserve for Lancashire Adult Learning's future commitments which are dependent on the financial performance of this Service.

Arts Development Fund:

- This reserve was set up to support Arts Development.

Adults - Early Intervention:

- This £4.757m reserve covers invest-to-save funding via leader approved items for Shared Lives, reablement and telecare. Shared Lives funding is fully utilised and therefore has no outstanding commitments. £3m relates to telecare (to cover up front costs resulting from recent procurement of telecare contracts) and £1.757m to reablement.

Adults Directorate Grant Funded:

- This £2.837m reserve is from unutilised grant funding monies and is earmarked for agreed projects to be funded from 2015/16 and beyond, including the downsizing of the Supporting People programme.

Health Services:

- This is a specific £7.924m reserve consisting of health funding received from Clinical Commissioning Groups (CCG's); including contributions towards joint programmes agreed under a Section 256 framework agreement.

Better Care Fund:

- This is a specific £4.368m reserve for Better Care Fund (BCF) designed to help mitigate the financial risks to partner organisations should the financial outcomes of the Better Care Fund plan not be fully delivered. Health contributions from CCG's amount to £2.268m and the LCC contribution amounts to £1.350m.

5.6.3 Environment Directorate

Lancashire Road Safety Partnership:

- This reserve of £0.767m partnership monies held on behalf of LCC, Blackpool and Blackburn consists of surpluses transferred to be spent on new digital cameras.

Roundabout Sponsorship Income:

- This reserve of £0.231m is income generated from roundabout sponsorship which is reinvested into Public Realm by District allocation.

Improved Outcomes Partnership:

- This reserve consists of £0.137m of earmarked funds received as contributions from external partners (e.g. NHS) to be spent on Trading Standards Projects.

UK & Ireland Civinet Network:

- The reserve consists of the balance of £0.055m on the network bank account plus the surplus from the Euro project used to pay for continued membership of the network.

Waste PFI Compensation Payments Reserve:

- This reserve consists of £0.087m for the Waste Farrington Fund to be spent on local projects in Farrington, £0.285m is spare and recommended to be used on Global Renewables Lancashire (GRL) lifecycle costs and £0.015m Lancashire Trees and Woodlands Grant Scheme (LTWIGS).

Equipment Renewal Reserve:

- £0.801m is set aside in this reserve for various specific equipment purchases including highways video survey and scientific services equipment.

Joint Services Need Assessment Reserve:

- This £0.104m is for the authority to fulfil its statutory duty to deliver a 'Joint Strategic Needs Assessment' based on requirements in the 2012 Health Act.

Multi Agency Data Exchange Reserve:

- This £0.045m is for the authority to fulfil its statutory duties according to the Crime and Disorder Act.

Building Design and Consultancy Reserve:

- £0.097m is to cover the costs of building design specialist and high specification design and construction software and systems.

NoW Card Renewal:

- This reserve is used to build up the balance to £0.400m by 2017 when the NoW Card renewal is due. NoW Card is renewed every 5 years.

Energy Surveys:

- £0.109m is set aside to cover the costs of conducting energy surveys which are all to be completed by 2016/17. It is a statutory requirement to display Energy Certificates and Advisory Reports in all buildings accessed by the public.

Priorities Contingencies Reserve:

- This reserve of £0.235m is used to fund agreed operations work which is supported by highways jobs.

Waste Plant Rectification:

- £20m for rectification works or works to resolve environmental issues. There is a £4.450m potential commitment in 2015/16 for a new sprinkler system.

5.6.4 County Treasurer's Directorate

Finance & Information DFM General:

- This £0.335m reserve is for various agreed projects to be funded from 2015/16 and beyond including an Oracle Business Intelligence Reporting Tool.

5.6.5 Office of the Chief Executive

OCE General Reserve:

- A £0.727m reserve for repairs and maintenance revenue spend which is delayed until there is more certainty about the property portfolio.

DFM General:

- This £0.378m balance is in relation to a variety of projects including the AMS contribution to reserves, BTLS partner & external ICT projects at County Hall and additional infrastructure upgrade & replacement from 2015/16 and beyond.

Economic Development Reserve:

- £0.493m of funds committed to ongoing economic development projects with a lifespan of more than one year.

LEP Reserve:

- This reserve of £1.179m is used to support the ongoing objectives of the LEP to direct economic growth and drive job creation.

Development Services Reserve:

- £2.964m required to fund known one off expenditure, for example replacement of software and systems; priming funding required for some economic development activities and LEP project match or revenue funding.

5.6.6 Corporate

Champions Funds:

- Balances carried forward for Champion Members to provide funding to local organisations within their remit.

Vehicle Excess Reserve – LCC:

- A £0.259m fund used to pay for the self-insurance element for damage to county vehicles between the £0.001m charged to directorates per claim and the self-insurance limit of £0.020m per claim.

Buildings Repair & Renewals Reserve:

- A £1.103m reserve for repairs and maintenance revenue spend which are delayed until there is more certainty about the property portfolio.

DFM Schemes:

- A reserve of £0.315m set aside for Member's development following the local elections.

Local Member & Gateway Grant:

- £0.059m carried forward to future years for Member's awards and local initiatives funding.

5.6.7 Public Health

Public Health Grant Reserve:

- Ring fenced Public Health grant of £6.215m to spend in 2015/16 and beyond.

5.6.8 Lancashire County Commercial Group

School Catering Repair And Maintenance:

- £1.878m of funds held on behalf of schools relating to maintenance and development of school kitchens.

Civic Catering Repair And Maintenance:

- £0.039m of funds held for the maintenance and development of kitchens provided in this service.

5.6.9 Provision for Bad and Doubtful Debts

In addition to general provisions against known liabilities the Council maintains provisions against bad and doubtful debts, as at the end of the year these were as shown below.

Directorate	Opening Balance as at 1 April 2014 £m	In Year Changes £m	Closing Balance as at 31 March 2015 £m
Adult Services, Health and Wellbeing including Learning & Development	(9.712)	(0.248)	(9.960)
Children and Young People	(0.203)	0.005	(0.198)
Environment	(0.799)	0.230	(0.569)
Office of the Chief Executive	(0.067)	0.029	(0.038)
Corporate	(0.166)	(0.019)	(0.185)
County Treasurer's	(0.004)	(0.013)	(0.017)
Lancashire County Commercial Group	(0.253)	(0.084)	(0.337)
Total	(11.204)	(0.100)	(11.304)

5.6.10 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:

Directorate	Opening Balance as at 1 April 2014 £m	In Year Changes £m	Closing Balance as at 31 March 2015 £m
Adult Services, Health and Wellbeing	(0.549)	0.133	(0.416)
Children and Young People	(0.610)	0.157	(0.453)
Environment	(0.589)	0.589	0
Office of the Chief Executive	(0.577)	0.097	(0.480)
Corporate	(5.748)	(5.673)	(11.421)
Total	(8.073)	(4.697)	(12.770)

6. Section D - Conclusion on the County Council's Financial Health

The overall financial health of the County Council at the end of the 2014/15 financial year continues to be strong with a prudent level of reserves and provisions set aside to deal with the challenges LCC will face during the coming years. Cost pressures from the continuing increase in demand for council services, in particular those services delivering social care to older people and children as well as increases in contract prices, pay and related costs along with significant cuts in funding of specific service areas has reinforced the need to re-engineer and design service models, all of which will take time to deliver. This was recognised when setting the 2015/16 budget and financial plan for 2016/17 onwards.


Outturn pressures and 2015/16 delivery will be monitored with appropriate contingencies and proposals being tabled to ensure effective service delivery within the financial envelope.

The following areas present further significant challenges to the Council:

- When the County Council set the budget in February 2015 for 2015/16 to 2017/18, the gap between forecast expenditure and resources was £177.563m over the three years. Savings proposals and increased resources totalling £151.135m were approved, leaving a gap of £26.428m still to be met.
- The most recent demand forecasts are included in the budget and any increases in demand will add further pressure to future budgets. The Council continues to face significant budget pressures due to demands for Adults Social Care and Learning Disability Services. In addition, the impact of national changes relating to Ordinary Residence, the Winterbourne Concordat and Deprivation of Liberty Safeguards, adds further pressure on resources. Children's Social Care agency placement costs is another area affected by financial pressures due to increased demand. The Council is working to source and commission suitable placement and support services, as well as focusing on recruiting and retaining foster carers.
- The new system of local government finance passes responsibility for the management of a number of risks concerned with resource volatility from central government to councils. The impact of business rates appeals presents a continuing risk to income from business rates.
- The outcome of the Chancellor of the Exchequer's budget on 8th July 2015 is unknown but is likely to require an early review of future budget assumptions, to ensure appropriate time is available to consider potential strategies and policy options for the future.

Despite the difficult environment the Council has continued to demonstrate:

- Strong financial management, through managing the costs of demand led services within budget and demonstrating the ability to bring forecast service overspends back within budget.
- Strong delivery arrangements through achieving the delivery of savings early throughout the three year budget.
- Innovation through the successful implementation of the Treasury Management Strategy, and
- Flexibility through redeploying resources to address the County Council's priorities.



All of these are characteristic of organisations with well managed finances. At the same time the County Council is maintaining a strong balance sheet and has set resources aside to mitigate identified risks.

It is vital that strong financial management is maintained across the County Council in 2015/16 and beyond in order to ensure that the County Council can maintain an effective approach to the financial challenge ahead.